

## **APEX MINING CO., INC.**

Minutes of the Annual Meeting of the Stockholders

Held on 29 June 2018, 3:00 PM

at Valle Verde Country Club, Pasig City

### **I. CALL TO ORDER**

The meeting was called to order by the Chairman, Mr. Ramon Y. Sy. The Corporate Secretary, Atty. Silverio Benny J. Tan, certified that notices of this meeting were sent to stockholders starting June 6, 2018 and the notice was likewise published in the Philippine Star and the Manila Bulletin. Stockholders representing 4,943,756,563 shares out of 6,227,887,491 outstanding shares, or 79.38% of the outstanding capital stock of the Corporation were present or represented in this meeting. There was therefore a quorum for this annual meeting.

### **II. APPROVAL OF THE MINUTES OF THE ANNUAL MEETING OF STOCKHOLDERS HELD ON JUNE 30, 2017**

Upon motion duly made and seconded, the stockholders approved the minutes of the annual meeting of the stockholders held on June 30, 2017, copies of which were posted outside the meeting room.

### **III. REPORT OF THE PRESIDENT AND CEO**

The President, Walter W. Brown, introduced Dr. Graciano P. Yumul, Jr., EVP for Geology, Exploration and External Affairs, to report on the Company's geology, exploration, development and operations.

Dr. Yumul presented several slides in his report to the stockholders. For the Sierra Leone Exploration Project, mapping, soil sampling, trenching, and magnetics survey have been done. Some delays were encountered due to bad weather. For the Uganda Exploration Project, mapping, soil sampling, trenching, magnetics survey, and drilling have been done. For the Mongolia Gold Project, the mineral resource has been defined after diamond drilling. Results showed that the project site is good for open-pit operation. While the Mongolia government is establishing its mining policies, the project has been put to care and maintenance status. For the Modi Tuang Gold mine in Myanmar, negotiation on the profit sharing between the Myanmar government and the company is still ongoing. At the moment, operation is suspended until a deal is finalized.

Dr. Yumul reported that the Paracale Gold Project in Jose Panganiban, Camarines Norte, is currently on care and maintenance. The Company's applications for APSAs (Application for Mineral Production Sharing Agreements) and EP (Exploration Permit) are still pending with the government regulators. The Company has already identified the locations of mineral resources which can be converted to ore reserves.

For the Itogon-Suyoc Resources, Inc. (ISRI), he showed a map of the Suyoc mine located in Mankayan, Benguet, covered by MPSA 152-2000 CAR. Intermediate sulfidation epithermal gold-bearing veins are dominantly present in the mine. Preliminary assessment indicated gold-bearing veins are concentrated on the east

side. Ore deposit of interest is an indication of porphyry copper in the western side of the MPSA-152 area. For the ISRI Sangilo mine, located in Sangilo, Itogon, Benguet, he reported that the geology, mine development, and mill facility preparations for the initial 200 tons per day production are now in full-swing. Underground drilling results showed presence of high grade ores in the mine.

Dr. Yumul highlighted the production achievements of the Maco mine in 2017. The mine breached the 6,000 gold ounces production per month. The mine also reached the highest production tonnage per month of 55,000 tonnes, the highest average milling rate of 1,800 tonnes per day, average monthly production volume of 5,141 gold ounces, average daily production of more than 180 gold ounces, and highest average recovery rate of 83.6% since the start of its operation. These milestones were achieved as a result of improved mine facilities and milling operations. The mill's leaching circuit was converted from Carbon-In-Pulp (CIP) to Carbon-In-Leach (CIL) which increased the plant's carbon stripping efficiency to greater than 95%. During the year, another ball mill was acquired and its installation commenced. Initially as back up unit, the new mill will eventually provide additional capacity for the Maco mine's long-term plan to operate at 3,000 tonnes daily.

As good environmental steward, Dr. Yumul said that the Company conducts regular monitoring on its tailings embankment facility, the Lumanggang Tailings Dam, to ensure that this is well-maintained in accordance with Philippines standards and has no adverse environmental effect to the nearby communities or any local body of water. And in anticipation of the extension of the Company's corporate life, Maco mine is looking at a proposal to install a new tailings dam either at Bunlang or Masara River.

The President then introduced Mr. Renato N. Migriño, Treasurer and Chief Compliance Officer, to deliver the financial reports of the Company.

Mr. Migriño cited the significant highlights of the year: the record production volume of the Company's Maco mine, record revenue level generated, resulting in record net earnings, and the Company's accomplishments in its social development and management program and on environmental protection.

