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FINANCIAL OR TECHNICAL ASSISTANCE AGREEMENT

This FINANCIAL OR TECHNICAL ASSISTANCE AGREEMENT (this "Agreement") is made and entered into in Quezon City, Metro Manila, Philippines, this 20th day of June, 1994, by and between:

THE REPUBLIC OF THE PHILIPPINES, represented in this act by the Office of the President at Malacanang Palace, Manila (the "GOVERNMENT");

- and -

ARIMCO MINING CORPORATION, a corporation duly organized and existing under the laws of the Philippines, with offices at Ground Floor, Smith Bell Building, 2294 Pasong Tamo Extension, Makati, Metro Manila and represented in this act by its President, MR. BRYCE ROXBURGH, as authorized by its Board under Annex "A" which forms an integral part hereof (the "CONTRACTOR").

W I T N E S S E T H :

WHEREAS, the mining claims included within the Exploration Contract Area are mining claims registered under Presidential Decree No. 463 (P.D. 463) before the 1987 Constitution, over which the CONTRACTOR has derived certain rights, together with certain other rights in the surrounding areas, through a Memorandum of Agreement dated November 19, 1990 and registered with the Region 2 Office of the Department of Environment and Natural Resources, Tuguegarao on June 3, 1991 and Addendum dated March 9, 1991, registered with the Region 2 Office of the Department of Environment and Natural Resources, Tuguegarao on April 23, 1991, and are attached hereto as Annexes E and F respectively;

✓ 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;

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

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Filipino citizens, or corporations or associations at least sixty per centum of whose capital is owned by such citizens;

WHEREAS, the Constitution further provides that the President may enter into agreement with foreign-owned corporations involving either technical or financial assistance for large-scale exploration, development, and utilization of minerals, petroleum, and other mineral oils according to the general terms and conditions provided by law, based on real contributions to the economic growth and general welfare of the country;

WHEREAS, by Executive Order No. 279 issued on July 25, 1987, the Secretary of the Department of Environment and Natural Resources is authorized to accept, consider and evaluate proposals for contracts or agreements involving either technical or financial assistance for large-scale exploration, development, and utilization of minerals, which, upon appropriate recommendation of the Secretary, the President may execute with the foreign proponent;

WHEREAS, DENR Administrative Order No. 63, Series of 1991 provides for the Guidelines for the Acceptance, Consideration and Evaluation of Financial or Technical Assistance Agreement Proposals;

WHEREAS, CONTRACTOR is owned and controlled by Climax Mining Ltd., a publicly listed Australian mining company and its related corporations under Australian laws which have exploration teams responsible for numerous successful discoveries of gold copper orebodies in various parts of the world;

WHEREAS, CONTRACTOR is willing and able to finance the high risk exploration of certain mining claims and areas located in remote places within the provinces of Nueva Viscaya and Quirino on the basis that the rewards for mining any possible ores located in the Exploration Contract Area hereinafter defined will be shared with the GOVERNMENT according to the terms and conditions of either this Agreement or the mineral production sharing agreement which will be entered into by the CONTRACTOR with the GOVERNMENT;

WHEREAS, CONTRACTOR is bound to comply with all of its obligations under the Memorandum of Agreement dated November 19, 1990 and the Addendum dated March 9, 1991;

WHEREAS, the claims and areas covered in the Exploration Contract Area include P.D. 463 mining claims which are covered by declarations of location, mining claims which have been surveyed and mining claims over which mining lease applications have been filed and which have been duly published and without any adverse claims having been lodged, together with certain public lands where mineral rights are owned by the GOVERNMENT;

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WHEREAS, CONTRACTOR desires to join and assist the GOVERNMENT in the subsequent development and exploitation for commercial purposes of the mineral deposits that may be found in the Mining Area hereinafter defined, and any other Minerals which may be recovered in such Mining Area;

WHEREAS, the GOVERNMENT is assuming certain rights over the mining claims presently held by the Addendum Claimowners and Other Claimowners included within the Exploration Contract Area and subsequently may be included in the Mining Area, and the GOVERNMENT, as the subsequent holder of interest therein, subject to certain reversionary rights in favor of the Addendum Claimowners and the Other Claimowners as hereinafter provided, has entered into this Agreement with the CONTRACTOR;

WHEREAS, the GOVERNMENT is willing to reduce its share due under this Agreement by the amount of royalties and interests payable to the Addendum Claimowners;

WHEREAS, CONTRACTOR has available to it the capital, technical competence and professional skills necessary to carry out the Mineral Exploration hereinafter defined, and the Mining Operations hereinafter described;

WHEREAS, the GOVERNMENT desires to avail itself of the financial resources, technical competence and professional skills which CONTRACTOR is capable of applying to the Mineral Exploration and the Mining Operations of the project contemplated herein.

