



Mine-mouth Power Plant Development Opportunity

PNOC EC

December 2012



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Partners needed to enter into a JV to develop two mine-mouth power projects in the Philippines

1

Isabela Province, Luzon

- Lignite coal reserves sufficient to power a 100MW station
- Various local approvals and **environmental compliance** gained
- Partner needed to:
 - Develop the coal mine
 - Develop the power station
 - Operate the power station and market electricity



2

Zamboanga Sibugay, Mindanao



- **Existing coal mine** with high quality coal reserves
- Suitable for blending with imported coal
- Local bituminous coal reserves sufficient to power a 50 -100 MW station
- **Urgent and growing** need for power in the region
- Partner needed to:
 - Develop the power station
 - Operate the power station and market the electricity

PNOC EC



- PNO Exploration Corporation (PNOC EC) is the upstream oil, gas and coal subsidiary of the state-owned Philippine National Oil Company (PNOC)
- PNO EC was incorporated as a PNO subsidiary and registered with the Philippine Securities and Exchange Commission on April 20, 1976
- PNO EC's shares of stock are 99.79% owned by the Philippine government through PNO, with the remaining 0.21% held by public shareholders
- PNO EC currently holds interests in seven petroleum Service Contracts
- PNO holds Coal Operating Contracts in various parts of the country, namely COC 41 in Zamboanga Sibugay, COC 122 and 141 in Isabela and COC 140 in Surigao del Sur
- PNO EC also operates coal terminals in Zamboanga Sibugay, Cebu, Batangas, and Tondo, that serve as its handling facilities for local as well as imported coal that the Company supplies to power plants and cement factories in the Philippines



A unique opportunity for a power project with guaranteed fuel

Isabela...

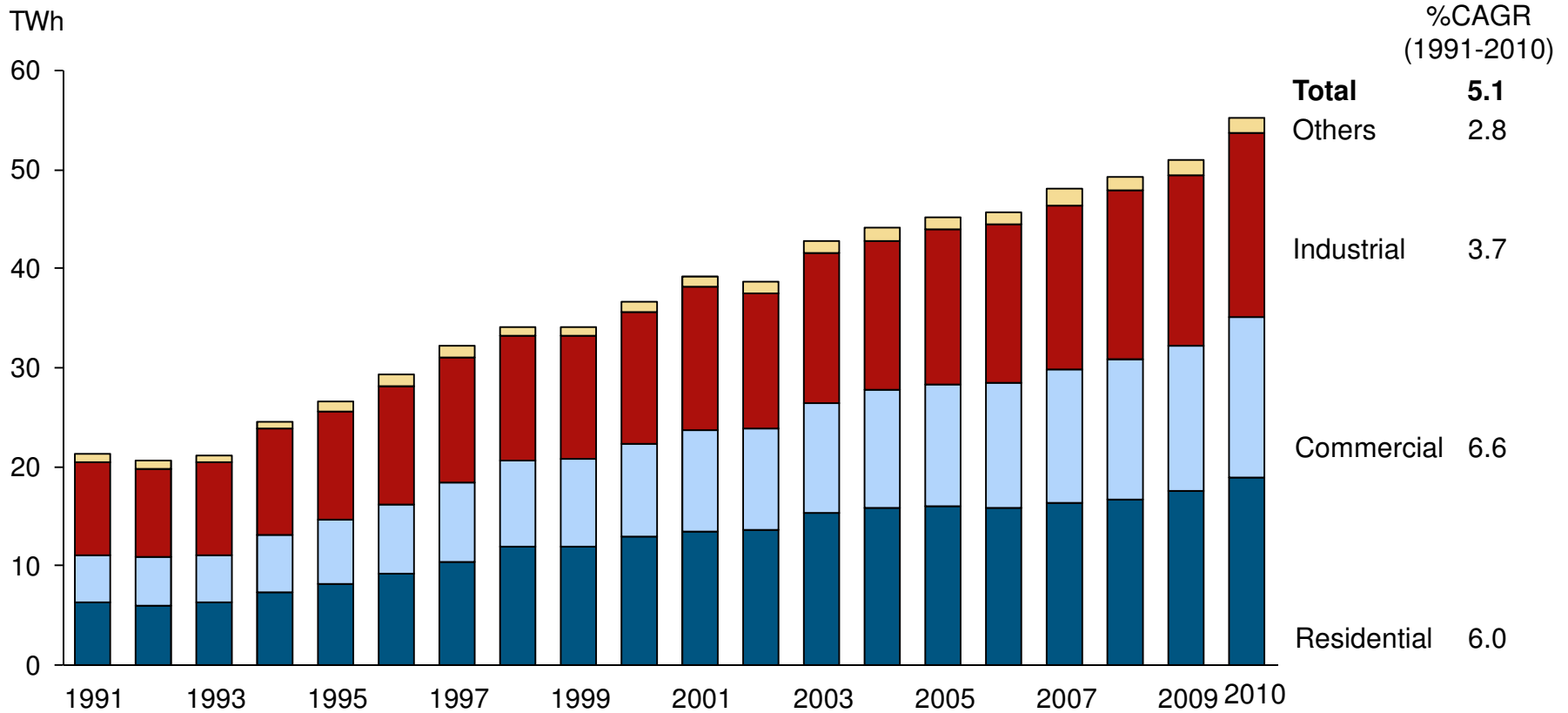
- Is in north Luzon, which is part of the WESM electricity market
- Is in the process of obtaining MOUs with the local electric cooperatives for connection and power sales
- Has an environmental clearance for coal mine and power plant

