

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

Minutes of the Annual Meeting of the Stockholders  
Held on 28 June 2019, 3:00 PM  
at Valle Verde Country Club, Pasig City

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

The meeting was called to order by the Chairman, Ramon Y. Sy. The Corporate Secretary, Silverio Benny J. Tan, certified that notices of this meeting were sent to stockholders starting June 6, 2019. The notice was likewise published in the Philippine Star and the Manila Bulletin on June 4, 2019. Stockholders representing 4,874,068,596 shares out of 6,227,887,491 outstanding shares, or 78.26% of the outstanding shares were present or represented in this meeting. There was therefore a quorum for this meeting.

### **II. APPROVAL OF THE MINUTES OF THE ANNUAL MEETING OF STOCKHOLDERS HELD ON JUNE 29, 2018**

On motion duly made and seconded, without any objection, the minutes of the annual meeting of the stockholders held on June 29, 2018 were approved.

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

President Walter W. Brown, requested Mr. Luis R. Sarmiento, Senior EVP and COO, to report on the results of operations of the Company.

Mr. Sarmiento reported that new record levels were established by Maco Mine on key operating parameters. Milling throughput aggregated 609,604 tonnes, averaging at the rate of 1,789 tonnes per day. Mill recovery likewise was the highest at 84.8%. With ore grade averaging higher at 4.25 grams of gold per tonne from 3.9 grams a year ago. Gold output reached a high of 70,564 ounces. Silver Production was at 328,797 ounces.

Underground Exploration drilled intercepted the extension of the Maria Inez Vein System undeveloped portion with intercept grading 47 g/t Au over 5.0 meters. A detailed drilling has been programmed to prove this newly discovered high grade portion of Maria Inez. Mine development advanced 6,846 meters in Off-vein development, 68.5% higher than last year. The On-vein development was 11,717 meters, 44.2% higher than in 2017.

Maco Mine spent P57 million for its social development and management programs. P54 million were spent for environmental protection and enhancement initiatives, 32% more than in 2017. The Apex Village Housing Project in Barangay Elizalde, Maco, completed additional 26 duplex units, bringing to a total of 58 units of the 90 units programmed for the project completion by 2019. To date, 43 units have been turned over to beneficiary families.

The Company received the "Special Recognition for Best Private (Business/Corporation) Organization" at the 20th Gawad Kalasag National Award ceremonies in December 2018. The organization is spearheaded by the

National Disaster Risk Reduction & Management Council (NDRRMC) and the Department of National Defense. The award is for a new standard your Company has set in disaster risk reduction and management, which the Gawad Kalasag has taken recognition of as a “notable contribution to the national effort to build a safer, climate change adaptive, and disaster resilient Philippine”.

Over at ISRI, financing for the rehabilitation and refurbishment of the Sangilo mine was secured and availed of in the fourth quarter of 2018, following the issuance of its Environmental Clearance Certificate. With funds now available, full blast work on the construction and repair of plant and other surface facilities is ongoing as scheduled. The survey and reopening of the old underground structures in the deeper levels of the mine’s patented claims are being undertaken. Barring any issues that may be encountered as we progress, the possibility of starting commercial operations at the initial rate of 200 tonnes per day by late 2019 is envisioned. Further exploration work at the Suyoc Mine is schedule in 2019 after the initial assessment of its geological resource has been completed this year. The mine’s declaration of mining project feasibility, a condition to obtaining its Environmental Clearance Certificate, is currently being worked out with government.

Activities remain under moratorium at Service Contract 72 covering the Sampaguita natural gas deposit in the Reed (Recto) Bank in Northwest Palawan where the Company’s wholly-owned subsidiary, Monte Oro Resource & Energy, Inc (MORE) has 30% interest.

In Paracale, the Company, through PGL, holds 15 tenements (EPs/RAWOP) in the towns of Paracale and Panganiban, Camarines Norte (Royalty Agreement with Option to Purchase – RAWOP). The area is known for its base and precious metal deposits. Management has decided to revisit and revive its exploration and mining interests in Camarines Norte. Immediate objective is to make the tenements status current and to evaluate their prospect value for a more focused exploration and development activities henceforth.

In Mongolia, the drilling results shows that the Project Site is good for open pit operation. While the Mongolian Government is establishing its mining policies, the project has been put to care and maintenance Status.

