APEXMINES

APEX MINING CO., INC.

February 13, 2009

PHIL. STOCK EXCHANGE
Disclosure Department
PSE Centre, Exchange Road
Ortigas Centre, Pasig City

Attention: **Atty. Pete M. Malabanan**
Head, Disclosure Dept.

Dear Atty. Malabanan:

We are submitting herewith the Technical Report on Sagaysagay prepared and certified by a competent person.

Thank you.

Very truly yours,

ROSANNA A. PARICA
Accounting Supervisor

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TECHNICAL DESCRIPTION OF THE SAGAYSAGAY GOLD PROSPECT

OF APEX MINING COMPANY, INC.

Barangays Teresa and Masara, Maco Municipality, Compostela Valley Province

BACKGROUND

THE MASARA MINING DISTRICT

1. **Introduction**

The Apex Tenement area covered by **MPSA No. 225-2005-XI** located in Brgy. Teresa and Masara, Maco, Compostela Valley Province in the southeastern part of Mindanao Island, originally existed as contiguous load claims comprising of 75 Declaration of Locations (DOLs) of nine (9) hectares each and a number of claim fractions of various shapes and sizes with a total area of **679.02 hectares**. The claims, named **ASA-24, et al,** were originally staked for gold, copper, silver and other metallic minerals under the Philippine Bill of 1902. Prior to the MPSA Contract approval, the area was covered by **Mining/Lode Lease Contract Nos. V-83; V-95; V-96, V-97, V-124 and V-125** which were issued in 1994 to **Apex Mining Company, Inc**. The MLCs were subsequently applied for Mineral Production Sharing Agreement by Apex in 1998, denominated as **APSA-242-XI.** An amendment was filed by Apex for the same APSA in January 2005. The MPSA application was finally approved by the Philippine Government through its DENR Secretary on December 15, 2005 but this covered only the active mining operation area of APEX. The remaining area of the Apex tenement consisting of six (6) parcels of various shapes and sizes with a total area of **1,580.11 hectares** was not granted MPSA contract by the government until 2007 **(MPSA-234-2007-XI).**

2. **Terrain / Physiography**

The Masara Mining District in Maco, Compostela Valley Province in southeastern Mindanao Island of the Philippines is situated in a generally rugged terrain with elevations ranging from about 500 to around 1300 m above sea level. The terrain is characterized by deeply incised, v-shaped river channels with dendritic to radial drainage patterns suggestive of early mature stage of geomorphologic development; the physiography locally manifests distinct structural controls.

3. **Accessibility**

The Masara Mining tenement of Apex Mining Company, Inc. is bounded by longitudes 126° 00' to 126°05' E and latitudes 7°15' to 7° 25' N. As the crow flies, it is about 53 km northeast from Davao City, the acknowledged commercial capital of Mindanao. From Manila, it is most easily accessible from this city from where, one could drive north through the concrete-sealed Pan Philippine (Maharlika) Highway up to the town of Mawab, a road distance of about 74 km. From the Mawab highway junction, a 23- km, mostly gravel-paved road heads east to southeastward following the Hijo-Masara river valley upstream. The Masara minesite is nestled in the upper reaches of Masara River within the adjoining barangays of Masara and Teresa, Maco.

4. Drainage Systems

The Apex mining area is situated in the headwater portion of Masara River, the most dominant drainage system of Maco municipality. In its upstream portion, Masara is fed by its major tributaries consisting of Lumanggang, Bunlang, Malumon, Pag-asa-Kanarubi, Buena Tigbao, Wagas and Makausok creeks which drains the Apex tenement area in a distinctly dendritic pattern. Masara is one of the biggest tributaries of Hijo River, a major river system in Compostela Valley and Davao del Norte provinces that drains also the municipalities of Mawab and Tagum. Hijo River drains into the northern part of Davao Gulf.

5. Vegetation

Most of the areas within the tenement have been subjected to commercial logging in the past and most of the big mother trees are now gone. What thrives now on the mountain slopes are mostly second growth trees along with a lush shrubbery with diverse species of vines and grasses that form the present vegetation cover. Scattered patches of clearings on the mountain slopes are planted to corn, coffee, bananas and various other vegetables by the native Mansaka mountain tribes and by migrant settlers from the lowlands.

6. Land Use

The present land use of the area is generally agricultural with mostly the traditional subsistence swidden or slash and burn farming and forest product-gathering, the source of livelihood of the local inhabitants. Mining has also been a part of the economic tradition of the area with the presence of Apex and the North Davao mining companies that operated the gold and copper deposits found in the district. Small scale gold mining that has proliferated in many parts of the country in during the past decades, has also taken roots in the area and constitute one major source of livelihood to the local residents along with the trade and commerce it generates.

7. Climate

The climate in Compostela Valley, as the rest of Davao del Norte, Davao Oriental provinces and the Caraga Region, belongs to Type IV climate system in the Modified Coronas Classification used by Philippine Atmospheric, Geophysical and Astronomical Administration (PAGASA). Type IV is characterized by no clearly defined dry season with rains experienced almost throughout the year. However, the highest rainfall, equivalent to monsoon season, is usually experienced from October to February with the rest of the year relatively dry. The average annual rainfall determined in the general area based from rainfall records provided by local PAGASA monitoring stations is about 3,300 mm.

8. GEOLOGY OF APEX MINES AREA, MASARA DISTRICT

8.1 General Geology

The geology of the Masara District has been fairly well established from its long tradition of mining and exploration dating back in the 1930s. The oldest country rocks mapped in the district comprise of a series of metamorphosed intercalating volcanic flows, pyroclastics and sediments of pre-Tertiary age, the so-called Masara Formation. The Masara Formation is overlain in places by the Hijo Formation, the latter, consisting of volcanic flows, pyroclastics and volcaniclastics associated with bioclastic calcarenites/calcirudites; locally, it contains small serpentinite bodies. The Hijo Formation is dated Paleocene to Oligocene in age. It is conformably overlain by the Lower Miocene Limpacan limestone that outcrops extensively and comprises most of the high ridges in the Masara district and the surrounding mountain areas. Diorite to quartz diorite intrusives of Lower to Middle Miocene age occur as batholithic to stock-like intrusions situated mainly to the east and southeast of the district intruding the Masara Formation. They are in turn, both intruded by hypabyssal porphyritic rocks of andesitic to dioritic composition. Volcanic activity during the Pliocene and extending to the Pleistocene epoch deposited volcanic flows, pyroclastics, domes and plugs of dacitic to andesitic composition now overlying or intruding the older rocks in the district. The latest episode of volcanism is represented by the loose pyroclastics forming a veneer of dacitic pumice of varying thickness that covers most ridge tops rimming the Lake Leonard caldera and extending to the immediate surrounding slopes and ridges.

