

Metallic production value jumpstarts the year with 11.57% growth

Philippine metallic mineral production value jumpstarted the year with 11.57% growth in Q1 2019 from PhP24.62 billion in Q1 2018 to PhP27.47 billion, an increase of PhP2.85 billion.

The good performance of mixed nickel-cobalt sulfide (MNCS) and gold were the drivers for this positive turnout. Production value of MNCS and gold went up by PhP1.83 billion and PhP1.12 billion, respectively.

In terms of contribution to the total metallic mineral production value, gold validated its dominance over the other metals with 45%, or PhP12.22 billion, input during the review period. The Masbate Gold Project of Filminera Mining Corporation/Philippine Gold Processing and Refining Corporation in Masbate was at the forefront with 1,788 kilograms with an estimated value of PhP3.92 billion and in far second was Didipio Gold Project of OceanaGold Philippines Inc. (OGPI) in Nueva Vizcaya with 1,047 kilograms with an estimated value of PhP2.30 billion. The combined gold output of the two Projects accounted for more than 50% or 2,835 kilograms, of the country's gold production. The combined output of direct shipping nickel ore and mixed nickel-cobalt sulfide took the second spot with 36%, or PhP9.81 billion share, while copper came in third with 18%, or PhP5.06 billion. The remaining 1%, or PhP0.31 billion, came from the total value of silver and chromite (See Figure 1).

FIGURE 1. % CONTRIBUTION OF METALS TO TOTAL METALLIC MINERAL PRODUCTION VALUE, JANUARY-MARCH 2019

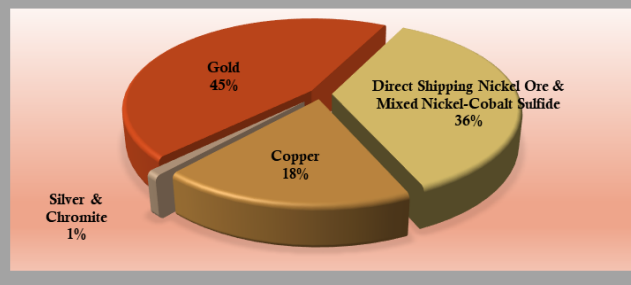
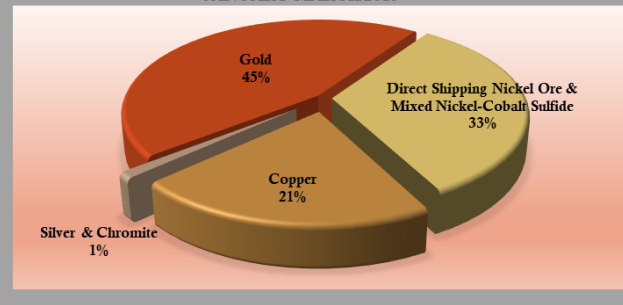


