

# 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

investorrelations@apexmining.com

Company's Telephone Number

8706-2805

Mobile Number

N/A

No. of Stockholders

2,759

Annual Meeting (Month / Day)

7/30

Fiscal Year (Month / Day)

12/31

## CONTACT PERSON INFORMATION

The designated contact person MUST be an Officer of the Corporation

Name of Contact Person

Billy G. Torres

Email Address

bgtorres@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: **September 30, 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 # (02) 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, 2020.

### Item 2. Management Discussion and Analysis of Financial Position and Results of Operations for the Three Quarters ended September 30, 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 ₱991.3 million in the three quarters of 2020, which was higher than the ₱227.0 million consolidated net income in the same period in 2019. The third quarter consolidated net income in 2020 and 2019 was ₱679.5 million and ₱148.7 million, respectively.

The Parent Company net income in the third quarter of 2020 and 2019 amounted to ₱723.2 million and ₱157.0 million, bringing the Parent Company net income for the three quarters of 2020 and 2019 to ₱1.0 billion and ₱253.2 million, respectively, or an increase of 314%.

##### *Consolidated Revenues*

The consolidated gross revenues in the three quarters of 2020 was higher at ₱4.6 billion compared to ₱3.6 billion of the same period in 2019. The consolidated revenues of the Group pertain to the Parent Company revenues in all comparative periods. Gold ounces produced by Itogon-Suyoc Resources, Inc. (ISRI) after its declaration of commencement of commercial operations last July 31, 2020 were very minimal, not yet sold and reported as part of inventory as of September 30, 2020.

Information on the Parent Company sales volume and realized prices for both gold and silver in the three quarters and third quarter of 2020 and 2019 follows:

	Gold			Silver		
	2020	2019	%	2020	2019	%
Three Quarters:						
Volume in ounces	<b>49,040</b>	47,835	+3%	<b>265,875</b>	279,728	−5%
Realized price/ounce, in USD	<b>\$1,779</b>	\$1,367	+30%	<b>\$20.76</b>	\$15.90	+31%
Third Quarter:						
Volume in ounces	<b>26,031</b>	15,724	+66%	<b>140,240</b>	93,153	+51%
Realized price/ounce, in USD	<b>\$1,902</b>	\$1,472	+29%	<b>\$24.34</b>	\$17.04	+43%

The weighted average United States Dollar (USD) to Philippine Peso (PHP) foreign exchange rates on the Parent Company revenues in the three quarters of 2020 and 2019 were ₱49.60 and ₱52.01, to one USD, respectively, or the appreciation of the PHP of 5% 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, 2020 and 2019 follows:

Variances	Between Three Quarters of 2020 and 2019			Between Third Quarter of 2020 and 2019		
	Gold	Silver	Total	Gold	Silver	Total
Volume	₱85,641,570	(₱11,454,289)	₱74,187,281	₱792,218,366	₱41,907,443	₱834,125,809
Price	1,050,749,317	67,233,222	1,117,982,539	583,912,292	53,447,972	637,360,264
Exchange rate	(210,344,168)	(13,312,633)	(223,656,801)	(152,748,565)	(10,539,254)	(163,287,819)
Consolidated revenue	₱926,046,719	₱42,466,300	₱968,513,019	₱1,223,382,093	₱84,816,161	₱1,308,198,254

The higher ore grades averaging 3.59 grams of gold and 22.38 grams of silver per tonne contributed to the higher gold sales to 49,040 ounces this year from 47,835 ounces last year. Silver sales, however, slightly decreased to 265,875 ounces from 279,728 ounces.

The higher gold sales was further boosted by the higher average realized price of \$1,779/oz., generating revenue of P4.6 billion during the three quarters period this year, 27% higher than the P3.6 billion revenue in 2019 at an average realized gold price of \$1,367/oz.

Milling throughput is lower at 491,269 tonnes (averaging at 1,921 tonnes per day) as compared to 536,433 tonnes averaging at 2,077 tonnes per day last year. Gold recovery is higher at 87.29% compared to last year's 85.55% recovery. Silver recovery slightly declined to 76.55% against last year's 77.53% recovery rate.

