

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

corpsec@apexmining.com

Company's Telephone Number

8706-2805

Mobile Number

N/A

No. of Stockholders

2,752

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

Billy G. Torres

Email Address

bgtorres@apexmining.com

Telephone Number/s

8706-2805

Mobile Number

N/A

CONTACT PERSON'S ADDRESS

3304B West Tower, Tektite Towers (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, 2021**
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, Tektite Towers**
Postal Code: **1605**
(former PSE Centre), Exchange 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, 2021.

Item 2. Management Discussion and Analysis of Financial Position and Results of Operations for the Three Quarters ended September 30, 2021 and 2020

Consolidated Statement of Income

Consolidated Revenues

The consolidated gross revenues of Apex Mining Co., Inc. (the “Parent Company”) and Subsidiaries (collectively referred to as the “Group”) in the three quarters of 2021 was higher at ₱5.0 billion compared to ₱4.6 billion of the same period in 2020. The 2021 consolidated revenues of the Group pertain to the Parent Company and Itogon-Suyoc Resources, Inc.’s (“ISRI”) revenues, while the 2020 revenues pertain to Parent Company revenues only. Though ISRI declared its commencement of commercial operations last July 31, 2020, the metals produced from July 31 to September 30, 2020 were very minimal, not yet sold and reported as part of September 30, 2020 gold and silver inventories in the statement of financial position.

Information on the Group sales volume and realized prices for both gold and silver in the three quarters and third quarter of 2021 and 2020 follows:

	Gold			Silver		
	2021	2020	%	2021	2020	%
Three Quarters:						
Volume in ounces	53,295	49,040	+9%	260,453	265,875	−2%
Realized price/ounce, in USD	\$1,786	\$1,779	+0%	\$24.99	\$20.76	+20%
Third Quarter:						
Volume in ounces	19,959	26,031	−23%	87,791	140,240	−37%
Realized price/ounce, in USD	\$1,791	\$1,902	−6%	\$23.71	\$24.34	−3%

The weighted average United States Dollar (USD) to Philippine Peso (PHP) foreign exchange rates on the Group revenues in the three quarters of 2021 and 2020 were ₱49.03 and ₱49.60, to one USD, respectively, or the appreciation of the PHP of 1% 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, 2021 and 2020 follows:

	Between Three Quarters of 2021 and 2020			Between Third Quarter of 2021 and 2020		
Variances	Gold	Silver	Total	Gold	Silver	Total
Volume	₱375,492,886	(₱5,538,716)	₱369,954,170	(₱565,241,905)	(₱62,478,093)	(₱627,719,998)
Price	18,024,260	54,640,361	72,664,621	108,022,153	(2,726,428)	105,295,725
Exchange rate	(46,407,308)	(3,767,248)	(50,174,556)	53,223,472	2,747,350	55,970,822
Consolidated revenue	₱347,109,838	₱45,334,397	₱392,444,235	(₱403,996,280)	(₱62,457,171)	(₱466,453,451)

Parent Company’s milling throughput is higher at 514,008 tonnes (averaging at 2,107 tonnes per day) as compared to 491,269 tonnes averaging at 1,921 tonnes per day as of September 30, 2020. Gold recovery is at 87.06%, almost the same level compared to last year’s 87.29% recovery. Silver recovery slightly improved to 78.54% against last year’s 76.55% recovery rate. Itogon-Suyoc Resources, Inc. milled a total of 44,140 tonnes during the year (averaging 185 tonnes per day).

The higher throughput and average realized gold price of \$1,786/oz during the year (versus \$1,779/oz last year), neutralized the impact in revenues from the drop in ore grades which averages 3.45 grams of gold and 19.80 grams of silver per tonne during the year.

The third quarter average ore grade per tonne was 3.93 grams of gold and 20.97 grams of silver, as compared to 3.79 grams of gold and 23.61 grams of silver in the third quarter of 2020. Recovery rate for the quarter slightly declined to 87.85% for gold and 76.50% for silver from 88.77% and 80.37%, respectively.

Average realized gold price this quarter was 6% lower at \$1,791/oz. as compared to \$1,902/oz. in the same quarter in 2020. Silver price also tallied lower at \$23.71/oz. from \$24.34/oz. previously.

