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MINERAL PRODUCTION
SHARING AGREEMENT

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KNOW ALL MEN BY THESE PRESENTS:

This a MINERAL PRODUCTION SHARING AGREEMENT (hereinafter referred to as the "AGREEMENT"), made and entered into this 19th day of June 1992, at Quezon City by and between:

THE REPUBLIC OF THE PHILIPPINES, represented by the Secretary of the Department of Environment and Natural Resources (DENR), HON. FULGENCIO S. FACTORAN, JR., with offices at Visayas Avenue, Diliman, Quezon City, Metro Manila, and hereinafter referred to as the "GOVERNMENT";

- and -

VENTURA TIMBER CORPORATION a corporation duly organized and existing under the laws of the Republic of the Philippines, with offices at Zamora St. Butuan City, represented herein by its President MARIO G. VIJUNGO, as authorized by its Board Under Annex "A" which inform an integral part hereof, hereinafter referred to as the "CONTRACTOR".

WITNESSETH: That

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;

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WHEREAS, the CONSTITUTION further provides that the State may directly undertake such activities, or it may enter into co-production, joint venture, or production sharing agreements with Filipino citizens, or corporations or associations at least sixty per centum of whose capital is owned by such citizens;

WHEREAS, by virtue of Executive Order No. 279 (EXECUTIVE ORDER) issued on July 25, 1987, the SECRETARY of the Department of Environment and Natural Resources (DENR) is authorized to enter into production sharing agreements in furtherance of the objective of the GOVERNMENT and the CONSTITUTION to bolster the national economy through systematic development and utilization of mineral lands;

WHEREAS, the CONTRACTOR desires to join and assist the GOVERNMENT in the development and utilization for commercial purposes of certain metallic deposits such as copper and etc. existing in the CONTRACT AREA and any other MINERALS which may be discovered in such CONTRACT AREA;

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;

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:

ARTICLE I

SCOPE

1.01 Nature of AGREEMENT

This AGREEMENT is a Mineral Production Sharing Agreement entered into pursuant to Executive Order No. 279 (EXECUTIVE ORDER).

The Primary purpose of this AGREEMENT is to provide for the EXPLORATION, DEVELOPMENT, and MINING OPERATIONS of certain mineral deposits existing within the CONTRACT AREA, with all necessary services, technology and financing to be furnished or arranged for the CONTRACTOR in accordance with the provisions of this AGREEMENT.

The CONTRACTOR shall have all the rights and privileges enumerated in Section 10.02 hereof and all such rights and privileges necessary to attain the intents and purposes of this AGREEMENT.

1.02 Scope of Work

The CONTRACTOR shall undertake and execute, for itself and on behalf of the GOVERNMENT, EXPLORATION, DEVELOPMENT and MINING OPERATIONS in accordance with the provisions of this AGREEMENT, and is hereby designated, constituted and appointed, for the purposes of this AGREEMENT, the exclusive entity to conduct the aforesaid activities in the CONTRACT AREA.

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1.03 Cooperation of the Parties

The parties recognize that the intents and purposes of this AGREEMENT are for their common benefit and hereby agree that they shall exert their best efforts at all times to carry out the provisions of this AGREEMENT to the end that optimum benefit for both parties shall be achieved.

At anytime upon request by either party, the GOVERNMENT and the CONTRACTOR may consult with each other with respect to the provisions of this AGREEMENT. Such consultations shall be carried out in the spirit of cooperation.

1.04 Sharing Agreement

During the term of this AGREEMENT, the total value of production and sale of MARKETABLE PRODUCTS derived from the MINING OPERATIONS contemplated herein shall be shared by the CONTRACTOR with the GOVERNMENT in accordance with Article VIII (Fiscal Regime) hereof.

ARTICLE II

DEFINITIONS

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

2.01 AGREEMENT means this Mineral Production Sharing Agreement.

- 2.02 ASSOCIATED MINERALS means ORE MINERALS which occur together with the principal ORE MINERALS.
- 2.03 BUDGET means an estimate of expenditures to be made by the CONTRACTOR in connection with the EXPLORATION, DEVELOPMENT and MINING OPERATIONS contemplated hereunder to accomplish the WORK PROGRAM for each particular period.
- 2.04 CALENDAR YEAR or YEAR means the twelve (12) month period from January 1 to December 31, while "CALENDAR QUARTER" means any of the three (3) consecutive month periods ending March 31, June 30, September 30 and December 31.
- 2.05 CENTRAL BANK means the Central Bank of the Republic of the Philippines.
- 2.06 COMMERCIAL PRODUCTION means the production of sufficient quantity of MINERALS to sustain economic viability of MINING OPERATIONS as specified in the approved WORK PROGRAM and as determined and declared by the CONTRACTOR after completion of the debugging of the mining and milling facilities. Production of MINERALS from OREs extracted or required to sample, test and/or develop a viable 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 COMMERCIAL PRODUCTION. The recovery of mineral products from the OREs extracted in such reasonable volume necessary, and as part of the EXPLORATION and DEVELOPMENT WORKS, to reach the mine-

able ORE reserves, shall not be deemed COMMERCIAL PRODUCTION.

2.07 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.

2.08 CONTRACT AREA means the area within the jurisdiction of the Republic of the Philippines which is the subject of this AGREEMENT as defined in Article IV and shall also rights and timber rights, properties and privileges of any kind and nature within these areas which the GOVERNMENT may now, or hereinafter, acquire on the area and its immediate vicinity and which are necessary to conduct the MINING OPERATIONS contemplated in this AGREEMENT as well as to carry out the other intents and purposes of this AGREEMENT as diminished pursuant to this Agreement.

