

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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P	a	s	i	g		C	i	t	y																				

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 September 30, 2023)

Annual Meeting (Month / Day)

4/30

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: **September 30, 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 2. Management Discussion and Analysis of Financial Position and Results of Operations for the Three Quarters and Third Quarter ended September 30, 2023, 2022 and 2021

Consolidated Statement of Income

Consolidated Net Income

The consolidated net income of Apex Mining Co., Inc. (the “Parent Company”) and Subsidiaries (collectively referred to as the “Group”) in the third quarter of 2023 was ₱1.03 billion, higher by the amount reported in the same quarter last year at ₱897.95 million. In 2021, the Group reported a ₱624.35 million consolidated net loss in the third quarter mainly due to the Group’s recognition of provision for impairment loss on various assets of its subsidiary, Monte Oro Resources, Inc. (“MORE”).

For the nine-month period ended September 30, 2023, the consolidated net income of the Group reached ₱2.31 billion, 6% lower than the net income of the comparable period last year.

The Parent Company net income in the third quarter of 2023, 2022 and 2021 amounted to ₱949.14 million, ₱839.94 million and ₱493.34 million, respectively, bringing the net income for the three quarters of 2023, 2022 and 2021 to ₱2.18, ₱2.37 billion and ₱994.73 million, respectively.

Consolidated Revenues

The consolidated gross revenues in the three quarters of 2023 were higher at ₱8.73 billion compared to the same period in 2022 and 2021 at ₱7.51 billion and ₱5.0 billion, respectively. The consolidated revenues of the Group include Parent Company and Itogon-Suyoc Resources, Inc.’s (“ISRI”) revenues from the sale of gold and silver.

Information on the Group’s sales volume and realized prices for both gold and silver in the three quarters and third quarter of 2023 and 2022 are as follows:

	Gold			Silver		
	2023	2022	%	2023	2022	%
Three Quarters:						
Volume in ounces	77,652	73,219	6	265,217	291,333	(9)
Realized price/ounce, in USD	\$1,939	\$1,817	7	\$23.46	\$21.62	9
Third Quarter:						
Volume in ounces	26,856	26,962	0	89,648	100,899	(11)
Realized price/ounce, in USD	\$1,913	\$1,726	11	\$23.07	\$19.48	18

Includes ounces produced and sold from Maco and Sangilo mine sites

Information on the Group’s sales volume and realized prices for both gold and silver in the three quarters and third quarter of 2022 and 2021 are as follows:

	Gold			Silver		
	2022	2021	%	2022	2021	%
Three Quarters:						
Volume in ounces	73,219	53,295	+37	291,333	260,453	+12
Realized price/ounce, in USD	\$1,817	\$1,786	+2	\$21.62	\$24.99	-13
Third Quarter:						
Volume in ounces	26,962	19,959	+35	100,899	87,791	+15
Realized price/ounce, in USD	\$1,726	\$1,791	-4	\$19.48	\$23.71	-18

Includes ounces produced and sold from Maco and Sangilo mine sites

The weighted average United States Dollar (USD) to Philippine Peso (PHP) foreign exchange rates on the Group’s revenues in the first three quarters of 2023, 2022 and 2021 were ₱55.62 and ₱53.85, ₱49.03 to one USD, respectively, or the depreciation of the PHP by 4% in 2023 vs. 2022 and 10% in 2022 vs. 2021, 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, 2023 and 2022 of the Group is as follows:

Variances	Between Three Quarters of 2023 and 2022			Between Third Quarter of 2023 and 2022		
	Gold	Silver	Total	Gold	Silver	Total
Volume	₱ 433,831,099	₱ (30,404,589)	₱ 403,426,510	₱(10,385,150)	₱(12,408,573)	₱(22,793,723)
Price	506,528,074	26,236,323	532,764,396	284,623,020	18,202,831	302,825,851
Exchange rate	270,477,866	10,440,730	280,918,596	14,390,226	(465,838)	13,924,388
Consolidated revenue	₱1,210,837,039	₱ 6,272,463	₱1,217,109,502	₱288,628,096	₱ 5,328,420	₱293,956,516

