

**MINERAL PRODUCTION SHARING AGREEMENT**

M P S A No. 011-92-X

This MINERAL PRODUCTION SHARING AGREEMENT (this "Agreement" is made and entered into in Quezon City, Philippines this 14th day of May, 1992 by and between:

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

- and -

The MINAHANG BAYAN NG MGA MAMAMAYAN NG DINAGAT ISLAND COOPERATIVE, INC., a cooperative duly organized and existing under the laws of the Republic of the Philippines, hereinafter referred to as the Contractor, with offices at San Jose, Surigao del Norte, represented in this act by its President, BENGLLEN B. ECLEO, as authorized by its Board under Annex "A" which form an integral part hereof.

W I T N E S S E T H : That

WHEREAS, the 1987 Constitution of the Republic of the Philippines (the "Constitution") provides in Article XII, Section 2 thereof that all lands of 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 Filipino citizens, or corporations or associations at least sixty percent (60%) of whose capital is owned by Filipino citizens;

WHEREAS, by virtue of Executive Order No. 279 issued on July 25, 1987, the Secretary of the Department of Environment and Natural Resources is authorized to enter into production sharing agreements in furtherance of the objectives of the Government and the Constitution to bolster the national economy through systematic development and utilization of mineral lands;

WHEREAS, the Government desires to avail itself of the financial resources, technical competence and skills which the Contractor is capable of applying to the Mining Operations of the project contemplated herein under a Production Sharing Agreement;

WHEREAS, the Contractor entered into a Memorandum of Agreement with Hinatuan Mining Corporation ("Hinatuan ") for financial and technical assistance as provided under Annex "B" which form an integral part hereof;

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

WHEREAS, Contractor has available to it the capital, technical competence and skills necessary to carry out the Mining Operations herein described.

NOW, THEREFORE, for and in consideration of the premises, the mutual covenants, terms and conditions hereinafter set forth, it is hereby stipulated and agreed as follows:

## SECTION I

### SCOPE

1.1 This agreement is a mineral production sharing agreement entered into pursuant to Executive Order No. 279. The primary purpose of this Agreement is to provide for the exploration, development, and commercial utilization of certain chromite deposits existing within the Contract Area, with all necessary services, technology and financing to be furnished or arranged for by the Contractor in accordance with the provisions of this Agreement. The Contractor shall not, by virtue of this Agreement, acquire any title to lands encompassed within the Contract Area.

1.2 The Contractor shall undertake and execute, for and on behalf of the Government, Mining Operations in accordance with the provision of this Agreement, and is hereby constituted and appointed for the purposes of this Agreement the exclusive entity to conduct Mining Operations in the Contract Area. However, it is agreed upon that the Contractor shall not conduct mining operations in areas covered by valid and existing small scale mining permits at the time of the signing of this Agreement.

1.3 The Contractor shall assume all exploration risk such that if no Minerals in commercial quantity are developed and produced, it will not be entitled for reimbursement.

1.4 ~~During the term of this Agreement~~ the total value of production and sale of Minerals derived from the Mining Operations contemplated herein shall be accounted for and divided between the Government and Contractor in accordance with Section VIII hereof.

## SECTION II

### DEFINITIONS

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

2.1 Agreement means this Production Sharing Agreement.

2.2 Associated Minerals means ore minerals which occur together with the principal ore mineral.

2.3 Budget means an estimate of expenditures to be made by Contractor in Mining Operations contemplated hereunder to accomplish the Work Program for each particular period.

2.4 Calendar Year or Year means a period of twelve (12) consecutive months starting with 1st of January and ending on December 31, while "Calendar Quarter" means a period consisting of three (3) consecutive months with the first calendar quarter starting with the first day of January.

2.5 Central Bank means the Central Bank of the Republic of the Philippines.

2.6 Commercial Production means the production of sufficient quantity of minerals to sustain economic viability of mining operations as specified in the approved Work Program. Production of Chromite Ore required to test and/or develop a chromite processing system or supply a pilot plant used for such testing in quality and volume specified in the Work Program, shall not be considered in the determination of the Commercial Production.

