

Office of the President

DEPT. OF ENVIRONMENT & NATURAL RESOURCES  
Malacañang

OCT 22 1993

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MEMORANDUM

To : HONORABLE ANGEL C. ALCALA  
Secretary  
Department of Environment and Natural Resources

Subject : Mineral Production Sharing Agreement with  
C.T.P. Construction and Mining Corporation  
dated 11 January 1993

Please be informed that, upon the favorable recommendation made in your Memorandum dated 11 January 1993 and pursuant to Section 2, Article XII of the 1987 Constitution and Section 3 of Executive Order No. 279 (25 July 1987), the President has APPROVED the Mineral Production Sharing Agreement entered into on 11 January 1993 by the Government of the Republic of the Philippines, thru the Secretary, Department of Environment and Natural Resources (DENR), with C.T.P. Construction and Mining Corporation for the exploration, development and commercial utilization of mineral deposits located in Adlay, Carrascal, Surigao del Sur covering an approximate area of 3,564 hectares, SUBJECT to strict compliance with the auditing/accounting requirements, insofar as the financial regime and the production sharing provisions thereof are concerned, and SUBJECT FURTHER to the following qualifications:

- a. Determination by DENR that at least 60% Filipino equity in C.T.P. Construction and Mining Corporation obtains as of the date of this approval;
- b. Inclusion of the clause "Without prejudice to the obligation of the Contractor under Section 15.3 (c)" at the beginning of the second paragraph of Section 2.17 of the agreement;
- c. Amendment of Section 3.1 to read as follows: "The initial term of this Agreement shall be twenty five (25) Contract Years from the Effective Date, subject to termination as provided herein."

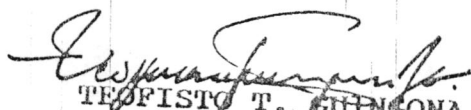
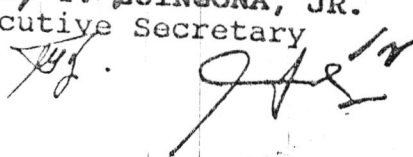
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renewable upon mutual consent of the Parties for another period of twenty five (25) years under such terms and conditions as may be mutually agreed upon by the Parties";

- d. Addition of the following sentence at the end of the last paragraph of Section 10.1 (n) (iii) (a) - "The CONTRACTOR shall comply with such conditions as may be stipulated in the relevant Environment Compliance Certificate issued by the proper government authority";
- e. Addition of the following clause at the end of Section 14.2 of the agreement - "such as but not limited to Contractor's failure, without justifiable cause, (i) to conduct Mining Operations and other activities in accordance with duly approved Work Programs and any modification thereof approved by the Secretary, without prejudice to Sections 9.3 and 15.3, or (ii) to remit the fees and other monies payable to the Government under this Agreement";
- f. Replacement of the phrase "three (3) months notice" found in the first sentence of the first paragraph of Section 14.3 of the agreement with the phrase "six (6) months notice"; and
- g. Addition of the following clause at the end of Section 15.3 (a) of the agreement - "provided that the Party whose ability to perform is affected shall have taken all appropriate precautions, due care and reasonable alternative measures with the objective of avoiding such failure or delay and of carrying out its obligations under this Agreement".

It is advised that future similar contracts shall observe the foregoing.

By authority of the President:

  
TEOFISTO T. GUINGONA, JR.  
Executive Secretary  




MINERAL PRODUCTION SHARING AGREEMENT

MPSA no. 018-93-XI

This MINERAL PRODUCTION SHARING AGREEMENT (this "Agreement") is made and entered into in Quezon City, Metro Manila, Philippines, this 11th day of JANUARY 1993 by and between:

The REPUBLIC OF THE PHILIPPINES, hereinafter referred to as the GOVERNMENT, represented in this act by the Secretary of the Department of Environment and Natural Resources, with offices at Department of Environment and Natural Resources Building, Visayas Avenue, Diliman, Quezon City, Metro Manila

-and-

C.T.F. CONSTRUCTION AND MINING CORPORATION, a corporation duly organized and existing under the laws of the Republic of the Philippines, hereinafter referred to as the CONTRACTOR, with office at 11 President Avenue, BF Homes, Parañaque, Metro Manila and represented in this act by its President, CLARENCE T. PIMENTEL, as authorized by its Board under Annex "A" which forms an integral part hereof.

WITNESSETH :

WHEREAS, the 1987 Constitution of the Republic of the Philippines (the "Constitution") provides in Article XII, Section 2 that all lands of the public domain, waters, minerals, coal, petroleum and other natural resources are owned by the state and that the exploration, development and utilization shall be under the full control and supervision of the state; and

WHEREAS, the Constitution further provides that the state may directly undertake such activities, or it may enter into a co-production, joint venture, or production sharing agreements with Filipino citizens, or Corporations or Associations at least sixty per centum of whose capital is owned by such citizens; and

WHEREAS, by Executive Order No. 279 issued on July 25, 1987, the Secretary of the Department of Environment and Natural Resources is authorized to enter into production sharing agreements in furtherance to the objectives of the government and the constitution to bolster the national economy through systematic development and utilization of mineral lands; and

WHEREAS, the Government desires to avail itself of the financial resources, technical competence and skill which Contractor is capable of applying to the mining operations of the project contemplated herein; and



WHEREAS, Contractor desires to join and assist the Government in the development and utilization for commercial purposes of certain chromite deposits and other minerals existing in the Contract Area ( as hereinafter defined) and any other Minerals which may be discovered in such Contract Area ; and

WHEREAS, Contractor has available to it the capital, technical competence and skills necessary to carry out the Mining Operations herein described.