2.09 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, shall mean VENTURA TIMBER CORPORATION and also any company into which may be merged, or with which these may be consolidated, or which may be suc-

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ceeded, or which may acquire their business and assets and shall also include any other successor and assignees of the CONTRACTOR.

2.11 DECLARATION OF MINING FEASIBILITY means a document proclaiming the presence of MINERALS in a specific site that are recoverable by generally acceptable mining and milling methods as may be prescribed by laws, rules and regulations.

2.12 DENR means the Department of Environment and Natural Resources.

2.13 DEVELOPMENT shall mean all activities necessary to reach the mineral deposits and/or preparatory to actual mining and shall be deemed to include the construction and improvement of mine shafts and other facilities as well as the construction plant and support facilities necessary or appropriate to the operation including the personnel required therefore.

2.14 DEVELOPMENT WORKS shall mean all property, real and personal, including all buildings, works, improvement, facilities, equipment, machinery, supplies, material and any other thing whatsoever, whether on or off the CONTRACT AREA, held, acquired, erected, installed or placed, constructed, produced, developed or contributed to for the purposes of DEVELOPMENT and improvement of the CONTRACT AREA.



- 2.15 EFFECTIVE DATE means the date appearing as the date of approval of the President of the Republic of the Philippines.
- 2.16 ENVIRONMENT or ENVIRONMENTAL means physical factors of the surroundings of human beings, including land, water, atmosphere, climate, sound, odors, tastes and biological factors of animals and plants as well as social and aesthetic factors.
- 2.17 EXECUTIVE ORDER means that certain order of the President of the Philippines issued on July 25, 1987 and known as Executive Order No. 279 entitled "AUTHORIZING THE SECRETARY OF THE ENVIRONMENT AND NATURAL RESOURCES TO NEGOTIATE AND CONCLUDE JOINT VENTURE, CO-PRODUCTION OR PRODUCTION SHARING AGREEMENTS FOR THE EXPLORATION OF MINERAL RESOURCES, AND PRESCRIBING THE GUIDELINES FOR SUCH AGREEMENTS AND THOSE AGREEMENTS INVOLVING TECHNICAL OR FINANCIAL ASSISTANCE BY FOREIGN-OWNED CORPORATIONS FOR LARGE SCALE EXPLORATION, DEVELOPMENT AND UTILIZATION OF MINERALS".
- 2.18 EXPLORATION means the examination and investigation of lands and offshore areas supposed to contain valuable MINERALS by sampling, drilling, trenching, shaft sinking, tunneling, test pitting, geochemical and geophysical surveys and other means, for the purpose of probing the presence of mineral deposits and the extent thereof.
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2.19 FORCE MAJEURE shall include, among other things: war, insurrection, civil disturbance, blockade, sabotage, embargo, strike and other labor conflict, riot, epidemic, earthquake, storm, flood, or other adverse weather conditions, explosion, fire, lightning, adverse order or direction of any Government, de jure or de facto, or any instrumentality or subdivision thereof, act of God or 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 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 thirty (30) calendar days from occurrence.

2.20 FOREIGN EXCHANGE means any currency other than that of the Republic of the Philippines acceptable to the GOVERNMENT and the CONTRACTOR.

2.21 GOVERNMENT means the GOVERNMENT of the Republic of the Philippines or any of its agencies or instrumentalities.

2.22 GROSS MINING REVENUE means the amounts actually received or realized by the CONTRACTOR from the sale of MARKETABLE PRODUCTS as defined herein which were derived, produced or recovered from the CONTRACT AREA by

the CONTRACTOR arising from its MINING OPERATIONS less freight, insurance, smelter and refinery charges.

2.23 INITIAL WORKS shall include without limitations, EXPLO- RATION, evaluation, drilling, assaying, test mining, laboratory and field test work, DEVELOPMENT, design and engineering work such as surveying and mapping and related support activities, preparation of feasibility studies and cost estimates, construction of mining and milling facilities as well as operating expenses there- of, payments for property rights, including royalties, taxes and minimum work obligations not otherwise satis- fied, legal work and work done in connection with and for the direct benefit of the CONTRACT AREA pursuant to this AGREEMENT.

2.24 MARKETING EXPENSES of the MARKETABLE PRODUCTS produced from the CONTRACT AREA shall include, but shall not be limited to sacking, packaging, crating, boxing, han- dling, fees and licenses including ad valorem taxes and taxes on revenue such as excise or mine product tax, value added tax, royalty tax and other similar taxes now or hereafter imposed by the Government; expenses for security measures, banking charges and monetary exchange charge; all other expenses incurred in rela- tion to or in connection with the marketing or disposi- tion of the MARKETABLE PRODUCTS; and all charges, deductions and penalties imposed by the purchaser of the MARKETABLE PRODUCTS; Provided that freight, insur- ance, smelter and refinery charges already deducted from GROSS MINING REVENUE as defined in Section 2.22

shall not be included.

