

# COVER SHEET

SEC Registration Number

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## COMPANY NAME

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

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Form Type

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Department requiring the report

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Secondary License Type, If Applicable

N	/	A	
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## COMPANY INFORMATION

Company's Email Address

rnmigrino@apexmining.com

Company's Telephone Number

8706-2805

Mobile Number

N/A

No. of Stockholders

2,761

Annual Meeting (Month / Day)

6/30

Fiscal Year (Month / Day)

12/31

## CONTACT PERSON INFORMATION

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

Name of Contact Person

Renato N. Migrino

Email Address

rnmigrino@apexmining.com

Telephone Number/s

706-2805

Mobile Number

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, 2019**
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  
Postal Code: 1605 Road, Ortigas Center, Pasig City,**
8. Telephone number, including area code: **Tel. # (02) 8706-2805 Fax # 8706-2804**
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)

<u>Title of Each Class</u>	<u>Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding</u>
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, 2019.

### Item 2. Management Discussion and Analysis of Financial Position and Results of Operations for the Three Quarters ended September 30, 2019 and 2018

#### 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 ₱227.0 million in the three quarters of 2019, which was lower than the ₱327.6 million consolidated net income in the same period in 2018. The third quarter consolidated net income in 2019 and 2018 was ₱148.7 million and ₱111.7 million, respectively.

The Parent Company net income in the third quarter of 2019 and 2018 amounted to ₱157.0 million and ₱121.6 million, bringing the Parent Company net income for the three quarters of 2019 and 2018 to ₱253.2 million and ₱356.2 million, respectively, or a decrease of 29%.

##### *Consolidated Revenues*

The consolidated gross revenues in the three quarters of 2019 was slightly lower at ₱3.6 billion compared to ₱3.7 billion of the same period in 2018. The consolidated revenues of the Group pertain to the Parent Company revenues in all comparative periods.

Refining charges, which pertain to the cost of refining the bullion to attain the level of purity acceptable by commodity market standards, amounted to ₱30.0 million and ₱28.4 million in the three quarters of 2019 and 2018, respectively.

Information on the Parent Company sales volume and realized prices for both gold and silver in the three quarters and third quarter of 2019 and 2018 follows:

	Gold			Silver		
	2019	2018	%	2019	2018	%
Three Quarters:						
Volume in ounces	<b>47,835</b>	52,553	-9%	<b>279,728</b>	228,010	+23%
Realized price/ounce, in USD	<b>\$1,367</b>	\$1,268	+8%	<b>\$15.90</b>	\$15.84	+0%
Third Quarter:						
Volume in ounces	<b>15,724</b>	20,218	-22%	<b>93,153</b>	68,759	+35%
Realized price/ounce, in USD	<b>\$1,472</b>	\$1,200	+23%	<b>\$17.04</b>	\$14.63	+16%

The weighted average United States Dollar (USD) to Philippine Peso (PHP) foreign exchange rates on the Parent Company revenues in the three quarters of 2019 and 2018 were ₱52.01 and ₱52.96, to one USD, respectively, or the appreciation of the PHP of 2% against the USD.

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, 2019 and 2018 of the Group follows:

Variances	Between Three Quarters of 2019 and 2018			Between Third Quarter of 2019 and 2018		
	Gold	Silver	Total	Gold	Silver	Total
Volume	(₱316,690,602)	₱43,376,913	(₱273,313,689)	(₱289,634,658)	₱19,163,057	(₱270,471,601)
Price	252,370,911	934,720	253,305,631	229,302,475	12,044,747	241,347,222
Exchange rate	(62,146,324)	(4,215,088)	(66,361,412)	(43,506,163)	(2,966,868)	(46,473,031)
Consolidated revenue	(₱126,466,015)	₱40,096,545	(₱86,369,470)	(₱103,838,346)	₱28,240,935	(₱75,597,410)

Average ore grade per tonne was 3.47 grams of gold and 22.02 grams of silver this quarter, as compared of 3.06 grams of gold and 19.76 grams of silver in the first half of the year. Recovery rate for the quarter increased to 88% for gold and 82% for silver from 84% and 75% in the first half.

Average realized gold price this quarter was higher at \$1,472/oz as compared to \$1,314/oz in the first half. Silver price also tallied higher at \$17/oz from \$15/oz previously.

Gold sold this quarter was lower at 15,724 ounces compared to 20,218 ounces in 2018. Silver sales was higher at 93,153 ounces from 68,759 ounces last year. The higher metal prices contributed to a large extent to the higher net income this quarter as compared to the third quarter of 2018 which had the average prices of \$1,200/oz gold and \$15/oz silver.

For the nine-month period of 2019, milling throughput increased to 536,433 tonnes averaging at 2,077 tonnes per day as compared to 451,375 tonnes averaging at 1,777 tonnes per day last year. Recoveries are also higher at 86% recovery for gold and 78% for silver, both higher than last year's 85% for gold and 63% for silver.

Year-to-date, the lower ore grades averaging 3.19 grams of gold and 20.48 grams of silver per tonne contributed to the reduced gold sales to 47,835 ounces this year from 52,553 ounces last year. Silver sales, however, increased to 279,728 ounces from 228,010 ounces.