FIGURE 2. % CONTRIBUTION OF METALS TO TOTAL METALLIC MINERAL PRODUCTION VALUE, JANUARY-MARCH 2018



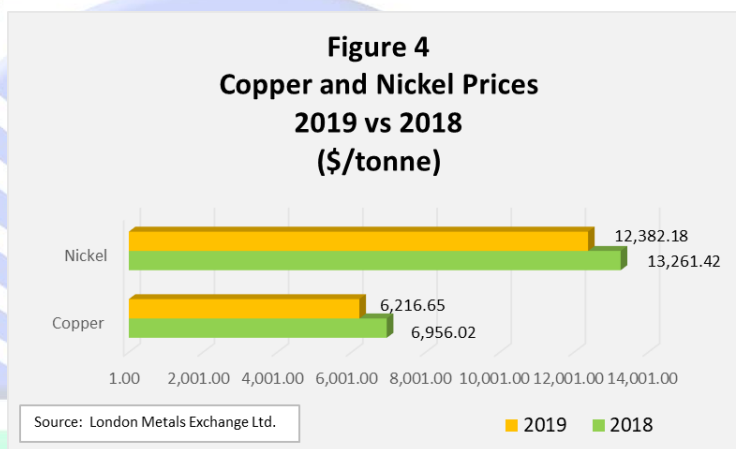
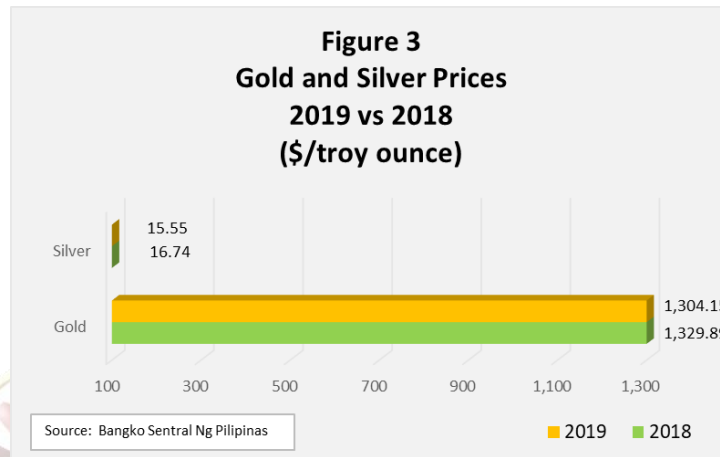
It is important to note that, from 2012-2015, the joint production value of nickel direct shipping ore and MNCS consistently took the top spot with a four-year average of almost 49% of the total metallic production value. The highest recorded contribution made by nickel was in 2014 at 58%, or PhP80 billion. However, gold bested nickel in 2016 and 2017 due to a string of suspension of operation in nickel mines in Zambales and Palawan.

Out of the 28 nickel mines, 18 reported zero production and only 10 reported production in Q1 2019. Zero production were due to the following reasons: (1) unfavorable weather conditions/intermittent rains; (2) under maintenance/care status or program; and (3) suspended operations due to environmental related issues. A nickel mining operation, being surface mining, is always vulnerable to the weather condition. In Surigao and Dinagat Islands, rains come in the months of January, February, March, October, November and December, with January being the wettest month. About 18 nickel projects are located in the said provinces.

In Q1 2019 Coral Bay Nickel Corporation (CBNC) and Taganito HPAL Nickel Corporation (THPAL) produced 12,831 metric tons of MNCS. The total output value of the two plants was PhP7.10 billion, 35% higher than the PhP5.27 billion year-on-year. CBNC and THPAL are the only hydrometallurgical nickel processing plants in the country commissioned in 2005 and 2013, respectively. MNCS is the main product of these downstream processing plants.

In terms of copper production, Carmen Copper Corporation reported the largest output with 64%, or 12,461 metric tons, in Q1 2019. The country has four copper producers namely: (1) Padcal Copper-Gold Project of Philex Mining Corporation (2) Lepanto Consolidated Mining Company both located in Benguet; (2) Toledo Copper Operations of Carmen Copper Corporation in Cebu; and (3) Didipio Copper-Gold Project of OGPI in Nueva Vizcaya and Quirino. OGPI is the very first mining company to be granted an FTAA by the government in 1994.

In terms of metal prices, precious metals gold and silver, and the base metals copper and nickel, were sluggish during the review period. The yellow and white metal declined by 1.94% and 7.11%, respectively year-on-year. The average price of gold went down from US\$1,329.89 in Q1 2018 to US\$1,304.15 per ounce in Q1 2019, almost a US\$26 difference. In the same way, base metals, copper and nickel, went down by 10.63% and 6.63%. Copper declined from US\$6,956.02 per tonne to US\$6,216.65 per tonne year-on-year while nickel waned from US\$13,261.42 to US\$12,382.18 per tonne year-on-year.



