COVER SHEET

SEC Registration Number

40621

COMPANY NAME

APEX MINING CO., INC. AND SUBSIDIARIES

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

3304B West Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-Q		N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
rnmigrino@apexmining.com	706-2805	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
	6/30	12/31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Renato N. Migriño	rnmigrino@apexmining.com	706-2805	N/A

CONTACT PERSON's ADDRESS

3304B West Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City

NOTE 1 : *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2 : *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended: **September 30, 2018**

2. Commission Identification Number: **40621**

3. BIR Tax Identification No.: **000-284-138**

4. Exact Name of Registrant as specified in its charter**: APEX MINING CO., INC.**

5. Province, country or other jurisdiction of incorporation or organization: **PHILIPPINES**

6. Industry Classification Code: (SEC Use Only)

7. Address of registrant's principal office: **3304B West Tower PSE Centre, Exchange Road, Ortigas Center, Pasig City,**
   Postal Code: **1605**

8. Telephone number, including area code: **Tel. # (02) 706-2805 Fax # 706-2804**

9. Former name, former address and former fiscal year, if changed since last report. **N/A**

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sections 4 and 8 of the Revised Securities Act (RSA)

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common shares	**6,227,887,491**

11. Are any of the issuer's securities listed on a Stock Exchange? If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

    Yes [X] No [ ] Philippine Stock Exchange / Common shares

12. Indicate by check mark whether the registrant:
    (a) has filed all reports required to be filed by Section 11 of the RSA Rule 11(a)-1 thereunder and Sections 26 and 141 of the Corporate Code of the Philippines, during the preceding 12 months (or for such shorter period that registrant was required to file such reports)

    Yes [X] No [ ]

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

    Yes [ ] No [X]

Part I – FINANCIAL INFORMATION

Item 1. Financial Statements

Please see attached Unaudited Interim Financial Statements as of September 30, 2018.

Item 2. Management Discussion and Analysis of Financial Position and Results of Operations for the Three Quarters ended September 30, 2018 and 2017

Consolidated Statement of Income

Consolidated Net Income

The consolidated net income of Apex Mining Co., Inc. (the "Parent Company") and Subsidiaries (collectively referred to as the "Group") was ₱327.6 million in the three quarters of 2018, which was higher than the ₱304.7 million consolidated net income in the same period in 2017. The third quarter consolidated net income in 2018 and 2017 was ₱111.7 million and ₱126.8 million, respectively.

The Parent Company net income in the third quarter of 2018 and 2017 amounted to ₱121.6 million and ₱139.9 million, bringing the Parent Company net income for the three quarters of 2018 and 2017 to ₱356.2 million and ₱345.7 million, respectively.

Consolidated Revenues

The consolidated gross revenues in the three quarters of 2018 and 2017 amounted to ₱3.7 billion and ₱3.0 billion, respectively, an increase of ₱750.0 million or 25% in 2018 compared to 2017. The consolidated revenues of the Group pertain to the Parent Company revenues in all comparative periods.

Refining charges refer to costs incurred to refining the bullion to attain the level of purity acceptable by commodity market standards. The higher metal production in the three quarters of 2018 compared to the same period in 2017 directly resulted to an increase in refining charges to ₱28.4 million from ₱27.0 million.

Information on the Parent Company production volume and realized prices for both gold and silver in the three quarters and third quarter of 2018 and 2017 follows:

	Gold			Silver		
	2018	2017	%	**2018**	2017	%
Three Quarters:						
Volume in ounces	**52,553**	43,925	+20%	**228,010**	223,726	+2%
Realized price/ounce, in USD	**$1,268**	$1,257	+1%	**$15.84**	$17.15	–8%
Third Quarter:						
Volume in ounces	**20,218**	14,506	+39%	**68,759**	76,224	–10%
Realized price/ounce, in USD	**$1,200**	$1,280	–6%	**$14.63**	$16.73	–13%

The weighted average United States Dollar (USD) to Philippine Peso (PHP) foreign exchange rates on the Parent Company revenues in the three quarters of 2018 and 2017 were ₱52.96 and ₱50.29, to one USD, respectively, or an appreciation of the USD of 5% against the PHP.

An analysis of the consolidated revenue variance, which comprises of volume, price and exchange rate variances between the comparative three quarters and third quarter ended September 30, 2018 and 2017 of the Group follows:

	Between Three Quarters of 2018 and 2017			Between Third Quarter of 2018 and 2017		
Variances	Gold	Silver	Total	Gold	Silver	Total
Volume	₱545,285,919	₱3,694,456	₱548,980,375	₱372,249,928	(₱6,359,752)	₱365,890,176
Price	28,712,396	(15,027,325)	13,685,071	(82,045,673)	(7,361,290)	(89,406,963)
Exchange rate	177,631,375	9,627,895	187,259,270	67,506,667	2,796,712	70,303,379
Consolidated revenue	₱751,629,690	(₱1,704,974)	₱749,924,716	₱357,710,922	(₱10,924,330)	₱346,786,592

The Parent Company reflected substantial positive volume variance for gold on the back of milling throughput higher by 5% in 2018 compared to last year, record-high recovery percentage at 84.8% in 2018 versus 82.5% in 2017, and better grades at 4.27 grams per tonne (gpt) compared 3.87 gpt in the previous year.

Even a 1% improvement in the average gold price in the three quarters of 2018 still gave the Parent Company a net positive price variance despite the drop in the average silver price by 8%.

The continued strength of the USD against the PHP favored the exchange rate variance as shown in the table above.

Consolidated Cost of Production

Consolidated cost of production incurred in the three quarters of 2018 and 2017, all of which pertains solely to the Parent Company cost of production, amounted to ₱2.7 billion and ₱2.3 billion, respectively. A breakdown of the main components of consolidated cost of production is as follows:

- Depreciation, depletion and amortization expense increased by 25% or ₱162.8 million in 2018 compared to 2017.

