

Industry Updates

Week ended 15 February 2008

KPMG Philippines Bi-monthly Mining News Summary

This publication is a summary of publicly reported information, the accuracy of which has not been verified by KPMG.

Intex eyes farm-out deal for Vulcan mine

Mining company Intex Resources Philippines, Inc. is conducting due diligence on a mineral site owned by Vulcan Industrial & Mining Corp. in what might be a first step towards pouring investments into the operation. In a disclosure to the Philippine Stock Exchange, Vulcan said it signed a confidentiality agreement with Intex on Jan. 30 for a “farm out” deal within Vulcan’s gold project in Cordon, Isabela. A farm-out deal is an arrangement in which the responsibility of exploration and development is assigned by the working interest owner to another party.

According to the farm-out agreement between the two mining firms, Intex will study the Cordon property and, depending on their findings, decide whether to invest in the project or not. Vulcan Executive Vice-President and General Manager Patrick V. Caoile said Intex made the offer to evaluate the property to them only last month. Intex insiders declined to say if it was looking at acquiring the mining project.

A source who declined to be identified said the confidentiality agreement’s terms prohibit the companies from providing too many details on the agreement.

Vulcan is currently not conducting mining operations, citing “recurring operating losses” from the “slowdown in the business and economic environment,” the company said in the Philippine Stock Exchange Web site. The disclosure said the confidentiality agreement recognizes Vulcan’s ownership of all studies and work it previously conducted in Cordon. These will be made accessible to Intex as it conducts its evaluation of the site for three months, it added.

Likewise, the agreement states that Vulcan would not disclose all data, information, pictures and other records to be obtained from the studies. “Should Intex decide to invest in the project, [it] shall be granted a prior and preferential right to negotiate and enter an agreement with [Vulcan] for the project,” portions of the confidentiality agreement also read. Intex is a local subsidiary of Norwegian firm Intex Resources ASA.

It recently announced that it has moved to the definitive feasibility stage of its own nickel project in Mindoro island, to last one year.

SOURCE: BusinessWorld by Eric B. Dorente. 02.05.08

MINING INDUSTRY



In the news

Intex Resources Philippines, Inc.

Vulcan Industrial & Mining Corporation

Wellex Mining Corporation

Vista Buena Mining Corporation

Platinum Group Metals Corporation

Atlas Consolidated Mining and Development Corporation

TVI Resource Development (Philippines) Inc.

Philex Mining Corporation

Mindoro Resources Ltd.

Trans-Asia Oil and Energy Development Corporation

H.L. Nathurmal

OceanaGold Corporation

In the nickel of time

Platinum Group Metals Corp. can actually source enough nickel ore from its own mines -- at least for now -- to feed its ferronickel smelting plant in Mindanao. Okay, that was part of the rejoinder of Platinum Metals chairman Ramon Atayde to our report last week, in which we talked about the firm's mysterious \$40-million loan from Deutsche Bank in Singapore. Platinum Metals meant to use the loan for its smelting plant in Mindanao.

At the same time, however, the company is in court, slugging it out with another mining group, trying to gain control of over 200 hectares of nickel mining claims in Palawan province. Because of the court cases, Platinum Group was forced to stop its Palawan operations. If it cannot get nickel ore from Palawan, how can it feed its smelting plants?

Well, according to Atayde, his group has an abundant source of nickel ore in the local and foreign markets. It also operates two other nickel mines in the provinces of Isabela and Surigao. The group's \$40-million loan from Deutsche Singapore has nothing to do with the problematic nickel mines in Palawan.

Deutsche Singapore, according to bank insiders, in fact omitted the Palawan mines in the equation for the Mindanao smelting plant.

SOURCE: Inquirer.Net by Conrado Banal III. 02.05.08

Wellex unit to operate mining project in Surigao

Gatchalian-owned Wellex Mining Corp. has signed an agreement to develop and operate a 3,700-hectare mineral site in Surigao. In a statement, Wellex Mining said the deal, entered into with Vista Buena Mining, Corp., a Surigao del Norte-based mining company, covers a mine located in Dinagat Island. The agreement was signed last Jan. 17, the company added.

Weslie Gatchalian, Wellex Mining president and chief executive, said the company has set aside P100 million for the undertaking. "This year, we'll prioritize the mineral site in Surigao because we already have an MPSA [Mineral Production Sharing Agreement] for that," he told BusinessWorld in an interview. The property is located in the Surigao Mineral Reservation where the United Nations earlier provided funds for the mapping and exploration of areas covered by the Mineral Reservation.

