

# *Bangko Sentral ng Pilipinas*

## GOLD RESERVES

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## TOPICS

- I. Gold in the Philippines
- II. BSP's Gold Operations
- III. BSP's Gold Reserve Management

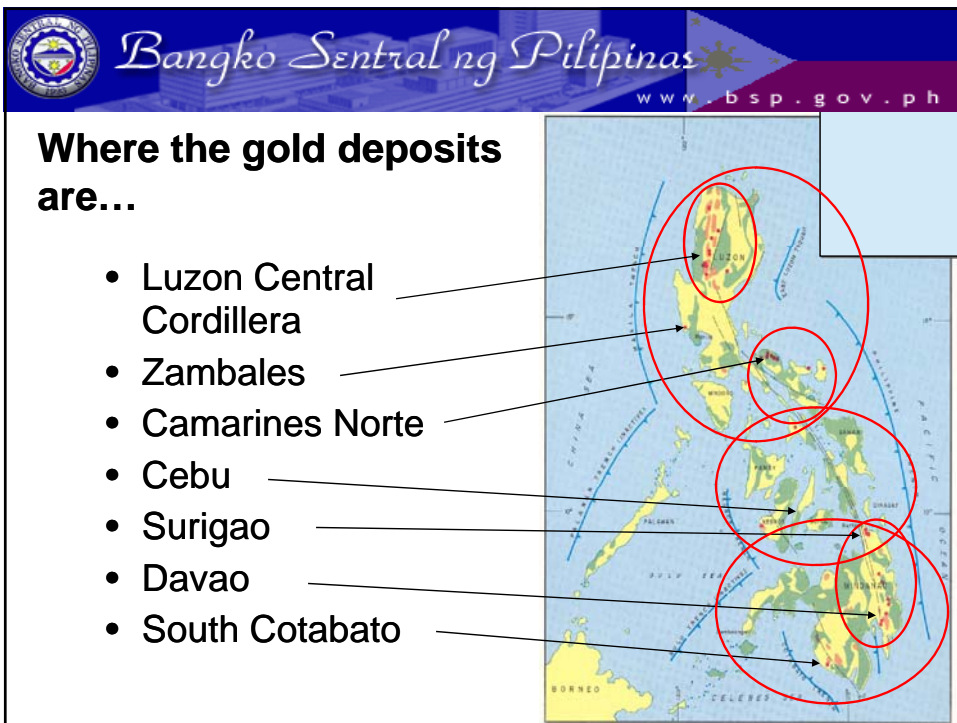
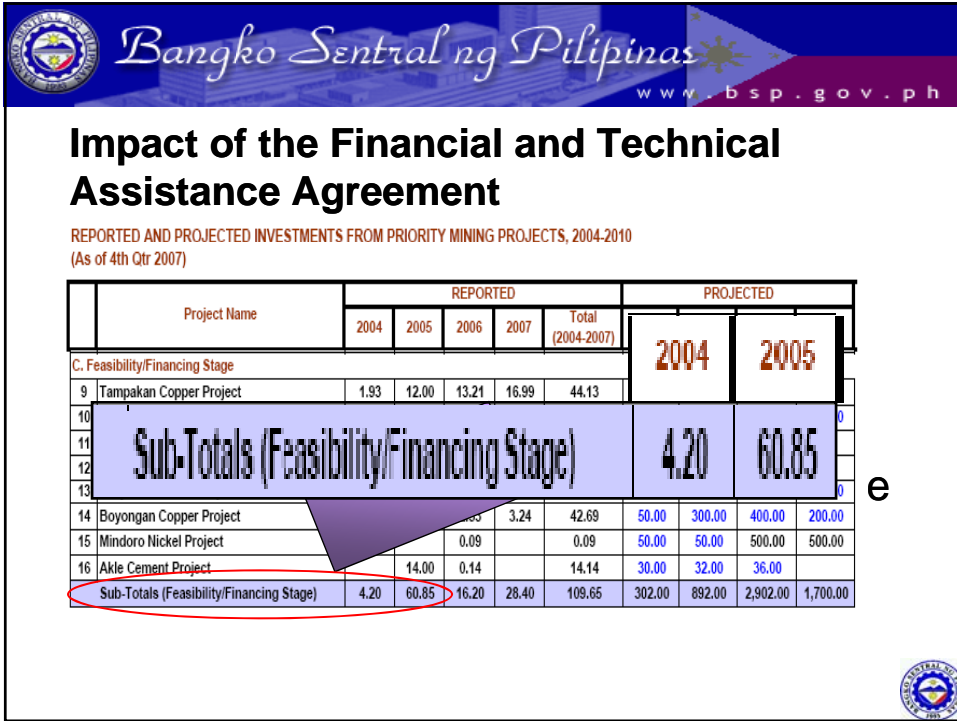