Sibuguey...

- Is in Mindanao, which has a large power shortfall and a pressing need for new power development
- Would be adjacent to an existing mine, with a long track record of good relations
- Has a number of local mines in the vicinity who need power for operations, as well as local electric cooperatives

The market for power in the Philippines is open and demand growth has been strong

Electricity consumption in the Philippines (1991-2010)



Source: DOE

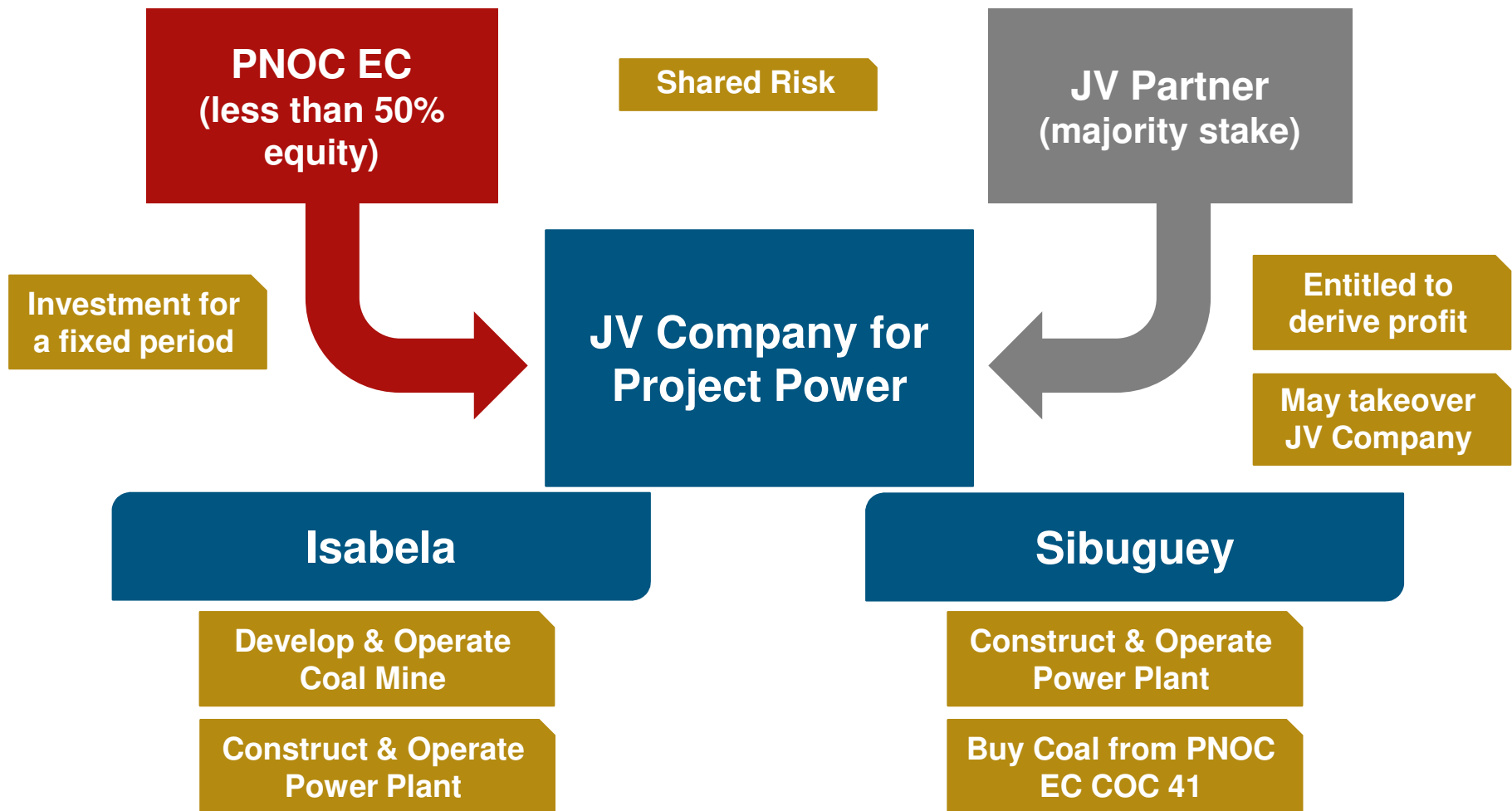


Bid Structure

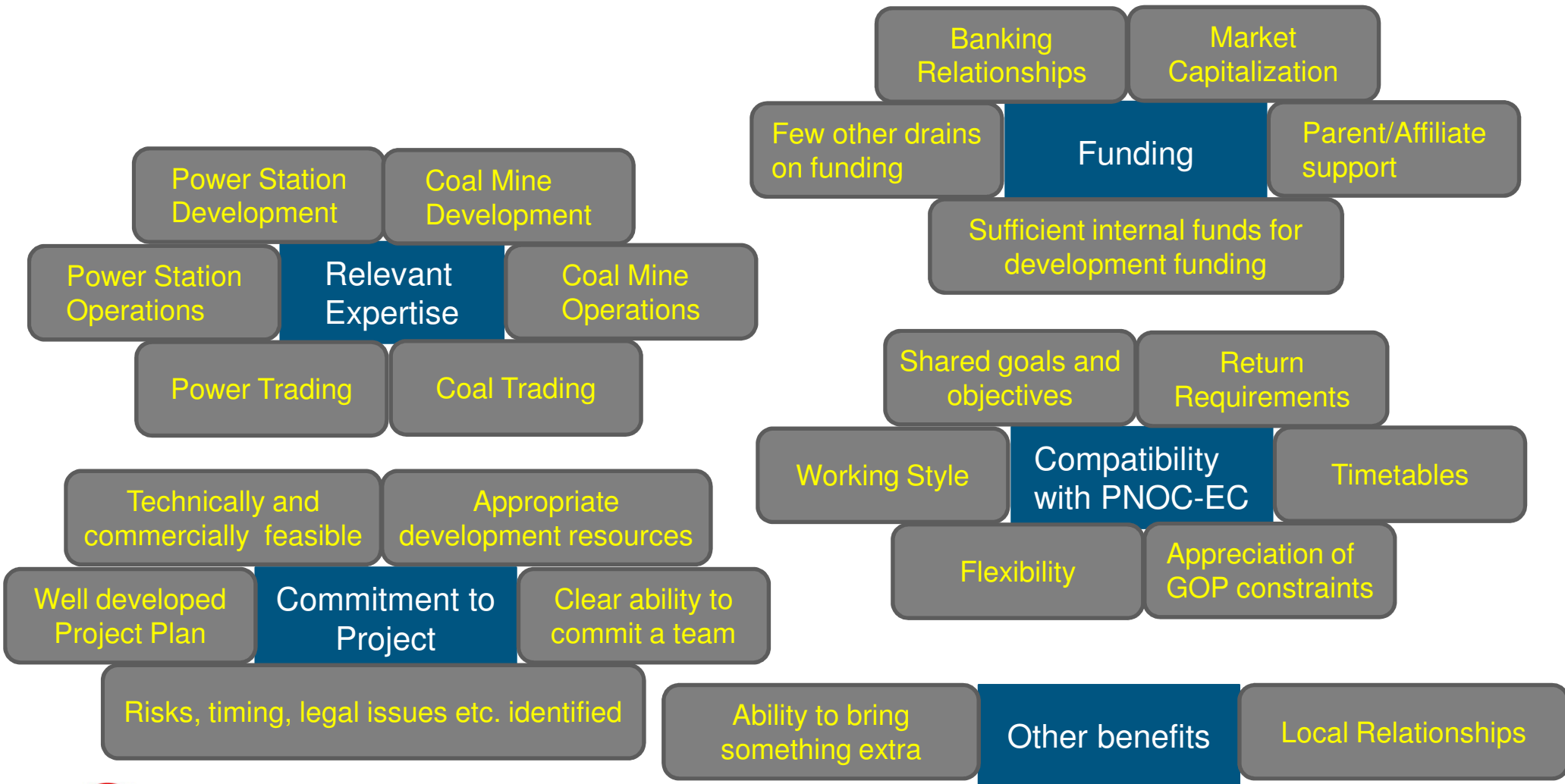
- Bidding shall be in accordance with the 2008 NEDA JV Guidelines
- Bid will be through a competitive selection process starting in early 2013
- Separate bidding processes for Sibuguey and Isabela
 - For Isabela – both coal mine and power plant operation
 - For Sibuguey – only power plant operation
- PNOC EC would be a minority partner in the JV

The goal of this phase of the project is to find a partner that fits well with PNOC EC