Wellex Mining's initial pre-reconnaissance survey showed positive quality and quantity for both nickel and chromite. Mr. Gatchalian also said that the Surigao mine site is just one of three that the company plans to develop and operate. "As soon as we get the necessary documentations, the next site we'd develop is the one in Palawan and then Samar," Mr. Gatchalian said.

Wellex Mining, through its sister company, Wellex Petroleum Corp., filed applications in Bataraza, Palawan for a 5,700-hectare area containing nickel and chromite. It also has a pending application for a 10,000-hectare site in Eastern and Western Samar that contains coal. The company is fast tracking the development of these properties and is scheduled for further exploration within the year, Mr. Gatchalian said.

Wellex Mining and Wellex Petroleum are both part of the Wellex Group of Companies, which also owns publicly listed Wellex Industries, Inc.

SOURCE: BusinessWorld by Lovely Nica P. Lee. 02.05.08

Atlas backs out of joint venture with TVI group

Atlas Consolidated Mining and Development Corp. said Wednesday it would no longer enter into a joint venture with mining and exploration firm TVI Resource Development (Philippines) Inc. Atlas executive vice president Martin Buckingham said Atlas would no longer pursue the deal to give way to its other mine projects that were coming into production, such as Carmen Copper Corp.'s Toledo project in Cebu province. Buckingham said the Toledo mine would start copper production in July.

In a disclosure to the stock exchange, Atlas said the joint venture with TVI was supposed to develop the Canatuan Copper/Zinc Sulphide project in Canatuan, Zamboanga Peninsula. The Atlas board last year approved participation in the Canatuan project, with equity to come from a conversion of Atlas' advance of P42 million to TVIRD.

As Atlas will no longer participate in the project, the P42 million will be treated as a short-term loan, the company said. Atlas will meanwhile put its resources behind the Toledo mine, it said.

Atlas said earlier that with its \$200-million rehabilitation of the Toledo mine on track, it expected to begin ore processing at an initial 20,000 tons a day and subsequently increase to the maximum capacity of 42,000 tons a day by the third quarter of 2009. For the next decade, Atlas said production at the Toledo mine would average 47,000 tons of copper a year.

With the progress of the mine's rehabilitation activities, the Atlas board also approved an infusion of \$6.55 million into the Toledo project through Atlas' subscription to additional Carmen Copper shares.

SOURCE: Inquirer.Net by Amy R. Remo. 02.07.08

Philex registers P5-B profit in 2007

Philex Mining Corp. said Wednesday its unaudited net income for 2007 rose 63 percent to P5 billion from P3.1 billion a year earlier. In a disclosure to the stock exchange, the gold miner said income growth was spurred by an increase in operating revenues of P12.2 billion compared to P9.96 billion. The company was incorporated in 1955 to engage in mining activities primarily in northern Philippines. Its shares are traded on the Philippine Stock Exchange, while shares of its 81-percent owned gold subsidiary, Philex Gold Inc., are listed in the TSX Venture Exchange.

It has been operating the Sto. Tomas II copper-gold-silver deposit at Padcal, Tuba, Benguet province for 49 years. The Padcal mine is the first block-cave operation in the Far East. Total ore mined at year-end 2006 was 314.05 million tons, with a metal production of 858.16 million kilograms of copper concentrate, and 153.05 million grams of gold and 169.26 million grams of silver in bullion and concentrate. The Padcal mine is the only remaining copper-gold operation in the Philippines.

Meanwhile, Philex unit, Philex Gold, operated the Bulawan mine in Negros Occidental up to the second quarter of 2002. Commercial production commenced in January 1996 with total gold production of 14.5 million grams up to April 2002, when the mine was decommissioned. With the closing of the Bulawan operations, Philex Gold became an exploration company.

In 1999, Philex and Philex Gold entered into separate joint venture deals with Anglo American Plc to explore the former's claims in Benguet province and Philex Gold's claims in Surigao del Norte in the south. The exploration work in Surigao advanced to the drilling stage early in 2000 that led to the discovery of the Boyongan copper-gold deposit.

SOURCE: BusinessMirror by Honey Madrilejos-Reyes. 02.07.08

Canadian firm explores local nickel processing

Canadian mineral exploration firm Mindoro Resources Ltd. said it was looking at the possibility of locally processing the ore from its Agata nickel laterite projects instead of shipping it out to buyers. In a statement posted on its website, Mindoro Resources said it was entertaining the option due to the large tonnage potential of its Agata North and Agata South projects--as shown in results of ongoing drilling. Mindoro Resources also cited the availability of processing technologies applicable to Philippine ore.

The firm said it had received letters of interest from potential buyers of Agata ore, for which it initially planned direct-shipping ore (DSO) operations. "Resource estimate is in preparation, and mine planning and permitting [for the Agata projects] are well advanced," the company said. A report on the resource estimate for Agata North is expected in the second quarter of 2008, after which Mindoro Resources plans to immediately proceed to feasibility studies.

