

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

8706-2805

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: **March 31, 2020**
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 # 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)

<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 March 31, 2020.

Item 2. Management Discussion and Analysis of Financial Position and Results of Operations for the First Quarter ended March 31, 2020 and 2019

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 ₱119.5 million in the first quarter of 2020, which was 58% higher than the ₱75.6 million consolidated net income in the same period in 2019.

The Parent Company net income in the first quarter of 2020 and 2019 amounted to ₱124.6 million and ₱86.2 million, respectively.

Consolidated Revenues

The consolidated revenues in the first quarter of 2020 and 2019 amounted to ₱1.2 billion and ₱1.3 billion, respectively, a decrease of ₱76.2 million or 6% in 2020 compared to 2019. The consolidated revenues of the Group pertain to the Parent Company revenues in all comparative periods.

Information on the Parent Company sales volume and realized prices for both gold and silver in the first quarter of 2020 and 2019 is as follows:

	Gold			Silver		
	2020	2019	%	2020	2019	%
Volume in ounces	13,916	17,215	-19%	77,852	103,345	-25%
Realized price/ounce, in USD	\$1,585	\$1,311	+21%	\$17	\$16	+7%

The weighted average United States Dollar (USD) to Philippine Peso (PHP) foreign exchange rates on the Parent Company revenues in the first quarter of 2020 and 2019 were ₱50.83 and ₱52.22, to one USD, respectively, or an appreciation of the PHP of 3% against the USD.

An analysis of the consolidated revenue variance, which comprises of volume, price and exchange rate variances between the comparative first quarters ended March 31, 2020 and 2019 follows:

Variance (on account of):	Gold	Silver	Total
Volume	₱(225,865,941)	₱ (20,754,101)	₱ (246,620,042)
Price	245,926,637	5,558,576	251,485,213
Exchange rate	(77,781,625)	(3,237,503)	(81,019,128)
Total	₱ (57,720,929)	₱ (18,365,228)	₱ (76,153,957)

Milling throughput was 5% lower at 158,834 tonnes for the first quarter in 2020, as compared to 167,200 tonnes in 2019 which thus far is the highest quarterly tonnage averaging at 1,958 tonnes per day. But while tonnage milled was lower this quarter, a new record recovery rate was nevertheless established at 86.84% from 84% a year ago.

As operations was at the lower grade zone of the Maco mine, average ore grade was lower at 3.04 grams of gold per tonne from 3.67 grams per tonne in 2019. The lower grade, in combination with lower tonnage more than offset the benefit of the higher mill recovery rate, resulting in gold production output and sales of 13,916 ounces, 19% lower compared to 17,215 ounces sold a year ago. Silver output of 77,852 ounces was likewise 25% lower than the 103,345 ounces in 2019.

Partly cushioning the negative effect in revenue of the lower metal outputs were the stronger metal prices which averaged \$1,585 per ounce for gold and \$17 per ounce for silver, as compared to \$1,311 and \$16, respectively, in 2019.

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

Consolidated Cost of Production

Consolidated cost of production incurred in the first quarter of 2020 and 2019, all of which pertains solely to the Parent Company cost of production, amounted to ₱871.7 million and ₱978.9 million, respectively. A breakdown of the main components of consolidated cost of production is as follows:

- The increase in ore reserves of the Maco mine as at the beginning of 2020 to 1.92 million tonnes (at the average grade of 6.34 grams of gold per tonne) reported on by an accredited competent person in compliance with the Philippine Mineral Reporting Code, compared to the previous ore reserves of 1.37 million tonnes (at the average grade of 7.1 grams of gold per tonne), correspondingly reduced the applicable depletion rate starting the first quarter period. The lower depletion rate, together with the lower tonnage output, reduced by 46% the depletion expense to ₱68 million from ₱125 million in the previous year's first quarter. Depreciation and amortization, on the other hand, slightly increased from ₱186.5 million to ₱196.0 due to new equipment acquired.
- Contracted services decreased by 18% or ₱12.7 million in the first quarter of 2020 compared to 2019. While outsourced preventive maintenance services for equipment remains at the same level, lesser unscheduled repair activities were carried out during the first quarter.
- Taxes, licenses and permits increased by 10% due to higher tax base used in the computation of business permits as a result of prior year's higher revenue.

Consolidated Excise Taxes

Consolidated excise taxes of the Group amounted to ₱46.3 million in 2020 from ₱45.4 million in 2019. Excise taxes of metal inventory in March 2020 sold in April were already accrued in the first quarter of 2020.

