

DEPT. OF ENVIRONMENT & NATURAL RES.

Office of the President  
of the Philippines  
Malacañang

DEPT. OF ENVIRONMENT & NATURAL RES.  
N 274  
6-17-92  
Cebal

JUN 17 1992

11 June 1992

Office of the Secretary

Hon. Fulgencio S. Factoran, Jr.  
Secretary of Environment and  
Natural Resources  
Diliman, Quezon City

Sir :

Transmitted herewith is the Memorandum of even date of Her  
Excellency, President Corazon C. Aquino, approving, as recommended,  
the Mineral Production Sharing Agreement entered into on 7 May 1992  
by the Government of the Republic of the Philippines with the Casiguran  
Mining Corporation.

Best regards.

Very truly yours,

*Franklin M. Drilon*  
FRANKLIN M. DRILON  
Executive Secretary

Encl.: a/s  
CN: 9205-0635

cop-186 - a/c 18

Government in the development and utilization for commercial

from (3) copies  
Agreement (MPSA)  
D. . . . .

MALACAÑANG  
MANILA

MEMORANDUM

TO : Hon. Fulgencio S. Factoran, Jr.  
Secretary, Department of Environment  
and Natural Resources (DENR)

This refers to the Mineral Production Sharing Agreement entered into on 7 May 1992 by the Government of the Republic of the Philippines, thru the Secretary, DENR, with Casiguran Mining Corporation, for the exploration, development, and utilization of a parcel of public land in Loreto, Surigao del Norte, covering an area of 1,198 hectares.

As recommended, said Agreement is hereby **APPROVED**, pursuant to Section 3 of Executive Order No. 279, dated 25 July 1987, subject to (a) inclusion therein of "a stipulation that all data and information gathered by the contractor shall be furnished to the Bureau of Mines and Geo-Sciences" (Sec. 2-n, E.O. 279), (b) the strict compliance with its terms and conditions, and (c) compliance with the auditing/accounting requirements, insofar as the fiscal regime and the production sharing provisions thereof are concerned.

*Fulgencio S. Factoran, Jr.*

By the President:

*Franklin M. Drilon*  
FRANKLIN M. DRILON  
Executive Secretary

MINERAL PRODUCTION SHARING AGREEMENT

MPSA No. 010-92-X

This MINERAL PRODUCTION SHARING AGREEMENT (this "Agreement") is made and entered into in Metro-Manila, Philippines, this 7<sup>th</sup> day of May, 1992, by and between:

THE REPUBLIC OF THE PHILIPPINES, hereinafter referred to as the GOVERNMENT, acting through and represented in this act by the Secretary of the Department of Environment and Natural Resources FULGENCIO S. FACTORAN, JR., with offices at the Department of Environment and Natural Resources Building, Visayas Avenue, Diliman, Quezon City, Metro-Manila.

- a n d -

CASIGURAN MINING CORPORATION, a one hundred per cent (100%) filipino-owned corporation duly organized and existing under the laws of the Republic of the Philippines, hereinafter referred to as the CONTRACTOR with offices at No. 19 Hilltop Street, Quezon City, Metro Manila, represented in this act by its President, EUGENIO R. UNSON, as authorized by its Board under "Annex A" which forms an integral part hereof.

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 of natural resources 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 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 agreement in furtherance of 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

Handwritten signature and initials at the bottom right of the page.

Handwritten signature on the left margin of the page.

Handwritten mark '16/30' in the top left corner.

purposes of certain **chromite** deposits 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. 279. The primary purpose of this Agreement is to provide for the exploration, development, and commercial utilization of certain **chromite** 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 in accordance 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. However, it is agreed upon that the Contractor shall not conduct mining operations in areas covered by valid and existing small scale mining permits at the time of the signing of this Agreement.