8.2 Structures

The major structural features defined within the Masara area and its general vicinity consist of: 1) steep northeast-dipping left lateral strike slip faults representing the local segments of the Philippine Fault System; 2) a large Valleys-type caldera or volcanic center, the periphery of which is defined by a ring fault zone; 3) a north-south system of gravity faults, and; 4) a less dominant set of second order northwest-northeast conjugate faults. Post ore thrust faults are fairly well distributed central to the area; toward the area's perimeter, the thrust fault faults generally dip away from the volcanic center. A few minor sub-parallel sets of folds with northerly to north- northwesterly axes are also found at Masara proper as well as west to southwest of the Apex tenement. The northwest-trending fault system is most dominant near the caldera center and its structures have been generally paralleled, if not followed, by an inner set of major auriferous quartz veins. Some of the gold-bearing veins and the known porphyry copper deposits follow the conjugate northeasterly faults and the peripheral ring fracture system.

8.3 Mineralization

The known mineralization in the Masara district consists mainly of mesothermal-epithermal gold-silver-base metal-bearing quartz-calcite veins, gold-bearing porphyry copper deposits and pyrometasomatic skarn deposits that are spatially and temporally co-related with the Philippine Fault system. The deposits are believed to have been formed by later episodes of magmatism that were triggered periodically by the repeated movements along the Philippine Fault throughout its tectonic history.

The gold mineralization is mostly hosted in Pre-Tertiary volcanic flows of the Masara Formation and to a lesser degree, in the diorite intrusive suites and its associated hypabyssal derivatives of Miocene age. The gold mineralization has been dated Pleistocene, or about the same age as most of the gold deposits in other known gold districts in the Philippines. In the Masara district, the epithermal gold veins cut into some of the pre-existing porphyry copper deposits with consequent significant gold enrichment of the affected porphyry systems. The porphyry bodies were associated with the Miocene dioritic intrusions. The Masara mineralization has also been correlated with caldera systems which have been recognized to be inherent geological and geo-morphological features of the district. The most prominent of these is the Lake Leonard caldera located to the east of Masara near the boundary with the adjoining North Davao tenement, where a crater lake, called Lake Leonard, named after Leonard Kniazeeff, a pre war Russian-American prospector who first reported it, remains one of the most unique geomorphological features in the rugged landscape.

9. The Mineral Deposits of Apex Mines, Masara District

9.1 The Gold Deposits, Mode of Gold Deposition

The gold mineralization in Apex Mines, Masara District, consists of a central group of generally narrow NW- to EW-striking veins and a peripheral set of veins that follow the eastern rim of the postulated Masara-Amacan caldera. Both exhibit the same mineralogical characteristics and are considered parts of the same system. The porphyry copper deposits, on the other hand, occur with small diorite stocks and are mostly confined to the western half of the Apex Tenement.

Gold deposition occurs in irregular ore shoots interspersed with patches of lower grade or sub-economic to barren materials. The veins have been traced over strike lengths varying from about 100 meters for the complimentary vein splits to more than 1000m for the main structures. The veins have been followed down dip over vertical spans of more than 400 meters. The Masara veins usually exhibit strike changes and dip reversals as well as sigmoidal loops with braided patterns fairly common along some sections on the veins. Some of the structures also exhibit horsetail features and stockworkings near the surface while some show varying degrees of shearing effects and cataclastic deformations indicating repeated or more recent movements along these structural discontinuities.

Fissure-filling characteristics are manifested at shallow depths by cockade and comb structures, alternating bands of quartz-carbonate are the principal gangue minerals. Two generations of quartz, and, to a lesser degree, calcite, have been recognized. The early-stage quartz is fine grained and is intimately mixed with clay, as fine-to-medium or streaky inclusions. The late quartz, on the other hand, is coarse-grained, clear or rarely milky white and occurs with equally coarse carbonate and sulfides. Ubiquitous pyrite is the most dominant sulfide, accompanied by galena, chalcopyrite and sphalerite in varying amounts. Free gold occurs in fine to coarse crystals both in early and late quartz-calcite gangue as filling of granoblastic grains, octahedral crystals or, sometimes, in cellular-dendritic habit observed in some quartz vugs.

9.2 The Porphyry Copper Deposits of Masara

These occur with small diorite masses mostly situated on the western side of the peripheral gold vein system. The bigger deposits are near the postulated caldera rim, while the smaller ones are close to, or cut by some of the central gold vein set.

Host rocks are the same as those of the gold vein system, but alteration of the phyllic-argillic type is far more widespread and intense. Propylitization is peripheral to the quartz -sericite-clay alteration that envelopes the porphyry deposits and extends farthest out away from mineralization centers. Leached cappings 30 to 150m thick are usually well developed in these porphyry bodies, but supergene enrichments are not known to produce important oxide ores.

Typical porphyry copper mineralization in the peripheral areas grades through a quartz-sulfide veinlet-network type to the predominantly sulfide replacement bodies toward the central gold vein system.

THE SAGAYSAGAY GOLD PROSPECT

1. Introduction

The **Sagaysagay Gold Prospect** is part of what appears to be a newly-discovered vein system located on the western periphery of the Masara Gold Mine of Apex Mining Company Inc. (APEX MINES). The discovery area is within **Parcel IV**, one of the six (6) parcels that comprise the area covered by **Mineral Production**

Sharing Agreement (MPSA No. 234-2007-XI) granted to Apex in 2007. Parcel IV bound the western side of an earlier MPSA granted to APEX in 2005, **MPSA-225-2005-XI**, which covers the well known Maligaya Trend of Masara District where mining activities has been largely concentrated for the fast decades.

