

TAMPAKAN COPPER-GOLD PROJECT BENEFITS FOR THE COMMUNITY



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.

The Tampakan Copper-Gold Project has the potential to provide a step-change toward sustainable socio-economic growth for the people of southern Mindanao and the Philippines.

If approved, the Project would generate significant economic benefits that would stimulate the local, regional and national economies.

The Project also represents an opportunity for a large amount of social benefits that would flow into the local area and be shared by communities within the Project's footprint and the immediate surrounding areas.

SOCIAL DEVELOPMENT

SMI's studies indicate that, if the Project is approved, royalty payments and direct contributions in excess of PhP39.8 billion (nominal)¹ would be made to local communities and indigenous groups over the Project's life.

Some of this amount would be directly provided to local government to support improved services while other amounts would be directly spent by SMI in the host and neighboring communities through a Social Development Management Plan (SDMP) (refer box "About the SDMP").

In addition, SMI would be working with indigenous communities and the National Commission on Indigenous People, to ensure that each indigenous community has an Ancestral Domain Sustainable Development and Protection Plan (ADSDPP) for the ancestral domains affected by the Project (refer box "About ADSDPP").

Both the SDMP and ADSDPP seek to ensure that the affected communities are able to benefit both immediately and in the long-term from the opportunity presented by the Project's contribution.

RESETTLEMENT

If the Project is approved, and in order to ensure the health and safety of the community as well as SMI's workers, SMI would require the exclusive possession of the final mine area which would mean that resettlement of current residents would be necessary.

SMI recognizes that any resettlement can have adverse impacts on communities and also provide opportunity. In undertaking any resettlement, SMI is committed to upholding the principles of the International Finance Corporation's Performance Standards which are the international benchmark for resettlement activities.

Applying these principles means that any resettlement sites built for affected people must provide improved living conditions for the resettled community. As SMI develops its plans for resettlement, we will be consulting with the affected community and providing information that explains what potential benefits the Project can bring to these new communities.



¹USD830 million. (Based on exchange rate of USD1 = PhP48)

HOW WE ARE ALREADY MAKING A DIFFERENCE.

Even though the Project is not yet approved, SMI is already making a difference. In 2010, SMI spent PhP135 million (USD3.03 million) on various community development programs, providing real and long-term benefits for local communities, including:

- Financial support for elementary, high school and college students
- Implementation of a Foundation Program in numerous elementary schools to enable improved learning opportunities for children
- Support for health insurance for thousands of local households
- Livelihood programs covering new farming technology and farm support, selected crop production, dressmaking and other projects for hundreds of farmers and tribal members
- Planting or donating more than 600,000 seedlings within the region. This work began in 2005.

ABOUT THE SDMP

A Social Development Management Plan or SDMP is a comprehensive plan required to be prepared by all mining operators in the Philippines under the national law. The SDMP describes the programs, projects and activities that would be undertaken by the mining operator to promote the general welfare of the inhabitants of the barangays where the mining area is located as well as neighboring barangays.

Activities recognized under Philippine law, and which form part of an SDMP, include:

- Human resource development and institutional building programs in the local community
- Enterprise development activities which support income generation
- Assistance for infrastructure development and support services in the community
- Programs to improve access to education and provide opportunities to members of the community
- Improving access to health services and facilities
- Protection of the existing socio-cultural value of the community.

The SDMP begins with the commencement of mining production and would be in place for the life of mining operation.

By developing and implementing a comprehensive development program, we aim to be a responsible partner with our host communities in achieving their vision for a sustainable future.

ABOUT AN ADSDPP

An Ancestral Domain Sustainable Development and Protection Plan or ADSDPP is a tool to promote sustainable development among indigenous communities within their traditional land.

The ADSDPP would contain the priority projects and programs, identified by the indigenous community itself, and aims to provide the necessary inputs for viable socioeconomic activities within that community.

An ADSDPP would usually be developed with the National Commission on Indigenous People and be incorporated into local government development plans.

Royalty amounts provided by a mining operator to an indigenous community can be used for implementation of an ADSDPP which should be regularly reviewed by the community.

FREQUENTLY ASKED QUESTIONS

How would you manage social impacts once the mine is operating?

SMI would develop an overarching Social Impact Management Plan (SIMP) that would ensure the effective management of social impacts. The SIMP would also include a monitoring framework to assess the progress of each individual management program and to identify strategies to address programs that are not achieving their goals. This monitoring framework would be auditable and based on the Sustainable Development standards of SMI's major shareholder, Xstrata Copper.

What would happen after the mine closes?

A mine closure strategy has been developed, which includes monitoring and management of relevant social issues after operations cease. Social impacts resulting from the mine's closure would be mitigated through the implementation of projects designed to foster long-term, sustainable development in local communities.

How does the Project engage with IPs?

When engaging with IPs and other directly affected peoples, SMI promotes full respect for their dignity, human rights, aspirations, cultures and natural resource-based livelihoods.

We uphold and promote human rights within our areas of influence, respecting the cultural heritage, customs and rights of communities, including indigenous peoples. We adhere to international standards and also support and practice the Voluntary Principles on Security and Human Rights.

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 PhP134 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).