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 the singular and plural, shall have the following respective meanings:

2.1 Agreement means this Mineral 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.

*Rmy*

*[Signature]*

*[Signature]*

2.4 Calendar Year or Year means a period of twelve (12) consecutive months starting with the first of January and ending on December 31, while "Calendar Quarter" means a period consisting 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 Commercial Production Work Program. Production of Nickel Ore required to test and/or develop a Plant processing system or supply a pilot plant used for such testing 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 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 this Contract, as diminished pursuant to the relinquishment obligations of the Contractor as herein set forth. Initially, the Contract Area is outlined and more particularly described in Annex "A" attached hereto.

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 CASIGURAN MINING CORPORATION and its assignee or assignees of any interest of CASIGURAN 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.

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

2.13 Environment means physical factors of the surroundings of human beings, including land, water, atmosphere, climate, sound, odors, tastes 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 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 and after the Effective Date of this Agreement up to and including

*Handwritten signature/initials on the left margin.*

*Handwritten signature/initials at the bottom right.*

(a) the date of the Declaration of Mining Feasibility or (b) completion of two (2) contract years from the Effective Date, as may be extended with the consent of the Government by not more than two (2) years.

2.17 Force Majeure means acts or circumstances beyond the reasonable control of either Party to this Agreement affected thereby, including, without limitation, to war, insurrection, civil disturbance, blockade, sabotage, embargo, strike and other labor conflict, riot, epidemic, earthquake, storm, flood or other adverse weather conditions, explosion, fire, adverse order or direction of any Government de jure or de facto or any instrumentality or subdivision thereof, act of God or the public enemy, breakdown or 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 Government means the Government of the Republic of the Philippines.

2.19 Gross Output means the actual market value of minerals or mineral products derived from mining operations as defined under the National Internal Revenue Code (Presidential Decree No. 1158, as amended).

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

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

2.22 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 process or manufacturing.

2.23 Mining Area means that portion of the Contract Area delineated for Mining Operations during the Commercial Production period.

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

2.25 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.

2.26 Ore means mineral or rock extracted for profit.

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

2.28 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

x

CASIGURAN Min. Act.

beneficial use adversely, or to cause a condition which is hazardous or potentially 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.

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

2.30 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 III

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 and Shape of Area. - This Agreement covers an area of approximately ONE THOUSAND ONE HUNDRED NINETY EIGHT HECTARES (1,198 has.), located at Panamaon, Loreto, Surigao del Norte, and bounded with the following geographical coordinates, exclusive of areas covered by valid and existing small-scale mining permits:

Point	East Longitude	North Latitude
1	125 36' 30"	10 25' 30"
2	125 36' 30"	10 27' 00"
3	125 37' 00"	10 27' 00"
4	125 37' 00"	10 28' 00"
5	125 38' 7.5"	10 28' 00"
6	125 38' 7.5"	10 25' 30"

The specific size and shape of the Contract Area is indicated in a map/sketch with corresponding geographical coordinates, as shown in Annex B.

SECTION V

EXPLORATION PERIOD

5.1 Timetable for Exploration. - Contractor shall commence Exploration Operations hereunder not later than three (3) months after the Effective Date. This exploration phase shall be extended for not more than two (2)

*Handwritten signature/initials on the left margin.*

*Handwritten signature/initials at the bottom right.*

years upon request by the Contractor and upon 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 Programme and Budgets. - The Contractor shall strictly comply with the Exploration Work Program submitted to and approved by the Government.

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

First Contract Year : THREE MILLION FOUR HUNDRED FIFTY THREE THOUSAND AND SEVEN HUNDRED TWENTY-THREE PESOS (P3,453,723.00)  
Philippine Currency

Second Contract Year : FOUR MILLION TWO HUNDRED FORTY SIX THOUSAND AND FIVE HUNDRED NINETY TWO PESOS (P4,246,592.00)  
Philippine Currency

In the event of termination of this Agreement, Contractor shall only be obligated 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, Contractor should expend more than the amount required to be expended as provided above, the excess may be subtracted from the amount of money required to be expended by 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 Year.