The third quarter average ore grade per tonne was 3.79 grams of gold and 23.61 grams of silver, as compared of 3.53 grams of gold and 22.15 grams of silver in the first half of the year. Recovery rate for the quarter increased to 88.77% for gold and 80.37% for silver from 86.63% and 74.25% in the first half.

Average realized gold price this quarter was higher at \$1,902/oz. as compared to \$1,634/oz. in the first half. Silver price also tallied higher at \$24/oz. from \$17/oz. previously.

Gold and silver sold this quarter was higher at 26,031 ounces and 140,240 ounces compared to 15,724 ounces and 93,155 ounces, respectively, in 2020. The higher metal prices contributed to a large extent to the higher net income this quarter as compared to the third quarter of 2019 which had the average prices of \$1,472/oz. gold and \$17/oz. silver.

The strengthening of the PHP against the USD resulted in an unfavorable exchange rate variance as shown in the table above.

#### *Consolidated Cost of Production*

Consolidated cost of production incurred in the three quarters of 2020 and 2019 decreased to P2.7 billion from P2.8 billion mainly due to the 8% decrease in milling tonnage. Cost of production for the unsold metal products of the Parent Company and ISRI is reported as inventory in the balance sheet as of September 30, 2020 and will be charged to income statement once sold. A breakdown of the main components of consolidated cost of production is as follows:

- Depreciation, depletion and amortization expense decreased by 6% or P53.1 million in 2020 compared to 2019.

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 at the beginning of the year. The lower depletion rate, together with the lower tonnage output, reduced the depletion expense to P212.3 million from P338.3 million in the previous year's three quarters. Depreciation, on the other hand, increased due to the acquisition of additional fleet of equipment during the last quarter of 2019.

- Materials and supplies, personnel costs, contracted services and utilities were lower by 4%, 5%, 24% and 6%, respectively, compared to similar period in 2019 due to lower tonnage milled during the period at 491,293 tonnes averaging at 1,921 tonnes per day as compared to 536,433 tonnes averaging at 2,077 tonnes per day in 2019.
- Indigenous People (IP) surface rights royalty & IP royalty, Social Development and Management Program (SDMP) expenses and taxes, licenses and permits, as a group, accounted for a 9% or P19.2 million increase in the three quarters of 2020 compared to the same period last year due to higher revenue and cost base.

#### *Consolidated Excise Taxes*

Consolidated excise taxes of the Group amounted to ₱190.8 million in the three quarters of 2020 from ₱144.7 million in similar period in 2019 due to higher quantity and value of metals sold.

#### *Consolidated General and Administrative Expenses*

Consolidated general and administrative (G&A) expense in the three quarters of 2020 and 2019 amounted to ₱91.8 million and ₱171.1 million, respectively due to retirement and benefits payments in 2019 which is significantly lower in the current period.

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

The consolidated finance cost and other income/charges of the Group amounted to ₱213.3 million and ₱169.6 million in the three quarters of 2020 and 2019, respectively. The increase is mainly due to higher outstanding loan amount during the period compared to 2019 resulting from the loan availments of the Parent Company from a local bank (Note 5).

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

Due to higher taxable income reported during the period, the provision for income tax in the three quarters of 2020 is higher at ₱449.5 million compared to ₱108.5 million in the same period in 2019.

### Consolidated Statement of Financial Position

#### *Consolidated Current Assets*

Total consolidated current assets increased by ₱790.7 million to ₱3.4 billion as of September 30, 2020 from ₱2.6 billion as of December 31, 2019 mainly due to the following:

- Cash of the Group rose by ₱614.1 million to ₱1.3 billion as of September 30, 2020 from ₱705.7 million as of December 31, 2019, primarily from the cash generated by the Parent Company from operations amounting to ₱1.8 billion as well as availments of loan (net of settlements) amounting to ₱387.9 million during the nine-month period. Expenditures for long-term assets amounted to ₱1.6 billion.
- Trade and other receivables increased by ₱177.0 million to ₱329.0 million as of September 30, 2020 compared to December 31, 2019 mainly due to collection of bullion shipped and sold in September 30, 2020 but the payment was received in the first week of October 2020.
- Inventory is higher by 5% at ₱882.6 million as of September 30, 2020 compared to ₱841.9 million in 2019 due to higher parts and supplies of the Group as well as metals inventory of the Parent Company and ISRI. Due to the restrictions imposed by local and national government during the pandemic, the logistics arrangements of these supplies were affected and some orders which were expected to be delivered in the second half of 2020 have arrived later within the third quarter.
- Prepayments and other current assets was reduced by ₱41.0 million as of September 30, 2020 versus the comparative balance as of December 31, 2019 due to reclassifications and amortization of prepaid insurance and taxes, net of amortization of input value added tax from capital assets.

#### *Consolidated Noncurrent Assets*

Total consolidated noncurrent assets increased by ₱766.4 million to ₱12.1 billion as of September 30, 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 higher by ₱181.7 million to ₱4.7 billion as of September 30, 2020 from ₱4.5 billion as of December 31, 2019 mainly because of higher income tax due for the third quarter as well as the reclassification of currently maturing loan amortization from long-term to current.

### *Consolidated Noncurrent Liabilities*

The Group's consolidated noncurrent liabilities increased by ₱384.2 million to ₱3.9 billion as of September 30, 2020 due to drawdown of the third and fourth tranche of PNB loan by the Parent Company amounting to ₱1.0 billion in the first half of the year, partially reduced by regular loan amortization payments and reclassification to current portion of a bank term loan.

### *Consolidated Equity*

Consolidated equity increased by ₱991.7 million contributed by the total comprehensive income earned in the nine months ended September 30, 2020.

### 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		
	2020	2019	Change	2020	2019	Change
Tonnes milled	<b>491,269</b>	536,433	-8%	<b>176,741</b>	170,357	+4%
Mill head grade (gpt):						
Gold	<b>3.59</b>	3.19	+12%	<b>3.79</b>	3.47	+9%
Silver	<b>22.38</b>	20.48	+9%	<b>23.61</b>	22.02	+7%
Metal recovery (%):						
Gold	<b>87.29</b>	85.55	+2%	<b>88.77</b>	87.80	+1%
Silver	<b>76.55</b>	77.53	-1%	<b>80.37</b>	82.24	-2%

#### *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	
		2020	2019
Gross profit margin	$\frac{\text{Gross profit}}{\text{Revenue}}$	<b>42.09%</b>	22.60%
Return on assets	$\frac{\text{Net income}}{\text{Total assets}}$	<b>6.37%</b>	1.68%
Return on equity	$\frac{\text{Net income}}{\text{Total equity}}$	<b>14.16%</b>	4.07%
Debt service coverage ratio (DSCR)	$\frac{\text{EBITDA}}{\text{Loan principal plus interest payments}}$	<b>2.20 : 1</b>	2.24 : 1

The significant increase in the gross profit margin in the three quarters of 2020 compared to the same period in 2019 can be attributed to higher revenue and lower production cost.

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

DCSR slightly decreased due to the effect of loan drawdown of Parent Company during the period despite higher earnings before income taxes, depreciation, depletion and amortization.

#### B. On Liquidity and Leverage

	Formula	September 30, 2020	December 31, 2019
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	<b>0.73 : 1</b>	0.58 : 1
Asset-to-equity	$\frac{\text{Total assets}}{\text{Total equity}}$	<b>2.22 : 1</b>	2.33 : 1
Debt-to-equity	$\frac{\text{Total debts}}{\text{Total equity}}$	<b>1.22 : 1</b>	1.33 : 1

The decrease in current liabilities from Trust receipts payable and the amortization of term loan was faster than the growth in assets in 2020 resulting to higher current ratio against 2019. Asset-to-equity ratio slightly decreased this year compared to prior period due to the higher growth in the Group's total stockholders' equity account as compared to the changes in its assets. Debt-to-equity ratio slightly decreased due to the increase in equity from net income despite additional debts incurred by the Group during the period.