Consolidated General and Administrative Expenses

Consolidated general and administrative (G&A) expense in the first quarter of 2020 and 2019 amounted to ₱31.3 million and ₱53.7 million, respectively due to lower amount personnel cost and other head office expenses in the first quarter of 2020.

Consolidated Finance Cost and Other Income/Charges

The consolidated finance cost and other income/charges of the Group amounted to ₱64.2 million and ₱72.1 million in the first quarter of 2020 and 2019, respectively. The decrease of ₱6.9 million is due to unrealized foreign exchange gains recognized by the Parent Company from its net foreign currency denominated liabilities vs. unrealized foreign exchange loss recognized in the same quarter of 2019.

Consolidated Provision for Current Income Tax

The provision for current income tax in 2020 is higher at ₱53.4 million or 45% compared to 2019 due to higher consolidated taxable income during the period.

Consolidated Statement of Financial Position

Consolidated Current Assets

Total consolidated current assets dropped by ₱324.1 million to ₱2.3 billion as of March 31, 2020 mainly due to the following:

- Cash of the Group dropped by ₱379.4 million to ₱326.2 million as of March 31, 2020 from ₱705.7 million as of December 31, 2019, primarily from the cash used by the Parent Company in settlement of its loan amortization (net of availments) amounting to ₱218.5 million during the three-month period and expenditures and expenditures for long-term assets of ₱288.2 million.
- Trade and other receivables increased by ₱97.1 million to ₱249.1 million as of March 31, 2020 compared to December 31, 2019 mainly due to the bullion of the Parent Company shipped and sold by the end of the first quarter but the collection was made in the first week of April, 2020.
- Prepayments and other current assets was reduced by ₱63.6 million as of March 31, 2020 versus the comparative balance as of December 31, 2019 due to refund and reclassifications of input value-added tax accruing on local purchases and on importations and other reclassifications.

Consolidated Noncurrent Assets

Total consolidated noncurrent assets increased by ₱283.5 million to ₱11.7 billion as of March 31, 2020 from ₱11.4 billion as of December 31, 2019 due to acquisition of new equipment and development of new mine areas, net of depreciation of fixed assets and depletion of mine and mining properties.

Consolidated Current Liabilities

Consolidated current liabilities were lower by ₱96.2 million to ₱4.4 billion as of March 31, 2020 from ₱4.5 billion as of December 31, 2019 mainly because of the payments made by the Group's trade and other payables during the quarter.

Consolidated Noncurrent Liabilities

The Group's consolidated noncurrent liabilities dropped by ₱63.8 million to ₱3.4 billion as of March 31, 2020 due reclassification to current portion of a bank term loan.

Consolidated Equity

Consolidated equity increased by ₱119.5 million contributed by the total comprehensive income earned in the three months ended March 31, 2020.

Key Performance and Financial Soundness Indicators

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-Month Period Ended March 31		
	2020	2019	Change
Tonnes mined	148,145	145,054	+2%
Tonnes milled	158,834	167,200	-5%
Mill head grade (g/t)			
Gold	3.04	3.67	-17%
Silver	19.44	23.79	-18%
Mill recovery			
Gold	86.84%	84.00%	+3%
Silver	70.51%	75.93%	-7%

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	Three-Month Period Ended March 31	
		2020	2019
Gross profit margin	$\frac{\text{Gross profit}}{\text{Revenue}}$	26.53%	16.94%
Return on assets	$\frac{\text{Net income}}{\text{Total assets}}$	0.86%	0.62%
Return on equity	$\frac{\text{Net income}}{\text{Total equity}}$	1.95%	1.39%
Debt service coverage ratio (DSCR)	$\frac{\text{EBITDA}}{\text{Loan principal plus interest payments}}$	2.46 : 1	2.70 : 1

The increase in the gross profit margin in the first quarter of 2020 compared to the same period in 2019 can be attributed to higher gold price and lower cost of production.

Return on assets and return on equity increased mainly from the higher net income in the first quarter of 2020 than in 2019.

B. On Liquidity and Leverage

	Formula	March 31, 2020	March 31, 2019
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	0.52 : 1	0.53 : 1
Asset-to-equity	$\frac{\text{Total assets}}{\text{Total equity}}$	2.28 : 1	2.25 : 1
Debt-to-equity	$\frac{\text{Total debts}}{\text{Total equity}}$	1.28 : 1	1.25 : 1

No significant changes in current ratio, asset-equity and debt to equity ratio compared to the first quarter of 2019.