## I. Gold in the Philippines

### **Gold in the Philippines...**

- Diverse mineral resources
- Out of the 30 million hectares of the Philippines, 9 million hectares or 30% of the entire country is identified to have high potential for mineral deposits.





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## Where the gold mines are...

1) Victoria Gold Project  
2) Teresa Gold Project  
3) Paracale Gold Project  
4) Acupan Contract Mining Project  
5) Banahaw Gold Project

6) Canatuan Gold Project  
7) Diwalwal Direct State Development Project  
8) APEX Maco Operation

NAME OF PRODUCER	PROJECT NAME
<b>PRIMARY PRODUCERS</b>	
Lepanto Cons. Mng. Corp.	Victoria Gold Project
Lepanto Cons. Mng. Corp.	Teresa Gold Project
TVI resources Dev'l Phil. Inc.	Canatuan Gold Project
Johson Gold Mining Corp.	Paracale Gold Project
Benguet Corporation	Acupan Contract Mng. Project
Philsaga Mining Corp.	Banahaw Gold Project
Philippine Mining Development Corp.	Diwalwal Direct State Dev'l Project*
APEX Mining Company Inc.	APEX Maco Operation*
<b>SECONDARY PRODUCERS</b>	
Philex Mining Corp.	Padcal Copper Project
Rapu-Rapu Processing Inc.	Rapu-Rapu Polymetallic Project

\*Operational starting 2007

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## Growing Mining Industry...

**Philippine Gold Production (2002-2007)**  
Volume in Thousand Kgs

Year	Volume (Thousand Kgs)
2002	36.0
2003	38.0
2004	36.5
2005	37.5
2006	36.5
2007	39.0

**Philippine Silver Production (2002-2007)**  
Volume in Thousand Kgs


Year	Volume (Thousand Kgs)
2002	10.0
2003	10.0
2004	10.0
2005	20.0
2006	25.0
2007	30.0


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## 2007...

Production Ranking	Country	Production* (Tonnes)
1	China	276
2	South Africa	272
3	Australia	248
4	United States	238
5	Russia	169
6	Peru	167
7	Indonesia	137
8	Canada	101
9	Ghana	78
10	Uzbekistan	75
11	Papua New Guinea	59
12	Brazil	57
13	Mali	52
14	Mexico	44
15	Tanzania	43
16	Argentina	38
17	Chile	38
18	<b>Philippines</b>	<b>38.8</b>
19	Colombia	26
20	Venezuela	24
Total		2,181
Rest of the World		270
World Total		2,451

\*Source: GFMS Gold Survey 2008 Update 1




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## Philippine Gold Exports...