NOW, THEREFORE, for and in consideration of the premises , the mutual covenants, terms and conditions hereinafter set forth , it is hereby stipulated and agreed as follows :

## SECTION I

### SCOPE

1.1 This Agreement is a mineral production sharing agreement entered into pursuant to Executive Order No. 2. The primary purpose of this agreement is to provide for the exploration, development, and commercial utilization of certain chromite deposits and other mineral deposits existing within the Contract Area, with all necessary services, technology and financing to be furnished or arranged for by the Contractor in accordance with the provisions of this Agreement. The Contractor shall not, by virtue of this Agreement, acquire any title to lands encompassed within the Contract Area.

1.2 The Contractor shall undertake and execute, for and on behalf of the Government, Mining Operations with the provision of this Agreement, and is hereby constituted and appointed for the purposes of this Agreement the exclusive entity to conduct Mining Operations in the Contract Area .

1.3 The Contractor shall assume all exploration risk such that if no Minerals in commercial quantity are developed and produced, it will not be entitled for reimbursement.

1.4 During the term of this agreement, the total value of production and sale of Minerals derived from the Mining Operations contemplated herein shall be accounted for and divided between the Government and Contractor, in accordance with Section VIII hereof.

## SECTION II

### DEFINITIONS

As used in this Agreement, the following words and terms, whether in singular or plural, shall have the following respective meanings :



2.1 Agreement means this Production Sharing Agreement.

2.2 Associated Minerals means ore minerals which occur together with the principal ore mineral.

2.3 Budget means an estimate of expenditures to be made by Contractor in Mining Operations contemplated hereunder to accomplish the Work Program for each particular period.

2.4 Calendar Year or Year means a period of twelve (12) consecutive months starting with the first day of January and ending on December 31, while "Calendar Quarter" means a period of three (3) consecutive months with the first calendar quarter starting with the first day of January.

2.5 Central Bank means the Central Bank of the Republic of the Philippines.

2.6 Commercial Production means the production of sufficient quantity of minerals to sustain economic viability of mining operations as specified in the approved Work Program. Production of chromite ore required to test and/or develop a viable processing system or supply a pilot plant used for such testing in quality and volume specified in the Work Program, shall not be considered in the determination of commercial production.

2.7 Constitution or Philippine Constitution means the 1987 Constitution of the Republic of the Philippines, adopted by the Constitutional Commission of 1986 on October 15, 1986 and ratified by the People of the Republic of the Philippines on February 2, 1987.

2.8 Contract Area means the area within the jurisdiction of the Republic of the Philippines which is the subject of the herein Contract, as diminished pursuant to the relinquishment obligations of the Contractor as herein set forth.

2.9 Contract Year means a period of twelve (12) consecutive months counted from the Effective Date of this Agreement or from the anniversary of such Effective Date.

2.10 Contractor means C.T.P. CONSTRUCTION AND MINING CORPORATION and assignee or assignees of any interest of C.T.P. CONSTRUCTION AND MINING CORPORATION under this agreement provided such assignment of any such interest is accomplished pursuant to the provisions hereof.

2.11 Declaration of Mining feasibility means a document proclaiming the presence of minerals in a specific site that are recoverable by socially acceptable, environmentally safe and economically sound methods included in the Mine Development Plan for a period of three (3) years in the case of Integrated Agreement.

2.12 Effective Date means the Date of approval of this Agreement by the President of the Republic of the Philippines.

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2.13 Environment means physical factors of the surroundings of human beings, including land, water, atmosphere, climate, sound, odors, taste and biological factors of animals and plants and the social factors of aesthetics.

2.14 Executive Order means that certain order of the President of the Republic of the Philippines issued on July 25, 1987 and known as Executive Order No. 279.

2.15 Exploration means the examination and investigation of lands and offshore areas supposed to contain valuable minerals by drilling, trenching, shaft sinking, tunneling, test pitting and other means, for the purpose of probing the presence of mineral deposits and the extent thereof.

2.16 Exploration Period shall mean the time period from the Effective Date of this Agreement, and actual activities in the Contract Area shall commence not later than three (3) months after the signing of the Contract. The Exploration Period shall be for at most two (2) years from the Effective Date, as may be extended with the consent of the government by not more than two (2) years or a maximum total of four (4) years from the Effectivity Date of this Agreement.