2.7 Constitution or Philippine Constitution means the 1987 Constitution of the Republic of the Philippines, adopted by the Constitutional Commission of 1986 on October 15, 1986 and ratified by the People of the Philippines on February 2, 1987.

2.8 Contract Area means the area within the jurisdiction of the Republic of the Philippines which is the subject of this Contract, as diminished pursuant to the relinquishment obligations of the Contractor as herein set forth.

2.9 Contract Year means a period of twelve (12) consecutive months counted from the Effective Date of this Agreement or from the anniversary of such Effective Date.

2.10 Contractor means MINAHANG BAYAN NG MGA MAMAMAYAN NG DINAGAT ISLAND COOPERATIVE, INC., and assignee or assignees of any interest of MINAHANG BAYAN NG MGA MAMAMAYAN NG DINAGAT ISLAND COOPERATIVE, INC. under this Agreement provided such assignment of any such interest is accomplished pursuant to the provision hereof.

2.11 Declaration of Mining Feasibility means a document proclaiming the presence of minerals in a specific site that are recoverable by socially acceptable, environmentally safe and economically sound methods included in the Mine Development Plan for a period of three (3) years in the case of Integrated Agreement.

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

2.13 Environment means physical factors of the surroundings of human beings, including land, water, atmosphere, climate, sound, odors, tastes and biological factors of animals and plants and the social factors of aesthetics.

2.14 Executive Order means that certain order of the President of the Philippines issued on July 25, 1987 and known as Executive Order No. 279.

2.15 Exploration means the examination and investigation of lands or offshore supposed to contain valuable minerals by drilling, trenching, shaft sinking, tunneling, test pitting and other means, for the purpose of probing the presence of mineral deposits and the extent thereof.

2.16 Exploration Period shall mean the time period from and after the effective Date of this Agreement up to and including (a) the date of the Declaration of Mining Feasibility or (b) completion of two (2) contract years from the Effective Date, as may be extended with the consent of the Government by not more than two (2) years.

2.17 Force Majeure means acts or circumstances beyond the reasonable control of the Party to this Agreement affected thereby, including, without limitation, war, insurrection, civil disturbance, blockade, sabotage, embargo, strike and other labor conflict, riot, epidemic, earthquake, storm, flood or other adverse weather conditions, explosion, fire, adverse order or direction of any Government de jure or de facto or any 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 and which is of such a nature as to delay, curtail or prevent timely action by the party affected.

The force majeure mentioned in this section, except those of general knowledge, shall be reported to DENR Regional Office concerned within fifteen (15) calendar days from occurrence.

2.18 Government means the Government of the Republic of the Philippines or any of its agencies or instrumentalities.

2.19 Gross Output means the actual market value of minerals or mineral products derived from mining operations as defined under the National Internal Revenue Code.

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

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

2.22 Mineral Products means things produced and prepared in a marketable state by simple treatment processes such as washing or drying, but without undergoing any chemical change or processes or manufacturing.

2.23 Mining Area means that portion of the Contract Area delineated for mine development and production, as specified in the Declaration of Mining Feasibility.

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

2.25 Notice means notice in writing, or by telex or telecopy (authenticated by answer back or confirmation received) addressed or sent as provided in Section 15.1 of this Agreement.

2.26 Ore means mineral or rock extracted for profit.

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

2.28 Pollution means any direct or indirect alteration of the physical, thermal, chemical, biological, or radioactive properties of any part of the Environment by discharging, emitting, or depositing wastes so as to materially affect any beneficial use adversely, or to cause a condition which is hazardous or potentially hazardous to public health, safety or welfare, or to animals, birds, wildlife, fish or aquatic life, or to plants, and "pollute" has a corresponding meaning.

