



Republic of the Philippines
Department of Environment and Natural Resources
MINES & GEOSCIENCES BUREAU
Regional Office No. IV-B (MIMAROPA)
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Telefax: (632) 310-1369; e-mail: mines_4b@yahoo.com

24 September 2012

LEBACH MINING CORPORATION

Silangan House 7607 Guijo Street
San Antonio Village, Makati City

Attention: MR. EDGAR LEE RODRIGUEZA
Chairman

Dear Mr. Rodriguez:

This has reference to the Deed of Assignment of 16 January 2012 executed by and between Lebach Mining Corporation and Chengde Mining Group Inc. involving the Mineral Production Sharing Agreement (MPSA) No. 285-2009-IVB (Amended).

In this connection, please be informed that evaluation by MGB-CO of the documents forwarded by this Office on 20 June 2012 showed the following deficiencies:

- ① Original or Mines and Geosciences Bureau (MGB) Regional Office (RO) No. IVB (MIMAROPA)-certified true copy of the Board Resolution/s of each of Lebach and Chengde Mining Group, Inc. (Chengde) regarding the authority of the signatories to the said Deed of Assignment (Assignment).
- ② Certification by MGB RO No. IVB (MIMAROPA) as to Lebach's compliance with the terms and conditions of MPSA No. 285-2009-IVB (Amended).

[Note: The submitted Certification dated 25 November 2011 is for the "application for renewal of Exploration Permit denominated as EP-001-2009-IVB" and not for MPSA No. 285-2009-IVB (Amended), hence, is inadmissible.]

- ③ Proof of financial capability of Chengde to implement the Work Programs under MPSA No. 285-2009-IVB (Amended), in the form of credit line(s) and/or certification(s) of bank deposit showing the amount of at least PhP2,100,557.00 in addition to the PhP20,999,443.00 current account deposit per Certification dated 11 June 2012 of Allied Bank.

[Note: The said amount of PhP20,999,443.00 is not sufficient to implement the proposed Work Programs for the first renewal of the Exploration Period under MPSA No. 285-2009-IVB (Amended), which have a combined budget estimate of PhP23,100,000.00. Hence, the additional proof of financial capability is required.]

- ④ Supplemental Deed of Assignment showing a provision that all the obligations of Lebach with respect to MPSA No. 285-2009-IVB (Amended) shall be assumed by Chengde, or Affidavit by Chengde that it will assume all the obligations of Lebach with respect to the MPSA.

- 5 A sworn statement to the effect that Chengde is consenting to the inclusion of a provision in the MPSA, to quote:

"...the subject MPSA shall automatically terminate, upon field verification that the Assignee has violated any of the acts provided for in Section 15.2 of the MPSA Contract."

6. Certification by MGB RO No. IVB (MIMAROPA) attesting that - ✓
- There is no opposition to or dispute involving the said Assignment of MPSA No. 285-2009-IVB (Amended) by Lebach to Chengde; and
 - The Regional Director shall be held responsible should there be such opposition or dispute not being disclosed.

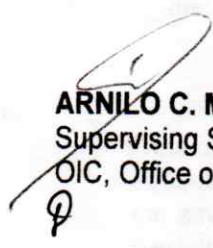
This Certification has become a mandatory requirement for the assignment of an MPSA in view of a recent incident that necessitated such.

7. Categorical recommendation by MGB RO No. IVB (MIMAROPA) for approval of said Assignment.
8. Original or MGB RO No. IVB-certified true copy of the Strategic Environment Plan clearance for MPSA No. 285-2009-IVB (Amended) issued by the Palawan Council for Sustainable Development.

Relative thereto, please be advised to comply with/submit to this Office the aforementioned requirements for transmittal to MGB-CO.

Your prompt compliance shall facilitate the processing of the subject Deed of Assignment.

By Authority of the Regional Director:


ARNILO C. MILAOR
Supervising Science Research Specialist
OIC, Office of the Regional Director

**"MINING SHALL BE PRO-PEOPLE AND PRO-ENVIRONMENT
IN SUSTAINING WEALTH CREATION AND IMPROVED QUALITY OF LIFE"**