

TAMPAKAN COPPER-GOLD PROJECT

AIR QUALITY AND GREENHOUSE GASES



Sagittarius Mines, Inc.'s (SMI) proposed Tampakan Copper-Gold Project involves one of the world's largest undeveloped copper-gold deposits. SMI is a contractor of the Philippine Government under the terms of a Financial and Technical Assistance Agreement (FTAA).

As a Filipino company with a commitment to the highest standards of sustainable development we have completed Environmental Impact Assessment (EIA) studies involving Filipino specialists working in conjunction with international experts.

The mine Environmental Impact Statement (EIS) has been prepared in accordance with the Philippine regulatory requirements and presents the results of the EIA studies. The EIS will support an application to the Philippine Government for the grant of an Environmental Compliance Certificate (ECC) for the Project.

In addition, we have partnered with international experts to develop a world-class Environmental and Social Impact Assessment (ESIA) report to further demonstrate that the assessment of potential environmental and social impacts has been conducted in alignment with relevant international standards.

We have thoroughly investigated ways to mitigate the potential impacts of the Project and used this information in developing our design plans reflected in our Mine Project Feasibility Study (MPFS). These plans are aligned with our major shareholder Xstrata, a global diversified mining group that is internationally recognized as a sector leader in corporate responsibility.

OUR COMMITMENT TO MANAGING AIR QUALITY

We take our environmental responsibilities very seriously. As part of our commitment to sustainable mining practices we consider, at all stages of our Project planning, the potential environmental impacts of our activities and how we can mitigate them.

During the EIA process a series of specialist environmental studies were conducted to investigate the potential impact of the Project on environmental factors. The potential impacts to air quality and the generation of greenhouse gases was one of the areas investigated.

ASSESSING AIR QUALITY

A detailed model assessment was undertaken with respect to air quality and greenhouse gases to identify potential impacts from the Project, and to recommend mitigation and management measures that would ensure Philippine regulatory and international standards are met throughout the life of the Project.

The assessment was conducted to:

- Establish the existing meteorological and climatic conditions of the Project site
- Measure the existing baseline air quality
- Identify local communities that may be potentially impacted by the Project
- Propose appropriate air quality monitoring locations on all sides of the proposed mine site for ongoing monitoring
- Estimate expected air quality and greenhouse emissions from the Project.

AIR QUALITY GUIDELINES

A number of leading air quality guidelines were considered for this Project. We have adopted air quality guidelines for the Project that are primarily based on the Philippine Clean Air Act. Where no standard was available for a particular emission, we used the following international guidelines (in descending priority order):

- United States Environmental Protection Agency (USEPA) Standards
- World Health Organisation (WHO) Air Quality Guidelines
- European Union (EU) Guidelines
- New South Wales (Australia) Guidelines.

OUTCOMES

Due to the complex landscape of the Project site, industry-leading modelling was required to assess air quality impacts.

Our assessment indicated the potential for slight exceedances of our adopted air quality guidelines for certain emissions in uninhabited areas north of the proposed mine site at certain stages of the Project. This indicates a need for close monitoring. Our studies indicate that these potential exceedances are not likely to have any significant impact on the local community but additional mitigation measures would be implemented as required.



SMI'S MITIGATION MEASURES

Throughout the life of the Project, SMI would constantly monitor air quality and greenhouse gas emissions, and adopt mitigation measures where necessary, to minimize adverse air quality impacts. These measures have been included in the design and operating plans for the Project, and would involve:

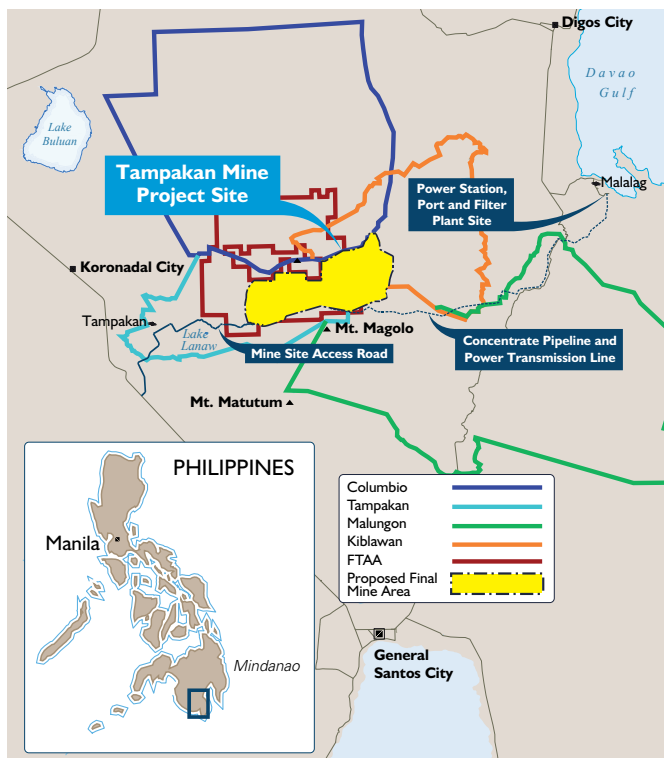
- Regular watering of unpaved roads to control dust
- Monitoring traffic speeds to minimize dust levels
- Covering conveyors to reduce dust levels
- Planting trees as "buffers" or "screens" to minimize wind-blown dust
- Prompt replanting of disturbed areas
- Taking into account weather conditions when carrying out blasting when weather conditions are favourable
- Regular monitoring of potential air impacts at local villages surrounding the proposed mine site
- Training the workforce on air quality issues.

GREENHOUSE GAS EMISSIONS

Estimated greenhouse gas emissions are projected to peak at 0.35 million tonnes in year 15 of the Project. This would represent less than 0.4% of projected Philippine emissions in that year.

SMI seeks continual improvement in its environmental performance. As part of this commitment, and in accordance with its Sustainable Development Standards, SMI would seek opportunities for improved greenhouse efficiency as well as publicly report on emission levels and progress in reduction initiatives.

LOCATION OF THE TAMPAKAN COPPER-GOLD PROJECT



ONGOING MONITORING

An Air Quality Management Plan would be developed to manage potential impacts where air quality guidelines may be exceeded and would outline required mitigation measures. This plan would also include an Air Quality Monitoring Program.

The Air Quality Monitoring Program would:

- Ensure real-time air quality monitoring is conducted during the construction and operation phases
- Conduct ongoing monitoring at locations around the Project site
- Ensure ongoing compliance with the Project's guidelines.

FREQUENTLY ASKED QUESTIONS

What were the results of modelling specifically for greenhouse gases?

The assessment predicted that the peak annual greenhouse gas emissions from the Project (in year 15 of operations) may contribute less than 0.4% to Philippine national emissions in that year.

What were the results of assessments made for those communities neighboring the Project?

Air quality was predicted in the area surrounding the Project site including 47 of the closest neighboring communities. At each of these communities the predicted air quality levels are compliant with the Project air quality guidelines.

There are some small areas outside the proposed mine site where the predicted air quality for some elements is above the adopted Project air quality guidelines. These areas are largely in the vicinity of the open-pit. However, there are no communities or other sensitive receptors currently located within these areas.

PROJECT BENEFITS

Through sustainable partnerships, the Project can enable a better future for the people of southern Mindanao. If developed, the Tampakan Project would generate significant economic benefits that would stimulate the local, regional and national economies.

The region would enjoy substantial benefits from the mine which include:

- An annual contribution of on average PhP1 34 billion¹ to Philippine gross domestic product (GDP) each year over the construction and operation phases – equivalent to an additional annual increase of 1% to Philippine GDP
- Total government revenues (national and local) through a variety of taxes and charges of approximately PhP307 billion² (nominal) over the life of the Project
- Royalty payments and direct contributions in excess of PhP39.8 billion³ (nominal) to local communities and local indigenous groups over the Project's life
- Opportunities for approximately 10,000 workers during the peak of the construction phase and direct employment opportunities for approximately 2,000 workers during the operations phase
- Engagement of local contractors and service providers, generating further substantial employment within the Philippines.

NEXT STEPS

The Project has a number of stages to complete before final construction can commence including approvals from the government, the community and SMI Shareholders.

Making this Project a reality requires us to work in partnership with our stakeholders and we would continue to work openly with them, particularly those who have concerns and queries about our proposed Project activities.

Incorporating this feedback into our plans would ensure the Project can become a blueprint for ethical large-scale modern mineral development in the Philippines, including best practice in resettlement programs, indigenous consultation, as well as EIAs.

¹USD2.8 billion. ²USD6.4 billion. ³USD830 million. (Based on exchange rate of USD1 = PhP48) Disclaimer: The content of this document was accurate, to the best of SMI's knowledge, at the time of publication (May 2011).