Material Event/s and Uncertainties

A. Note 11 of Consolidated Financial Statements for the Quarter Period Ended March 31, 2020 is hereby incorporated for reference.

B. To the best of the Company's knowledge, there are:

- a. no known trends, events or uncertainties that would have any material impact on liquidity and revenue of the Company;
- b. no known events which may trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation;
- c. no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships with unconsolidated entities or other persons created during the reporting period except for the corporate guarantee issued by the Company to secure a bank loan of ISRI; and
- d. no material commitments for capital expenditures, general purpose of such commitments, and expected sources of funds for such expenditures.
- e. no significant elements of the items of income and expenses in the financial performance of the Company other than those described in the Company's audited financial statements.
- f. no seasonal aspects of the Company's operations that have a material effect on the Company's financial statements. There is no one period materially significant, whether higher or lower, than the periods during the year.

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

	March 31, 2020 Unaudited	December 31, 2019 Audited
ASSETS		
Current Assets		
Cash	₱326,252,363	₱705,672,018
Trade and other receivables	249,148,660	152,033,125
Inventories	863,705,187	841,861,627
Advances to related parties	2,810,932	2,810,932
Prepayments and other current assets	495,759,558	559,351,921
	1,937,676,700	2,261,729,623
Assets held for sale	360,668,695	360,668,695
Total Current Assets	2,298,345,395	2,622,398,318
Noncurrent Assets		
Property, plant and equipment	8,967,707,847	8,768,574,217
Deferred exploration costs	2,410,883,470	2,321,842,673
Financial assets measured at fair value through other comprehensive income (FVOCI)	53,528,321	53,528,321
Intangible assets	2,566,882	2,566,882
Other noncurrent assets	223,502,026	228,221,080
Total Noncurrent Assets	11,658,188,546	11,374,733,113
TOTAL ASSETS	₱13,956,533,941	₱13,997,131,431
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables	₱1,210,859,039	₱1,152,394,115
Advances from related parties	1,039,512,000	1,039,512,000
Loans payable - net of noncurrent portion (Note 4)	2,057,898,396	2,212,605,242
Income tax payable	88,021,440	88,021,440
Total Current Liabilities	4,396,290,875	4,492,532,797
Noncurrent Liabilities		
Loans payable - net of current portion (Note 4)	2,817,210,090	2,881,037,495
Provision for retirement benefits	287,776,375	287,776,375
Provision for mine rehabilitation and decommissioning	36,069,650	36,069,650
Deferred income tax liabilities	289,550,245	289,550,245
Total Noncurrent Liabilities	3,430,606,360	3,494,433,765
Total Liabilities	7,826,897,235	7,986,966,562
Equity Attributable to Equity Holders of the Parent Company		
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	449,332,647	449,332,647
Remeasurement loss on financial asset at FVOCI	(343,342,240)	(343,342,240)
Remeasurement gain on retirement plan	(21,030,779)	(21,030,779)
Currency translation adjustment on foreign subsidiaries	2,799,875	2,799,875
Retained earnings	1,718,483,846	1,598,951,955
	5,953,018,384	5,833,486,493
Non-controlling Interests	176,618,322	176,678,376
Total Equity	6,129,636,706	6,010,164,869
TOTAL LIABILITIES AND EQUITY	₱13,956,533,941	₱13,997,131,431

See accompanying Notes to Consolidated Financial Statements.

APEX MINING CO., INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH PERIOD ENDED MARCH 31**

	2020 (Unaudited)	2019 (Unaudited)
REVENUES		
Gold	₱1,120,723,166	₱1,178,483,540
Silver	65,744,918	84,137,741
	1,186,468,084	1,262,621,281
COST OF PRODUCTION (Note 8)	(871,679,098)	(978,875,630)
EXCISE TAXES	(46,336,486)	(45,442,267)
GENERAL AND ADMINISTRATIVE EXPENSES (Note 9)	(31,302,476)	(53,663,590)
FINANCE COST AND OTHER INCOME/CHARGES	(64,262,402)	(72,075,217)
INCOME BEFORE INCOME TAX	172,887,622	112,564,577
PROVISION FOR CURRENT INCOME TAX	(53,415,785)	(36,949,629)
NET INCOME	₱119,471,837	₱75,614,948
Net income (loss) attributable to:		
Equity holders of the Parent Company	₱119,531,891	₱75,744,968
Non-controlling interests	(60,054)	(130,020)
	₱119,471,837	₱75,614,948
BASIC/DILUTED EARNINGS PER SHARE (Note 7)	₱0.021	₱0.013
NET INCOME	₱119,471,837	₱75,614,948
OTHER COMPREHENSIVE INCOME, NET OF TAX	—	—
TOTAL COMPREHENSIVE INCOME	₱119,471,837	₱75,614,948
Total comprehensive income (loss) attributable to:		
Equity holders of the Parent Company	₱119,531,891	₱75,744,968
Non-controlling interests	(60,054)	(130,020)
	₱119,471,837	₱75,614,948

