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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° 17 minutes 0 seconds
 Western Boundary longitude 121° 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 hereinbefore 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, Tuguegarao 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, Tuguegarao 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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SECTION III

TERM OF AGREEMENT

3.1 The initial term of this Agreement shall be twenty-five (25) Contract Years from the Effective Date renewable for another period of twenty-five (25) years under the same terms and conditions. The term of this Agreement shall be divided into the following periods:

(a) Exploration Period - This shall be for a 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.

(b) Construction, Development and Production Period - This shall be for the remaining period of this Agreement after expiry of the Exploration Period.

SECTION IV

EXPLORATION CONTRACT AREA

4.1 Size and Shape of Area. This Agreement covers 123 number of claims and 27,000 hectares of public lands belonging to the GOVERNMENT with a total approximate area of 37,000 hectares as shown in Annex "B" located in the Provinces of Nueva Viscaya and Quirino. The specific size and shape of the Exploration Contract Area in the map are shown in Annex "B" attached hereto and which is made an integral part of this Agreement.

4.2 Technical Description with Corresponding Geographic Coordinates. The external boundaries of the block of claims are marked by the following geographical coordinates. Point numbers listed refer to point numbers on the Didipio Claim Map (Annex B).

Commencing at point	1	located at	16°21'00" N Lat,	121°20'00" E Long;
thence east to Point	2	located at	16°21'00" N Lat,	121°22'00" E Long;
thence north to Point	3	located at	16°24'30" N Lat,	121°22'00" E Long;
thence east to Point	4	located at	16°24'30" N Lat,	121°26'30" E Long;
thence south to Point	5	located at	16°23'00" N Lat,	121°26'30" E Long;
thence east to Point	6	located at	16°23'00" N Lat,	121°33'30" E Long;
thence north to Point	7	located at	16°24'00" N Lat,	121°33'30" E Long;
thence east to Point	8	located at	16°24'00" N Lat,	121°34'00" E Long;

thence north to Point 9 located at 16°25'30" N Lat, 121°34'00" E Long;
 thence east to Point 10 located at 16°25'30" N Lat, 121°37'00" E Long;
 thence south to Point 11 located at 16°23'30" N Lat, 121°37'00" E Long;
 thence west to Point 12 located at 16°23'30" N Lat, 121°34'00" E Long;
 thence south to Point 13 located at 16°21'00" N Lat, 121°34'00" E Long;
 thence east to Point 14 located at 16°21'00" N Lat, 121°35'00" E Long;
 thence south to Point 15 located at 16°19'30" N Lat, 121°35'00" E Long;
 thence west to Point 16 located at 16°19'30" N Lat, 121°33'00" E Long;
 thence south to Point 17 located at 16°16'00" N Lat, 121°33'00" E Long;
 thence west to Point 18 located at 16°16'00" N Lat, 121°32'00" E Long;
 thence south to Point 19 located at 16°14'00" N Lat, 121°32'00" E Long;
 thence west to Point 20 located at 16°14'00" N Lat, 121°29'30" E Long;
 thence north to Point 21 located at 16°15'30" N Lat, 121°29'30" E Long;
 thence west to Point 22 located at 16°15'30" N Lat, 121°29'00" E Long;
 thence north to Point 23 located at 16°16'30" N Lat, 121°29'00" E Long;
 thence west to Point 24 located at 16°16'30" N Lat, 121°28'00" E Long;
 thence north to Point 25 located at 16°17'30" N Lat, 121°28'00" E Long;
 thence west to Point 26 located at 16°17'30" N Lat, 121°24'00" E Long;
 thence north to Point 27 located at 16°20'00" N Lat, 121°24'00" E Long;
 thence west to Point 28 located at 16°20'00" N Lat, 121°22'00" E Long;
 thence south to Point 29 located at 16°19'00" N Lat, 121°22'00" E Long;
 thence west to Point 30 located at 16°19'00" N Lat, 121°19'30" E Long;
 thence south to Point 31 located at 16°16'30" N Lat, 121°19'30" E Long;
 thence west to Point 32 located at 16°16'30" N Lat, 121°17'00" E Long;
 thence north to Point 33 located at 16°17'30" N Lat, 121°17'00" E Long;
 thence west to Point 34 located at 16°17'30" N Lat, 121°14'00" E Long;
 thence north to Point 35 located at 16°18'30" N Lat, 121°14'00" E Long;
 thence west to Point 36 located at 16°18'30" N Lat, 121°13'30" E Long;
 thence north to Point 37 located at 16°20'00" N Lat, 121°13'30" E Long;
 thence west to Point 38 located at 16°20'00" N Lat, 121°13'00" E Long;
 thence north to Point 39 located at 16°21'30" N Lat, 121°13'00" E Long;
 thence east to Point 40 located at 16°21'30" N Lat, 121°14'00" E Long;
 thence north to Point 41 located at 16°22'00" N Lat, 121°14'00" E Long;
 thence east to Point 42 located at 16°22'00" N Lat, 121°14'30" E Long;
 thence north to Point 43 located at 16°22'30" N Lat, 121°14'30" E Long;
 thence east to Point 44 located at 16°22'30" N Lat, 121°15'00" E Long;
 thence south to Point 45 located at 16°22'00" N Lat, 121°15'00" E Long;
 thence east to Point 46 located at 16°22'00" N Lat, 121°15'30" E Long;
 thence south to Point 47 located at 16°21'30" N Lat, 121°15'30" E Long;
 thence east to Point 48 located at 16°21'30" N Lat, 121°16'00" E Long;
 thence south to Point 49 located at 16°21'00" N Lat, 121°16'00" E Long;
 thence east to Point 50 located at 16°21'00" N Lat, 121°16'30" E Long;
 thence south to Point 51 located at 16°20'30" N Lat, 121°16'30" E Long;
 thence east to Point 52 located at 16°20'30" N Lat, 121°18'00" E Long;
 thence south to Point 53 located at 16°20'00" N Lat, 121°18'00" E Long;
 thence east to Point 54 located at 16°20'00" N Lat, 121°20'00" E Long;
 thence north to Point 1, the point of commencement.

- 4.3 Forest Reserves. Forest reserves within the Exploration Contract Area as defined above shall effectively become part of the Exploration Contract Area subject to and only after the necessary approval of or consent by the appropriate government agency of their inclusion in the Exploration Contract Area.

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SECTION V

EXPLORATION PROGRAMMES AND BUDGETS

5.1 Timetable for Exploration. CONTRACTOR shall commence Mineral Exploration hereunder not later than three (3) months after the Effective Date.

5.2 Work Programme and Budgets

(a) The CONTRACTOR shall strictly comply with the Mineral Exploration Work Program submitted to and approved by the GOVERNMENT. A copy of the Mineral Exploration Work Program is attached hereto as Annex "C".

(b) The amount to be spent by CONTRACTOR in conducting Mineral Exploration 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	US\$ 200,000
Second Contract Year	US\$ 400,000
Third Contract Year	US\$ 600,000
Fourth Contract Year	US\$ 800,000
Fifth Contract Year	US\$1,000,000

All peso expenditures shall be converted to US dollars at the average rate for the month in which the expenditure was incurred.

(c) 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 subject to paragraph (d) below.

(d) 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 during the succeeding Contract Years; and should the 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.

All Mineral Exploration expenditures may be accelerated and credited towards later requirements. All Mineral

Exploration expenditures obligations and work conducted from January 1990 (the time the proposal was first presented by the CONTRACTOR to the Mines and Geo-sciences Bureau) shall be credited towards future expenditure obligations and program requirements called for by this Agreement or the mineral production sharing agreement, in the form of Annex "D" attached hereto, which the CONTRACTOR may opt to enter into.

SECTION VI

FEEES AND REPORTING

6.1 Occupation Fee. During the Exploration Period, the CONTRACTOR shall pay within thirty (30) days from the Effective Date an occupation fee at the rate of P10.00 per hectare and by the anniversary date of such registration thereafter for the exclusive mining rights over the Exploration Contract Area or Mining Area for the ensuing year thereafter.

No occupation fees shall be due from the CONTRACTOR for forest reserves which have not effectively become part of the Exploration Contract Area or Mining Area as specifically provided for in Section 4.3 of this Agreement.

Occupation fees paid to the GOVERNMENT shall be subject to refund or credit against the succeeding year's occupation fees payable if the Contract Area for which they were paid for has been subsequently subject to relinquishment as provided for in Section 7.2 of this Agreement. The refund or credit shall be proportionate to the area relinquished and to the remaining period of the year when the occupation fees become subject to refund or credit.

Any prepaid occupation fees paid by or for the Addendum Claimowners and Other Claimowners covering the Exploration Contract Area or the Mining Area shall be credited towards the occupation fees required to be paid by CONTRACTOR under this Agreement, insofar as applicable and appropriate in any given year.

