

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

No. of Stockholders

2,744

(as of April 30, 2023)

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, Exchange Road, Ortigas Center, Pasig City

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

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended: **March 31, 2023**
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** **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 March 31, 2023.

Item 2. Management Discussion and Analysis of Financial Position and Results of Operations for the First Quarter ended March 31, 2023 and 2022

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 first quarter of 2023 was higher at ₱2.6 billion compared to ₱2.2 billion of the same period last year. The consolidated revenues of the Group pertain to the Parent Company’s Maco operations and Itogon-Suyoc Resources, Inc.’s (“ISRI”) Sangilo operations revenues.

Information on the sales volume and realized prices for both gold and silver in the first quarter of 2023 and 2022 is as follows:

	Gold			Silver		
	2023	2022	%	2023	2022	%
Volume in ounces	23,608	22,174	6	83,543	96,200	-13
Realized price/ounce, in USD	\$1,929	\$1,872	3	\$23.0	\$23.7	-3

The weighted average United States Dollar (USD) to Philippine Peso (PHP) foreign exchange rates on the Group revenues in the first quarter of 2023, 2022 and 2021 were ₱54.42, ₱51.52 and ₱49.56, to one USD, respectively.

An analysis of the consolidated revenue variance, which comprises of sales volume, price and exchange rate variances, between the comparative periods ended March 31, 2023, 2022 and 2021 of the Group in Peso equivalent are as follows:

	2023 versus 2022 (in thousands of PHP)			2022 versus 2021 (in thousands of PHP)		
Variance	Gold	Silver	Total	Gold	Silver	Total
Volume (sold)	₱138,226	(₱15,442)	₱122,785	₱434,166	₱12,720	₱446,886
Price	69,673	(2,926)	66,747	128,407	(6,144)	122,263
Exchange rate	153,145	84,113	237,258	103,831	59,169	163,000
Consolidated revenues	₱361,044	₱65,745	₱426,789	₱666,404	₱65,745	₱732,149

For the First Quarter of 2023 the Parent Company’s Maco operations milled a total of 182,639 tonnes which was lower by 6.0% as compared to 1Q2022. A series of force majeure events occurred within the period. A prolonged series of earthquakes and aftershocks occurred during the period which affected power supply to operations. The mine was also forced to do a series of safety inspections during this period of earthquake swarms. These forced intermittent work stoppages. Heavy and long periods of rainfall during the period created landslides to occur within the Davao de Oro province. The landslide affected the old tailings dam (utilized between 1976 to 1989) posing access problems for workers. All these disruptions totaled 5.74 workdays.

Despite these disruptions, gold recovery was at 88.77%, higher compared to last period’s 87.26% recovery. Silver recovery was lower at 76.23% against last year’s 78.92% recovery rate. The higher average realized gold price of \$1,929/oz during the year (versus \$1,872/oz last year), pushed the revenues up by 16% in the first quarter of 2023. Ore gold grades averaged higher at 4.56 grams per

tonne compared to the first quarter of 2022 at 3.76 grams of gold per tonne. Itogon-Suyoc Resources, Inc. milled a total of 34,221 tonnes in the first quarter of 2023 compared to 25,887 tonnes in Q1 2022. From the Mine Reserves and Resource Certifications of 2021, the Parent Company' Maco Mine has enough reserves and resources to continue at the targeted production rate of 3,000 tonnes per day till 2032. The exploration program for MPSA 225 continues to this day and once the updated third party competent report on the results of exploration is completed, the Parent Company will disclose properly. The acquisition of the Asia Alliance Mining Resources Corporation gives the mine future gold resources as the extensions of existing mining veins spill over to the adjacent tenement. These gives our exploration team new ground to drill and validate.

The depreciation of the PHP against the USD as of March 31, 2023 resulted in a favorable exchange rate variance.