  The depreciation of additional fleet of equipment that arrived during the last quarter of 2017 and first quarter of 2018 contributed to a 40% increase in depreciation in the current three quarter period versus last year.

  On the other hand, depletion in the three quarters in 2018 climbed by ₱31.1 million or 11% on account of higher depletion rate and tonnage milled. The higher depletion rate in 2018 was brought about by the capital cost of new working areas reclassified to mine and mining properties subject to depletion. The increase in throughput increased the total tonnes milled basis for computing depletion cost for the period.

- Materials and supplies used in mining and milling rose by ₱234.8 million or 37% mainly for parts and fuel of the new fleet of equipment, and increased throughput.

- Personnel cost was a little higher by ₱37.6 million or 9% in 2018 compared to 2017 due to higher salary rates.

- Utilities cost, mainly pertaining to power, dropped by ₱10.6 million or 5% on account of lower cost per kilowatt-hour (kWh) at ₱4.79 in 2018 versus ₱5.02 in 2017. Total kWh consumption in the three months in 2018 and 2017 was 58.8 million kWh and 57.7 million kWh, respectively.

- Contracted services rose by 25% or ₱45.6 million in the three quarters of 2018 compared to 2017. Outsourced preventive maintenance services for equipment increased in the current period with the arrival of new fleet of equipment.

- Indigenous People (IP) surface rights royalty & IP royalty accounted for a ₱15.5 million or 26% increase in the three quarters of 2018 compared to the same period last year. IP surface rights royalty increased as it is based on the Parent Company's net revenue, which has grown 25% and 11% in the three quarters of 2018 and 2017, respectively. IP royalty, on the other hand, also contributed to the overall increase in the group as its computation is gross income-based.

Consolidated Excise Taxes
Consolidated excise taxes of the Group more than doubled to ₱153.8 million in 2018 from ₱56.3 million in 2017 due to the increase in the excise tax rate from 2% to 4% of the net revenue, beginning January 1, 2018 as provided for in the Tax Reform for Acceleration and Inclusion (TRAIN) program of the Philippine government. The higher net revenue also contributed to the higher excise tax in 2018 compared to 2017.

Consolidated General and Administrative Expenses
Consolidated general and administrative (G&A) expense in the three quarters of 2018 and 2017 amounted to ₱123.4 million and ₱148.5 million, respectively. Details of the significant elements of the consolidated G&A expenses are discussed below.

- Personnel cost decreased by 16% or ₱7.5 million in 2018 versus the comparative three quarters in 2017 as the payroll of one of the Parent Company's non-operating subsidiaries have been absorbed by a different company not part the Group in 2018.

- Taxes and licenses decreased by ₱16.5 million due to a one-time documentary stamp tax transaction in the first quarter of 2017 for a loan that was availed of at the Parent Company level.

Consolidated Finance Cost and Other Income/Charges
The consolidated finance cost and other income/charges of the Group amounted to ₱200.9 million and ₱163.0 million in the three quarters of 2018 and 2017, respectively. In December 2017, the Parent Company refinanced a short-term ₱2.3 billion loan bearing a 5.75% interest rate per annum, with a seven-year ₱2.5 billion term loan with another bank bearing a 6.45% interest rate per annum.

Consolidated Provision for (Benefit from) Income Tax
The provision for current income tax in 2018 and 2017 both pertains to the regular corporate income tax (RCIT) of 30% of taxable income. The Parent Company fully exhausted its available loss carryovers and tax credits by the third quarter of 2017, and has been subject to RCIT since then.

<u>Consolidated Statement of Financial Position</u>
Consolidated Current Assets
Total consolidated current assets decreased by ₱366.4 million to ₱1.9 billion as of September 30, 2018 from ₱2.3 billion as of December 31, 2017 due to the following:

- Cash of the Group fell by ₱247.7 million to ₱176.2 million as of September 30, 2018 from ₱423.9 million as of December 31, 2017. The Group, essentially from the operations of the Parent Company, generated ₱1.5 billion cash from operating activities and invested ₱1.4 billion in capital assets. The Group also paid off some of its bank loans totaling ₱317.1 million further reducing its cash.

- Trade and other receivables dropped by ₱497.7 million to ₱124.3 million as of September 30, 2018 compared to December 31, 2017 due to the collection of trade receivables for the gold bullion shipments of the Parent Company and incidental production of subsidiary, Itogon-Suyoc Resources, Inc.

- Inventory grew to ₱1.0 billion as of September 30, 2018 from ₱743.9 million as of December 31, 2017 as the Parent Company's metals inventory, both bullion and ore stockpile, climbed by ₱263.1 million as of September 30, 2018. These are bullion for shipment and stockpile for feeding to the mill plant.

- Prepayments and other current assets rose by ₱108.2 million as of September 30, 2018 versus the comparative balance as of December 31, 2017 on account of additional input value-added tax (VAT) accruing on local purchases and on importations. The Parent Company applies its input VAT to the appropriate government body for tax refunds.

Consolidated Noncurrent Assets
Total consolidated noncurrent assets increased by ₱602.0 million to ₱10.4 billion as of September 30, 2018 from ₱9.8 billion as of December 31, 2017 due to capital expenditures on fixed assets and mine exploration and development costs.

Consolidated Current Liabilities
Consolidated current liabilities were higher by ₱267.8 million to ₱3.8 billion as of September 30, 2018. The Group increased its trade and other payables by ₱194.0 million due to supplier purchases on credit. Reclassification of loans payable from noncurrent to current amounting to ₱392.8 million. The Parent Company paid, however, loan amortization of ₱317.1 million in the nine months ended September 30, 2018 resulting to a net increase in current loans payable of ₱75.7 million.

