INVESTMENT OPPORTUNITIES IN THE PHILIPPINE MINING SECTOR

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Presentation Outline:

1. Situation in the Mining Industry
2. Philippine Mineral Potentials
3. Investment Opportunities
4. New Paradigm in Mining
5. Recent Developments
6. Mining Incentives
**OPERATING MINES**

2 Big mines
- Victoria Gold Mine
- Padcal Copper Mine

3 Medium-scale chromite mines
- Benguet Corp. Masinloc Project
- Crau Minerals Omasdang Project
- Heritage Res. Homonhon Project

4 Medium-scale nickel mines
- Rio Tuba Nickel Mine
- Cagdianao Nickel Mine
- Taganito Nickel Mine
- HMC Sigbanog Project

5 Medium-scale gold mines
- TVI Canatuan Project
- Benguet Acupan SSM Operations
- NRDC Diwalwal Direct State Development Project
- Philsaga Mining Corp. Banahaw Gold Project
- Johson Gold Mining Corp.

15 Cement plants and quarries
MINING RIGHTS GRANTED

There are currently 471,510.75 hectares of land covered by approved mining tenements, namely:

- 209 Mineral Production Sharing Agreements (MPSAs)
- 13 Exploration Permits (EPs)
- 2 Financial or Technical Assistance Agreements (FTAAAs)
- 310 Mining Lease Contracts/Patents
## ECONOMIC CONTRIBUTIONS OF THE MINERALS SECTOR (FY 2003)

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<tr>
<td><strong>Production Value</strong></td>
<td>P 41.5 Billion</td>
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<td><em>or 19% increase from CY 2002</em></td>
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<td><strong>Value Added Contribution</strong></td>
<td>P 18.0 Billion or 1.6% of Phil. GDP</td>
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<td><em>or 1.52% of the Phil. GNP (CY 2003)</em></td>
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<td><strong>Exports</strong></td>
<td>US$ 638 Million or 1.8% of total Phil. Exports</td>
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<td><strong>Paid-up Investments</strong></td>
<td>P 367 Million (CY2002)</td>
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<td><strong>Employment</strong></td>
<td>104,000</td>
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<td><strong>Wages and Benefits</strong></td>
<td>P 4 to P5 Billion</td>
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<td><strong>Taxes and Fees Estimate</strong></td>
<td>P 2.1 Billion (CY 2002)</td>
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<td><strong>Multiplier Effect</strong></td>
<td>For each mining job, 4 to 10 allied jobs created upstream and downstream</td>
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9 million hectares are high potential sites for copper, gold, nickel, chromite, etc.
Only 1.4% covered by mining permits
Has the potential to be top 10 largest mining power in the world
PHILIPPINES OFFSHORE AREA INCLUDING EEZ 2.2 MILLION KM²

POSSIBLE OFFSHORE MINERAL RESOURCES:

- Placer minerals including gold, chromite, magnetite, silica
- Aggregate resources (sand & gravel)
- Manganese nodules/encrustations with associated copper, gold, zinc, cobalt
- Polymetallic sulphide deposits containing gold, copper, cobalt, etc.
INVESTMENT OPPORTUNITIES
LEPANTO FAR SOUTHEAST copper - gold deposit
*Open for joint-venture partners

PHILEX BOYONGAN copper-gold deposit
*Joint-venture between Philex Gold and Anglo-American

TAMPAKAN copper - gold deposit
*JV of Sagitarius, Indophil, Xstrata, J.P.Morgan
**OTHER COPPER-GOLD PROJECTS**

- **TERESA gold project**
  Lepanto Consolidated

- **PADCAL copper expansion project**
  Philex Mines

- **BATONG-BUHAY Cu-Au project**
  Gov’t-owned

- **SAN ANTONIO copper project**
  Marcopper Mining Operations

- **ATLAS copper project**
  Alakor Corp.

- **AMACAN copper-gold project**
  Gov’t-owned

- **KINGKING copper-gold project**
  Benguet Corp.
OTHER PROJECTS

ITOGON gold project
Itogon Suyoc Resources

SIANA gold project
Greenstone Resources

MINDORO nickel project
Aglubang/Crew Dev’t (UK)

ADLAY nickel project
CTP/BHP-QNI

NONOC nickel project
Nonoc Processing/Philnico

NONOC iron fines project
Pacific Nickels Phils.