In the local front, we still see gold dominating the production-scene, this positive outlook is supported by the passage of Republic Act No. 11256 or An Act to Strengthen the Country's Gross International Reserves (GIR), amending for the Purpose Sections 32 and 151 of the National Internal Revenue Code, as Amended, and for Other Purposes last 29 March 2019.

According to Bangko Sentral Ng Pilipinas (BSP), *"the new law exempts from excise and income tax the sale to the BSP of gold sourced from small-scale mining activities. The measure also covers the sale of gold by small-scale miners to accredited traders for the eventual disposal to the central bank"*. This tax incentive will encourage small scale miners and traders to once again sell their gold to BSP based on international market price instead of selling their gold elsewhere.

In 2012, we witnessed the disturbing drop of BSP gold purchases from small-scale miners and traders, by 94% or 16,548 kilograms from 17,638 kilograms in 2011 to only 951 kilograms in 2012.

The Bureau of Internal Revenue (BIR) in 2012, strictly imposed the collection of the 2% excise tax and 5% creditable withholding tax (CWT) from small-scale gold

producers/traders pursuant to Revenue Regulations No. 6-2012 dated April 2, 2012. This moved by the government made small-scale gold miners and accredited traders shy-away from selling their gold to BSP

The BSP, through its five buying stations, namely; Baguio City, Davao, Zamboanga, Naga and Quezon City; collects the corresponding taxes from small-scale miners/traders and remits the same to BIR. The excise tax and CWT, being national taxes, are shared between the national government (60%) and the local government (40%).

Under Section 292 of Republic Act No. 7160, or the Local Government Code, where the natural resources are located in the province, the 40% local government share shall be divided into Province, 20%; Component City/Municipality, 45%; and Barangay, 35%. The guidelines on the release of the share of local government units are provided under Joint Circular No. 2010-1 between the Department of Environment and Natural Resources, Department of Finance, Department of Budget and Management, and Department of the Interior and Local Government.

At the end of the day, RA No. 11256 will not only boost the GIR of the country but also increase the country's annual total metallic production value. Likewise, industries involved in jewelry making, medical, electronics stood to benefit from the passage of said law.

Still on the drawing board is the pending proposal to change the mining fiscal regime were on top of the 4% excise tax the main feature is to imposed royalties on all mining operations within and outside mineral reservations. On the current structure, only mining within mineral reservations are being imposed a 5% royalty based on the gross output. This moved is to ensure that the government has a reasonable share in the mining proceeds. This is in recognition of the fact that the State owns the minerals and has the authority to collect taxes and royalties. This being so, the government also recognizes that mining is a high-risk investment and that investors are also entitled to recover its investment and have a reasonable return on their investment.

Table 1. Metallic Mineral Production, Q1 2019 vs Q1 2018

Value: In PhP

Mineral Commodity	Unit Used	JAN-MAR, 2019		JAN-MAR, 2018		% Change	
		Quantity	Value	Quantity	Value	Qty.	Value
PRECIOUS METALS							
Gold	KGS.	5,651	12,224,813,905	5,034	11,106,831,101	12	10
Silver	KGS.	8,469	217,291,534	7,613	210,341,785	11	3
BASE METALS							
Copper Concentrate	DMT	81,059	5,059,477,338	69,839	5,202,149,757	16	-3
Copper Metal Equivalent	MT	19,350		16,638		16	
Mixed Nickel-Cobalt Sulfide	DMT	22,270	7,102,366,745	21,394	5,274,485,243	4	35
Mixed Nickel-Cobalt Sulfide (M	MT	12,831		12,349		4	
Nickel Direct Shipping Ore	DMT	2,968,504	2,768,791,020	2,894,795	2,757,857,471	3	0
Nickel Content of Ore	MT	38,146		34,137		12	
Chromite	DMT	8,912	93,683,662	8,015	66,252,155	11	41
TOTAL			27,466,424,204		24,617,917,512		11.57

Source: Mines and Geosciences Bureau