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

2.30 Department or DENR means the Department of Environment and Natural Resources.

2.31 Work Program means a document which presents the plan of major mining activities and the corresponding expenditures and Budget of the Contractor in its Contract Area during a given period of time, including the plan and expenditures for Environmental protection and rehabilitation, development of host and neighboring communities and of local geoscience and mineral technology, as submitted and approved pursuant to this Agreement.

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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, subject to termination as provided herein, renewable for another period of twenty-five (25) years under such terms and conditions as may be mutually agreed upon by the parties.

SECTION IV

CONTRACT AREA

4.1 Size, Shape and Location of Contract Area. This Agreement covers an area of Six Hundred Forty Eight Has. (648 has.), located in Loreto and San Jose, Dinagat Island Surigao del Norte and bounded with the following geographical coordinates:

	<u>Latitude</u>	<u>Longitude</u>
1	10 22' 30"	125 38' 30"
2	10 24' 00"	125 38' 30"
3	10 22' 30"	125 39' 30"
4	10 23' 30"	125 40' 00"
5	10 24' 00"	125 40' 00"

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

SECTION V

EXPLORATION PERIOD

5.1 Timetable for Exploration - Contractor shall commence Exploration Operations hereunder not later than three (3) months after the Effective Date. This exploration phase shall be extended for not more than two (2) years upon request by the Contractor, and upon the Government being satisfied that the Contractor has complied with the terms of this Agreement and of reasonable the expectation of success during the extension.

5.2 Work Program and Budgets - The Contractor shall strictly comply with the Exploration Work Program submitted to and approved by the Government.

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The amount to be spent by Contractor in conducting the Exploration Operations 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:

Year	Capital Investment	Direct Operating Expenses	Total
1st	P4,901,500	P 6,702,855	P11,604,355
2nd	1,000,000.	2,709,610	3,709,610
Total	<u>P5,901,500</u> =====	<u>P 9,412,465</u> =====	<u>P15,313,965</u> =====

In the event of the termination of this Agreement, Contractor shall only be obliged to spend the pro-rata amount for the period of such Contract year prior to termination.

In the event of extension, the amount to be spent every year shall first be agreed upon by the parties.

If during any Contract Year, Contractor should spend more than the amount required to be spent as provided above, the excess may be subtracted from the amount of money required and should Contractor, due to unforeseen circumstances or with the consent of the Government expend less during a Contract Year than the amount required to be so expended, the deficiency shall be applied to the amount of money required to be expended by Contractor during succeeding Contract Year.

5.3 Regulatory Fees - There shall be due the Government for regulatory purposes, in addition to any existing administrative fees, 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 of Five Pesos (P5.00).

The regulatory fees corresponding to the first two (2) Contract Years shall be payable within thirty (30) days from Effective Date, while the regulatory fees for the extension period shall be due within thirty (30) days from approval of the request for extension of the Exploration Period.

The regulatory fees shall be paid to, and on the date the Agreement is registered with, the DENR Regional Office concerned, and on the same date and place every year thereafter.

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5.4 Reporting -

a) Annual Report. - During the Exploration Period, the Contractor shall supply all geological, geophysical, radiometric and other information relating to the exploration areas and its activities by annual reports to be submitted within sixty (60) days from the end of each Contract Year. Such information shall include financial expenditures, raw and processed analytical data, copies of originals of assay results, duplicate samples, field data, copies of originals from drilling reports, and all other information of any kind collected during exploration activities. All such information shall be confidential, subject to the provisions elsewhere provided herein.

b) Final Report. - The Contractor shall submit a final report within six (6) months from the expiration of the Exploration Period which shall be in the form and substance comparable to published professional reports of respected international institutions and shall incorporate all the findings in the Contract Area, including locations of samples, assays, report shall also include complete, detailed expenditures incurred during the Exploration Period.