Pujada nickel project
QNI/BHP-Billiton
23 potential medium- to large-scale metallic mining projects:

- **US $ 90.8 B** - Gross value of mineral deposits
- **US $ 6.5 B** - Foreign direct investments
- **US $ 3.4 B** - Annual sales/foreign exchange
- **US $ 61.4 M** - Annual excise tax on minerals
- **US $ 432 M** - Annual corporate income tax
- **200,000** - Additional direct & indirect employment
NEW PARADIGM ON MINING

- Tolerance to Promotion
- Strictly adhere to Sustainable Development (economic growth, social equity and environmental protection)
EXECUTIVE ORDER NO. 270

National Policy Agenda on Revitalizing Mining in the Philippines

- Issued on 16 January 2004, with amendments on 20 April 2004

- With 12 guiding principles for responsible mining towards sustainable development

- Calls for the formulation of Minerals Action Plan
MINERALS ACTION PLAN

- Formulated by DENR in consultation with other government agencies & stakeholders

- Contains 57 strategies & 126 activities to address the problems of mining

- Approved by the President thru Memorandum Circular No. 67 dated 13 September 2004
RECENT DEVELOPMENTS

- Supreme Court upheld constitutionality of Mining Act of 1995 thru Dec. 1, 2004 Resolution
  
  - “Decided for the greater good of the greatest number of people”
  
  - Affirmed President/Congress prerogative to enter into Financial or Technical Assistance Agreement (FTAA) with foreign corporations to explore, develop and utilize mineral resources
RECENT DEVELOPMENTS

- Government identifies mining as a priority program to attract foreign investments

  - Mining roadshow to China on January 17-19, 2005 generates US $1.6 Billion in investment commitments
  
  - Supported the International Mining Investment Conference held on Feb. 2-4, 2005
RECENT DEVELOPMENTS

- Reduced processing time for mining permit applications
  - 57% reduction to Exploration Permits
  - 54% reduction to Mineral Production Sharing Agreements
  - 27% reduction in NCIP Certification
  - Approval of Environmental Compliance Certificate (ECC) within 120 days
RECENT DEVELOPMENTS

- Issued new mining permits/contracts (January 2004 to February 2005)
  - 20 Mineral Production Sharing Agreements
  - 3 Mineral Processing Permits
  - 1 Special Mines Permit
  - 2 Exploration Permit renewals
  - 5 new Exploration Permits
RECENT DEVELOPMENTS

- **Opened up new areas for investments**

  - Cancelled 84 mining permits and contracts covering 100,000 hectares to give way to serious investors
  
  - Ongoing cleansing of mining applications including FTAAAs covering 1.8 million hectares
  
  - Significantly reduced pending cases in the Mines Adjudication Board and the Panel of Arbitrators
RECENT DEVELOPMENTS

- Identified legislative agenda in support of responsible mining
  - Direct remittance of LGU shares on excise taxes
  - Supported the proposed National Land Use Act to provide guidelines for the use and allocation of lands for mining purposes
  - Incentives for pollution control devices
RECENT DEVELOPMENTS

- Addressed stakeholder concerns on mining
  - Conducted Stakeholders Forum on Mining on February 3, 2005 at Malacañang with representatives from industry, civil society, IPs, LGUs and church groups
  - DENR directed Marcopper to undertake USGS recommendations to rehabilitate affected areas in Marinduque
REPUBLIC ACT NO. 7942, THE PHILIPPINE MINING ACT

MAJOR TYPES OF MINING TENEMENTS:

- EXPLORATION PERMIT (EP) – 2 years/renewable up to 8 years
  - Grants exclusive right to explore and eventually enter into Mineral Agreement or Financial or Technical Assistance Agreement

- MINERAL AGREEMENT (MA) – 25 years/renewable for 25 years
  - Three (3) modes: *Mineral Production Sharing; Co-Production and Joint Venture*
  - Grants exclusive rights to explore, develop and utilize minerals

- FINANCIAL OR TECHNICAL ASSISTANCE AGREEMENT (FTAA) – 25 years/renewable for 25 years
  - Involves large-scale mining operations with minimum committed investment of $50 Million for infrastructure and development
  - Needs approval by the President of the Republic of the Philippines

- MINERAL PROCESSING PERMIT (MPP) – 5 years/renewable up to 25 years
  - Issued for mineral processing operations

- 100% Foreign participation is allowed under EP, FTAA and MPP except for MA which requires at least 60% Filipino ownership
Mining Incentives under the Omnibus Investment Code of 1987

- Fiscal incentives: tax exemptions, tax credit on raw materials and supplies, additional deductions from taxable income

- Non-fiscal incentives: employment of foreign nationals, simplified customs importation procedures, importation of consigned equipment for a period of 10 years
INCENTIVES UNDER THE NEW MINING ACT OF 1995

ENTITLEMENT TO-

- Tax Holiday during recovery of pre-operating expenses for a maximum of 5 years from commercial production (FTAA)
- Income Tax carry forward of losses
- Income Tax accelerated depreciation of fixed assets
- Exemption from payment of real property taxes on pollution control devices
Fiscal and Non-Fiscal incentives of the Omnibus Investment Code

Investment Guarantees
- Repatriation of Capital
- Freedom from Expropriation
- Remittance from earnings and interest on foreign loans
- Freedom from requisition of properties
- Confidentiality of Information
“The business of mining is the business of nation-building.”