To ensure faithful compliance by the Contractor of this provision, the latter shall put up a Performance Bond in an amount equivalent to Fifteen percent (15%) of the exploration cost committed to be spent for each year of exploration.

5.3 Regulatory Fees - There shall be due the Government for regulatory purposes the following fees in addition to any existing administrative 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 Effective Date, 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 every year thereafter.

5.4 Reporting. -

a) Annual Report. - During the Exploration Period, the Contractor shall supply all geological, geophysical, radiometric and other information relating to the exploration area and its activities by annual reports to be submitted within sixty (60) days from the end of each Contract Year. 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 exploration activities. All such information shall be confidential, subject to the provisions elsewhere provided herein.

b) Final Report. - The Contractor shall submit a final report within six (6) months from the expiration of the Exploration Period which shall be in the form and substance comparable to published professional reports of respected international institutions and shall incorporate all the findings in the Contract Area, including locations of samples, assays, 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 Area as warranted. Within this period, the Contractor shall submit a Declaration of Mining Feasibility with a Construction and Development Work Program for the next succeeding three (3) years indicating therein the Mining Area. Areas not 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.

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 an annual report within sixty (60) days after December 31 of each year 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.

A  


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 Government. Such report shall integrate all information in maps of appropriate scale and quality as well as in monographs or reports in accordance with international standards.

## SECTION VII

### OPERATING PERIOD

7.1 Timetable. - The Contractor shall submit within thirty (30) days from the completion of the construction facilities a Commercial Production Work Program for a period of three (3) years. The Contractor shall commence Commercial Production immediately upon the 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 Work Programs. - During the Operating Period, the Contractor shall submit to the Government Commercial Production 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 Commercial Production 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 Production Period, the Contractor shall submit within thirty (30) days after the end of each Calendar Quarter, 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 Production Period, the Contractor shall submit within sixty (60) days from the end of each Calendar Year 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 tonnages mined, tonnages transported from the mines 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 of 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 make expansions, modifications, improvements and replacements of the mining facilities and may add new facilities as the Contractor shall consider necessary for the operations, provided such plans shall be embodied in an appropriate Work Program approved by the Secretary.

## SECTION VIII

### FISCAL REGIME

8.1 General Principles. - The financial regime of this Agreement shall be governed by the principle according to which the Government expects a reasonable return in economic value for the utilization of non-renewable natural resources under its national sovereignty while the Contractor expects a reasonable return on its investment with special account to be taken for the high risks of exploration, the terms and conditions prevailing elsewhere in the industry and any special efficiency to be gained by particularly good performance of the Contractor.

8.2 Occupation Fees. - Commencing from the date of registration and every year thereafter, the Contractor shall pay to the Government an occupation fee over the Contract Area at the annual rate of ₱100.00 per hectare.

8.3 Basic Share. - From the start of Commercial Production, there shall be a basic share due the Government a production share of three percent (3%) on the gross output and ten percent (10%) on the net revenue. Said share shall be payable to the DENR Regional Office concerned within thirty (30) calendar days after the end of each calendar year, in addition to excise tax. In the event that the excise tax due to the Government be abolished at any time during the term of this Agreement, the corresponding percentage of such abolished excise tax shall automatically be added to the production share on gross output due to the Government.

Net mining revenue shall mean gross output less:

(a) Mining, milling, refining, transporting, handling and marketing expenses which are not deductible from gross sales;

(b) Depletion and depreciation computed for tax purposes and under incentive laws;

✓  


(c) Fifteen per centum (15%) investment allowance based on net assets which means property, plant and equipment as reflected in the audited financial statements of the contractors net of depreciation as computed for tax purposes and shall exclude appraisal increase.

8.4 Pricing of Sales - The Contractor Shall endeavor to obtain the best achievable price for its production and pay the lowest achievable marketing commission and related fees. Contractor shall seek to strike a balance between long-term and short-term sales comparable to policies followed by independent producers in the international mining industry.

The Contractor shall likewise seek a balanced distribution among consumers. Insofar as sales to Contractor's Affiliates are concerned, prices shall be at arm's length standard and competing offers for large scale and long-term contracts shall produced.