#### Contingencies and Uncertainties

Considering the evolving nature of the COVID-19 pandemic and the continuing government action to address this 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.

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

	September 30, 2020 Unaudited	December 31, 2019 Audited
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	₱1,319,780,967	₱705,672,018
Trade and other receivables	329,012,925	152,033,125
Inventories	882,591,757	841,861,627
Advances to related parties	2,810,932	2,810,932
Prepayments and other current assets	518,262,346	559,351,921
	3,052,458,927	2,261,729,623
Assets held for sale	360,668,695	360,668,695
<b>Total Current Assets</b>	<b>3,413,127,622</b>	<b>2,622,398,318</b>
<b>Noncurrent Assets</b>		
Property, plant and equipment	9,099,081,654	8,768,574,217
Deferred exploration costs	2,677,908,798	2,321,842,673
Financial assets measured at fair value through other comprehensive income (FVOCI) (Note 4)	53,528,321	53,528,321
Intangible assets	2,085,246	2,566,882
Other noncurrent assets	308,548,541	228,221,020
<b>Total Noncurrent Assets</b>	<b>12,141,152,560</b>	<b>11,374,733,113</b>
<b>TOTAL ASSETS</b>	<b>₱15,554,280,182</b>	<b>₱13,997,131,431</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Trade and other payables	₱1,067,289,850	₱1,152,394,115
Advances from related parties	1,039,512,000	1,039,512,000
Loans payable - net of noncurrent portion (Note 5)	2,257,445,903	2,212,605,242
Income tax payable	309,963,653	88,021,440
<b>Total Current Liabilities</b>	<b>4,674,211,406</b>	<b>4,492,532,797</b>
<b>Noncurrent Liabilities</b>		
Loans payable - net of current portion (Note 5)	3,224,057,770	2,881,037,495
Provision for retirement benefits	328,958,020	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
<b>Total Noncurrent Liabilities</b>	<b>3,878,635,685</b>	<b>3,494,433,765</b>
<b>Total Liabilities</b>	<b>8,552,847,091</b>	<b>7,986,966,562</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	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	2,590,630,177	1,598,951,955
	6,825,164,715	5,833,486,493
<b>Non-controlling Interests</b>	<b>176,268,376</b>	<b>176,678,376</b>
<b>Total Equity</b>	<b>7,001,433,091</b>	<b>6,010,164,869</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱15,554,280,182</b>	<b>₱13,997,131,431</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	
	2020 (Unaudited)	2019 (Unaudited)	2020 (Unaudited)	2019 (Unaudited)
<b>REVENUES</b>				
Gold	₱4,327,383,698	₱3,401,336,978	₱2,422,527,856	₱1,199,145,762
Silver	273,800,092	231,333,791	167,072,885	82,256,725
	<b>4,601,183,790</b>	<b>3,632,670,769</b>	<b>2,589,600,741</b>	<b>1,281,402,487</b>
<b>COST OF PRODUCTION</b> (Note 9)	<b>2,664,502,889</b>	<b>2,811,832,021</b>	<b>1,385,544,587</b>	<b>863,059,572</b>
<b>EXCISE TAXES</b>	<b>190,776,191</b>	<b>144,702,400</b>	<b>77,131,174</b>	<b>55,014,235</b>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b> (Note 10)	<b>91,822,407</b>	<b>171,085,945</b>	<b>33,258,366</b>	<b>78,512,579</b>
<b>FINANCE COST AND OTHER INCOME/CHARGES</b>	<b>213,327,727</b>	<b>169,573,324</b>	<b>104,204,863</b>	<b>68,948,590</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>1,440,754,576</b>	<b>335,477,079</b>	<b>989,461,753</b>	<b>215,867,511</b>
<b>PROVISION FOR CURRENT INCOME TAX</b>	<b>449,486,354</b>	<b>108,500,254</b>	<b>309,961,183</b>	<b>67,134,686</b>
<b>NET INCOME</b> (Note 11)	<b>₱991,268,222</b>	<b>₱226,976,825</b>	<b>₱679,500,570</b>	<b>₱148,732,825</b>
<b>Net income (loss) attributable to:</b>				
Equity holders of the Parent Company	₱991,678,222	₱227,543,225	₱679,560,625	₱148,939,205
Non-controlling interests	(410,000)	(566,400)	(60,055)	(206,380)
	<b>₱991,268,222</b>	<b>₱226,976,825</b>	<b>₱679,500,570</b>	<b>₱148,732,825</b>
<b>BASIC AND DILUTED EARNINGS PER SHARE</b> (Note 8)	<b>₱0.18</b>	<b>₱0.04</b>	<b>₱0.12</b>	<b>₱0.03</b>
<b>NET INCOME</b>	<b>₱991,268,222</b>	<b>₱226,976,825</b>	<b>₱679,500,570</b>	<b>₱148,732,825</b>
<b>OTHER COMPREHENSIVE INCOME, NET OF TAX</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱991,268,222</b>	<b>₱226,976,825</b>	<b>₱679,500,570</b>	<b>₱148,732,825</b>
<b>Total comprehensive income (loss) attributable to:</b>				
Equity holders of the Parent Company	₱991,678,222	₱227,543,225	₱679,560,625	₱148,939,205
Non-controlling interests	(410,000)	(566,400)	(60,055)	(206,380)
	<b>₱991,268,222</b>	<b>₱226,976,825</b>	<b>₱679,500,570</b>	<b>₱148,732,825</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, 2020 AND 2019**