In Ghana, trenching program is finished. Some samples were already assayed while some ores are still under sample preparation. Heap Leach Testing was stopped for the meantime. Tonnage is being secured, first and foremost.

In Uganda, Central Africa, trenching activity continues with most of the work being done in Lugini. Results are being processed with initial geochemical anomalous areas for follow up.

In Sierra Leone, West Africa, exploration work is ongoing. Soil sampling done and for chemical analyses. Initial result shows gold anomalies in the Greenstone suite and lateritic Iron cap.

After Mr. Sarmiento completed his report, the President introduced Mr. Renato N. Migriño, Treasurer and Compliance Officer, to deliver the financial reports of the Company for 2018.

Mr. Migrino reported that a new record level for annual revenue for 2018 was achieved at P4.7 billion, 13% higher than in 2017. The Company's revenue grew from P3.5 billion in 2016, to P4.1 billion in 2017, and P4.7 billion in 2018. This was despite the lower metal prices, with gold averaging at \$1,260 per ounce gold from \$1,265 per ounce in 2017 and with silver averaging at \$15.49 per ounce from \$17.10 in 2017. Fortunately, the peso to dollar exchange rate averaged higher for the Company at P52.97 in 2018 from P50.36 in 2017 to offset the effect of lower metal prices, contributing some P200 million to the increase in revenue for the year.

The higher milling tonnage increased 2018 cash operating costs to P2.6 billion, up by 8% from previous year. On a per tonne basis, however, cash operating costs decreased by 2% to \$80 per tonne. In 2016, this was \$104 per tonne.

Mr. Migrino presented the breakdown of cash operating costs by elements. At P1.2 billion materials and supplies comprise the biggest component, followed by labor at P700 million. Contract services at P309 million was more than utilities at P249 million.

Expressed on a per ounce of gold produced, net of silver credits, there was a continued improvement in operating costs. From \$861 per ounce in 2016, cash operating costs went down to \$791 in 2017, and even further lower in to \$695 in 2018. Total operating costs which amounted to P3.9 billion inclusive of non-cash charges and excise taxes also shows continued reduction on a per ounce of gold basis from \$1,106 in 2016, to \$1,094 in 2017, to \$1,034 in 2018. The decline in unit costs reflects the increasing gold production of Maco over these years.

The distribution of total operating cost by activity shows that depletion, depreciation and amortization constituted 28% of the pie. In peso terms, these non-cash charges amounted to P1.1 billion in 2018, 19% higher than last year. Mining and milling costs comprise the next two biggest slices of the pie at 26% and 15%, respectively.

Revenue minus cash operating costs would be cash operating income, an indication of the Company's ability to generate cash. Cash operating income in 2018 was P1.9 billion, higher by 14% from P1.6 billion in 2017. Compliance costs, pertaining mainly to the Company's Social Development and Management Program and for the royalties and surface rights of the indigenous people or IPs, took 6%. Mine overhead was 16%; while corporate general and administrative expenses was 5%. Excise taxes, which doubled in statutory rate in 2018 from 2% to 4% of gross production output, took another 5%.

The Company's net income at P332 million in 2018, was 40% lower than the net income in 2017 mainly on account of the higher non-cash charges, the increase in excise taxes, and in particular the provision for income tax which in 2018 was an expense of P149 million versus a credit of P9 million in 2017. This is the fourth year in a row that the Company has generated bottom line profits.

On consolidated basis after reflecting the administrative costs of wholly-owned subsidiaries Monte Oro and Itogon-Suyoc, net income was P239 million in 2018, down 44% from the income of P429 million in 2017.

The Company continued to invest in capital assets, allocating almost P2.0 billion in 2018. As the Company continued to expand its operating capacity, the allocation for property, plant and equipment at P1.3 billion this year was more than twice that of last year. Expenditures for mine development also increased to P600 million from P500 million in 2017.

The Company's subsidiary, Itogon-Suyoc Resources, Inc., has spent to date some P1.1 billion for the rehabilitation and refurbishment of its Sangilo mine, partly funded by the Parent Company's equity in the subsidiary, partly by a P550 million term loan provided by Philippine National Bank, and partly by incidental production in the course of its rehabilitation, which in 2018 consisted of 2,229 ounces of gold worth P139 million. To date, some 6,687 ounces of incidental gold production worth P435 million have partly defrayed the Sangilo mine's rehabilitation and refurbishment expenses.

