

MINERAL PRODUCTION SHARING AGREEMENT

MPSA No. 078-97-XIII
(SMR)

This **MINERAL PRODUCTION SHARING AGREEMENT** (this "Agreement") is made and entered into in Quezon City, Metro Manila, Philippines, this _____ day of NOV 19 1997 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 Natural Resources Building, Visayas Avenue, Diliman, Quezon City, Metro Manila

and

EAST COAST MINERAL RESOURCES CO., INC., a corporation duly organized and existing under the laws of the Republic of the Philippines, hereinafter referred to as the **CONTRACTOR**, with offices at the Lot 93 Cluster L, Bagong Nayon I, Cogeo Village, 1870 Antipolo, Rizal and represented in this act by its **Chairman of the Board, HILARIO G. PAGAUTAN**, as authorized by its Board under **ANNEX "A"** which forms an integral part hereof.

WITNESSETH :

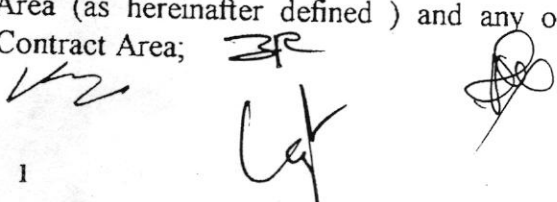
WHEREAS, the 1987 Constitution of the Republic of the Philippines (the "Constitution") provides in Article XII, Section 2 that all lands of the public domain, waters, minerals, coal, petroleum, and other natural resources are owned by the State and that the exploration, development and utilization shall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

WHEREAS, the Constitution further provides that the State may directly undertake such activities, or it may enter into a Co-Production, Joint Venture, or Mineral Production Sharing Agreement with Filipino citizens, or cooperatives, partnerships, corporations or associations at least sixty per centum of whose capitalization is owned by such citizens;

WHEREAS, pursuant to Republic Act No. 7942, otherwise known as "The Philippine Mining Act of 1995", which took effect on 09 April 1995, the Secretary of the Department of Environment and Natural Resources is authorized to enter into Mineral Production Sharing Agreements in furtherance of the objectives of the Government and the Constitution to bolster the national economy through sustainable and systematic development and utilization of mineral lands;

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;

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



WHEREAS, the Contractor has, or has access to all the financing, technical competence, technology and environmental management skills required to promptly and effectively carry out the objectives of this Agreement.

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 the provisions of the Act (R.A No. 7942) and its Revised Implementing Rules and Regulations. The primary purpose of this Agreement is to provide for the exploration, sustainable development and commercial utilization of Chromite, Nickel 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 over the contract/mining area without prejudice to the acquisition by the Contractor of the land/surface rights through any mode of acquisition provided for by law.
- 1.2 The Contractor shall undertake and execute, for and on behalf of the Government, sustainable mining operations in accordance with the provisions of this Agreement, and is hereby constituted and appointed, for the purpose of this Agreement, as the exclusive entity to conduct mining operations in the Contract Area.
- 1.3 The Contractor shall assume all the 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 the Contractor in accordance with Section VIII hereof.

SECTION II

DEFINITIONS

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

- 2.1 "The Act" refers to R.A. No. 7942, otherwise known as the "Philippine Mining Act of 1995"
- 2.2 Agreement means this Mineral Production Sharing Agreement
- 2.3 Associated Minerals mean other ores/minerals which occur together with the principal ore/ mineral.