NOW, THEREFORE, for and in consideration of the foregoing premises and of the mutual covenants, terms and conditions hereinafter set forth, the parties have agreed as follows:

SECTION I

SCOPE

- 1.1 This Agreement is a financial or technical assistance agreement entered into pursuant to Executive Order No. 279 and DENR Administrative Order No. 63, Series of 1991. The primary purpose of this Agreement is to provide for the Mineral Exploration of the Exploration Contract Area hereinafter described and, if the circumstances justify, the subsequent large-scale development and commercial utilization of the mineral deposits existing within the Mining 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, in pursuing this Agreement, will invest in the Mining Area a minimum of FIFTY MILLION DOLLARS in United States currency (US\$50,000,000.00). This commitment, however, is without prejudice to the right of the CONTRACTOR to terminate this Agreement under

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such terms and conditions provided in Section 19.3 hereof. The CONTRACTOR shall not, by virtue of this Agreement, acquire any title to lands encompassed within the Exploration Contract Area and the Mining Area.

- 1.2 The CONTRACTOR shall be responsible to the GOVERNMENT for the conduct of the Mineral Exploration and the subsequent Mining Operations in accordance with the provisions of this Agreement, and is hereby appointed and constituted the exclusive party to conduct the Mineral Exploration in the Exploration Contract Area hereinafter described and the subsequent Mining Operations in the Mining Area hereinafter described without prejudice to its rights of substitution as provided for in Section XVIII of this Agreement.
- 1.3 The CONTRACTOR shall assume all risks which are inherent and incidental to the Mineral Exploration and the subsequent Mining Operations contemplated hereunder such that if no Minerals in commercial quantity are developed and produced, it will not be entitled for reimbursement.
- 1.4 The CONTRACTOR shall have the exclusive right to mine market, dispose or alienate the mineral products that may be found therein or may be produced therefrom as may be permitted under the terms of this Agreement.
- 1.5 During the term of this Agreement the 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 XI 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 "Addendum" means that agreement executed by and among Jorge G. Gonzales, Geophilippines, Inc., Inmex Ltd., Aumex Philippines, Inc. and Arimco Mining Corporation, dated March 9, 1991, registered with the Region 2 Office of the Department of Environment and Natural Resources, Tuguegarao on April 23, 1991, covering the area of influence within the following latitudes and longitudes:

Northern Boundary latitude 16° 22 minutes 30 seconds
 Eastern Boundary longitude 121° 30 minutes 0 seconds

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Southern Boundary latitude 16^o 17 minutes 0 seconds
 Western Boundary longitude 121^o 23 minutes 0 seconds

The agreement referred to in this Section is attached hereto as Annex F.

- 2.2 "Addendum Claimowners" means Jorge G. Gonzales for himself and on behalf of Jerome P. Deloso and David G. Gonzales, who are entitled to a free equity entitlement of eight percent (8%) of any operating entity established over the Properties as defined in the Addendum, that shall be formed by the CONTRACTOR pursuant to Section 13.3(a) of this Agreement and to the royalty of two percent (2%) of net smelter return, as hereinafter defined.
- APM 2.3 "Affiliates" means any corporation or business entity which directly or indirectly controls, is controlled by or is under common control with the CONTRACTOR. For the purpose of the preceding sentence, the meaning of the word "control" shall include, but not necessarily be limited to, ownership of forty percent (40%) or more of the voting share capital of such corporation or an ownership interest of forty percent (40%) or more in such other business entity.
- 2.4 "Agreement" means this Financial or Technical Assistance Agreement.
- 2.5 "Associated Minerals" means ore minerals which occur together with the principal ore mineral.
- 2.6 "Budget" means an estimate of expenditures to be made by the CONTRACTOR in the Mineral Exploration or in the Mining Operations contemplated hereunder to accomplish the Work Program for each particular period.
- 2.7 "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.
- 2.8 "Capital" means capital equipment purchased or procured by the CONTRACTOR for carrying out the Mineral Exploration and Mining Operations under this Agreement.
- 2.9 "Central Bank" means the Central Bank of the Republic of the Philippines.
- 2.10 "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 copper, gold and silver ore required to test and/or develop a processing system or supply a pilot plant used for such testing shall

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not be considered in the determination of Commercial Production.