See accompanying Notes to Consolidated Financial Statements.

APEX MINING CO., INC. AND SUBSIDIARIES

**UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2020 AND 2019**

	Attributable to Equity Holders of the Parent Company								NCI	Total
	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 (loss) on retirement plan	Currency translation adjustment on foreign subsidiaries	Retained earnings		
Balances at December 31, 2018	₱6,227,887,491	₱634,224	₱169,048,344	(2,081,746,680)	(₱344,640,000)	₱7,289,357	(₱10,686,105)	₱1,204,874,835	₱176,918,591	₱5,349,580,057
Net income (loss)	—	—	—	—	—	—	—	75,744,968	(130,020)	75,614,948
Other comprehensive income	—	—	—	—	—	—	—	—	—	—
Total comprehensive income (loss)	—	—	—	—	—	—	—	75,744,968	(130,020)	75,614,948
Balances at March 31, 2019	₱6,227,887,491	₱634,224	₱169,048,344	(₱2,081,746,680)	(₱344,640,000)	₱7,289,357	(₱10,686,105)	₱1,280,619,803	₱176,788,571	₱5,425,195,005
Balances at December 31, 2019	₱6,227,887,491	₱634,224	₱449,332,647	(2,081,746,680)	(₱343,342,240)	(₱21,040,779)	₱2,799,875	₱1,598,951,955	₱176,678,376	₱6,010,164,869
Net income (loss)	—	—	—	—	—	—	—	119,531,891	(60,054)	119,471,837
Other comprehensive income	—	—	—	—	—	—	—	—	—	—
Total comprehensive income (loss)	—	—	—	—	—	—	—	119,531,891	(60,054)	119,471,837
Balances at March 31, 2020	₱6,227,887,491	₱634,224	₱449,332,647	(₱2,081,746,680)	(₱343,342,240)	(₱21,040,779)	₱2,799,875	₱1,718,483,846	₱176,618,322	₱6,129,636,706

See accompanying Notes to Consolidated Financial Statements.

APEX MINING CO., INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31

	2020 (Unaudited)	2019 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax for the period	₱172,887,622	₱112,564,577
Adjustments for:		
Depreciation, depletion and amortization	264,028,830	311,952,471
Provision for retirement benefits	-	10,683,562
Operating income before working capital changes	436,916,452	435,200,610
Decrease (increase) in:		
Receivables	(97,115,535)	(74,095,137)
Inventories	(21,843,560)	16,066,647
Prepayments and other current assets	63,592,363	62,422,113
Decrease in trade and other payables	5,049,079	(183,795,315)
Net cash flows generated from operating activities	386,598,799	81,451,100
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures for property, plant and equipment, including mine development costs	(463,162,460)	(456,902,260)
Increase in deferred exploration costs	(89,040,797)	(22,178,069)
Increase in other noncurrent assets	4,719,054	(13,090,368)
Net cash flows used in investing activities	(547,484,203)	(492,170,697)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net loan availment (repayment)	(218,534,251)	209,255,260
Net change in accounts with related parties	-	-
Net cash flows from financing activities	(218,534,251)	209,255,260
NET (DECREASE) INCREASE IN CASH	(379,419,655)	(201,464,337)
CASH AT BEGINNING OF PERIOD	705,672,018	537,422,158
CASH AT END OF PERIOD	₱326,252,363	₱335,957,821