#### *Consolidated Cost of Production*

Consolidated cost of production incurred in the three quarters of 2019 and 2018, all of which pertains solely to the Parent Company cost of production, increased to ₱2.8 billion from ₱2.7 billion mainly due to the increase in milling tonnage. A breakdown of the main components of consolidated cost of production is as follows:

- Depreciation, depletion and amortization expense increased by 10% or ₱83.7 million in 2019 compared to 2018. The total depreciation amounting to ₱560.6 million compared to ₱460.4 million in the same period of 2018 increased due to the acquisition of additional fleet of equipment during the last quarter of 2018 and first half of 2019. Depletion cost, on the other hand, decreased by ₱16.5 million. Total ore hauled from underground to surface in 2019 accumulated to 416,272 tonnes only compared to 487,965 tonnes in similar period in 2018.
- Materials and supplies used in mining and milling decreased by ₱42.0 million or 5% while personnel cost decreased by 28.1 million or 6% compared to same period in 2018 mainly due to the cost initiative and process improvement measures put in place during the period.
- Contracted services rose by ₱24.1 million or 11% in the three quarters of 2019 compared to 2018 due to higher cost of contracted transportation and security services of Maco mines.
- Indigenous People (IP) surface rights royalty & IP royalty decreased 37% or ₱27.7 million in the three quarters of 2019 compared to the same period last year. The payment for IP surface rights royalty is at 1% of the gross production derived from Maco mine. The payment for IP royalty is based on 1% of gross income.
- Payment for local business taxes account for the significant increase in taxes, licenses and permits during the three quarters of 2019 compared to 2018 due to higher revenue as tax base in 2018 compared to 2017.

#### *Consolidated Excise Taxes*

Consolidated excise taxes of the Group amounted to ₱144.7 million in the three quarters of 2019 from ₱153.8 million in similar period in 2018. Excise tax of metal sold in January 2019 were already accrued in December 2018.

#### *Consolidated General and Administrative Expenses*

Consolidated general and administrative (G&A) expense in the three quarters of 2019 and 2018 amounted to ₱171.1 million and ₱123.4 million, respectively due to increase in head office business taxes, payment of prior year tax assessment and other administrative expenses.

#### *Consolidated Finance Cost and Other Income/Charges*

The consolidated finance cost and other income/charges of the Group amounted to ₱169.6 million and ₱200.9 million in the three quarters of 2019 and 2018, respectively. The decrease of ₱31.3 million is mainly due to a ₱11.3 million net foreign exchange losses recognized in the current period from the Group's net foreign currency denominated liabilities. In the same period in 2018, the Group reported a ₱31.2 million net foreign exchange gains.

#### *Consolidated Provision for (Benefit from) Income Tax*

Due to lower taxable income reported during the period, the provision for income tax in the three quarters of 2019 is lower at ₱108.5 million compared to ₱152.7 million in the same period in 2018.

#### Consolidated Statement of Financial Position

##### *Consolidated Current Assets*

Total consolidated current assets increased by ₱713.9 million to ₱3.2 billion as at September 30, 2019 from ₱2.5 billion as of December 31, 2018 due to the following:

- Cash of the Group rose by ₱83.0 million to ₱620.4 million as of September 30, 2019 from ₱537.4 million as of December 31, 2018. The Group spent about ₱1.3 billion in capital assets during the period essentially funded by the cash generated by Parent Company from operating activities of ₱567.6 million and ₱653.3 million net proceeds from bank loan availments.
- Trade and other receivables increased by ₱362.9 million to ₱389.8 million as of September 30, 2019 compared to December 31, 2018 due to metals produced and shipped as of the end of the semestral period but the proceeds of which were not yet received. These receivables are collected immediately after the sale in the following month.
- Inventory increased to ₱95.8 million due to acquisition of materials and supplies near end of September 30, 2019.
- Prepayments and other current assets increased by 28% as a result of increased input value added tax from local and indent purchases, prepaid insurance and other prepayments during the period.

##### *Consolidated Noncurrent Assets*

Total consolidated noncurrent assets increased by ₱239.0 million to ₱10.3 billion as of September 30, 2019 from ₱10.1 billion as of December 31, 2018 due to capital expenditures on property, plant and equipment, net of depreciation and deferred exploration and development costs, net of depletion.

##### *Consolidated Current Liabilities*

Consolidated current liabilities were slightly higher by ₱30.3 million to ₱4.5 billion as of September 30, 2019. Trade and other payables increased by ₱42.7 million through supplier credit purchases, while the current portion of its loans payable was lower by ₱12.5 million due to the amortization of loans with local banks.

##### *Consolidated Noncurrent Liabilities*

The Group's consolidated noncurrent liabilities increased by ₱695.7 million to ₱3.4 billion as of September 30, 2019 from ₱2.7 billion at year-end 2018 on account of the ₱500 million and 250 million drawdown made by the Parent Company and ISRI, respectively, with a local bank.

##### *Consolidated Equity*

Consolidated equity increased by ₱226.9 million contributed by the total comprehensive income earned in the nine-month period ended September 30, 2019.

## Key Performance and Financial Soundness Indicators

### *Operating Performance Indicators*

Tonnage 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 in the production of the Maco mine of the Parent Company.