- 2.11 "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.
- 2.12 "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.
- 2.13 "CONTRACTOR" means Arimco Mining Corporation and its assignee or assignees of any interest under this Agreement provided such assignment of any such interest is accomplished pursuant to the provisions hereof.
- 2.14 "Date of Commencement of Commercial Production" shall mean the first day of the calendar quarter following the quarter in which production equals fifteen percent (15%) of the project's initial annual design capacity as outlined in the Declaration of Mining Feasibility as hereinafter defined.
- 2.15 "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, as required to be submitted by the CONTRACTOR under Section VII of this Agreement.
- 2.16 "DENR Administrative Order No. 63, Series of 1991" means the Guidelines for the Acceptance, Consideration and Evaluation of Financial or Technical Assistance Agreement Proposals issued by the Department of Environment and Natural Resources.
- 2.17 "Effective Date" means the date of approval of this Agreement by the President of the Philippines.
- 2.18 "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.

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- 2.19 "Executive Order" means that certain order of the President of the Philippines issued on July 25, 1987 and known as Executive Order No. 279.
- 2.20 "Exploration Contract Area" means the area within the jurisdiction of the Republic of the Philippines which is the subject of the CONTRACTOR's Mineral Exploration and more particularly defined in Section IV of this Agreement.
- 2.21 "Exploration Period" means the period of five (5) Contract Years from and after the Effective Date of this Agreement and including the earlier of (a) the date of the Declaration of Mining Feasibility or (b) completion of five (5) Contract Years from the Effective Date, with further extensions based on justifiable grounds upon such terms and conditions as may mutually be agreed upon by the CONTRACTOR and the Secretary.
- 2.22 "Force Majeure" means acts or circumstances beyond the reasonable control of the Party to this Agreement affected thereby, including, without limitation, war, whether declared or not, rebellion, insurrection, riots, civil disturbance, blockade, sabotage, embargo, strike, lockout, any disputes with the surface owners and other labor disputes, 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 of machinery having a major effect on the operations, and any cause (whether or not of the kind hereinabove described) over which the affected party has no reasonable control, including loss of market, legal conflicts, delays in obtaining approvals of GOVERNMENT agencies or entities for financial loans needed by the CONTRACTOR for the prosecution of this Agreement and which is of such a nature as to delay, curtail or prevent timely action by the party affected, provided, however, that any delay or failure in securing financial loans needed by CONTRACTOR for the prosecution of its obligations under this Agreement which is not attributable to the delay or failure in obtaining the approval therefor from GOVERNMENT agencies or entities shall not in any case constitute Force Majeure.
- 2.23 "Foreign Exchange" means any currency other than that of the Republic of the Philippines acceptable to the GOVERNMENT and the CONTRACTOR.
- 2.24 "GOVERNMENT" means the Government of the Republic of the Philippines.
- 2.25 "Gross Mining Revenues" means the realization from the sale of production after the deduction of freight, insurance, smelting and refining charges.
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- 2.26 "Memorandum of Agreement" means that agreement executed by and among Arimco Mining Corporation, Aumex Phils. Inc., Inmex Ltd., Geophilippines, Inc. and Philippine Integrated Resource Holdings Inc. dated November 19, 1990, and registered with the Region 2 Office of the Department of Environment and Natural Resources, Tuguegarao on June 3, 1991.
- 2.27 "Milling" refers to the process of transforming the ore into a marketable or transportable form including crushing, grinding the ore and floating and/or concentrating the ore minerals.
- 2.28 "Mine Development" refers to steps necessarily taken to reach an orebody or mineral deposit so that it can be mined.
- 2.29 "Minerals" means all naturally occurring inorganic substances in solid, liquid, or any intermediate state.
- 2.30 "Mineral Exploration" means the examination and investigation of lands and offshore areas supposed to contain valuable minerals by drilling, trenching, shaft sinking, tunnelling, test pitting and other means, for the purpose of probing the presence of Mineral deposits and the extent thereof.
- 2.31 "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.
- 2.32 "Mining Area" means that portion of the Exploration Contract Area delineated for mine development and production as specified in the Declaration of Mining Feasibility as prepared by the CONTRACTOR under Section VII of this Agreement.
- 2.33 "Mining Operations" means mineral exploration, development, production, including mining and milling, and any processes necessary to produce a saleable concentrate or dore and all other operations necessary to discover, develop and extract minerals.
- 2.34 "Net Smelter Returns" means the gross income received by the Operating Vehicle established over the Properties (as the term "Operating Vehicle" and "Properties" are defined in the Addendum dated March 9, 1991 and attached hereto as Annex F) from the sale of any and all concentrates, metals or valuable products transported from the mine to a smelter, refinery or any other similar refining plant or sold in the form in which it is produced at the mine less as applicable:

(1) The cost of processing at the smelter, refinery or any other similar refining plant.

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(2) The cost of freight from the mines to the smelter, refinery or other similar refining plant or if the product is sold in the form that it is produced at the mine to the place at which it is sold.

