PROVIDING FOR THE MINIMUM MINE LIFE, HURDLE RATE AND INTERNAL RATE OF RETURN FOR PROJECT FEASIBILITY STUDY AND PROJECT DESCRIPTION

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Pursuant to the Department of Environment and Natural Resources Memorandum Order No. 2004-10 dated August 31, 2004 in re: Procedural Guidelines in the Evaluation of Mining Project Feasibility Studies for the Approval of Declaration of Mining Feasibility and Applications for Mineral Agreements in the Development or Operating Period, the following minimum criteria are hereby provided in the approval of a Mining Project Feasibility Study (FS) and Project Description (PD), for the guidance of all concerned:

- The minimum mine life for a mining project should be twice the payback period, but should not be less than:

- seven (7) years for projects involving direct shipping ore mineral commodities (e.g., nickel, chromite, iron, manganese); or

- ten (10) years for all other projects involving non-direct shipping ore mineral commodities.

Payback period, as used in this Circular, shall mean the year when the Net Cash Inflow from mining operations is equal to or greater than the Capital Expenditure.

In the case of Financial or Technical Assistance Agreement, the pertinent provisions of Department Administrative Order No. 2007-12 in re: Revised Guidelines Establishing the Fiscal Regime of Financial or Technical Assistance Agreements (FTAA), shall apply; and

- The minimum Hurdle Rate and Internal Rate of Return shall be 12% and 15%, respectively.

This Circular shall take effect immediately.

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Director

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