	Three Quarters ended September 30			Third Quarter ended September 30		
	2019	2018	Change	2019	2018	Change
Tonnes milled	<b>536,433</b>	<b>451,375</b>	+19%	<b>170,357</b>	<b>159,211</b>	+31%
Mill head grade (gpt):						
Gold	<b>3.19</b>	<b>4.27</b>	-25%	<b>3.47</b>	<b>4.60</b>	-31%
Silver	<b>20.48</b>	<b>24.81</b>	-17%	<b>22.02</b>	<b>24.63</b>	-28%
Metal recovery (%):						
Gold	<b>85.55</b>	<b>84.77</b>	+1%	<b>87.80</b>	<b>85.86</b>	+1%
Silver	<b>77.53</b>	<b>63.32</b>	+22%	<b>82.24</b>	<b>54.54</b>	+18%

### *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 September 30	
		2019	2018
Gross profit margin	$\frac{\text{Gross profit}}{\text{Revenue}}$	<b>22.78%</b>	25.77%
Return on assets	$\frac{\text{Net income}}{\text{Total assets}}$	<b>1.68%</b>	2.65%
Return on equity	$\frac{\text{Net income}}{\text{Total equity}}$	<b>4.07%</b>	5.96%
Debt service coverage ratio (DSCR)	$\frac{\text{EBITDA}}{\text{Loan principal plus interest payments}}$	<b>2.20 : 1</b>	4.04: 1

The decline in the gross profit margin in the three quarters of 2019 compared to the same period in 2018 can be attributed to lower revenue and higher production cost.

Return on assets and return on equity decreased mainly from the lower net income in the three quarters of 2019 than in 2018.

DCSR decreased due to the effect of lower earnings before income taxes, depreciation, depletion and amortization.

## B. On Liquidity and Leverage

	Formula	September 30, 2019	December 31, 2018
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	<b>0.71 : 1</b>	0.62 : 1
Asset-to-equity	$\frac{\text{Total assets}}{\text{Total equity}}$	<b>2.42 : 1</b>	2.21 : 1
Debt-to-equity	$\frac{\text{Total debts}}{\text{Total equity}}$	<b>1.42 : 1</b>	1.21 : 1

The increase in current liabilities from trade and trust receipts payable and the amortization of term loan was slower than the growth in assets in 2019 resulting to higher current ratio against 2018. Asset-to-equity ratio also slightly increased this year compared to prior year due to lower growth in the Group's total stockholders' equity account as compared to the changes in its assets. Debt-to-equity ratio increased due to the additional term loans incurred by the Group during the period.

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

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	P 620,378,817	P 537,422,158
Trade and other receivables	389,837,218	26,915,965
Advances to related parties	2,812,197	2,812,197
Inventories - net realizable value	1,008,343,210	912,542,945
Prepayments and other current assets	782,874,486	610,656,578
	<b>2,804,245,928</b>	<b>2,090,349,843</b>
Assets held for sale	361,374,569	361,374,569
<b>Total Current Assets</b>	<b>3,165,620,497</b>	<b>2,451,724,412</b>
<b>Non-current Assets</b>		
Property, plant and equipment	7,660,532,809	7,283,312,742
Deferred exploration costs	2,410,459,713	2,485,682,590
Financial assets measured at fair value through other comprehensive income (FVOCI)	3,202,240	3,202,240
Investment in an associate	49,028,321	49,028,321
Intangible assets	729,507	729,507
Other non-current assets	184,724,658	247,709,060
<b>Total Noncurrent Assets</b>	<b>10,308,677,248</b>	<b>10,069,664,460</b>
<b>TOTAL ASSETS</b>	<b>P13,474,297,745</b>	<b>P12,521,388,872</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Trade and other payables	P 1,840,912,834	P 1,798,175,128
Advances from related parties	1,039,512,000	1,039,512,000
Loans payable - net of noncurrent portion (Note 4)	1,581,829,284	1,594,313,523
<b>Total Current Liabilities</b>	<b>4,462,254,118</b>	<b>4,432,000,651</b>
<b>Non-current Liabilities</b>		
Loans payable - net of current portion (Note 4)	2,960,814,221	2,294,969,546
Provision for retirement benefits	264,571,987	234,551,493
Provision for mine rehabilitation and decommissioning	27,717,009	27,903,597
Deferred income tax liabilities	182,383,528	182,383,528
<b>Total Noncurrent Liabilities</b>	<b>3,435,486,745</b>	<b>2,739,808,164</b>
<b>Total Liabilities</b>	<b>7,897,740,863</b>	<b>7,171,808,815</b>
<b>Equity Attributable to Equity Holders of the Parent Company</b>		
Issued Capital stock	6,227,887,491	6,227,887,491
Additional paid-in capital	634,224	634,224
Treasury shares	(2,081,746,680)	(2,081,746,680)
Revaluation surplus on property, plant and equipment	169,048,344	169,048,344
Remeasurement loss on financial asset at FVOCI	(344,640,000)	(344,640,000)
Remeasurement gain on retirement plan	7,289,357	7,289,357
Currency translation adjustment on foreign subsidiaries	(10,686,105)	(10,686,105)
Retained earnings	1,432,418,060	1,204,874,835
	<b>5,400,204,691</b>	<b>5,172,661,466</b>
<b>Non-controlling Interests</b>	<b>176,352,191</b>	<b>176,918,591</b>
<b>Total Equity</b>	<b>5,576,556,882</b>	<b>5,349,580,057</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>P13,474,297,745</b>	<b>P12,521,388,872</b>