Nickel is used in the manufacturing of stainless steel and currently enjoys great demand, especially in booming China. For the meantime, the Alberta-based firm is continuing to fast-track the DSO scenario and aims to start production within the year.

As for the Agata South project, for which Mindoro Resources had entered into a joint venture with contractor Delta Earthmoving Inc., an initial DSO operation was being planned to start along with that of Agata North.

Mindoro Resources said available data showed that Agata “has strong competitive advantages, with good grades, just two to three kilometers from tide water, with corresponding low haul distance and costs, and only two days shipping from China.”

The firm added that while DSO operations have a low-capital cost and offer a rapid route to production and cash-flow, “it is management’s strong conviction that the real future for the Agata project is for enhanced value, local processing. “We see abundant evidence that we are at the beginning of a trend for local/on-site processing of Philippine laterite ores and the growth of a large high-value industry in the Philippines,” Mindoro Resources said.

The firm cited the case of Sumitomo, which operates the Coral Bay nickel project, that uses a new generation of high pressure acid leach plants. Results have been so successful that Sumitomo recently announced a doubling of capacity at Coral Bay, and plans to construct a new HPAL plant in the Surigao mine district where the Agata projects are located.

In March 2007, Mindoro Resources said the objective of the Agata North project was to define an ore resource that would be good for an initial production period of three to five years at a rate of 500,000 to 700,000 wet metric tons a year. The initial plan is to send direct shipping-grade material for the ferro-nickel markets of China, India and Korea. The firm’s target is to start production in the first half of 2008 and would ramp up production to at least a million tons a year after, depending on market demand.

SOURCE: Inquirer.Net by Ronnel Domingo. 02.10.08

Trans-Asia, Indian firm ink energy, mining deal

Filipino firm Trans-Asia Oil and Energy Development Corporation has inked a memorandum of understanding (MoU) with H.L. Nathurmal of India for possible cooperation on mining and energy projects. The company, in its disclosure to the Philippine Stock Exchange, indicated that the investment prospects could be pursued in the Philippines, India and other countries within the Asean region. H.L. Nathurmal has diversified investment portfolios in mining, power generation, pharmaceuticals and trading. It has not given specific ventures though that the tie-up plan would undertake in the immediate term.

Trans-Asia is currently venturing into various oil and gas exploration activities in the country; and is also lining up expansion of its power facility in Bulacan. The project blueprint provides for a 100-megawatt expansion of its existing 52-megawatt power facility in Bulacan that run on bunker-C fuel. The plant currently supplies the electricity requirements of the cement plant of European firm Holcim in Norzagaray town.

Of the planned additional capacity, it was noted that 50 MW will meet the higher demand of Holcim in the future; while the balance will be supplied to the Luzon grid. Trans-Asia Power is lining up the expanded plant by 2012; which is also the same time when electricity supply in the country’s biggest island grid gets critical.

Trans-Asia Oil was among the companies that already secured retail electricity supplier (RES) license from the Energy Regulatory Commission. The RES license will legally allow it to sell its capacity directly to endusers classified under “contestable market” or the big-ticket end-users which will have the first crack at choosing their own electricity suppliers.

Given soaring fuel prices for power generation, Trans-Asia noted that it has been carefully weighing what technology options it will consider for the expansion of its power facility.

SOURCE: Manila Bulletin by Myrna M. Velasco. 02.13.08

Australian firm to mine gold in Didipio next year

Australian miner OceanaGold Corp. said it expected to complete in the first quarter a drilling program in the northern province of Nueva Vizcaya, which would take it a step closer toward producing gold and copper by 2009 despite resistance from surrounding communities.

In a statement posted on its website, OceanaGold announced that after nine months of drilling, the Didipio gold-copper deposit zone was found to contain a reserve of 32.98 million tons at 1.48 grams of gold per ton and 0.58 percent copper.

These findings make the Didipio deposit “one of the highest grade gold-copper porphyries in the world,” the company said. OceanaGold added that based on current proven and probable reserves Didipio would have a 15-year mine life.

The company said it would start construction by midyear of a plant that would have capacity to process 2.5 million tons a year, including crushing, grinding and flotation.

SOURCE: Inquirer.Net by Ronnel Domingo. 02.15.08

Feedback

Please contact Pachot Castañeda (+632 885 7000 ext: 247 or pcastaneda@kpmg.com.ph) or Pol De Peralta (+632 885 7000 ext: 369 or adeperalta@kpmg.com.ph) to discuss your views/suggestions.

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