



ENVIRONMENTAL LEGAL ASSISTANCE CENTER, INC.

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May 14, 2007

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MR. KYOSUKE SINOZAWA
Governor
Japan Bank for International Cooperation

Dear Mr. Sinozawa:

Greetings!

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We write on behalf of the Palawan NGO Network, Inc. ("PNNI"¹) Mine Watch Group to reiterate some concerns raised by PNNI in its letter of June 9, 2006, with regard to the Hydrometallurgical Processing Plant ("HPP") of Coral Bay Nickel Corporation ("CBNC"²). We understand from Mr. Tsuyoshi Nishitani, Director, Division 3, of JBIC's Energy and Natural Resources Finance Department, in his communication to dated July 19, 2006 that JBIC will assess the impacts of the proposed HPP expansion project in light of JBIC's Guidelines for Confirmation of Environmental and Social Considerations.

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One outstanding and unresolved issue concerning this project is the inclusion of portions of Mt. Bulanjao, a natural forest and watershed area covering the municipalities of Bataraza and Rizal in the mining area. This area is classified as "core zone" or area of maximum protection under the Environmentally Critical Areas Network (ECAN) zoning of the municipality of Bataraza. Under the ECAN Guidelines of the Palawan Council for Sustainable Development (PCSD), core zones are areas of strict protection which shall be maintained free of human disruption. Such classification is consistent with Section 9 of Republic Act No. 7611, otherwise known as the Strategic Environmental Plan (SEP) law for Palawan which declares all types of natural forests as core zones or areas of maximum protection.

Rio Tuba Nickel Mining Corporation (RTNMC) and CBNC are lobbying the local government and regulatory agencies for an amendment of the aforesaid ECAN zone ostensibly to allow them to open new mining areas in Mt. Bulanjao. By itself, this planned expansion had demonstrated the company's blatant deception of the public when it sought local acceptance of the original HPP project on the claim that its sole purpose was to process low-grade nickel ore stockpiled in the company's mining area.

¹ PNNI consists of non-government organizations and peoples organizations based in the island province of Palawan, the Philippines whose thrust includes the promotion of social justice, genuine citizen's participation and effective resource management. To this end, PNNI seeks to enable poor and marginalized communities to sustainably manage the natural resources of Palawan through active participation in local governance.

² CBNC is joint venture among Rio Tuba Nickel Mining Corporation ("RTNMC" -- a Philippine Corporation), Sumitomo Metal Mining Co. Ltd., Mitsui and Co., Ltd., and Nissho Iwai Corporation.

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PNNI had pointed to a letter of RTNMC to the Palawan Council for Sustainable Development ("PCSD") dated April 19, 2006 seeking to reclassify portions of Mt. Bulanjao in Bataraza that are presently designated as "Core Zones" as to allow mining therein. In its letter, RTNMC claims that Mt. Bulanjao "contains a sizeable deposit of nickel ore which can considerably extend the economic life of RTNMC's mineral properties. This will serve as the main source of the ore feed which will justify and support the projected expansion of the processing plant of [CBNC] from its present capacity of 10,000 tons of nickel per annum to 20,000 tons of nickel per annum." We therefore reiterate our previous concern that based on RTNMC's own admission, the HPP project's operation is not sustainable and its expansion would hinge on the conduct of mining operations in areas yet unexplored. To make the latter possible, existing "Core Zones" would have to be reclassified into lower-graded zones.

For several months now, this legal issue has been pending with the PCSD for resolution. ELAC has submitted several letters expressing our legal opinion on RTNMC and CBNC's position. (Attached for your reference as Annexes "B" and "C", are letters sent by ELAC to PCSD regarding this issue.)

This legal issue is compounded by the fact that the proposed reclassification of Mt. Bulanjao does comply with the requirement under the ECAN Guidelines that community consultations must be conducted prior to reclassification.

We therefore appeal to your good office to carefully consider any decision that will support the expansion of the HPP project. We trust that as JBIC has at this point established its reputation of being supportive of environmental efforts in Palawan in the projects that it had previously undertaken (e.g. the SEMP-NP project recently completed), these concerns that we have raised would receive your utmost attention.

Very truly yours,

Atty. Grizelda Mayo-Anda
Area Manager for Palawan

Atty. Gidor Manero
Legal Officer

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