6.2 Regulatory Fees. There shall be due the GOVERNMENT for regulatory purposes the following fees during the Exploration Period:

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

Second and subsequent years - the amount per hectare for the initial year plus a yearly increment of Five Pesos (P5.00) over the area to be retained pursuant to Section 7.2 of this Agreement.

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No regulatory fees shall be due from the CONTRACTOR for forest reserves which have not effectively become part of the Exploration Contract Area as specifically provided for in Section 4.3 of this Agreement.

The regulatory fees shall be paid to the DENR Regional Office concerned within thirty (30) days from the Effective Date and by the anniversary date of such registration thereafter.

Regulatory fees paid to the GOVERNMENT shall be subject to refund or credit against the succeeding year's regulatory fees payable if the Contract Area for which they were paid for has been subsequently subject to relinquishment as provided for in Section 7.2 of this Agreement. The refund or credit shall be proportionate to the area relinquished and to the remaining period of the year when the regulatory fees become subject to refund or credit.

6.3 Reporting.

(a) Annual Report. During the Exploration Period, CONTRACTOR shall supply to the Government through the Secretary, copy furnished the Director of the Mines & Geosciences Bureau, all geological, geophysical, radiometric and other information relating to the Exploration Contract 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 Mineral Exploration. All such information shall be confidential, subject to the provisions elsewhere provided herein.

(b) Final Report. The CONTRACTOR shall submit to the Government through the Secretary, copy furnished the Director of the Mines and Geosciences Bureau, a final report within six (6) months from the expiration of the Exploration Period which shall be in the form and substance comparable to published professional reports of respected international institutions and shall incorporate all the findings in the Exploration 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.

(c) Confidentiality. The information and reports submitted by the CONTRACTOR pursuant to paragraphs (a) and (b) of this Section shall be subject to Section 13.5(f) of this Agreement governing confidentiality.

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SECTION VII

FEASIBILITY STUDY AND RELINQUISHMENT

7.1 Mining Feasibility. During the Exploration Period, the CONTRACTOR shall conduct feasibility studies for any part of the Exploration Contract Area as may be warranted. At anytime prior to six (6) months from the expiration of the Exploration Period, the CONTRACTOR, if it elects to transform the Exploration Contract Area into a Mining Area as provided in Section VIII of this Agreement, shall submit a Declaration of Mining Feasibility with a Work Program and Budget for development for the next succeeding three (3) years indicating therein the Mining Area. Areas not delineated as part of the Mining Area shall be relinquished pursuant to the following section.

Failure of the CONTRACTOR to submit a Declaration of Mining Feasibility within the prescribed period shall be considered a waiver of the CONTRACTOR's right to transform the Exploration Contract Area into a Mining Area as provided in Section VIII of this Agreement.

7.2 Relinquishment. The maximum area in the Project Area shall be subject to relinquishment to the extent of ninety-five percent (95%) of the Exploration Contract Area after five (5) years of Mineral Exploration or such larger area as the Secretary may approve, provided, that the minimum relinquishment per year shall average ten percent (10%) of the Exploration Contract Area at any one time and provided further that the maximum retained area at the conclusion of the Exploration Period shall be 5,000 hectares or 62 meridional blocks or such larger area as the Secretary may approve. If the area relinquished in any Contract Year is in excess of the required ten percent (10%) to be relinquished in that Contract Year, the CONTRACTOR can credit the excess area relinquished to the area required to be relinquished in the succeeding Contract Year(s). The areas to be relinquished shall be selected by the CONTRACTOR at its discretion and for this reason, the CONTRACTOR's retained area after relinquishment need not be one contiguous block.

Such part of the Project Area as relinquished above shall revert to the Addendum Claimowners and the Other Claimowners, and the said Addendum Claimowners and the Other Claimowners shall have preferential rights over the area relinquished, provided, that within thirty (30) days from notification of relinquishment by the CONTRACTOR, they shall signify their intention to enter

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into a mining contract with the GOVERNMENT and shall submit within sixty (60) days from receipt by the GOVERNMENT of such notice of intention all documents necessary for application for a specific mining contract.

SECTION VIII

ELECTION TO TRANSFORM THE EXPLORATION CONTRACT AREA INTO A MINING AREA

8.1. Timetable for Election. The CONTRACTOR, at anytime during the Exploration Period and within a period of six (6) months from the expiration of the Exploration Period, may, at its election:

(a) transform the Exploration Contract Area into a Mining Area and choose to continue to be governed by the terms and conditions of this Agreement; or

(b) subject to pertinent laws, rules, and regulations on maximum allowable areas for exploration, development, and utilization, transform the Exploration Contract Area under this Agreement into a Mining Area under a mineral production sharing agreement, in the form of Annex "D" attached hereto (otherwise known as the "First Right of Conversion into a Mineral Production Sharing Agreement").

However, if the CONTRACTOR locates or discovers discrete, self-standing ore bodies within the Exploration Contract Area, other than that covered in the first paragraph of this Section 8.1, it shall have an option to enter into a separate mineral production sharing agreement or a financial or technical assistance agreement under the same terms and conditions of this Agreement or Annex "D" hereto in the case of mineral production sharing agreement over the area encompassing the same.

8.2 Notice of Conversion. The CONTRACTOR shall notify the GOVERNMENT in writing within thirty (30) days from the date it has passed the appropriate corporate board resolution of its intention to convert to a mineral production sharing agreement in the form of Annex "D" hereto.

8.3 Revisions due to Conversion. All revisions suggested and desired by the CONTRACTOR to Annex "D" hereto shall be submitted to the GOVERNMENT within sixty (60) days from filing of the CONTRACTOR's intention to convert to a mineral production sharing agreement. Revisions to Annex "D" shall be binding only when put into writing and signed by both the GOVERNMENT and the CONTRACTOR.

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8.4 Equity Requirement. In case the CONTRACTOR elects to transform its Exploration Contract Area into a Mining Area under a mineral production sharing agreement in the form of Annex "D" hereto, the CONTRACTOR shall be given a period of one (1) year within which to satisfy the equity requirement of sixty percent (60%) Filipino capital for such type of agreement or such lesser equity requirement as may be imposed by law at the time of such conversion, subject to an extension of one (1) year as may be approved by the Secretary taking into consideration the relevant economic factors.

8.5 Second Right of Conversion into a Mineral Production Sharing Agreement.

(a) Notwithstanding that the CONTRACTOR has elected to continue to be governed by the terms of this Agreement pursuant to Section 8.1(a) above, should the CONTRACTOR or any of its assignee, whether Affiliates, Related Corporation or any other entity recognized by law, at anytime during the effectivity of this Agreement, be a Qualified Entity, it may opt to convert this Agreement to a mineral production sharing agreement envisioned under Executive Order No. 279 and more particularly in the form of Annex "D" attached hereto.

(b) Should at anytime during the effectivity of this Agreement, the conditions mentioned in (a) above occur, then the CONTRACTOR should within thirty (30) days from the occurrence of such conditions serve notice to the GOVERNMENT that it wants to exercise its option to convert this Agreement to a mineral production sharing agreement in the form of Annex "D" attached hereto (the "Conversion Notice").

(c) All revisions to Annex "D" required or may be necessary, shall be submitted to the GOVERNMENT within sixty (60) days from the service of the Conversion Notice by the CONTRACTOR to the GOVERNMENT.

Amendments of Annex "D" mentioned above shall be binding only when put into writing and signed by both the GOVERNMENT and the CONTRACTOR.

SECTION IX

DEVELOPMENT AND CONSTRUCTION PERIOD

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

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- 9.2 Work Program and Budget. The CONTRACTOR shall develop and construct the production facilities in the Mining Area in accordance with the Work Program included in the Declaration of Mining Feasibility referred to in Section 7.1 of this Agreement, spending at least US\$50,000,000 less any amount of Exploration expenditures it has already spent.
- 9.3 Reporting.
- (a) Annual. The CONTRACTOR shall submit to the Government, through the Secretary, copy furnished the Director of the Mines and Geosciences Bureau, 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 analyses and progress geological and similar reports during the development and construction period. A copy of the proposed budget and expenditures during the construction period will be included in the Work Program submitted with the Declaration of Mining Feasibility referred to in Section 7.1 of this Agreement.
- (b) Final Report. Within six (6) months from the completion of the development and construction activities, the CONTRACTOR shall submit to the Government, through the Secretary, copy furnished the Director of the Mines and Geosciences Bureau, 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.
- 9.4 Confidentiality. The information and reports submitted by the CONTRACTOR pursuant to Sections 9.2 and 9.3 shall be subject to Section 13.5(f) of this Agreement governing confidentiality.