Improvements in the mill plant resulted in Maco setting a new record on tonnage milled of 579 thousand tonnes averaging about 1,690 tonnes a day, 28% higher than the previous record set in 2016. Mill recovery for gold improved to 83% from the average of 80% in 2016. Mill head grades for gold averaged 3.9 grams per tonne lower than the 4.7 grams per tonne in 2016, and for silver at 24 grams in 2017 from 30 grams in 2016. Gold produced for the year was a record high of 60,100 ounces, 10% higher than 2016 production, and 40% higher than 2015 production. Silver was also higher at 315,500 ounces in 2017, up 2% from 2016 production, also 40% higher than 2015. Gold price improved a bit at \$1,265 per ounce in 2017 from \$1,255 per ounce the previous year. Although silver price was lower at \$17.10 per ounce from \$17.50 in 2016.

Mr. Migrino reported that revenue for the Company grew 17% to P4.1 billion, the highest level thus far. This was P600 million or 17% more compared to the 2016 billion revenue. The higher milling tonnage correspondingly increased operating costs. Cash operating costs was at P2.6 billion or 9% more than 2016. This brought down the cash cost on a per tonne milled basis to \$85 in 2017 from \$104 in 2016 and \$130 in 2015. Total costs including non-cash charges, however, went up to \$1,126 from \$1,104 last year because of higher non-cash charges for depletion and depreciation.

Total operating costs amounted to P3.5 billion. The non-cash charge Depreciation and Depletion took the biggest slice of the pie at 27% which was 44% higher than 2016. Cash operating income in 2017 increased to P1.6 billion, 33% more than the cash operating income in 2016. Net income for the Parent Company in 2017, after the non-cash charges, interest and taxes, amounted to P503 million, 14% higher than the net income in 2016 of P441 million. This is the third year in a row that the Company is reporting bottom line profits.

On consolidated basis including subsidiaries, net income was P429 million, 33% more than the net income in 2016. These are after reflecting the administrative costs of subsidiaries Monte Oro and Itogon Suyoc against the Parent Company net income. Capital expenditures for 2017 was P1.2 billion, some P300 million lower than 2016, and about half of the capital expenditures in 2015. For the year, less amounts were allocated for capital equipment and mine development, while expenditures for exploration was increased.

In 2017, P47 million was spent for social development and management program, comprising of expenditures for public infrastructures, educational support, socio-cultural and religious support, health and medical assistance, livelihood programs, technology and geosciences, and on information, education and communication programs. On public infrastructures, he presented two pictures showing the housing units that the Company has built in Barangay Elizalde to relocate prioritized families residing in geo-hazard areas declared by the MGB inside Maco's mining tenements. Since start of this project in 2015, 30 units have been turned over to beneficiary families, while 26 additional units have been started. In all, 90 units will be built for awarding. On environmental protection, the Company spent P37 million, substantially on construction, maintenance activities, and reforestation.

During the year, Mr. Migrino said that the Maco mine successfully passed the surveillance audit by Certification International on the mine's previous ISO 14001:2015 certification. A new ISO 14001:2015 certification for Environmental Management System was accordingly issued. In addition, two new ISO certifications were also awarded – ISO 9001:2015 for Quality Management System, and OHSAS 18001:2007 for Occupational Health and Safety Assessment Series. All three certifications are valid until 2021.

Mr. Migrino reported on the subsidiaries. Itogon-Suyoc Resources, Inc. owns the Sangilo mine in Itogon, Benguet, and the Suyoc mine in Mankayan, also in Benguet. Rehabilitation of the Sangilo Mine continued through 2017. The rehabilitation program of Sangilo is for the mine to operate initially at 200 tonnes per day, to be increased to 400 tonnes, and eventually to 1,900 tonnes. The environmental clearance certificate for the 200 TPD operation is currently being awaited. At the Suyoc mine, validation of the estimated resource compliant with PMRC standard is ongoing. In the course of the Sangilo mine's refurbishment and rehabilitation, gold is being incidentally produced. During the year, some 1,900 ounces of gold was produced worth P122 million. This brings to date about 4,500 ounces of incidental production, generating P283 million that partly defrayed the mine's on-going rehabilitation expenses.

Mr. Migrino said that Monte Oro Resources & Energy, Inc. 30% interest in Service Contract No. 72 covering the Sampaguita natural gas deposit in the Recto Bank in Northwest Palawan, is supported by the UN Arbitral Tribunal 2016 decision declaring the Recto Bank is within the Philippine's Exclusive Economic Zone. While activity in SC 72 is still under force majeure moratorium because of this dispute with

China, reported bilateral meetings between the two countries on possible joint exploration in the region could in time lead to the lifting of the moratorium and allow the resumption of activities in SC 72.