5.5 Mining Feasibility. - During the Exploration Period, the Contractor shall conduct feasibility studies for any part of the Contract Area as may be warranted. Within the Period, the Contractor shall submit a Declaration of Mining Feasibility with a Work Program 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 deemed relinquished in favor of the Government.

Failure of the Contractor to submit a Declaration of Mining Feasibility during the Exploration Period shall be considered a substantial breach of this Agreement.

SECTION VI

DEVELOPMENT AND CONSTRUCTION PERIOD

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

6.2 Reporting. -

a) Annual. - The Contractor shall submit an annual report within sixty (60) days after December 31 of each year which states the major activities, achievements and rock and mineral analysis and progress geological and similar reports during the development and construction period.

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b) Final Report. - Within six (6) months from the completion of the development and construction activities, the Contractor shall submit a final report to the Government. Such report shall integrate all information in maps of appropriate scale and quality as well as in monographs or report in accordance with international standards.

## SECTION VII

### OPERATING PERIOD

7.1 Timetable. - The Contractor shall submit within thirty (30) days from the completion of the construction facilities a Work Program for a period of three (3) years. The Contractor shall commence Commercial Production immediately upon the approval of the said Work Program. Failure of the Contractor to commence Commercial Production within the period shall be considered substantial breach of the Agreement.

7.2 Work Programs. - During the Operating Period, the Contractor shall submit to the Government 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.

### 7.3 Reporting. -

a) Quarterly Reports. - Beginning with the first Calendar Quarter following the commencement of the Operating Period, the Contractor shall submit within thirty (30) days after the end of each Calendar Quarter a Quarterly Report stating the tonnage of production in terms of ores, concentrates, and their corresponding grades and other types of products, value, destination of sales of exports and to whom sold; terms of sales and expenditures.

b) Annual Reports. - During the Operating Period, the Contractor shall submit within sixty (60) days from the end of each Calendar Year an Annual Report indicating in sufficient detail:

- 1) The total tonnage of ore reserves whether proven, probable, or inferred; the total tonnage of ores, kind-by-kind; broken down between tonnages mined, tonnages transported from the mines and their corresponding destination, tonnages stockpiled in

the mine and elsewhere in the Philippines, tonnages sold or committed for export (whether actually shipped from the Philippines or not), tonnages actually shipped from the Philippines (with full details as to purchaser, destination and terms of sale), and if known to the Contractor, tonnages refined, processed or manufactured in the Philippines with full specifications as to the intermediate products, by-products or final products and of the terms at which they were disposed;

- ii) Work accomplished and work in progress at the end of the year in question with respect to all of the installations and facilities related to the utilization program, including the investments actually made or committed;
- iii) Profile of work force, including management and staff, stating particularly their nationalities, and for Filipinos, their place of origin (i.e., barangay, town, province, region).
- iv) Ownership of the Contractor, particularly with respect to nationality.

7.4 Expansions and Modifications of Facilities. - The Contractor may take expansions, modifications, improvements and replacements of the mining facilities and may add new facilities as the Contractor shall consider necessary for the operations, provided such plans shall be embodied in an appropriate Work Program approved by the Secretary.

## SECTION VIII

### FISCAL REGIME

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

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

8.3 Share of the Government. - The share of the Government shall be as follows:

- a) Basic Share. - There shall be a basic share due to the Government at the rate of three per centum (3%) of the Gross Revenue, in addition to the two per centum (2%) thereof which the Government has earmarked for the United Nations Revolving Fund For Natural Resources Exploration (UNRFNRE) and the five per centum (5%) excise tax. In the event that the prevailing excise tax is abolished by law, the equivalent amount of the same shall be automatically added to the basic share of the Government.
- b) Share in Net Revenue. - From the start of Commercial Production, the Government shall also be entitled to a twelve per centum (12%) share in the Net Revenue.