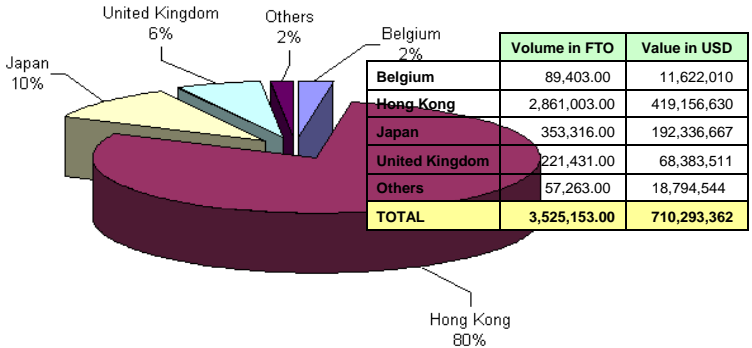
Year	Gold Exports Volume in FTO (Thousands)	Gold Exports Value in USD (Millions)
2003	~850	~150
2004	~150	~100
2005	~150	~100
2006	~1250	~250
2007	~1050	~280



Year	Exports (Thousands FTO)	Production (Thousands FTO)
2003	~900	~1250
2004	~150	~1200
2005	~150	~1250
2006	~1300	~1200
2007	~1100	~1250



**Philippine Volume of Gold Exports by country (2003-2007)**



**II. BSP's Gold Operations**

## **BSP's Gold Refinery...**

Mint and Refinery Operations Department (MROD)

- 1974 – President's directive to establish a Gold Refinery
- 1977 – MROD produced its first gold bar
- 1979 – LBMA Accreditation



## **BSP's Authority...**

- Republic Act (RA) No. 7076 - People's Small-scale Mining Act of 1991
- Republic Act (RA) No. 7653 - the New Central Bank Act of 1993



## Liberalization of Gold Transactions...

Central Bank of the Philippines Circular No. 1389 (April 13, 1993)

- No need for BSP approval for purchase and sale of gold and gold-bearing metals except for small-scale miners who have to sell gold to BSP
- Gold sales to BSP as constructive exports



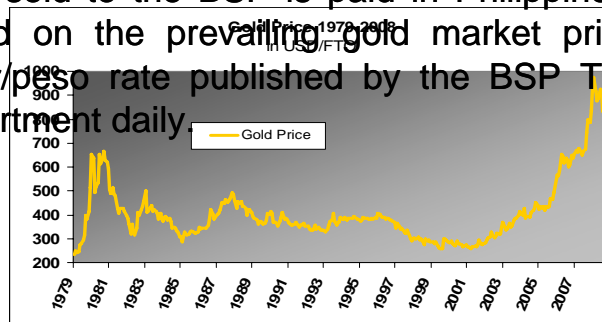
### BSP's Gold Refinery...

The LBMA congratulated BSP for passing the Proactive Monitoring gold dip assaying test in April



### BSP's Pricing...

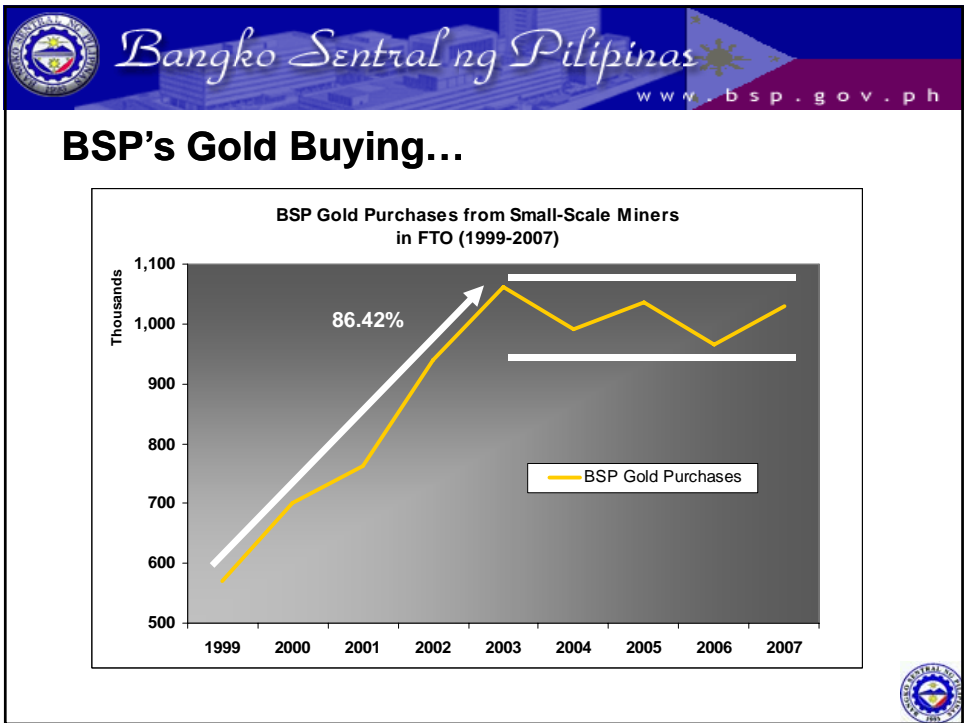
Gold sold to the BSP is paid in Philippine pesos based on the prevailing gold market price and dollar/peso rate published by the BSP Treasury Department daily.