8.5 Associated Minerals - If Minerals, other than chromite are discovered in commercial quantities in the Contract Area, the value thereof shall be added to the value of the principal mineral.

## SECTION IX

### WORK PROGRAMS

9.1 Submission to Government. - Within the periods stated herein, the Contractor shall prepare and submit to the Government the Work Program and Budget for the Contract Area stating the Mining Operations which Contractor proposes to carry out 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 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 therefor. 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 fail to notify Contractor of proposed revision 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 per centum (20%) 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 unreasonably withheld.

SECTION X

RIGHTS AND OBLIGATION 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 periods 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 on 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 skills available in the Philippines, employ Filipino subcontractor's 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.

(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) Hold the Government free and harmless from all claims and accounts 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 costs incurred by the Government by reason of any such claims, accounts, demands or actions;

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

(i) 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;

(j) Allow access to exploration and production

sites and operations by inspectors authorized by the Government;

(k) Recognize and respect the rights, customs and traditions of indigenous tribal communities over their ancestral lands, if any.

(l) Contribute to national development by helping develop the host and neighboring communities of the Contract Area, local geoscience and mining technology, and mitigating Environmental effects of Mining Operations:

Development of Host and Neighboring Communities:

- i) The Contractor shall coordinate with proper authorities in providing development plans for the host and neighboring communities
- ii) 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.
- iii) 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

Development of Geoscience and Mineral Technology:

- i) 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 internationally accepted practices and standards.
- ii) 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 geoscience and mineral technology after declassification.
- iii) The Contractor shall transfer to the Government or local mining company the technology it may adopt for the exploration, development and commercial utilization of minerals in the Contract Area.

Environmental Protection and Industrial Safety:

- i) 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. An appropriate Environmental Impact Statement (EIS) must

be made according to the form prescribed by proper Government authorities and shall be required component of any of the feasibility studies of the mine. These activities must be reflected clearly in the appropriate Work Program.

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.

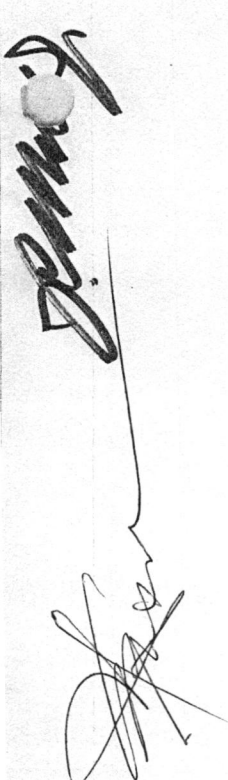
## 10.2 Rights of the Contractor -

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 the surface and easement rights.
- (c) Have the right to use and access to all declassified geological, geophysical, drilling production and other information held by the Government or Agency or enterprise thereof now or in the future, relating 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, the use of timber, water and 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:



2



(a) Ensure that Contractor has the Government's full cooperation in the exercise of the rights granted it under this Agreement;

(b) If the Contractor seeks to obtain financing contemplated herein from the banks or other financial institutions, cooperate with the Contractor in such efforts provided that such financing arrangements will in no event reduce Contractor's obligations or 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 employees 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

*[Handwritten signature]*

*[Handwritten signature]*



to settle any and all disputes or disagreements arising out of or relating to the validity, interpretation, enforceability, or performance of this Agreement before resorting to arbitration.

13.2 Any disagreement or dispute which can not 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. 876 otherwise known as the Arbitration Act.

Where substantial foreign interests are involved, the Contractor may elect within THIRTY (30) DAYS 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 where the ICC or its successor 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 per cent (50%) of the fees and expenses of the arbitrators and the costs of arbitration. Each party shall pay its own costs and attorney's fees.

