



SOUTH CHINA RESOURCES, INC.

3/F Low Rise Pacific Star Bldg., Sen. Gil Puyat Ave. cor. Makati Ave., Makati City
Metro Manila, Philippines

July 14, 2008

Disclosure Department
4/F Philippine Stock Exchange, Inc.
PSE Centre, Exchange Road
Ortigas Center, Pasig City

Attention: **Atty. PETE M. MALABANAN**
Head, Disclosure Department

Gentlemen:

Please be informed that the Service Contract No. 60 (SC-60) Joint Operations submitted to the Department of Energy, through its contract operator, its election to enter sub-phase 2 to continue and further exploration in the block in Northeast Palawan. The second sub-phase will be valid until February 10, 2010 with a commitment to drill one well. The Joint Operations is composed of South China Resources, Inc., Kuwait Foreign Petroleum Corporation ksc. (KUFPEC), and Shell Philippines Exploration B. V. (SPEX) as operator. SC-60 covers an area of one million hectares in Offshore Northeast Palawan. South China has 15% participating interest in this venture.

Yours faithfully,

A handwritten signature in dark ink, appearing to read "David R. Baladad", written in a cursive style.

DAVID R. BALADAD
VP – Operations/CIO