Gold and silver sold this quarter was lower at 19,959 ounces and 87,791 ounces compared to 26,031 ounces and 140,240 ounces, respectively, in 2020. The inventories affected by the quarantine restrictions and flight cancellations due to COVID-19 pandemic during the first and second quarter of 2020 were finally shipped during the third quarter last year.

The strengthening of the PHP against the USD resulted in an unfavorable exchange rate variance.

Consolidated Cost of Production

Consolidated cost of production incurred in the three quarters of 2021 increased to ₱3.2 billion from ₱2.7 billion in 2020 mainly due to higher tonnage milled during the period. A breakdown of the main components of consolidated cost of production is as follows:

- Depreciation, depletion and amortization expense was higher by 12% or ₱101.3 million in 2021 compared to 2020. The higher mine and mining properties in the beginning of 2021 due to transfers from mine development costs increased the applicable depletion rate. Depreciation and amortization also increased due to new equipment acquired in previous periods. Portion of depreciation, depletion and amortization expense were reported as a part of inventory cost of the unsold bullion.
- Materials used in mining and milling was also higher by ₱179.1 million in 2021 compared to 2020. ₱71 million of the materials costs were spent in Sangilo mine, which was in a rehabilitation stage in similar period last year. The Group processed 558,158 tonnes during the three quarters of 2021 which is 5% higher than the tonnage milled in the same period last year. Consequently, power cost was higher by ₱11.2 million or 6% than the previous comparative period.
- Personnel cost and contracted services increased by 29% or ₱167.0 million in the three quarters of 2021 compared to 2020 due to COVID-19 related benefits and assistance and inclusion of ₱73.5 million of payroll related costs and contracted services incurred in Sangilo mine.
- Bullion refining and transportation charges also increased in 2021 compared to 2020. The cost of transporting the bullion from Maco mine to Hong Kong increased due to longer routes used and more expensive flights incurred. During the community quarantine, various flights were cancelled and airports temporarily closed, to prevent further spread of COVID-19.
- Taxes, licenses and permits increased by 32% due to higher tax base used in the computation of business permits as a result of prior period's higher revenue.

Consolidated Excise Taxes

Consolidated excise taxes of the Group amounted to ₱196.9 million in the three quarters of 2021 from ₱190.8 million in the same period in 2020 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 2021 and 2020 amounted to ₱106.7 million and ₱91.8 million, respectively due to benefits payments in 2021 which is significantly lower than last year.

Consolidated Finance Cost and Other Income/Charges

The consolidated finance cost and other income/charges of the Group amounted to ₱1.3 billion and ₱213.3 million in the three quarters of 2021 and 2020, respectively. During the quarter, the Group recognized a ₱1.1 billion provision for impairment of property and equipment and deferred exploration costs of non-operating local and foreign subsidiaries of Monte Oro Resources & Energy, Inc. (“MORE”) as discussed in Note 10 of the Unaudited Interim Financial Statements.

Consolidated Provision for (Benefit from) Income Tax

Due to lower taxable income reported during the period and lower tax rate of 25% used in accordance with the CREATE law, the provision for income tax in the three quarters of 2021 is lower at ₱331.5 million compared to ₱449.5 million in the same period in 2020.

Consolidated Net Income (Loss)

The consolidated net loss of the Group was ₱135.7 million in the three quarters of 2021, which was significantly lower than the ₱991.3 million consolidated net income in the same period in 2020. The third quarter consolidated net loss in 2021 was ₱624.4 million due to the recognition of provision for impairment of property and equipment and deferred exploration costs of non-operating subsidiaries of MORE.

The Parent Company net income in the third quarter of 2021 and 2020 amounted to ₱493.4 million and ₱723.2 million, bringing the Parent Company net income for the three quarters of 2021 and 2020 to ₱994.5 billion and ₱1.0 billion.

Consolidated Statement of Financial Position

Consolidated Current Assets

Total consolidated current assets decreased by ₱318.5 million to ₱3.2 billion as of September 30, 2021 mainly due to the following:

- Cash of the Group dropped by ₱780.3 million to ₱619.6 million as of September 30, 2021 from ₱1.4 billion as of December 31, 2020, primarily from the expenditures for capital assets, mine development and explorations costs aggregating to ₱1.5 billion, and settlements of maturing term loan amortization amounting to ₱576.1 million. Net cash generated by the Group from operations amounted to ₱1.3 billion. As of September 30, 2021, the Parent Company has an outstanding receivable from its refiner amounting to ₱523.7 million as discussed below.
- Trade and other receivables increased by ₱530.6 million to ₱705.5 million as of September 30, 2021 compared to December 31, 2020 mainly due to the outstanding ₱523.7 million receivables from shipment and sale of bullion done during the last week of September 2021, the total amount of which was collected immediately in the first week of October 2021.
- Inventories increased by ₱155.9 million as of September 30, 2021 versus the comparative balance as of December 31, 2020 due to Parent Company’s higher gold and silver bullion ounces stored at vault.
- Prepayments and other current assets increased by ₱135.6 million as of September 30, 2021 versus the comparative balance as of December 31, 2020 due to higher input VAT on imported capital assets and mine and mill materials supplies. Significant deposits and advance payments were also made to the suppliers and contractors during the period to ensure uninterrupted flow of materials and services despite the longer lead time and delays caused by the pandemic situation.
- Assets held for sale were reclassified to property, plant and equipment account upon expiration of agreement to sell between MORE and A. Brown Co., Inc. as discussed in Note 1 of the unaudited interim financial statements attached herewith.

Consolidated Noncurrent Assets

Total consolidated noncurrent assets decreased by ₱192.6 million to ₱11.9 billion as of September 30, 2021 from ₱12.1 billion as of December 31, 2020 due to provision of impairment recognized during the period and depreciation of fixed assets and depletion of mine and mining properties, net of acquisition of new equipment and development of new mine areas.

Consolidated Current Liabilities

Consolidated current liabilities were higher by ₱163.2 million to ₱4.6 billion as of September 30, 2021 from ₱4.5 billion as of December 31, 2020 mainly because of higher purchase of local and imported goods and services near end of the quarter.

Consolidated Noncurrent Liabilities

The Group's consolidated noncurrent liabilities decreased by ₱538.5 million to ₱3.1 billion as of September 30, 2021 compared to December 31, 2020 due to regular loan amortization payments and reclassification to current portion of a bank term loan. During the first three quarters of 2021, no additional bank loans were drawn.

Consolidated Equity

Consolidated equity decreased by ₱135.7 million contributed by the total comprehensive loss registered in the nine months ended September 30, 2021.

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 Group.

	Three Quarters ended September 30			Third Quarter ended September 30		
	2021	2020	Change	2021	2020	Change
Tonnes milled	558,158	491,269	14%	228,157	176,741	+29%
Mill head grade (gpt):						
Gold	3.45	3.59	-4%	3.93	3.79	+4%
Silver	19.80	22.38	-12%	23.61	23.61	+0%
Metal recovery (%):						
Gold	87.06	87.29	-0%	87.85	88.77	-1%
Silver	78.54	76.55	+3%	76.50	80.37	-5%

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	
		2021	2020
Gross profit margin	$\frac{\text{Gross profit}}{\text{Revenue}}$	36.05%	36.42%
Return on assets	$\frac{\text{Net income (loss)}}{\text{Total assets}}$	-0.90%	2.07%
Return on equity	$\frac{\text{Net income (loss)}}{\text{Total equity}}$	-1.83%	4.93%

	Formula	Nine-Month Period Ended September 30	
		2021	2020
Debt service coverage ratio (DSCR)	$\frac{\text{EBITDA}}{\text{Loan principal plus interest payments}}$	2.93 : 1	1.89 : 1

The slight decrease in the gross profit margin in the three quarters of 2021 compared to the same period in 2020 can be attributed to higher production cost. Return on assets and return on equity dropped mainly from the provision of impairment recognized during the period. DCSR increased due to higher earnings before income taxes, depreciation, depletion and amortization and repayment of long-term loans.

B. On Liquidity and Leverage

	Formula	September 30, 2021	September 30, 2020
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	0.72 : 1	0.73 : 1
Asset-to-equity	$\frac{\text{Total assets}}{\text{Total equity}}$	2.04 : 1	2.22 : 1
Debt-to-equity	$\frac{\text{Total debts}}{\text{Total equity}}$	1.04 : 1	1.22 : 1

The increase in current liabilities from trade payables and amortization of term loan was faster than the growth in assets in 2021 resulting to lower current ratio against 2020. Asset-to-equity ratio slightly decreased this year compared to 2020 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.

Material Event/s and Uncertainties

A. Note 12 of Consolidated Financial Statements for the Quarter Period Ended September 30, 2021 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 except for the COVID-19 pandemic as disclosed in Note 12 of the unaudited financial statements below.
- 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.

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

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

	September 30, 2021 Unaudited	December 31, 2020 Audited
ASSETS		
Current Assets		
Cash	₱619,594,723	₱1,399,909,932
Trade and other receivables	705,535,133	174,977,356
Inventories	1,148,661,656	992,714,146
Advances to related parties	2,304,109	2,304,109
Prepayments and other current assets	739,733,858	604,100,007
	3,215,829,479	3,174,005,550
Assets held for sale	-	360,283,298
Total Current Assets	3,215,829,479	3,534,288,848
Noncurrent Assets		
Property, plant and equipment	9,780,082,610	9,840,989,728
Deferred exploration costs	1,751,000,326	1,996,121,548
Financial assets measured at fair value through other comprehensive income (FVOCI)	3,200,000	3,200,000
Intangible assets	538,979	2,589,256
Other noncurrent assets	352,056,682	236,598,408
Total Noncurrent Assets	11,886,878,597	12,079,498,940
TOTAL ASSETS	₱15,102,708,076	₱15,613,787,788
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables	₱1,438,324,565	₱1,279,657,068
Advances from related parties	976,012,000	976,012,000
Loans payable - net of noncurrent portion (Note 4)	2,206,246,564	2,201,741,649
Total Current Liabilities	4,620,583,129	4,457,410,717
Noncurrent Liabilities		
Loans payable - net of current portion (Note 4)	2,446,443,428	3,027,059,715
Provision for retirement benefits	356,412,380	314,316,708
Provision for mine rehabilitation and decommissioning	42,135,630	42,135,633
Deferred income tax liabilities	229,476,950	229,476,950
Total Noncurrent Liabilities	3,074,468,388	3,612,989,006
Total Liabilities	7,695,051,517	8,070,399,723
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	351,316,435	351,316,435
Remeasurement loss on financial asset at FVOCI	(344,642,240)	(344,642,240)
Remeasurement gain on retirement plan	(19,243,522)	(19,243,522)
Currency translation adjustment on foreign subsidiaries	2,682,086	2,682,086
Retained earnings	3,239,513,738	3,229,518,939
	7,376,401,532	7,366,406,733
Non-controlling Interests	31,255,027	176,981,332
Total Equity	7,407,656,559	7,543,388,065
TOTAL LIABILITIES AND EQUITY	₱15,102,708,076	₱15,613,787,788

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	
	2021 (Unaudited)	2020 (Unaudited)	2021 (Unaudited)	2020 (Unaudited)
REVENUES				
Gold	₱4,674,493,537	₱4,327,383,698	₱1,802,487,270	₱2,422,527,856
Silver	319,089,489	273,800,092	104,615,715	167,072,885
	4,993,583,026	4,601,183,790	1,907,102,985	2,589,600,741
COST OF PRODUCTION (Note 8)	3,193,325,737	2,664,502,889	1,083,799,515	1,385,544,587
EXCISE TAXES	196,900,196	190,776,191	81,395,211	77,131,174
GENERAL AND ADMINISTRATIVE EXPENSES (Note 9)	106,676,131	91,822,407	39,557,151	33,258,366
FINANCE COST AND OTHER INCOME/CHARGES (Note 10)	1,300,869,417	213,327,727	1,163,989,705	104,204,861
INCOME (LOSS) BEFORE INCOME TAX	195,811,545	1,440,754,576	(461,638,597)	989,461,753
PROVISION FOR CURRENT INCOME TAX	331,543,051	449,486,354	162,715,259	309,961,183
NET INCOME (LOSS) (Note 11)	(₱135,731,506)	₱991,268,222	(₱624,353,856)	₱679,500,570
Net income (loss) attributable to:				
Equity holders of the Parent Company	₱9,994,799	₱991,678,222	(₱478,867,551)	₱679,560,625
Non-controlling interests	(145,726,305)	(410,000)	(145,486,305)	(60,055)
	(₱135,731,506)	₱991,268,222	(₱624,353,856)	₱679,500,570
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE (Note 7)	₱0.002	₱0.175	₱(0.084)	₱0.120
NET INCOME	(₱135,731,506)	₱991,268,222	(₱624,353,856)	₱679,500,570
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	—	—	—	—
TOTAL COMPREHENSIVE INCOME (LOSS)	(₱135,731,506)	₱991,268,222	(₱624,353,856)	₱679,500,570
Total comprehensive income (loss) attributable to:				
Equity holders of the Parent Company	₱9,994,799	₱991,678,222	(₱478,867,551)	₱679,560,625
Non-controlling interests	(145,726,305)	(410,000)	(145,486,305)	(60,055)
	(₱135,731,506)	₱991,268,222	(₱624,353,856)	₱679,500,570

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, 2021 AND 2020

	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, 2019	₱6,227,887,491	₱634,224	₱449,332,647	(2,081,746,680)	(₱343,342,240)	(₱21,030,779)	₱2,799,875	₱1,598,951,955	₱176,678,376	₱6,010,164,869
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
Balances at September 30, 2020	₱6,227,887,491	₱634,224	₱449,332,647	(₱2,081,746,680)	(₱343,342,240)	(₱21,030,779)	₱2,799,875	₱2,590,630,177	₱176,268,376	₱7,001,433,091
Balances at December 31, 2020	₱6,227,887,491	₱634,224	₱351,316,435	(2,081,746,680)	(₱344,642,240)	(₱19,243,522)	₱2,682,086	₱3,229,518,939	₱176,981,332	₱7,543,388,065
Net income (loss)	—	—	—	—	—	—	—	9,994,799	(145,726,305)	(135,731,506)
Other comprehensive income	—	—	—	—	—	—	—	—	—	—
Total comprehensive income (loss)	—	—	—	—	—	—	—	9,994,799	(145,726,305)	(135,731,506)
Balances at September 30, 2021	₱6,227,887,491	₱634,224	₱351,316,435	(₱2,081,746,680)	(₱344,642,240)	(₱19,243,522)	₱2,682,086	₱3,239,513,738	₱31,255,027	₱7,407,656,559

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

	2021 (Unaudited)	2020 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax for the period	₱195,811,546	₱1,440,754,576
Adjustments for:		
Depreciation, depletion and amortization	947,060,435	845,764,333
Provision for impairment (Note 10)	1,107,393,105	-
Provision for retirement benefits	42,095,672	41,181,645
Operating income before working capital changes	2,292,360,758	2,327,700,554
Decrease (increase) in:		
Receivables	(530,557,777)	(176,979,800)
Inventories	(155,947,510)	(40,730,130)
Prepayments and other current assets	(135,633,851)	41,089,576
Increase (decrease) in trade and other payables	215,863,416	(85,104,265)
Cash flows generated from operations	1,686,085,036	2,065,975,935
Income tax paid	(388,738,975)	(227,544,202)
Net cash flows from operating activities	1,297,346,061	1,838,431,733
CASH FLOWS USED IN INVESTING ACTIVITIES		
Expenditures for property, plant and equipment, including mine development costs	(1,151,017,558)	(1,367,993,098)
Increase in deferred exploration costs and other noncurrent assets	(350,532,340)	(244,190,622)
Cash flows used in investing activities	(1,501,549,898)	(1,612,183,720)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Net loan availment (payment)	(576,111,372)	387,860,936
Net change in accounts with related parties	-	-
Net cash flows generated from (used in) financing activities	(576,111,372)	387,860,936
NET INCREASE (DECREASE) IN CASH	(780,315,209)	614,108,949
CASH AT BEGINNING OF PERIOD	1,399,909,932	705,672,018
CASH AT END OF PERIOD	₱619,594,723	₱1,319,780,967

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, 2021****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	₱523,725,380	₱523,725,380	₱—	₱—	₱—	₱—	₱—	₱—	₱—
Less: Allow. For Doubtful Acct.	—	—	—	—	—	—	—	—	—
Net Trade Receivable	-	-	—	—	—	—	—	—	—
b) Non-Trade Receivables	181,809,753	181,809,753							
Net Receivables (a + b)	<u>₱705,535,133</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, Tektite Towers (formerly 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, 2021, 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
- ISO 45001:2018 Occupational Health and Safety

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.

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 has completed the rehabilitation and refurbishment of its mining and milling facilities and declared the commencement of its commercial operations on July 31, 2020. Suyoc Mine continues its resource validation and exploration activities.

ISO Certification

The Sangilo and Suyoc mines are ISO 14001:2015 certified for environmental management system granted by TUV Rheinland in April 2017. 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), an Isles of Man 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.

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. MOMCL received word that its tenement license has been revoked by the National Mineral Agency (NMA). MOMCL will work to question that revocation and for the reinstatement of that license.

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. The two licenses of the Uganda project were renewed last September 9, 2020 with a tenure of 3 years subject to a 4-year extension.

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. The company has suspended operation following dispute with the government on license terms.

B. Oil and Gas

Service Contract (SC)

MORE has a 30% participating interest in 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. holds the remaining 70% participating interest and is the operator of the SC.

The Philippine government lifted its moratorium on oil and gas exploration in disputed areas of the West Philippine Sea last October 2020.

C. Others

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 DENR to manage,

rehabilitate and introduce ecologically friendly technologies for waste disposal, recycling and energy generation which agreement is yet to be put in operation.

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, 2021 and 2020. 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 September 30, 2021, the Parent Company assessed that it has control over MORE and ISRI and has accounted for the investments as investments in subsidiaries.

Determination and Classification of a Joint Arrangement

Judgment is required to determine when the Group has joint control over an arrangement, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent. The Group has determined that the relevant activities for its joint arrangements are those relating to the operating and capital decisions of the arrangement. Judgment is also required to classify a joint arrangement. Classifying the arrangement requires the Group to assess their rights and obligations arising from the arrangement.

Specifically, the Company considers:

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

- b. The terms of the contractual arrangement
- c. Other facts and circumstances (when relevant)

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

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

Assessment Whether an Asset is Held for Sale

In 2018, the Group entered into an agreement to sell its interest in ICSI, a partially-owned subsidiary. The subsidiary is classified as an "asset held for sale". The Group considered the asset to meet the criteria to be classified as held for sale in 2020 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 when 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. 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

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, and 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, 2021.

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:

Provision for ECL on Trade and Other Receivables, Advances to Related Parties, and Advances to GMU

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

	September 30, 2021	December 31, 2020
Philippine National Bank (PNB)	₱3,223,314,597	₱3,827,748,986
Rizal Commercial Banking Corporation (RCBC)	922,500,000	922,500,000
Union Bank of the Philippines (UBP)	506,875,395	478,552,378
	4,652,689,992	5,228,801,364
Less current portion	2,206,246,564	2,201,741,649
Noncurrent portion	₱2,446,443,428	₱3,027,059,715

UBP

As at September 30, 2021, the Parent Company has an outstanding US\$1.36, US\$1.80 and US\$6.84, million unsecured promissory notes with maturity dates of November 25, 2021, December 7, 2021, and February 21, 2022, 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 March 15, 2022 carrying an interest rate of 5.75% per annum.

PNB

PNB has granted the Parent Company the following facilities:

- Credit Facilities consisting of Letters of Credit, Trust Receipts (TR) and Settlement Risk Lines totaling ₱700.00 million expiring on July 31, 2022, renewable every year.
- 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. 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 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 began on July 27, 2020 and every quarter thereafter up to October 27, 2023.

5. Related Party Disclosures

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

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

6. Capital Stock

The Parent Company has authorized capital stock of ₱12.80 billion, divided into a single class of 12.8 billion common shares, with a par value of ₱1.00 per share as of September 30, 2021 and December 31, 2020. 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	555,133,447	2,081,746,680
Outstanding shares at end of period	5,672,754,044	₱4,146,140,811

7. Basic/Diluted Earnings Per Share

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

Estimation of earnings per share for the periods ended September 30 when there were no

potentially dilutive common shares during the respective periods are as follows:

	Three Quarters		Third Quarter	
	2021	2020	2021	2020
Net income (loss) attributable to the equity holders of the Parent Company	₱9,994,799	₱991,268,222	(₱478,867,551)	₱679,560,625
Weighted average number of common shares for basic and diluted earnings per share	5,672,754,044	5,672,754,044	5,672,754,044	5,672,754,044
Basic and diluted earnings (loss) per share	₱0.002	₱0.174	(₱0.084)	₱0.120

8. Cost of Production

Details for the periods ended September 30 are as follows:

	Nine-Month Period Ended September 30		Three-Month Period Ended September 30	
	2021	2020	2021	2020
Depreciation, depletion and amortization	₱947,060,435	₱845,764,333	₱270,726,553	₱449,080,713
Materials and supplies	962,729,629	783,674,571	354,681,693	472,465,760
Personnel cost	471,418,369	387,885,046	172,427,587	136,526,126
Contracted services	273,862,270	190,425,503	89,361,907	102,869,642
Utilities	194,058,452	182,839,398	74,072,334	100,659,351
Taxes, licenses and permits	83,553,022	63,347,214	25,896,725	20,396,817
Indigenous People (IP) surface rights royalty & IP royalty	64,810,477	66,702,624	26,940,481	31,378,885
Refining and transportation	54,193,242	44,879,549	18,594,529	27,068,929
Others	141,639,841	98,984,651	51,097,706	45,098,364
	₱3,193,325,737	₱2,664,502,889	₱1,083,799,515	₱1,385,544,587

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

	Nine-Month Period Ended September 30		Three-Month Period Ended September 30	
	2021	2020	2021	2020
Mining	₱865,285,782	₱706,263,465	₱296,136,640	₱389,369,307
Milling	520,584,104	471,336,911	180,222,942	218,727,685
Mine overhead	860,395,416	641,138,180	336,713,380	328,366,882
Depreciation, depletion and amortization	₱947,060,435	₱845,764,333	₱270,726,553	₱449,080,713
	₱3,193,325,737	₱2,664,502,889	₱1,083,799,515	₱1,385,544,587

9. General and Administrative Expenses

Details for the periods ended September 30 are as follows:

	Nine-Month Period Ended September 30		Three-Month Period Ended September 30	
	2021	2020	2021	2020
Personnel cost and professional fees	₱57,934,815	₱57,885,974	₱25,791,342	₱18,792,859
Others	48,741,316	33,936,433	13,765,809	14,465,507
	₱106,676,131	₱91,822,407	₱39,557,151	₱33,258,366

10. Finance Cost and Other Income/Charge

Details for the periods ended September 30 are as follows:

	Nine-Month Period Ended September 30		Three-Month Period Ended September 30	
	2021	2020	2021	2020
Interest	₱188,838,979	₱226,715,839	₱65,917,732	₱81,016,674
Foreign exchange losses (gains)	(3,586,048)	(28,151,293)	(11,702,320)	(3,646,934)
Provision for impairment of MORE assets	1,107,393,105	-	1,107,393,105	-
Others	8,223,381	14,763,181	2,381,188	26,835,121
	₱1,300,869,417	₱213,327,727	₱1,163,989,705	₱104,204,861

During the period, the Group provided for provision for impairment loss amounting to ₱1.1 billion which consisted of property and equipment and deferred mining exploration costs of non-operating MORE local and foreign subsidiaries.

11. Results of Operations

The highlights of the Group's consolidated statement of income for the nine-month period ended September 30, 2021 broken down into the Parent Company, Subsidiaries and NCI are as follows:

	Parent Company	Subsidiaries	NCI	Consolidated
Revenues	₱4,697,024,667	₱ 296,558,359	₱-	₱4,993,583,026
Cost and expenses	(3,178,687,480)	(317,854,584)	(360,000)	(3,496,902,064)
Finance cost and other income/charges	(192,373,018)	(963,130,094)	(145,366,305)	(1,300,869,417)
Provision for income tax	(331,491,042)	(52,009)	-	(331,543,051)
Net income (loss)	₱994,473,127	(₱984,478,328)	(₱145,726,305)	₱135,731,506

12. COVID-19 Disclosure

The Philippine government imposed various levels of community quarantine since March 16, 2020 to address the COVID-19 pandemic in the country.

The community quarantine in Davao de Oro affected the Maco mine's second to fourth quarter of 2020 and three quarters of 2021 operations. The restriction on the movement of employees and the health protocols reduced the workforce which slowed down mine development. The Maco mine conducted contract tracing and isolation in coordination with the local government of Maco when some employees contracted the virus in December 2020. Focus was made on higher grade ore to achieve gold production levels. The suspension of airport service in Davao City caused delays and lessened the frequency of the mine's gold bullion shipments. There was an increase in transportation cost due to the longer alternative routes.

The community quarantine imposed in the Benguet Province reduced the manpower available for the Sangilo mine rehabilitation and debugging. The Sangilo mine was included in the localized lockdown in October 2020 following the increase in COVID-19 cases within the tenement and Barangay Poblacion where the mine is located. The lockdown was lifted after the completion of swab testing conducted by the Rural Health Unit. ISRI has doubled up on its mitigation measures and disinfected the areas where the COVID-19 cases were identified.

The Group continues to adhere to the safety and health standards imposed by the national and local government to address the continuing COVID-19 pandemic.