SECTION X

PRODUCTION PERIOD

- 10.1 Timetable. The CONTRACTOR shall submit to the Government, through the Secretary, copy furnished the Director of the Mines and Geosciences Bureau, within thirty (30) days from the completion of the construction facilities a Work Program for a period of three (3) years. The CONTRACTOR shall commence Commercial Production according to the period(s) specified in the approved Work Program and the CONTRACTOR shall advise the Government within fifteen (15) days therefrom that Commercial Production has commenced. Failure of the CONTRACTOR to commence Commercial Production within the period, except as may be excused by Force Majeure as

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stated in Section 20.4 hereof or other justifiable causes, shall be considered a substantial breach of this Agreement.

- 10.2 Work Programs. During the production period, the CONTRACTOR shall submit to the Government, through the Secretary, copy furnished the Director of the Mines and Geosciences Bureau, Work Programs covering a period of three (3) years each which shall be submitted not later than thirty (30) days before the expiration of the period covered by the previous Work Programs.

The CONTRACTOR shall conduct Mining Operations and other activities for the duration of the Production Period in accordance with the duly approved Work Programs and any modification thereof approved by the Secretary pursuant to Section XII hereof.

The CONTRACTOR, notwithstanding the foregoing, may suspend its Mining Operations and compliance with the Work Programs if at its discretion it is commercially unviable to proceed with the said Mining Operations for the time being, such as when the costs of production exceed the realizations from the same, the later calculated at spot prices. Under this situation, the CONTRACTOR shall have the rights and obligations provided by Section 20.4 of this Agreement, as if this event was Force Majeure.

10.3 Reporting.

(a) Quarterly Reports. Beginning with the first Calendar Quarter following the commencement of the production period, the CONTRACTOR shall submit to the Government, through the Secretary, copy furnished the Director of the Mines and Geosciences Bureau, 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, values, destination of sales or exports and to whom sold, terms of sales and expenditures. The purchaser destination and terms of sale shall be provided by the CONTRACTOR under the provision of Section 13.3(g).

(b) Annual Reports. During the Production Period, the CONTRACTOR shall submit to the Government, through the Secretary, copy furnished the Director of the Mines and Geosciences Bureau, 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

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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, 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 of the terms at which they were disposed. The purchaser, destination and terms of sale shall be provided by the CONTRACTOR under the provision of Section 13.3(g);

(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 exploitation 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.

- 10.4 Expansions and Modifications of Facilities. The CONTRACTOR may make expansions, major modifications and improvements of the mining facilities and may add new facilities as it shall consider necessary for the operations, provided such plans shall be embodied in an appropriate Work Program approved by the Secretary pursuant to Section XII hereof.

Repairs and replacements shall not be considered as an expansion, modification or improvement as contemplated above.

- 10.5 Confidentiality. The information and reports submitted by the CONTRACTOR pursuant to this Section X shall be subject to Section 13.5(g) of this Agreement governing confidentiality.

SECTION XI

FISCAL REGIME

- 11.1 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 exploitation 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 internationally and domestically in

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the industry and any special efficiency to be gained by particularly good performance of the CONTRACTOR.

The CONTRACTOR may negotiate, with the assistance of the Department of Environment and Natural Resources, with the Board of Investments for incentives, including the appropriate legislation, to be extended to it so that the return to the CONTRACTOR should be no less than the return had the CONTRACTOR been registered with the Board of Investments as a non-pioneer enterprise with appropriate incentives operating under a mineral production sharing regime.

Furthermore, the Department of Environment and Natural Resources, exerting its best efforts, shall assist the CONTRACTOR in negotiations with the Board of Investments and all other relevant agencies and instrumentalities of the GOVERNMENT for corporate tax and other tax and duty holiday or other incentives, including the appropriate legislation, consistent with this Agreement, particularly during the five-year period for recovery of Preoperating Expenses as provided for in Section 11.2 hereof.

Moreover, the Department of Environment and Natural Resources undertakes to facilitate the CONTRACTOR's prompt repatriation of the Preoperating Expenses and Property expenses as defined in Sections 2.42 and 2.44 in relation to Section 11.2 of this Agreement. In this regard, the CONTRACTOR shall be assisted by the Mines and Geosciences Bureau or other competent government agency, in complying with whatever requirements the Central Bank or other relevant government agencies may impose for the approval of the said repatriation.

Considering that the CONTRACTOR's Project Area is located in the remote provinces of Nueva Viscaya and Quirino and will be the first mining exploration and development of its kind to be located in the said provinces, should at anytime the capital investment of the CONTRACTOR exceed by 100% the statutorily required capital investment of US\$50,000,000, at the CONTRACTOR's option, the fiscal regime provided herein can be subject to review by both parties hereto so that the financial status of the CONTRACTOR will be as close as possible, if not approximately equal, to that of a contractor under a mineral production sharing agreement attached hereto as Annex "D" and as if that contractor were registered as a non-pioneer enterprise with appropriate incentives with the Board of Investments. The CONTRACTOR can initiate the review of the fiscal regime agreed upon under this Agreement upon service of notice to the GOVERNMENT. Both parties herein shall meet within fifteen (15) days from receipt of the GOVERNMENT of the notice initiating the review sent by the CONTRACTOR.

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The GOVERNMENT and the CONTRACTOR recognize that a portion of the financing for the development, construction and production of the mine and its associated facilities, as well as the working capital needed for Mining Operations will be funded by debt and that the CONTRACTOR shall be liable for periodic and regular principal repayments and interest payments on its loans. Furthermore, the GOVERNMENT and the CONTRACTOR recognize that the success of the CONTRACTOR in availing of a debt facility for the development, construction and production of the mine and its associated facilities depends largely on the assurance that can be offered by the CONTRACTOR to the entities extending the debt facility that they will have a certain degree of control over the cashflow of the project being financed.

- 11.2 Recovery of Preoperating Expenses, Property Expenses and Taxes Paid During the Recovery Period. The CONTRACTOR shall have a period of up to five (5) Contract Years, counted from the Date of Commencement of Commercial Production within which to recover its: (a) Preoperating Expenses; and (b) Property expenses incurred during the period in which Preoperating Expenses are recovered, after which period only shall the right of the GOVERNMENT to share in the Net Revenue, as hereinafter defined, accrue.

However, if after the lapse of the period mentioned in the preceding paragraph, the CONTRACTOR has not yet fully recovered its Preoperating Expenses and Property expense incurred during the Period in which Pre-operating Expenses were incurred, it shall be allowed to recover the same as a depreciation allowance deductible against the distributable Net Revenues over the period of the succeeding three Contract Years.

Property expenses incurred during the period in which Preoperating Expenses are recovered shall not for the purpose of this Section include Major Capital Expenditure as defined in Section 11.7.

All taxes, duties, fees, costs, levies and imposts paid by the CONTRACTOR and which are detrimental to the CONTRACTOR's recovery of Preoperating Expenses and Property Expenses during the five (5) Contract Years contemplated in this Section shall be recoverable by the CONTRACTOR, whenever possible during the year(s) such expenditures were actually incurred. Any amount not recovered shall be deducted from the GOVERNMENT'S Share as more specifically provided in Section 11.5 of this Agreement, unless legislation is required to allow the necessary deductions, in which case the deductions shall be made only after the appropriate legislation has been passed.

All the items recoverable by the CONTRACTOR under this Section 11.2, including the on-going Mineral Exploration costs incurred by the CONTRACTOR during the

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five-year recovery period, shall be recovered from Net Revenue, as the term "Net Revenue" is defined under Section 11.4 of this Agreement.

11.3 Royalties Paid to Addendum Claimowners and Surface Owners The 2% net smelter royalty and the 8% free carried interest paid or payable by the CONTRACTOR to the Addendum Claimowners as specified in Section 11.5(e) and (f), and the royalties payable to the Surface Owners from the date of commencement of production, which otherwise would have been a reduction to the GOVERNMENT's share, as provided in Section 11.5 hereof, but which were not recovered by the CONTRACTOR for the corresponding Contract Year when paid shall be carried forward, for as long as the CONTRACTOR has not been fully reimbursed by the GOVERNMENT of the amount paid, as an additional deduction to the GOVERNMENT's share when the latter accrues and becomes payable.

11.4 Revenue Sharing. From the start of Commercial Production, the Net Revenue shall be shared by the GOVERNMENT and CONTRACTOR on a 60-40 basis, of which 60% of the net will be the GOVERNMENT's share and the remaining 40% will be that of the CONTRACTOR, unless a higher share in the net revenue is given the CONTRACTOR by agreement of both parties hereto, provided no statutory prohibition exists to the grant to the CONTRACTOR of such higher share in the net revenue. The CONTRACTOR's corporate tax of 35%, any excise tax currently imposed and paid by the CONTRACTOR, and all other taxes, duties, fees, levies and royalties payable by the CONTRACTOR, including any tax due on dividend payments by the CONTRACTOR to its stockholder(s) and any tax due on interest payments on foreign loans extended to the CONTRACTOR by its stockholder(s), shall be included in the 60% GOVERNMENT share as more specifically provided in Section 11.5 hereof, unless legislation is required to allow such inclusion, in which case the inclusion shall be made only after the appropriate legislation has been passed.