Consolidated Noncurrent Liabilities
The decrease in noncurrent loans payable due to the reclassification of ₱392.8 million to current loans payable was slightly offset by an additional provision for retirement benefits of ₱33.1 million.

Consolidated Equity
Consolidated equity increased by ₱327.6 million solely from the total comprehensive income earned in the nine months ended September 30, 2018.

<u>Key Performance and Financial Soundness Indicators</u>
Operating Performance Indicators
Tonnage mined and milled, ore grade and mill recovery determine metal production volume. The higher the tonnage, ore grade and mill recovery, the more metals are produced. Below are the mine and mill data that determined the production of the Maco mine of the Parent Company.

	Three Quarters ended Sept 30			Third Quarter ended Sept 30		
	2018	2017	Change	**2018**	2017	Change
Tonnes mined	**487,965**	353,491	+38%	**169,490**	117,815	+44%
Mine grade (grams/tonne)	**5.17**	5.32	–3%	**5.30**	4.99	+6%
Tonnes milled	**451,375**	428,146	+5%	**159,211**	138,236	+15%
Mill head grade (gpt):						
Gold	**4.27**	3.87	+10%	**4.60**	3.92	+17%
Silver	**24.81**	23.66	+5%	**24.63**	22.55	+9%
Metal recovery (%):						
Gold	**84.77**	82.53	+3%	**85.86**	83.33	+3%
Silver	**63.32**	69.20	–8%	**54.54**	75.95	–28%

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

A. Profitability Ratios

	Formula	Nine-Month Period Ended Sept 30 **2018**	2017
Gross profit margin	Gross profit / Revenue	**25.77%**	23.93%
Return on assets	Net income / Total assets	**2.65%**	2.65%
Return on equity	Net income / Total equity	**5.65%**	5.96%
Debt service coverage ratio (DSCR)	EBITDA / Loan principal plus interest payments	**2.62 : 1**	4.04 : 1

The significant improvement in the gross profit margin in the three quarters of 2018 compared to the same period in 2017 can be attributed to the higher realized gold price and appreciation of the USD against the PHP.

Return on equity decreased in 2018 compared to 2017 as the Group's total equity grew faster than its consolidated net income, albeit higher than the previous year.

The inclusion of the principal payments due from the seven-year term loan with a local bank, which was entered into by the Parent Company in December 2017 to fully pay its short-term loan with another local bank (see Note 4 of the Notes to Consolidated Financial Statements), caused the decrease in the 2018 DSCR versus 2017.

B. On Liquidity and Leverage

	Formula	**September 30, 2018**	December 31, 2017
Current ratio	Current assets / Current liabilities	**0.48 : 1**	0.62 : 1
Asset-to-equity	Total assets / Total equity	**2.13 : 1**	2.21 : 1
Debt-to-equity	Total debts / Total equity	**1.13 : 1**	1.21 : 1

The increase in the current liabilities of the Group was faster than that of its current assets with the utilization of the Trust Receipts facility with a local bank for capital and operating expenditures resulting in lower current ratio as of September 30, 2018 compared to the current ratio as of December 31, 2017. On the other hand, the growth of the Group's total stockholders' equity was greater than the increase in its total liabilities, also decreasing its Asset-to-equity and Debt-to-equity ratios.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

APEX MINING CO., INC.
Registrant

WALTER W. BROWN	RENATO N. MIGRINO	MARION SAUL V. AGGARAO
President & CEO	Treasurer	Comptrollership Head

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

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
ASSETS		
Current Assets		
Cash	**₱176,195,460**	₱423,908,113
Trade and other receivables	**124,345,984**	621,998,486
Advances to related parties	**2,671,473**	2,671,473
Inventories - net realizable value	**1,014,648,733**	743,868,417
Prepayments and other current assets	**623,757,449**	515,566,086
Total Current Assets	**1,941,619,099**	2,308,012,575
Non-current Assets		
Available-for-sale financial assets	**344,640,000**	344,640,000
Property, plant and equipment	**6,902,842,771**	6,451,649,287
Deferred exploration costs	**2,667,114,825**	2,508,533,635
Intangible assets	**192,325,257**	192,550,574
Other non-current assets	**294,124,902**	301,669,512
Total Noncurrent Assets	**10,401,047,755**	9,799,043,008
TOTAL ASSETS	**₱12,342,666,854**	₱12,107,055,583
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables	**₱1,486,383,235**	₱1,292,333,868
Advances from related parties	**976,012,000**	976,012,000
Loans payable (Note 4)	**1,498,883,328**	1,423,152,603
Income tax payable	**52,133,222**	54,121,305
Total Current Liabilities	**4,013,411,785**	3,745,619,776
Non-current Liabilities		
Loans payable - net of current portion (Note 4)	**2,047,619,048**	2,440,476,190
Provision for retirement benefits	**213,823,032**	180,719,031
Provision for mine rehabilitation and decommissioning	**32,813,580**	32,813,580
Deferred income tax liabilities	**235,140,538**	235,140,538
Total Noncurrent Liabilities	**2,529,396,198**	2,889,149,339
Total Liabilities	**6,542,807,983**	6,634,769,115
Equity Attributable to Equity Holders of the Parent Company		
Capital stock (Note 6)	**6,227,887,491**	6,227,887,491
Additional paid-in capital	**634,224**	634,224
Treasury shares (Note 6)	**(2,081,746,680)**	(2,081,746,680)
Revaluation surplus on property, plant and equipment	**237,572,339**	237,572,339
Remeasurement loss on retirement plan	**13,459,116**	13,459,116
Currency translation adjustment on foreign subsidiaries	**566,324**	566,324
Retained earnings	**1,224,452,746**	896,313,943
	5,622,825,560	5,294,686,757
Non-controlling Interests	**177,033,311**	177,599,711
Total Equity	**5,799,858,871**	5,472,286,468
TOTAL LIABILITIES AND EQUITY	**₱12,342,666,854**	₱12,107,055,583

See accompanying Notes to Consolidated Financial Statements.

