

TAMPAKAN COPPER-GOLD PROJECT

WATER MANAGEMENT



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 RESPONSIBLY MANAGING WATER

SMI understands that access to good quality water is critical to the local communities. As part of our planning for the proposed Tampakan Copper-Gold Project, we have invested significant resources in understanding the potential impact of our proposed activities on the water needed by the local community and have prepared water management strategies to ensure we protect the quality and supply of water in the potentially affected areas.

Our strategies are based on 15 years of monitoring and research of water quality across the Project site to develop a significant quantity of baseline data. We have also partnered with local people who understand the local environment to help with this sampling and monitoring work.

Throughout the planning process for the Project we have consulted with a large number of people including local communities and water users, as well as local, regional and national governments. The feedback from these stakeholders has been incorporated into our design plans and mitigation strategies.

OUR PLANS FOR MANAGING WATER

We have designed our Project so that it can operate without using water that is currently used by the local community. These plans for managing water include:

- Using leading, international standard water conservation and recycling methods to reduce water usage – approximately 70% of the Project's water needs would be met by recycling water
- In the Taplan catchment we are designing the mine so it can operate without significantly impacting the amount of water currently used by the local community by fully compensating Taplan River flows that may be affected by the open-pit
- In the Mal catchment we are proposing to build a freshwater dam that is able to capture excess water (that could otherwise cause flooding) so that during the dry season the mine
- can operate without interfering with the natural flow of the river
- Constructing containment and international standard treatment facilities to ensure that any water discharged from site is suitable for all current uses
- Monitoring of surface and groundwater in collaboration with community and government groups to validate the integrity of our numerous impact mitigation measures.



WATER MANAGEMENT DURING THE MINE'S OPERATION

While not every impact from the mine can be totally eliminated, we believe that this Project can be operated with no significant impacts to the water that is used by the local communities who surround the Project. We would be continually monitoring water flows and quality throughout the life of the Project and after the mine is closed.

We are committed to meeting this objective by:

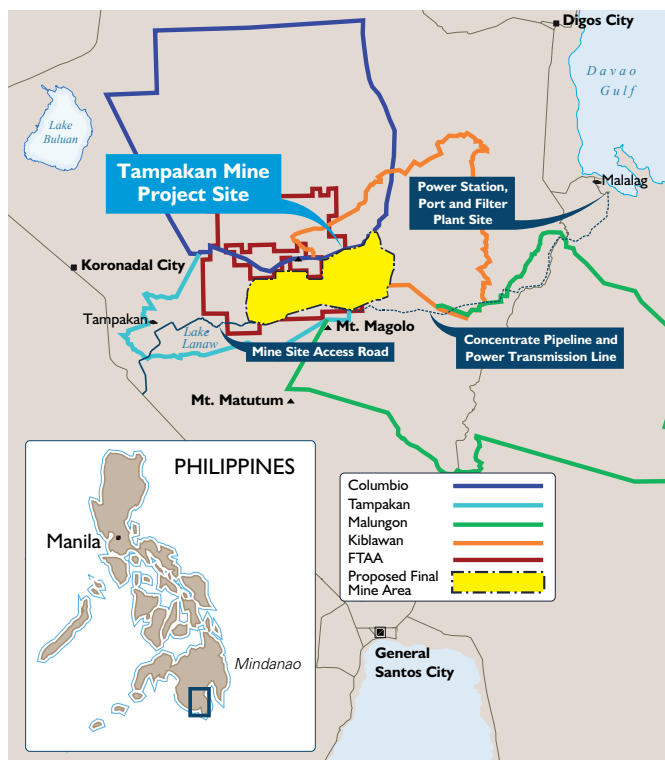
- Adhering to Philippine regulatory requirements for mining and environmental management, such as the Clean Water Act
- Meeting the internationally recognized environmental management policies and standards of Xstrata Copper, SMI's managing shareholder.

POTENTIAL IMPACT DURING CONSTRUCTION

During the construction of the mine, we have plans to:

- Minimize sediment generation, use sediment collection facilities and undertake remediation if impacts are caused by construction activities
- Establish diversions to ensure that water flows are not affected by dam construction
- Undertake extensive monitoring of surface water and groundwater in the surrounding area to ensure the effectiveness of our plans.

LOCATION OF THE TAMPAKAN COPPER-GOLD PROJECT



FREQUENTLY ASKED QUESTIONS

How would you ensure the quality of water is not impacted by the Project?

We have developed water management strategies to ensure clean water is diverted away from disturbed areas through drainage systems. We have also designed on-site storage and treatment systems to contain and treat water on the mine site.

Would the Project increase the likelihood of flooding?

The studies completed by independent specialist firms have confirmed the Project is not expected to result in any significant adverse downstream flooding impacts and in all likelihood would result in a lower risk of flooding.

Would there be any seepage from the mine?

Any water seepage to the east of the Project area would be managed through seepage collection dams and water treatment facilities to ensure that any water discharged from the site is suitable for current uses.

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).