Net Revenue means Gross Mining Revenues derived from operations less allowable deductions which are attributed to exploration, development and actual Commercial Production. Expenses relating to Commercial Production shall include expenses relating to mining, utilization/processing, marketing and depreciation of Properties used in the operations.

Allowable deductions to Gross Mining Revenues shall include, but are not necessarily limited, to the following:

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

(b) Continuing Mineral Exploration costs incurred after recovery of Preoperating Expenses or five years from the

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Date of Commencement of Commercial Production, whichever is the lesser period;

(c) Depreciation for all Capital which is not subject to deduction under Section 11.2. The Capital may be depreciated to the extent of not more than twice as fast as the normal rate of depreciation or depreciated at the normal rate of depreciation if the expected life is ten (10) years or less; or (b) depreciated over any number of years between five (5) years and the expected life if the latter is more than ten (10) years. However, replacement and/or working Capital purchased during the period of recovery of Preoperating Expenses as specified in Section 11.2 or during the period of recovery of Major Capital Expenditures as specified in Section 11.7 of this Agreement, shall be subject to recovery during the periods provided in Sections 11.2 and 11.7 of this Agreement respectively;

(d) All administrative overhead actually incurred by the CONTRACTOR inside the Philippines and administrative overhead incurred outside the Philippines which are properly allocable to the project, including but not limited to all insurance premiums or like payments of any nature whatsoever, provided the administrative overhead is reasonably related to the performance of the CONTRACTOR's obligations and exercise of its rights under this Agreement.

CONTRACTOR's allocable administrative overhead outside the Philippines shall be reviewed by the parties periodically upon request of either party and the future charges adjusted equitably either upward or downward;

(e) Consulting fees incurred both inside and outside the Philippines for work related directly to the project;

(f) All unrecovered Preoperating Expenses including those specifically provided in Section 11.2 of this Agreement; and

(g) Major Capital Expenditures other than Preoperating Expenses as specifically provided in Section 11.7 of this Agreement.

(h) Mine Development costs which are incurred after the period for recovery of Preoperating Expenses as specifically provided in Section 11.2 or five years from the Date of Commencement of Commercial Production, whichever is the lesser period, including the costs of stripping of waste rock and tunnelling, shaft sinking, underground block cave development and such other steps necessarily undertaken to prepare and explore orebody or mineral deposit for mining;

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(i) Interest charged on loans incurred by the CONTRACTOR during Commercial Production which shall not be more than the prevailing international rates charged for similar types of transaction and which loans are necessary for the fulfillment of the CONTRACTOR's obligations under this Agreement.

11.5 The GOVERNMENT's Share. Provided that the Preoperating Expenses of the CONTRACTOR and any of its Affiliates on the Contract Area, as defined in Section 2.42 in relation to Section 2.3 of this Agreement and as passed on audit by an independent and certified public accountant shall have been recovered by the CONTRACTOR pursuant to Section 11.2 of this Agreement, the GOVERNMENT's share of Net Revenue, as defined in the preceding section, shall be 60% while the CONTRACTOR's share shall be 40% of the same.

The GOVERNMENT shall receive 60% of Net Revenue less the following costs, taxes, duties, fees and other expenses paid by the CONTRACTOR or otherwise accrued by the CONTRACTOR in its books as an expense for any given Contract Year, provided that payments made in any Contract Year of an expense accrued the previous Contract Year and already charged to the GOVERNMENT for the previous Contract Year shall no longer be chargeable:

(a) excise tax, including excise tax paid during the recovery of Preoperating Expenses as provided in par. 1 of Section 11.2 of this Agreement but which was not actually recovered by the CONTRACTOR from the GOVERNMENT during the said period, for any amount paid by the CONTRACTOR which was not subject to deletion by Board of Investments' incentives or other incentives laws, unless legislation is required to allow the deduction of the excise tax, in which case the deduction shall be made only after the appropriate legislation has been passed;

(b) customs duty, including customs duties paid during the recovery of Preoperating Expenses as provided in par. 1 of Section 11.2 of this Agreement but which was not actually recovered by the CONTRACTOR from the GOVERNMENT during the said period, for any amount paid by the CONTRACTOR which was not subject to deletion by Board of Investments' incentives or other incentives laws, unless legislation is required to allow the deduction of the customs duty, in which case the deduction shall be made only after the appropriate legislation has been passed;

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(c) sales tax, value added tax, occupation and regulatory fees, all GOVERNMENT levies, costs and imposts, GOVERNMENT controlled price stabilization schemes and any other form of GOVERNMENT backed scheme, including sales tax, value added tax, GOVERNMENT levies, costs and imposts, GOVERNMENT controlled price stabilization schemes, any other form of GOVERNMENT backed scheme paid during the recovery of Preoperating Expenses as provided in par. 1 of Section 11.2 of this Agreement but which was not actually recovered by the CONTRACTOR from the GOVERNMENT during the said period, including any levies, costs, imposts, fees or taxes that are imposed or may be imposed by any local government unit, for any amount paid by the CONTRACTOR which was not subject to deletion by Board of Investments' incentives or other incentives laws, unless legislation is required to allow the deduction of the foregoing amounts and costs, in which case the deduction shall be made only after the appropriate legislation has been passed;

(d) all corporate income tax including carry forward of losses, including the corporate income tax paid during the recovery of Preoperating Expenses as provided in par. 1 of Section 11.2 of this Agreement but which was not actually recovered by the CONTRACTOR from the GOVERNMENT during the said period, unless legislation is required to allow the deduction of the corporate income tax, in which case the deduction shall be made only after the appropriate legislation has been passed;

(e) 2% Net Smelter Return paid or due the Addendum Claimowners with respect only to the area defined in the map attached hereto as Annex "B";

(f) 8% free carried interest in the CONTRACTOR equivalent to Addendum Claimowners free equity entitlement after full recovery by the CONTRACTOR herein of its Preoperating Expenses and Property expenses and with respect only to the area defined in the map attached hereto as Annex "B";

(g) any possible payments to surface owners pursuant to Presidential Decree No. 512.

(h) any tax due on dividend payments by the CONTRACTOR to its stockholder(s) and any tax due on interest payments on foreign loans extended to the CONTRACTOR by its stockholder(s), unless legislation is required to allow the deduction of the foregoing amounts, in which case the deduction shall be made only after the appropriate legislation has been passed.

The foregoing list notwithstanding, the GOVERNMENT's share as provided herein may be subject to further reduction by an amount equivalent to whatever benefits that may be extended in the future by the GOVERNMENT to the CONTRACTOR or to

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contractors in general.

The Net Smelter Returns paid to the Addendum Claimowners by the CONTRACTOR as described in Section 11.5(e) above are in effect advances to the GOVERNMENT's share insofar as they are paid by the CONTRACTOR for and on behalf of the GOVERNMENT. In the case of item 11.5(f) above, if the amount corresponding to the same is not determinable at the time the GOVERNMENT's Net Revenue share is payable, the same can be carried forward as a deduction to the GOVERNMENT's Net Revenue share for the immediately succeeding Contract Year.

The GOVERNMENT's share as provided herein shall be payable within four (4) months from the end of each Calendar Year and shall be accompanied by a statement from the CONTRACTOR outlining the calculation of such share.

11.6 Operating Expenses. In each Contract Year, the CONTRACTOR will recover from the Gross Mining Revenues generated under this Agreement an amount equal to all operating expenses, the same to include among others the items enumerated as allowable deductions in Section 11.4 above: Provided, That if in any Contract Year the operating expense exceeded the Gross Mining Revenues from Commercial Production or there are no Gross Mining Revenues, then the unrecovered operating expenses shall be recovered from the Gross Mining Revenues in succeeding Contract Years.

11.7 Recovery of Major Capital Expenditures other than Preoperating Expenses.

(a) For purposes of this Section, any Capital invested in the existing mine or in a separate new mining project within the Mining Area, incurred after the Date of Commencement of Commercial Production and during or after the five-year recovery period for Preoperating Expenses as provided in Section 11.2 of this Agreement which will require a cost outlay of at least US\$10 million in any Contract Year shall be considered a Major Capital Expenditure.

