

THE PHILIPPINES:
A NEW OPPORTUNITY FOR AFRICA IN ASIA
(A Speech by DENR Secretary Angelo T. Reyes at the INDABA)

Greetings!

Ladies and gentlemen, this presentation endeavors to answer a very simple yet crucial question of the day: **Why should you invest in mining in the Philippines?**

There are four reasons why you should do so. First, we have the resources and reserves; second, we have the strategic geographical location; third, we have the human resources with proper experience and skills, and; fourth, we have a conducive legal system and clear policy environment.

First, you should invest in the Philippines because of its **vast mineral resources**. The Philippines is known for its rich diversity in both metallic and non-metallic mineral resources, but most especially in **gold, copper and nickel**. Not too long ago, the Philippines ranked among the world's top producers of gold, copper and nickel.

This gives us confidence that we have real prospects and potentials for the Philippine mining industry. For, out of the 30 million hectares of the Philippines, 9 million hectares or 30% of the entire country is identified to have high potential for mineral deposits. Yet only about 420,000 hectares or a mere 1.4% of the 30 million hectares are covered with existing mining rights.

We have identified 24 major mining projects that will require \$8.0 billion in investments for the next five to six years. They are primarily gold, copper and nickel projects.

Gold

Gold has historically been a leading product of the Philippine mining industry. The two best gold projects are the under the National Resources Mining Development Corporation, a State owned Corporation. The **Diwalwal Gold Project** in Mindanao is now being explored and high grade tonnage is being blocked out below the artesian mining areas. Nearby **North Davao Mining Company** is scheduled to be privatized within the next first half of the year. The copper mines have substantial gold by-products. The new gold projects now under exploration, will bring the total gold production to over 70 tons of gold annually.

Crew Minerals has invested in Apex Mines, a gold producer with plans to expand its presence in the Philippines. Meanwhile, **Climax Mining** has announced new and substantive funding from a major player in Brazil for their Dinkidi gold and copper project to enable it to start construction within the year.

Copper

Copper metal production in the Philippines can increase to over 500 thousand tons annually by 2013 with the development of the major projects now in the pipeline. Of major significance are three world class deposits which I will mention.

Tampacan Project of Sagittarius Mines is over a billion ton copper-gold deposit located in Mindanao and is considered one of the biggest undeveloped projects in the world. It is now in the feasibility stage. Xtrata has an option to purchase 62% of the ownership of the project within the year. Currently, Xtrata is conducting its due diligence on the project.

Anglo Philippines is in joint venture with Philex Mines in the **Boyongan copper- gold porphyry project** also in Mindanao Island. It has over 200 million tons resource and is embarking in another 17,000 meters of in-fill drilling. An adjoining property has potentially a similar tonnage and grade as the Boyongan and can be integrated into a large single operation.

Lepanto is searching for a joint venture partner to develop its **Far Southeast Project**, a deep seated copper-gold porphyry deposit in Luzon. It is a 600 million ton ore body with a high grade core of about 150 million tons.

Nickel

The country will be a major nickel producer once the nickel projects will be operational by 2011. It is projecting a total of 206 thousand tons of nickel metal, coming from the large lateritic deposits, which now can be economically mined and treated by the HPAL process. **Sumitomo of Japan** has successfully installed a 10,000 ton plant in western Philippines and will double capacity by 2007. **Jinchuan Metals**, the largest nickel producer in China has signed a letter of intent and is conducting due diligence to evaluate an investment of \$1 billion to reopen the Nonoc Mines and produce 40,000 tons per year nickel metal in mixed sulfides.

The second reason to invest in mining in the Philippines is its **strategic location** and distinct **geographical character**. As may be emphasized by the map, the Philippines is so strategically located in the Southeast Asia that it

developed into one of the region's major centers of trade and commerce. More importantly, the Philippines serves as the main gateway to your major minerals market like China, Japan and Korea.

As an archipelago, the Philippines offers a natural geographical advantage, making any mining project proximate to a port as transshipment point. Thus, an additional incentive for efficiency and lessening operating costs. In fact, all mines in the Philippines are within 50-100 kilometers from a port, a big advantage against countries with thousands of kilometers separating their mines from their shipment point.

The third reason is our **human resource**. Alongside our abundant mining and natural resource, our people are our best national asset. An English-speaking people, we also have strong cultural and historical links with western and oriental and African cultures.

The Filipinos have a long mining heritage, even predating the arrival of the Spaniards in the 16th century. This contributed to the development of several established mining centers in the country and the enhancement of the mining competence of our people. Therefore, it is not surprising that our geologists, miners and mining professionals are in demand not only locally but overseas.

I am confident that the mining companies among you who employ Filipinos will attest to their technical competence. Thus, we have Filipino diamond drillers in **Australia** and **Mongolia**, Filipino mining engineers opening up mines in **Laos** and **Vietnam**, and Filipino technicians and operators being employed from **Angola** to **Mozambique** and **Namibia**.

However, just like in any open society, the Philippine mining industry has its own share of critics and other discordant voices in society. However, we all unite under the same creed of responsible mining. Therefore, as we invite you to the Philippines, we also expect the same environmental and safety standards that you apply when you responsibly mine in your own countries.

And finally, we also invite you to invest in the Philippines because of its conducive **legal system** and **clear policy environment**.

The Philippines has an Anglo-Saxon legal system similar to many of yours. Our legal concepts on contracts, property rights, obligations and judicial configurations are of striking resemblance, facilitating legal transactions.

Most importantly, the Philippines now has a clear national roadmap for mining, supported by the three branches of government. Specifically, our

Congress passed the Philippine Mining Act in 1995. Our **Supreme Court**, in a historic decision, settled with finality the constitutionality of the Mining Act, more specifically on its provisions on the financial and technical assistance agreement (FTAA), which allows foreign equity investments of up to 100%. Our President, Gloria Macapagal-Arroyo has signed Executive Order No. 270, providing for a very clear national policy agenda on the development of the Philippine minerals industry.

Furthermore, our President has created a Cabinet-level **Minerals Development Council (MDC)** which I chair and which includes the private sector, to ensure full government support. On the ground, my Department has appointed “**high-level action officers**”, whose task is to shepherd priority mining projects. We have also simplified processing procedures and reduced documentary requirements for mining approvals.

I am inviting you to visit the Philippines. In May, we will be organizing a mining mission to the Philippines for senior executives of African-based mining companies. I have requested our ambassador to liaise with your various organizations.

In conclusion, let me reiterate my invitation for you to participate and invest in the revitalized Philippine mining industry.

Thank you and good day.