

THE PHILIPPINES

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The Philippine economy mustered enough strength to overcome the worries about global instability, local security threats and political uncertainties, and Gross National Product (GNP) grew in real terms by 5.2% in 2002 from 3.4% in 2001. Growth was driven by the robust performance of the services sector, the upswing in industry and a resurgence in the agriculture, fishery and forestry sectors. The industry sector registered the highest growth rate of 4.1%, buoyed by the remarkable performance of crude oil and natural gas, as well as gold, copper and other non-metallic minerals. Growth in the services sector increased by 5.4% while agriculture, fishery and forestry posted a lower annual growth of 3.5%.

Exports recovered during the year, with a 4.8% expansion to US\$ 35.06 billion. Semi-conductors led the recovery in exports with a substantial growth of 20.2%. Merchandise imports grew by 6.2% last year to US\$33.47 billion, and were led by electrical and other machinery. Meanwhile, the rate of inflation grew by 3.1%, which was still within the 10% target range, and the peso depreciated to an average exchange rate for the year of PP51.60 to US\$1.00.

Industrial growth in 2002 was aided by favourable growth in the manufacturing, mining and quarrying sectors, as well as in the utilities sector, and this countered the zero growth of the construction sector. Mining and quarrying, buoyed by the remarkable performance of crude oil, posted an impressive growth of 49.2%. National Accounts figures traced the recovery of the mining sector to the hefty increases in the output of crude oil, gold, copper and other non-metallic minerals. An increase in gold production by small-scale producers was recorded at 27.9 t, with increased purchases by the Philippine Central Bank. The extraction of crude oil from the Malampaya Oil Rim Project, and natural gas and condensate output by the Malampaya Gas-to-Power Project, led to an impressive contribution to GNP.

The Philippines' total mineral exports, excluding oil, recorded an increase of 12.4% to US\$596 million, equivalent to contributing 1.7% of the country's total export receipts of US\$35.06 billion. Estimated total mineral production value was placed at PP37.32 billion, up by 40% from the PP26.92 billion in 2001, and reflected increases in the price of gold and increased production of non-metallic minerals such as coal and cement raw materials.

In late November, Philippine President Gloria Arroyo announced a policy of promoting the mining industry, urging the mining sector to restore its role as an export powerhouse. Recently, the President announced that to realise the mineral potential of the country, she would create a mining development corporation that will develop dormant but high-potential mining areas that can be listed on the Philippine Stock Exchange.

To help revitalise the mining industry, the Mines and Geosciences Bureau of the DENR has speeded up the processing of mining tenements, establishing a one-stop-shop for area clearances and other requirements concerning tenure. The World Bank is also assisting the country in its regulatory and institutional framework in order to enhance the industry's contribution to national development.

In addressing the problems on environmental compliance, President Arroyo signed Administrative Order No.42. This is intended to streamline and rationalise the implementation of the Environmental Impact Statement (EIS) system. The order effectively prescribes timeframes for the processing of the Environmental Compliance Certificate (ECC) and gives guidelines for public consultation and participation. These will address the concerns of those applicants who have encountered delays in the implementation of their projects.

Gold

Following the closure of Philex Mining's Bulawan project and the suspension of operations by Manila Mining, Lepanto Consolidated Mining Co. remained the only primary gold producer in the country. Production for 2002 declined from 4,854 kg to 3,565 kg. During the first quarter, Lepanto announced the discovery of a new orebody, Victoria 2, located southwest of the Victoria 1 deposit. Victoria 2 has a resource of 1.3 Moz. Recently, Lepanto has formalised an agreement with state-owned PNOG Energy Development Corp. for the joint exploration and operation of a mineral property within the geothermal reservation area in Leyte. It covers an initial area of 9,000 ha.

Philex Mining's by-product gold from copper operations amounted to 3,850 kg, slightly lower than 3,912 kg produced in 2001.

Benguet Corp. launched its New Acupan mining project, a low-capital, low-cost gold-mining venture with small-scale miners. The remnants of high-grade veins are awarded to the miners on a contractual 60:40 sharing arrangement. Ore production began at a rate of 50 t/d and is planned to increase to 100 t/d.

National Resources Development Corp. (NRDC) has formed a new mining company to operate the Diwalwal gold-mining area in Davao, Mindanao. The government has recently declared the area a National Mineral Reservation and has taken over the operations of the 5,000 artisanal miners under a profit-sharing arrangement. It is also negotiating with the three major financiers/operators, who have been in Diwalwal for about 20 years, for a mutually acceptable buyout arrangement. Diwalwal was a gold-rush area in the early 1980s at which time there were about 120,000 small-scale miners working on high-grade veins exposed by a major landslide.

Copper

A number of major copper-mining companies operating in the Philippines have shut down and only Philex reported production in 2002 with an output of 18,364 t of copper metal, an increase of 18.7% from the 15,467 t in the previous year.