(b) The total cost of the Major Capital Expenditure other than Preoperating Expenses, as described above, can be recovered by the CONTRACTOR by way of depreciation allowance. The Major Capital Expenditure shall be depreciated in the same manner as Capital, as provided for in Section 11.4(c) of this Agreement, unless the CONTRACTOR agrees with the GOVERNMENT to depreciate the Major Capital Expenditure in some other manner at the time the Major Capital Expenditure is incurred.

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11.8 Treatment of Depletion and Depreciation Expenses.

Depletion and depreciation expenses shall be reimbursed to the CONTRACTOR as a recovery of its capital investment.

11.9 Pricing of Sales. The CONTRACTOR shall endeavor to obtain the best achievable price for its production and pay the lowest achievable marketing commissions 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. It is understood that long term forward sales of gold production is acceptable and may be appropriate given the large scale development and capital investment required subject to existing Central Bank rules and regulations.

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 be procured.

11.10 Associated Minerals. If Minerals, other than copper, gold and silver are recovered and sold, the achieved value thereof shall be added to the value of the principal mineral in computing the share of the GOVERNMENT.11.11 Sale of Gold . All gold produced directly from its ore, marketable in its primary form and produced by the CONTRACTOR or gold obtained as by-product of mineral concentrates, ores, matte, slime and precipitates and produced by the CONTRACTOR may be sold to the Central Bank or exported abroad for smelting and sale provided that the dollar proceeds from such sales, to the extent required by applicable laws or current Central Bank regulations, shall be sold to the Central Bank through the CONTRACTOR'S authorized agent bank which shall credit the proceeds to Central Bank.

The foregoing rules shall apply in respect of the disposition of the proceeds of the sale of gold, unless a different arrangement is entered into with the Central Bank.

At the request of the CONTRACTOR, or the operating entity under Section 13.3 of this Agreement, the Secretary will assist the CONTRACTOR, or the operating entity under Section 13.3, in negotiating with the Central

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Bank any agreement covering the sale and disposition of gold and silver considered necessary by the CONTRACTOR or the operating entity under Section 13.3 in order to obtain loan financing for the development and construction of the mine, as well as in bringing the mine and its associated facilities into production.

11.12 Sale of Copper. At the request of CONTRACTOR, or the operating entity under Section 13.3, the Secretary will assist the CONTRACTOR, or the operating entity under Section 13.3, in negotiating with the Central Bank or the appropriate governmental entity any agreement covering the sale and disposition of copper considered necessary by the CONTRACTOR or the operating entity under Section 13.3 in order to obtain loan financing for the development and construction of the mine, as well as in bringing the mine and its associated facilities into production.

SECTION XII

WORK PROGRAMS

12.1 Submission to GOVERNMENT. Within the periods prescribed in Sections 10.1 and 10.2 of this Agreement, the CONTRACTOR shall prepare and submit to the GOVERNMENT, through the Secretary, copy furnish the Director of the Mines and Geosciences Bureau, the Work Program for the Mining Area stating the Mining Operations and expenditures which the 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). If within sixty (60) days from receipt of the Work Program, no Notice of revision as provided in Section 12.2 below is given to the CONTRACTOR, then the submitted Work Program are deemed approved in toto. Additional Work Programs may be submitted by the CONTRACTOR at its option to the GOVERNMENT at any time.

12.2 Examination, Revision.

(a) Should the GOVERNMENT wish to propose a revision as to certain specific features of said Work Program or Budget, it shall within sixty (60) days after receipt thereof provide Notice to the CONTRACTOR specifying in reasonable detail its reasons therefor. Any portion of said Work Program as to which the GOVERNMENT shall fail to notify the CONTRACTOR of proposed revision shall insofar as possible be carried out as prescribed herein. Promptly upon service of such Notice to the CONTRACTOR, the GOVERNMENT and the CONTRACTOR will meet and endeavor to agree on the revision proposed by the GOVERNMENT. In any event, if the GOVERNMENT and the

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CONTRACTOR shall fail to agree on the proposed revision within thirty (30) days from the time Notice to the CONTRACTOR was sent, then the Work Program and Budget proposed by the CONTRACTOR, provided that the same is consistent with the total financial commitment of the CONTRACTOR under this Agreement, shall be deemed approved so as not to unnecessarily delay the performance of this Agreement.

(b) It is recognized by the GOVERNMENT and the 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. The CONTRACTOR shall promptly advise the Secretary of such changes. However, changes which entail a downward variance of at least twenty (20%) per centum of the proposed expenditures are subject to the approval of the Secretary, which approval shall not be unreasonably withheld.

(c) The GOVERNMENT's approval of a proposed Work Program and Budget and amendments thereto will not be unreasonably withheld.

SECTION XIII

RIGHTS AND OBLIGATIONS OF THE PARTIES

13.1 Obligations of the CONTRACTOR during the Exploration Period. The CONTRACTOR shall:

(a) Perform all the necessary Mineral Exploration and provide all necessary services, technology and financing in connection therewith;

(b) After the Exploration Period, relinquish to the GOVERNMENT any portion of the Exploration Contract Area which shall not be necessary for Mining Operations and not covered by any Declaration of Mining Feasibility as specified in Section 7.1, without prejudice to the rights of reversion of the Addendum Claimowners and Other Claimowners as provided for in Sections 18.1 and 18.2 of this Agreement.

(c) Perform all Mineral Exploration in accordance with the generally accepted mining and engineering practices in the Philippines providing all necessary service, technology and financing in connection therewith.

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(d) Perform its activities within the Exploration Period and according to the Work Programs, save as may be excused by Force Majeure and the termination provision provided in Section XIX hereof.

(e) Furnish all materials, labor, equipment, and other installations that may be required for carrying on all Mineral Exploration. To the maximum extent compatible with efficient and cost effective operations, the CONTRACTOR shall give preference to products and services produced and offered in the Philippines of comparative quality and price.

(f) The CONTRACTOR shall keep accurate technical records and financial records about the Mineral Exploration 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 records in accordance with existing laws, rules and regulations.

(g) Hold harmless the GOVERNMENT from all claims and accounts of all kinds, and demands and actions arising out of the accidents or injuries to persons or property caused by Mineral Exploration 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 subject to the terms of this Agreement.

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

(j) Allow access to exploration sites by inspectors authorized by the GOVERNMENT.

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

(l) In order to ensure compliance with its expenditures requirements and other obligations as a CONTRACTOR during the Exploration Period, the CONTRACTOR will be required to post a bond or other financial guarantee valid for the Contract Year for the amount equivalent to the expenditure obligations of the CONTRACTOR as determinable for any Contract Year under Section 5.2 of this Agreement in favor of the GOVERNMENT and with surety or sureties

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satisfactory to the Department of Environment and Natural Resources, conditioned upon the faithful performance by the CONTRACTOR of its obligations under and pursuant to this Agreement.

The GOVERNMENT may waive the requirement to post a bond in the first Contract Year if the CONTRACTOR can satisfy the Department of Environment and Natural Resources that it has satisfied in advance the Exploration expenditures required of it under the approved Work Program.

(m)(i) The CONTRACTOR shall prepare an Initial Environmental Examination (IEE) for Mineral Exploration to be submitted to the GOVERNMENT covering the Exploration Contract Area during the first Contract Year.

(ii) At the time of the submission of the Declaration of Mining Feasibility, 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.

The CONTRACTOR shall strictly comply with such conditions as may be stipulated in the relevant Environment Compliance Certificate issued by the proper government authority. In this respect, the GOVERNMENT confirms its obligations under Clauses 13.5 (a) and 13.5 (b) of the Agreement.

13.2 Rights of the CONTRACTOR during the Exploration Period. The CONTRACTOR shall:

(a) Have the right to conduct Mineral Exploration in the Exploration Contract Area in accordance with the terms and conditions hereof.

(b) Have the right of possession of the Exploration Contract Area, with full right of ingress and egress and the right to occupy the same.

(c)(i) Subject to the provisions of Presidential Decree No. 512, not be prevented from entry into private lands by surface owners and/or occupants thereof when prospecting, exploring and exploiting for minerals therein.

(ii) Have the right to require the GOVERNMENT at the CONTRACTOR'S own cost, to purchase or acquire surface areas for and on behalf of the GOVERNMENT covered by the Exploration Contract Area at such price and terms as may be acceptable to it provided that it shall be reimbursed by the sale

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by public auction or tender of the surface rights at the termination of this Agreement.

(d) Have the right to use and have access to all declassified geological, geophysical, drilling, production and other information held by the GOVERNMENT or any agency or enterprise thereof now or in the future, relating to the Exploration Contract Area.

(e)(i) 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 Secretary, which approval will not be unreasonably withheld, except that no such approval would be required under Section XVIII hereof. Assignment of this Agreement or any of the rights herein by the CONTRACTOR to any of its Affiliates shall not require the approval of the Secretary provided that the assigned Affiliate is as duly qualified as the CONTRACTOR.

