

MBMI Resources Inc. Announces Philippine Court Decision

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The Third Division of the Supreme Court in the Republic of the Philippines has recently issued a resolution dated January 28, 2015 in G.R. No. 195580 (the "Resolution"). MBMI affiliates have sought its reconsideration and elevation of the case to the Supreme Court en banc

RICHMOND HILL, Mar 27, 2015) - Further to its press release dated June 16, 2014, [MBMI Resources Inc.](#) ("MBMI" or the "Company") (TSX VENTURE:MBR.H) announces that a resolution has been issued by the Special Third Division of the Philippine Supreme Court denying the motion for reconsideration filed by Narra Nickel Mining and Development Corporation, McArthur Mining, Inc. and Tesoro Mining and Development Corporation ("Operating Companies") in G.R. No. 195580. The Operating Companies have filed a second motion for reconsideration, which also reiterated their earlier motion to have the case resolved by the Supreme Court *en banc*. G.R. No. 195580 is among several cases involving Redmont Consolidated Mines Corporation ("Redmont") and the Company's subsidiaries and affiliates in the Philippines.

On January 2, 2007, Redmont filed with the Panel of Arbitrators ("POA") of the Department of Environment and Natural Resources ("DENR") petitions against the applications for mineral production sharing agreements ("MPSA") and exploration permit of the Operating Companies. Redmont claimed that the Operating Companies are supposedly not qualified to enter into an MPSA with the Philippine Government because they were then 100%-owned by MBMI which is a Canadian corporation; an MPSA contractor must be at least 60% Philippine-owned. During this time, Redmont was also an applicant for an exploration permit in the same area covered by the Operating Companies' MPSA applications.

Prior to the issuance of the POA's decision, the Operating Companies converted their MPSA applications into an application for a Financial or Technical Assistance Agreement ("FTAA") with the Philippine Government; an FTAA permits 100% foreign ownership. The Operating Companies were granted an FTAA in 2010.

On December 14, 2007, the POA ruled to disqualify the Operating Companies for being foreign corporations and declared null and void the MPSA granted to them. (No MPSA had been granted, however, precisely because of the conversion to an FTAA.) The POA gave due course to Redmont's exploration permit application. The Operating Companies' motion for reconsideration of the POA's ruling was denied.

The Mines Adjudication Board ("MAB") of the DENR reversed the POA's decision and declared that the POA had no jurisdiction to determine the nationalities of corporations. Redmont's motion for reconsideration filed with the MAB was denied. The Court of Appeals reversed the MAB's decision and upheld the POA's ruling. The Operating Companies' motion for reconsideration of this decision was denied.

The Operating Companies appealed to the Supreme Court, with the appeal docketed as G.R. No. 195580, and asserted that:

1. The POA had no jurisdiction to determine their nationalities because that was a power of the Securities and Exchange Commission;
2. They are Philippine nationals because 60% of their outstanding capital stock is owned by Philippine corporations (*i.e.*, Sara Marie Mining, Inc., Patricia Louise Mining and Development Corporation and Madridejos Mining Corporation - "Holding Companies") which are themselves 60% Philippine-owned; and
3. The case has become moot and academic with the execution of the FTAA with the Republic of the Philippines.

Subsequently, the Operating Companies manifested that they, as well as the Holding Companies, had become 100% Philippine-owned with the sale of MBMI's equity in the Holding Companies and Operating Companies to DMCI Mining Corporation in October 2012 and March 2014, respectively. In the Company's

view, this circumstance was further reason to consider the MPSA case moot and academic.

In its Decision dated April 21, 2014, the Supreme Court (through its Third Division) denied the Operating Companies' appeal. The Operating Companies filed their motion for reconsideration of this decision by the Supreme Court on June 5, 2014. In its Resolution dated January 28, 2015, the Supreme Court (through its Special Third Division) denied the Operating Companies' motion for reconsideration on the following grounds:

1. The case has not been rendered moot and academic;
2. The application of the so-called Grandfather Rule to determine the allegedly true nationalities of the Operating Companies is justified by the circumstances of the case, and after applying the Grandfather Rule the Supreme Court ruled that the Operating Companies were foreign corporations; and
3. The POA has jurisdiction in mining disputes to pass upon the nationalities of corporations applying for MPSAs.

The Operating Companies received a copy of the Resolution on March 9, 2015 and filed a second motion for reconsideration on March 24, 2015. In that motion, they reiterated (among other arguments) that the Grandfather Rule has no statutory basis, and raised other arguments relating to the application of that rule. The Operating Companies also renewed their earlier request for the case to be heard by the Philippine Supreme Court *en banc*. The Operating Companies believe that the novelty and importance of the issues involved (in particular, the application of the Control Test recognized in several statutes *vis-a-vis* the Grandfather Rule) and the significant ramifications of the Court's decision on partly nationalized industries -- which would then affect foreign investments in the country and the Philippine economy as a whole -- justified the case's referral to and resolution by the entire Philippine Supreme Court. (The Resolution states that it "den[ies] the motion for reconsideration with finality. No further pleadings shall be entertained. Let entry of judgment be made in due course." However, the January 28, 2015 Resolution apparently failed to consider the Operating Companies' earlier motion to elevate to the *en banc*, which was filed on February 5, 2015.)

In any event, the Company believes that the Resolution does not weaken its position and arguments in the other on-going litigation that has been initiated by Redmont and involves affiliates of the Company in the Philippines, including the case involving the FTAA (see the Company's press release dated August 10, 2012), which it will continue to prosecute to the fullest extent.

For further information relating to the Company or this release, please refer to MBMI's website at www.mbmiresources.com.

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