

TAMPAKAN COPPER-GOLD PROJECT

MINE CLOSURE AND REHABILITATION



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 MINE CLOSURE AND REHABILITATION

If the project is approved, the mine would be by far the largest in the Philippines and among the largest copper mines in the world. Such a significant Project requires responsible environmental planning for the life of the mine, and for long after it closes.

RESPONSIBLE PLANNING BEFORE WE EVEN START

Planning for the end of the mining operation is being done before we even start.

SMI's managing shareholder, Xstrata Copper, is a global industry leader in sustainable practices with a proven track record of strong environmental performance and is internationally recognized for its responsible approach to the rehabilitation and closure of its mining projects across the world.

A Conceptual Rehabilitation and Mine Closure Plan (the Closure Plan) has been prepared by independent Philippine and international experts as part of the Project's EIA.

DEVELOPING A CLOSURE PLAN

The Closure Plan is designed to meet the strict environmental standards and regulations set out by the Philippine Government and the industry leading international expectations of Xstrata Copper. The Closure Plan would undergo regular review to ensure it remains current and meets community expectations.

The Closure Plan covers all areas of the mine's activities and requires, where possible, rehabilitation work to take place as we progress – not leaving it until after the mine closes.

The Closure Plan would be reviewed over the life of the Project, and includes:

- A risk assessment that has been used as the basis for addressing the mine's rehabilitation and closure
- An outline for the Project's overall rehabilitation strategy that includes the management of mining wastes, progressive rehabilitation, landform design and planning, topsoil management, final rehabilitation, and ongoing monitoring
- A description of the decommissioning and closure concepts for each of the mine disturbance areas
- Conceptual criteria to measure rehabilitation performance and success.

The Closure Plan is designed to ensure, where possible, rehabilitation of areas of the mine site while the mine is still operating. There would, however, be some areas that can only be rehabilitated when the mine closes. Our Closure Plan would ensure that these areas are left in a safe condition – this can be achieved by:

- Removing all facilities and equipment, such as the concentrator, conveyors and accommodation village
- Rehabilitating, where possible, the areas disturbed by the proposed mining operation by replanting native trees, shrubs and grasses.

An example of this is the waste rock storage facility (WRSF). The WRSF would be progressively rehabilitated – exposed waste rock would be covered with safe rock or soil and grasses and shrubs planted to help control erosion. When the mine closes, drainage water from the WRSF would be collected in seepage collection dams and then transferred to the open-pit void.

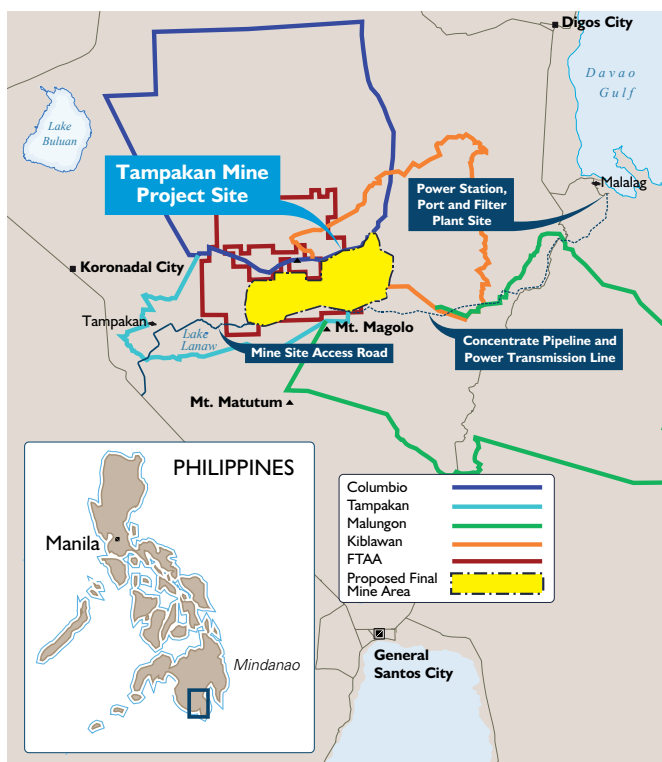


ON-GOING REHABILITATION POST MINE CLOSURE

Three areas of the mine would require ongoing attention long after the mine has closed. We have developed measures to address these areas:

- The freshwater dam (FWD) – clean, fresh water would continue to be safely stored and released to help sustain agricultural productivity by downstream irrigators. We believe that this can become an important community resource
- The tailings storage facility (TSF) – in order to ensure that the Project's water quality standards are maintained, water that is discharged from the TSF would be expected to require treatment before release for at least 10 years after closure
- The open-pit – the pit void left behind would, if not managed appropriately, eventually fill with water which would not be suitable for drinking or recreation. The pit water level would need to be managed through controlled discharges of safe, treated water into the Taplan River. Public access to the open-pit would be restricted.

LOCATION OF THE TAMPAKAN COPPER-GOLD PROJECT



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.



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FREQUENTLY ASKED QUESTIONS

What mine closure scenarios has SMI considered in its Closure Plan?

Consistent with the requirements of the Philippine government, as well as the expectations of our major shareholder, Xstrata Copper, the Plan addresses three distinct mine closure scenarios:

1. Planned closure at the end of a 20-year mine life
2. Early closure which, while very unlikely, may happen if mining stops due to financial constraints or if the operation is forced to close by regulatory agencies due to non-compliance with licence conditions
3. Temporary closure where the mine's operations may temporarily stop and be placed into care and maintenance because of economic or operational constraints.

Is the community involved in the mine closure process?

We understand the community's concerns about our commitment to the rehabilitation of the mine after mining operations finish.

As part of the Closure Plan, we would work with the local community over the life of the Project to:

- Establish formal processes to oversee rehabilitation efforts and ensure money is available to complete rehabilitation to an acceptable standard after the mine has closed
- Establish a representative body that includes members from the local community who would be responsible for reviewing and approving SMI's actions and plans regarding the mine closure
- Promote long-term sustainable economic development within local communities after the mine closes.

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.

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).