#### 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 the Contractor. The Contractor may withdraw from this Agreement by giving six (6) months notice if in its business judgment, the continuation of 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 delays 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 right to terminate the Agreement. Any waiver or default shall not be construed to be a 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 in 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 tele 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 days after being deposited in the mail, airmail postage prepaid and addressed as follows:

If to the Government --

The Secretary of the Department of Environment and  
Natural Resources  
Dept. of Natural Resources Bldg.  
Visayas Avenue, Diliman, Quezon City

If to the Contractor --

Casiguran Mining Corporation  
19 Hilltop Street, Quezon City

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

#### 15.2 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 of 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 equal to the period thus involved.

(c) The Party whose ability to perform its obligations is affected (i) shall promptly give 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 best efforts to remedy such delay, except that neither Party shall be under any obligation to settle a labor dispute.

#### 15.4 Registration of Agreements

The Contractor shall cause the registration of this Agreement to the DENR Regional Office concerned within thirty (30) calendar days of its approval.

15.5 Amendments

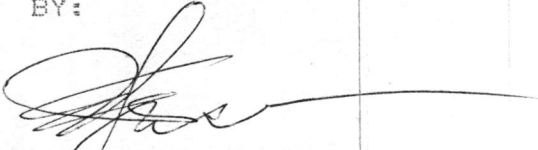
This Agreement shall not be annulled, amended or modified in any respect except by mutual consent in writing of the Parties hereof and approval of the President of the Republic of the Philippines.

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

CASIGURAN MINING CORPORATION

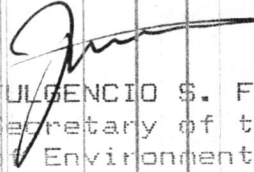
THE GOVERNMENT OF THE REPUBLIC  
OF THE PHILIPPINES

BY:



EUSEBIO R. UNSON  
President

BY:

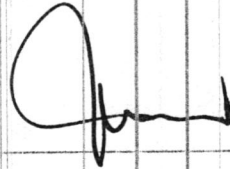


FULGENCIO S. FACTORAN, JR.  
Secretary of the Department  
of Environment and Natural  
Resources

SIGNED IN THE PRESENCE OF



---



---

ACKNOWLEDGMENT:

REPUBLIC OF THE PHILIPPINES )  
CITY OF Quezon ) S. S.

BEFORE ME, a Notary Public, for and in the City of Quezon, Philippines, personally appeared FULGENCIO S. FACTORAN, JR., with Residence Certificate No. 12811855-L, issued on January 24, 1992, at Quezon City, in his capacity as the Secretary of Environment and Natural Resources and representing the Republic of the Philippines and EUGENIO R. UNSON, with Residence Certificate No. 13088102-L issued on February 15, 1992 at Mandaluyong, Metro Manila, in his Capacity as President of Casiguran Mining Corporation, both known to me and to me known to be the same persons who executed the foregoing Agreement consisting of eighteen (18) pages, including this page where acknowledgment is written and acknowledged that the same is their free and voluntary acts and deeds of the entities herein represented.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal this 8th day of May, 1992.

*Anselmo C. Abungan*  
**ANSELMO C. ABUNGAN**  
NOTARY PUBLIC  
UNTIL DEC. 31/1992  
PTR NO. 6465 192-1/8/91 O.C

Doc. No. 885  
Page No. 171  
Book No. 1  
Series of 1992

ndd/cbr

*Factoran*  
*Unson*

**CERTIFICATE OF REGISTRATION**  
Department of Environment and Natural Resources  
**MINES AND GEOSCIENCES BUREAU**  
North Avenue, Diliman, Quezon City

The registration fee therefor having been paid, this **eighteen (18)-page** instrument was registered with this Office on **December 15, 2005** and recorded in **Book No. 2** of the **Mineral Reservation - MPSA as Document No. 3.**

Registration fee paid under **Official Receipt No. 3229767C** dated **December 15, 2005** in the amount of **P20,000.00.**

*Jeremias U. Dolino*  
**JEREMIAS U. DOLINO, CESO III**  
Assistant Secretary and Concurrent Director  
4.

*[Handwritten mark]*