APEX MINING CO., INC. AND SUBSIDIARIES

AGING OF ACCOUNTS RECEIVABLE - UNAUDITED AS OF THE PERIOD ENDED MARCH 31, 2020

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	₱221,764,850	₱221,764,850	₱—	₱—	₱—	₱—	₱—	₱—	₱—
Less: Allow. For Doubtful Acct.	—	—	—	—	—	—	—	—	—
Net Trade Receivable	221,764,850	221,764,850	—	—	—	—	—	—	—
b) Non-Trade Receivables									
1) Downpayment to suppliers	—	—	—	—	—	—	—	—	—
2) Advances to officers and employees for liquidation / Accounts receivable - Others	27,383,810	27,383,810	—	—	—	—	—	—	—
3) Loans receivable of subsidiaries	—	—	—	—	—	—	—	—	—
Less: Allow. For Doubtful Acct.	—	—	—	—	—	—	—	—	—
Net Non-Trade Receivables	27,282,810	27,383,810	—	—	—	—	—	—	—
Net Receivables (a + b)	<u>₱249,148,660</u>								

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information, Business Development 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, Davao De Oro. 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 Properties

Maco Mine

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

As at March 31, 2020, the Company holds valid and subsisting MPSA Nos. 225-2005-XI and 234-2007-XI, which have terms of 25 years from the effective date.

ISO Certification

The Company's Maco Mines 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 Mines

ISRI 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 Mankayan, Benguet.

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

ISO Certification

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 a 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 currently under continued care and maintenance.

Sierra Leone Project

The Gori Hills project located in the Republic of Sierra Leone in West Africa is owned 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 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 agree to combine their mineral interest 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. As of the report date, the MA is not yet consummated by both parties.

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. in which the Company has a 3.92% equity interest.

B. Oil and Gas

Service Contract (SC)

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.

a. 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.

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 March 31, 2020 and 2019. 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.

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 March 31, 2020, 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. This agreement was further extended to May 31, 2021. 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 March 31, 2020.

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.

In 2019, the Parent Company revalued its property, plant and equipment. There were changes in the estimate fair values, useful lives and residual values of property, plant and equipment. Useful lives of certain property, plant and equipment were estimated to be longer than the original estimated useful lives as indicated in the independent appraiser's report dated June 26, 2019.

In 2019, the change has been accounted for as a change in accounting estimate and resulted to a decrease in depreciation expense.

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

	March 31, 2020	March 31, 2019
Philippine National Bank (PNB)	₱3,513,518,046	₱2,309,523,810
Rizal Commercial Banking Corporation (RCBC)	922,500,000	650,000,000
Union Bank of the Philippines (UBP)	439,090,440	420,504,000
	4,875,108,486	3,380,027,809
Less current portion	2,057,898,396	1,594,313,523
Noncurrent portion	₱2,817,210,090	₱1,785,714,286

UBP

As at March 31, 2020, the Parent Company has an outstanding US\$1.80 and US\$6.84 million unsecured promissory note with maturity date of April 8 and September, 2020, respectively, bearing the interest rate of 5.75%.

RCBC

The Parent Company has outstanding unsecured promissory notes amounting to ₱922.5 billion with maturity date of April 3, 2020 carrying an interest rate of 8.00% per annum. This promissory note was renewed for another 90 days.

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 ₱500.00 million expiring on July 31, 2017. PNB granted renewal of the 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. This loan was paid in full after paying the final amortization in January 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 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 September 13, 2019, another unsecured Term Loan Facility of up to ₱2.00 billion with tenor of eight years with equal quarterly principal repayment was obtained to finance the Parent Company's capital expenditures. On September 26 and December 12, 2019, the Parent Company drew the first and second tranches amounting to ₱500.00 million each with the interest rate of 6.5% per annum which will both mature on September 12, 2027.
- 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. The second drawdown amounting to ₱125.00 million with the interest set at 8.26% per annum was made on May 31, 2019. On September 12, 2019,

ISRI drew the remaining ₱125.00 million with the interest rate set at 6.94% per annum. All principal repayment will begin on July 27, 2020 and every quarter thereafter up to October 27, 2023.

All loan covenants are complied with as at March 31, 2020 and 2019.

