

MINERAL PRODUCTION SHARING AGREEMENT

MPSA No. 114-98-IV

This **MINERAL PRODUCTION SHARING AGREEMENT** (this "Agreement") is made and entered into in Quezon City, Metro Manila, Philippines, this _____ day of JUN 04 1998 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 Natural Resources Building, Visayas Avenue, Diliman, Quezon City, Metro Manila

and

RIO TUBA NICKEL MINING CORPORATION, a corporation duly organized and existing under the laws of the Republic of the Philippines, hereinafter referred to as the **CONTRACTOR**, with offices at the 2nd Floor, Solid Mills Building, Dela Rosa St., Legazpi Village, Makati City and represented in this act by its President, **MANUEL B. ZAMORA JR.**, as authorized by its Board under Annex "A" which forms an integral part hereof.

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 has been conducting commercial quarry operation in the Contract Area since JULY 1975 by virtue of mining lease contracts granted under previous mining laws and intends to continue its mining operations under the purview of the Act and its revised implementing rules and regulations;

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 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 the provisions of the Act (R.A No. 7942) and its Revised Implementing Rules and Regulations. The primary purpose of this Agreement is to provide for the sustainable development and commercial utilization of Nickel, Cobalt, Chromite and other mineral deposits existing within the Contract Area, with all necessary services, technology and financing to be furnished or arranged for by the Contractor in accordance within 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 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 VI hereof.

SECTION II

DEFINITIONS

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

- 2.1 "The Act" refers to R.A. No. 7942, otherwise known as the "Philippine Mining Act of 1995"
- 2.2 Agreement means this Mineral Production Sharing Agreement.
- 2.3 Associated Minerals mean other ores/minerals which occur together with the principal ore/ mineral.
- 2.4 Bangko Sentral means Bangko Sentral ng Pilipinas.
- 2.5 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.