Indicative Structure of JV for each Project



Selection criteria are focused on finding a Partner(s) who can help develop and operate the project, including bringing relevant experience, funding and a strong commitment to the project



Process

- First PNOEC must undertake the process of securing approvals from the appropriate authorities for the preparatory work, governmental submissions, publications, issuances of notices and other process documents, including confidentiality agreements and undertakings, bid procedures, data room and due diligence procedures, etc., supplemental bid bulletins, draft of the Joint Venture contract
- The process will start with the Publication of the Invitation to Apply for Eligibility and to Submit a Proposal
- Potential bidders will need to sign the Confidentiality Agreement and Undertaking and pay the Bidding Fee in order to get a copy of the Terms of Reference
- PNOEC will issue the Terms of Reference (i.e., tender documents and data room and due diligence procedures) – this will include the final details of all the procedures and timetables etc.
- There will be an Eligibility Submission (i.e., pre qualification), where Eligible Parties will make submissions and be cleared to proceed to the next stage of the process
- Bidders will have a Due Diligence Period to evaluate the projects and decide whether or not to bid, which may include a Data Room
- After Eligibility, PNOEC will issue a draft Joint Venture Contract to Eligible Bidder, who may review and comment on the Contract
- At the end of the process there would be a Bid Submission where each Bid would be evaluated according to the evaluation criteria to be determined and a Notice of Award would follow shortly thereafter

Responding to this Flyer

The Lantau Group has been appointed to advise PNOG EC in this matter

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