Sagaysagay is a north-northeast trending vein system. Its characteristics, however, is different from the so-called "Maligaya Trend" which consists of the northwest trending Bonanza-Masara and Sandy vein systems. Unlike the Maligaya Trend, Sagaysagay contains visible free-gold which is expected to make gold processing more efficient.

The vein is presently being actively exploited for its gold mineralization by a locally organized mining cooperative. Local prospectors discovered the gold-bearing structure in May 2008 who subsequently called it the Sagaysagay vein. The discovery led to some kind of a “gold rush” with numerous people from the surrounding communities flocking in the area to stake the ground and conduct small-scale mining activities. The mining activity however is deemed illegal as the SSMs secured no prior permit to the legitimate MPSA holder, Apex.

The Apex, Management, desirous to stop such illegal mining activities but at the same time, pursue the company's commitment to the local people for peaceful co-existence and economic sustainability without sacrificing concerns on environment and safety, entered into a Service Contract on December 17, 2008 to explore the Sagaysagay vein system by aditing and bulk samplings of vein materials. The signing of the agreement was duly witnessed by the MGB Regional Director and was entered with the recently formed and registered local Cooperative composed of the Indigenous People and the fifteen Barangays (Local Government Units) of Masara Lines (Maco). Revenues that will be generated from exploration works i.e., tunnelling and drifting at different levels will be shared between the workers and the 15 barangays which will be utilized for community development projects.

With this arrangement, more veins which may either be parallel to or splits of the main vein will be explored which, hopefully will yield even higher Au grades.

The information from this activity being undertaken by the Cooperative will be evaluated by Apex and will be made the basis for further exploration work by the Company by trenching, aditing or diamond drilling for resource calculations and feasibility study. Hence, the situation that was a problem at the start ended as an opportunity for cooperation and mutually beneficial relationship between the company and the local communities.

2. Topography/Physiography

As typical of the Masara District area, the Sagaysagay prospect area which is very much a part of the district, is also situated in a generally rugged terrain with high relief with elevations ranging from about 650m to nearly 850m above sea level. The slope angles vary from 30° to 45°. It is bounded in the northeastern and northwestern side by river valleys with ridges on the southern side. The area is being utilized for subsistence agricultural, i.e., traditional swidden or slash-and-burn farming practiced by the Mansaka mountain tribes.

3. Geology of Sagaysagay and Vicinity

3.1 General Geology

The geology of Sagaysagay area is also typical of that of Masara District. The rocks mapped in the area comprise of diorite intrusive, the Limpacan limestone and the volcanic series. The diorite intrusive, which is assigned Lower to Middle Miocene age, hosts the vein system. In contact with intrusive is the Lower Miocene Limpacan limestone located at the northwestern side of the prospect area. This limestone outcrops extensively and comprises most of the high ridges in the Masara district and the surrounding mountain areas. In the eastern portion of the Sagaysagay area is the Plio- Pleistocene volcanics of dacitic to andesitic composition.

3.2 Structures

The major local structural features defined within the area and its vicinity consist of NNE- trending veins, some of which had been previously operated for open pit mining. The measured trend of Sagaysagay's vein is parallel to these structures. Correlation between these previously operated open pit mines and the Sagaysagay vein is yet to be proven. Based on initial measurements from outcrops and trench samplings conducted in the prospect area, the Sagaysagay vein generally trends N- to N5°E and dipping 45° to 65°SE.

3.3 Mineralization / Vein Characterization

The mineralization in Sagaysagay has been categorized as a low-sulfidation type epithermal gold deposit. This is evidenced by the presence of free gold occurring as fillings in quartz vugs and as disseminations noted in some of the vein materials and also reported in the small scale miners' workings. This is also indicated by the general lack of visible disseminated sulfides in most of the quartz vein samples. The only identifiable sulfides associated in the vein materials consist of occassional pyrite and chalcopyrite. Pyrite occurs as subhedral disseminations varying from nil to locally, as much as 30% of the mineralogical composition of the trench samples. In contrast, the quartz vein materials and breccias from the typical Masara / Bonanza / Sandy vein systems are characteristically associated with sulfides, e.g., galena, sphalerite, chalcopyrite andpyrite.

The gold mineralization is mainly hosted by the diorite intrusive which occurs as batholithic to stock-like intrusion. The identified alteration scheme varies from high silicification at the hanging wall side and high argillization at the footwall side. The highly silicified diorite at the HW side has comparatively more pyrite dissemination compared to the vein and the argillized FW. Gouge materials are also associated with the quartz vein either at the hanging wall or the footwall contact.

The quartz vein is dark gray to off white in color. Measured vein width based on the trenching conducted ranges from 0.40m to 1.0m (1.1m to 2.0m including the altered HW and FW). Quartz vein samples, being gathered mainly near the surface are highly oxidized and fractured with some showing effects of weathering. Hematite and manganese staining are also noted as shown by the reddish brown and blackdiscoloration of most of the samples. Some portions of the quartz vein exhibit fissure filling characteristics manifested by the cockade, comb, and or dogtooth structures. Minor geodes and quartz intergrowths are also observed at some of the samples. The quartz vein can be classified into two types: 1.) the first is darker gray variety with pyrite disseminations, and; 2.) the second is the light gray to off white variety that has no visible pyrite dissemination.

