

ADVICE

Philippines Mining: Open For Business, or So They Say



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Just a year ago, no one would have imagined Philippines as the site for this year's Asia Pacific Mining Conference. But last week it happened, many of the most senior mining leaders of Asia were brought together in Manila.

The country used to be one of the largest mineral producers in the world but years of abuse has left the industry in tatters. There have been no new mines for the past 30 years – that is, until just the past few months.

A new mining law has made the industry in Philippines viable once again. According to the government, Philippines is open for business. Politicians, judges and government officials were present in large numbers to provide smiles and rosy assurances to the hundreds of foreign delegates attending the annual conference.

Mining executives were not quite as optimistic as the politicians but the overall tone was certainly positive and a big change from just one year ago. Understandably, the companies with the most positive messages about Philippines were those experiencing the most success.

Andrew McIlwain, Chief Executive of Lafayette Mining, declared his company's project as the "first Greenfield development in 30 years." Pouring of gold had already begun and full production was said to be only another month or so away. John Ridsdel, Country Manager of TVI Pacific, says his company is planning an expansion to increase its production.

Jim Askew, Chairman of Climax Mining, proudly announced that his company had been awarded its permit to operate the day before and it would proceed with its large development plans for its gold deposits. In addition, work would continue with its large exploration assets.

Tony Robbins, Managing Director of Indphil Resources, was similarly positive. He described his company's copper /gold deposits in Philippines as probably the 7 or 8 largest in the world.

Nick Sheard, VP of Exploration of Inco, also provided a riveting speech about his company's projects. Most of his presentation was focused on the Asia Pacific region but he expressed pointed optimism about Philippines.

While there was much to be upbeat about, some people expressed cautious words about operating in a country with a long history of antagonism toward mining.

Patrick Waters, the President of Anglo American Exploration Philippines, cited problems in many areas. He says that while there is strong support at the national level of government, this rhetoric is often not transferred to the local level. Local communities are often easily influenced by anti-mining NGO's and militant church leaders. Corruption and red tape is another hindrance, as is gaining access to adjacent sites because of uncertain and sometimes arbitrary regulatory and legal structures.

Well respected business consultant, Peter Wallace of the Wallace Business Forum, was similarly guarded. The “new” mining law, he said, was originally passed in 1995. The supreme court held it up for 9 years to determine whether it was constitutional or not. In addition to an arbitrary judiciary, some of the other concerns he expressed included: vested interests, poor security and slow approvals.

He told the story of Placer Dome’s experience in Philippines some years ago as a message of the risks avoided. The company held a minority stake in a project called Marcopper that had a nasty spill. The company has since spent more than \$70M for clean up work that has been described by independent analysts as more than adequate. Today, Placer Dome is still reviled. The local company that had majority control of the project has paid nothing.

Despite the concerns, Philippines is said to be “not much different” and “probably even better” than many countries in Asia and Africa that already have more established mining sectors. Indonesia, for instance, currently has foreign mining executives languishing in jail with no end in sight.

Given the alternatives and the current sense of commitment by the government, it seems that the Philippine mining industry will gradually continue to improve its position. That is, as long as there are no changes.

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