Net mining revenue shall mean gross output less:

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

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

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

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

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

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

## SECTION IX

### WORK PROGRAMS

9.1 Submission to Government. - Within the periods stated herein, the Contractor shall prepare and submit to the Government the Work Program and Budget for the Contract Area stating the Mining Operations which the Contractor proposes to carry out

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, as amended).

9.2 Examination, Revision. - Should the Government wish to propose a revision as to a certain specific features of said Work Program or Budget, it shall within thirty (30) days after receipt thereof provide Notice to Contractor specifying in reasonable detail its reasons therefor. Promptly thereafter, the Government and Contractor will meet and endeavor to agree on the revision proposed by the Government. In any event any portion of said Work Program or Budget as to which the Government shall fail to notify Contractor of proposed revision shall insofar as possible be carried out as prescribed herein. If the Government shall fail within sixty (60) days from receipt thereof to notify Contractor of proposed revisions, the Work Program and Budget proposed by Contractor shall be deemed to be approved.

9.3 It is recognized by the Government and Contractor that the details of any Work Program may require changes in the light of changing circumstances. The Contractor may make such changes provided they do not change the general objective of any Work Program, and provided, further, that changes which entail a variance of at least twenty per centum (20) shall be subject to the approval of the Secretary.

9.4 The Government's approval of a proposed Work Program and Budget will not be unreasonably withheld.

## SECTION X

### RIGHTS AND OBLIGATIONS OF THE PARTIES

#### 10.1 Obligations of the Contractor. -

The Contractor shall:

(a) Perform all Mining Operations in accordance with the most efficient and internationally accepted mining and engineering practices providing all necessary services, technology and financing in connection therewith.

(b) After the Exploration Period, the Contractor shall relinquish to the Government any portion of the Contract Area which shall not be necessary for Mining Operations and not covered by any Declaration of Mining Feasibility.

(c) The Contractor shall transfer to the Government or local mining company the appropriate technology it may adopt for the exploration, development and commercial utilization of the minerals in the Contract Area."

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(d) Furnish all materials, labor, equipment, and other installations that may be required for carrying on all Mining Operations. To the maximum extent compatible with efficient operations, the Contractor shall give preference to products and services produced and offered in the Philippines of comparative quality. In particular, the Contractor shall give preference to Filipino construction enterprises and use buildings which can be constructed by using materials and skill available in the Philippines, employ Filipino subcontractors for road construction and transportation, and purchase Philippine household equipment, furniture and food.

(e) The Contractor shall, to the extent feasible and acceptable in view of the rates and conditions available, maximize the use of Filipino vessels and other means of transport available in the Philippines. If necessary, the Contractor shall set joint arrangements with Filipino concerns for the transportation of mineral products.

(f) The Contractor shall keep accurate technical records about the operations as well as financial and marketing accounts and make them available to Government representatives authorized by the Secretary for purposes of assessing performance and compliance of the Contractor with the terms of this Agreement. Authorized representatives of other Government agencies may also have access to such accounts in accordance with existing laws, rules and regulations.

(g) Hold the Government free and harmless from all claims and accounts of all kinds, as well as demands and actions arising out of the accidents or injuries to persons or property caused by Mining Operations of the Contractor and indemnify the Government for any expenses or cost incurred by the Government by reason of any such claims, accounts, demands or actions.

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

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

(j) Allow access to exploration and production sites and operations by inspectors authorized by the Government.

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

(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:

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(1-i) Development of Host and Neighboring Communities

- a. The Contractor shall coordinate with proper authorities in providing development plants for the host and neighboring communities.
- b. The Contractor shall help create self-sustaining, income-generating activities, such as but not limited to, reforestation and production of goods and services needed by the mine.
- c. The Contractor shall give preference to Filipino citizens, particularly residents of its host and neighboring communities in hiring personnel for its Mining Operations. If necessary skills and expertise are currently not available, the Contractor must prepare and undertake a training and recruitment program within the first year of Commercial Production at its expense.

