



Resource Development (Phils.) Inc.

OFFICIAL STATEMENT

TVIRD: No Government-Proclaimed Watershed in Balabag Gold-Silver Project

TVIRD holds an ECC preceded by an Environmental Impact Assessment study that does not include proclaimed watershed forest reserves.

Manila, The Philippines / February 2017 – It is the position of TVI Resource Development Philippines Inc. (TVIRD or “the Company”) that there exists no ground to validly cancel, terminate or suspend the Mineral Production Sharing Agreement (MPSA) between the government and the Company. There is neither violation of the terms of the MPSA nor of any law, rule or regulation that would merit its cancellation, termination or suspension.

Compliance with law

In light of the recent proclamation to rescind the MPSAs of 75 mining companies on the basis of their projects being located in “functional watersheds,” including TVIRD’s Balabag Gold-Silver Project (the “Project”) in Bayog Municipality, Zamboanga del Sur Province, the Company would like to highlight the following truths in relation to perceived issues of non-compliance:

- **Section 19 of Republic Act 7942 (or the Philippine Mining Act)** provides that mining permit applications shall not be allowed in “proclaimed watershed forest reserves,” thus preventing the issuance of mining permits in these areas. In line with this, the Balabag Project is not located within the vicinity of any lake, spring or tributary enumerated in the country’s list of proclaimed watershed forest reserves or any critical watershed that are included in the National Mapping and Resource Information Authority (NAMRIA) and National Integrated Protected Areas System (NIPAS).
- Further to the assertion that DENR’s review of the said MPSA “*shows that the contract area is within a watershed, such that in case mining operation will be pursued therein, said operation, given its extractive and disruptive nature, is likely to cause impairment of the ecological functions of that watershed,*” the agency neither specified which particular watershed may be subject to the impairment of ecological functions nor did it indicate what particular functions are being referenced. For the lack of study or facts more substantial references to offer than the phrase “likely to cause impairment,” TVIRD deems the cancellation of the MPSA to have no merit.

- The entire land mass of the Philippines is covered by watersheds and all environmental professionals are aware that any project regardless of its kind and location throughout the country is within a watershed. Agricultural projects, water supply dams, hydropower projects and urban development are just a few activities that have significant impacts on the watershed environment and certainly impair the ecological functions of watersheds. Some even more so than mining projects. However, many of these projects have moved forward despite a clear “likely impairment” of the ecological functions of the associated watersheds.
- By virtue of its MPSA, TVIRD was among the mining companies invited by government to invest in Philippine mining projects and signed contracts with them as partners in mineral resource development. On this basis, TVIRD invested in the development of Balabag and established environmental and social programs for the overall sustainability of its surrounding communities, including the indigenous Subanens. As of December 2016, TVIRD invested in excess of Php1.5 billion on advancing the Balabag project (located within the Balabag MPSA) while head office costs, management time, maintenance expenditures and necessary Capex to bring the Project on-stream will easily bring investments to approximately Php3.0 billion.
- By entering into these contracts (MPSAs), both government and the Company are bound to operate in the spirit of fairness and due process. In the case of violations, the law provides for a procedure that includes the filing of appropriate cases and invoking the arbitration clause of the mining agreements. The law further provides that such decisions should be based on reviews conducted by the DENR’s Mines and Geosciences Bureau.

It was only on 17 February 2017 that TVIRD received from the DENR the show cause letter dated 13 February 2017.

“It is on this basis that TVIRD vehemently assails in the strongest terms the arbitrary decision of the DENR to cancel its Balabag MPSA and the complete absence of respect for the sanctity of contracts entered into by both parties for their common development,” said TVIRD President Atty. Eugene T. Mateo.

“Moreover, as TVIRD stands on the threshold of operating in Balabag, who then will sustain the development already put in place – and on which the Company, the LGU and the communities’ common progress hinges?” he added.

The spirit of social justice

“TVIRD believes that social justice is not mutually exclusive to a single entity, organization or agency. But rather, it is the humanization of laws and the equalization of social and economic forces so that justice may be delivered – a principle that the Company has espoused in protecting its communities’ inalienable rights and indigenous cultures, and the equitable distribution of resources,” Operations Vice President Jake Foronda explained.

“As part of the process of acquiring an Environmental Compliance Certificate (ECC), TVIRD underwent a thorough Environmental Impact Assessment that addresses concerns over mines contaminating watersheds and affecting rivers by including infrastructures as part of progressive mine rehabilitation, a tailings storage facility and implementing various water treatment processes,” Foronda continued, citing further that there are no government-proclaimed watersheds within the Balabag MPSA and that every aspect of the project was compliant with all existing DENR regulations.