2.17 Force Majeure means acts or circumstances beyond the reasonable control of the Party to this Agreement affected thereby, including without limitation, war, insurrection, civil disturbance, blockade, sabotage, embargo, strike and other labor conflict, riot, epidemic, earthquake, storm, flood or other adverse weather conditions, explosion, fire, act of God or the public enemy, breakdown of machinery having a major effect on the operations, and any cause (whether or not of the kind hereinbefore described) over which the affected party has no reasonable control and which is of such a nature as to delay, curtail or prevent timely action by the party affected.

The force majeure mentioned in this section, except those of general knowledge, shall be reported to DENR Regional Office concerned within fifteen (15) calendar days from occurrence.

2.18 Foreign Exchange means any currency other than that of the Republic of the Philippines acceptable to Government and the Contractor.

2.19 Government means the Government of the Republic of the Philippines or any of its agencies and instrumentalities.

2.20 Gross Output means the actual market value of the minerals or mineral products derived from mining operations as defined under the National Internal Revenue Code.

2.21 Mine Development refers to steps necessarily taken to reach an orebody or mineral deposit so that it can be mined.

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2.22 Minerals means all naturally occurring inorganic substances in solid, liquid, or any intermediate state.

2.23 Mineral Products means things produced and prepared in a marketable state by simple treatment processes such as washing or drying, but without undergoing any chemical change or processes or manufacturing.

2.24 Mining Area means that portion of the Contract Area delineated for mine development and production, as specified in the Declaration of Mining Feasibility.

2.25 Mining Operations means mineral exploration, development, production, and all other operations necessary to discover, develop and extract minerals.

2.26 Net Revenue means the gross output as defined herein less expenditures such as mining, milling, depletion, and depreciation as computed for tax purpose.

2.27 Notice means notice in writing, or by telex or telecopy (authenticated by answer back or confirmation received) addressed or sent as provided in Section 15.1 of this Agreement.

2.28 Ore means mineral or rock extracted for profit.

2.29 Ore Mineral means a mineral that can be extracted from ore and contributes to the value of the ore.

2.30 Pollution means any direct or indirect alteration of the physical, thermal, chemical, biological, or radioactive properties of any part of the Environment by discharging, emitting, or depositing wastes so as to materially affect any beneficial use adversely, or to cause a condition which is hazardous to public health, safety or welfare, or to animals, birds, wildlife, fish or aquatic life, or to plants, and "pollute" has a corresponding meaning.

2.31 Secretary means the Secretary of the Department of Environment and Natural Resources.

2.32 Department or DENR means the Department of Environment and Natural Resources.

2.33 Work Program means a document which presents the plan of major mining activities and the corresponding expenditures and Budget of the Contractor in its Contract Area during a given period of time, including the plan and expenditures for environmental protection and rehabilitation, development of host and neighboring communities and of local geoscience and mineral technology, as submitted and approved pursuant to this Agreement.

SECTION IV

TERM OF AGREEMENT

3.1 The initial term of this Agreement shall be twenty five (25) Contract Years from the Effective Date, subject to termination as provided herein, renewable for another period of twenty five (25) years under such terms and conditions as may be mutually agreed upon by the parties.

SECTION IV

CONTRACT AREA

4.1 Size, Shape and Location of Contract Area. This Agreement covers an area of THREE THOUSAND FIVE HUNDRED SIXTY FOUR HECTARES (3,564 Has.), inclusive of areas covered by valid and subsisting small scale mining permits and small scale mining permit applications, located at Alay, Carrascal, Surigao del Sur and bounded with the following geographical coordinates : (Pls. refer to ANNEX - B)

Point	Latitude	Longitude
1	9° 24' 45"	125° 51' 30"
2	9° 29' 00"	125° 51' 30"
3	9° 29' 00"	125° 52' 00"
4	9° 28' 30"	125° 52' 00"
5	9° 28' 30"	125° 53' 30"
6	9° 29' 00"	125° 53' 30"
7	9° 29' 00"	125° 54' 00"
8	9° 29' 30"	125° 54' 00"
9	9° 29' 30"	125° 55' 00"
10	9° 28' 30"	125° 55' 00"
11	9° 28' 30"	125° 55' 30"
12	9° 26' 30"	125° 55' 30"
13	9° 26' 30"	125° 52' 30"
14	9° 26' 00"	125° 52' 30"
15	9° 26' 00"	125° 52' 15"
16	9° 25' 00"	125° 52' 15"
17	9° 25' 00"	125° 52' 30"
18	9° 24' 45"	125° 52' 30"



SECTION V

EXPLORATION PERIOD

5.1 Timetable for Exploration - Contractor shall commence Exploration Operations not later than three (3) months after the Effective Date. This phase shall be extended for not more than two (2) years upon request by the Contractor and the Government being satisfied that the Contractor has complied with the terms of this Agreement and of reasonable expectation of success during the extension.

5.2 Work Program and Budgets - The Contractor shall strictly comply with the Exploration Work Program submitted to and approved by the Government. (Pls. refer to ANNEX-C for the Two Year Exploration Work Program and Budget).

