

MINERAL PRODUCTION SHARING AGREEMENT

MPSA No. 134-99-XIII

This **MINERAL PRODUCTION SHARING AGREEMENT** (this "Agreement") is made and entered into in Quezon City, Metro Manila, Philippines, this _____ day of MAY 26 1999 by and between :

THE REPUBLIC OF THE PHILIPPINES, hereinafter referred to as the **GOVERNMENT**, represented in this Act by the Secretary of the Department of Environment and Natural Resources, with offices at Department of Environment and Natural Resources Building, Visayas Avenue, Diliman, Quezon City, Metro Manila

and

MINIMAX MINERAL EXPLORATION CORPORATION, a corporation duly organized and existing under the laws of the Republic of the Philippines, hereinafter referred to as the **CONTRACTOR**, with office at the 4th Floor J&T Building, Ramon Magsaysay Blvd., Manila and represented in this act by its President, **JOSE P. DE GUZMAN**, as authorized by its Board (Please refer to ANNEX "A").

WITNESSETH :

WHEREAS, the 1987 Constitution of the Republic of the Philippines (the "Constitution") provides in Article XII, Section 2 thereof that all lands of the public domain, waters, minerals, coal, petroleum, and other natural resources are owned by the State and that their exploration, development and utilization 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 a Co-Production, Joint Venture, or Mineral Production Sharing Agreement with Filipino citizens, or cooperatives, partnerships, corporations or associations at least sixty per centum of whose capitalization is owned by such citizens;

WHEREAS, pursuant to Republic Act No. 7942, otherwise known as "The Philippine Mining Act of 1995", which took effect on 09 April 1995, the Secretary of the Department of Environment and Natural Resources is authorized to enter into Mineral Production Sharing Agreements in furtherance of the objectives of the Government and the Constitution to bolster the national economy through sustainable and systematic development and utilization of mineral lands;

WHEREAS, the Government desires to avail itself of the financial resources, technical competence and skill which the Contractor is capable of applying to the mining operations of the project contemplated herein;

WHEREAS, the Contractor desires to join and assist the Government in the sustainable development and utilization for commercial purposes of certain gold, precious, and base metal resources and other minerals existing in the Contract Area (as hereinafter defined) and any other Minerals which may be discovered in such Contract Area;

WHEREAS, the Contractor has, or has access to, all the financing, technical competence, technology and environmental management skills required to promptly and effectively carry out the objectives of this Agreement.

NOW, THEREFORE, for and in consideration of the foregoing premises, the mutual covenants, and the 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 the provisions of the Act and its implementing rules and regulations. The primary purpose of this Agreement is to provide for the exploration, sustainable development and commercial utilization of gold, precious, and base metal resources and other mineral deposits existing within the Contract Area, with all necessary services, technology and financing to be furnished or arranged by the Contractor in accordance with the provisions of this Agreement. The Contractor shall not, by virtue of this Agreement, acquire any title over the Contract/Mining Area without prejudice to the acquisition by the Contractor of the land/surface rights through any mode of acquisition provided for by law.
- 1.2 The Contractor shall undertake and execute, for and on behalf of the Government, sustainable mining operations in accordance with the provisions of this Agreement, and is hereby constituted and appointed, for the purpose of this Agreement, as the exclusive entity to conduct mining operations in the Contract Area.
- 1.3 The Contractor shall assume all the exploration risk such that if no minerals in commercial quantity are developed and produced, it will not be entitled to 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 the Contractor in accordance with Section VIII hereof.

,refining, treatment, insurance, transportation and other charges incurred in the process of converting mineral concentrates into refined metal traded in those commodity exchanges.

- 2.23 Mine Development refers to work undertaken to prepare an ore body or a mineral deposit for mining, including the construction of necessary infrastructure and related facilities.
- 2.24 Minerals mean all naturally occurring inorganic substances in solid, liquid, gas or any intermediate state excluding energy materials such as coal, petroleum, natural gas, radioactive materials and geothermal energy.
- 2.25 Mineral Products mean materials derived from mineral ores/rocks and prepared into marketable state by metallurgical processes which include beneficiation, cyanidation, leaching, smelting, calcination and other similar processes.
- 2.26 Mining Area means that portion of the Contract Area identified by the Contractor as defined and delineated in a Survey Plan duly approved by the Director/Concerned Regional Offices for purposes of development and/or utilization and sites for support facilities.
- 2.27 Mining Operations means mining activities involving exploration, feasibility study, environmental impact assessment, development, utilization, mineral processing, and mine rehabilitation.
- 2.28 Notice means notice in writing, or by telex or by telecopy (authenticated by answer back or confirmation received) addressed or sent as provided in Section 16.2 of this Agreement.
- 2.29 Ore means naturally occurring substance or material from which a mineral or element can be mined and/or processed for profit.
- 2.30 Pollution means any alteration of the physical, chemical and/or biological properties of any water, air and/or land resources of the Philippines, or any discharge thereto of any liquid, gaseous or solid wastes or any production of unnecessary noise or any emission of objectionable odor, as will or is likely to create or render such water, air, and land resources harmful, detrimental or injurious to public health, safety or welfare or which will adversely affect their utilization for domestic, commercial, industrial, agricultural, recreational or other legitimate purposes.
- 2.31 Secretary means the Secretary of the Department of Environment and Natural Resources.
- 2.32 State means the Republic of the Philippines.
- 2.33 Work Program means a document which presents the plan of major mining operations and the corresponding expenditures of the Contractor in its Contract Area during a given period of time, including the plan and expenditures for development of host and neighboring communities and of local geoscience and mineral technology, as submitted and approved in accordance with the Revised Implementing Rules and Regulations.

SECTION III

TERM OF AGREEMENT

- 3.1 This Agreement shall have a term of twenty-five (25) years from Effective Date, and may be renewed thereafter for another term not exceeding twenty five (25) years. The renewal of this Agreement, as well as the changes in the terms and conditions thereof, shall be upon mutual consent by the parties. In the event the Government decides to allow mining operations thereafter by other Contractor, this must be through competitive public bidding. After due publication of notice, the Contractor shall have the right to equal the highest bid upon reimbursement of all reasonable expenses of the highest bidder.

SECTION IV

CONTRACT AREA

- 4.1 Size, Shape, and Location of Contract Area. This Agreement covers a total area of Seven Thousand Six Hundred Seventy Nine hectares (7,679 has.), situated in the Municipalities of Jabonga, Santiago, and Tubay, Province of Agusan del Norte and bounded by the following geographical coordinates (please refer to ANNEX "B" 1:50,000 scale Location Map/Sketch Plan): ? = 7,086 has.

TECHNICAL DESCRIPTION

Parcel 1	North Latitude	East Longitude
Corner 1	9° 10' 00"	125° 33' 00"
Corner 2	9° 10' 30"	125° 33' 00"
Corner 3	9° 10' 30"	125° 32' 00"
Corner 4	9° 11' 00"	125° 32' 00"
Corner 5	9° 11' 00"	125° 33' 00"
Corner 6	9° 13' 30"	125° 33' 00"
Corner 7	9° 13' 30"	125° 32' 00"
Corner 8	9° 13' 00"	125° 32' 00"
Corner 9	9° 13' 00"	125° 31' 30"
Corner 10	9° 12' 30"	125° 31' 30"
Corner 11	9° 12' 30"	125° 31' 22.5"
Corner 12	9° 13' 15"	125° 31' 22.5"
Corner 13	9° 13' 15"	125° 31' 00"
Corner 14	9° 13' 30"	125° 31' 00"
Corner 15	9° 13' 30"	125° 30' 52.5"
Corner 16	9° 14' 22.5"	125° 30' 52.5"
Corner 17	9° 14' 37.5"	125° 30' 30"
Corner 18	9° 14' 37.5"	125° 30' 22.5"
Corner 19	9° 15' 45"	125° 30' 22.5"
Corner 20	9° 15' 45"	125° 30' 30"
Corner 21	9° 16' 30"	125° 30' 30"
Corner 22	9° 16' 45"	125° 30' 22.5"
Corner 23	9° 18' 00"	125° 30' 22.5"
Corner 24	9° 18' 30"	125° 30' 07.5"