Mr. Migrino gave some initial highlights in the Company's performance in the first quarter of 2018. Tonnage milled higher as compared to same period last year. Recovery further improved to 84.6%. Gold production of 15,700 ounces higher than same period last year. Gold price averaged higher at \$1,335 per ounce. Consolidated net income for the quarter was P121 million, 21% higher than the net income in the same quarter in 2017.

President Walter Brown summarized 2017 as a good year for the Company. He expressed gratitude to the Company's stakeholders for their continuing support. He thank the Company's bankers, suppliers, employees, officers and Board of Directors whose participation was instrumental in the Company's progress. He finally thanked the stockholders for their continued ownership and confidence in the Company.

The Chairman thanked the President and said that questions from the stockholders will now be entertained.

One stockholder said that he owns ISMI (Itogon Suyoc Mines, Inc.) shares. He asked if Apex, having purchase ISRI (Itogon Suyoc Resources, Inc.) also owns ISMI. Atty. Tan replied that ISMI is not the same as ISRI. He said he believes the owners of ISMI has changed its corporate name to ISM Communications Corporation. He suggested to the stockholder to communicate directly with ISM Communications as it is still a listed company.

One stockholder asked how the mineral resources are eventually converted to ore reserves. Dr. Yumul replied that initially, several diamond drillings are conducted around the site to determine the existence of mineral resources. Based on certain parameters (i.e. metal prices, production cost per tonne, etc.) and drilling results, the geologists will estimate the possible volume and ore grade of the mineral resources in the site. More intensive diamond drillings to follow, and eventually the site will undergo development activities to expose the ore. At this stage, a more definitive volume of ores can be determined, classified as ore reserves.

The same stockholder asked if the Company will continue to survive under the current government administration. Dr. Brown replied that the Company has no problem with the government. The Company strives hard to fully comply with the government's rules and regulations and abide with the laws, particularly those concerning the protection and preservation of natural resources. With the plan to seek extension of the Company's corporate life, the Company will still be around in another 50 years.

#### **IV. APPROVAL OF THE ANNUAL REPORT TOGETHER WITH THE AUDITED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017**

On motion duly made and seconded, the Audited Financial Statements ending 31 December 2017 were approved.

#### **V. APPROVAL/RATIFICATION OF ALL ACTS OF THE BOARD OF DIRECTORS AND MANAGEMENT DURING THE PREVIOUS YEAR**

On motion duly made and seconded, all of the acts, contracts, investments, and resolutions of the Board of Directors and Management since after the Annual Stockholders' Meeting of June 30, 2017, up to this date as they appear in the minutes of the Board meetings and in the reports and disclosures made to the Securities and Exchange Commission and the Philippine Stock Exchange, were approved and ratified.

## **VI. ELECTION OF DIRECTORS**

The Corporate Secretary reported that the following were nominated as members of the Board of Directors, and their nominations were passed upon by the Nomination Committee:

1. Ramon Y. Sy
2. Walter W. Brown
3. Jose Eduardo J. Alarilla
4. Luis R. Sarmiento
5. Roel Z. Castro

and as Independent Directors:

6. Dennis A. Uy
7. Joselito H. Sibayan

Since there were only seven nominees for the seven board seats, on motion duly made and seconded, the Chairman directed the corporate secretary to cast the votes for the seven nominees, except for proxies with specific voting instructions. The seven nominees were then declared duly elected directors for the ensuing term.

## **VII. APPOINTMENT OF THE EXTERNAL AUDITOR**

On motion duly made and seconded, Sycip Gorres Velayo and Company was appointed as external auditors for the year 2018, in the absence of any other nominations.

## **IX. AMENDMENT OF ARTICLES OF INCORPORATION FOR THE EXTENSION OF CORPORATE LIFE OF THE COMPANY BY ANOTHER 50 YEARS BEFORE ITS EXPIRATION IN 2020**

On motion duly made and seconded, the following resolution was approved:

"RESOLVED to Amend the Fourth Article of the Amended Articles of Incorporation of the Company to read: The term for which the Corporation is to exist is extended by another fifty (50) years from 15 February 2020 before the expiration of its corporate term."

## **X. ADJOURNMENT**

There being no other matters to discuss, on motion duly made and seconded, the meeting was adjourned.

Certified:

**SILVERIO BENNY J. TAN**  
Corporate Secretary

The minutes of the 2018 Annual Stockholders' Meeting is subject to approval of the stockholders in the 2019 Annual Stockholders' Meeting.