The amount to be spent by the Contractor in conducting Exploration Operations under the terms of this Agreement during the Exploration Period, shall be in the aggregate of not less than that hereinafter specified for each of the below specified Contract Years, as follows:

First Contract Year : ONE MILLION NINE HUNDRED EIGHTY TWO THOUSAND FIVE HUNDRED PESOS (P1,982,500.00)

Second Contract Year : TWO MILLION TWO HUNDRED ELEVEN THOUSAND TWO HUNDRED FIFTY PESOS (P2,211,250.00)

In the event of the termination of this Agreement, Contractor shall only be obliged to expend the pro-rata amount for the period of such Contract Year prior to termination.

In the event of extension, the amount to be spent every year shall first be agreed upon by the parties.

If during any Contract Year, the Contractor should expend more than the amount to be expended as provided above, the excess may be subtracted from the amount of money required to be expended by the Contractor during the succeeding Contract Years, and should Contractor, due to unforeseen circumstances or with the consent of the Government expend less during a Contract Year than the amount required to be so expended, the deficiency shall be applied to the amount of money required to be expended by Contractor during the succeeding Contract Years.

5.3 Regulatory Fees - There shall be due the Government for regulatory purposes, in addition to any existing administrative fees, the following fees during the exploration period:-

First Year - Ten Pesos (P10.00) per hectare per year

Second and Subsequent Years - The amount per hectare for the initial year plus a yearly increment of Five Pesos (P5.00).



The regulatory fees corresponding to the first two (2) Contract Years shall be payable within thirty (30) days from receipt of approved MPSA to the DENR Regional Office concerned, while the regulatory fees for the extension period shall be due within thirty (30) days from approval of the request for extension of the exploration period.

The regulatory fees shall be paid to and on the date the Agreement is registered with the DENR Regional Office concerned, and on the same date and place thereafter.

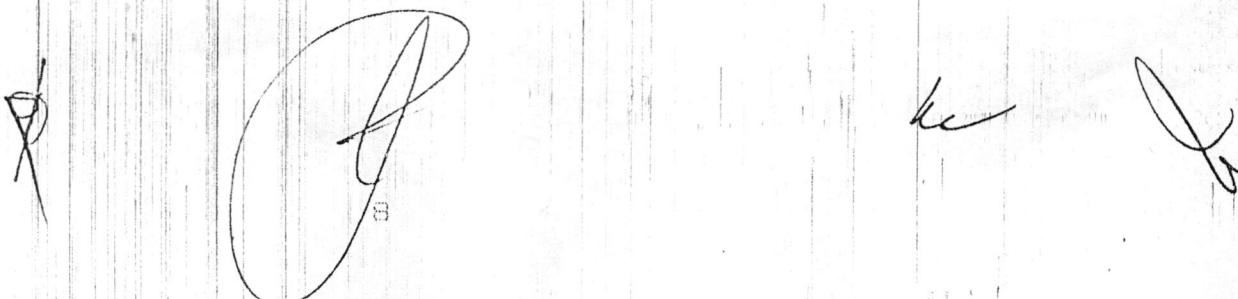
#### 5.4 Reporting

a) Annual Report - During the exploration Period, the Contractor shall supply geological, geophysical, radiometric and other information relating to the exploration areas and its activities by annual reports to be submitted, within sixty (60) days from the end of each Contract Year, to the DENR Secretary through the Director of the concerned DENR Regional Office, copy furnished the Director, Mines and Geosciences Bureau. Such information shall include financial expenditures, raw and processed analytical data, copies of originals of assay results, duplicate samples, field data, copies of originals from drilling reports, and all other information of any kind collected during the exploration activities. All such information shall be confidential, subject to the provisions elsewhere provided herein.

b) Final Report - The Contractor shall submit to the DENR Secretary through the Director of the concerned DENR Regional Office, copy furnished the Director, Mines and Geosciences Bureau, a final report within six (6) months from the expiration of the Exploration Period which shall be in the form and substance comparable to publish professional reports of respected international institutions and shall incorporate all the findings in the Contract Area, including location of samples, assay, chemical analysis, and assessment of mineral potential. Such report shall also include complete, detailed expenditures incurred during the Exploration Period.

5.5 Mining Feasibility - During the Exploration Period, the Contractor shall conduct feasibility studies for any part of the Contract Areas as may be warranted. Within the Period, the Contractor shall submit to the DENR Secretary through the Director of the concerned DENR Regional Office, copy furnished the Director, Mines and Geosciences Bureau, a Declaration of Mining Feasibility with a Work Program for development for the next succeeding three (3) years indicating therein the Mining Area. Areas delineated as part of the Mining Area shall be deemed relinquished in favor of the government.

Failure of the Contractor to submit a Declaration of Mining Feasibility during the Exploration Period shall be considered a substantial breach of this Agreement.

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## SECTION VI

### DEVELOPMENT AND CONSTRUCTION PERIOD

6.1 Timetable - The Contractor shall complete the development of the mine including the construction of production facilities within thirty six (36) months from the submission of the declaration of Mining Feasibility, subject to such extension based on justifiable reasons as the Secretary may approve.

#### 6.2 Reporting

a) Annual - The Contractor shall submit, within sixty (60) days after December 31 of each year, to the DENR Secretary through the Director of the concerned DENR Regional Office, copy furnished the Mines and Geosciences Bureau, an annual report which states the major activities, achievements and expenditures during the year covered, including maps, assays, rock and mineral analysis and progress geological and similar reports during the development and construction period.

b) Final Report - Within six (6) months from the completion of the development and construction activities, the Contractor shall submit a final report to the DENR Secretary through the Director of the concerned DENR Regional Office, copy furnished the Mines and Geosciences Bureau. Such report shall integrate all information in maps of appropriate scale and quality as well as in monographs or reports in accordance with the international standards.

## SECTION VII

### OPERATING PERIOD

7.1 Timetable - The Contractor shall submit, within thirty (30) days from completion of the construction facilities, to the DENR Secretary through the Director of the concerned DENR Regional Office, copy furnished the Director, Mines and Geosciences Bureau, a Work Program for a period of three (3) years. The Contractor shall commence Commercial Production immediately upon approval of the said Work Program. Failure of the Contractor to commence Commercial Production within the period shall be considered a substantial breach of the Agreement.

7.2 Operation Work Program and Budget - During the Operation Period, the Contractor shall submit to the DENR Secretary through the Director of the concerned DENR Regional Office, copy furnished the Director, Mines and Geosciences Bureau, Work Programs covering a period of three (3) years each which shall be submitted not later than thirty (30) days before the expiration of the period covered by the previous Work Programs.

The Contractor shall conduct Mining Operations and other activities for the duration of the Production Period in accordance with the duly approved Work Programs and any modification thereof approved by the Secretary.



### 7.3 Reporting

a) Quarterly Reports - Beginning with the first Calendar Quarter following the commencement of the Operating Period, the Contractor shall submit, within thirty (30) days after the end of each Calendar Quarter, to the DENR Secretary through the Director of the concerned DENR Regional Office, copy furnished the Director, Mines and Geosciences Bureau, a Quarterly Report stating the tonnage of production in terms of ores, concentrates, and their corresponding grades and other types of products; value, destination of sales or exports and to whom sold; terms of sales and expenditures.

b) Annual Reports - During the Operating Period, the Contractor shall submit, within sixty (60) days from the end of each Calendar Year, to the DENR Secretary through the Director of the concerned DENR Regional Office, copy furnished the Director, Mines and Geosciences Bureau, an Annual Report indicating in sufficient detail:

i) The total tonnage of ore reserves whether proven, probable, or inferred, the total tonnage of ores, kind by kind, broken down between tonnage mined, tonnages transported from the minesite and their corresponding destination, tonnages stockpiled in the mine and elsewhere in the Philippines, tonnages sold or committed to be sold or committed for export (whether actually shipped from the Philippines or not), tonnages actually shipped from the Philippines (with full details as to purchaser, destination, and terms of sale), and if known to the Contractor, tonnages refined, processed or manufactured in the Philippines with full specifications as to the intermediate products, by-products or final products and of the terms at which they were disposed;

ii) Work accomplished and work in progress at the end of the year in question with respect to all the installations and facilities related to the utilization program, including the investments actually made or committed;

iii) Profile of work force, including management and staff, stating particularly their nationalities, and for Filipinos, their place of origin (i.e., barangay, town, province, region).

iv) Ownership of the Contractor, particularly with respect to nationality.

7.4 Expansions and Modifications of Facilities - The Contractor may take expansions, modifications, improvements and replacements of the mining facilities and may add new facilities as the Contractor may consider necessary for the operations, provided such plans shall be embodied in an appropriate Work Program approved by the Secretary.



8.5 Associated Minerals - If Minerals, other than Chromite are discovered in commercial quantities in the Contract Areas, the value thereof shall be added to the value of the principal mineral in computing the share of the Government .

## SECTION IX

### WORK PROGRAMS

9.1 Submission to Government - Within the periods stated herein, the Contractor shall prepare and submit to the Government/DENR Secretary through the Director of the concerned DENR Regional Office, copy furnished the Director, Mines and Geosciences Bureau, a Work Program and Budget for the Contract Area stating the Mining Operations which Contractor proposes to carry out mining during the period covered with the details and particulars set forth elsewhere in this Agreement or in the Guidelines (DENR Administrative Order No. 57, Series of 1989).

9.2 Examination, Revision - Should the Government wish to propose a revision as to a certain specific features of said Work Program or Budget, it shall within thirty (30) days after receipt thereof provide Notice to Contractor specifying in reasonable detail its reasons therefore. Promptly thereafter, the Government and Contractor will meet and endeavor to agree on the revision proposed by the Government. In any event, any portion of said Work Program or Budget as to which the Government shall insofar as possible be carried out as prescribed herein. If the Government shall fail within sixty (60) days from receipt thereof to notify Contractor of proposed revisions, the Work Program and Budget proposed by Contractor shall be deemed to be approved.

9.3 It is recognized by the Government and Contractor that the details of any Work Program may require changes in the light of changing circumstances. The contractor may make such changes provided they do not change the general objective of any Work Program, and provided further, that changes which entail a variance of at least twenty (20) percentum shall be subject to the approval of the Secretary.

9.4 The Government's approval of a proposed Work Program and Budget will not be reasonably withheld.

## SECTION X

### RIGHTS AND OBLIGATIONS OF THE PARTIES

10.1 Obligations of the Contractor

The Contractor shall :

a) Perform all Mining Operations in accordance with the most efficient and internationally accepted mining and engineering practices providing all necessary services, technology and financing in connection

therewith.

b) After the Exploration Period, the Contractor shall relinquish to the Government any portion of the Contract Area which shall not be necessary for Mining Operations and not covered by any Declaration of Mining Feasibility.

c) Perform its activities within the period expressed in this Agreement. Plans and Work Programs, save as may be excused by Force Majeure.

d) Furnish all materials, labor, equipment and other installations that may be required for carrying of all Mining Operations. To the maximum extent compatible with efficient operations, the Contractor shall give preference to products and services produced and offered in the Philippines of comparative quality. In particular, the Contractor shall give preference to Filipino construction enterprises and use buildings which can be constructed by using materials and skill available in the Philippines, employ Filipino subcontractors for road construction and transportation, and purchase Philippine household equipment, furniture and food.

e) The Contractor shall, to the extent feasible and acceptable in view of the rates and conditions available, maximize the use of Filipino vessels and other means of transport available in the Philippines. If necessary, the Contractor shall set joint arrangements with Filipino concerns for the transportation of concentrates.

f) The Contractor shall keep accurate technical records about the operations as well as financial and marketing accounts and make them available to Government representatives authorized by the Secretary for purposes of assessing performance and compliance of the Contractor with the terms of this Agreement. Authorized representatives of other Government agencies may also have access to such accounts in accordance with existing laws, rules and regulations.

g) The Contractor shall furnish the Mines and Geosciences Bureau all data and information gathered on the contract area and that all books of accounts and records shall be open to inspection.

h) The Contractor shall transfer to the Government or local mining company the appropriate technology it may adopt in the exploration, development and commercial utilization of the minerals in the Contract.

i) Hold the Government free and harmless from all claims and demands of all kinds, as well as demands and actions arising out of the accidents or injuries to persons or property caused by Mining Operations of the Contractor and indemnify the Government for any expenses or cost incurred by the Government by reason of any such claims, accounts, demands or actions.

j) Pay taxes or obligations in accordance with existing laws, rules and regulations.



k) Conform to laws and regulations regarding, among others, labor, safety, demarcation of the Contract Area, and non-interference with the rights of other mining operators.

l) Allow access to exploration and production sites and operations by inspectors authorized by the Government .

m) Recognize and respect the rights, customs and traditions of indigenous tribal communities over their ancestral lands.

n) Contribute to National development by helping develop the host and neighboring communities of the Contract Area, local geo-science and mining technology, and mitigating environmental effects of Mining Operations :

n-i) Development of Host and Neighboring Communities

a) The Contractor shall coordinate with proper authorities in providing development plans for the host and neighboring communities .

b) The Contractor shall help create self-sustaining, income-generating activities, such as but not limited to, reforestation and production of goods and services needed by the mine .

c) The Contractor shall give preference to Filipino citizens, particularly residents of its host and neighboring communities in hiring personnel for its Mining Operations . If necessary skills and expertise are currently not available, the Contractor must prepare and undertake a training and recruitment program within the first year of Commercial Production at its expense .

n-ii) Development of Geo-science and Mineral Technology

a) The Contractor, in the course of its operations, shall produce geological, geophysical, geochemical and other types of maps and reports in scale format and nomenclature consistent with the internationally acceptable practices and standards.

b) The Contractor shall systematically keep the data generated from the Contract Area such as cores, assays and other related information, including economic and financial, and shall make them accessible to students, researchers, and other persons responsible for developing geo-science and mineral technology after declassification.

n-iii) Environment Protection and Industrial Safety

a) The Contractor shall prepare a plan of mining so that its damage to the environment will be minimal . To the extent possible, control of pollution and the transformation of the mined-out areas or materials into economically and socially productive forms must be done simultaneously with mining .



An Initial Environmental Examination (IEE) shall be required as part of the exploration program and an appropriate Environmental Impact Statement (EIS) shall be required as a component of any of the feasibility studies of the mine, and shall be prepared in forms prescribed by proper government authorities.

An Environmental Compliance Certificate (ECC) shall be secured first by the Contractor prior to the conduct of any mine development works in the contract area.

These activities must be reflected clearly in the appropriate Work Programs .

o) The Contractor shall maintain at least 60% Filipino Equity during the effectivity of the Agreement.

p) The Contractor shall cause the registration of its MPESA within thirty (30) days from receipt thereof.

#### 10.2 Rights of the Contractor

The Contractor shall:

a) Have the right to conduct mining operations in the Contract Area in accordance with the terms and conditions hereof.

b) Have the right of possession of the Contract Area, with full right of ingress and egress and the right to occupy the same, subject to surface and easement rights.

c) Have the right to use and have access to all declassified geological, geophysical, drilling, production and other information held by the government or any agency or enterprise thereof, now or in the future, relative to the Contract Area.

d) Have the right to sell, assign, transfer, convey or otherwise dispose of all its rights, interests and obligations under this Agreement subject to the approval of the Government.

e) Subject to applicable laws and regulations, to employ or bring into the Philippines foreign technical and specialized personnel (including the immediate members of their families) as may be required in the operations of the Contractor, provided, that if the employment connection of such foreign persons with the Contractor ceases, the applicable laws and regulations on immigration shall apply to them.

f) Enjoy, subject to pertinent laws, rules and regulations and the rights of third parties, easement rights and use of timber, water and other natural resources in the Contract Area.

g) Have the right of repatriation of capital and remittance of profits, dividends and interest on loans, subject to existing laws and Central Bank rules and regulations and

h) Have the right to import when necessary all equipment, spare parts and raw materials required in the operations

in accordance with existing laws and regulations.  
10.3 Obligations of the Government

The Government shall :

- a) Ensure that Contractor has the Government's full cooperation in the exercise of the rights granted to it under this Agreement .
- b) Use its best efforts to ensure the timely issuance of necessary permits and similar authorizing documents for use of surface of the Contract Area .
- c) If Contractor seeks to obtain financing contemplated herein from banks or other financial institutions, cooperate with Contractor in such efforts provided that such financing arrangements will in no event reduce Contractor's obligations on the Government's rights hereunder.

## SECTION XI

### ASSETS AND EQUIPMENT

11.1 Contractor shall acquire for the Mining Operations only such assets as are reasonably estimated to be required in carrying out such Mining Operations .

11.2 All materials, equipment, plant and other installations erected or placed on the Contract Area of a movable nature by the Contractor shall remain the property of the Contractor and the Contractor shall have the right to remove and export such materials, equipment, plant and other installations from the Philippines, subject to existing laws and regulations.

Further, that said materials, equipment, plants and other installations shall be removed from the Contract Area within six (6) months from the termination of the Agreement, otherwise these will be forfeited in favor of the Government .

## SECTION XII

### EMPLOYMENT AND TRAINING OF PHILIPPINE PERSONNEL

12.1 The Contractor agrees to employ, to the extent possible, qualified Filipino personnel in its Mining Operations; and after Commercial Production commences shall, in consultation and with the consent of the Government, elaborate an extensive training programme for employment of suitable Filipino nationals at all levels of employment . The objective of said programme shall be to reach within the time-table set forth below the following targets of "Filipinization".

	Unskilled	Skilled	Clerical	Professional	Management
Year 1	100%	100%	100%	70%	70%
Year 3	100%	100%	100%	80%	80%
Year 5	100%	100%	100%	90%	90%
Year 7	100%	100%	100%	100%	95%
Year 10	100%	100%	100%	100%	95%



Year 15 100% 100% 100% 100% 95%  
12.2 Costs and expenses of training such Filipino personnel and the Contractor's own employee shall be included in Operating Expenses.

### SECTION XIII

#### ARBITRATION

13.1 The Government and the Contractor shall consult with each other in good faith and shall exhaust all available remedies to settle any and all disputes or disagreements arising out of or relating to the validity, interpretations, enforceability, or performance of this Agreement before resorting to arbitration.

13.2 Any disagreement or dispute which cannot be solved amicably shall be settled by a tribunal of three (3) arbitrators, one to be appointed by the Contractor, another to be appointed by the Government, and the third by the arbitrators so appointed who shall serve as chairman. The first two appointed arbitrators shall continue to consider names of qualified persons until agreement on a mutually acceptable chairman of the tribunal is reached. Such arbitration shall be initiated and conducted pursuant to Republic Act No. 79 otherwise known as the Arbitration Act.

Where substantial foreign interest are involved, the Contractor may elect within the period of two (2) years from Effective Date arbitration in accordance with the rules of Conciliation and Arbitration of the International Chamber of Commerce ("ICC") provided that in any case that the ICC or its successors is not in existence, the arbitration shall proceed in accordance with the UNCITRAL (United Nations Commission for International Trade Law) Arbitration Rules, as at present in force.

In any event, the arbitration shall be conducted applying the substantive laws of the Republic of the Philippines.

13.3 Each party shall pay fifty percent (50%) of the fees and expenses of the arbitrators and the costs of arbitration. Each party shall pay its own costs and attorney's fee.

### SECTION XIV

#### TERMINATION

This contract shall be terminated and the Parties shall be relieved of their respective obligations:

14.1 On expiration of the term, or extension thereof as provided elsewhere herein.

14.2 Termination by the Government upon the Contractor's substantial breach of this Agreement.



14.3 By withdrawal of Contractor. The Contractor may withdraw from this Agreement by giving three (3) months notice in writing if in its business judgment the continuation of business operations becomes technically or economically unfeasible. The withdrawal shall become effective six (6) months after notice of withdrawal has been received by the Government.

No delay or omissions or course of dealing by the Government shall impair any of its rights hereunder except for a written waiver. The Government's right to seek recourse and relief by all other means shall not be affected by the exercise of its rights to terminate the Agreement. Any waiver of default shall not be construed to be the waiver of any succeeding or other default unless the contrary is expressly stated in writing signed by the party charged with the waiver.

In case of termination, the Contractor shall pay all fees and other liabilities due up to the end of the year in which the termination becomes effective, and shall further carry out such restoration of the Contract Area as is reasonable in accordance with good mining industry practice.

#### SECTION XV

#### OTHER PROVISIONS

##### 15.1 Notice

All notices, demands, and other communications required or permitted hereunder shall be made in writing or by telex or telecopy and shall be deemed to have been duly given in the case of telex or telecopy notice if answer back or confirmation received, or if delivered by hand upon receipt or ten (10) days after being deposited in the mail, airmail postage prepaid and addressed as follows:

If the Government -

The Secretary of the Department of Environment and Natural Resources, Department of Environment and Natural Resources Building, Visayas Avenue, Diliman, Quezon City, Metro Manila.

If to the Contractor -

C.T.P. CONSTRUCTION AND MINING CORPORATION  
11 President Avenue, BF Homes, Paranaque, Metro Manila

Either party may substitute or change such address on notice thereof to the other party.

Governing Law -

This Agreement and the relation between the parties hereto shall be governed by and construed in accordance with the laws of the Republic of the Philippines.

15.3 Suspension of Obligations

(a) Any failure or delay on the part of any party in the performance of its obligations or duties hereunder shall be excused to the extent attributable to Force Majeure.

(b) If Mining Operations are delayed, curtailed or prevented by such Force Majeure causes, then the time for enjoying the rights and carrying out the obligations thereby affected, the term of this Agreement and all rights and obligations hereunder shall be extended for a period equivalent to the period thus involved.

(c) The party whose ability to perform its obligations shall be properly given notice to the other in writing of any such delay or failure in performance, the expected duration thereof, and its anticipated effect on the Party expected to perform, and (ii) shall use its efforts to remedy such delay, except that neither Party shall be under any obligation to settle a labor dispute.

15.4 Amendments

This Agreement shall not be annulled, amended or modified in any respect except by mutual consent in writing of the herein Parties and the approval of the President of the Republic of the Philippines.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement, as of the day and year first abovescribed.

THE REPUBLIC OF THE PHILIPPINES

BY :

*Angel C. Alcala*  
ANGEL C. ALCALA  
Secretary  
Department of Environment and  
Natural Resources

*Clarence T. Pimentel*  
CLARENCE T. PIMENTEL  
President

C.T.P. CONSTRUCTION AND MINING CORPORATION

SIGNED IN THE PRESENCE OF :

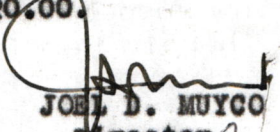
*[Signature]* \_\_\_\_\_ *[Signature]* \_\_\_\_\_




**CERTIFICATE OF REGISTRATION**  
**Mines and Geosciences Bureau, North Avenue**  
**Diliman, Quezon City**

The registration fee hereafter having been paid, the foregoing instrument/s was filed for record in this bureau at three o'clock and fifty minutes, P.M. on the twenty ninth (29th) day of June, A.D. 1994 and has been recorded in the book No. 1 of the records of Mineral Production Sharing Agreements of this Bureau as Document No. 3.

Registration fee paid under Official Receipt No. 9298359 L dated June 29, 1994 in the amount of P120.00.

  
JOEL D. MUYCO  
Director



25 pages incl.  
annexes  


ACKNOWLEDGMENT

Republic of the Philippines )  
Quezon City ) S.S.

I, \_\_\_\_\_, Notary Public for and in the P.C.  
12 Jan. 1993 personally appeared Angel C. Alcala  
in his capacity as Secretary of the DENR, with Residence  
Certificate No. 9455541 issued on  
January 12, 1993 at Quezon City and  
Clarence T. Pimentel, in his capacity as President of  
C.T.P. CONSTRUCTION AND MINING CORPORATION, with  
Residence Certificate No. 4580341 issued  
on March 19, 1992 at Parañaque, N.M. both known to me  
and to me known to be the same persons who executed the  
 foregoing instrument consisting of twenty (20) pages,  
including this acknowledgement page, and acknowledged to  
me that the same is their free and voluntary acts and  
deeds.

IN WITNESS WHEREOF, I have hereunto set my hand and  
affixed my notarial seal, this 12th day of Jan. 1993

*Miguel C. Manalo*  
**MIGUEL C. MANALO**  
NOTARY PUBLIC  
QUEZON CITY  
UNTIL DEC. 31, 1993  
PTR NO. - 70460  
ISSUED ON 8-92  
MAN-30943-65

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Series No. 1993

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