*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	
	2019 (Unaudited)	2018 (Unaudited)	2019 (Unaudited)	2018 (Unaudited)
Gold	₱3,401,336,978	₱3,527,802,993	₱1,199,145,762	₱1,302,984,108
Silver	231,333,791	191,237,246	82,256,725	54,015,790
<b>GROSS REVENUE</b>	<b>3,632,670,769</b>	<b>3,719,040,239</b>	<b>1,281,402,487</b>	<b>1,356,999,898</b>
Less: refining charges	30,037,657	28,378,203	10,219,156	8,807,130
<b>NET REVENUE</b>	<b>3,602,633,112</b>	<b>3,690,662,036</b>	<b>1,271,183,331</b>	<b>1,348,192,768</b>
<b>COST OF PRODUCTION</b> (Note 8)	<b>2,781,794,364</b>	<b>2,732,304,469</b>	<b>852,840,416</b>	<b>1,040,863,780</b>
<b>EXCISE TAXES</b>	<b>144,702,400</b>	<b>153,804,896</b>	<b>55,014,235</b>	<b>55,894,729</b>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b> (Note 9)	<b>171,085,945</b>	<b>123,449,799</b>	<b>78,512,579</b>	<b>38,569,980</b>
<b>FINANCE COST AND OTHER INCOME/CHARGES</b>	<b>169,573,324</b>	<b>200,866,441</b>	<b>68,948,590</b>	<b>49,057,667</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>335,477,079</b>	<b>480,236,431</b>	<b>215,867,511</b>	<b>163,806,612</b>
<b>PROVISION FOR CURRENT INCOME TAX</b>	<b>108,500,254</b>	<b>152,664,028</b>	<b>67,134,686</b>	<b>52,133,222</b>
<b>NET INCOME</b> (Note 9)	<b>226,976,825</b>	<b>₱327,572,403</b>	<b>₱148,732,825</b>	<b>₱111,673,390</b>
<b>Net income (loss) attributable to:</b>				
Equity holders of the Parent Company	₱227,543,225	₱328,138,803	₱148,939,205	₱111,846,190
Non-controlling interests	(566,400)	(566,400)	(206,380)	(172,800)
	<b>₱226,976,825</b>	<b>₱327,572,403</b>	<b>₱148,732,825</b>	<b>₱111,673,390</b>
<b>BASIC AND DILUTED EARNINGS PER SHARE</b> (Note 7)	<b>₱0.040</b>	<b>₱0.058</b>	<b>₱0.026</b>	<b>₱0.020</b>
<b>NET INCOME</b>	<b>₱226,976,825</b>	<b>₱327,572,403</b>	<b>₱148,732,825</b>	<b>₱111,673,390</b>
<b>OTHER COMPREHENSIVE INCOME, NET OF TAX</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱226,976,825</b>	<b>₱327,572,403</b>	<b>₱148,732,825</b>	<b>₱111,673,390</b>
<b>Total comprehensive income (loss) attributable to:</b>				
Equity holders of the Parent Company	₱227,543,225	₱328,138,803	₱148,939,205	₱111,846,190
Non-controlling interests	(566,400)	(566,400)	(206,380)	(172,800)
	<b>₱226,976,825</b>	<b>₱327,572,403</b>	<b>₱148,732,825</b>	<b>₱111,673,390</b>

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, 2019 AND 2018**

	Attributable to Equity Holders of the Parent Company									
	Capital stock (Note 6)	Additional paid-in capital	Revaluation surplus	Treasury shares (Note 6)	Re- measurement loss on financial asset at FVOCI	Re- measurement gain on retirement plan	Currency translation adjustment on foreign subsidiaries	Retained earnings	NCI	Total
<b>Balances at December 31, 2017</b>	<b>₱6,227,887,491</b>	<b>₱634,224</b>	<b>₱237,572,339</b>	<b>(₱2,081,746,680)</b>		<b>₱13,459,116</b>	<b>₱566,324</b>	<b>₱896,313,943</b>	<b>₱177,599,711</b>	<b>₱5,472,286,468</b>
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
<b>Balances at September 30, 2018</b>	<b>₱6,227,887,491</b>	<b>₱634,224</b>	<b>₱237,572,339</b>	<b>(₱2,081,746,680)</b>		<b>₱13,459,116</b>	<b>₱566,324</b>	<b>₱1,224,452,746</b>	<b>₱177,033,311</b>	<b>₱5,799,858,871</b>
<b>Balances at December 31, 2018</b>	<b>₱6,227,887,491</b>	<b>₱634,224</b>	<b>₱169,048,344</b>	<b>(₱2,081,746,680)</b>	<b>(₱344,640,000)</b>	<b>₱7,289,357</b>	<b>(₱10,686,105)</b>	<b>₱1,204,874,835</b>	<b>₱176,918,591</b>	<b>₱5,349,580,057</b>
Net income (loss)	—	—	—	—		—	—	227,543,225	(566,400)	226,976,825
Other comprehensive income	—	—	—	—		—	—	—	—	—
Total comprehensive income (loss)	—	—	—	—		—	—	227,543,225	(566,400)	226,976,825
<b>Balances at September 30, 2019</b>	<b>₱6,227,887,491</b>	<b>₱634,224</b>	<b>₱169,048,344</b>	<b>(₱2,081,746,680)</b>	<b>(₱344,640,000)</b>	<b>₱7,289,357</b>	<b>(₱10,686,105)</b>	<b>₱1,432,418,060</b>	<b>₱176,352,191</b>	<b>₱5,576,556,882</b>