(3) Marketing costs.

(4) Insurance costs.

(5) Agency commission, if any.

(6) Any surveying, supervision or other such costs as may be necessary at and between the mine and the point of destination.

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

2.36 "Operating Entity" means any entity or entities which may be structured and organized by the CONTRACTOR after completion of a bankable feasibility study to undertake the management development, mining and processing of ores on the properties mentioned in the Addendum or other areas within the Exploration Contract Area, as herein defined, and the marketing of the products.

2.37 "Ore" means mineral or rock extracted for profit.

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

2.39 "Other Claimowners" means persons from which the CONTRACTOR originally derived certain rights to part of the Exploration Contract Area and include Geophilippines, Inc. and Philippine Integrated Resource Holdings, Inc., whose rights have all or partly been passed on to Aumex Philippines, Inc., except the Addendum Claimowners as earlier defined. The operative documents evidencing the derivation of these rights by the CONTRACTOR from the Other Claimowners are the Memorandum of Agreement dated November 19, 1990 and registered with the Region 2 Office of the Department of Environment and Natural Resources, Tuquegarao on June 3, 1991 and the Addendum dated March 9, 1991, registered with the Region 2 Office of the Department of Environment and Natural Resources, Tuquegarao on April 23, 1991, and are attached hereto as Annexes E and F respectively.

2.40 "Qualified Entity" means any entity that the CONTRACTOR shall organize that is qualified under the laws existing at the time of its application to apply and hold a mineral production sharing agreement with the GOVERNMENT as contemplated under Executive Order No.

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279 and the 1987 Constitution.

2.41 "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 which 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.

2.42 "Preoperating Expenses" shall include all costs incurred by the CONTRACTOR and any of its Affiliates on the Exploration Contract Area or Mining Area under this Agreement up to the Date of Commencement of Commercial Production.

Such costs shall include all activities conducted toward the discovery, location and delineation of commercial ore bodies within the Exploration Contract Area, including without limitation:

- (i) payments made to Addendum Claimowners and landowners;
- (ii) all Mineral Exploration programs;
- (iii) all Mineral Exploration expenditures, obligations and work conducted from January 1990 (the time the proposal of the CONTRACTOR was first presented to the Mines and Geo-sciences Bureau) as specifically referred to in Section 5.2 of this Agreement;
- (iv) the acquisition, maintenance and administration of any mining or exploration tenements;
- (v) the establishment and administration of field offices;
- (vi) the cost of administering any Work Program together with any other work reasonably calculated to lead to a decision to mine together with all costs incurred in financing and insuring construction of the mine, including interest on any loans payable either within the Philippines provided that the total loans incurred by the CONTRACTOR within the Philippines do not exceed 20% of the CONTRACTOR's total expenditures or such larger amount as may be approved by the Central Bank or the relevant GOVERNMENT authority or outside of the Philippines that are incurred to finance the development of the Mining Area, up to and including the final interest payments on any loans required to finance the construction of the project, notwithstanding that such interest payments may relate to loan capital outstanding after the Date of Commencement of Commercial Production but excluding any interest on any loans that are incurred for Mineral Exploration purposes;
- (vii) feasibility studies;

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(viii) all costs of constructing and developing the mine, including Capital and Property as hereinafter defined;

(ix) all Mining Operations costs incurred at the mine towards the extraction and production of Minerals or Mineral Products until the Date of Commencement of Commercial Production less:

(a) any income received in payment for production until the Date of Commencement of Commercial Production, and

(b) any other credits offsetting the above costs.

2.43 "Project Area" means the Provinces of Nueva Viscaya and Quirino where the Exploration Contract Area is located;

2.44 "Property" means any asset purchased or acquired, installed or built by the CONTRACTOR which has the following attributes: (a) has an estimated useful life of more than one year; (b) is used in the operations of the CONTRACTOR under this Agreement; and (c) is not intended for sale in the ordinary course of business.

The term "Property" shall include, though not necessarily limited to, roads, piers, dams and other improvements which the CONTRACTOR has built, purchased, acquired or installed pursuant to this Agreement and shall cover both those located within and without the Exploration Contract Area, and also that purchased and held in trust for the CONTRACTOR by the GOVERNMENT.

2.45 "Related Corporation" shall mean a body corporate or other entity in which the CONTRACTOR owns an interest in excess of forty percent (40%).

2.46 "Secretary" means the Secretary of the Department of Environment and Natural Resources.

2.47 "Work Program" means a document which presents the plan of major mining activities and the corresponding expenditures and Budget of the CONTRACTOR in the Exploration Contract Area or in the Mining 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.

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