(ii) Have the right to change its equity structure at anytime to one other than that disclosed to the GOVERNMENT at the time of the execution of this Agreement, should sound business judgment and economic considerations dictate the need for the CONTRACTOR to change its equity.

(f) 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) judged by the CONTRACTOR to be required in its operations, 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.

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

(h) Have the right to import when necessary all equipment, spare parts, and raw materials required in the Mineral Exploration in accordance with existing laws and regulations. Towards this end, the GOVERNMENT, in coordination with the Board of Investments, shall attempt to terminate or minimize customs duty and sales tax on such capital equipment which will be required by the CONTRACTOR.

(i) All CONTRACTOR'S assets, equipments, property, investments, and private interests in the Philippines shall not be taken or expropriated, except only for public use and with just compensation.

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(j) Have the right to defer the survey of the Exploration Contract Area until such time it has designated its Mining Area under this Agreement.

13.3 Obligations of the CONTRACTOR During the Development, Construction and Production Period - The CONTRACTOR shall:

(a) Prior to commencing Mining Operations in the areas governed by the Addendum Claimowners and Other Claimowners' rights, as disclosed in the Addendum dated March 9, 1991 and the Memorandum of Agreement dated November 19, 1990, and provided the said areas are included in the Mining Feasibility, the CONTRACTOR shall cause the formation of an Operating Entity or Entities in which the Addendum Claimowners will hold an 8% free carried equity interest in any Operating Entity established over the Properties as defined in the Addendum and the Other Claimowners an equity interest equivalent to any interest under the Memorandum of Agreement dated November 19, 1990 they may still hold in any Operating Entity.

(b) Within sixty (60) days from the transformation by the CONTRACTOR of the Exploration Contract Area into the Mining Area as provided for in Section 8.1 of this Agreement, the CONTRACTOR shall file with the Regional Technical Director concerned an application for an order of survey of the Mining Area.

(c) Perform all Mining Operations in accordance with the generally accepted mining and engineering practices in the Philippines providing all necessary service, technology and financing in connection therewith.

(d) Perform its activities within the periods expressed in this Agreement, Plans and Work Programs, save as may be excused by Force Majeure and the termination provision provided in Section XIX hereof.

(e) 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 and cost effective operations, the CONTRACTOR shall give preference to products and services produced and offered in the Philippines of comparative quality and price. In particular, the CONTRACTOR shall give preference to Filipino construction enterprises and use buildings which are considered suitable for their purpose by the CONTRACTOR, which can be constructed by using materials and skills available in the Philippines, employ Filipino subcontractors for road construction and transportation, and purchase Philippine household equipment, furniture and food.

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(f) 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. To facilitate this, the CONTRACTOR may set joint arrangements with Filipino concerns for the transportation of concentrates.

(g) 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.

(h) Hold harmless the GOVERNMENT from all claims and accounts of all kinds, and 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.

(i) Pay taxes or obligations in accordance with existing laws, rules and regulations subject to the terms of this Agreement.

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

(k) Allow access to production sites and operations by inspectors authorized by the GOVERNMENT.

(l) Contribute to national development by helping develop the host and neighboring communities of the Contract Area, local geo-science and mining technology, and mitigating environmental effects of Mining Operations.

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

(n) The CONTRACTOR shall strictly comply with such conditions as may be stipulated in the relevant Environment Compliance Certificate issued by the proper government authority. In this respect, the GOVERNMENT confirms its obligations under Clauses 13.5 (a) and 13.5 (b) of the Agreement.

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Financial Commitment of the CONTRACTOR

After the Declaration of Mining Feasibility has been completed and submitted and all regulatory approvals required for mining have been obtained by the CONTRACTOR, the CONTRACTOR, in order to ensure compliance with its obligations during the Construction and Development stage, shall be required to submit to the Department of Environment and Natural Resources a letter or other documentary evidence from an internationally recognized offshore financial institution confirming that CONTRACTOR has available, sufficient and accessible fund for the development of the mine requiring a capital investment in a single mining unit of US\$50 million less all Mineral Exploration costs spent so far by the CONTRACTOR during the Exploration Period under this Agreement.

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 selfsustaining, 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 provided they are in the opinion of the CONTRACTOR duly qualified for the positions or the jobs, 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 will prepare and commence training and recruitment program within the first year of Commercial Production at its expense.

Development of Geo-Science 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, while this Agreement remains extant, systematically keep the data generated from the Mining 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.

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Environmental Protection and Industrial Safety:

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

13.4 Rights of the CONTRACTOR during the Development, Construction and Production Period. - The CONTRACTOR shall:

(a) Have the right to conduct Mining Operations in the Mining Area in accordance with the terms and conditions hereof.

(b) Have the right of possession of the Mining Area, with full right of ingress and egress and the right to occupy the same.

(c)(i) Subject to the provisions of Presidential Decree No. 512, not be prevented from entry into private lands by surface owners and/or occupants thereof when prospecting, exploring and exploiting for minerals therein.

(ii) Have the right to require the GOVERNMENT at the CONTRACTOR's own cost, to purchase or acquire the surface areas over the Mining Area or the right to purchase the surface areas for and on behalf of the GOVERNMENT, at such price and terms as may be acceptable to it provided that it shall be reimbursed by the sale by public auction or tender of the surface rights at the termination of this Agreement.

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

(e)(i) 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 Secretary, which approval will not be unreasonably withheld, except that no such approval would be required under Section XVIII hereof.

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Assignment of this Agreement or any of the rights herein by the CONTRACTOR to any of its Affiliates shall not require the approval of the Secretary provided that the assigned Affiliate is as duly qualified as the CONTRACTOR.

(ii) Have the right to change its equity structure at anytime to one other than that disclosed to the GOVERNMENT at the time of the execution of this Agreement, should sound business judgment and economic considerations dictate the need for the CONTRACTOR to change its equity structure.

(iii) Have the right to mortgage, charge or otherwise encumber the whole or part of its rights and interests under this Agreement, when such is necessary to secure moneys borrowed for the purpose of meeting its obligations under this Agreement.

(f) 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 its operations. It is understood, that if the employment of such persons with the CONTRACTOR ceases, the applicable laws and regulations on immigration shall apply to them.

(g) Enjoy, subject to pertinent laws, rules and regulations and the rights of third parties, easement rights, water and other natural resources in the Mining Area.

(h) Have the right of repatriation of capital and remittance of profits, dividends, principal amortization and interest on loans, subject to existing laws, Central Bank rules and regulations and agreements that may be entered into by the CONTRACTOR with the Central Bank;

(i) 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. Towards this end, the GOVERNMENT, in coordination with the Board of Investments, shall attempt to terminate or minimize customs duty and sales tax on such capital equipment which will be required by the CONTRACTOR, and in this connection, the Department of Environment and Natural Resources shall assist the CONTRACTOR for the speedy release of such imported capital equipment.

(j) In addition to the rights granted herein, the CONTRACTOR may be registered with the Board of Investments or any other GOVERNMENT agency and be entitled to applicable investment and incentives laws existing at the time of its registration.

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(k) Subject to pertinent laws, rules, and regulations, have the right to reticulate power, water and improve transport facilities outside the Mining Area as may be required for the development of the Mining Area, provided, however, that the GOVERNMENT, both national and local, including statutory authorities, shall exert its best efforts to facilitate the issuance of all regulatory approvals needed by the CONTRACTOR in order to reticulate power, water, and transport facilities.

(l) All CONTRACTOR'S assets, equipments, property, investments, and private interests in the Philippines shall not be taken or expropriated, except only for public use and with just compensation.

(m) There shall be no requisition of the Property owned by the CONTRACTOR except in the event of war or national emergency and only for the duration thereof, and only if there is just compensation.

(n) Have the right to cut trees or timber within the Mining Area, subject to the rules and regulations of the Forest Management Bureau, as may be necessary for the exploration, development, exploitation, utilization or operation of the Mining Area by the CONTRACTOR.

13.5 Obligations of the GOVERNMENT. - The GOVERNMENT shall:

(a) Ensure that CONTRACTOR has the GOVERNMENT'S full cooperation in the exercise of the rights granted it under this Agreement.

(b) Ensure that no governmental agency interferes in the peaceful and timely prosecution of the projects contemplated in this Agreement and will use its best efforts to ensure the timely issuance of necessary permits and similar authorizing documents and lifting of impeding regulations or reservations for use of surface of the Exploration Contract Area.

(c) If CONTRACTOR seeks to obtain financing contemplated herein from banks or other financing institutions, cooperate with CONTRACTOR in such efforts provided that such financing arrangements will in no event reduce CONTRACTOR'S obligations or the GOVERNMENT'S rights hereunder.