	Attributable to Equity Holders of the Parent Company									
	Capital stock (Note 7)	Additional paid-in capital	Revaluation surplus	Treasury shares (Note 7)	Re- measurement loss on financial asset at FVOCI	Re- measurement gain on retirement plan	Currency translation adjustment on foreign subsidiaries	Retained earnings	NCI	Total
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)	—	—	—	—	—	—	—	227,543,225	(566,400)	226,976,825
Other comprehensive income	—	—	—	—	—	—	—	—	—	—
Total comprehensive income (loss)	—	—	—	—	—	—	—	227,543,225	(566,400)	226,976,825
Balances at September 30, 2019	₱6,227,887,491	₱634,224	₱169,048,344	₱(2,081,746,680)	₱(344,640,000)	₱7,289,357	₱(10,686,105)	₱1,432,418,060	₱176,352,191	₱5,576,556,882
<b>Balances at December 31, 2019</b>	<b>₱6,227,887,491</b>	<b>₱634,224</b>	<b>₱449,332,647</b>	<b>(2,081,746,680)</b>	<b>(₱343,342,240)</b>	<b>(₱21,030,779)</b>	<b>₱2,799,875</b>	<b>₱1,598,951,955</b>	<b>₱176,678,376</b>	<b>₱6,010,164,869</b>
Net income (loss)	—	—	—	—	—	—	—	991,678,222	(410,000)	991,268,222
Other comprehensive income	—	—	—	—	—	—	—	—	—	—
Total comprehensive income (loss)	—	—	—	—	—	—	—	991,678,222	(410,000)	991,268,222
<b>Balances at September 30, 2020</b>	<b>₱6,227,887,491</b>	<b>₱634,224</b>	<b>₱449,332,647</b>	<b>(₱2,081,746,680)</b>	<b>(₱343,342,240)</b>	<b>(₱21,030,779)</b>	<b>₱2,799,875</b>	<b>₱2,590,630,177</b>	<b>₱176,268,376</b>	<b>₱7,001,433,091</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**