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### BSP's Gold Buying Stations...

- Mint Refinery Operations Department (MROD), Quezon City
- BSP Baguio
- BSP Naga
- BSP Davao
- BSP Zamboanga



### III. BSP's Gold Reserve Management

#### **Basis for holding Gold Reserves...**

RA 7653 provides that the international reserves of the BSP may include but shall not be limited to gold and assets in foreign currencies.



## Rationale for holding Gold Reserves...

- Security
  - Safe-haven asset
- Diversification
  - Low correlation with other assets
- Inflation Hedge
- The Philippines is a gold-producing country

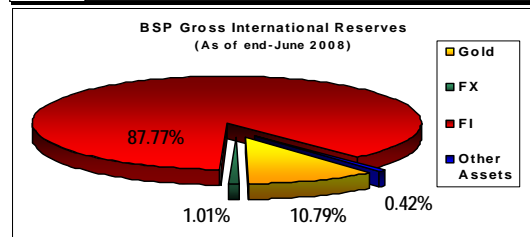
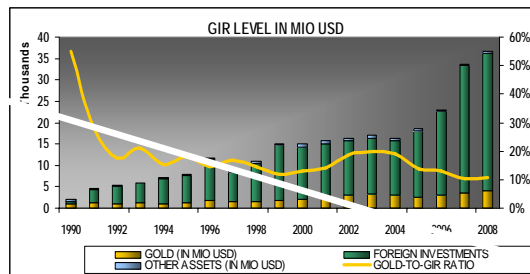
Correlation of Gold vs. Other Assets  
(January 2002 to August 2008)

Asset	Average Monthly Return	Correlation
Gold	1.48%	-
Dollar	-0.54%	-0.5097
Euro	0.71%	0.4693
Dow Jones	0.26%	-0.0665
Nasdaq	0.39%	-0.0708
Local Currency		
Bonds*	0.87%	0.0373
Dollar Bonds*	0.96%	0.2114
2-yr UST	0.21%	0.0620

\*HSEC Indices



## Reserves...





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### World Official Gold Holdings (June 2008\*)

	Tonnes	% of Reserves
1 United States	8,133.5	78.2%
2 Germany	3,417.4	66.3%
3 IMF	3,217.3	-
4 France	2,562.3	59.4%
5 Italy	2,451.8	68.1%
6 Switzerland	1,100.7	39.8%
7 Japan	765.2	2.1%
8 Netherlands	621.4	61.2%
9 China	600.0	1.0%
10 ECB	563.6	24.8%
⋮		
26 Philippines	133.10	10.79%**
All Countries	26,460.9	9.8%

\*Source: World Gold Council, \*\*based on BSP data




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We have a long history of engaging in the following transactions:

1. Spot Trading
2. Options
3. Gold Deposits
4. Gold-Backed Loans
5. Gold Financial Swaps



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- Positive outlook on the country's gold mining industry
- Sustainability of BSP gold-buying operations
- Continuous improvement and modernization of the Gold Refinery
- Gold is expected to remain part of BSP Reserves



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 **Thank you.**