Consolidated Cost of Production

Consolidated cost of production incurred in the first quarter of 2023 increased to ₱1.6 billion from ₱1.2 billion in 2022 mainly due to higher materials consumption, higher unit costs incurred and higher depreciation and depletion recorded 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 32% or ₱91.04 million in the first quarter of 2023 compared to 2022 due to higher capital expenditures incurred in the past years for depreciable assets such as plant expansion, maintenance and infrastructure, as well as mine development which is subject to depletion. As at December 31, 2022, 2021 and 2020, the Group spent ₱2.23 billion, ₱1.75 billion and ₱1.35 billion in property plant and equipment.
- Material cost of mining and milling during the first quarter was higher by ₱152.9 million in 2023 compared to 2022. Despite processing lower tonnage at 182,639 tonnes during the first quarter of 2023, higher materials consumption for the underground operations and increasing unit costs of materials and supplies used, mainly brought about by inflation, pushed the total operating costs higher. Power cost was significantly higher by ₱67.4 million or 84% than the previous comparative period due to surge in fuel and coal prices worldwide.
- Personnel cost and contracted services increased by 26% and 28%, respectively, during the first quarter of 2023 compared to 2022 due to the reporting of full manpower operations at sites compared last year's similar period when the COVID-19 pandemic remained a health and logistic concern at the mine site and temporarily reduced the mobility and number of workforce. During the period, the site also experienced earthquakes and landslides which affected the regular working days of underground and support employees.
- Indigenous People (IP) surface rights royalty & IP royalty and taxes, licenses and permits, as a group, accounted for a 4% or ₱16.6 million increase in 2023 compared to 2022 due to higher revenue and cost base.
- Bullion refining and transportation charges remained at the same level in the first quarter of 2023 compared to 2022 due to almost similar volume of metals shipped and sold. Refining cost and transportation charges are computed based on the volume of shipments and metal outturn.

Consolidated Excise Taxes

Consolidated excise taxes of the Group amounted to ₱99.1 million in the first quarter of 2023 from ₱88.7 million in the same period in 2022 due to higher quantity and value of metals sold. In both year, 4% excise tax rate was used.

Consolidated General and Administrative Expenses

Consolidated general and administrative (G&A) expense in the first quarter of 2023 and 2022 amounted to ₱62.8 million and ₱38.7 million, respectively due to retirement and benefits payments and head office expenditures in 2023 which is significantly lower than last year's similar period.

Consolidated Finance Cost and Other Income/Charges

The consolidated finance cost and other income/charges of the Group amounted to ₱98.2 million and ₱68.7 million in the first quarter of 2023 and 2022, respectively, due to higher interest cost recognized compared to last year's similar period as a result of new loan availments.

Consolidated Provision for Income Tax

Due to lower taxable income reported during the period, the provision for income tax in the first quarter of 2023 is lower at ₱183.7 million compared to ₱209.8 million in the same period in 2022.

Consolidated Net Income

The consolidated net income of the Group was ₱548.8 million in the first quarter of 2023, which was 15% lower than the ₱645.5 million consolidated net income in the same period in 2022.

The Parent Company net income in the first quarter of 2023 and 2022 amounted to ₱520.8 million and ₱629.5 million.

Consolidated Statement of Financial Position

Consolidated Current Assets

Total consolidated current assets decreased by ₱55.9 million to ₱4.3 billion as of March 31, 2023 mainly due to the following:

- Cash of the Group fell by ₱152.18 million to ₱851.56 million from ₱1.0 billion as of December 31, 2022, primarily from the net cash inflow from operating activities, as reduced by expenditures for capital assets, mine development and explorations costs aggregating to ₱787.7 million, and settlements of maturing term loan amortization amounting to ₱420.8 million.
- Trade and other receivables increased by ₱105.15 million to ₱81.8 million as of March 31, 2023 compared to December 31, 2022 mainly due to the shipment sold near end of the first quarter of 2023 and the proceeds collected during the first week of April 2023.
- Inventories decreased by ₱252.3 million as of March 31, 2023 versus the comparative balance as of December 31, 2022 due to the timing of shipment of bullion produced.
- On May 27, 2022, Forum, on behalf of the SC 72 Joint Venture, and Nido Petroleum Philippines Pty Ltd ("Nido"), technical operator of SC 54 and SC 6B, signed a Term Sheet wherein Nido agreed to purchase most of the SC 72 long lead items (LLIs) such as wellheads, casings and accessories, conductor, drill bits, etc. for US\$2.9 million, to be paid in tranches within 12 months. The LLIs are currently stored in Singapore and Batam, Indonesia. On June 10, 2022, a Sale and Purchase Agreement (SPA) was executed with Nido to formalize the transaction. Nido paid the first tranche amounting to US\$400 thousand in mid-June 2022. The second and third tranches amounting to US\$500 thousand each were paid on September 7 and October 7, 2022, respectively. The balance of US\$ 1.5 million is payable on or before June 10, 2023. Until such is fully paid, the ownership of the LLIs will remain with the SC 72.

On November 25, 2022, Forum submitted a request to the DOE for approval to sell the LLIs, and which the latter approved on December 15, 2022. The proceeds from the sale of the LLIs will be deducted from the SC 72 historical costs, subject to DOE's validation.

As at March 31, 2023 and December 31, 2022, MORE's 30% share in LLIs amounting to ₱48.50 million are classified as "Assets held-for-sale" in the consolidated statement of financial position, while initial payments received amounting to ₱23.42 million were recorded as part of "Trade and Other Payables".

Consolidated Noncurrent Assets

Total consolidated noncurrent assets increased by ₱414.7 million to ₱16.7 billion as of March 31, 2023 from ₱16.3 billion as of December 31, 2022 due to the acquisition of new equipment and continuous exploration and development activities.

Consolidated Current Liabilities

Consolidated current liabilities were lower by ₱84.2 million to ₱6.75 billion as of March 31, 2023 from ₱6.83 billion as of December 31, 2022 mainly because of higher purchase of local and imported goods and services near end of the quarter. Income tax payable also increased due to first quarter income tax due. Annual income tax due was paid last April 2023, while the first quarter income tax will be due on May 30, 2023.

Consolidated Noncurrent Liabilities

The Group's consolidated noncurrent liabilities decreased by ₱190.1 million to ₱8.9 billion as of March 31, 2023 compared to March 31, 2022 due to quarterly loan amortization payments and reclassification to current portion of a bank term loan. During the first quarter of 2023, no additional bank loans were drawn.

Consolidated Equity

Consolidated equity increased by ₱548.8 million contributed by the total comprehensive income registered in the three months ended March 31, 2023.

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 Parent Company.

	First Quarter ended March 31		
	2023	2022	Change
Tonnes milled	182,639	194,255	-6%
Mill head grade (gpt):			
Gold	4.56	3.76	+21%
Silver	20.72	19.47	+6%
Metal recovery (%):			
Gold	88.77	87.26	2%
Silver	76.23	78.92	-3%

Financial Soundness Indicators

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

A. Profitability Ratios

	Formula	Three-Month Period Ended March 30	
		2023	2022
Gross profit margin	$\frac{\text{Gross profit}}{\text{Revenue}}$	38.52%	46.99%
Return on assets	$\frac{\text{Net income (loss)}}{\text{Total assets}}$	2.61%	3.99%
Return on equity	$\frac{\text{Net income (loss)}}{\text{Total equity}}$	4.53%	7.24%

	Formula	Three-Month Period Ended March 30	
		2023	2022
Debt service coverage ratio (DSCR)	$\frac{\text{EBITDA}}{\text{Loan principal plus interest payments}}$	1.62 : 1	4.33 : 1

The decrease in the gross profit margin in the first quarter of 2023 compared to the same period in 2022 can be attributed to higher production cost on a per tonne basis. Return on assets and return on equity decreased mainly due to lower net income reported. DCSR decreased due to lower earnings before income taxes, depreciation, depletion and amortization and repayment of long-term loans.

B. On Liquidity and Leverage

	Formula	March 31, 2023	March 31, 2022
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	0.64 : 1	0.65 : 1
Asset-to-equity	$\frac{\text{Total assets}}{\text{Total equity}}$	1.73 : 1	1.81 : 1
Debt-to-equity	$\frac{\text{Total debts}}{\text{Total equity}}$	0.73 : 1	0.81 : 1

The increase in current liabilities from trade payables and amortization of term loan was slower than the growth in assets in 2023 resulting to lower current ratio against 2022. Asset-to-equity ratio slightly decreased this year compared to 2022 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 March 31, 2023 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, share purchase agreement and domestic standby letter of credit with the sellers for the acquisition of Asia Alliance Mining Resources Corporation; and
- d. no material commitments for capital expenditures, general purpose of such commitments, and expected sources of funds for such expenditures.
- e. no significant elements of the items of income and expenses in the financial performance of the Company other than those described in the Company's audited financial statements.
- f. no seasonal aspects of the Company's operations that have a material effect on the Company's financial statements. There is no one period materially significant, whether higher or lower, than the periods during the year.

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

	March 31, 2023 Unaudited	December 31, 2022 Audited
ASSETS		
Current Assets		
Cash and cash equivalents	₱ 851,561,133	₱1,003,743,722
Trade and other receivables	1,109,325,053	1,004,173,611
Inventories	1,352,524,085	1,604,851,580
Advances to related parties	2,304,109	2,304,109
Other current assets	926,845,213	683,392,869
	4,242,559,593	4,298,465,891
Assets held-for-sale	48,506,850	48,506,850
Total Current Assets	4,291,066,443	4,346,972,741
Noncurrent Assets		
Property, plant and equipment	11,449,560,079	11,291,389,138
Deferred exploration costs	2,064,888,307	1,992,199,559
Financial assets measured at fair value through other comprehensive income (FVOCI)	6,000,000	6,000,000
Intangible assets	21,886,838	21,886,838
Other noncurrent assets	3,184,110,159	3,000,322,463
Total Noncurrent Assets	16,726,445,383	16,311,797,998
TOTAL ASSETS	₱21,017,511,826	₱20,658,770,739
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables	₱1,462,202,093	₱1,317,740,957
Advances from related parties	916,012,000	916,012,000
Loans payable - net of noncurrent portion (Note 4)	4,068,370,807	4,370,197,906
Income tax payable	303,564,605	230,396,710
Total Current Liabilities	6,750,149,505	6,834,347,573
Noncurrent Liabilities		
Loans payable - net of current portion (Note 4)	1,731,136,675	1,850,134,467
Provision for retirement benefits	316,418,933	303,321,394
Provision for mine rehabilitation and decommissioning	18,509,231	18,509,231
Deferred income tax liabilities	81,084,024	81,084,024
Total Noncurrent Liabilities	2,147,148,863	2,253,049,116
Total Liabilities	8,897,298,368	9,087,396,689
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	226,025,835	226,025,835
Remeasurement loss on financial asset at FVOCI	(341,842,240)	(341,842,240)
Remeasurement gain on retirement plan	57,113,285	57,113,285
Currency translation adjustment on foreign subsidiaries	(10,441,321)	(10,441,321)
Retained earnings	8,013,618,221	7,464,658,813
	12,091,248,815	11,542,289,407
Non-controlling Interests	28,964,643	29,084,643
Total Equity	12,120,213,458	11,571,374,050
TOTAL LIABILITIES AND EQUITY	₱21,017,511,826	₱20,658,770,739

See accompanying Notes to Consolidated Financial Statements.

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

	Three-Month Period Ended March 31	
	2023 (Unaudited)	2022 (Unaudited)
REVENUES		
Gold	₱2,472,690,461	₱2,111,646,207
Silver	104,558,933	117,355,420
	<u>2,577,249,394</u>	<u>2,229,001,627</u>
 COST OF PRODUCTION (Note 8)	 1,584,515,987	 1,181,554,815
 EXCISE TAXES	 99,131,564	 88,749,669
 GENERAL AND ADMINISTRATIVE EXPENSES (Note 9)	 62,840,947	 38,678,584
 FINANCE COST AND OTHER INCOME/CHARGES (Note 10)	 98,183,948	 64,699,029
 INCOME BEFORE INCOME TAX	 732,576,948	 855,319,530
 PROVISION FOR CURRENT INCOME TAX	 183,737,540	 209,830,676
 NET INCOME (Note 11)	 <u>₱548,839,408</u>	 <u>₱645,488,854</u>
 Net income attributable to:		
Equity holders of the Parent Company	₱548,959,408	₱645,608,854
Non-controlling interests	(120,000)	(120,000)
	<u>548,839,408</u>	<u>645,488,854</u>
 BASIC AND DILUTED EARNINGS PER SHARE (Note 7)	 ₱0.097	 ₱0.114
 NET INCOME	 ₱548,839,408	 ₱645,488,854
 OTHER COMPREHENSIVE INCOME, NET OF TAX	 —	 —
 TOTAL COMPREHENSIVE INCOME	 <u>₱548,839,408</u>	 <u>₱645,488,854</u>
 Total comprehensive income (loss) attributable to:		
Equity holders of the Parent Company	₱548,959,408	₱645,608,854
Non-controlling interests	(120,000)	(120,000)
	<u>₱548,839,408</u>	<u>₱645,488,854</u>

See accompanying Notes to Consolidated Financial Statements.

APEX MINING CO., INC. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2023 AND 2022**

	Attributable to Equity Holders of the Parent Company									
	Capital stock (Note 7)	Additional paid-in capital	Revaluation surplus	Treasury shares (Note 6)	Re- measurement loss on financial asset at FVOCI	Re- measurement gain on retirement plan	Currency translation adjustment on foreign subsidiaries	Retained earnings	NCI	Total
Balances at December 31, 2021	₱6,227,887,491	₱634,224	₱280,481,926	(2,081,746,680)	(₱343,842,240)	₱26,132,299	₱1,708,473	₱4,128,503,222	₱31,180,559	₱8,267,522,328
Net income	—	—	—	—	—	—	—	645,608,854	(120,000)	645,488,854
Other comprehensive income	—	—	—	—	—	—	—	—	—	—
Total comprehensive income	—	—	—	—	—	—	—	645,608,854	(120,000)	645,488,854
Balances at March 31, 2022	₱6,227,887,491	₱634,224	₱280,481,926	(2,081,746,680)	(₱343,842,240)	₱26,132,299	₱1,708,473	₱4,774,112,076	₱31,060,559	₱8,913,011,182
Balances at December 31, 2022	₱6,227,887,491	₱634,224	₱226,025,835	(2,081,746,680)	(₱341,842,240)	₱57,113,285	(₱10,441,321)	₱7,464,658,813	₱29,084,643	₱11,571,374,050
Net income	—	—	—	—	—	—	—	548,959,408	(120,000)	548,839,408
Other comprehensive income	—	—	—	—	—	—	—	—	—	—
Total comprehensive income	—	—	—	—	—	—	—	548,959,408	(120,000)	548,839,408
Balances at March 31, 2023	₱6,227,887,491	₱634,224	₱280,481,926	(2,081,746,680)	(₱343,842,240)	₱26,132,299	₱1,708,473	₱8,013,618,221	₱28,964,643	₱12,120,213,458

See accompanying Notes to Consolidated Financial Statements.

APEX MINING CO., INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31

	2023 (Unaudited)	2022 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax for the period	₱732,576,948	₱855,319,530
Adjustments for:		
Depreciation, depletion and amortization	373,093,946	282,046,872
Provision for retirement benefits	13,097,538	12,484,004
Operating income before working capital changes	1,118,768,432	1,149,850,406
Decrease (increase) in:		
Receivables	(105,151,442)	(7,689,519)
Inventories	252,327,495	(14,516,990)
Prepayments and other current assets	(243,452,344)	(2,555,017)
Increase (decrease) in trade and other payables	33,891,491	(81,823,069)
Net cash flows from operating activities	1,043,265,811	1,043,265,811
CASH FLOWS USED IN INVESTING ACTIVITIES		
Expenditures for property, plant and equipment, including mine development costs	(531,264,887)	(514,810,968)
Increase in deferred exploration costs and other noncurrent assets	(256,476,444)	(172,271,605)
Cash flows used in investing activities	(787,741,331)	(687,082,573)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Net loan availment (payment)	(420,824,890)	(275,138,070)
Net change in accounts with related parties	-	-
Net cash flows generated from (used in) financing activities	(420,824,890)	(275,138,070)
NET INCREASE (DECREASE) IN CASH	(152,182,589)	81,045,168
CASH AT BEGINNING OF PERIOD	1,003,743,722	1,436,715,112
CASH AT END OF PERIOD	₱851,561,132	₱1,517,760,280

See accompanying Notes to Consolidated Financial Statements.

APEX MINING CO., INC. AND SUBSIDIARIES**AGING OF ACCOUNTS RECEIVABLE - UNAUDITED
AS OF THE PERIOD ENDED MARCH 31, 2023****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	₱1,074,856,223	₱1,074,856,223	₱—	₱—	₱—	₱—	₱—	₱—	₱—
Less: Allow. For Doubtful Acct.	—	—	—	—	—	—	—	—	—
Net Trade Receivable	-	-	—	—	—	—	—	—	—
b) Non-Trade Receivables	34,468,830	34,468,830							
Net Receivables (a + b)	<u>₱1,109,325,053</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 three wholly-owned subsidiaries, Itogon-Suyoc Resources, Inc. (ISRI), Monte Oro Resources & Energy, Inc. (MORE) and Asia Alliance Mining Resources Corporation (AAMRC). Its ultimate parent, Prime Strategic Holdings, Inc. (PSHI), holds, directly and indirectly, 54.75% voting interest in Apex.

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, Exchange Road, Ortigas Center, Pasig City, Philippines

Status of Operations

Significant developments in the Group operations are as follows:

A. Mining Properties

Maco Mine

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

As at March 31, 2023, 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. In 2021, it received a notice that its tenement license was revoked by the National Mineral Agency.

Uganda Project

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 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.

The Philippine government lifted its moratorium on oil and gas exploration in disputed areas of the West Philippine Sea in October 2020, allowing exploration activities to resume over the block. The consortium has 20 months or until June 2022 to drill two commitment wells under sub-phase

2. Failure to comply with the minimum work commitment for each sub-phase shall terminate the service contract. Any failure or delay in the performance of obligations and duties shall be excused to the extent attributable to force majeure. In 2021, the consortium started its preparations for the drilling of two commitment wells in the first half of 2022.

On April 6, 2022, Forum received a directive from the Department of Energy (DOE) to put on hold all exploration activities for SC 72 until such time that the Security, Justice and Peace Coordinating Cluster (SJGCC) has issued the necessary clearance to proceed. Forum, as the operator, complied with this directive by suspending the drilling activities.

On April 8, 2022, Forum sent a letter to DOE, expressing its willingness to resume activities immediately, no later than April 11, 2022, but if written confirmation from DOE would not be received by April 10, 2022, the consortium will consider the suspension of work issued by the DOE to be indefinite and a force majeure event that will entitle the consortium to be excused from the performance of the obligations and to the extension of the exploration period under SC 72.

In the absence of any letter from the DOE informing Forum to resume operations, Forum submitted a letter to the DOE on April 11, 2022 affirming a declaration of force majeure under SC 72 beginning April 6, 2022. Forum then undertook the termination of its service and supply agreements with several contractors. In the same letter, Forum stated that it is entitled to an extension of the period for exploration under SC 72 due to the recent declaration of force majeure.

On October 11, 2022, in response to Forum's letter dated April 11, 2022, the DOE granted the following:

- i. Declaration of force majeure for SC 72 from April 6, 2022 until such time as the same shall be lifted by the DOE;
- ii. The total expenses that were incurred as a result of the DOE directive to suspend SC 72 activities will be part of the approved recoverable costs, subject to DOE audit, and
- iii. The suspension has nullified all the work done since the lifting of force majeure on October 14, 2020. Hence, SC 72 shall, in addition to the period in item 1 above, be entitled to an extension of the exploration period corresponding to the number of days that the contractors actually spent in preparation for the activities that were suspended by the suspension order issued by the DOE on April 6, 2022 (the Extension).

On November 22, 2022, Forum filed a reply letter with respect to item iii, seeking confirmation that the Extension will also cover all the time spent on all activities that are related or connected to, in support of, or necessary or desirable to enable Forum to perform its obligations and work commitments under SC 72. These include the time spent in planning the procurement of goods and services, securing permits and approvals, coordination with JV partners and the DOE, the time spent by external consultants doing work on behalf of SC 72, etc. Total cancellation fees capitalized as deferred oil and gas exploration cost as a result of the force majeure declaration amounted to Php13.8 million.

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.

ICSI was a subject of an agreement to sell between MORE and A. Brown Co., Inc. (ABCI) whereby MORE shall sell its 52% ownership in ICSI to ABCI payable within 12 months and which was further extended to May 31, 2021. The agreement to sell did not materialize until expiration of agreement in 2021.

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

Basis of Preparation

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

Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group as at March 31, 2023 and 2022. Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

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

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

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

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

3. Summary of Significant Accounting Judgments, Estimates and Assumptions

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

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

Judgments

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

Determination of the Group's Functional Currency

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

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

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

Determination of Control

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

The Parent Company controls an entity if and only if the Parent Company has all of the following:

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

As at March 31, 2023, 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 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 March 31, 2023.

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

	March 31, 2023	December 31, 2022
Philippine National Bank (PNB)	₱2,399,978,264	₱2,868,786,293
Bank of Commerce (BankCom)	1,931,064,000	1,908,080,000
Rizal Commercial Banking Corporation (RCBC)	922,500,000	900,000,000
Union Bank of the Philippines (UBP)	545,965,218	543,466,080
	5,799,507,482	6,220,332,373
Less current portion	4,068,370,807	4,370,197,906
Noncurrent portion	₱1,731,136,675	₱1,850,134,467

PNB

PNB has granted the Parent Company and ISRI the following facilities:

- On November 26, 2016, Credit Facilities consisting of Letters of Credit, Trust Receipts (TR) and Settlement Risk Lines totaling ₱500.00 million expiring on July 31, 2017. PNB granted renewal and increase of the Credit Facilities with a new expiry date of July 31, 2023.

As at March 31, 2023, the Parent Company has no outstanding unsecured TRs for its importation of machinery and equipment using the standard credit terms with PNB of 180 days.

In May 2019, the ISRI was granted by PNB various credit facilities such as Omnibus Line in the principal amount of ₱200.00 million and Counterparty Line (FX Line) in the principal amount of ₱2.00 million for Pre-settlement Risk Line and ₱100.00 million for Settlement Risk Line.

- 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 was obtained 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 6.00% per annum. As part of its affirmative covenants, the Parent Company used the proceeds to pay off the obligations with BDO Unionbank, Inc. and to finance the construction of the three (3) kilometer drainage system in Maco Mine. In addition, the Parent Company at all times must maintain a consolidated Debt Service Coverage Ratio (DSCR), of at least 1.2x and a consolidated Debt-to-Equity Ratio (DER) of 70:30.

The Parent Company has an outstanding unsecured promissory note equivalent to ₱714 million and ₱804 million as at March 31, 2023 and December 31, 2022, respectively.

- On September 13, 2019, another unsecured Term Loan Facility of up to ₱2.00 billion with tenor of eight (8) years with equal quarterly principal repayment was obtained to finance the Parent Company's capital expenditures.

On September 26 and December 12, 2019, Parent Company drew the first and second tranches, respectively, 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, amounting to ₱500.00 million each with the same interest rate.

The Parent Company has to use the proceeds of the loan exclusively for capital expenditures and must maintain at all times a consolidated DSCR of at least 1.2x and a consolidated DER of 70:30 at all times until payment in full of all amounts due to PNB.

The Parent Company has an outstanding unsecured promissory note equivalent to ₱1.23 billion and ₱1.29 billion as at March 31, 2023 and December 31, 2022, respectively.

- On November 23, 2018, PNB granted ISRI a Term Loan Facility of up to ₱550.00 million with tenor of five (5) 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 ₱300.00 million with the interest rate set at 9.75% per annum. The second drawdown amounting to ₱125.00 million with the interest rate 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. Principal repayment started on July 27, 2020 and every quarter thereafter up to October 27, 2023. Included within the agreement signed by ISRI, are the affirmative covenants to use the proceeds of the loans exclusively for capital expenditures and general corporate requirements, to maintain consolidated DSCR of 1.2x starting on the first quarter after one year from commercial operations date and every quarter thereafter and at all times maintain a consolidated DER of not more than 70:30.

ISRI has an outstanding unsecured promissory note equivalent to ₱118.03 million and ₱157.3 million as at March 31, 2023 and December 31, 2022, respectively.

In May 2022, the Philippine National Bank granted ISRI an unsecured term loan facility of up to ₱500.00 million to finance Sangilo mine's 400 TPD development program. The ₱500.00 million term loan facility is repayable in equal quarterly installments over five years, with interest based on the 5-year Business Valuator Accredited for Litigation (BVAL) as displayed on the PDEX page, plus a minimum spread of 2% per annum, reckoned from the date of the relevant drawdown.

The Loan Agreement for this facility was signed by the parties on May 24, 2022, and on June 28, 2022, ISRI drew the total amount of ₱500.00 million with the interest rate set at 8.52% per annum. Principal repayment will start on October 27, 2022, and every quarter thereafter up to June 28, 2027. Included within the agreement signed by ISRI, are the affirmative covenants to use the proceeds of the loans exclusively for capital expenditures and general corporate requirements, to maintain consolidated DSCR of 1.2x starting on the first quarter after one year from commercial operations date and every quarter thereafter and at all times maintain a consolidated DER of not more than 70:30.

ISRI has an outstanding unsecured promissory note equivalent to ₱450.00 million and ₱475.00 million as at March 31, 2023 and December 31, 2022, respectively.