	2020 (Unaudited)	2019 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax for the period	₱1,440,754,576	₱335,477,079
Adjustments for:		
Depreciation, depletion and amortization	845,764,333	898,831,572
Provision for retirement benefits	41,181,645	30,020,494
Operating income before working capital changes	2,327,700,554	1,264,329,145
Decrease (increase) in:		
Receivables	(176,979,800)	(362,921,253)
Inventories	(40,730,130)	(95,800,265)
Prepayments and other current assets	41,089,576	(172,217,908)
Increase (decrease) in trade and other payables	(85,104,265)	22,457,951
Cash flows generated from operations	2,065,975,935	655,847,670
Income tax paid	(227,544,202)	(88,220,498)
Net cash flows from operating activities	1,838,431,733	567,627,172
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Expenditures for property, plant and equipment, including mine development costs	(1,367,993,098)	(1,276,051,639)
Increase in deferred exploration costs and other noncurrent assets	(244,190,622)	138,020,691
Cash flows used in investing activities	(1,612,183,720)	(1,138,030,948)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net loan availment	387,860,936	653,360,436
Net change in accounts with related parties	-	-
Net cash flows from financing activities	387,860,936	653,360,436
<b>NET INCREASE IN CASH</b>	614,108,949	82,956,659
<b>CASH AT BEGINNING OF PERIOD</b>	705,672,018	537,422,158
<b>CASH AT END OF PERIOD</b>	₱1,319,780,967	₱620,378,817

*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, 2020****1) Aging of Accounts Receivable**

	Total	1 Month	2-3 Months	4-6 Months	7 Months to 1 Year	1-3 Years	3-5 Years	5 Years Above	Past due accounts & items in litigation
Type of Accounts Receivable									
a) Trade Receivables	₱272,227,820	₱272,227,820	₱—	₱—	₱—	₱—	₱—	₱—	₱—
Less: Allow. For Doubtful Acct.	—	—	—	—	—	—	—	—	—
Net Trade Receivable	-	-	—	—	—	—	—	—	—
b) Non-Trade Receivables	56,785,105	56,785,105							
<b>Net Receivables (a + b)</b>	<b><u>₱329,012,925</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, 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 September 30, 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 commenced its commercial operations on July 31, 2020, while the Suyoc Mine is still 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.

### *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.(NPGPL) 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.

## **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, 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.

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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, 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 September 30, 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.

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**4. Financial assets measured at fair value through other comprehensive income (FVOCI)**

Financial assets at FVOCI pertains to MORE's investment in More Electric and Power Corporation, NPGPL and ISRI's corporate membership share in Baguio Country Club.

## 5. Loans Payable

	September 30, 2020	December 31, 2019
Philippine National Bank (PNB)	<b>₱4,076,177,348</b>	₱3,654,552,297
Rizal Commercial Banking Corporation (RCBC)	<b>922,500,000</b>	1,000,000,000
Union Bank of the Philippines (UBP)	<b>482,826,325</b>	439,090,440
	<b>5,481,503,673</b>	5,093,642,737
Less current portion	<b>2,257,445,903</b>	2,212,605,242
Noncurrent portion	<b>₱3,224,057,770</b>	₱2,881,037,495

### *UBP*

As at September 30, 2020, the Parent Company has an outstanding US\$6.84, US\$1.8 and US\$1.36 million unsecured promissory note with maturity date of December 4, December 15, 2020 and March 3, 2021, 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 December 22, 2020 carrying an interest rate of 6.5% 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 ₱500.00 million expiring on July 31, 2017. PNB granted an increase of ₱200.00 million and renewal of the Credit Facilities in the following years with the latest renewal expiring on July 31, 2021.
- 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. The third and fourth tranches were fully drawn in May and June 2020, respectively.
- 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 starting 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 started on July 27, 2020 and every quarter thereafter up to October 27, 2023.

All loan covenants are complied with as at September 30, 2020 and 2019.

## 6. Related Party Disclosures

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by, or are under common control with the Group, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Group. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Group and close members of the family of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related entity relationship, attention is directed to the substance of the relationship and not merely the legal form.

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

## 7. Capital Stock

The Parent Company has authorized capital stock of ₱12.80 billion, divided into a single class of 12.8 billion common shares, with a par value of ₱1.00 per share as of September 30, 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

## 8. 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	
	2020	2019	2020	2019
Net income attributable to the equity holders of the Parent Company	<b>₱991,678,222</b>	₱227,543,225	<b>₱679,560,625</b>	₱148,939,205
Weighted average number of common shares for basic and diluted earnings per share	<b>5,672,755,043</b>	5,672,755,043	<b>5,672,755,043</b>	5,672,755,043
Basic and diluted earnings per share	<b>₱0.175</b>	₱0.040	<b>₱0.120</b>	₱0.026



## 9. Cost of Production

Details for the periods ended September 30 as follows:

	Nine-Month Period Ended September 30		Three-Month Period Ended September 30	
	2020	2019	2020	2019
Depreciation, depletion and amortization	<b>₱845,764,333</b>	₱ 898,831,572	<b>₱449,080,713</b>	₱ 290,936,343
Materials and supplies	<b>783,674,571</b>	819,189,615	<b>472,465,760</b>	260,798,172
Personnel cost	<b>387,885,046</b>	410,075,141	<b>136,526,126</b>	110,121,507
Contracted services	<b>190,425,503</b>	249,818,003	<b>102,869,642</b>	65,024,510
Utilities	<b>182,839,398</b>	194,032,706	<b>100,659,351</b>	57,047,093
Indigenous People (IP) surface rights royalty & IP royalty	<b>66,702,624</b>	46,983,030	<b>31,378,885</b>	17,962,661
Refining and transportation	<b>44,879,549</b>	30,037,657	<b>27,068,929</b>	10,219,156
Taxes, licenses and permits	<b>63,347,214</b>	68,489,418	<b>20,396,817</b>	25,039,259
Others	<b>98,984,651</b>	94,374,878	<b>45,098,364</b>	25,910,871
	<b>₱2,664,502,889</b>	₱ 2,811,832,021	<b>₱1,385,544,587</b>	₱ 863,059,572

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

	Nine-Month Period Ended September 30		Three-Month Period Ended September 30	
	2020	2019	2020	2019
Mining	<b>₱706,263,465</b>	₱ 813,524,679	<b>₱389,369,307</b>	₱ 229,764,573
Milling	<b>471,336,911</b>	423,161,592	<b>218,727,685</b>	125,350,349
Mine overhead	<b>641,138,180</b>	676,314,178	<b>328,366,882</b>	217,008,307
Depreciation, depletion and amortization	<b>₱845,764,333</b>	898,831,572	<b>₱449,080,713</b>	290,936,343
	<b>₱2,664,502,889</b>	₱ 2,811,832,021	<b>₱1,385,544,587</b>	₱ 863,059,572

## 10. 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	
	2020	2019	2020	2019
Personnel cost and professional fees	<b>₱57,885,974</b>	₱97,489,697	<b>₱18,792,859</b>	₱39,842,077
Taxes and licenses	<b>14,984,426</b>	30,841,117	<b>7,198,408</b>	27,994,531
Others	<b>18,952,007</b>	42,755,133	<b>7,267,099</b>	10,675,971
	<b>₱91,822,407</b>	₱171,085,945	<b>₱33,258,366</b>	₱78,512,579

## 11. Results of Operations

The highlights of the Group's consolidated statement of income for the nine-month period ended September 30, 2020 broken down into the Parent Company, Subsidiaries and NCI are as follows:

	Parent Company	Subsidiaries	NCI	Consolidated
Net revenues	₱4,601,183,790	₱—	₱—	₱4,601,183,790
Cost and expenses	(2,890,111,652)	(56,579,834)	(410,000)	(2,947,101,486)
Finance cost and other income (charges)	(212,784,289)	(543,438)	—	(213,327,727)
Provision for income tax	(449,486,355)	—	—	(449,486,355)
Net income (loss)	₱1,048,801,494	(₱57,123,272)	(₱410,000)	₱991,268,222

## 12. Contingencies and Uncertainties

Considering the evolving nature of the COVID-19 pandemic and the continuing government action to address this 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 thereunto duly authorized.

### APEX MINING CO. INC.

Registrant



**LUIS R. SARMIENTO**  
President & CEO



**BILLY G. TORRES**  
VP Finance & Treasurer