(1-ii) Development of Geosciences and Mineral Technology

- a. 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.
- b. The Contractor shall systematically keep the data generated from the Contract Area such as cores, assays and other related information, including economic and financial, and shall make them accessible to students, researches and other persons responsible for developing geoscience and mineral technology after declassification.

(1-iii) Environment Protection and Industrial Safety:

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

An Initial Environmental Examination (IEE) shall be required as part of the exploration program and appropriate Environment Impact Statement (EIS) shall be required as a component of any of the feasibility studies of the mine, and shall be prepared in forms prescribed by proper government authorities.

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These activities must be reflected clearly in the appropriate Work Programs.

An Environmental Compliance Certificate (ECC) shall be secured first by the Contractor prior to the conduct of any mine development works in the Contract Area.

(m) The contractor shall cause the registration of this agreement to the DENR Regional Office concerned within thirty (30) calendar days of this approval.

## 10.2 Rights of the Contractor. -

The Contractor shall:

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

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

(c) 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 the Contract Area.

(d) Have the right to sell, assign, transfer, convey or otherwise dispose of all its rights, interests and obligations under this Agreement subject to the approval of the Government.

(e) Subject to applicable laws and regulations, to employ or bring into the Philippines foreign technical and specialized personnel (including the immediate members of their families) as may be required in the operations of the Contractor, provided, that if the employment connection of such foreign persons with the Contractor ceases, the applicable laws and regulations on immigration shall apply to them.

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

(g) Have the right of repatriation of capital and remittance of profits, dividends and interest on loans, subject to existing laws, and Central Bank rules, and regulations; and

(h) Have the right to import when necessary all equipment, spare parts, and raw materials required in the operations in accordance with existing laws and regulations.

10.3 Obligations of the Government. -

The Government shall:

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

(b) Use its best efforts to ensure the timely issuance of necessary permits and similar authorizing documents for use of surface of the Contract Area.

(c) If Contractor seeks to obtain financing contemplated herein from banks or other financial 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.

SECTION XI

ASSETS AND EQUIPMENT

11.1 Contractor shall acquire for the Mining Operations only such assets as are reasonably estimated to be required in carrying out such Mining Operations.

11.2 All materials, equipment, plant and other installations erected or placed on the Contract Area of a movable nature by the Contractor shall remain the property of the Contractor and the Contractor shall have the right to remove and export such materials, equipment, plant and other installations from the Philippines, subject to existing laws and regulations.

Further, that said materials, equipment, plants and other installations shall be removed from the Contract Area within six (6) months from the termination of the Agreement, otherwise these will be forfeited in favor of the Government.

SECTION XII

EMPLOYMENT AND TRAINING OF PHILIPPINE PERSONNEL

12.1 The Contractor agrees to employ, to the extent possible, qualified Filipino personnel in its Mining Operations;

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and after Commercial Production commences shall, in consultation and with the consent of the Government, elaborate an extensive training programme for employment of suitable Filipino nationals at all levels of employment. The objective of said programme shall be to reach within the time-table set forth below the following targets of "Filipinization":

	<u>Unskilled</u>	<u>Skilled</u>	<u>Clerical</u>	<u>Profes- sional</u>	<u>Manage- ment</u>
Year 1	100%	100%	100%	70%	70%
Year 3	100%	100%	100%	80%	80%
Year 5	100%	100%	100%	90%	90%
Year 7	100%	100%	100%	100%	95%
Year 10	100%	100%	100%	100%	95%
Year 15	100%	100%	100%	100%	95%

12.2 Costs and expenses of training such Filipino personnel and the Contractor's own employees shall be included in Operating Expenses.

### SECTION XIII

#### ARBITRATION

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

13.2 Any disagreement or dispute which cannot be solved amicably shall be settled by a tribunal of three (3) arbitrators, one to be appointed by the Contractor, another to be appointed by the Government, and the third by the arbitrators so appointed who shall serve as Chairman. The first two appointed arbitrators shall continue to consider names of qualified persons until agreement on a mutually acceptable Chairman of the tribunal is reached. Such arbitration shall be initiated and conducted pursuant to Republic Act No. 876, otherwise known as the Arbitration Act.