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, 2022 and 2021 of the Group is as follows:

Variances	Between Three Quarters of 2022 and 2021			Between Third Quarter of 2022 and 2021		
	Gold	Silver	Total	Gold	Silver	Total
Volume	₱1,744,766,341	₱37,841,002	₱1,782,607,343	₱631,080,704	₱15,629,523	₱646,710,227
Price	112,825,921	(48,186,614)	64,639,307	(88,914,500)	(21,445,784)	(110,360,284)
Exchange rate	637,351,870	30,485,021	667,836,891	286,659,026	12,579,011	299,238,036
Consolidated revenue	₱2,494,944,132	₱20,139,409	₱2,515,083,542	₱828,825,230	₱6,762,750	₱835,587,980

Maco Mine

Milling throughput in Maco mine was 1% lower at 597,443 tonnes for the three quarters of 2023, as compared to 601,730 tonnes in 2022. Nevertheless, a consistently high recovery rate was achieved at 86.99% compared to 87.76% a year ago. In 2021, Maco mine milled a total of 514,008 tonnes at a recovery rate of 87.85%.

Average ore grade was maintained at a level of 3.97 gold grams per tonne (“gpt”), similar to the 3.97 gold gpt in 2022, but higher than the 3.45 gold gpt in 2021. The lower tonnage and slightly lower recovery rate, resulted in gold production volume of 66,115 ounces, 2% lower compared to 67,497 ounces produced in the same period a year ago, but 33% higher compared to the 2021 gold production of 49,713 ounces. A series of force majeure events occurred in Maco mine within the first quarter of 2023. 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 the 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. All these disruptions totaled 5.74 workdays.

The third quarter’s Maco mine production was higher with total gold production reaching 24,665 ounces, or 4% higher than the same period in 2022. Total tonnes milled at the Maco site in the third quarter was 218,879, or 4% higher compared to the third quarter tonnage of 2022 at 209,585 tonnes. Daily mill throughput was 2,478 tonnes per day and mill feed grades were 4.06 gpt for gold and 17.68 gpt for silver.

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 until 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.

Sangilo Mine

Sangilo mine, on the other hand, produced a total of 8,354 gold ounces during the three quarters of 2023, significantly higher compared to 6,474 ounces production during the three quarters of 2022. Milling throughput was at 104,270 tonnes with a gold recovery rate of 85.88%.

Stronger metal prices during three quarters of 2023 which averaged \$1,939 per ounce for gold and \$23.46 per ounce for silver pushed the revenue higher, as compared to \$1,817 and \$22 gold and silver prices, respectively, in 2022. During the third quarter of 2023, realized gold and silver prices averaged at \$1,913 and \$23.07 per ounce, respectively.

The depreciation of the PHP against the USD resulted in the positive exchange rate variance as shown in the previous page.

Consolidated Cost of Production

Consolidated cost of production in the three quarters of 2023 increased to ₱4.98 billion during the period from ₱3.84 billion in the same period in 2022. A breakdown of the main components of the consolidated cost of production is as follows:

- Materials used in mining and milling during the three quarters of 2023 was higher by ₱491.42 million compared to 2022. Aside from processing higher consolidated tonnage at 701,713 tonnes in 2023 compared to 690,127 tonnes in 2022, 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 ₱165.0 million, significantly than the previous comparative period due to surge in fuel and coal prices worldwide.
- Depreciation, depletion and amortization expense was higher by 26% or ₱240 million in the three quarters 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.
- Personnel cost and contracted services were higher by ₱153.36 million and ₱102.08 million, respectively, in the three quarters of 2023 and 2022, compared to 2021 due to the full manpower and contractors operations at the sites compared to the same period in 2021 when the COVID-19 pandemic reached the mine site and temporarily reduced the mobility and number of the workforce. During the period, the site also experienced earthquakes and landslides which affected the regular working days of underground and support employees. Periodic adjustments of salary rates and benefits also contributed to the increase of personnel cost.
- Indigenous People (IP) surface rights royalty & IP royalty and taxes, licenses and permits, as a group, accounted for a 41% or ₱78.07 million increase in 2023 compared to 2022 due to higher revenue and cost base being used in the computation of these costs.
- Bullion refining and transportation charges also increased in the three quarters of 2023 compared to 2022 due to higher 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 ₱336.78 million in the three quarters of 2023 from ₱302.54 million in the same period in 2022 due to higher ounces sold.

Consolidated General and Administrative Expenses

Consolidated general and administrative (G&A) expense in the three quarters of 2023 and 2022 amounted to ₱171.39 million and ₱114.71 million, respectively due to increase in head office expenses as well as higher administrative costs of projects currently handled by the subsidiaries.

Consolidated Finance Cost and Other Income/Charges

The consolidated finance cost and other income/charges of the Group amounted to ₱286.40 million and ₱241.32 for the three quarters of 2023 and 2022, respectively. The increase is mainly due to higher outstanding loan amount during the period compared to 2022, resulting from the availment of short-term loan in December 2022, net of loan payments of the Parent Company and ISRI for the maturing amortization of term loan with a local bank (Note 4). In 2021, Group recognized a provision for impairment for the assets of MORE. No similar provision was recognized during the period.

Consolidated Provision for (Benefit from) Income Tax

Due to higher taxable income (temporary differences) reported during the period, the provision for income tax in the three quarters of 2023 is higher at ₱641.70 million compared to ₱547.86 million in the same period in 2022. The annual income tax dues will be adjusted at year-end upon filing of the annual income tax returns.

Consolidated Statement of Financial Position

Consolidated Current Assets

Total consolidated current assets increased by ₱104.73 million to ₱4.45 billion as of September 30, 2023, mainly due to the following:

- Cash of the Group fell by ₱228.44 million to ₱775.31 million from ₱1.0 billion as of December 31, 2022 despite the net cash inflow of ₱3.33 billion from operating activities, due to expenditures for capital assets, mine development and explorations costs aggregating to ₱2.64 billion, and settlements of maturing term loan amortization amounting to ₱912.68 million.
- Trade and other receivables increased by ₱292.41 million to ₱1.30 billion as of September 30, 2023 compared to December 31, 2022 mainly due to the timing of the shipment, sales and collection of proceeds from the refiner/customer. Consequently, inventories decreased by ₱67.52 million as of September 30, 2023 versus the comparative balance as of December 31, 2022 due to the timing of shipment of bullion produced. Bullion produced during the month are usually sold near the end of the month but the proceeds are received a number of days in the following month.
- 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 September 30, 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 ₱1.48 billion to ₱17.80 billion as of September 30, 2023 from ₱16.3 billion as of December 31, 2022 due to the acquisition of new equipment and continuous exploration and development activities of both Maco and Sangilo mines.

Consolidated Current Liabilities

Consolidated current liabilities were lower by ₱249.02 million to ₱6.59 billion as of September 30, 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 period, as well as the repayment of short-term loans.

Consolidated Noncurrent Liabilities

The Group's consolidated noncurrent liabilities decreased by ₱477.26 million to ₱1.78 billion as of September 30, 2023 compared to September 30, 2022 due to quarterly loan amortization payments and reclassification to current portion of a bank term loan. During the three quarters of 2023, no additional bank loans were drawn.

Consolidated Equity

Consolidated equity increased by ₱2.31 billion contributed by the total comprehensive income registered in the nine months ended September 30, 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 Maco mine of the Parent Company:

	Nine Months ended Sept 30			Third Quarter ended Sept 30		
	2023	2022	Change	2023	2022	Change
Tonnes milled	597,443	601,730	-1%	218,879	209,585	4%
Mill head grade (gpt):						
Gold	3.97	3.97	0%	4.06	4.02	1%
Silver	17.94	19.85	-10%	17.68	18.72	-6%
Metal recovery (%):						
Gold	86.99	87.76	-1%	86.39	87.74	-2%
Silver	71.60	74.58	-3%	70.63	72.13	-2%

Sangilo mines milled 104,270 tonnes during the first three quarters of 2023 at a grade of 3.51 grams per tonne for gold and 3.75 tonnes per gram for silver. Gold recovery rate was 85.88%.

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 Sept 30	
		2023	2022
Gross profit margin	$\frac{\text{Gross profit}}{\text{Revenue}}$	39.02%	48.84%
Return on assets	$\frac{\text{Net income}}{\text{Total assets}}$	10.37%	13.74%
Return on equity	$\frac{\text{Net income}}{\text{Total equity}}$	16.61%	22.94%
Debt service coverage ratio (DSCR)	$\frac{\text{EBITDA}}{\text{Loan principal plus interest payments}}$	1.36: 1	5.28: 1

The decrease in the gross profit margin in the three quarters of 2023 compared to the same period in 2022 can be attributed to higher production cost despite higher gold and silver prices and ounces during the period.

Return on assets and return on equity decreased mainly from the lower net income in the three quarters of 2023 than in 2022.

DCSR decreased due to additional short-term loan obtained from a local bank in December 2022 to fund the initial acquisition cost of Asia Alliance Mining Resources Corporation.

B. On Liquidity and Leverage

	Formula	Sept 30, 2023	Sept 30, 2022
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	0.68: 1	0.77 : 1
Asset-to-equity	$\frac{\text{Total assets}}{\text{Total equity}}$	1.60: 1	1.68 : 1
Debt-to-equity	$\frac{\text{Total debts}}{\text{Total equity}}$	0.60: 1	0.68 : 1

The decrease in current liabilities from the amortization of term loan was faster than the growth in assets in 2023 resulting to lower current ratio against 2022. Asset-to-equity ratio also decreased this year compared to prior period due to the higher growth in the Group's total stockholders' equity account as compared to the changes in its assets. Debt-to-equity ratio decreased due to the increase in equity from net income and decrease in total debts due to loan amortization payments made by the Group during the period.

Material Event/s and Uncertainties

A. Note 11 of Consolidated Financial Statements for the Quarter Period Ended September 30, 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 11 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; and,
- 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

	September 30, 2023 Unaudited	December 31, 2022 Audited
ASSETS		
Current Assets		
Cash and cash equivalents	P 775,305,356	P1,003,743,722
Trade and other receivables	1,296,582,695	1,004,173,611
Inventories	1,537,329,659	1,604,851,580
Advances to related parties	2,304,109	2,304,109
Other current assets	791,672,817	683,392,869
	4,403,194,636	4,298,465,891
Assets held-for-sale	48,506,850	48,506,850
Total Current Assets	4,451,701,486	4,346,972,741
Noncurrent Assets		
Property, plant and equipment	12,008,066,598	11,291,389,138
Deferred exploration costs	2,247,944,626	1,992,199,559
Financial assets measured at fair value through other comprehensive income (FVOCI)	6,000,000	6,000,000
Intangible assets	21,876,945	21,886,838
Other noncurrent assets	3,508,267,151	3,000,322,463
Total Noncurrent Assets	17,792,155,319	16,311,797,998
TOTAL ASSETS	P22,243,856,805	P20,658,770,739
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables	P1,442,817,211	P1,317,740,957
Advances from related parties	916,012,000	916,012,000
Loans payable - net of noncurrent portion (Note 4)	3,997,360,614	4,370,197,906
Income tax payable	229,133,269	230,396,710
Total Current Liabilities	6,585,323,094	6,834,347,573
Noncurrent Liabilities		
Loans payable - net of current portion (Note 4)	1,310,291,090	1,850,134,467
Provision for retirement benefits	365,901,486	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	1,775,785,831	2,253,049,116
Total Liabilities	8,361,108,925	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	(339,044,480)	(341,842,240)
Remeasurement gain on retirement plan	59,976,462	57,113,285
Currency translation adjustment on foreign subsidiaries	(10,441,321)	(10,441,321)
Retained earnings	9,770,731,706	7,464,658,813
	13,854,023,237	11,542,289,407
Non-controlling Interests	28,724,643	29,084,643
Total Equity	13,882,747,880	11,571,374,050
TOTAL LIABILITIES AND EQUITY	P22,243,856,805	P20,658,770,739