About the Balabag Project

TVIRD acquired the rights to the Balabag Project in 2008 at a time when the mining tenement was overwhelmed by thousands of illegal, small-scale miners. During the reign of these illegal mining operators, which began in the early 1990s, both tribal and non-tribal communities (including Subanens) were heavily exploited. Child labour was rampant and workers of all ages were not treated with dignity or paid fair wages as mandated by Philippine labor laws. There was the profuse use of toxic chemicals for crude mineral processing that were carelessly discharged, destroying the local ecosystem and natural environment. There was likewise rampant illegal tree cutting that destroyed large parts of the natural forest.

While gold was produced by illegal miners, no taxes were paid to the government. The town, the Subanens and the community never benefitted from their operations for two decades. Similarly, the Subanens did not receive royalties from their exploited lands while not a single centavo went to the coffer of the Municipal Treasurer’s Office.

Reeling from illegal mining

The illegal miners have influenced various local groups to oppose the entry of TVIRD, thereby running the risk of denying the people of Bayog the social, economic and environmental benefits associated with the Balabag mining project that TVIRD has successfully delivered in its Canatuan operations.

The Subanens whom the illegal mining operators displaced were essentially reduced to slaves in their own homelands. As the illegal mining operators became millionaires, these laborers became even poorer. The people in Bayog are witnesses to this.

The situation was so appalling that from 2008 to 2012, Zamboanga del Sur Governor Antonio Cerilles stepped-in to remove the illegal miners from the area. The cease and desist order was conducted by concerned local government agencies, thus paving the way for TVIRD to develop the area as the rightful, legal assignee of the 4,779-hectare MPSA area covering Balabag.

“There is no doubt in our minds that if TVIRD’s Balabag MPSA is cancelled, Balabag would revert to its previous state within a very short period of time and usher the re-entry of illegal mining operations,” declared Atty. Mateo.

While TVIRD is the holder of the Balabag MPSA and has obtained its ECC (in 2013) and DMPF (in 2016) from the DENR, it has yet to commence its mining operations in the area.

The LGU's partner

TVIRD acknowledges widespread poverty associated with a Class 03 municipality like Bayog and it has integrated sustainability programs on education, health and sanitation, gainful livelihood and infrastructure into its overall development plan. These components are directly aligned to the United Nations Millennium Development Goals, some of which the Company has already begun to implement prior to actual mining operations.

Prior to its current involvement in Balabag, TVIRD has contributed significantly to various livelihood projects in Bayog and the province. This includes a public-private partnership involving both local and provincial governments and is aimed primarily at reducing poverty. In addition, the Company has repaired farm to market roads so farmers can readily bring their products to the market.

As a result, the company has recently obtained a vote of confidence from Bayog Municipal Mayor Leonardo L. Babasa, Jr. who cited that since its entry in Sitio Balabag, TVIRD has "taken meaningful strides in supporting the unification of the indigenous (Subanen) people in Bayog as well as fostered the development of both tribal and non-tribal constituents."

"Although TVIRD has not yet been operational, it has contributed significantly to various livelihood programs, projects and activities in various barangays of this Municipality," wrote Mayor Babasa. He also cited environmental development through tree planting, crime prevention, farm-to-market roads and unconditional support to LGU operations among the company's contributions.

The people's partner

In a strong demonstration of solidarity, the unified indigenous Subanens in Bayog, Zamboanga del Sur Province – rightful claimants of the ancestral domain covering Balabag Hill – also renewed their support for TVIRD's Balabag Gold and Silver Project.

Through a resolution jointly signed by Timuays (Chieftains) Casiano L. Edal and Lucenio M. Manda along with 33 other chiefs, the tribe expressly urged "the agencies of the government concerned on mining operation to facilitate the immediate commencement of TVIRD's mining operation in Sitio Balabag, Barangay Depore in the Municipality of Bayog." The two chiefs represent the collective Subanen tribe in Bayog, including the company's MPSA area.

In their resolution, they also cited enormous opportunities for progress that the company's upcoming operations will bring and the urgency with which they endorse the project to begin, "in order to bring forth social and economic development to communities, especially to the Subanen Tribe."

About TVI in the Philippines

TVI Resource Development Philippines Inc. ("TVIRD"), is the local affiliate of TVI Pacific Inc. (TSX: TVI), a publicly-listed Canadian mining company focused on the exploration, development and production of precious and base metals from district-scale, large-system, high-margin projects located in the Philippines. Concurrent ownership of ventures is shared with partner company, Prime Resource Holdings Inc.

The commercial operations of Agata Mining Ventures Inc. (AMVI) mark the third successful mining project that TVIRD brought on-stream in a period of 10 years. The company is committed to exploration and mining practices that promote transparency, responsible stewardship of the environment, and the inalienable rights to life, dignity, and sustainable development of its host communities.

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