APEX MINING CO., INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE NINE AND THREE-MONTH PERIODS ENDED SEPTEMBER 30

	Nine-Month Period Ended September 30		Three-Month Period Ended September 30	
	2018 (Unaudited)	2017 (Unaudited)	**2018 (Unaudited)**	2017 (Unaudited)
Gold	**₱3,527,802,993**	₱2,776,173,303	**₱1,302,984,108**	₱945,273,185
Silver	**191,237,246**	192,942,220	**54,015,790**	64,940,121
GROSS REVENUE	**3,719,040,239**	2,969,115,523	**1,356,999,898**	1,010,213,306
Less: refining charges	**28,378,203**	27,043,545	**8,807,130**	9,827,044
NET REVENUE	**3,690,662,036**	2,942,071,978	**1,348,192,768**	1,000,386,262
COST OF PRODUCTION (Note 8)	**2,732,304,469**	2,258,598,910	**1,040,863,780**	748,775,239
EXCISE TAXES	**153,804,896**	56,298,547	**55,894,729**	19,096,933
GENERAL AND ADMINISTRATIVE EXPENSES (Note 9)	**123,449,799**	148,501,768	**38,569,980**	47,810,740
FINANCE COST AND OTHER INCOME/CHARGES	**200,866,439**	162,984,734	**49,057,667**	54,771,306
INCOME BEFORE INCOME TAX	**480,236,431**	315,688,019	**163,806,612**	129,932,044
PROVISION FOR (BENEFIT FROM) INCOME TAX				
Current	**152,664,028**	45,895,365	**52,133,222**	37,984,257
Deferred	**–**	(34,866,130)	**–**	(34,866,130)
	152,664,028	11,029,235	**52,133,222**	3,118,127
NET INCOME (Note 9)	**₱327,572,403**	₱304,658,784	**₱111,673,390**	₱126,813,917
Net income (loss) attributable to:				
Equity holders of the Parent Company	**₱328,138,803**	₱305,595,797	**₱111,846,190**	₱127,081,028
Non-controlling interests	**(566,400)**	(937,013)	**(172,800)**	(267,111)
	₱327,572,403	₱304,658,784	**₱111,673,390**	₱126,813,917
BASIC AND DILUTED EARNINGS PER SHARE (Note 7)	**₱0.058**	₱0.054	**₱0.020**	₱0.022
NET INCOME	**₱327,572,403**	₱304,658,784	**₱111,673,390**	₱126,813,917
OTHER COMPREHENSIVE INCOME, NET OF TAX	**–**	–	**–**	–
TOTAL COMPREHENSIVE INCOME	**₱327,572,403**	₱304,658,784	**₱111,673,390**	₱126,813,917
Total comprehensive income (loss) attributable to:				
Equity holders of the Parent Company	**₱328,138,803**	₱305,595,797	**₱111,846,190**	₱127,081,028
Non-controlling interests	**(566,400)**	(937,013)	**(172,800)**	(267,111)
	₱327,572,403	₱304,658,784	**₱111,673,390**	₱126,813,917

See accompanying Notes to Consolidated Financial Statements.

APEX MINING CO., INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018 AND 2017

	Attributable to Equity Holders of the Parent Company								
	Capital stock (Note 6)	**Additional paid-in capital**	**Revaluation surplus**	**Treasury shares** (Note 6)	**Re-measurement gain (loss) on retirement plan**	**Currency translation adjustment on foreign subsidiaries**	**Retained earnings**	**NCI**	**Total**
Balances at December 31, 2016 (Audited)	**₱6,227,887,491**	**₱15,941,675**	**₱262,063,873**	**(₱2,117,737,909)**	**(₱7,686,433)**	**(₱2,185,644)**	**₱443,834,193**	**₱176,833,272**	**₱4,998,950,518**
Net income (loss)	–	–	–	–	–	–	305,595,797	(937,013)	304,658,784
Other comprehensive income	–	–	–	–	–	–	–	–	–
Total comprehensive income (loss)	–	–	–	–	–	–	305,595,797	(937,013)	304,658,784
Balances at September 30, 2017 (Unaudited)	**₱6,227,887,491**	**₱15,941,675**	**₱262,063,873**	**(₱2,117,737,909)**	**(₱7,686,433)**	**(₱2,185,644)**	**₱749,429,990**	**₱175,896,259**	**₱5,303,609,302**
Balances at December 31, 2017 (Audited)	**₱6,227,887,491**	**₱634,224**	**₱237,572,339**	**(₱2,081,746,680)**	**₱13,459,116**	**₱566,324**	**₱896,313,943**	**₱177,599,711**	**₱5,472,286,468**
Net income (loss)	–	–	–	–	–	–	328,138,803	(566,400)	327,572,403
Other comprehensive income	–	–	–	–	–	–	–	–	–
Total comprehensive income (loss)	–	–	–	–	–	–	328,138,803	(566,400)	327,572,403
Balances at September 30, 2018 (Unaudited)	**₱6,227,887,491**	**₱634,224**	**₱237,572,339**	**(₱2,081,746,680)**	**₱13,459,116**	**₱566,324**	**₱1,224,452,746**	**₱177,033,311**	**₱5,799,858,871**

See accompanying Notes to Consolidated Financial Statements.

APEX MINING CO., INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30

	2018 (Unaudited)	2017 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax for the period	**₱480,236,431**	₱315,688,019
Adjustments for:		
Depreciation, depletion and amortization	**815,620,527**	653,754,690
Provision for retirement benefits	**33,104,001**	29,575,813
Operating income before working capital changes	**1,328,960,959**	999,018,522
Decrease (increase) in:		
Receivables	**497,652,502**	(41,800,064)
Inventories	**(270,780,316)**	13,641,413
Prepayments and other current assets	**(108,191,363)**	(95,830,753)
Increase (decrease) in trade and other payables	**194,049,367**	(265,278,129)
Cash flows generated from operations	**1,641,691,149**	609,750,989
Income tax paid	**(154,652,111)**	(12,540,619)
Net cash flows from operating activities	**1,487,039,038**	597,210,370
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures for property, plant and equipment, including mine development costs	**(1,259,044,084)**	(662,544,561)
Increase in deferred exploration costs	**(158,581,190)**	(131,025,693)
Cash flows used in investing activities	**(1,417,625,274)**	(793,570,254)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net loan availment (payment)	**(317,126,417)**	376,488,274
Net change in accounts with related parties	**–**	(2,388,927)
Net cash flows from (used in) financing activities	**(317,126,417)**	374,099,347
NET INCREASE (DECREASE) IN CASH	**(247,712,653)**	177,739,463
CASH AT BEGINNING OF PERIOD	**423,908,113**	237,508,978
CASH AT END OF PERIOD	**₱176,195,460**	₱415,248,441

APEX MINING CO., INC. AND SUBSIDIARIES

AGING OF ACCOUNTS RECEIVABLE - UNAUDITED

AS OF THE PERIOD ENDED SEPTEMBER 30, 2018

1) Aging of Accounts Receivable

	Total	1 Month	2-3 Months	4-6 Months	7 Months to 1 Year	1-3 Years	3-5 Years	5 Years Above	Past due accounts & items in litigation
Type of Accounts Receivable									
a) Trade Receivables	₱12,400,319	₱12,400,319	₱–	₱–	₱–	₱–	₱–	₱–	₱–
Less: Allow. For Doubtful Acct.	–	–	–	–	–	–	–	–	–
Net Trade Receivable	12,400,319	12,400,319	–	–	–	–	–	–	–
b) Non-Trade Receivables									
1) Downpayment to suppliers	–	–	–	–	–	–	–	–	–
2) Advances to officers and employees for liquidation / Accounts receivable - Others	19,134,658	19,134,658	–	–	–	–	–	–	–
3) Loans receivable of subsidiaries	92,811,007	–	92,811,007	–	–	–	–	–	–
Less: Allow. For Doubtful Acct.	–	–	–	–	–	–	–	–	–
Net Non-Trade Receivables	111,945,665	19,134,658	92,811,007	–	–	–	–	–	–
Net Receivables (a + b)	**₱124,345,984**								

2) Accounts Receivable Description

Type of Receivable	Nature/Description	Collection Period
a.) Trade Receivable	Metal account balance for settlement by refiner	7 to15 days
b) Non-trade Receivable	Downpayment to suppliers and contractors, advances for travel expenses of officers and employees, SSS claims for benefit of employees, and advances made by subsidiaries	Within normal operating cycle, except for loans made by subsidiaries which are on demand

3) Normal Operating Cycle: 3 months

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

1. **Corporate Information**

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

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

The Parent Company currently operates the Maco Mines in Maco, Compostela Valley covered by Mineral Production Sharing Agreement (MPSA) Nos. 225-2005-XI and 234-2007-XI, which have terms of 25 years from December 22, 2005 and June 25, 2007, respectively.

The mine is ISO 14001:2015 certified for its Environment Management System, ISO 9001:2015 for its Quality Management System, and OHSAS 18001:2007 for its Health and Safety Management System, all issued in March 2018 by Certification International Philippines, Inc. valid until 2021.

The Parent Company's subsidiaries (which together with the Parent Company comprises the "Group") follows:

Itogon-Suyoc Resources, Inc. (ISRI)
ISRI, a wholly-owned entity incorporated in the Philippines and acquired by the Parent Company in June 2015, owns the Sangilo mine in Itogon, Benguet which is currently undergoing rehabilitation following the suspension of its operations in 2013. The mine is covered by four patented mineral claims and applications for exploration and production sharing agreements with the government.

ISRI also owns the Suyoc mine in Mankayan, Benguet which is currently under resource validation in preparation to its rehabilitation after suspension of operations in 1977.

Monte Oro Resources & Energy, Inc. (MORE)
MORE, a wholly-owned entity incorporated in the Philippines, holds the following projects in the Philippines and abroad:

a. Oil and Gas

Service Contract (SC) 72
MORE has a 30% participating interest in SC 72, a service contract for natural gas in the offshore area called Sampaguita Fields of Palawan in the West Philippine Sea, currently under moratorium since 2014 until the date when the Department of Energy (DOE) lifts the force majeure order. In July 2016, the United Nations International Tribunal for the Law of the Sea (ITLOS) ruled that the Reed Bank, where SC 72 is located, is within the Philippines' Exclusive Economic Zone as defined under the United Nations Convention on the Law of the Sea, but as of the reporting date, the DOE has not yet lifted the force majeure.

The administration of President Rodrigo Roa Duterte has embarked on a mission to improve diplomatic and business relationship with China. The government has de-emphasized the Philippine's victory in the ITLOS and instead started direct talk with China for economic cooperation. This has led to active talk from the Executive Department (the President, the Secretary of Foreign Affairs, and the Presidential Spokesman) about "joint exploration" in the South China Sea/West Philippine Sea. If China and the Philippines are able to arrive at a mutually acceptable arrangement for the exploration, development and exploitation of oil and gas resources at the South China Sea/West Philippine Sea, MORE, and ultimately the Parent Company, will benefit.

b. Mining Projects and Properties

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

The mine project of PGL is located in Jose Panganiban, Camarines Norte. BMRC handles all tenements, while CRPI is the owner/operator of the mineral processing plant.

Mongolia Project
The Khar At Uui Gold Project is registered under the joint venture company Erdeneminas LLC, which is owned 51% by Minas de Oro Mongol LLC (Minas), a wholly-owned subsidiary of MORE, and 49% by Erdenejas LLC, a Mongolian exploration company.

The project is currently under care and maintenance until such a time when it can be presented to potential buyers.

Sierra Leone Project
The Gori Hills Project is located in the Republic of Sierra Leone in West Africa where MORE's 90%-owned subsidiaries Monte Oro Mining Co., Ltd. (MOMCL) and MORE Minerals SL, have been conducting artisanal mining and exploration activities in the project areas since 2010.

The project activities were suspended in 2014 due to the outbreak of the Ebola virus crisis. Following the declaration by the World Health Organization of the end of the Ebola crisis in 2015, MOMCL obtained in November 2017 the exploration license certificate to conduct exploration on the project area for a period of four years and any renewal thereof.

Myanmar Project
The Modi Taung Gold Project is located in the Yementhin Township, Mandalay Division, south east of Mandalay and north of Yangon, Myanmar. The Project is controlled by National Prosperity Gold Production Group Ltd. in which the Company has a 3.92% equity interest.

Uganda Project
MORE has interest in the Gold Mines of Uganda Ltd. (GMU) in the form of advances amounting to $2,025,000 made to GMU.

GMU owns significant gold related assets and gold resources in Uganda. In May 2016, GMU and MORE entered into a Memorandum of Agreement whereby both parties agreed to combining their Africa mineral interests and working toward creating a mining company that will be listed and marketed to international investors and enabling GMU to raise capital funding through the listing. There has been no further development in the regard as of the reporting date.

c. Solid Waste Management

MORE owns 52% of International Cleanvironment Systems, Inc. (ICSI) which has a Build-Operate-Transfer agreement with the Philippine government through the DENR to manage, rehabilitate and introduce ecologically friendly technologies for waste disposal of municipal solid waste in Metro Manila. The contract is for a period of 25 years starting from the completion of the Philippine government of its deliverables to ICSI with the option to renew for another 25 years. As of the reporting date, ICSI has not yet started operations.

d. Power Distribution

MORE owns 25% of MORE Electric and Power Corporation which has a pending application currently in process in the Philippine Congress for legislative franchise to distribute electricity in Iloilo City.

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

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

Statement of Compliance
The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards.

Tax Reform for Acceleration and Inclusion Act (TRAIN)
Republic Act No. 10963 or the TRAIN was signed into law on December 19, 2017 and took effect on January 1, 2018, making the new tax law enacted as of the reporting date. Although the TRAIN changes existing tax law and includes several provisions that will generally affect businesses on a prospective basis, the management assessed that the same will not have any significant impact on the financial statement balances as of the reporting date.

Basis of Consolidation
Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement(s) with the other vote holders of the investee
- rights arising from other contractual arrangements
- the Parent Company's voting rights and potential voting rights

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

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests (NCI), even if this results in the NCI having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Parent Company's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Parent Company loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, NCI and other components of equity while any resulting gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

3. Summary of Significant Accounting Judgments, Estimates and Assumptions

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

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

Judgments

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

Determination of the Group's Functional Currency

Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency of the Group has been determined to be the Philippine peso. In making this judgment, the Group considered the following:

a. The currency that mainly influences costs and expenses of the Group (this will often be the currency in which costs and expenses are denominated and settled); and
b. The currency in which funds from financing activities are generated.

The Philippine peso is the currency of the primary economic environment in which the Group operates.

Determination of Control

The Parent Company determines control when it is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. The Parent Company controls an entity if and only if the Parent Company has all of the following:

a. Power over the entity;
b. Exposure, or rights, to variable returns from its involvement with the entity; and
c. The ability to use its power over the entity to affect the amount of the Parent Company's returns.

As at the financial reporting date, the Parent Company assessed that it has control over MORE and ISRI and has accounted for the investments as investments in subsidiaries.

Determination and Classification of a Joint Arrangement
Judgment is required to determine when the Group has joint control over an arrangement, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent. The Group has determined that the relevant activities for its joint arrangements are those relating to the operating and capital decisions of the arrangement.

Judgment is also required to classify a joint arrangement. Classifying the arrangement requires the Group to assess their rights and obligations arising from the arrangement. Specifically, the Company considers:

- The structure of the joint arrangement - whether it is structured through a separate vehicle
- When the arrangement is structured through a separate vehicle, the Group also considers the rights and obligations arising from:

  a. The legal form of the separate vehicle
  b. The terms of the contractual arrangement
  c. Other facts and circumstances (when relevant)

This assessment often requires significant judgment, and a different conclusion on joint control and also whether the arrangement is a joint operation or a joint venture, may materially impact the accounting treatment for each assessment.

The Group has assessed that SC 72 is accounted for as joint operations in the Group's consolidated financial statements.

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

Assessment of the Production Start Date
The Group assesses the stage of each mine development project to determine when a mine moves into the production stage. The criteria used to assess the start date of a mine are determined based on the unique nature of each mine development project. The Group considers various relevant criteria to assess when the mine is substantially complete, ready for its intended use and moves into the production phase. Some of the criteria include, but are not limited to the following:

- the level of capital expenditure compared to construction cost estimates
- completion of a reasonable period of testing of the property, plant and equipment
- ability to produce ore in saleable form and
- ability to sustain ongoing production of ore

When a mine development project moves into the production stage, the capitalization of certain mine construction costs ceases and costs are either regarded as inventory or expensed, except for capitalizable costs related to mining asset additions or improvements, mine development or mineable reserve development. It is also at this point that depreciation and depletion commences.

Classification of Financial Instruments
The Group exercises judgments in classifying a financial instrument on initial recognition either as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statement of financial position.

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

The Group has no intention of selling its investments in stocks in the near term. These are being held indefinitely and may be sold in response to liquidity requirements or changes in market condition. The Group has no plan to dispose its AFS financial assets within 12 months from the end of the reporting period. The Group determines the classification at initial recognition and re-evaluates this classification, where allowed and appropriate, at every reporting date.

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

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

No impairment or reversal were recognized in each of the financial reporting periods.

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

No impairment or reversal were recognized in each of the financial reporting periods.

Assessment of the Realizability of Nonfinancial Prepayments and Other Current Assets
A review to determine the realizability of the asset is made by the Group on a continuing basis yearly. The assessment as to the realizability of the nonfinancial other current assets is based on how the Group can utilize these assets.

Estimation of Fair Value, Useful Lives and Residual Values of Property, Plant and Equipment
The Group estimates the fair value, useful lives and residual values of property, plant and equipment based on the results of assessment of independent appraisers. Fair value and estimated useful lives of the property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical and commercial obsolescence and other limits on the use of the assets.

Management does not expect carrying amounts of property, plant and equipment to materially vary from their fair values as the most recent revaluation adjustment was recognized based on an appraisal report dated April 17, 2015.

Estimation of Useful Lives and Residual Values of Intangible Assets
Estimated useful lives of intangible assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical and commercial obsolescence and other limits on the use of the assets.

There were no changes in the estimated useful lives and residual values of intangible assets and are expected to be realized through continued use under the current operations plan with none identified subject for sale or disposal.

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

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

There were no impairment indicators identified during the reporting period for these assets.

Assessment of the Recoverability of Deferred Exploration Costs
The application of the Group's accounting policy for deferred exploration costs requires judgment in determining whether future economic benefits are likely, either from future exploitation or sale, or where activities have reached a stage, that permits a reasonable assessment of the existence of ore resource and/or reserves. The determination of a resource is itself an estimation process that has varying degrees of uncertainty depending on a number of factors, which estimate directly impacts the determination of whether ore reserves could eventually be developed to justify capitalization of exploration and mine development expenditures. The capitalization policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether economically viable extraction operations can be established. Estimates and assumptions made may change if new information becomes available. If, after an expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off in profit or loss in the period when the new information becomes available.

Estimation of Ore Reserves
Ore reserves are estimates of the amount of ore that can be economically extracted from the Group's mine and mining properties and are key inputs to depletion and depreciation. The Group estimates its ore reserves based on information compiled by a competent person relating to the geological data on the size, depth and shape of the ore body, and requires complex geological judgments to interpret the data. The estimation of ore reserves is determined based upon assumptions such as operating costs, taxes, royalty, production data, foreign exchange rates, and commodity pricing, along with geological assumptions and judgments made in estimating the size and grade of ore body. Changes in the ore reserve estimates may affect the carrying values of the mine and mining properties, and depletion and depreciation charges.

Estimation of Depletion Rate
Depletion rates used to amortize mine and mining properties are annually assessed based on a latest estimate of recoverable ore reserves. The Group estimates its ore reserves in accordance with local regulatory guidelines provided under the Philippine Mineral Reporting Code, duly reviewed and certified by a competent person.

Estimation of Impairment of AFS Financial Assets Carried at Cost
If there is objective evidence that an impairment loss on an unquoted equity instrument, that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return of a similar financial asset.

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

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

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

Assessment on Provisions and Contingencies
The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with in-house and outside counsel handling the Group's defense in these matters and is based upon an analysis of potential

results. The Group currently assessed that these proceedings will not have a material adverse effect on its financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings.

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

4. Loans Payable

Union Bank of the Philippines (UBP)
The Parent Company has an outstanding unsecured promissory note with UBP amounting to US$8.0 million equivalent to ₱434.0 million as of September 30, 2018 with maturity date of January 4, 2019 for US$0.4 million and March 15, 2019 for US$7.6 million; and US$7.6 million equivalent to ₱379.4 million as of December 31, 2017 with maturity date of March 21, 2018. Outstanding promissory notes as of September 30, 2018 and December 31, 2017 carry interest rate of 5.25% per annum and 5.00% per annum, respectively.

Rizal Commercial Banking Corporation (RCBC)
The Parent Company has an outstanding unsecured promissory note with RCBC amounting to ₱450.0 million as of September 30, 2018 with maturity date of April 11, 2019, and ₱405.0 million as of December 31, 2017 with maturity date of April 16, 2018. Outstanding promissory notes as of September 30, 2018 and December 31, 2017 carry interest rate of 7.25% per annum and 6.25% per annum, respectively.

On April 24, 2018, RCBC granted the Parent Company additional ₱550.0 million in short term lines available via promissory notes. As of September 30, 2018, the Parent Company has not yet drawn from the additional short term line.

Philippine National Bank (PNB)
PNB granted the Parent Company the following facilities:

- On November 26, 2016, Credit Facilities consisting of Letters of Credit, Trust Receipts (TR) and Settlement Risk Lines totaling ₱500.0 million expiring on July 31, 2017. PNB granted renewal of the Credit Facilities for another year with a new expiry date of July 31, 2018.

  As at September 30, 2018 and December 31, 2017, the Parent Company has outstanding unsecured TRs worth ₱91.1 million and ₱204.2 for its importation of machinery and equipment using the standard credit terms with PNB of 180 days.

- On November 28, 2016, a unsecured Term Loan Facility of up to ₱500.0 million with tenor of three years with equal quarterly principal repayment plus interest. Interest rates shall be fixed for three years based on a three-year Philippine Dealing System Treasury (PDST) plus a 2.00% spread, or 5.00%, whichever is higher.

  The Loan Agreement for the facility was signed by the parties on January 10, 2017. The Parent Company drew the full amount of the facility on January 27, 2017 with the interest rate set at 5.45% per annum for the three-year term. The first principal repayment plus interest began on April 27, 2017 and every quarter thereafter up to January 27, 2020.

- On October 24, 2017, another unsecured Term Loan Facility of up to ₱2.50 billion with tenor of seven years with equal quarterly principal repayment plus interest intended to refinance the Parent Company's short term loans with another bank and to provide funds for a major construction project of the Maco mine. Interest rates shall be fixed for seven years based on the seven-year PDST plus a 1.25% spread, or 6.00%, whichever is higher.

  The Loan Agreement for the facility was signed by the parties on December 4, 2017. The Parent Company drew the full amount of the facility on December 15, 2017 with the interest rate set at 6.45% per annum for the seven-year term. The first principal repayment plus interest began on April 27, 2018 and every quarter thereafter up to January 27, 2025.

BDO Unibank, Inc. (BDO)
On December 18, 2017, the Parent Company paid in full its ₱2.25 billion loan with BDO, bearing an interest rate of 5.75% per annum, ahead of its maturity date of March 19, 2018. There is no outstanding balance payable to BDO as of September 30, 2018 and December 31, 2017.

The Group is compliant with all loan covenants with banks in both reporting periods.

5. Related Party Disclosures

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

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

Transactions with related parties consist mainly of rendering of professional services, unsecured non-interest bearing and short-term cash advances for working capital requirements of the Group in the normal course of business.

6. Capital Stock

The Parent Company has authorized capital stock of ₱12.80 billion, divided into a single class of 12.8 billion common shares, with a par value of ₱1.00 per share as of September 30, 2018 and December 31, 2017. Details are shown in the table below.

	Shares	Amount
Issued and subscribed shares at beginning and end of period	6,227,887,491	₱6,227,887,491
Less treasury shares	555,132,448	2,081,746,680
Outstanding shares at end of period	5,672,755,043	₱4,146,140,811

7. Basic/Diluted Earnings Per Share

Basic earnings per share is calculated by dividing the net loss attributable to stockholders of the Parent Company by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares purchased by the Parent Company and held as treasury shares. Estimation of earnings per share for the three quarters and third quarter ended September 30 when there were no potentially dilutive common shares during the respective periods are as follows:

	Three Quarters		Third Quarter	
	2018	2017	**2018**	2017
Net income attributable to the equity holders of the Parent Company	**₱328,138,803**	₱305,595,797	**₱111,846,190**	₱127,081,028
Weighted average number of common shares for basic and diluted earnings per share	**5,627,755,043**	5,663,157,382	**5,627,755,043**	5,663,157,382
Basic and diluted earnings per share	**₱0.058**	₱0.054	**₱0.020**	₱0.022

8. Cost of Production

Details for the periods ended September 30 as follows:

	Nine-Month Period Ended September 30		Three-Month Period Ended September 30	
	2018	2017	**2018**	2017
Materials and supplies	**₱861,212,102**	₱626,419,000	**₱384,831,607**	₱211,274,655
Depreciation, depletion and amortization	**815,170,589**	652,359,982	**283,449,188**	207,873,489
Personnel cost	**438,164,910**	400,515,777	**155,687,158**	134,375,374
Contracted services	**225,742,482**	180,149,229	**88,107,271**	59,192,730
Utilities	**192,594,363**	203,190,200	**64,790,727**	66,341,338
Indigenous People (IP) surface rights royalty & IP royalty	**74,657,067**	59,189,361	**27,302,852**	20,384,995
Taxes, licenses and permits	**48,071,095**	45,193,247	**15,578,842**	15,021,556
Others	**76,691,861**	89,053,494	**21,116,135**	31,782,482
	₱2,732,304,469	₱2,258,598,910	**₱1,040,863,780**	₱748,775,239

Amounts for the periods ended September 30 were distributed as follows:

	Nine-Month Period Ended September 30		Three-Month Period Ended September 30	
	2018	2017	**2018**	2017
Mining	**₱1,629,512,720**	₱1,303,647,290	**₱597,718,249**	₱442,780,014
Milling	**462,856,145**	426,768,576	**187,562,865**	129,670,611
Mine overhead	**639,935,604**	528,183,044	**255,582,666**	176,324,614
	₱2,732,304,469	₱2,258,598,910	**₱1,040,863,780**	₱748,775,239

9. General and Administrative

Details for the periods ended September 30 as follows:

	Nine-Month Period Ended September 30		Three-Month Period Ended September 30	
	2018	2017	**2018**	2017
Personnel cost	**₱70,521,655**	₱78,034,740	**₱23,712,029**	₱22,425,689
Contracted services	**5,983,665**	4,179,614	**2,621,584**	1,190,555
Rent	**5,801,300**	4,598,671	**2,476,085**	2,117,910
Taxes and licenses	**3,276,391**	19,760,808	**1,768,588**	5,303,683
Professional fees	**4,900,618**	15,738,387	**572,468**	8,890,063
Others	**32,966,170**	26,189,548	**7,419,226**	7,882,840
	₱123,449,799	₱148,501,768	**₱38,569,980**	₱47,810,740

10. Results of Operations

The highlights of the Group's consolidated statement of income for the nine-month period ended September 30, 2018 broken down into the Parent Company, Subsidiaries and NCI are as follows:

	Parent Company	Subsidiaries	NCI	Consolidated
Net revenues	₱3,690,662,035	₱–	₱–	₱3,690,662,035
Cost and expenses	(2,980,702,529)	(28,683,835)	(172,800)	(3,009,559,164)
Finance cost and other income (charges)	(201,079,412)	212,972	–	(200,866,440)
Provision for income tax	(152,664,028)	–	–	(152,664,028)
Net income (loss)	₱356,216,066	(₱28,470,863)	(₱172,800)	₱327,572,403