(d)(i) If the CONTRACTOR so requests at its option, the GOVERNMENT shall use its offices and legal powers to assist in the acquisition at reasonable cost of any surface areas or rights required by the CONTRACTOR at the CONTRACTOR'S cost to carry out the Mineral Exploration and the Mining Operations herein.

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All obligations, payments and expenses arising from, or incident to, such agreements or acquisition of right shall be for the account of the CONTRACTOR and shall be recoverable as Operating Expense.

(ii) Subject to the provisions of Presidential Decree No. 512, the GOVERNMENT warrants that the CONTRACTOR shall not be prevented from entry into private lands by surface owners and/or occupants thereof when prospecting, exploring and exploiting minerals therein.

(e) If the CONTRACTOR so requests, the GOVERNMENT shall make available the necessary public lands inside and outside of the Mining Area for the construction of all facilities, including without being limited to roads, ports and dams, needed by the CONTRACTOR for the performance of its obligations and discharge of its rights under this Agreement subject to applicable laws, rules, and regulations on the use and development of public lands, provided, however, that the GOVERNMENT, both national and local, including statutory authorities, shall exert its best effort to facilitate the issuance of all regulatory approvals in order to enable the CONTRACTOR to make use of and develop the needed public land.

(f) During the term of this Agreement and for a period of two years after termination of this Agreement, as the case may be, consider all information acquired from or provided by the CONTRACTOR under any or all of those foregoing mentioned contracts as confidential. Such information shall not be disclosed or be made available to third parties in any form without the written consent of the CONTRACTOR. The GOVERNMENT shall take all reasonable steps to insure that confidential information is not disclosed or distributed by its employees or agents in violation of the provisions of this section.

13.6 Other Rights and Obligations of the Parties in Connection With the Project's Financing.

(a) In the light of the Declaration of Mining Feasibility and at the request of the CONTRACTOR, or the Operating Entity referred to in Sections 2.34 and 13.3 of this Agreement, and in order to obtain financing for the development, construction and operation of the mine and its related processing facilities, the GOVERNMENT shall favorably consider any request from CONTRACTOR, or an operating entity formed under Section 13.3 of this Agreement, for

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amendment(s) of this Agreement which are necessary in order for the CONTRACTOR to successfully obtain the financing.

(b) At the request of the CONTRACTOR, or of the Operating Entity referred to in Sections 2.34 and 13.3 of this Agreement, the Secretary will request the Central Bank and such other government agencies as may be necessary, to allow the CONTRACTOR to make immediate repayment of the loans extended to it by financial institutions outside of the Philippines, together with any interest payable on them, from any positive cashflow from the operations of the mine and its associated facilities.

(c) At the request of the CONTRACTOR, or of the Operating Entity referred to in Sections 2.34 and 13.3 of this Agreement, the Secretary will request the Central Bank and such other government agencies as may be necessary, to approve the opening of account(s) outside of the Philippines designated in a foreign currency or any mineral product; and to permit a sufficient portion of any returns, either in currency or product, obtained from the exporting of product from the mine and its associated facilities to be retained within such account(s) for the repayment of loans extended to the CONTRACTOR by financial institutions outside of the Philippines together with any interest payable on them.

(d) The rights and obligations of the parties enumerated under this Section shall not in any way affect adversely or prejudice whatever share the GOVERNMENT may have over the Net Revenue, as the same is defined under Sections 11.4 and 11.5 of this Agreement.

13.7 Representations and Warranties of CONTRACTOR

The CONTRACTOR represents and warrants that:

(a) The CONTRACTOR and its Affiliates are corporations duly organized and validity existing and in good standing under the laws of the countries in which they were organized. The CONTRACTOR and its Affiliates have the full corporate power and authority to own and operate their properties and to carry on their business in the place where such business is now or may be conducted. There is no pending or threatened processing for the dissolution, liquidation, insolvency or rehabilitation of the CONTRACTOR or the Affiliates, whether voluntary or involuntary;

(b) The CONTRACTOR has or has access to all the managerial and technical expertise to promptly and effectively carry out the terms of this Agreement.

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The corporate and operations profiles submitted pursuant to this Agreement, or as subsequently notified to the DENR fairly present the managerial and technical expertise of the CONTRACTOR and its Affiliates;

(c) The CONTRACTOR has the full legal right and capacity to execute, deliver and perform this Agreement and the transactions contemplated hereby, in accordance with the terms of this Agreement; and

(d) The CONTRACTOR has, to the best of its knowledge, complied with all applicable laws and regulations regulating to the conduct of its business and operations.

The CONTRACTOR hereby acknowledges that the Agreement was negotiated on the basis of information submitted to the DENR in January 1992, or as amended in writing to the DENR later, including:

* Description of FTAA Application Area and map showing FTAA Application Area.

* Mineral Exploration Work Program

* Arimco Mining Corporation: Technical and Financial Capability

* The Contractor * Technical Capabilities * Mining
The Contractor * Technical Capabilities * Exploration
The Contractor * Technical Capabilities * Financial

* Annual Reports

* Climax Mining Limited 1991
Petroleum Securities Australia Limited 1990

* Benefits to the Philippines

* Summary
Introduction
Revenue Spreadsheets

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- * Arimco Mining Corporation
Security Information
Articles and By-laws
- * Agreement between Arimco Mining Corporation, and
Aumex Philippines, Inc., Inmex Ltd.,
Geophilippines, Inc. and PIRHI (Memorandum of
Agreement), and
Arimco Mining Corporation, Jorge Gonzales,
Geophilippines Inc., Inmex Ltd. and Aumex Phils., Inc.
(Addendum Agreement)

and the covenants, representations and warranties of the CONTRACTOR set forth in this Agreement and that the GOVERNMENT relied on all of the foregoing.

Notwithstanding any right of the GOVERNMENT to fully investigate the affairs of the CONTRACTOR, and notwithstanding any knowledge of facts determined or determinable by the GOVERNMENT pursuant to such investigation or right of investigation, the GOVERNMENT has the right to rely fully upon the covenants, representations and warranties contained in this Agreement.

SECTION XIV

ASSETS AND EQUIPMENT

14.1 The CONTRACTOR shall acquire for Mineral Exploration and Mining Operations only such assets as are reasonably estimated to be required in carrying out such Mineral Exploration and Mining Operations.

14.2 All materials, equipment, plant and other installations erected or placed on the Exploration Contract Area or the Mining Area by the CONTRACTOR shall remain the property of the CONTRACTOR and upon the termination of this Agreement as provided in Section XIX hereof, the CONTRACTOR shall have the right to remove and export such materials, equipment, plant and other installations, except buildings, bridges, warehouses, and other social infrastructures which were built specifically for the benefit of the community where the mining project is located. All materials, equipment, plant and other installations not removed within twelve (12) months from the termination of this Agreement shall belong to the GOVERNMENT.

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14.3 All Property as defined in this Agreement shall belong to the CONTRACTOR.

SECTION XV

EMPLOYMENT AND TRAINING OF PHILIPPINE PERSONNEL

15.1 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 Secretary, undertake an elaborate and 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":

	<u>Unskilled</u>	<u>Skilled</u>	<u>Clerical</u>	<u>Professional</u>	<u>Management</u>
Year 1	100%	50%	100%	10%	10%
Year 2	100%	60%	100%	15%	15%
Year 3	100%	70%	100%	20%	20%
Year 5	100%	75%	100%	30%	30%
Year 7	100%	100%	100%	40%	40%
Year 10	100%	100%	100%	50%	50%
Year 15	100%	100%	100%	60%	60%

15.2 Costs and expenses of training such Filipino personnel and the CONTRACTOR's own employees shall be included in Operating Expenses. A training scheme shall be initiated to ensure necessary skills are learned.

SECTION XVI

DIVESTMENT

16.1 The timetable mentioned in Section 15.1 notwithstanding, the CONTRACTOR or any of its assignee, shall be required that after ten (10) years after the recovery of Preoperating Expenses and Property expenses under Section 11.2 with the GOVERNMENT or twenty (20) years after the Effective Date of this Agreement, whichever is later, it shall divest its equity within a period of one (1) year in either of the following manner:

(a) By disposing 60% of its equity or such lesser equity requirement as may be imposed by law at that time to be a Qualified Entity to Filipinos or any Philippine juridical entity at the end of such year. This period of one (1) year within which to divest may

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be extended by the Secretary if there are justifiable economic reasons warranting the extension.

If the requirement imposed in this Section 16.1(a) is met, the CONTRACTOR can, at its option, avail of the rights and privileges provided for in Section 8.5 of this Agreement and the Revenue Sharing outlined in Section 11.4 of this Agreement shall no longer apply.