4. Assay Results

Assay results of the samples gathered from the outcrops, adits and shaft sinking of the small scale miners, and from the trenching works conducted by the Apex Team in the area yielded highly erratic values. Gold grades of the quartz vein vary from **0.35g/t to 201.42g/t. Au**. The higher assay values were obtained from the dark gray quartz with characteristic pyrite disseminations, fissure filling structures and those in contact with the weathered materials mixed with clayey soil and crushed quartz. The lower assay values on the other hand, are from those massive, light gray to off white quartz with no visible pyrite disseminations. The highly silicified diorite at the hanging wall also gives a relatively good grade, with values ranging from **0.35g/t to 3.54g/t Au**. The highly argillized footwall gave generally lower grades ranging from **0.35g/t to 1.83g/t Au.**

Table 1 below is a detailed description of the cut samples and the assay results:

TABLE 1 –Tabulated List of Samples, Assay Results and Description

APPENDIX

A. List of Samples, Assay Results and Description

Sample Number	Trench Number	Altered FW			Quartz Vein			Altered HW			Description/ Remarks
		gpt Au	gpt Ag	%Cu	gpt Au	gpt Ag	%Cu	gpt Au	gpt Ag	%Cu	
29168	0				1.6	0.2	0.00				Quartz vein - sampled at 1.5m below surface, light gray to white massive quartz, oxidized with minor Mn stains
29169	0							2.0	5.4	0.01	Contact between altered zone and quartz vein - sampled at 0.8m deep, oxidized clayey soil mixed with pebble-sized crushed quartz
29170	0							1.4	0.3	0.01	
29027	1							1.1	0.6	0.01	Altered diorite (highly silicified, moderately argillized, mixed with crushed quartz)
29028	1	1.8	7.9	0.01							
29162	1	1.7	11.2	0.02							Altered diorite - slightly silicified, highly argillized with hematite and minor Mn stains
29163	1				0.6	10.9	0.03				Quartz vein - 0.4m sampling width, oxidized with hematite and minor Mn stains, no visible pyrite dissemination
29164	1				0.5	9.0	0.03				Qurtz vein - 0.3m sampling width, crushed, in contact with the altered HW diorite, with hematite and minor Mn stains
29155	2				1.5	11.4	0.01				Quartz vein - vuggy, with no visible pyrite dissemination, oxidized
29160	2				0.4	0.1	0.01				Quartz vein - 0.5m sampling width, massive, with Mn and hematite stains, no visible pyrite or other sulfides
29161	2							1.2	8.3	0.02	Altered diorite - 0.35m sampling width, highly silicfied, moderately argillized mixed with some crushed quartz and gouge
29156	3				2.4	4.2	0.08				Qurtz vein - intensely weathered, highly oxidized, mixed with reddish brown clayey soil*
29157	3							0.5	0.1	0.01	Gouge zone - 0.8m sampling thickness, gray in color mixed with some crushed quartz and altered diorite
29173	3							0.4	0.6	0.04	Altered zone - highly weathered qurtz vein material mixed with brown clayey soil, higly oxidized with strong Mn stains
29174	3							1.1	0.7	0.01	Altered diorite - highly silicified, moderately argillized with some pyrite dissemination, slightly oxidized with minor Mn stains
29033	4							1.2	2.5	0.01	Gouge zone mixed with gray quartz at the altered HW portion of the vein (0.15m sampling width)
29034	4							0.9	2.8	0.02	Gouge zone in contact with the altered HW - notably with more intense hematite and Mn stain compared with the previous sample; lesser crushed quartz (0.20m sampling width)
29035	4				1.1	0.7	0.00				Quartz vein - oxidized with hematite and Mn stains (0.45m sampling width)
29040	4				0.9	2.1	0.01				Quartz vein - sampled at 1m to 2m below surface
29041	4				1.8	4.1	0.04				Quartz vein - sampled at 0m to 1m below surface
29042	4				0.9	1.5	0.01				Quartz vein - sampled at 2m to 2.5m below surface
29043	4				81.6	16.5	0.02				Quartz vein at the HW side - dark colored due to Mn stains and oxidation; with associated disseminated pyrite
29044	4				6.6	7.0	0.01				Quartz vein - sorted samples from trench 4, highly oxidized, fractured, with Mn and minimal hematite stains; minute geode, dogtooth and intergrowth structure observed on some quartz samples; vugs are filled with subhedral pyrite
29045	4				12.2	5.3	0.01				
29046	4				201.4	29.9	0.01				
29047	4				12.2	3.2	0.01				

Sample Number	Trench Number	Altered FW			Quartz Vein			Altered HW			Description/ Remarks
		gpt Au	gpt Ag	%Cu	gpt Au	gpt Ag	%Cu	gpt Au	gpt Ag	%Cu	
29048	4				0.5	1.2	0.05				Quartz vein - highly oxidized, fractured, with Mn and minimal hematite stains, minute geode, dogtooth and intergrowth structure observed on some quartz samples, no visible pyrite dissemination
29049	4				2.0	1.9	0.01				Quartz vein - light gray to white quartz, less oxidized and less Mn stain
29050	4							1.7	1.1	0.03	Altered diorite - highly silicified, moderately argillized with minor dessiminated pyrite
29051	4	0.9	2.2	0.00							Altered zone - crushed quartz mixed with brown, clayey soil
29052	4	1.3	6.0	0.03							
29053	4	0.6	4.0	0.05							Altered zone - sampled at 0.5m below surface, crushed quartz mixed with brown, clayey soil
29054	4	0.4	3.7	0.02							Altered zone - crushed quartz mixed with brown, clayey soil
29175	4				23.2	3.9	0.01				Quartz vein - sorted samples from trench 4, highly oxidized, fractured, with Mn and minimal hematite stains; minute geode, dogtooth and intergrowth structure observed on some quartz samples; vugs are filled with subhedral pyrite
29176	4				0.3	3.3	0.01				
29178	4				0.4	1.8	0.02				Quartz vein - sampled on vein trench upslope from trench 4, dark gray quartz with strong oxidation and hematite stains
29180	4				1.1	3.2	0.02				Quartz vein - sorted samples from trench 4
29181	5							2.1	1.6	0.02	Altered zone - clay mixed with white to gray quartz, oxidized and minor hematite stains
29158	6				98.4	16.4	0.01				Quartz vein materials mixed with altered diorite and oxidized soil
29159	6				5.9	9.0	0.04				
29177	8				2.0	2.1	0.02				Quartz vein materials mixed with altered diorite and oxidized soil
29179	6				4.5	19.1	0.08				Quartz vein - sorted samples of massive gray quartz with notable pyrite disseminations
29029	N/A				65.8	16.7	0.01				Quartz vein - oxidized, with Mn and Hematite stains/sampled from abandoned sinking; 3m deep, 1m advance to SE drift
29030	N/A				3.0	6.5	0.03				Quartz vein - oxidized, with Mn and Hematite stains/shaft sinking sample
29031	N/A	1.7	8.1	0.01							Altered diorite mixed with brown/oxidized clayey soil and some quartz - mucked out sample from abandoned shaft sinking
29032	N/A				2.5	18.1	0.03				Quartz vein - oxidized, with Mn and Hematite stains - mucked out sample from abandoned shaft sinking
29036	N/A	0.9	2.9	0.01							Altered diorite - oxidized with minor Mn stains**
29037	N/A	0.7	3.7	0.08							Gouge zone - gray, mixed with minor crushed quartz
29038	N/A							3.5	7.9	0.01	Altered diorite - highly silicified, moderately argillized with minor dessiminated pyrite
29039	N/A				1.7	14.0	0.01				Quartz vein - oxidized, with hematite and Mn stains
29166	N/A				53.6	178.8	0.01				Quartz vein - sorted samples from an abandoned adit, gray with pyrite dissemination, some portions are vuggy and oxidized
29167	N/A							3.1	45.2	0.01	Altered diorite - HW side sample, highly silicified with 30-40% disseminated pyrite, highly oxidized vugs

