

DEPT. OF ENVIRONMENT & NATURAL RES.

Office of the President
of the Philippines
Malacañang

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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

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Government in the development and utilization for commercial

from (3) copies
Agreement (MPSA)
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MALACANANG
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 7th 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

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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.

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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

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(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

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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)

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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