On the Company's financial position at the end of 2018, total consolidated assets increased to P12.5 billion from P11.1 billion in 2017. Total liabilities increased to P7.2 billion from P6.6 billion. Equity, however, was slightly lower at P5.3 billion from P5.5 billion. Book value per share accordingly decreased to 83 centavos from 85 centavos, although market value in the Philippine Stock Exchange was higher at P1.66 per share at the end of 2018 from P1.55 per share at the end of 2017.

Consolidated net income for the first quarter of 2019 was P76 million, 24% lower than the net income the same quarter in 2018 mainly on account of higher non-cash charges for depletion, depreciation and amortization.

President Walter Brown summarized 2018 as another good year for the Company. He expressed gratitude to the Company's stakeholders for their continuing support. He thanked the Company's bankers, suppliers, employees, officers and Board of Directors for being instrumental in the progress of the Company. Finally, he thanked the investors 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 commented that he understands that in spite of higher sales revenue for the year, the net income was lower than the previous year. One of the main reasons cited is the increase in excise tax rate from 2% to 4%. He asked if the Company expects the higher excise tax rate to continue in 2019. Mr. Migrino answered that the excise tax rate will remain at 4% in 2019 pursuant to the TRAIN law. The stockholder also asked why there is higher provision for income tax in 2018, to which Mr. Migrino replied that there was a net operating loss carry-over (NOLCO) until 2017 from prior years' losses. Since all remaining NOLCO were already applied in 2017, the 2018 taxable income was subjected to 30% corporate income tax rate. He further said that we can expect the same pattern in 2019. Chairman Sy also said that higher revenue would mean higher income tax for the Company.

Another stockholder commented that there was an increase in operating cost and a decrease in ore grade in the first quarter of 2019. He asked if we expect the same trend in the next quarters of 2019. Mr. Sarmiento

said the direction for 2019 will be more focus on development and exploration in order to identify and prepare the areas containing high grade ores. However, he emphasized that the longer the development and exploration, the higher the operating cost. President Brown also commented that we have big chance that the Company will do better this year.

#### **IV. APPROVAL OF THE ANNUAL REPORT TOGETHER WITH THE AUDITED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018**

On motion duly made and seconded, without any objection, the Audited Financial Statements ending 31 December 2018 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, without any objection, all acts, contracts, investments, and resolutions of the Board of Directors and Management since the Annual Stockholders' Meeting of June 29, 2018, 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 to 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. Joselito H. Sibayan
7. Valentino S. Bagatsing

Since there were only seven nominees for the seven board seats, on motion duly made and seconded, without any objection, 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. On behalf of the reelected directors, the Chairman thanked the stockholders for their election.

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

On motion duly made and seconded, without any objection, Sycip Gorres Velayo and Company was appointed as external auditors for the year 2019, in the absence of any other nominations.

## **X. OTHER MATTERS**

The Corporate Secretary reported that in the annual stockholders meeting last year, the amended articles of incorporation was amended further to extend the corporate term by another 50 years. We also amended the provision to hold the annual meeting in April. We did file an application for amendment with the SEC. Luckily the Revised Corporation Code was approved by Congress and was signed into law by the President. There is a provision in the new law which automatically extended the corporate terms of all corporations to in perpetuity. So there was no need to pursue the amendment. This saved the Company some P 25 Million in filing fees.

The Chairman announced that Dr. Brown has tendered his retirement as President and CEO of the Company effective July 1, 2019. Dr. Brown will remain as a director of the Board, having been duly elected by the majority of the stockholders in this annual stockholders' meeting. He will be conferred the title of Chairman Emeritus.

Chairman Sy expressed the sincere appreciation of the Board for Dr. Brown's dedication, devotion and hard work as President and CEO of the Company for nearly 6 years. He was a key element in turning the Company's financial position from net loss in 2014 to income generating in the last 4 years. Dr. Brown was given a warm round of applause by the stockholders and Board of Directors.

## **XI. ADJOURNMENT**

There being no other matters to discuss, on motion duly made and seconded, without any objection, the meeting was adjourned.

Certified:

**SILVERIO BENNY J. TAN**  
Corporate Secretary

The minutes of the 2019 Annual Stockholders' Meeting is subject to approval of the stockholders in the 2020 Annual Stockholders' Meeting.