* trench 6 is one of the abandoned adits and is "off vein"

** Sampled vein structure located downslope, along the road

5. Exploration Implications

Correlating the Sagaysagay gold prospect with the previously operated open pit mines in the vicinity can be used to locate other potentially viable gold mineralized areas within the Apex tenement. It should also be noted that the sulfide association is very limited thus, more intensive sampling and characterization has to be conducted to locate the more prospective areas for gold mineralization. The behavior of the oreshoots must also be defined in order to aide in the mine planning. Included in the Appendix are locations of proposed drillholes (total 300m and averaging 60m each) as well as proposed adits to further define the extents of the vein and mineralization at depth.

6. Recent Exploration Results on the Geology & Mineralization of Sagaysagay Gold Prospect and Adjoining Areas

Continued mapping activity in the vicinity of Sagaysagay area has resulted to the identification of several veins/vein systems adjacent to Sagaysagay vein. It has also been noted that there are existing small scale tunnels being operated in the SW portion of Sagaysagay as well as previously operated open pit mine sites, namely; Kasapa and Amity open pits.

The most prominent vein is the Kasapa vein which is believed to be the northern extension of the Don Manuel and Mapula veins of Kanarubi and Mapula areas, respectively. This projection is based on previous geological maps as well as reports authored by the late geologist Dr. Luis Santos-Yñigo, a consultant of the former Apex Mining Company. This has also been operated as an open pit mine.

The mapped exposed portion of the Kasapa vein measures 20m in length with an almost N-S strike and dips 55° to 60°W. This westerly dip direction is opposite to that of Sagaysagay's dip direction. Sampling on this exposed portion of the vein was conducted at 2-m intervals. The exposed portion of the vein has an average width of **1.95m at 1.7g/t Au**. The vein width ranges from **1m to 3m** and the Au grades range from **0.7g/t to 3g/t Au**. Dr. Santos-Yñigo's report however, noted that Au grades in this area range from **1g/t to more than 12g/t Au** for the main vein. Our mapping team has also sampled the stockpiles from underground workings in this vein which yielded **7.6g/t Au.** The sampled vein is characteristically grayish, massive, highly silicified and strongly oxidized. Vein mineralogy includes occurrences of Mn oxide coatings with cross cutting white quartz stockworks, anhedral to subhedral pyrite and minor galena and sphalerite.

Another previously operated open pit mine in close proximity to Sagaysagay area is the Amity Open Pit, located to the NE which was also mapped by the Apex team. The most notable structure observed in this pit is the gouge zone with associated highly argillized materials and slightly to moderately silicified volcanics. Associated with this highly argillized materials are oxidized quartz veinlets in a moderately silicified matrix.

The altered volcanics is basaltic in composition. Samples are characteristically moderately silicified along the cracks and the intensity of silicification decreases inwards. In addition, the moderately silicified samples have nil to very minute pyrite components compared to the slightly silicified volcanics. This structure has a general trend of NNE and dips in the same direction as that of Sagaysagay vein (50°E to 60°E). If this was to be correlated with Sagaysagay, this structure could be part of the altered hanging wall portion of the Sagaysagay vein. This correlation however, is not conclusive until additional subsurface information could verify it.

The assay result of samples collected from this area is relatively low – with the highest Au assay of only 0.10 g/t Au. The sampled materials are only slightly to moderately silicified, and not really expected to yield better grades.

7. Summary of the Geology and Mineralization Observed at Sagaysagay Vein Prospect and a Preliminary Assessment of its Economic Potential

7.1 Geology and Mineralization

The geology of Sagaysagay area is concordant with that of the Masara District with the diorite intruding the volcanics and is the main host to gold mineralization. The local major geologic structures, however, are trending generally in a NNE/SSW direction and have moderate dips to the ESE. They are inconsistent with the general NW- trend of the vein systems in the Masara area e.g., the Masara/Bonanza/Sandy vein systems which have a general NW to WNW orientation. The mineralization in the area can be classified as a low-sulfidation epithermal gold deposit characterized by the presence of free gold as disseminations within the quartz veins (Photo-1) or as fillings in quartz vugs. The sulfides associated with the quartz vein material include only pyrite with occassinal chalcopyrite and is entirely different with that found in the Maligaya-Malumon areas.

The vein material consists mainly of quartz veins and has a width of approximately one (1) meter. Both the hanging wall (HW) and footwall (FW) are mineralized with the highly silicified diorite HW giving relatively higher grades (0.3~3.5 g/t Au) than that at the FW (0.3~1.8 g/t Au). Assay results from the five (5) shallow trenches excavated from about elevation 760m to 790m show highly erratic gold values within the vein material ranging from 0.3 ~ 201.4 g/t Au **(see Figure-1)**

7.2 Preliminary Assessment of the Economic Potential

The potential of the Sagaysagay deposit cannot be conclusively assessed at this time given the limited data available. However, there are positive and encouraging indications, including reports by earlier workers, that may justify further investigation by trenching and more preferably drilling. These include the following:

7.2.1 -The presence of visible free gold and the paucity of associated sulfides indicate that the deposit is generally "clean" and may be expected to lend itself to more straightforward gold recovery processes.

7.2.2 - The inconsistency in the assay results may be attributed to the disturbed nature of the vein materials in the sampling areas which are mostly located within the weathered and oxidized zone of the vein.

7.2.3 -The gold deposit occurs at generally shallow depths which could make open cut mining feasible possibly reducing production costs substantially.

7.2.4 - The veins in the area appear to occur in parallel trends or in en-echelon form with the present gold rush area located between known two (2) veins that were previously mined by Apex.

7.2.5 - Since the characteristics of the Sagaysagay veins are significantly different with that of the vein systems in the Maligaya-Malumon areas, the experience that will be gained in the evaluation of Sagaysagay should prove useful to the company geologists in the exploration works in this new area and in the other parts of the Apex MPSA.

7.2.6 - Dr. Luis Santos-Yñigo also mentioned about several narrower veins with higher grades assaying as much as **26 g/t Au** in the area. Some of these narrower veins are currently being operated by small scale miners and one particular vein was sampled during our mapping/sampling activity which yielded **9.2g/t Au** for the main vein and **2.8g/t Au** for the altered wallrocks adjoining the veins.

7.2.7 - To the south of the Sagaysagay area, upstream of the Kasaraan Creek, another moderately silicified, argillized zone was mapped by the Apex team. This structure can also be possibly correlated with the Sagaysagay and Amity veins. The altered zone measures about 3-5m wide and was sampled from two different locations. The sampled material is gougy and argillized with Mn and limonite stains. Associated with this argillized zone are moderately silicified materials with Mn stains and pyrite disseminations. The assay results from this area are **7.3g/t Au and 0.6g/t Au** for the moderately silicified and the argillized portions respectively. Although this has the same trend as that of the Amity and Sagaysagay veins, correlating these three structures would be inconclusive considering that this exposure has a different dip direction compared to the other two. But the possibility of this being an extension or a split cannot be discounted.

7.2.8 - Diamond drilling along the strike length of these delimited vein systems would be necessary in order to establish the continuity of the Don Manuel, Mapula and Kasapa veins. This program must also include the probing of the narrow veins particularly Sagaysagay and Amity, and some of the narrow veins in order to determine the mineralization at depth as well as the geometry or configuration of the ore shoots.

7.2.9 - The fact that this deposit is epithermal in nature and the geometry of the ore shoot is not yet identified and established, caution must be observed regarding the high gold assay results as these may just have been surface-localized concentrations. It must be noted that most of the sampled quartz veins have very limited sulfide associations.

8. Conclusion and Recommendation

The work done by the Apex Exploration team in the Sagaysagay area is preliminary in nature accessing the vein from the existing works of the small scale miners who were working on different areas and levels developed since the discovery of this structure in May 2008. However, the initial mapping and assaying results done by Apex Exploration Team have been encouraging enough to justify further allocation of exploration funds and the pursuance of more diagnostic exploration technique, particularly aditing, trenching and, may be, diamond drilling to be able to define the structure along its strike and dip, its tenor of gold mineralization and possibly come up with some acceptable estimates of the resource/reserves for feasibility studies and for management consumption. These surface and subsurface exploration activities might be able also to define additional structures of this new vein system hitherto unknown. Apex, therefore, is encouraged to lend support and finance a more advanced exploration program in the Sagaysagay area.

9. Attachment

Fig. 1 –Sagaysagay-Kasapa Area Geologic Map

10. CERTIFICATION

(Please see next page).

CERTIFICATION

This is to certify that as a Registered Geologist of the Professional Regulation Commission with PRC License No. 387 and an accredited Competent Person (CP) of the Philippine Mineral Resource Council (PMRC), the undersigned is attesting to the accuracy, reliability and integrity of the geological and assay data that were used in the Geological Report submitted by the APEX MINING COMPANY, INC. geologists for the Company's Sagaysagay-Kasapa Gold Prospect located within its MPSA-234-2007-XI area in Teresa and Masara, Maco, Compostela Valley Province.

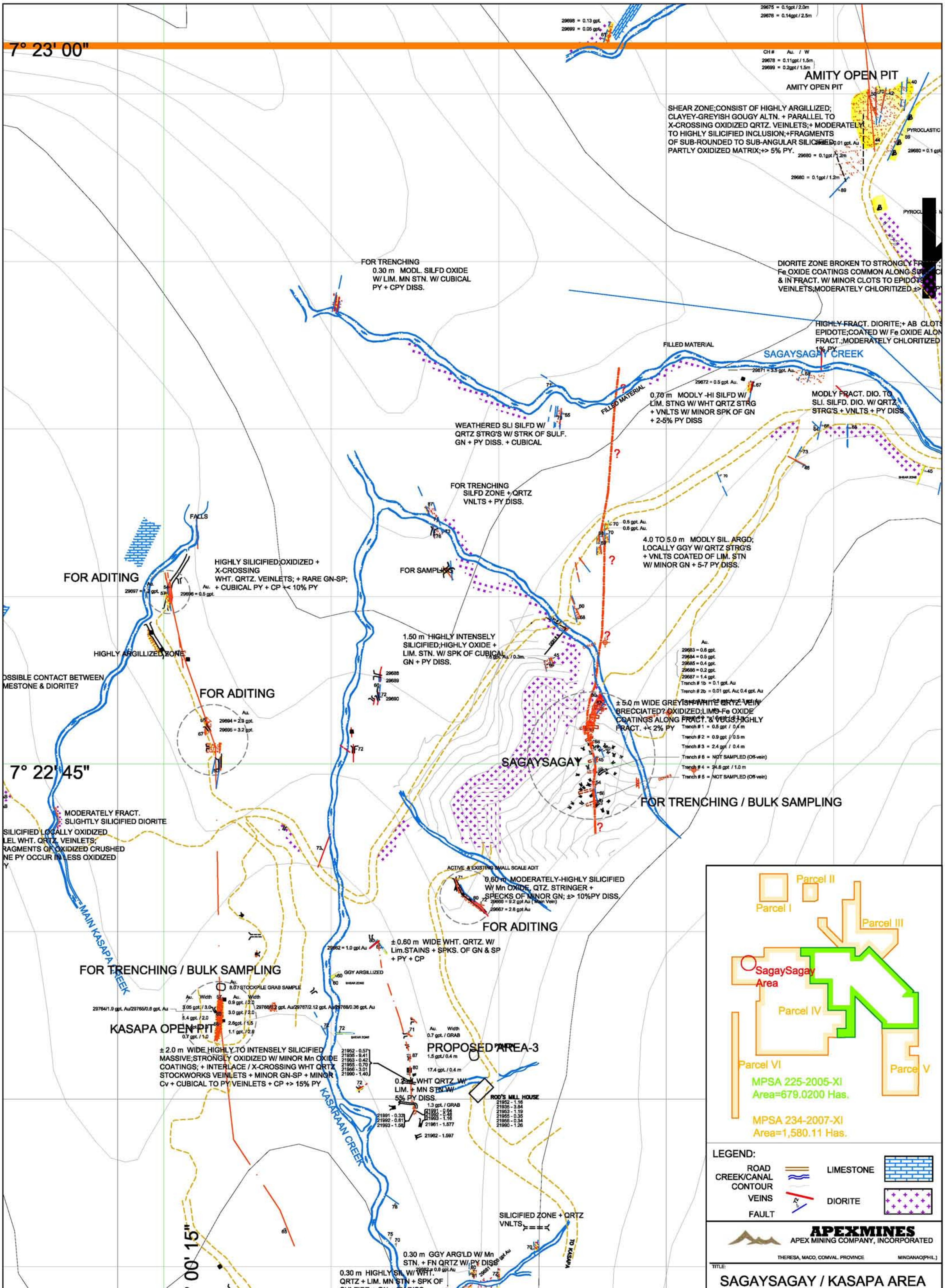
The undersigned has also reviewed the attached geological report and found it well organized and logical in its presentation and within the standard acceptable as a factual geological report with very little if any of self-serving or forward looking statements.

The undersigned wants to take note that the report as it should, refrained from making any statements about resource or reserve which is not possible or allowed given the early stage of the exploration works in the project.

This certification is made as the undersigned understood it, as part of the company's disclosure to the Philippine Stock Exchange and/or the Securities Exchange Commission about its activities in its areas of operation, in this case, in its MPSA Contract area in Masara, Maco, Compostela Valley Province.

SIGNED: TOMAS D. MALIHAN

Registered Geologist & Competent Person (2008)
PRC License No. 387
Date of Issue: Nov. 11, 1973
PTR No: 2280054
Issued at: Baguio City
Date of Issue: Jan. 31, 2009


7° 23' 00"
7° 22' 45"
126° 00' 15"
AMITY OPEN PIT
SHEAR ZONE;CONSIST OF HIGHLY ARGILLIZED; CLAYEY-GREYISH GOUGY ALTN. + PARALLEL TO X-CROSSING OXIDIZED QRTZ. VEINLETS;+ MODERATELY TO HIGHLY SILICIFIED INCLUSION;+FRAGMENTS OF SUB-ROUNDED TO SUB-ANGULAR SILICIFIED, PARTLY OXIDIZED MATRIX;+> 5% PY.
DIORITE ZONE BROKEN TO STRONGLY FR... Fe OXIDE COATINGS COMMON ALONG ... & IN FRACT. W/ MINOR CLOTS TO EPIDOTE VEINLETS;MODERATELY CHLORITIZED
HIGHLY FRACT. DIORITE;+ AB CLOTS EPIDOTE;COATED W/ Fe OXIDE ALON FRACT.;MODERATELY CHLORITIZED 1% PY
SAGAYSAGAY CREEK
FILLED MATERIAL
FOR TRENCHING 0.30 m MODL. SILFD OXIDE W/ LIM. MN STN. W/ CUBICAL PY + CPY DISS.
0.70 m MODLY -HI SILFD W/ LIM. STNG W/ WHT QRTZ STRG + VNLTS W/ MINOR SPK OF GN + 2-5% PY DISS
MODLY FRACT. DIO. TO SLI. SILFD. DIO. W/ QRTZ STRG'S + VNLTS + PY DISS.
WEATHERED SLI SILFD W/ QRTZ STRG'S W/ STRK OF SULF. GN + PY DISS. + CUBICAL
FOR TRENCHING SILFD ZONE + QRTZ VNLTS + PY DISS.
4.0 TO 5.0 m MODLY SIL. ARGD; LOCALLY GGY W/ QRTZ STRG'S + VNLTS COATED OF LIM. STN W/ MINOR GN + 5-7 PY DISS.
FALLS
FOR ADITING
HIGHLY SILICIFIED;OXIDIZED + X-CROSSING WHT. QRTZ. VEINLETS; + RARE GN-SP; + CUBICAL PY + CP +< 10% PY
FOR SAMPLING
HIGHLY ARGILLIZED ZONE
1.50 m HIGHLY INTENSELY SILICIFIED;HIGHLY OXIDE + LIM. STN. W/ SPK OF CUBICAL GN + PY DISS.
FOR ADITING
29694 = 2.8 gpt.
29695 = 3.2 gpt.
± 5.0 m WIDE GREYISH-WHITE QRTZ. VEIN BRECCIATED? OXIDIZED;LIMO-Fe OXIDE COATINGS ALONG FRACT. & VUGS;HIGHLY FRACT. +< 2% PY
Trench # 1 = 0.5 gpt / 0.4 m
Trench # 2 = 0.9 gpt / 0.5 m
Trench # 3 = 2.4 gpt / 0.4 m
Trench # 6 = NOT SAMPLED (Off-vein)
Trench # 4 = 24.6 gpt / 1.0 m
Trench # 5 = NOT SAMPLED (Off-vein)
SAGAYSAGAY
FOR TRENCHING / BULK SAMPLING
MODERATELY FRACT. SLIGHTLY SILICIFIED DIORITE
ACTIVE & EXISTING SMALL SCALE ADIT
0.60 m MODERATELY-HIGHLY SILICIFIED W/ Mn OXIDE, QTZ. STRINGER + SPECKS OF MINOR GN; ±> 10%PY DISS.
FOR ADITING
MAIN KASAPA CREEK
± 0.60 m WIDE WHT. QRTZ. W/ Lim.STAINS + SPKS. OF GN & SP + PY + CP
FOR TRENCHING / BULK SAMPLING
GGY ARGILLIZED
KASAPA OPEN PIT
± 2.0 m WIDE HIGHLY TO INTENSELY SILICIFIED MASSIVE;STRONGLY OXIDIZED W/ MINOR Mn OXIDE COATINGS; + INTERLACE / X-CROSSING WHT QRTZ STOCKWORKS VEINLETS + MINOR GN-SP + MINOR Cv + CUBICAL TO PY VEINLETS + CP +> 15% PY
PROPOSED AREA-3
0.20 m WHT QRTZ W/ LIM. + MN STN W/ 5% PY DISS.
ROD'S MILL HOUSE
KASARAAN CREEK
SILICIFIED ZONE + QRTZ VNLTS
TO KASAPA
0.30 m GGY ARG'LD W/ Mn STN. + FN QRTZ W/ PY DISS
0.30 m HIGHLY SIL W/ WHT. QRTZ + LIM. MN STN + SPK OF SULFIDE + GN + PY DISS
Parcel I
Parcel II
Parcel III
Parcel IV
Parcel V
Parcel VI
SagaySagay Area
MPSA 225-2005-XI Area=679.0200 Has.
MPSA 234-2007-XI Area=1,580.11 Has.
LEGEND:
ROAD
CREEK/CANAL
CONTOUR
VEINS
FAULT
LIMESTONE
DIORITE
APEXMINES
APEX MINING COMPANY, INCORPORATED
THERESA, MACO, COMVAL. PROVINCE
MINDANAO(PHIL.)
TITLE:
SAGAYSAGAY / KASAPA AREA GEO MAP
SCALE: 1:2000
DATE: DECEMBER 2008
SHEET NO: 1 OF 1