- 2.25 MARKETABLE PRODUCTS means ORES, metals, and/or MINERALS derived from the CONTRACT AREA arising from the MINING OPERATIONS of the CONTRACTOR which are actually sold by the CONTRACTOR.
- 2.26 MINE DEVELOPMENT refers to steps necessarily taken to reach an ORE body or mineral deposit so that it can be mined.
- 2.27 MINERALS means all naturally occurring inorganic substances in solid, liquid, or any intermediate state.
- 2.28 MINING AREA means a portion of the CONTRACT AREA selected for MINING OPERATION, DEVELOPMENT and/or set aside for future or further EXPLORATION.
- 2.29 MINING OPERATIONS means mineral EXPLORATION, DEVELOPMENT, utilization, mining operation or production, and all other operations necessary to discover, develop and extract MINERALS within the CONTRACT AREA for the duration of the term of this AGREEMENT.
- 2.30 NET MINING REVENUE shall mean GROSS MINING REVENUE less the following:
- (a) MARKETING EXPENSES as defined in Section 2.24 as well as mining, milling, refining, transporting, handling and all other expenses incidental to production which are not deductible from GROSS MINING REVENUE as defined in Section 2.22; includ-

ding the production share or royalty of the LEASE-
HOLDER;

(b) Normal depletion/amortization and depreciation;

(c) Fifteen Per Centum (15%) investment allowance as
return of investment on the NET ASSETS as herein
defined;

2.31 NET ASSETS means property, plant and equipment as
reflected in the audited financial statement of the
CONTRACTOR/OPERATOR net of normal depreciation but
shall exclude appraisal increase. It shall also include
pre-production expenditures consisting of EXPLORATION,
DEVELOPMENT and costs of INITIAL WORKS, materials and
supplies inventory and construction-in-progress.

2.32 NOTICE means notice in writing, or by telex, telefax or
telecoppy (authenticated by answer back or confirmation
received) addressed or sent as provided in Section
14.01 of this AGREEMENT.

2.33 ORE means mineral or rock extracted for profit.

2.34 PRESIDENTIAL DECREE NO. 463 means the issuance of the
President of the Republic of the Philippines on July
19, 1974 otherwise known as the "Mineral Resource
Development Decree of 1974".

2.35 POLLUTION means any direct or indirect alteration of
the physical, thermal, chemical, biological, or radio-

active 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 of the people or animals, birds, wildlife, fish or aquatic life, or plants.

2.36 SECRETARY means the Secretary of the DENR or any other person who may be so designated by law or by the SECRETARY.


2.37 WORK PROGRAM means a document which presents the plan of major EXPLORATION, DEVELOPMENT and MINING OPERATIONS, the targets and expected output, the corresponding expenditures and BUDGET of the CONTRACTOR AREA during a given period of time as submitted and approved pursuant to this AGREEMENT, including the plan and expenditures for ENVIRONMENTAL protection and rehabilitation in accordance with the Environmental Impact Assessment (EIA) submitted and approved as prescribed by existing rules and regulations.

ARTICLE III

TERM OF AGREEMENT

3.01 Term of Agreement

The term of this AGREEMENT shall be twenty five (25) CONTRACT YEARS from the EFFECTIVE DATE, subject to renewal as agreed upon by the parties.



ARTICLE IV
CONTRACT AREA

4.01 Size, shape and Location of CONTRACT AREA

This AGREEMENT covers an area of approximately FOUR THOUSAND SEVEN HUNDRED NINETY NINE Hectares (4,799 has.), situated at Cantilan, Surigao del Sur. The specific size, shape and location of the CONTRACT AREA are indicated in a map/sketch with the corresponding geographical coordinates hereto attached as Annex "B".

This Contract Area shall further exclude those covered by valid and subsisting mining rights. Provided, however, that in the event that such area is eventually abandoned or relinquished by the former grantee of mining rights or operator, the same shall be deemed part of the herein Contract Area.

4.02 Rights on the CONTRACT AREA

The rights of the CONTRACTOR over the CONTRACT AREA shall also include all auxiliary mining rights, surface, easement, water and timber rights, any roadway rights, properties and privileges of any kind or nature within the CONTRACT AREA and to carry out the intents and purposes of this AGREEMENT as provided under Chapter XI of PRESIDENTIAL DECREE NO. 463 and other existing laws, rules and regulations.

The CONTRACTOR shall also have the right of eminent domain over the CONTRACT AREA and its immediate vicinity, whether or not included in the CONTRACT AREA, when claimowner or an occupant or owner at private lands refuses to grant the CONTRACTOR the right to build, construct or install any of the facilities, INITIAL WORKS or DEVELOPMENT WORKS, by prosecuting an action for eminent domain under the Rules of Court.

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4.03 Reduction of the CONTRACT AREA

The CONTRACTOR, in its sole and exclusive judgment at any time, may discontinue EXPLORATION, DEVELOPMENT or MINING OPERATIONS on any mining claim or part of the CONTRACT AREA by giving the GOVERNMENT written notice thereof and from the date of such notice, such claim or area shall be considered excluded from this AGREEMENT.


ARTICLE V
EXPLORATION PERIOD

5.01 EXPLORATION Period

Within three(3) months from the EFFECTIVE DATE, the CONTRACTOR shall commence EXPLORATION in the CONTRACT AREA and complete the same within twenty four (24) months in accordance with the EXPLORATION WORK PROGRAM herein attached as integral part hereof and marked as Annex "C", subject to such extension for justifiable reasons as the SECRETARY may approve.

5.02 Suspension of Work

The CONTRACTOR shall be excused from performing its obligation during the EXPLORATION Period to the extent that it is caused by FORCE MAJEURE as herein defined. The CONTRACTOR shall immediately give the SECRETARY a written NOTICE of suspension stating the ground(s) therefore. The running of the period herein provided shall be suspended until the ground for suspension no longer exists.



ARTICLE VI

MINING FEASIBILITY, DEVELOPMENT AND CONSTRUCTION PERIOD

6.01 DECLARATION OF MINING FEASIBILITY


On or before the expiration of the EXPLORATION period, or its extension, the CONTRACTOR shall submit a DECLARATION OF MINING FEASIBILITY to the SECRETARY with a WORK PROGRAM for DEVELOPMENT and construction for the next succeeding thirty six (36) months. The SECRETARY shall act on the DECLARATION OF MINING FEASIBILITY and WORK PROGRAM within two (2) months from receipt thereof, otherwise they shall be deemed approved and the CONTRACTOR may proceed with the execution of the WORK PROGRAM.

6.02 DEVELOPMENT Period

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 and WORK PROGRAM, whichever is later, subject to such extension based on justifiable reasons for such period as may be mutually agreed upon by the CONTRACTOR and the SECRETARY.

6.03 Suspension of Work

The CONTRACTOR shall be excused from performing its obligation during the DEVELOPMENT Period to the extent that it is caused by FORCE MAJEURE as herein defined. The CONTRACTOR shall immediately give the SECRETARY a written NOTICE of suspension




5.03 Financial Obligations During the Period

During the entire EXPLORATION period and its extension, the CONTRACTOR shall have no financial obligations to the GOVERNMENT except as provided in Article VIII (Fiscal Regime).

Any MARKETABLE PRODUCTS recovered or produced during this period shall be subject to the same Production Share of the GOVERNMENT provided in Section 8.04 hereof.

5.04 Reporting Requirements

- a) Annual Report - The CONTRACTOR shall, within four (4) months from the end of each CALENDAR YEAR, submit an Annual Report which shall include information on the technical aspects of the operations as well as the financial expenditures on various items of activities to serve as basis for evaluation of performance and compliance by the CONTRACTOR.

 - b) Final Report - Within twelve (12) months from completion of the EXPLORATION period or its extensions, the CONTRACTOR shall submit a Final Report which shall incorporate the findings in the CONTRACT AREA, including locations of samples, assays, chemical analysis, assessment of mineral potentials and detailed report of expenditures during the period in accordance with international standards.
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stating the ground(s) therefore. The running of the period herein provided shall be suspended until the ground for suspension no longer exist.

6.04 Financial Obligations During the Period

During the entire EXPLORATIONS period and its extension, the CONTRACTOR shall have no financial obligations to the GOVERNMENT except as provided in Article VIII (Fiscal Regime).

Any MARKETABLE PRODUCTS recovered or produced during this period shall be subject to the same Production Share of the GOVERNMENT provided in Section 8.04 hereof.

6.05 Reporting -

(a) Annual - The CONTRACTOR shall submit an Annual Report within four (4) months after the end of each CALENDAR YEAR which states the major activities, achievements and expenditures during the year covered, including maps, assays, rock and mineral analysis and progress geological and similar reports during the DEVELOPMENT and construction period.

(b) Final Report - Within six (6) months from the completion of the DEVELOPMENT Period, the CONTRACTOR shall submit a final report to the GOVERNMENT. Such report shall integrate information in maps of appropriate scale and quality as well as monographs or reports in accordance with international standards.

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ARTICLE VII

COMMERCIAL PRODUCTION PERIOD

7.01 Operating Period

Within two (2) months from the completion of the construction of facilities, the CONTRACTOR shall submit an initial WORK PROGRAM for COMMERCIAL PRODUCTION for a period of thirty six (36) months. The SECRETARY shall act on the WORK PROGRAM within two (2) months from receipt thereof, otherwise it shall be deemed approved and the CONTRACTOR may proceed with its execution. The CONTRACTOR shall commence COMMERCIAL PRODUCTION within two (2) months from approval of said initial WORK PROGRAM. The CONTRACTOR shall give the GOVERNMENT a written NOTICE of the declaration date for the start of COMMERCIAL PRODUCTION within one (1) month.

7.02 WORK PROGRAMS

During the COMMERCIAL PRODUCTION Period, the CONTRACTOR shall submit WORK PROGRAMS to the GOVERNMENT covering a period of thirty six (36) months before the expiration of the period covered by the previous WORK PROGRAM. The SECRETARY shall act on the WORK PROGRAM within two (2) months from submission thereof, otherwise it shall be deemed approved and the CONTRACTOR may proceed with its execution.

The CONTRACTOR shall conduct MINING OPERATIONS and other activities for the duration of the period of COMMERCIAL PRODUCTION in accordance with the duly approved WORK PROGRAMS.

7.03 Reporting Requirements

(a) Quarterly Reports - Beginning with the first CALENDAR

QUARTER following the commencement of the COMMERCIAL PRODUCTION. The CONTRACTOR shall, within two (2) months after the end of each CALENDAR QUARTER, submit a terms of ORES, concentrates, and their corresponding grades and other types of products; value: destination of sales or exports and to whom sold; terms of sales and expenditures.

(b) Annual Reports. - During COMMERCIAL PRODUCTION, the CONTRACTOR shall, within three (3) months from the end of each succeeding CALENDAR YEAR, submit 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 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 (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 immediate 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.

7.04 Expansions and Modifications of Facilities

The CONTRACTOR may make 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. The SECRETARY shall act on such plans within two (2) months from submission, otherwise it shall be deemed approved and the CONTRACTOR may proceed with its execution.

ARTICLE VIII

FISCAL REGIME

8.01 General Principles

The fiscal regime of this AGREEMENT shall be governed by the principle that the GOVERNMENT, as owner of the mineral lands and MINERALS in place, expects a reasonable return in economic value

for the utilization of non-renewal 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 utilization, and extraction of minerals, the terms and conditions prevailing elsewhere in the industry and any special efficiency to be gained by particularly good performance of the **CONTRACTOR**.

8.02 Occupation Fees


From the date of registration of this **AGREEMENT** and every year thereafter, the **CONTRACTOR** shall pay to the **GOVERNMENT** an annual occupation fee of TEN PESOS (P 10.00) per hectare or such amount as may be prescribed by law over the **CONTRACTOR AREA** less those relinquished in favor of the **GOVERNMENT**. The occupation fee herein provided shall constitute full payment of the occupation fee and/or rental fee provided in the existing National Internal Revenue Code.

8.03 Regulatory Fee

There shall be due the **GOVERNMENT** for regulatory purposes. during the **EXPLORATION** Period, the amount of TEN PESOS (P 10.00) per hectare per year on the actual **CONTRACT AREA** as above described plus a yearly increment of FIVE PESOS (P5.00) per hectare per year.

8.04 Production Share of the Government

Upon the start of **COMMERCIAL PRODUCTION**, there shall be due the **GOVERNMENT** a Production Share of TWO PER CENTUM (2%) on **GROSS MINING REVENUE** and TEN PER CENTUM on **NET MINING REVENUE** as defined herein.



Any excise or mine product tax currently or may thereafter be imposed by the Government, and paid for by the CONTRACTOR shall be charged against the Production Share payable to the GOVERNMENT; Provided that if the excise or mine product tax in any CALENDAR YEAR shall exceed the Production Share as determined in accordance herewith, the CONTRACTOR shall not have the right to recover the excess; Provided further that if the Production Share is less than the excise or mine product tax, the CONTRACTOR shall pay the total amount due as the excise or mine product tax.

8.05 Payment

The CONTRACTOR shall pay the existing excise or mine product tax as prescribed or may be prescribed by the National Internal Revenue Code or appropriate tax laws.

The production Share of the GOVERNMENT referred to in Section 8.04 for any CALENDAR YEAR, if any, less the excise or mine product tax paid to the Bureau of Internal Revenue provided in the preceding paragraph, shall be paid to the pertinent Regional Office of the DENR within four (4) months after the end of each CALENDAR YEAR.

8.06 Books of Accounts

In connection with the foregoing, the CONTRACTOR shall maintain separate records and books of accounts for the CONTRACT AREA operations which shall be examined and audited by an independent certified public accountant acceptable to the parties and certified as to fairness. The audit report shall be conclusive on the parties.

8.07 Pricing of Sales

The CONTRACTOR shall endeavor, on best efforts basis, to obtain the best achievable price for its MARKETABLE PRODUCTS and pay the lowest achievable marketing commission and related fees.

8.08 ASSOCIATED MINERALS

In the event any ASSOCIATED MINERALS are recovered from the CONTRACT AREA and sold, the value shall be added to the value of the principal MARKETABLE PRODUCTS in computing the share of the GOVERNMENT.

ARTICLE IX

WORK PROGRAM

9.01 Submission to GOVERNMENT

Within the periods stated herein, the CONTRACTOR shall prepare and submit to the GOVERNMENT a WORK PROGRAM for the CONTRACT AREA stating the MINING OPERATIONS which the CONTRACTOR proposes to carry out the period covered with details and particulars set forth elsewhere in this AGREEMENT or in the Guidelines (DENR Administrative Order No. 57, as amended).

9.02 Examination and Revision

Should the GOVERNMENT wish to propose a revision as to certain specific features of a WORK PROGRAM, it shall notify the CONTRACTOR of such requested revisions and the reasons therefor within two (2) months after receipt thereof, otherwise the WORK

PROGRAM shall be considered approved as submitted and the CONTRACTOR may proceed with its execution. The GOVERNMENT and the CONTRACTOR shall promptly meet and endeavor to agree on the revision proposed by the GOVERNMENT, but such portions of WORK PROGRAM which are not subject to questions shall be carried out.

9.03 Revision by the CONTRACTOR

The Parties recognized that the details of any WORK PROGRAM may require changes as the circumstances may require. In such cases, the CONTRACTOR may make such changes provided the general objective of any WORK PROGRAM is not altered. Changes which result in a variance of minus twenty per centum (20%) of the BUDGET shall be subject to the approval of the SECRETARY who shall act on the proposed changes within two (2) months from receipt otherwise it shall be deemed approved and the CONTRACTOR may proceed with its execution.

9.04 GOVERNMENT Approval

The Parties recognize that time is of the essence such that them MINING OPERATION shall not be delayed without reasonable basis. The GOVERNMENT and the CONTRACTOR shall exert their best efforts and shall endeavor to eliminate all causes or sources of delay and the GOVERNMENT approvals on any proposed WORK PROGRAM, reports, permits, licenses or any other matter which requires its consent, shall not be unreasonably withheld.

9.05 Purpose of the Periods

The periods provided in this AGREEMENT shall be for the

benefit of both parties. Nothing herein shall be construed as an excuse or reason to delay, prevent or preclude to achieve the intents and purposes of this AGREEMENT. Whenever circumstances so warrant, the CONTRACTOR may accelerate its WORK PROGRAM and proceed immediately to DEVELOPMENT or commercial operation, as the case may be without prejudice to compliance with any prior requirements prescribed under this AGREEMENT.

ARTICLE X

RIGHTS AND OBLIGATIONS OF THE PARTIES

10.01 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 as may be applicable to Philippine conditions by providing all necessary services, technology and financing in connection therewith.
- (b) Perform its activities within the periods prescribed in this AGREEMENT, the Plans and WORK PROGRAM, save as may be excused by FORCE MAJEURE.
- (c) 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 comparable quality. In particular, the CONTRACTOR shall employ Filipinos, give preference to Filipino contractors and enterprises and construct buildings and roads with materials, transpor-

tation, equipment and supplies and skills which are available in the Philippines.

- (d) To the extent feasible and acceptable, after due evaluation of comparative rates and conditions to maximize the use of Filipino vessels and other means of transport available in the Philippines. If necessary, the CONTRACTOR shall enter into joint arrangements with Filipino concerns for the transportation of concentrates and other mineral products.
- (e) Keep accurate technical records of the operations as well as financial and marketing accounts which shall be available to duly authorized representatives of the SECRETARY for the purpose of assessing performance and compliance of the CONTRACTOR with the terms of this AGREEMENT. Representatives of other GOVERNMENT agencies, authorized in writing by the SECRETARY, may also have access to such accounts in accordance with existing laws, rules and regulations. The CONTRACTOR shall furnish the Mines and Ge-Sciences Bureau with such available reports.
- (f) Hold the GOVERNMENT free and harmless from all claims and accounts of all kinds, as well as demands and actions arising from accidents or injuries to persons or properties caused by MINING OPERATIONS of the CONTRACTOR.
- (g) Pay such other taxes or obligations in accordance with existing laws, rules and regulations not otherwise

specifically provided for in this AGREEMENT.

- (h) Conform to laws and regulations regarding, among others, labor, safety, environmental protection, demarcation of the CONTRACT AREA, non-interference with the legitimate activities of other mining operators and the 60% Filipino equity requirement.
- (i) Allow access to EXPLORATION and production sites and operations by inspectors duly authorized in writing by the SECRETARY.
- (j) Contribute to national development by helping develop the host and neighboring communities of the CONTRACT AREA in the following manner:
 - 1) The CONTRACTOR or through an appropriate community development arm, shall coordinate with proper authorities in providing development plans for the host and neighboring communities.
 - 2) The CONTRACTOR, or through an appropriate community development arm, shall help create self-sustaining, income generating activities.
 - 3) 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 shall prepare

and conduct training and recruitment program at its expense within the first year of COMMERCIAL PRODUCTION.

(k) Assist in the development of Geosciences and Mineral Technology in the following manner:

- 1) 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.
 - 2) The CONTRACTOR, shall systematically keep the data generated from the CONTRACT AREA such as cores, assays, and other related information, including economic and financial data, and shall, after declassification, make them accessible to students, researchers and other persons responsible for developing geosciences and mineral technology.
 - 3) The CONTRACTOR shall transfer to the Government or to a local mining company the technology it may adopt for the exploration, development and utilization of the CONTRACT AREA.
- (1) The CONTRACTOR shall give due importance to ENVIRONMENTAL protection and rehabilitation as well as industrial safety in the preparation of an appropriate Environment Impact Assessment (EIA) which is a required component of any of the feasibility studies of the CONTRACT AREA to be prepared in forms prescribed by

proper Government authorities. Activities relating to these concerns shall be reflected clearly in the appropriate WORK PROGRAMS.

- (m) The CONTRACTOR shall cause the registration of this AGREEMENT with the DENR Regional Office concerned.

10.02 Rights of the CONTRACTOR

The CONTRACTOR shall:

- (a) Have the exclusive 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.
- (c) Have the right to use and have access to all declassified geological, geophysical, drilling, production and other information relating to the CONTRACT AREA which are presently or in the future be in the possession and control of the GOVERNMENT or any Agency or enterprise thereof.
- (d) Subject to applicable laws and regulations, contract or hire foreign technical and specialized consultants as may be required in the operations of the CONTRACTOR.
- (e) Subject to pertinent laws, rules and regulations and the rights of third parties, exercise the right of eminent domain, easement rights and use of timber,

water and other natural resources available in the CONTRACT AREA and such other auxiliary mining and other rights as provided in Chapter XI of PRESIDENTIAL DECREE NO. 463 and other laws, rules and regulations.

- (f) 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 when applicable under financial commitments of the CONTRACTOR contracted in connection with the MINING OPERATIONS to accomplish the objectives of this AGREEMENT, and.
- (g) 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.

10.03 Obligations of the GOVERNMENT

The GOVERNMENT shall:

- (a) Ensure to the CONTRACTOR the GOVERNMENT's full cooperation in the exercise of its rights granted under this AGREEMENT.
- (b) Ensure the timely issuance of necessary permits and similar authorizing documents for use of surface of the CONTRACT AREA.
- (c) Cooperate with the CONTRACTOR in its efforts to obtain financing arrangements with banks or other financial institutions by granting the consents, guarantees

and/or security as are pertinent to the contract area as may be necessary, and/or required by such institutions provided that such financing arrangements will in no event release the CONTRACTOR from any of its obligations or affect the GOVERNMENT's rights hereunder.

- (d) Warrant that its rights, title and interest in the CONTRACT AREA are from all liens and encumbrances and guarantee that the CONTRACTOR shall have quiet, peaceful and uninterrupted possession, use and occupancy of the CONTRACT AREA.

ARTICLE XI

ASSETS AND EQUIPMENT

11.01 Acquisition of Assets

The CONTRACTOR shall acquire for the MINING OPERATIONS such assets as are necessary in carrying out such MINING OPERATIONS.

11.02 Ownership

All mineral product inventories, materials, equipment, plant and other installations erected or placed on the CONTRACT AREA shall remain the property of the CONTRACTOR and the CONTRACTOR shall have the right to remove, sell, transfer, or export or dispose of said mineral product inventories, materials, equipment, plant and other installations subject to existing laws and regulations.

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Upon termination of this AGREEMENT, the CONTRACTOR shall remove said mineral product inventories, materials, equipment, plants and other installations from the CONTRACT AREA within twenty four (24) months from the termination of the AGREEMENT which period may be extended upon request of CONTRACTOR. Any and all items not removed within the period stated or its extension shall be forfeited in favor of the GOVERNMENT.

ARTICLE XII

ARBITRATION

12.01 Submission to Arbitration

Any and all disputes or disagreements arising out of or relating to the validity, interpretation, enforceability, performance or alleged breach of this AGREEMENT shall be resolved by means of arbitration in accordance with the Philippine Law on Arbitration; Provided, however, that the GOVERNMENT and the CONTRACTOR shall consult with each other in good faith and shall exhaust all available remedies to settle their differences amicably before resorting to arbitration.

12.02 Mode of Arbitration

Any disagreement or dispute which cannot be resolved 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 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 and its amendments.

Where substantial foreign interests are involved at the time a dispute or disagreement occurred, the CONTRACTOR may, within thirty (30) days from the date the Parties have agreed to resort to arbitration, elect to do so 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 presently in force.

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

12.03 Cost

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.

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ARTICLE XIII

TERMINATION

13.01 Grounds for Termination

This contract shall be terminated and the parties shall be relieved of their respective obligations only on the following grounds:

1. On expiration of the term of this AGREEMENT;
2. Subject to the provisions of Article XII (Arbitration), termination by the GOVERNMENT upon final determination by the Arbitration Board that the CONTRACTOR's committed a substantial breach of this AGREEMENT, by giving the CONTRACTOR prior NOTICE in writing. The termination shall become effective six (6) months after receipt of the CONTRACTOR of the NOTICE of termination based on the decision of the arbitration board.
3. By withdrawal of the CONTRACTOR by giving prior NOTICE in writing, if, in its business and sole judgment, the continuation of the EXPLORATION, DEVELOPMENT or operation of the CONTRACT AREA becomes technically or economically not viable, in whole or in part. In case of partial withdrawal of the CONTRACTOR, this AGREEMENT shall continue to be in full force and effect for such part of the CONTRACT AREA retained by the CONTRACTOR.

13.02 Exercise of Other Rights

No delay or omission or dealing in due course by one party

shall impair any of the rights accruing or vested hereunder in favor of the other except by virtue of a written waiver of such right. Either party's right to seek recourse and/or relief by other means shall not be affected by the exercise of its right to terminate the AGREEMENT. Any waiver of default shall not be construed as a waiver of any succeeding or other default unless the contrary is expressly stated in writing signed by the party making the waiver.

13.03 Effect of Termination

In case of termination, the CONTRACTOR shall pay all GOVERNMENT fees and due up to the end of the year in which the termination becomes effective.

The CONTRACTOR shall have the right to remove its properties from the CONTRACT AREA as provided in Section 11.02.

ARTICLE XIV

OTHER PROVISIONS

14.01 NOTICES

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 on the transmittal date as stated in the case of telex or telecopy notice if reply or confirmation is received, or if delivered by hand, upon receipt or ten (10) days after being deposited in the mail, airmail postage prepared and addressed as follows:

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To the GOVERNMENT -

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

To the CONTRACTOR -

VENTURA TIMBER CORPORATION
Zamora Street, Butuan City

A party may substitute or change such address upon written NOTICE thereof to the other party.

14.02 Government Laws

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.

14.03 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 causes constituting FORCE MAJEURE, and the time for enjoying the rights and carrying out the obligations was thereby affected, the term of this AGREEMENT shall be extended for a period equal to the period when all such rights and obligations hereunder were delayed, curtailed or prevented.

- (c) The party whose ability to perform its obligation is affected shall: (i) 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.

ARTICLE XV

FUTURE LEGISLATIONS, COURT ORDERS AND AMENDMENTS

15.01 Future Legislation Favorable to the CONTRACTOR

Any term or condition more favorable to the CONTRACTOR 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.

15.02 Future Legislation Adverse to the CONTRACTOR

If any term or condition resulting from future enactment of a law, regulation or administrative order shall be adverse to the CONTRACTOR, the GOVERNMENT and the CONTRACTOR shall negotiate and endeavor to reach an agreement on the new terms and conditions within the limits as may be prescribed by the new law but any such modification, alternation or amendment shall take effect within the period prescribed by said law.

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15.03 Failure of Negotiation = Withdrawal of CONTRACTOR

In the event the parties to this AGREEMENT fail to reach a mutually acceptable arrangement within the framework of said new law as provided in Section 15.02, the CONTRACTOR may withdraw upon written NOTICE to the GOVERNMENT.

The GOVERNMENT may operate the area itself or award the CONTRACT AREA to a new contractor, or, at which event the new operator, be it the GOVERNMENT or a new contractor, shall reimburse the CONTRACTOR the value of the CONTRACTOR's investments corresponding to the assets and DEVELOPMENT works in the CONTRACT AREA which are integral to and/or used by the new contractor for its MINING OPERATIONS.

15.04 Manner of Reimbursement and Arbitration

The reimbursable expenses of the CONTRACTOR specified in Section 15.03 shall bear interest compounded quarterly from date of CONTRACTOR's withdrawal at the prevailing 90-day treasury bill rate or in the absence thereof, average 90-day money market rate of the CONTRACTOR's three largest depository banks. The CONTRACTOR and the new operator/contractor shall negotiate and endeavor to reach a mutually acceptable arrangement as to the amount and terms of payment of such reimbursement.

If the CONTRACTOR and the new operator/contractor fail to reach an agreement on any of the terms of such reimbursement within one (1) year from date of the award by the GOVERNMENT to the new contractor of the CONTRACT AREA or within one (1) from withdrawal of the CONTRACTOR in case the GOVERNMENT opts to

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operate the CONTRACT AREA, or earlier upon mutual consent of the parties, such reimbursement shall be settled by a tribunal of three (3) Arbitrators, one to be appointed by the CONTRACTOR, another by the new operator/contractor and the third by the Arbitrators so appointed. Such arbitration shall be conducted pursuant to Republic Act 876 otherwise known as the Arbitration Act. The decision of the tribunal shall be final and binding on the parties.

15.05 Lien on the CONTRACT AREA

The reimbursable amount shall constitute a preferential lien over the CONTRACT AREA and the MARKETABLE PRODUCTS produced therefrom until such time as such amount shall have been fully paid and the same may be enforced in accordance with law. If MINING OPERATIONS are continued by the GOVERNMENT or the new contractor during the negotiations and/or arbitration, fifteen (15%) percent of the Gross Revenues shall be deposited in escrow which shall bear interest at prevailing average money market rate.

15.06 Completeness of AGREEMENT and Amendments

This AGREEMENT contains the true and complete understandings, covenants and intentions of the herein Parties and no agreements, understanding or covenant, of any kind or nature, which are not reflected or written herein shall modify, supplement or otherwise be given force and effect under this AGREEMENT.

This AGREEMENT shall not be amended or modified in any respect except by mutual consent in writing of the parties hereof.

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15.07 Court Orders

In the event the enforceability or validity of the EXECUTIVE ORDER, the administrative orders, rules, guidelines and regulations issued in connection therewith and/or this AGREEMENT is restrained, enjoined or declared null and void by the Court, this AGREEMENT and all rights and obligations of the CONTRACTOR hereunder shall, in so far as not inconsistent with PRESIDENTIAL DECREE NO. 463, be deemed compliance with said PRESIDENTIAL DECREE NO. 463 and this AGREEMENT shall automatically convert into and be governed the terms and conditions of a Mining Lease Contract under PRESIDENTIAL DECREE NO. 463, its implementing rules and regulations and/or whatever may be the existing or governing mining law.

15.08 Effectivity

This AGREEMENT shall be binding on the parties herein as those terms are defined and shall become effective upon the date appearing as the EFFECTIVE DATE until the expiration of the term provided herein or earlier in case the same shall have been canceled or terminated for causes and in the manner provided in this AGREEMENT or unless otherwise disapproved by the appropriate government authority where such approval is specifically required under existing law, rules and regulations.

15.09 Separability Clause

Should any provisions of this AGREEMENT be declared null and void or of no effect, the rest of the provisions as are not so declared shall remain in force and effect between the Parties hereto.

15.10 Recording

This AGREEMENT shall be recorded in the appropriate office of the DENR as may be provided under existing laws, rules and regulations.

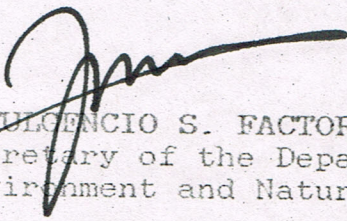
IN WITNESS WHEREOF, the Parties hereto have executed this AGREEMENT, as of the date and place first above written.

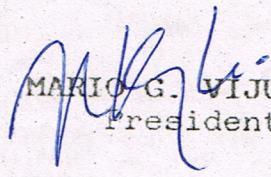
THE REPUBLIC OF THE PHILIPPINES

VENTURA TIMBER CORPORATION

By:

By:


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


MARIO G. VIJUNGO
President

APPROVED BY:

President of the Republic of the Philippines

ON _____

ACKNOWLEDGEMENT

REPUBLIC OF THE PHILIPPINES)
QUEZON CITY)S.S.
x - - - - -)

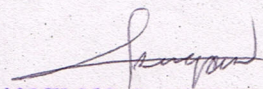
BEFORE ME, a Notary Public for and in Quezon City, this 24th day of June, 1992, personally appeared the following:

Names	Res. Cert. No.	Place/Date Issued
Hon. Fulgencio S. Factoran, Jr.	12811855	Awesim City / Jan. 24, 1992
Mario G. Vijungco	5244049	Butuan City / Feb. 28, 1992

all known to me and to me known to be the same persons who executed the foregoing instrument and they acknowledge to me that the same is their free act and deed and that of the principals they respectfully represent.

This instrument, consisting of forty-three (43) pages including this page of acknowledgement, signed by the parties and their instrument witnesses and initialed at the left margin of every page, refers to the parties MINERAL PRODUCTION SHARING AGREEMENT.

WITNESS MY HAND AND SEAL on the date and at the place first herein abovementioned.


ANSELMO C. ABUNGAN
 NOTARY PUBLIC
 UNTIL DEC. 31/1992
 PTR NO. 6465 192-1/8/91 O.C

Doc. No. 919 ;
 Page No. 178 ;
 Book No. 1 ;
 Series of 1992.