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	
	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)
REVENUES				
Gold	P8,380,274,708	P7,169,437,669	P2,919,940,596	P2,631,312,501
Silver	345,501,362	339,228,898	116,706,884	111,378,464
	8,725,776,070	7,508,666,568	3,036,647,480	2,742,690,965
COST OF PRODUCTION (Note 8)	4,983,832,028	3,841,345,926	1,589,485,744	1,440,364,613
EXCISE TAXES	336,776,608	302,543,827	120,300,359	108,458,804
GENERAL AND ADMINISTRATIVE EXPENSES (Note 9)	171,388,111	114,710,527	52,567,956	37,437,933
FINANCE COST AND OTHER INCOME/CHARGES	286,397,115	241,322,365	37,540,557	120,783,947
INCOME BEFORE INCOME TAX	2,947,382,208	3,008,743,922	1,236,752,864	1,035,645,667
PROVISION FOR CURRENT INCOME TAX	641,669,315	547,861,426	209,175,708	137,699,909
NET INCOME (Note 10)	P2,305,712,893	P2,460,882,496	P1,027,577,156	P897,945,758
Net income (loss) attributable to:				
Equity holders of the Parent Company	P2,306,072,893	P2,461,242,496	P1,027,697,156	P898,065,758
Non-controlling interests	(360,000)	(360,000)	(120,000)	(120,000)
	P2,305,712,893	P2,460,882,496	P1,027,577,156	P897,945,758
BASIC AND DILUTED EARNINGS PER SHARE (Note 7)	P0.406	P0.434	P0.181	P0.158
NET INCOME	P2,305,712,893	P2,460,882,496	P1,027,577,156	P897,945,758
OTHER COMPREHENSIVE INCOME, NET OF TAX	—	—	—	—
TOTAL COMPREHENSIVE INCOME	P2,305,712,893	P2,460,882,496	P1,027,577,156	P897,945,758
Total comprehensive income (loss) attributable to:				
Equity holders of the Parent Company	P2,306,072,893	P2,461,242,496	P1,027,697,156	P898,065,758
Non-controlling interests	(360,000)	(360,000)	(120,000)	(120,000)
	P2,305,712,893	P2,460,882,496	P1,027,577,156	P897,945,758

See accompanying Notes to Consolidated Financial Statements.

APEX MINING CO., INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE AND THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2023 AND 2022

	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, 2021	P6,227,887,491	P634,224	P280,481,926	(2,081,746,680)	(P343,842,240)	P26,132,299	(P1,708,473)	P4,128,503,222	P31,180,559	P8,267,522,328
Net income	–	–	–	–	–	–	–	2,461,242,498	(360,000)	2,460,882,496
Other comprehensive income	–	–	–	–	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	–	–	–	2,461,242,498	(360,000)	2,460,882,496
Balances at September 30, 2022	P6,227,887,491	P634,224	P280,481,926	(2,081,746,680)	(P343,842,240)	P26,132,299	(P1,708,473)	P6,589,745,718	P30,820,559	P10,728,404,825
Balances at December 31, 2022	P6,227,887,491	P634,224	P226,025,835	(2,081,746,680)	(P341,842,240)	P57,113,285	(P10,441,321)	P7,464,658,813	P29,084,643	P11,571,374,050
Net income	–	–	–	–	–	–	–	2,306,072,893	(360,000)	2,305,712,893
Other comprehensive income	–	–	–	–	2,797,760	2,863,177	–	–	–	5,660,937
Total comprehensive income	–	–	–	–	2,797,760	2,863,177	–	2,306,072,893	(360,000)	2,311,373,830
Balances at September 30, 2023	P6,227,887,491	P634,224	P226,025,835	(2,081,746,680)	(P339,044,480)	P59,976,462	(P10,441,321)	P9,770,731,706	P28,724,643	P13,882,747,880