*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**

	2019 (Unaudited)	2018 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax for the period	P335,477,079	P480,236,431
Adjustments for:		
Depreciation, depletion and amortization	898,831,572	815,620,527
Provision for retirement benefits	30,020,494	33,104,001
Operating income before working capital changes	1,264,329,145	1,328,960,959
Decrease (increase) in:		
Receivables	(362,921,253)	497,652,502
Inventories	(95,800,265)	(270,780,316)
Prepayments and other current assets	(172,217,908)	(108,191,363)
Increase (decrease) in trade and other payables	22,457,951	194,049,367
Cash flows generated from operations	655,847,670	1,641,691,149
Income tax paid	(88,220,498)	(154,652,111)
Net cash flows from operating activities	567,627,172	1,487,039,038
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Expenditures for property, plant and equipment, including mine development costs	(1,276,051,639)	(1,259,044,084)
Decrease (increase) in deferred exploration costs	138,020,691	(158,581,190)
Cash flows used in investing activities	(1,138,030,948)	(1,417,625,274)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net loan availment (payment)	653,360,436	(317,126,417)
Net change in accounts with related parties	-	-
Net cash flows from (used in) financing activities	653,360,436	(317,126,417)
<b>NET INCREASE (DECREASE) IN CASH</b>	82,956,659	(247,712,653)
<b>CASH AT BEGINNING OF PERIOD</b>	537,422,158	423,908,113
<b>CASH AT END OF PERIOD</b>	P620,378,817	P176,195,460

*See accompanying Notes to Consolidated Financial Statements.*

**APEX MINING CO., INC. AND SUBSIDIARIES****AGING OF ACCOUNTS RECEIVABLE - UNAUDITED  
AS OF THE PERIOD ENDED SEPTEMBER 30, 2019****1) Aging of Accounts Receivable**

Type 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
a) Trade Receivables	₱103,768,861	₱103,768,861	₱—	₱—	₱—	₱—	₱—	₱—	₱—
Less: Allow. For Doubtful Acct.	—	—	—	—	—	—	—	—	—
Net Trade Receivable	103,768,861	103,768,861	—	—	—	—	—	—	—
b) Non-Trade Receivables	286,068,357	286,068,357							
<b>Net Receivables (a + b)</b>	<b><u>₱389,837,218</u></b>								

**2) Accounts Receivable Description**

Type of Receivable	Nature/Description	Collection Period
a.) Trade Receivable	Metal account balance for settlement by refiner	7 to 15 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**

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## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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### **1. Corporate Information and Status of Operations**

#### Corporate Information

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 shares are listed in the Philippine Stock Exchange (PSE) carrying the trading symbol "APX". It has two wholly-owned subsidiaries, Itogon-Suyoc Resources, Inc. (ISRI) and Monte Oro Resources & Energy, Inc. (MORE).

The Parent Company currently operates the Maco Mines in Maco, Compostela Valley. Its registered business and principal office address is 3304B West Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City, Philippines.

#### Status of Operations

Significant developments in the Group operations are as follows:

##### **a. Mining**

#### *Maco Mines*

The Parent Company's Maco Mine holds valid and subsisting Mineral Production Sharing Agreements (MPSA) No. 225-2005-XI covering 679.02 hectares and MPSA No. 234-2007-XI covering 1,558.50 hectares situated in Maco, Compostela Valley, which have terms of 25 years from the effective date.

#### *ISO Certification*

The Maco mine has three certifications:

- ISO 9001:2015 for Quality Management System;
- ISO 14001:2015 for Environmental Management System; and
- OHSAS 18001:2007 for Occupational Health and Safety Assessment Series

granted in March 2018 by Certification International. The scope of the certifications includes exploration underground mining, milling, and recovery of gold and silver using carbon-in-leach process, mine waste and mill trails management, and all support services, valid for three years until March 2021 subject to satisfactory results of annual audits.

#### *Itogon and Suyoc Mines*

ISRI, an entity incorporated in the Philippines, is the holder of four (4) Patented Mineral Claims covering the Sangilo Mine in Itogon, Benguet, and MPSA No. 152-2000-CAR covering the Suyoc Mine in Makayan, Benguet.

The Sangilo mine is currently under rehabilitation and refurbishment, while the Suyoc Mine is undergoing resource validation.

The Sangilo and Suyoc mines are ISO 14001:2015 certified for environmental management system granted by TUV Rheinland in April 2017 valid until 2020. The scope of the certification for the Sangilo Mine is for exploration, mining and mine processing; while the Suyoc Mine is for mining exploration and project development.

#### *Paracale Gold Project*

MORE wholly owns Paracale Gold Limited (PGL), a British Virgin Islands (BVI) 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. BMRC holds 25 tenements in various stages of application. It is currently working on the processing and approval of pending applications, plus alternative options such as Special Mines Permits and ores from legal small-scale mining operations.

#### *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 under continued care and maintenance.

#### *Sierra Leone and Uganda Projects*

The Gori Hills Project located in the Republic of Sierra Leone in West Africa is owned 90% by MORE through Monte Oro Mining Co., Ltd. (MOMCL) which holds the tenements for the project, and MORE Minerals SL (MMSL), previously engaged in artisanal mining and gold trading.

MORE has an interest in the Gold Mines of Uganda Ltd. (GMU) in the form of advances made to this company. GMU owns significant gold related assets and gold resources in Uganda. GMU and MORE has a Memorandum of Agreement whereby both parties agreed to combine their mineral interests in Africa and work towards creating a mining company that will be listed and marketed to international investors, and to enable GMU raise capital funding through the listing.