Where substantial foreign interest are involved, the Contractor may elect within two (2) years from Effective Date arbitration in accordance with the rules of Conciliation and Arbitration of the International Chamber of Commerce ("ICC") provided that in any case where the ICC or its successor is not in existence, the arbitration shall proceed in accordance with the UNCITRAL (United Nations Commission for International Trade Law) Arbitration Rules, as at present in force.

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

13.3 Each party shall pay fifty percent (50%) of the fees and expenses of the arbitrators and the costs of arbitration. Each party shall pay its own costs and attorney's fees.

#### SECTION XIV

#### TERMINATION

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

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

14.2 Termination by the Government upon the Contractor's substantial breach of this Agreement.

14.3 By withdrawal of Contractor. The Contractor may withdraw from this Agreement by giving three (3) months notice in writing if in its business judgment the continuation of operations becomes technically or economically unfeasible. The withdrawal shall become effective six (6) months after notice of withdrawal has been received by the Government.

No delay or omissions or course of dealing by the Government shall impair any of its rights hereunder except for a written waiver. The Government's right to seek recourse and relief by all other means shall not be affected by the exercise of its right to terminate the Agreement. Any waiver 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 and other liabilities due up to the end of the year in which the termination becomes effective, and shall further carry out such restoration of the Contract Area as is reasonable in accordance with good mining industry practice.

#### SECTION XV

#### OTHER PROVISIONS

##### 15.1 Notice

All notices, demands, and other communications required or permitted hereunder shall be made in writing or by telex or telecopy and shall be deemed to have been duly given in the case

of telex or telecopy notice if answer back or confirmation received, or if delivered by hand upon receipt or ten days after being deposited in the mail, airmail postage prepaid and addressed as follows:

If to the Government -

The Secretary of the Department of Environment and Natural Resources, Department of Natural Resources Building Visayas Avenue, Diliman, Quezon City, Metro Manila

If to the Contractor -

Minahang Bayan ng mga Mamamayan ng Dinagat Island Cooperative, Inc., San Jose, Surigao del Norte

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

#### 15.2 Governing Law

This Agreement and the relation between the Parties hereto shall be governed by and construed in accordance with the laws of the Republic of the Philippines.

#### 15.3 Suspension of Obligations

(a) Any failure 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 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 the obligation 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 efforts to remedy such delay, except that neither Party shall be under any obligation to settle a labor dispute.

#### 15.4 Amendments

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

*[Handwritten signature]*

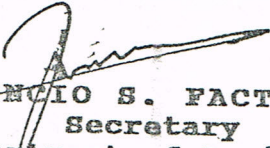
~~IN WITNESS WHEREOF~~, the parties hereto have executed this Agreement this \_\_\_\_\_ day of \_\_\_\_\_ 1992 in Quezon City, Philippines.

REPUBLIC OF THE PHILIPPINES

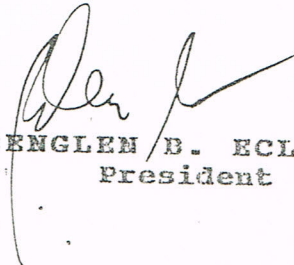
HINAHANG BAYAN NG  
MAMAMAYAN NG DINAGAT IS  
COOPERATIVE, INCORPORATED

By:

By:



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

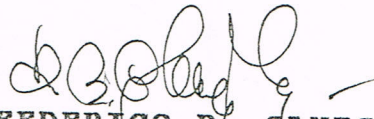


BENGLLEN B. ECLEO  
President

WITH OUR CONFORMITY:

HINATUAN MINING CORPORATION

By:



FEDERICO B. GANIGAN  
Vice-President - Operations

SIGNED IN THE PRESENCE OF:

