

Industry Updates

Week ended 9 May 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.

Medusa Mining has high-grade Co-O gold intersection

Medusa Mining Ltd says diamond drilling at the Co-O gold mine in the Philippines has encountered a wide high-grade intersection of 33.5 m at 18.07 gpt Au including a massive grey quartz vein assaying 15.9m at 34.02 gpt Au.

The remainder of the 33.5m intersection consists of lesser veins and quartz vein stockworks. Drill hole MD72 is still in progress. The drilling program is continuing with four surface rigs and two underground rigs.

Source: Australian Stock Exchange . May 7, 2008

Shougang and Xiamen Huaxia To Jointly Develop Philippines' Chromium Mine

The Philippines' chromium mine development project jointly funded and contracted by Shougang and Xiamen Huaxia Co., Ltd. has been approved by the Philippine authorities and is now subject to the approval of the Chinese Ministry of Commerce, according to information released by the Xiamen Municipal Trade Development Bureau.

Huaxia Co., Ltd. has established a joint venture with Shougang Group's Mining Investment Co., Ltd., with each holding a 49% and 51% stake respectively. According to their plan, once they receive approval on this project, the joint venture will obtain RMB180M for the first phase of investment in the Philippines, with the project to produce 1mt of chromium concentrate powder and 2mt-5mt of iron ore annually. (www.chinainfoworld.com)

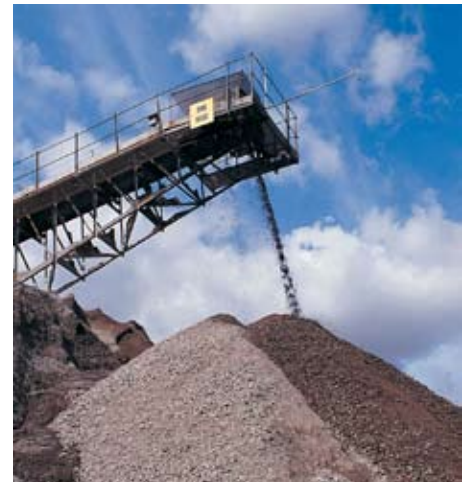
Source: China Metallurgy Daily (China) . May 6, 2008

Philippines new mining ventures to pour US\$ 104 M-worth FDIs to Philippines

A total of 22 new mining ventures are underway, indicating the strong comeback of the Philippines in the global mining sector, a top government official said. The Priority Mineral Exploration Projects are the undertakings that we believe could help the Philippine economy, Glenn Noble, chief mineral economics, information and publications division of the Mines and Geosciences Bureau said during the recent dialogue with the media in Baguio City.

The projects will be the source of an estimated US\$ 10.4 million in foreign direct investment until 2011, he said. The country is known for its rich diversity in both metallic and non-metallic including gold, copper and silver. Currently, two big mining firms are doing business, the Victoria Gold Mine, or Lepanto and the Philex-Padcal Copper Mine, both in Benguet, while several medium scale mining firms are dotted all over the archipelago. Noble added that apart from the rich

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onshore mineral deposits, there is a potential that the country's 2.2 million kilometre-exclusive economic zone may yield precious reserves such as gold, chromite, magnetite, silica, manganese, among others.

The mining industry is pegged at P97.4 billion or US\$ 2.1 billion, as of 2007, the MGB said. The reinvigoration of the mining industry spawned numerous mining sites in the Philippines filling the huge global demand for copper, nickel and other minerals abroad; moreover, it contributed largely to global economy, Edwin Domingo, assistant director at the MGB meanwhile said.

The country's mining practices are also even being hailed by the United Nations, he cited. The Mining Act of The Philippines (RA 7942), propped up by executive and administrative orders including EO 270 or the National Policy Agenda on revitalizing Mining in the Philippines, fast tracks mining permits. - PNA

Source: *Thai Press Reports (Regional News Section)* . May 5, 2008

Permits of nihao, other miners, cancelled

Publicly listed Nihao mineral Resources International Inc. Yesterday said that its mining subsidiaries in Zambales have lost their mining and quarrying permits after the provincial governor cancelled all regulatory approvals. The company said that all pending applications for mining and quarrying permits have also been denied by the provincial government.

According to the firm, this was due to multiple overlapping of mining rights resulting from the acceptance and processing of mining applications not in accordance with [the] law, as well as the cancellation of mining and quarry applications without due process. The areas covered by the [cancelled] applications were thus deemed open to new applications, the company told the bourse.

Nihao said that its subsidiaries had obtained temporary mineral land occupation permits (TMLOPs), which authorize the holders to conduct area delineation, access development, exploration, environmental assessment, community consultations, limited incidental mining, among others. Their small-scale mining permit applications were cancelled or denied and in lieu thereof TMLOPs have been issued by the office of the provincial governor of Zambales, the company said.

The temporary licenses are valid for 30 days and renewable for similar periods thereafter.

Nube Minerale and Minera Tierra have been granted temporary permits, each for five-hectare sites, while Nihao is still in the process of securing a TMLOP for Minedomain for its 20-hectare mining tenement in Mambog, Botolan, Zambales.

Source: *Philippine Daily Inquirer* . Daxim L. Lucas . May 3, 2008

Philex hikes gold, copper shipments

Philex Mining Corp. Reported yesterday a sharp increase in the value of precious metals it shipped to its clients from its mining operations in April. In a disclosure to the Philippine Stock Exchange (PSE), the country's biggest Filipino-owned mining firm said it shipped out copper and gold with a provisional gross value of P765 million.

Company chair and CEO Walter W. Brown said Philex had shipped 5,030 dry metric tons of copper concentrates containing about 2.5 million pounds of copper and 8,535 ounces of gold. This was on top of a similar shipment made earlier in April that earned for the company a gross value of P727 million for 5,025 dry metric tons of copper concentrates with 2.5 million pounds of copper and 8,265 ounces of gold.

This brought to P1.49 billion the gross amount earned by the firm from its two shipments in April. This was 112 percent higher than the P702 million Philex earned from its shipments for March. Last year, the company reported a consolidated net income of P5.01 billion, representing a 62-percent increase from the 2006 net income of P3.09 billion. This puts the mining firms earnings per share (EPS) at P1.69 per common stock over the previous years P1.044.

Philex is currently executing a share buyback after its board of directors authorized a buyback program of as much as 10 percent of the company's outstanding capital stock. The buyback is being made direct from the market at a price perceived by the company to be lower than the inherent value of the shares, as part of a capital management program to enhance shareholder value.

Source: *Philippine Daily Inquirer* . Daxim L. Lucas . May 3, 2008

Philippines demand surge for mining professionals seen as industry experiences boom

Section: Regional News - The country's booming mining industry requires a big supply of qualified mining professionals to cope up with the growth of the sector which is seen to bring \$ 9 to \$ 10 billion worth in foreign direct investments (FDIs) in the next four years.

"We need to produce more mining engineers, metallurgists, geologists" said, Edwin Domingo, assistant director at the Mines and Geosciences Bureau, adding the Philippines has practically carved its niche in the global economy for its contributions in

the mining sector. He said there is no better place to train mining professionals but here, where the rich mineral deposit can be explored.

However, the ongoing braindrain of highly-skilled professionals is taking a toll on the mining industry, as graduates are being plucked and lured by foreign companies to work abroad. Filipino geologists and miners have high demand. Some Filipino mining engineers are work in big mining sites in Laos and Vietnam while Angola, Mozambique and Namibia put premium on hiring Filipino technicians and machine operators.

Presently, only three schools - University of the Philippines, Mapua Institute of Technology and Mindanao State University - offer Geology and Metallurgy. However, he stressed the need for an ample supply of mining workers to sustain the domestic mining industry which is seen to keep the local economy afloat with multimillion worth of revenues and generate jobs. The government aims to be the top nickel producer by 2011 with a projected nickel output of as much as 206,000 tons. - PNA
Source: Thai Press Reports . May 1, 2008

Semirara to take advantage of coal demand by increasing production

Listed Semirara Mining Corp. will increase its coal production by half-a-million metric tons this year as it takes advantage of rising demand by doubling its exports. The company yesterday said it would boost production capacity to as much as 5 million metric tons (MMT) per year.

The expansion is part of the P1.5 billion allotted by the company for its 2008 capital expenditure. It said it had firmed up deliveries of at least two 16-tonner excavators and 16 100-tonner dump trucks as of end of 2007. Semirara, a unit of conglomerate DMCI Holdings, Inc., also aims to grow its export capacity from 800,000 metric tons to 1.6 million metric tons this year given increasing demand from local and foreign buyers.

Among Semirara's customers are the plants in Calaca, Sual, Pagbilao, Asia Pacific Energy Corp., State Power Energy, as well as local cement plants. Also yesterday, Semirara said it had posted a 39% hike in coal revenues to P6.38 billion in 2007 from P4.59 billion a year earlier. Semirara said 2007 exports accounted for more than a fifth of sales. Out of 800,000 metric tons of exported coal, almost half went to China, 44% to India and 10% to Hong Kong. This year, the company is also looking at exporting to Japan, Taiwan and Korea, Mr. Consunji said.
Source: BusinessWorld . Aizel Joyce A. Catipay . May 07, 2008

Provincial body delays code

Anti-mining advocates here expressed dismay yesterday after the South Cotabato provincial board deferred the approval of the environment code and instead scheduled further hearing on the issue this week. "We have been waiting for this environment code for more than two years now," said Eliezer S. Billanes, chairperson of anti-mining group Soccsksargend Alliance for Genuine Development.

The environment code, which was supposed to be submitted for plenary debates last week and for approval, bans open-pit mining. Board Member Jose M. Madanguit, chairman of the committee on the environment, said they move the date for the code's approval pending a public forum on the issue on May 8.

Mr. Madanguit said the forum seeks to give voices to concerned parties, whether they are pro or anti-mining. Mr. Billanes has called on the board to ban open-pit mining, noting that the mountains of Tampakan is a watershed source for low-lying areas. However, Carlito Uy, president of the South Cotabato Chamber of Commerce and Industry Foundation, Inc., said open-pit mining is an accepted method even by the central government.
Source: BusinessWorld . Romer S. Sarmiento . May 05, 2008

Indophil bullish on mine

Indophil Resources NL will directly participate at the onset of Tampakan copper and gold project's commercial operations, targeted for 2012. Richard Laufmann, Indophil managing director and chief executive officer, said the company is bullish over the Tampakan copper and gold project, which the local Catholic Church is staunchly opposing due to environmental and health concerns.

The Tampakan project straddles the towns of Tampakan in South Cotabato, Columbio in Sultan Kudarat and Kiblawan in Davao del Sur.
Source: BusinessWorld . May 01, 2008

Cordillera elders renew pact vs mine firms

More than 50 elders in the Cordillera renewed a pact rejecting large-scale mining in tribal communities in the region, saying the

industry would endanger the environment and displace indigenous peoples from their homelands. The pact was signed in an elders' caucus during the celebration of the 24th Cordillera Day here last month.

"We want roads and infrastructures that will help us transport our agricultural products and support livelihood. We do not want mining that will destroy our livelihood," said Ernesto Quinto, 57, a member of the Binongan tribe and chair of Baay Licuan Takderan Omnu a Karbengan. The agreement was part of the seven-point "unity pact" forged before delegates of the Cordillera Day. The elders said they were opposing the planned operations of Olympus Pacific Mines and wanted the firm to leave the people of Baay Licuan in peace. They said the Mining Act of 1995 had "legalized the plunder of resources of indigenous communities."

Olympus Pacific Minerals, however, said it would not pursue mining operations in the town if the community would reject its entry, according to a statement e-mailed to the Inquirer by Emelita Fabro, the company's public relations manager. Olympus signed a memorandum of agreement with its local partners, Abra Mining Industrial Corp. (Amic) and Jabel, on Nov. 23, 2006, for a proposed exploration of a 300-hectare area in Mt. Capcapo. Amic and Jabel have mining claims in Baay Licuan, through a mineral production and sharing agreement.

Source: *Philippine Daily Inquirer (Northern Luzon Bureau)* . Desiree Caluza . May 06, 2008

CGA tailings dam up for commissioning

Australian firm CGA Mining Ltd. said the tailings dam in its gold project in Masbate province, south of Manila, was expected to be ready for commissioning by Nov. 30, when its open-pit mining shall have started. In an April 30 activity report for the first quarter, CGA Mining said a contractor had completed the design of the storage facility to accommodate the tailings from the treatment of its expected mining reserve, which is estimated at 37.5 million tons.

CGA Mining has a six-year agreement with Leighton, executed last March, which covers the supply of all mining and earth-moving equipment, maintenance and personnel to mine the ore and associated waste material. The company said Leighton was expediting orders placed for all of the mechanical equipment, including a semi-autogenous grinding mill for large pieces of rocks and ball mills for fine grinding.

In March, the Perth-based firm announced that recent drilling in its Masbate gold project has delineated a new high grade vein system adjacent to the planned Libra North open pit. CGA Mining said further drilling at Masbate was underway in the Panique area, where it said an inferred resource of 900,000 ounces of gold was known to exist. Further, the firm plans a total of 25,000 meters of resource definition drilling in Masbate this year. Based on CGA Mining's original timetable, open-pit mining should start in the Masbate project in the second quarter and commissioning of the mine plant should follow in the fourth quarter.

Source: *Philippine Daily Inquirer* . Ronnel Domingo . May 02, 2008

Feedback

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