#### *Myanmar Project*

The Modi Tuang 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. (NPGPGL) in which the Company has a 3.92% equity interest.

### **b. Oil and Gas**

MORE has a 30% participating interest in Service Contract 72 (SC 72), a service contract for gas located in the West Philippine Sea covering the Sampaguita offshore gas field northwest of Palawan. Forum (GSEC 101) Ltd. (Forum) holds the remaining 70% participating interest and is the operator of the SC.

SC 72 is currently suspended following the declaration of force majeure by the Department of Energy (DOE) in 2014.

c. Solid Waste Management

MORE owns 52% of International Cleanenvironment Systems, Inc. (ICSI) which has a Build-Operate-Transfer Contract with the Philippine government through the Department of Environment and Natural Resources (DENR) to manage, provide a sanitary landfill, and introduce ecologically friendly technologies for waste disposal and recycling of municipal waste for Metro Manila which agreement is yet to be put in operation.

ICSI is a subject of an agreement to sell between MORE and A. Brown Co., Inc. (ABCI) whereby MORE is to sell its 52% ownership in ICSI to ABCI upon fulfilment of certain conditions.

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**2. Basis of Preparation, Statement of Compliance and Summary of Significant Accounting 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, and for financial assets measured at FVOCI. The consolidated financial statements are presented in Philippine peso, which is 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 (PFRS).

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group as at September 30, 2019 and 2018. 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, 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.

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### 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 September 30, 2019, 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 financial statements.

#### *Assessment Whether an Asset is Held for Sale*

In 2018, the Group entered into an agreement to sell its interest in ICSI, a partially-owned subsidiary. The subsidiary is classified as an "asset held for sale". The Group considered the asset to meet the criteria to be classified as held for sale due to the following reasons:

- The Group's interest in the subsidiary is available for immediate sale and can be sold to the potential buyer in its current condition.
- The Group entered into preliminary negotiations with the potential buyer.
- The BOD expects the negotiations to be finalized and the sale to be completed within the next 12 months from the end of the reporting period.

#### *Assessment Whether an Agreement is a Finance or Operating Lease*

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

#### *Operating Lease - Group as a Lessee*

The Group has entered into several contracts of lease and has determined that the lessors retain all the significant risks and rewards of ownership of these properties due to the following:

- a. The ownership of the asset does not transfer at the end of the lease term;
- b. The Group has no option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date of the option becomes exercisable such that, at the inception of the lease, it is reasonably certain that the option will be exercised;
- c. The lease term is not for the major part of the economic life of the asset even if title is not transferred; and
- d. At the inception of the lease, the present value of the minimum lease payments does not amount to at least substantially all of the fair values of the leased assets.

Operating leases of the Group are related to leases of mining and milling equipment, transportation vehicles and others.

#### *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 of assets to be used for operations and depletion of capitalized mine development costs and mine and mining properties commences.

#### *Classification of Financial Instruments*

The Group classifies financial instruments, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual agreement 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.

#### Judgments Upon Adoption of PFRS 9

##### *Determining Stage of Impairment*

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis. Quantitative criteria may include downgrade in investment grade, defaulted assets, counterparties with objective evidence of impairment.

A significant increase in credit risk is also presumed if a debtor is more than 90 days past due in making a contractual payment. Qualitative criteria may include significant adverse changes in business, financial or economic conditions in which the counterparty operates, actual or expected restructuring.

Exposures that have not deteriorated significantly since origination, or where the deterioration remains within the Group's investment grade criteria are considered to have a low credit risk. The provision for credit losses for these financial assets is based on a 12-month ECL.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

##### *Significant Increase in Credit Risk*

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, information obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as

consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default; ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definition.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

The Group has determined that its credit risk on its financial instruments has not significantly increased since origination as of September 30, 2019.

#### Accounting Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainties at the end of reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

#### *Impairment of Loans and Receivables (prior to adoption of PFRS 9)*

The Group maintains an allowance for doubtful accounts at a level that management considers adequate to provide for potential uncollectability of its loans and receivables. The Group evaluates specific balances where management has information that certain amounts may not be collectible. In these cases, the Group uses judgment, based on available facts and circumstances, and based on a review of the factors that affect the collectability of the accounts. The review is made by management on a continuing basis to identify accounts to be provided with allowance. The Group did not assess its loans and receivables for collective impairment due to few counterparties that can be specifically identified. Outstanding trade receivables are mainly from the Group's main customer. Other receivables of the Group are not material. The amount of loss is recognized in the consolidated statements of income with a corresponding reduction in the carrying value of the loans and receivables through an allowance account.

*Provision for ECL on Trade and Other Receivables, Advances to Related Parties, and Advances to GMU (upon adoption of PFRS 9)*

The Group uses the general approach model as new impairment requirement of PFRS 9 based on ECL which replace PAS 39 incurred loss model. An assessment of the ECL relating to trade and other receivables, advances to related parties, and advances to GMU under “Other noncurrent asset” is undertaken upon initial recognition and each financial year by examining the financial position of the related party and counter party and the market in which the related party and counter party operate applying the general approach of the ECL impairment model of PFRS 9. The general approach of the ECL impairment model involves exercise of significant judgment. Key areas of judgment include: defining default; determining assumptions to be used in the ECL model such as timing and amounts of expected net recoveries from defaulted accounts; debtor’s capacity to pay, and incorporating forward-looking information in calculating ECL.

*Valuation of Financial Instruments*

The Group carries certain financial assets and financial liabilities (i.e., derivatives and AFS financial assets) at fair value, which requires the use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence (e.g., foreign exchange rates, interest rates, quoted equity prices), the amount of changes in fair value would differ if the Group utilized a different valuation methodology.

Any change in fair value of these financial assets and financial liabilities is recognized in the consolidated statements of income and in the consolidated statements of comprehensive income.

*Valuation of Financial Asset at FVOCI*

The Group carries its equity financial asset at FVOCI. Fair value measurement requires the use of accounting estimates and judgment. At initial recognition, the fair value of unquoted financial assets measured at FVOCI is based on the latest available transaction price. The amount of changes in fair value would differ if the Group utilized a different valuation methodology. Any change in fair value of its financial assets at FVOCI is recognized in the consolidated statements of comprehensive income.

*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 NRV. NRV of inventories are assessed regularly based on prevailing estimated selling prices of inventories and the corresponding cost of disposal. Increase in the NRV of inventories will increase cost of inventories but only to the extent of their original acquisition costs.

*Assessment of the Realizability of Nonfinancial Prepayments and Other Current Assets*

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

*Assessment of the Recoverability of Deferred Exploration and Mine Development Costs*

The application of the Group’s accounting policy for deferred exploration and mine development 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 how much ore reserves could eventually be developed to justify further investment in and 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 and when new information

becomes available. If, after an expenditure is capitalized, information becomes available suggesting that recovery is unlikely, the amount capitalized is written off in profit or loss in the period when such new information becomes available.

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

The Group estimates the fair value, useful lives and residual values of property, plant and equipment based on the results of assessment of independent appraisers. Fair value and estimated useful lives of the property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical and commercial obsolescence and other limits on the use of the assets. Management does not expect carrying amounts of property, plant and equipment as at September 30, 2019 and 2018 to materially vary in the succeeding year as the most recent revaluation adjustment was only recognized during the year based on appraisal report dated April 17, 2015 covering certain items of the Group's property, plant and equipment. Changes in fair values and estimated useful lives of property, plant and equipment were effected in 2015.

There were no changes in the estimated fair values, useful lives and residual values of property, plant and equipment in 2019 and 2018. Remaining property, plant and equipment as at September 30, 2019 and 2018 are expected to be realized through continued use under the current mining plan with none identified subject for sale or disposal.

*Estimation of Ore Reserves*

Ore reserves are estimates of the amount of ore that can be economically extracted from the Group's depletable mine and mining properties and are key inputs to depletion and depreciation. The Group estimates its ore reserves based on information compiled by an external mining engineer relating to the geological data on the size, depth, and shape of the ore body, which requires complex geological and mine engineering judgments to interpret and serves as bases for estimation. The estimation of ore reserves is further based upon assumptions needed for economic evaluation, 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 the ore body. Changes in the ore reserve estimates may affect the carrying values of the depletable mine and mining properties, and depletion and depreciation charges.

*Estimation of Depletion Rate*

Depletion rates used to amortize depletable mine and mining properties are annually assessed based on the 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 an external mining engineer.

*Estimation of Impairment of Nonfinancial Assets, including Property, Plant and Equipment (except Mine Development Costs), Intangible Assets, and Other Noncurrent Assets*

The Group evaluates whether property, plant and equipment (except mine development costs), 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 VIU or fair value, if said information is readily available. Estimation of VIU requires the use of estimates on cost projections, non-proprietary club shares, 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.

*Estimation of Provision for 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.

*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.

*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

	September, 2019	December 31, 2018
Philippine National Bank (PNB)	<b>₱3,064,466,691</b>	₱2,818,779,069
Rizal Commercial Banking Corporation (RCBC)	<b>1,000,000,000</b>	650,000,000
Union Bank of the Philippines (UBP)	<b>478,176,814</b>	420,504,000
	<b>4,542,643,505</b>	3,889,283,069
Less current portion	<b>1,581,829,284</b>	1,594,313,523
Noncurrent portion	<b>₱2,960,814,221</b>	₱2,294,969,546

*UBP*

On January 4, 2019, the Parent Company was granted to rollover its unsecured promissory note for US\$0.40 million with maturity date of July 3, 2019 and bearing the interest rate of 5.50%. This note was subsequently renewed for another six months with a maturity date of December 11, 2019.

On April 17, 2019, UBP granted the Parent Company an additional unsecured \$2.0 million short-term loan with a maturity date of October 14, 2019.

On September 11, 2019, UBP granted the Parent Company a rollover of the US\$6.84 million unsecured promissory note with a new maturity date of March 9, 2020 at the same interest rate of 5.75% per annum.

#### *RCBC*

The Parent Company has outstanding short-term unsecured promissory notes with the bank amounting to ₱1.0 billion with various maturity dates carrying an interest rate of 8.75% per annum.

#### *PNB*

PNB has 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. In 2019, PNB granted an increase of ₱200.0 million and the renewal of Credit Facilities for another year with a new expiry date of July 31, 2020.
- On November 28, 2016, an unsecured Term Loan Facility of up to ₱500.00 million with tenor of three years with equal quarterly principal repayment plus interest, fixed at 5.45% per annum.
- 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 to refinance the Parent Company's short-term loans.

The Loan Agreement for this Term Loan Facility was signed by the parties on December 4, 2017, and on December 15, 2017, the Parent Company drew the full amount with the interest rate set at 6.45% per annum.

- On November 23, 2018, PNB granted ISRI a Term Loan Facility of up to ₱550 million with tenor of five years with equal quarterly principal repayment to finance ISRI's 200-tonne per day development program.

The Loan Agreement for this facility was signed by the parties on November 23, 2018, and on November 27, 2018, ISRI drew the initial amount of ₱300 million with the interest rate set at 9.75% per annum with principal repayment to begin on July 27, 2020 and every quarter thereafter up to October 27, 2023. On May 31, 2019, ISRI drew another ₱125 million with the interest rate set at 8.27%. The remaining ₱125 million were drawn on September 12, 2019.

- On September 13, 2019, an unsecured Term Loan Facility of up to ₱2.0 billion with tenor of eight years with equal quarterly principal repayment plus interest, fixed at 5.45% per annum.

The Loan Agreement for this facility was signed by the parties on September 13, 2019, and on September 26, 2019, Parent Company drew the initial amount of ₱500 million with the interest rate set at 6.5% per annum.

## 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.

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

## 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, 2019 and December 31, 2018. 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 periods ended September 30 when there were no potentially dilutive common shares during the respective periods are as follows:

	Three Quarters		Third Quarter	
	2019	2018	2019	2018
Net income attributable to the equity holders of the Parent Company	₱227,543,225	₱328,138,803	₱148,939,205	₱111,846,190
Weighted average number of common shares for basic and diluted earnings per share	5,672,755,043	5,672,755,043	5,672,755,043	5,672,755,043
Basic and diluted earnings per share	₱0.040	₱0.058	₱0.026	₱0.020



## 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	
	2019	2018	2019	2018
Depreciation, depletion and amortization	<b>₱ 898,831,572</b>	₱ 815,170,589	<b>₱ 290,936,343</b>	₱ 283,449,188
Materials and supplies	<b>819,189,615</b>	861,212,102	<b>260,798,172</b>	384,831,607
Personnel cost	<b>410,075,141</b>	438,164,910	<b>110,121,507</b>	155,687,158
Contracted services	<b>249,818,003</b>	225,742,482	<b>65,024,510</b>	88,107,271
Utilities	<b>194,032,706</b>	192,594,363	<b>57,047,093</b>	64,790,727
Indigenous People (IP) surface rights royalty & IP royalty	<b>46,983,030</b>	74,657,067	<b>17,962,661</b>	27,302,852
Taxes, licenses and permits	<b>68,489,418</b>	48,071,095	<b>25,039,259</b>	15,578,842
Others	<b>94,374,878</b>	76,691,861	<b>25,910,871</b>	21,116,135
	<b>₱ 2,781,794,364</b>	₱ 2,732,304,469	<b>₱ 852,840,416</b>	₱ 1,040,863,780

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

	Nine-Month Period Ended September 30		Three-Month Period Ended September 30	
	2019	2018	2019	2018
Mining	<b>₱ 813,524,679</b>	₱ 814,342,131	<b>₱ 229,764,573</b>	₱ 314,269,061
Milling	<b>423,161,592</b>	462,856,145	<b>125,350,349</b>	187,562,865
Mine overhead	<b>646,276,521</b>	639,935,604	<b>206,789,151</b>	255,582,666
Depreciation, depletion and amortization	<b>898,831,572</b>	815,170,589	<b>290,936,343</b>	283,449,188
	<b>₱ 2,781,794,364</b>	₱ 2,732,304,469	<b>₱ 852,840,416</b>	₱ 1,040,863,780

## 9. General and Administrative Expenses

Details for the periods ended September 30 as follows:

	Nine-Month Period Ended September 30		Three-Month Period Ended September 30	
	2019	2018	2019	2018
Personnel cost	<b>₱ 79,713,119</b>	70,521,655	<b>₱ 32,523,464</b>	23,712,029
Contracted services	<b>17,776,578</b>	10,884,283	<b>7,318,613</b>	3,194,052
Taxes	<b>30,841,117</b>	3,276,391	<b>27,994,531</b>	1,768,588
Rent	<b>5,803,486</b>	5,801,300	<b>2,446,536</b>	2,476,085
Others	<b>36,951,647</b>	32,966,170	<b>8,229,435</b>	7,419,226
	<b>₱ 171,085,945</b>	123,449,799	<b>₱ 78,512,579</b>	38,569,980

## 10. Results of Operations

The highlights of the Group's consolidated statement of income for the nine-month period ended September 30, 2019 broken down into the Parent Company, Subsidiaries and NCI are as follows:

	Parent Company	Subsidiaries	NCI	Consolidated
Net revenues	<b>₱ 3,602,633,112</b>	<b>₱—</b>	<b>₱—</b>	<b>₱3,602,633,112</b>
Cost and expenses	(3,072,321,550)	(24,694,759)	(566,400)	<b>(3,097,582,709)</b>
Finance cost and other income (charges)	(168,644,960)	(928,364)	—	<b>(169,573,324)</b>
Provision for income tax	(108,500,254)	—	—	<b>(108,500,254)</b>
Net income (loss)	<b>₱ 253,166,348</b>	<b>(₱25,623,123)</b>	<b>(₱566,400)</b>	<b>₱226,976,825</b>

## SIGNATURES

Pursuant to the requirements of the Securities Regulations 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



LUIS R. SARMIENTO  
President & CEO



RENATO N. MIGRINO  
Treasurer



BILLY G. TORRES  
AVP - Corporate Finance & Treasury