BOC

As at March 31, 2023 and December 31, 2022, the Parent Company has outstanding unsecured promissory notes amounting to \$34.00 million or ₱1.91 billion with maturity date on May 31, 2023, carrying an interest rate of 8.69% per annum.

RCBC

As at March 31, 2023 and December 31, 2022, the Parent Company has outstanding unsecured promissory notes amounting to ₱900.0 million with maturity date on March 8, 2023, carrying an interest rate of 5.75% per annum.

On March 8, 2023, the Parent Company was granted to rollover with partial payment on its unsecured promissory note for ₱900.0 million maturing on September 9, 2023, bearing an interest rate of 7.45% per annum.

UBP

As at December 31, 2022, the Parent Company has outstanding US\$6.84 million, US\$1.62 million and US\$1.22 million unsecured promissory note equivalent to ₱543.47 million with maturity date of February 15 and May 17 and May 17, 2023, respectively, bearing the interest rate of 6.50%

On February 15, 2023, the Parent Company was granted to rollover its unsecured promissory note for US\$6.16 million maturing on August 14, 2023 bearing an interest rate of 6.50%.

5. Related Party Disclosures

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

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

6. Capital Stock

The Parent Company has authorized capital stock of ₱12.80 billion, divided into a single class of 12.8 billion common shares, with a par value of ₱1.00 per share as of March 31, 2023 and December 31, 2022. 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 March 31 when there were no potentially dilutive common shares during the respective periods are as follows:

	First Quarter	
	2023	2022
Net income attributable to the equity holders of the Parent Company	₱548,959,408	₱645,488,854
Weighted average number of common shares for basic and diluted earnings per share	5,672,754,044	5,672,754,044
Basic and diluted earnings (loss) per share	₱0.097	₱0.114

8. Cost of Production

Details for the periods ended March 31 are as follows:

	Three-Month Period Ended March 31	
	2023	2022
Materials and supplies	₱ 552,323,278	₱ 423,933,651
Depreciation, depletion and amortization	373,093,946	282,046,872
Personnel cost	205,008,487	162,889,701
Utilities	147,514,817	80,131,975
Contracted services	128,260,860	99,824,087
Taxes, licenses and permits	55,160,882	37,698,675
Indigenous People (IP) surface rights royalty & IP royalty	30,034,942	30,925,805
Refining and transportation	21,131,561	21,076,524
Others	71,987,214	43,027,525
	₱1,584,515,987	₱1,181,554,815

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

	Three-Month Period Ended March 31	
	2023	2022
Mining	₱ 510,597,911	₱ 342,451,383
Milling	303,785,506	231,575,542
Mine overhead	397,038,624	325,481,017
Depreciation, depletion and amortization	₱373,093,946	₱282,046,873
	₱1,584,515,987	₱1,181,554,815

9. General and Administrative Expenses

Details for the periods ended March 31 are as follows:

	Three-Month Period Ended March 31	
	2023	2022
Personnel cost and professional fees	₱28,191,132	₱18,832,813
Taxes and licenses	7,640,596	7,687,876
Others	27,009,219	12,157,895
	₱62,840,947	₱38,678,584

10. Finance Cost and Other Income/Charge

Details for the periods ended March 31 are as follows:

	Three-Month Period Ended March 31	
	2023	2022
Interest	₱112,536,593	₱66,697,590
Foreign exchange and other losses (gains)	(14,352,645)	(1,998,561)
	₱98,183,948	₱64,699,029

11. Results of Operations

The highlights of the Group's consolidated statement of income for the three-month period ended March 31, 2023 broken down into the Parent Company, Subsidiaries and NCI are as follows:

	Parent Company	Subsidiaries	NCI	Consolidated
Revenues	₱2,243,591,324	₱ 333,658,070	₱—	₱2,577,249,394
Cost and expenses	(1,453,753,608)	(292,614,833)	(120,000)	(1,746,488,498)
Finance cost and other income/charges	(95,436,115)	(2,747,833)	-	(98,183,948)
Provision for income tax	(173,600,400)	(10,137,140)	—	(183,737,540)
Net income (loss)	₱520,801,201	₱30,291,418	(₱120,000)	₱548,839,408

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 full year 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. 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.

Despite the movement restrictions imposed by the local and national government, the Group was able to increase its production output and generate net income in the first quarter ended March 31, 2023, full year 2022 and 2021. 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.

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