Drilling by the Philex Gold/Anglo American joint venture in Surigao, continues to confirm Boyongan as a significant copper-gold porphyry discovery, with an exceptionally high-grade core of both metals. Drilling in 2002 outlined a 500 m by 350 m zone of mineralisation with an average grade of 1% Cu equivalent within a larger, 950 m by 500 m area, averaging 0.5% Cu equivalent. Apart from the high-grade western and eastern zones comprising the core of the Boyongan oxide deposit, drilling also intercepted hypogene sulphide mineralisation at depth to the northwest of the deposit. This zone has the potential to add a significant tonnage to Boyongan.

The South Korean trading house, LG Corp., and state-run investing firm Korean Resources Corp. will invest US\$10 million in Lafayette's Rapu-Rapu project in Legaspi, Albay. The US\$10 million will allow the joint-venture investors to acquire a 26% interest in the project and purchase all the copper and zinc concentrates produced. Rapu-Rapu is expected to produce 37,000 t/y of copper concentrates, 25,000 t/y of zinc concentrates and 50,000 oz/y of gold for the first five years.

Atlas Consolidated Mining and Development Corp., once Asia's biggest copper miner, has settled over PP878 million worth of liabilities through a conversion scheme with Alakor Corp., owned by Alfredo Ramos of National Bookstore. Atlas issued 81 million shares to Alakor Corp. and 6.83 million shares to Minoro Mining and Exploration Corp. at PP10 each.

The company secured a fresh PP2.5 billion loan from Alakor that it would convert into shares at PP10 each. The move is in accordance with the debt-to-equity arrangements previously entered into by Atlas. Alakor took over the Soriano group's stake in Atlas two years ago following the termination of a PP7.1 billion rehabilitation deal with Minoro.

Mindoro Resources Ltd (MRL) continued with its copper exploration in Pan de Azucar, off the coast of the island of Panay. Interesting intersects have been encountered during drilling and more holes are planned. MRL is also due to drill in Batangas Province, Luzon, on a gold-copper project which has yielded high gold values in surface sampling.

Copper cathodes/anodes produced by the Philippine Associated Smelting and Refining Corp. (PASAR) registered a decline from 164,529 t to 144,315 t. The decline was due to a programmed maintenance shutdown lasting three months. PASAR announced US\$20 million expenditure to modernise and upgrade its facilities as it moves to broaden its export market further. During the year, Glencore International AG, the majority shareholder, took an active role in the operations of PASAR by instituting an overall management control of the complex.

Nickel

In 2002, nickel provided a boost to its generally modest production record. Rio Tuba and Cagdianao registered increased production although Taganito suffered a decline in output. Total production of nickel ore was 1.16 Mt, significantly higher than the 993,809 t produced in 2001.

Rio Tuba announced that construction has begun of its US\$150 million nickel refinery complex in Bataraza, Palawan, and expects the first output by 2004. The nickel plant is scheduled to produce about 10,000 t/y of nickel and 700 t/y of cobalt, utilizing high-pressure acid leaching (HPAL) technology to treat the laterite ore. The project is a joint venture with Sumitomo Metal Mining Corp., Pacific Metal and Nissho Iwai.

Energy

Coal production figures from the Department of Energy indicated an increase of 35.5% to 1.67 Mt, from 1.23 Mt in 2001. Output came mainly from the Semirara Coal company. Imports declined to 5.81 Mt from 7.78 Mt in 2001. The DOE is continuing with its intensive coal-exploration programmes in various areas of the country particularly in Zamboanga, and with the establishment of mine-mouth power plants in Semirara, Samar, Surigao del Sur and Zamboanga del Sur.

Oil production in 2002 registered a spectacular 655% increase, brought about by the 1.76 Mbbl output from Malampaya. Production from Matinloc declined from 14,524 bbl to 9,873 bbl. Nido maintained production at a level of 13,000 bbl.

Encouraged by the discovery of the Malampaya field, further exploration of new and frontier areas is being pursued.

The recently concluded Philippine-Petroleum Resource Assessment Project, funded by the Norwegian Agency Development Corp., has identified 16 sedimentary basins, covering an area of more than 700,000 km². The study has indicated that possibly only 10% of the total petroleum resources of the Philippines have been discovered, thus making the Philippines a promising site for further exploration investment.

In line with the government's efforts to intensify exploration for the development of indigenous petroleum resources, the Department of Energy has conceptualised the 'Window of Opportunity' package for foreign and local investors that aims to conserve and redirect exploration efforts and funds to areas near the Malampaya gas infrastructure for the future trans-Asean gas pipeline. Additional incentives are offered to exploration companies on top of existing privileges, such as cross-cost recovery, enhanced-cost recovery and flexibility in reducing government share for marginal fields and high-cost frontier areas.

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Mineral Output (t unless stated)

	2000	2001	2002
Gold (kg)	36,540	36,840	35,848
Silver (kg)	23,569	29,591	8,811
Copper metal	27,493	20,323	18,364
Nickel beneficiated ore	1,023,382	1,282,039	1,200,204
Metallurgical chromite ore	301	-	-
Refractory chromite	20,619,	25,669	4,744
Coal	1,354,000	1,230,000	1,645,659
Cement (bags)	298,975,384	284,458,217	334,915,451
Oil (bbl)	417,866	308,364	2,020,081
Condensate (bbl)	-	-	1,174,502
Gas (million ft ³)	-	-	62,204