Updates on the Geology & Mineralization of Sagaysagay and Vicinity

- Continued mapping activity in the vicinity of Sagaysagay area has resulted to the identification of several veins/vein systems adjacent to Sagaysagay vein. It has also been noted that there are existing small scale tunnels being operated in the SW portion of Sagaysagay as well as previously operated open pit mine sites namely, Kasapa Open Pit and Amity Open Pit.

- The most prominent vein is the **Kasapa vein** which is believed to be the northern extension of the Don Manuel and Mapula veins of Kanarubi and Mapula areas respectively. This projection is based on previous geological maps as well as reports authored by the geologist Santos-Yñigo of the former Apex Mining Company. This has also been operated as an open pit mine.

- The mapped exposed portion of the Kasapa vein measures 20m in length with an almost NS strike and dips 55° W to 60° W. This westerly dip direction is opposite to that of Sagaysagay's dip direction. Sampling on this exposure was conducted on every 2m interval. The exposed vein has an average width of **1.95m at 1.7gpt Au**. The vein width ranges from **1m to 3m** and the Au grade ranges from **0.7gpt to 3gpt**. Santos-Yñigo's report however, noted that Au grades in this area range from 1gpt to more than 12gpt Au for the main vein. Our mapping team has also sampled the stockpile from underground workings in this vein which yielded **7.6gpt Au**. The sampled vein is characteristically grayish, massive, highly silicified and strongly oxidized. Vein mineralogy includes occurrences of Mn oxide coatings with cross cutting white quartz stockworks, anhedral to subhedral pyrite and minor galena and sphalerite.

- Another previously operated open pit mine in the proximity of the Sagaysagay area is the Amity Open Pit – located to the NE was also mapped. The most observable structure in this location is the gouge zone with associated highly argillized materials and slightly to moderately silicified volcanics. Associated with this highly argillized materials are oxidized quartz veinlets in a moderately silicified matrix. The altered volcanics is basaltic in composition. Samples are characteristically moderately silicified along the cracks and the intensity of silicification decreases inwards. In addition, the moderately silicified samples have no or very minute pyrite components compared to the slightly silicified volcanics. This structure has a general trend of N-NE and dips in the same direction as that of Sagaysagay vein (50°E to 60°E). If this was to be correlated with Sagaysagay, this structure could be part of the altered hanging wall portion of the Sagaysagay vein. This correlation however, is not conclusive unless subsurface information verifies it.

- The assay result of samples collected from this area is relatively low – with the highest Au assay of only 0.1gpt. This is due to the fact that the sampled materials are only slightly to moderately silicified.

- Santos-Yñigo also mentioned about several **narrower veins** with higher grades reaching to as much as **26gpt Au** in the area. Some of these narrower veins are currently being operated by small scale miners and one particular vein was sampled during our mapping/sampling activity and yielded **9.2gpt Au** for the main vein and **2.8gpt Au** for the altered wallrock.

- To the South of the Sagaysagay area, upstream of the Kasaraan creek, another moderately silicified, argillized zone was encountered. This structure can also be possibly correlated with the Sagaysagay and Amity veins. The altered zone measures about 3-5m wide and sampling from two different locations was conducted. The sampled material is gougy and argillized with Mn and limonite stains. Associated with this argillized zone are moderately silicified materials with Mn stains and pyrite disseminations. The assay results from this area are **7.3gpt Au** and **0.6gpt Au** for the moderately silicified and the argillized portions respectively. Although this has the same trend as that of the Amity and Sagaysagay veins, correlating these three would be inconclusive considering that this exposure has a different dip direction compared to the other two. But the possibility of this being an extension or a split cannot be neglected.

- Diamond drilling along the strike length of these associated veins/vein systems is very necessary in order to establish the continuity of the Don Manuel, Mapula and Kasapa veins. This program must also include and probe the narrow veins including Sagaysagay and Amity and some of the narrow veins in order to determine the mineralization at depth as well as the geometry of the ore shoot.

- The fact that this deposit is epithermal in nature and the geometry of the ore shoot is not yet identified and established, caution must be observed regarding the high gold assay results as these may just have been surface and local concentrations. Note that most of the sampled quartz veins have very limited sulfide associations.