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 March 31, 2020 and December 31, 2019. 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 March 31 when there were no potentially dilutive common shares during the respective periods are as follows:

	2020	2019
Net income attributable to the equity holders of the Parent Company	₱119,471,837	₱75,614,948
Weighted average number of common shares for basic and diluted earnings per share	5,672,755,043	5,672,755,043
Basic and diluted earnings per share	₱0.021	₱0.013

8. Cost of Production

Details for the periods ended March 31 as follows:

	2020	2019
Materials and supplies	₱266,137,706	₱261,626,165
Depreciation, depletion and amortization	264,028,830	311,952,471
Personnel cost	129,676,024	138,361,624
Contracted services	70,920,251	83,590,676
Utilities	58,535,342	58,752,368
Taxes, licenses and permits	24,945,779	22,424,463
Indigenous People (IP) surface rights royalty & IP royalty	14,890,411	16,635,481
Refining charges	9,587,346	10,930,421
Others	32,957,409	74,601,961
	₱871,679,098	₱978,875,630

Amounts for the periods ended March 31 were distributed as follows:

	2020	2019
Mining	₱221,768,438	₱278,627,271
Milling	163,051,510	154,639,540
Mine overhead	222,830,320	233,656,348
Depreciation, depletion and amortization	264,028,830	311,952,471
	₱871,679,098	₱978,875,630

9. General and Administrative Expenses

Details for the periods ended March 31 as follows:

	2020	2019
Personnel cost and professional fees	₱20,124,981	₱34,345,767
Taxes and licenses	5,079,401	2,561,126
Others	6,098,094	16,756,697
	₱31,302,476	₱53,663,590

10. Results of Operations

The highlights of the Group's consolidated statement of income for the three-month period ended March 31, 2020 broken down into the Parent Company, Subsidiaries and NCI are as follows:

	Parent Company	Subsidiaries	NCI	Consolidated
Revenues	₱1,186,468,084	₱—	₱—	₱1,186,468,084
Cost and expenses	(943,479,741)	(5,838,319)	(60,054)	(949,318,060)
Finance cost and other income/charges	(64,935,727)	673,325	—	(64,262,402)
Provision for income tax	(53,415,785)	—	—	(53,415,785)
Net income (loss)	₱124,636,831	(₱5,104,940)	(₱60,054)	₱119,471,837

11. Material Events

In a bid to address the rising cases of infection from the novel corona virus (Covid-19) in the country, as in many other countries in the world, the national government declared on March 16, 2020 a state of calamity in the country for a period of six months and imposed an enhanced community quarantine until April 12, 2020 throughout the island of Luzon which encompasses among others Benguet Province where ISRI's Sangilo mine is located. In a similar measure, on March 16, 2020 and until thereafter lifted, the provincial government of Davao de Oro declared a mandatory community quarantine in the province where the Company's Maco mine is located.

These impositions which limited the movement of people and the conduct of commerce in the areas covered by the quarantine are non-adjusting subsequent events that have no impact on the Group's financial position and operating performance as of and for the year ended December 31, 2019. Furthermore, since the quarantine begun only 15 days prior to the end of the first quarter of 2020, the effect on the Group's financial position and operating performance as of and for the quarter ended March 31, 2020 has been largely insignificant.

The enhanced community quarantine in Davao de Oro which was subsequently extended to April 30, 2020, and later on to May 15, 2020, affected the Maco mine's first two months of operations in the second quarter of 2020. The prohibition on the movement of employees residing outside Maco, and the health protocols that have to be imposed on them to keep the mine Covid-19 free, resulted in reduced workforce which necessitated a slowdown in mine development and the focus on production, albeit at lower tonnage throughput. To compensate, higher grade ore were accessed to achieve the usual gold production levels. The suspension of airport service in Davao City caused some delays and lessened the frequency of the mine's gold bullion shipments which have to be diverted first to the Cebu City International Airport, and when this airport was later on also closed, to the Manila International Airport. There was minimal increase in transportation cost due to the longer routes, and this was more than covered by the surge in gold price to record levels in about a decade, now prevailing at above \$1,700 per ounce, driven largely by the Covid-19 pandemic.

The enhanced community quarantine imposed in Benguet Province, similarly extended to May 15, 2020, and then to May 31, 2020 as general community quarantine, have also reduced the number of men available to the Sangilo mine for its mine rehabilitation and debugging phases of operations. This delays the target date for the commencement of the mine's commercial operations in 2020.

Considering the evolving nature of the Covid-19 pandemic and the unforeseeable character, scope, and extent of corresponding government action that could or may be taken on this serious public concern, the Group has no basis to determine or predict at this time their possible impact on the Group's financial position and operating performance for the rest of 2020 or even for the periods thereafter.

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 thereto duly authorized.

APEX MINING CO., INC.
Registrant



LUIS R. SARMIENTO
President & CEO



RENATO N. MIGRINO
Treasurer



BILLY G. TORRES
AVP-Corporate Finance & Treasury