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

	2023 (Unaudited)	2022 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax for the period	P2,947,382,208	P3,008,743,922
Adjustments for:		
Depreciation, depletion and amortization	1,164,209,803	924,353,496
Provision for retirement benefits and mine rehabilitation	65,443,268	36,607,375
Operating income before working capital changes	4,177,035,280	3,969,704,793
Decrease (increase) in:		
Receivables	(292,409,084)	(307,737,443)
Inventories	67,521,921	(210,422,682)
Prepayments and other current assets	(105,482,188)	119,282,870
Increase in trade and other payables	8,876,393	93,218,922
Cash flows generated from operations	3,855,542,321	3,664,046,460
Income tax paid	(526,732,894)	(742,835,739)
Net cash flows from operating activities	3,328,809,427	2,921,210,721
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures for property, plant and equipment, including mine development costs	(1,880,877,370)	(1,734,315,932)
Increase in deferred exploration costs and other noncurrent assets	(763,689,754)	(368,609,011)
Cash flows used in investing activities	(2,644,567,124)	(2,102,924,943)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net loan availment (payment)	(912,680,669)	(137,807,275)
Net change in accounts with related parties	-	-
Net cash flows from (used in) financing activities	(912,680,669)	(137,807,275)
NET INCREASE (DECREASE) IN CASH	(228,438,366)	680,478,502
CASH AT BEGINNING OF PERIOD	1,003,743,722	1,436,715,112
CASH AT END OF PERIOD	P775,305,356	P2,117,193,614

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, 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	₱1,147,265,174	₱1,147,625,174	₱—	₱—	₱—	₱—	₱—	₱—	₱—
Less: Allow. For Doubtful Acct.	—	—	—	—	—	—	—	—	—
Net Trade Receivable	-	-	-	-	-	-	-	-	-
b) Non-Trade Receivables	148,957,521	148,957,571							
Net Receivables (a + b)	<u>₱1,296,582,695</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 September 30, 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. During the period, coordination with Erdenejas LLC is being initiated to revisit and update the exploration plans for this project.

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, southeast 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 September 30, 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 September 30, 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 September 30, 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

	September 30, 2023	December 31, 2022
Philippine National Bank (PNB)	₱2,069,572,259	₱2,868,786,293
Bank of Commerce (BankCom)	1,931,064,000	1,908,080,000
Rizal Commercial Banking Corporation (RCBC)	900,000,000	900,000,000
Union Bank of the Philippines (UBP)	407,015,445	543,466,080
	5,307,651,704	6,220,332,373
Less current portion	3,997,360,614	4,370,197,906
Noncurrent portion	₱1,310,291,090	₱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, 2024.

As at September 30, 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 ₱535 million and ₱804 million as at September 30, 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 ₱1.09 billion and ₱1.29 billion as at September 30, 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 ₱39.5 million and ₱157.3 million as at September 30, 2023 and December 31, 2022, respectively. On October 27, 2023, the loan was fully paid.

- 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 ₱400.00 million and ₱475.00 million as at September 30, 2023 and December 31, 2022, respectively.

BOC

As at September 30, 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 November 27, 2023 carrying an interest rate of 9.57% per annum.

RCBC

As at September 30, 2023 and December 31, 2022, the Parent Company has outstanding unsecured promissory notes amounting to ₱900.0 million with maturity date on March 2, 2024, carrying an interest rate of 7.15% per annum.

UBP

As at September 30, 2023, the Parent Company has outstanding US\$5.54 million, US\$1.46 million and US\$1.10 million unsecured promissory note equivalent to ₱407.12 million with

maturity date of February 9, 2023 and November 13, 2023, respectively, bearing the interest rate of 6.75%

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, 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 September 30 when there were no potentially dilutive common shares during the respective periods are as follows:

	Three Quarters		Third Quarter	
	2023	2022	2023	2022
Net income attributable to the equity holders of the Parent Company	₱2,306,072,893	₱2,461,242,496	₱1,027,577,156	₱897,945,758
Weighted average number of common shares for basic and diluted earnings per share	5,672,755,043	5,672,755,043	5,672,755,043	5,672,755,043
Basic and diluted earnings per share	₱0.406	₱0.434	₱0.181	₱0.158

8. Cost of Production

Details for the periods ended September 30 as follows:

	Nine-Month Period Ended September 30		Three-Month Period Ended September 30	
	2023	2022	2023	2022
Materials and supplies	P1,788,712,439	P1,297,293,857	P577,095,231	P499,394,080
Depreciation, depletion and amortization	1,164,209,803	924,353,496	397,232,195	343,513,746
Personnel cost	626,849,259	573,500,775	202,944,390	222,316,447
Utilities	444,291,639	279,290,837	99,602,161	106,946,269
Contracted services	427,202,757	327,192,715	142,169,525	129,213,663
Taxes, licenses and permits	142,498,672	89,976,859	42,265,068	26,553,900
Indigenous People (IP) surface rights royalty & IP royalty	127,513,856	101,960,687	47,768,277	35,724,756
Refining and transportation	69,223,225	65,959,046	25,619,437	26,529,808
Others	193,330,378	181,817,654	54,789,460	50,171,944
	P4,983,832,028	P3,841,345,926	P1,589,485,744	P1,440,364,613

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

	Nine-Month Period Ended September 30		Three-Month Period Ended September 30	
	2023	2022	2023	2022
Mining	P1,652,726,665	P1,039,487,144	P549,959,637	P391,278,968
Milling	879,286,769	560,950,733	257,720,133	201,192,511
Mine overhead	1,287,608,791	1,316,554,553	384,573,779	566,481,356
Depreciation, depletion and amortization	1,164,209,803	924,353,496	397,232,195	281,411,779
	P4,983,832,028	P3,841,345,926	P1,589,485,744	P1,440,364,613

9. General and Administrative Expenses

Details for the periods ended September 30 as follows:

	Nine-Month Period Ended September 30		Three-Month Period Ended September 30	
	2023	2022	2023	2022
Personnel cost and professional fees	P79,239,954	P46,329,510	P21,900,492	P5,377,879
Taxes and licenses	17,319,495	20,527,617	4,861,296	8,506,969
Others admin expenses	74,828,662	47,853,400	25,806,168	23,553,085
	P171,388,111	P114,710,527	P52,567,956	P37,437,933

10. Results of Operations

The highlights of the Group's consolidated statement of income for the nine-month period ended September 30, 2023 broken down into the Parent Company, Subsidiaries and NCI are as follows:

	Parent Company	Subsidiaries	NCI	Consolidated
Revenues	₱7,776,613,422	₱ 949,162,648	₱–	₱8,725,776,070
Cost and expenses	(4,582,496,393)	(909,140,354)	(360,000)	(5,491,996,747)
Finance cost and other income/charges	(374,872,040)	88,474,925	–	(286,397,115)
Provision for income tax	(639,370,040)	(2,299,275)	–	(641,669,315)
Net income (loss)	₱2,179,874,949	₱126,197,944	(₱360,000)	₱2,305,712,893

11. 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 three quarters ended September 30, 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