(b) By allowing the terms of this Agreement to continue to govern the relation of the parties hereto and by disposing 60% of its equity holdings or such lesser equity requirement as may be imposed by law at that time to be a qualified entity to Filipinos or any Philippine juridical entity.

16.2 The requirement to divest imposed by the preceding Section shall no longer apply should the CONTRACTOR or any of its assignee, at anytime prior to the period contemplated by the preceding Section, opts to convert and has in fact converted to a mineral production sharing agreement in the form of Annex "D" hereto pursuant to Section 8.1(b) of this Agreement.

SECTION XVII

ARBITRATION

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

17.2 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 Secretary, 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.

The CONTRACTOR may elect within sixty (60) days from Effective Date of this Agreement 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.

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 A signature to the right of the center, below the tenth one.

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

- 17.3 Each party shall pay fifty percent (50%) of the fees and expenses of the arbitrators and the costs of arbitration. Each party shall pay its own costs and attorneys' fees.

SECTION XVIII

REVERSIONARY RIGHTS

- 18.1 The CONTRACTOR originally derived its rights over parts of the Exploration Contract Area and the Mining Area from the Addendum Claimowners and the Other Claimowners. Accordingly, the CONTRACTOR, upon notice to the GOVERNMENT, can assign all its rights and obligations arising from this Agreement to the Addendum Claimowners or the other Claimowners or their designated assignee(s), provided that within thirty (30) days from notification by the CONTRACTOR of the GOVERNMENT of such assignment, the Addendum Claimowners and the Other Claimowners or their designated assignee(s) shall signify their intention to assume the rights and obligations of the CONTRACTOR under this Agreement.
- 18.2 In case of termination of this Agreement by reason of any of the grounds enumerated in Section XIX of this Agreement, the Addendum Claimowners and the Other Claimowners shall be reinstated in their rights and to their status as claimowners prior to the execution of this Agreement. The Addendum Claimowners and the Other Claimowners shall have thirty (30) days from the date of termination of the Agreement within which to advise the GOVERNMENT of their intention on how their rights and status will be exercised.
- 18.3 The financial and technical capabilities of the Addendum Claimowners and the Other Claimowners or their designated assignee(s) shall be subject to the confirmation by the GOVERNMENT.

SECTION XIX

TERMINATION

This Agreement shall be terminated and the parties shall be relieved of their respective obligations:

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

[Handwritten signatures and initials]

19.2 Without prejudice to Section XVII hereof, this Agreement may be terminated by either the GOVERNMENT, or the CONTRACTOR if either the GOVERNMENT or the CONTRACTOR shall commit a substantial breach of this Agreement, provided in such event that the innocent party shall give Notice to the defaulting party specifying the claimed breach within ninety (90) days of the date of such alleged breach, and the defaulting party shall have one hundred and eighty (180) days from receipt of such Notice within which to correct or remedy such breach subject to such extension as may reasonably be necessary and approved by the Secretary. As soon as the defaulting party corrects or remedies the breach within the period of one hundred and eighty (180) days aforementioned or any allowed extensions thereof, the innocent party will have no more right to terminate this Agreement.

19.3 By withdrawal by the CONTRACTOR. The CONTRACTOR may withdraw from this Agreement at any time by giving six (6) months' Notice if in its business judgment the continuation of operations becomes technically or economically unfeasible after it has exerted reasonable diligence to remedy the situation. The withdrawal shall become effective six (6) months after Notice of withdrawal has been received by the GOVERNMENT. Withdrawal for the foregoing reason shall release the CONTRACTOR, at the time of the effectivity of the said withdrawal, from its obligation to the GOVERNMENT of making further expenditures as set out in its Work Programs.

No delay or omission 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 Agreement. Any waiver of 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, taxes and other liabilities under this Agreement due up to the end of the year in which the termination becomes effective, except those liabilities from which it has been expressly relieved under paragraph 1 of this Section 19.3.

19.4 Upon discovery of any substantial falsehood or substantial omission of facts made in support of the proposal by either party to this Agreement, such that the substantial falsehood or substantial omission was enough to vitiate either party's consent to the execution of this Agreement.

19.5 By mutual consent of the parties.

[Handwritten signatures and initials]

SECTION XX

OTHER PROVISIONS

20.1 Notice. - All notices, demands, and other communications required or permitted hereunder shall be made in writing or by telex or telecopy and shall be deemed to have been duly given in the case of telex or telecopy notice if answerback 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 PRESIDENT OF THE REPUBLIC OF THE PHILIPPINES
THROUGH THE SECRETARY
DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES
Department of Environment and Natural Resources Building
Visayas Avenue, Diliman
Quezon City, Metro Manila

If to the CONTRACTOR -

ARIMCO MINING CORPORATION
Ground Floor, Smith Bell Building
2294 Pasong Tamo Extension
Makati, Metro Manila

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

20.2 Future Legislation.

Any term and condition more favorable to the financial or technical assistance agreement and the mineral production sharing agreement resulting from the repeal or amendment of any existing law or regulation or from the enactment of a law, regulation, or administrative order shall inure to the benefit of the Contractor and such law, regulation, or administrative order shall be considered a part of this agreement.

20.3 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.

20.4 Suspension of Obligations.

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

(b) If Mineral Exploration and/or 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.

(d) This Agreement and the performance of all the obligations of the CONTRACTOR under the same shall be deemed suspended if the prosecution of the CONTRACTOR's obligations under this Agreement is prevented by delays in obtaining approvals of the GOVERNMENT, both national and local, including statutory authorities, to any matter or aspect of this Agreement in which such approvals are necessary, provided that the delays are not due to the fault of the CONTRACTOR.

20.5 Relationship to Claimowners

The rights and obligations of the CONTRACTOR vis-a-vis the Addendum Claimowners and Other Claimowners shall continue to be governed by the terms and conditions of the Addendum and the Memorandum of Agreement; and the rights and obligations of the CONTRACTOR, the Addendum Claimowners and the Other Claimowners therein shall not be diminished or reduced by this Agreement.

20.6 Amendment. - This Agreement shall not be annulled, amended or modified in any respect except by mutual consent in writing of the parties hereof and subject to the approval of the President of the Republic of the Philippines.

[Handwritten signatures and initials]

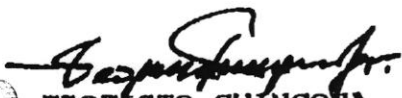
IN WITNESS WHEREOF, the parties hereto have executed this Agreement, as of the day and year first above written.

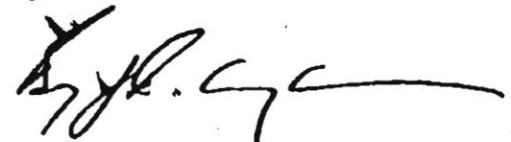
THE REPUBLIC OF THE PHILIPPINE

ARIMCO MINING CORPORATION


By Authority of the President:

By:


TEOFISTO GUINGONA, JR.
Executive Secretary


BRYCE G. ROXBURGH
President

Recommended by:


ANGEL C. ALCALA
Secretary
Department Of Environment
and Natural Resources

ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES)
QUEZON CITY

) SS.

At Quezon City, this _____ day of _____, 19____ personally appeared FIDEL V. RAMOS, with Community Tax Certificate No. _____ issued at _____ on _____ 1994, in his capacity as President of the Republic of the Philippines; BRYCE ROXBURGH with Passport No. E-5132739 issued on March 22, 1991 at Sydney, Australia, President of, and representing Arimco Mining Corporation, with Corporate Community Tax Certificate No. _____ issued on _____ at _____, all known to me and to me known to be the same persons who executed the foregoing Financial or Technical Assistance Agreement between the Republic of the Philippines and Arimco Mining Corporation, and acknowledged that the same is their free and voluntary act and deed and the free and voluntary act and deed of the Government instrumentality and corporation they, respectively, represent.

I further certify that this instrument consists of _____ pages, including this page where the acknowledgment is written, signed at the left hand margin of each and every page by the parties and their instrumental witnesses.

WITNESS MY HAND AND SEAL at the place and on the date first above written.

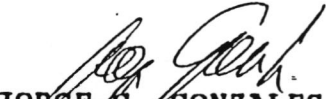
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Series of 1994.

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[Handwritten signatures and initials]

WITH OUR CONFORMITY:

Addendum Claimowners


JORGE G. GONZALES
for himself and as
attorney-in-fact of
JEROME P. DELOSO and
DAVID G. GONZALES

Other Claimowners

AUMEX PHILIPPINES, INC.

By:



MANUELITO O. CABALLES

GEOPHILIPPINES, INC.

By:



MANUELITO O. CABALLES

PHILIPPINE INTEGRATED
RESOURCE HOLDINGS INC.

By:



MANUELITO O. CABALLES

SIGNED IN THE PRESENCE OF:

