



Tampakan Project
Sustainability Report 2007



Scope of this report

This report details the health, safety, environment and community (HSEC) performance of Xstrata Copper's Tampakan project from 1 January 2007 to 31 December 2007. Where stated, some data refers only for the period from 30 March 2007, when Xstrata Copper assumed management control of Sagittarius Mines, Inc. (SMI) and introduced its HSEC management framework.

This report is also available online at: <http://www.xstrata.com/corporate/commodities/copper/publications>

Please note all monetary values are expressed in Philippine pesos and US dollars at a conversion rate of PhP 100 = USD 2.42 unless otherwise stated.

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Xstrata Copper at a glance

Xstrata is a major global diversified mining group, listed on the London and Zurich stock exchanges. Headquartered in Zug, Switzerland, Xstrata maintains a meaningful position in seven major international commodity markets: copper, coking coal, thermal coal, ferrochrome, nickel, vanadium and zinc, with recycling facilities and additional exposures to gold, cobalt, lead and silver and a suite of global technologies, many of which are industry leaders. The Group's operations and projects span 18 countries: Argentina, Australia, Brazil, Canada, Chile, Colombia, the Dominican Republic, Germany, New Caledonia, Norway, Papua New Guinea, Peru, the Philippines, South Africa, Spain, Tanzania, the USA and the UK. Xstrata employs approximately 43,000 people, including contractors.

Xstrata Copper is headquartered in Brisbane, Australia, with regional offices in Santiago and Antofagasta, Chile; Lima and Arequipa, Peru; Buenos Aires, Argentina; and Toronto, Canada, and is one of the commodity business units within the major global diversified mining group Xstrata plc. Xstrata Copper's mining operations and projects span seven countries and include mines, mineral processing plants and port facilities in North Queensland, Australia; mining and processing operations and port facilities in Chile, Peru and Argentina in South America; and mining and processing plants in Canada. It also has a recycling business (Xstrata Recycling) with facilities in Canada, the United States and Asia. Xstrata Copper is the fourth largest global copper producer, with annual managed production of over one million tonnes.

Xstrata Copper Tampakan Project

The Tampakan Project is located on the southern Philippine island of Mindanao, approximately 65 kilometres north of General Santos City. The project is situated on the boundary of three provinces: South Cotabato, Sultan Kudarat and Davao del Sur and represents one of the largest undeveloped copper-gold deposits in the South East Asia-Western Pacific region.

The Extended Pre-Feasibility Study (XPFS) work program has confirmed that the Tampakan Project is a 2.2 billion tonne deposit, containing 12.8 million tonnes of copper and 15.2 million ounces of gold at a 0.3% cut-off grade.

The Tampakan Project is operated by Philippine-based affiliate Sagittarius Mines, Inc (SMI) as a joint venture between Xstrata Copper (62.5%), Indophil Resources NL (34.2%) and the Alsons Corporation (3.3%). The non-controlling shareholders of SMI are the Tampakan Mining Corporation and South Mining Corporation (known as the Tampakan Group of Companies). In 2007, the project employed approximately 446 employees and contractors and a further 325 local community members who worked weekly rotational shifts on the project's exploratory drill rigs.

Map of Operations



Executive General Manager's message

Xstrata Copper's aim is to establish, through frank and transparent communication from the earliest stage of the project, genuine alliances with our stakeholders to facilitate sustainable development.

It is my pleasure to present the sustainability reports for 2007 for the projects that comprise Xstrata Copper's Project Development Division. These reports showcase our commitment to sustainable development in our project portfolio. We believe that these reports provide a vital source of information for our stakeholders about our achievements and challenges in the areas of health, safety, environment and communities (HSEC) from the earliest stage of project evaluation, long before projects become mining operations.

Xstrata Copper is today the world's fourth largest copper producer with annual production capacity of more than one million tonnes. The role of the Project Development Division is to contribute to Xstrata Copper's future growth by carrying out the necessary studies to advance the responsible development of new mines.

In 2007, our project portfolio included:

- El Pachón, Argentina
- El Morro, Chile
- Frieda River, Papua New Guinea
- Tampakan, Philippines
- Las Bambas, Peru
- Energía Austral, Chile

We believe that our development strategy is achieving the results we strive for. Today, our growing understanding of our projects allows us to improve them, making them more viable within a framework of respect for the environment, the rights and traditions of our communities and the health and safety of our workers.

During 2007, we made significant progress in developing our projects. For example, Las Bambas and Frieda River completed scoping studies and are scheduled to enter the pre-feasibility stage in 2008. At Tampakan and El Pachón, pre-feasibility studies were advanced while a feasibility study was completed at

El Morro. As such, we are moving closer to being able to take decisions on the future of each of these projects.

This process naturally brings with it challenges and difficulties that are particular to the situations and geographical settings in which we operate around the world. The vast range of sociopolitical, economic, historic, cultural and environmental factors that are present at each site demands a serious commitment from us to integrate, interact and involve ourselves with the communities among whom we work. This requires us to be flexible, to foresee changes and to adapt rapidly to them.

Against this background of change, 2007 saw three events of major significance for the Project Development Division and Xstrata Copper as a whole. In March, Xstrata Copper took control of a 62.5% stake in the Tampakan copper-gold project in the Philippines, which has become a project of strategic importance to the company's future growth. In August, the Energía Austral hydroelectric power plant became the first non-mining project to join the division's pipeline. Located in southern Chile, we believe that Energía Austral could become a responsible contribution to the country's energy needs, given the growth in energy demand forecast by the authorities for the coming years. Finally in December, the Las Bambas project, located in southern Peru, was transferred to the recently created Xstrata Copper Southern Peru Division, due to the significant synergies that can be made with the Tintaya mine and Antapaccay project in the same region.

One of our most important achievements during 2007 was the consolidation of community relations strategies at each of our projects. Today each project organisation includes a team dedicated to strengthening and deepening relations with the community and stakeholders in general, an aim that has been achieved thanks to the huge amount of information collected through social baseline studies and consultation with

the communities in question. Our aim is to establish, through frank and transparent communication from the earliest stage of the project, genuine alliances with our stakeholders to facilitate sustainable development.

In Health and Safety, during 2007 our Total Recordable Injury Frequency Rate (TRIFR) averaged 5.2 across all our projects. Our challenge in 2008 is to improve substantially on this figure as we strive to protect the safety of our workers and contractors.

Finally, reflecting the company's commitment to the environment, we are very aware of the importance that our communities place on issues such as water resources, global warming and the need to produce clean energy. While our projects do not generate a significant impact on their surroundings given they are at the early stages of study and evaluation, we are committed to establishing and implementing plans and programmes to preserve bio-diversity, use energy and water efficiently and reduce greenhouse gas emissions.

This report has been developed following the G3 guidelines of the Global Reporting Initiative (GRI), in line with Xstrata plc's membership of the International Council on Mining and Metals (ICMM). I hope that this 2007 Sustainability Report for the Tampakan project will help to improve the mutual understanding between the project and its stakeholders.

Peter Forrestal

*Executive General Manager
Project Development Division
Xstrata Copper*

General Manager's message

Xstrata Copper is committed to developing a financially successful project that improves the social and economic prosperity of the region for future generations.

Xstrata Copper assumed management control of the Tampakan copper-gold project in March 2007 through its Philippine-based affiliate Sagittarius Mines, Inc. (SMI). Throughout the year, significant effort has been directed toward reviewing the project's health, safety, environment and community (HSEC) management practices and aligning these with Xstrata Copper's HSEC systems and standards.

It has been an exciting learning experience for the Tampakan project and I am delighted to present our 2007 HSEC performance in this, our first, sustainability report.

Following our exploration work involving around 24,700 metres of drilling, in December 2007 we announced a revised Mineral Resource estimate that pegged the Tampakan copper and gold deposit at 2.2 billion tonnes - a 10 percent increase from the last estimate released in April 2006. Tapping this resource has the potential to unlock significant employment and economic development opportunities for the region.

We recognise the mutual benefits a responsible mining operation can have for both the shareholders of the project and its local stakeholders. To that end, Xstrata Copper is committed to developing a financially successful project that improves the social and economic prosperity of the region for future generations.

Our commitment to this strategy, even at this early stage of project development, can be seen in our 2007 sustainability highlights that included:

- The establishment of a Health, Safety, Environment and Community (HSEC) Committee to monitor the Tampakan Project's performance in all these key areas;
- The establishment of a safety leadership team to deliver health and safety training and achieve performance targets;

- Zero lost time injuries in the workplace or in the field between April and December, 2007;
- The rehabilitation of land surrounding 59 of the 64 test drill holes;
- The planting of more than 20,000 seedlings of native and fruit trees within the project area as part of the Maleh Tu Kayo reforestation program involving more than 3,000 volunteers;
- The provision of free education to more than 10,000 primary and secondary school children across the four barangays in the project area;
- Assistance in the construction of new classrooms at the Tablu National High School; and
- Support for numerous health programs benefiting more than 6,500 local people.

We are proud of our achievements to date and we are honoured that our work has been recognised by the Philippine Government by an Outstanding Achievement in Environment and Natural Resources award.

Following the attack on our base-camp by an armed group on 1 January 2008 in which several buildings were destroyed, we are working closely with the local community and local authorities to improve security in the area. We were overwhelmed by the messages of support from local tribal leaders, local governments and business organisations following the incident and we thank all our stakeholders for their continued support.

While we have made significant progress throughout the year there are still many challenges ahead. Our priorities for 2008 include:

- Improving security in the area;
- Embedding Xstrata Copper's HSEC framework into our daily operations;



- Completing our extended pre-feasibility study; and
- Commencing our environmental and social impact assessment (ESIA) study.

This work will continue to be driven by our dedicated project team and we look forward to keeping you updated on our progress.

Mark Williams
General Manager
Tampakan Project

Our approach to sustainable development

We aim to create value for our stakeholders and contribute to a sustainable environment through investments in our businesses to improve their performance efficiency, to ensure the efficient use of resources such as water and energy and to maintain safe and healthy workplaces.



More than 20,000 native and fruit tree seedlings were grown and planted in 2007 in the project area as part of the Tampakan Project's community-based reforestation program

Xstrata Copper invests for the long-term in mining and processing operations and projects that provide the basic materials for social and economic development. Although the lifespan of our activities is finite, we aim to invest in skills, social development and economic benefits that outlive these activities in any particular region.

We aspire to the highest standards of business conduct, set out in Xstrata's Statement of Business Principles to protect and enhance our corporate reputation and ensure ongoing access to mineral resources.

We aim to create value for our stakeholders and contribute to a sustainable environment through investments in our businesses to improve their performance efficiency, to ensure the efficient use of resources such as water and energy and to maintain safe and healthy workplaces.

To ensure harmonious relationships with our stakeholders, minimise risk and secure an ongoing licence to operate we aim to create mutual benefits for stakeholders, working in partnership with the various parties who have an interest in or are affected by our business.

Xstrata Copper's sustainable development policy, strategy and management framework

During 2007 Xstrata Copper revised its approach to sustainable development to align with the International Council of Mining and Metals' (ICMM) Sustainable Development Principles. It encompasses a systematic approach of setting targets, monitoring performance and reporting (both internally and publicly) against our targets in each of the key sustainability areas. This is consistent with how we were already operating across most of our businesses.

We are confident these new sustainability strategies will allow us to more effectively implement our strategic objectives and demonstrate commitment to our values, while operating our business in a way that is consistent with our definition of purpose.

These systems have been progressively introduced to the Tampakan Project since 30 March 2007 when Xstrata Copper assumed management control.

Xstrata Copper's definition of purpose

We will maximise value for shareholders by successfully growing and managing an industry-leading portfolio of copper assets that deliver superior returns.

We will achieve this in a safe, environmentally and socially responsible way, in open partnerships between our people and with communities, governments, and other stakeholders.

Strategic objectives

- injury-free, safe work environments;
- recognised leadership in environmental performance;
- reputation for social responsibility;
- realisation of the full potential of our people;
- achievement of the full capacity of our physical assets;
- cost competitiveness through the cycles;
- value creation through dynamic growth and continuous improvement; and
- effective implementation of common key systems and strategies.

Values

Our decisions and actions will demonstrate the following values:

- honesty;
- dependability;
- respect;
- confidence;
- ingenuity;
- courage; and
- passion.

The Tampakan Project's sustainability efforts have been recognised by a string of local and national awards

The Global Reporting Initiative (GRI)

This report has been prepared in accordance with the Global Reporting Initiative's (GRI) Sustainability Reporting G3 Guidelines. As the world's most widely used sustainability reporting framework, these guidelines set out the principles and indicators for organisations to measure and report their economic, environmental, and social performance.

In line with Xstrata's sustainability reporting Xstrata Copper is using the G3 Guidelines to enable readers of our sustainability reports to benchmark our HSEC performance with respect to laws, norms, codes, performance standards and voluntary initiatives; and to compare our HSEC performance over time.

A GRI index detailing how Xstrata Copper has addressed the G3 Guidelines within this report can be found at page 24 of this report.

As the project is still in the pre-feasibility phase some of the indicators contained within the G3 Guidelines are not material to our project. We have indicated in the GRI index where this is the case.

Quality assurance

The numerical data in this report has been verified both within the Xstrata Copper commodity business and the Xstrata Group. The data management and reporting systems in place for the collation and aggregation of data are subject to an annual assurance by an independent verifier.

Much of the qualitative, text-based data in this report was gathered via an Xstrata-wide sustainability survey. This data is reviewed by an independent external verifier as part of Xstrata's Corporate HSEC Assurance Program.

Membership of industry and business associations and advocacy organisations

Xstrata plays an active role in a number of significant international industry organisations and multi-stakeholder groups through membership, funding, provision of expertise and participation in committees and working groups. These include our membership of the International Council of Mining and Metals (ICMM), and our support of the Extractive Industries Transparency Initiative (EITI).



Xstrata Copper, through its Philippine-based affiliate Sagittarius Mines, Inc. (SMI), makes an important contribution to the Mindanao and Philippine resources and business community, as well as to the economic development of the region and country. As such the project plays an active role in participating in a range of industry and business associations and advocacy organisations.

SMI is currently affiliated to:

- Chamber of Mines of the Philippines
- Philippine Mine Safety and Environment Association
- Philippine Mineral Exploration Association
- Philippine-Australia Business Council
- Mindanao Business Council
- Regional Minerals Development Council of Region XII
- South Cotabato Chamber of Commerce and Industry Foundation, Inc.
- Southern Mindanao Coalition for Sustainable Mineral Development
- The Philippine Business for Education advocacy group.

SMI will continue to review other relevant bodies and organisations and extend its membership where appropriate.

Precautionary approach

Xstrata Copper takes a precautionary approach to the environmental management of its global activities. We therefore use a comprehensive risk-based approach to manage the potential detrimental impacts of our activities. This approach means that even in the absence of evidence that environmental degradation is occurring or

will occur, we take action to mitigate the possibility that it will.

Awards for sustainable development

The Tampakan Project's commitment to sustainable development principles from the very early stages of the project's development has been recognised by several important awards.

In late 2006, the project received the prestigious Presidential Mineral Industry Environmental Award. This significant achievement was followed by three more government awards for sustainable business practices in 2007.

In July 2007, the project received the Department of Environment and Natural Resources' (DENR) Region XII Outstanding Achievement in Environment and Natural Resources Award. This award was in recognition of the project's "exceptional contribution to the advancement, management, advocacy, conservation, preservation and development of the environment and natural resources concerns in Region 12."

Our environmental work was further recognised in July 2007 with its contribution to Green Philippine Program (GPP) and Riverbank stabilisation programs cited by the Government.

The celebrated Kabalikat Award was awarded to the project in September 2007, by The Technical Education and Skills Development Authority (TESDA), the government agency responsible for overseeing the technical education and skills development of the nation's workforce. The award recognises the Tampakan Project's dedication to uplifting the lives of local communities through its commitment to competence and skills training.

2008 Targets

We understand that our performance across key sustainability criteria - health, safety, environment and community - is fundamental to our long-term business viability. We are committed to continuous improvement in each of these areas and have established the following targets against which the project will measure its performance in 2008.

2008 Tampakan Project HSEC Targets

Safety		
Zero Fatalities		
Full Year	TRIFR	< 3.80
Full Year	LTIFR	< 0.95
Full Year	DISR	< 2.80
Full Year	DIFR	< 1.40
Train key SMI personnel on project response and recovery		
Achieve full compliance to The Mines and Geosciences Bureau (MGB) and Department of Labour and Employment (DOLE)-Bureau of Working Conditions requirements:		
<ul style="list-style-type: none"> Obtain accreditation of safety practitioners to DOLE-BWC by March 2008 Submission of monthly report to MGB and DOLE-BWC starting April 2008 		
Roll-out of Safework Community Education Program		
Implement the 17 HSEC standards roll-out plan following the HSEC gap analysis		
Internal HSEC quality assurance systems to be fully functional by Q4		
Implement behavioural based safety program for SMI employees starting Q3		
Sustain Safe for Work program implementation to achieve a drug and alcohol free workplace		
Zero incidents related to drug and alcohol		
Health		
Zero occupational illnesses		
Establish annual health medical examinations and free clinic consultations for all employees		
Appoint a company physician		
Environment		
Develop and implement the Environmental Management System (EMS) so that it is compliant with ISO14001		
Commence the Environment and Social Impact Assessment (ESIA)		
Complete the pre-feasibility design reports for both tailings and waste rock management		
Expand the baseline environmental monitoring program to include coastal and regional areas which may be directly impacted by the project		
Develop appropriate management strategies to ensure there are no Category 3 (or above) environmental incidents		
Social		
Evaluate options for a micro financing program in the Tampakan project area		
Improve potable water infrastructure for at least three barangays within the project area		
Design and validate the project resettlement action plan		
Establish a trade skills training program, including carpentry, masonry, basic electrical and welding, in Tablu, Danlag, Pula Bato, Datal Blao and Kimlawis barangays.		
Establish at least two information and resources centres within the South Cotabato region		
Improve school infrastructure in at least two communities within the project area		

Governance and management systems

Xstrata is committed to the highest standards of health, safety and environmental performance, community co-operation and to the principles of sustainable development.



Tampakan Project team geologists consult closely with community relations specialists over the next phase of the drilling program

Governance structure

The Xstrata HSEC standards and policies were developed around the ICMM principles of sustainable development and global leading practice management systems.

Xstrata Copper operates within the structure of Xstrata's global policies and HSEC management standards. This approach is supplemented by Xstrata Copper's own common systems and policies in the areas of safety and health, environment, community, risk management, human resources and sustainable development.

Xstrata Copper's performance against our HSEC systems, policies and standards is monitored and evaluated by the Xstrata Copper HSEC Committee. The HSEC Committee meets monthly to review the HSEC performance and issues throughout the Business Unit's operations and projects. Through the Xstrata Copper Board, the Business Unit's HSEC performance is reported to the Xstrata Executive Committee.

At a local level, the Tampakan Project has established a committee to monitor HSEC performance and issues. Headed by the project's Resident Manager, Gerry Laviste, the HSEC Committee (HSECC) meets once a month and brings together representatives of department superintendents, other employees, contractors, service suppliers and the company's physician. The establishment of the HSECC complies with Philippine Mine Safety and Health standards and the Department of Labor Occupational Safety and Health standards. Other initiatives are currently being explored locally to ensure HSEC quality assurance is achieved within the project.

To support the work of the HSECC, a consultant is being contracted by the project to carry out a HSEC gap analysis in 2008, which will enable the HSECC to identify key areas of the system that need to be further developed.

Human rights

Xstrata's Business Principles contain our endorsement of the principles set out in the UN Universal Declaration of Human Rights and the International Labour Organisation Conventions.

For Xstrata, the main areas of focus are protecting the rights of our employees and contractors to work for equal pay, to associate freely, to a safe and healthy work environment, to non-discrimination and fair treatment and to legal rights. We also support the rights of employees, community members and other stakeholders to be treated with dignity in a manner that respects cultural heritage, traditions and norms.

Following Xstrata Copper's assumption of management control, three briefing sessions were run internally to familiarise staff with Xstrata's Business Principles. A total of 61 participants took part in these sessions, which ran in May 2007.

“We value the contribution made by employees, and our policies and practices respect their personal dignity and rights.”

In addition, the project’s induction program for new employees was revised to include a human rights component from July 2007. As a result, all employees now receive induction packs including fact sheets, one-on-one briefings and other relevant materials on human rights.

In areas where Xstrata Copper employs security personnel (either directly or as contractors) to protect our people and assets, we ensure that appropriate human rights training has taken place and monitor compliance in line with Xstrata’s Business Principles and management standards for suppliers, contractor and partners.

Following an extensive tender process in 2007, the project engaged a new security guard service provider, Catena Security, Inc. In 2008, we will work closely with Catena to ensure that security personnel deployed to protect our people and assets receive appropriate training in human rights. There were no breaches of human rights reported at the Tampakan Project during the year.

Employment contractors and general service providers to the Tampakan Project were fully briefed on Xstrata’s Business Principles, including our approach to human rights, in 2007.

In 2008, we will introduce systematic monitoring of all suppliers, contractors and partners to ensure their operations comply with our business standards.

Child and forced labour

Xstrata’s Business Principles uphold the elimination of all forms of forced or compulsory labour and stipulate that no form of child or forced labour will be tolerated. All Xstrata operations report the age of their youngest employee or contractor on an annual basis and are audited through the internal audit risk management programme.

In line with Xstrata’s Business Principles, the youngest employee of the Tampakan Project is aged 22.

In 2008, all contractors and suppliers will be screened to ensure they are not using child or forced labour directly or indirectly.



Analysing exploratory drilling core samples taken from the project area

Corruption

Xstrata’s Business Principles state that we do not offer, solicit or accept any form of inducement or bribe. Xstrata’s internal audit function, supported by KPMG, takes into account identified fraud and compliance risks associated with our key business activities, including the ethical performance expectations contained in our Statement of Business Principles.

In addition, Xstrata Copper’s Fraud Policy explicitly states that the organisation will not tolerate any incidence of fraud committed by employees or others, either from within or outside the organisation and will take immediate and serious action against those persons committing a fraud, irrespective of length of service or position. It outlines the channels available for employees or others to safely and confidentially report fraud or other unethical behaviour that is contrary to Xstrata’s Business Principles.

In 2007, the Tampakan Project introduced a policy manual outlining the parameters for workflows and processes in finance, accounting, human resources, contracts and procurement, and other functional areas in accordance with Xstrata’s Business Principles.

Nearly a third of our staff attended training sessions on the manual in 2007. Participants were primarily managers and employees operating in the function areas of direct relevance.

There were no incidences of corruption or unethical behaviour reported during the year.

Public policy participation and political contributions

Xstrata’s Corporate Social Involvement Policy prohibits political contributions of any kind. Xstrata plays an active role in a number of significant international and national industry organizations and multi-stakeholder groups, through membership, funding, provision of expertise and participation in committees and working groups. Xstrata Copper plays a similar role in organisations that are copper-specific and those that are unique to geographical areas where Xstrata Copper is the only Xstrata commodity business in operation.

Xstrata’s Corporate Social Involvement Policy was strictly adhered to in 2007 and there were no contributions made to political parties or individuals through the Tampakan Project.

Non-discrimination policy

As outlined in Xstrata’s Business Principles, we value the contribution made by employees, and our policies and practices respect their personal dignity and rights. We do not tolerate any form of workplace discrimination, harassment or physical assault. Regrettably, there was one incident of workplace harassment reported during the year within the Tampakan Project. Following an investigation, the person responsible was the subject of disciplinary action.

Our economic contribution

The Tampakan Project continues to generate employment opportunities, support local businesses, fund community projects and contribute to government taxes and charges, and in doing so, brings considerable benefits to Tampakan and the surrounding communities.



More than PhP 512 million (USD 12.4million) was spent by the Tampakan Project in 2007 on buying regional goods and services

community support programs or local social initiatives. In 2007, we spent more than PhP 512 million (USD 12.4 million) on goods and services with 16.2% spent on local suppliers within the project area.

All new suppliers and contractors to the project are required to complete a pre-contractual questionnaire to ensure they are fully compliant with local business regulations. In 2008, we will continue to conduct briefing sessions with all our suppliers, contractors and general service providers on Xstrata's Business Principles to ensure they are fully aware of our requirements in relation to our fraud policy, ethical standards, environmental practices and health and safety regulations.

Local employment

We are committed to employing people from within the project, the surrounding areas, the Mindanao region and from within the Philippines.

In 2007, 44% of the project's regular workforce came from the projects' three host municipalities (Tampakan, Columbio and Kiblawan), while 28% were sourced from General Santos City and other South Cotabato areas. A further 27% of the workforce came from other provinces within the Mindanao, Visayas and Luzon regions. Just over 1% of the workforce originated from outside of the Philippines.

Local Infrastructure

The Tampakan Project is committed to developing and maintaining infrastructure that will benefit the project and help serve the interests of the local community. Throughout the year we contributed engineering expertise, project management and funding for infrastructure projects undertaken in partnership with local government such as the rehabilitation of local roads and the construction of a school building in the Tablu district. In 2007, we committed approximately PhP 3 million (USD 73,000) to these projects.

In 2007, the project contributed PhP 780 million (USD 18.9 million) to the Philippine/Mindanao economy through:

- Employment of more than 446 people and a further 325 local people working weekly rotational shifts on the project's exploratory drilling rigs;
- An annual wages bill in excess of PhP 113 million (USD 2.7 million);
- PhP 512 million (USD 12.4 million) was spent on purchasing regional goods and services;
- PhP 101 million (USD 2.4 million) paid to governments in taxes and charges;
- PhP 4 million (USD 97,000) paid in taxes to local councils;
- PhP 27 million (USD 653,000) in power and fuel charges; and
- Community partnerships, sponsorship and donations totalling more than PhP 23 million (USD 580,000)

Much of the project's field operations in 2007 have focused on gathering data for the pre-feasibility study. These are in addition to the development of an extensive range of community and environmental projects, which are further detailed in the 'Caring for Our Community' and 'Caring for Our Environment' sections in this report.

The field operations covered a wide range of activities including:

- Diamond drilling of 18,925 metres of rock, through 64 drill-holes at seven separate drill rig sites located throughout the project area;
- Geophysical surveys;
- Soil and rock sampling to determine the geological footprint of the deposit;
- The establishment of a test water well;
- Site visits to investigate potential mine infrastructure locations;
- Ongoing local land ownership surveys in partnership with the Department of Environment and Natural Resources, the National Commission on Indigenous Peoples, Local Government Units and other local bodies;
- Setting up environmental monitoring equipment; and
- Ongoing environmental baseline studies.

Local suppliers

The Tampakan Project gives preference to local suppliers when sourcing goods and services where they are technically capable and commercially competent. We also assess businesses based on their involvement in

Caring for our people

Ensuring the safety and health of our employees and contractors in the workplace is paramount to Xstrata Copper.



As outlined in Xstrata Copper's Safety and Health Policy, we strive to create and sustain injury-free, safe work environments for everybody in our workplaces. Zero harm is our goal. To achieve this we make our management accountable for safety performance, train our employees to improve their safety knowledge and skills, make them aware that they have a responsibility to themselves, their family and friends to work and behave safely.

We also ensure that every task undertaken in our workplace has a safe system of work identified and our people have tools and equipment that are fit for purpose and well maintained to complete tasks safely and productively. Furthermore, our regular health-screening programs monitor our employees' health, well-being and fitness for work.

Xstrata Copper uses a risk-management system to identify, assess and eliminate or control safety risk. When an unsafe condition is identified or when a safety incident occurs

it is investigated immediately and action is taken to eliminate the risks involved. Safety auditing occurs regularly across our business to improve safety standards and practices and our safety performance, safety initiatives and issues are regularly communicated to all of our people.

Safety performance

Following Xstrata Copper's assumption of management control, the project adopted Xstrata's Safety Management System (SMS) in April 2007, starting with the implementation of Incident Management Standards and Procedures.

The introduction of the Xstrata SMS has made safety incident reporting more efficient and improved safety awareness and ownership by all employees. As a result, we have been able to collate accurate safety statistics, allowing us to monitor our performance and put action plans in place to address any gaps. We succeeded in achieving

zero lost time injuries between April and December 2007. There were no fatalities at the Tampakan Project in 2007.

As part of our goal of achieving zero harm in the workplace, a range of safety management programs were implemented at the Tampakan Project in 2007. These included:

- Risk management;
- Safe For Work;
- Safety check-in system for workers in the field;
- Vehicle safety management;
- Workers' safety inductions;
- Toolbox meetings;
- Home safety program; and
- Development of a crisis response and recovery plan.

Safety Leadership Team

A Safety Leadership Team was established in December 2007 comprising designated 'safety champions' to oversee the development and implementation of safety training and procedures in their respective departments. The team is also responsible for actively promoting a workplace culture in which health and safety is everyone's responsibility. Each champion is responsible for managing their department's safety performance against a range of safety indicators.

Vehicle safety management program

As part of the vehicle safety management program, 10 vehicles have been deployed by the project to take personnel to and from their workplaces and field assignments. This followed the decision to prohibit all employees using motorbikes for work purposes as safety statistics indicated that motorcycle accidents were becoming the most common cause of work related safety incidents.

Crisis response and recovery plan

Working closely with specialist crisis management consultants, the project developed a comprehensive crisis response and recovery plan in 2007 to improve the project's capacity to respond to emergency situations. Crisis response and first aid training is scheduled for key personnel in early 2008.



The health and safety of its staff members is a number one priority for the Tampakan Project

Occupational health

In 2007, the Tampakan Project introduced a Safe For Work program to increase employees' awareness of the safety risks associated with drug and alcohol use in the work environment.

In developing the program, the Community Relations team consulted closely with the local barangay leaders to determine the best way to tackle this culturally sensitive issue. An extensive community-based educational program is planned for 2008.

During the year we also conducted a health awareness seminar covering topics including Sexually Transmitted Diseases, HIV/AIDS, Malaria and Dengue Fever, for all employees and expanded the company's healthcare policy to include dependents of non-management staff and employees on temporary or casual contracts.

Pre-employment health assessments for new recruits and annual medical examinations and free clinic consultations for all employees will be established in 2008.

There were no new cases of occupational diseases recorded at the Tampakan Project in 2007.

"Our regular health-screening programs monitor our employees' health, well-being and fitness for work."



case study

Promoting a safety culture

The Tampakan Project has forged a partnership with the Tampakan Department of Social Welfare Local Government Unit (LGU) to promote safety awareness to all Tampakan barangays.

As well as sponsoring the initiative financially to the tune of PhP 450,000 (USD 11,000), the project prepares presentation material on safety in-and-around the home and trains LGU representatives to deliver community training seminars on the issue.

To date the program has been rolled out across 14 barangays in Tampakan, reaching 200 local families. Eventually it will reach around 850 families in the area through monthly seminars. There are also plans to extend the program to communities in Kiblawan and Davao del Sur.

The Tampakan Project's Health and Safety Superintendent Mr Lerner Segaya, said the initiative was part of the project's drive to make safety awareness part of Tampakan workplace and community culture.

"The objective of this program is to educate community members on the importance of safety as part of their daily routines. This is part of our long-term program to ensure that safety awareness is not just confined to the project, but is practiced out in the barangays as well," Mr Segaya said.

Employee training and development

Under Xstrata Copper management, employee training and development initiatives were expanded in 2007. As a result, employee attendance at training programs, functional workshops, safety and environmental management orientations and other skills development courses has increased significantly.

Jan - Dec 2007	
Total Training Hours	4,844
Average Training Hours per Employee	17.87
Total Number of Participants	271
Total Training Cost	PHP 164,000 (USD 67,587)
Average Training Cost per Employee	PHP 600 (USD 250)
Total Training Programs	58

Employment

The Tampakan Project revised its employment practices in 2007 in line with Xstrata Copper's HSEC policies and practices. As part of this process, we reviewed the project's remuneration practices with a view to:

- Objectively evaluating existing jobs;
- Matching and mapping existing jobs against market standards;
- Designing a rational pay structure using credible market data; and
- Aligning salaries to ensure internal and external equity.

As a result we have streamlined our recruitment process and implemented a competitive pay structure, which is subject to periodic market review.

During the year, the project also reviewed its rotational worker scheme, a system designed to distribute shifts on the project's drilling rigs among communities in the project area. Following extensive consultation with local communities, improvements are being made to the scheme to ensure employment opportunities are being allocated in an equitable, open and transparent manner.

In addition, we also evaluated the project's work program in order to verify our manpower needs and the functions detailed

"Safety auditing occurs regularly across our business to improve safety standards and practices and our safety performance. Safety initiatives and issues are regularly communicated to all of our people."

in the rotational roster. Based on this review we created 37 new permanent positions and an additional 55 positions on the project's drilling program for the duration of the project's pre-feasibility stage.

Jan - Dec 2007	
Turnover	2.62%
Entries	23
Exits	20
Redundancies	2
Resignations	10
Termination due to cause	0



Detailed geographical mapping of the project area



New project team members receive a site safety briefing

Diversity and equal opportunity

Xstrata Copper seeks to employ a diverse workforce, to benefit from a varied range of skills, backgrounds and perspectives. We employ people based on the skills and experience required for each particular position, without discrimination according to gender, race, age, sexual orientation, religion, nationality or any other factor. The project's workforce is currently 66% male and 34% female. This is primarily due to a higher proportion of men being employed on the drill rig teams, a job which has tended to attract more male than female applicants.

Labour relations

Within Xstrata Copper there are examples of various workplace relations models, including individual agreements and collective bargaining agreements, reflecting the circumstances of any given site and Xstrata Copper's devolved management structure. All employees are free to join a union of their choice. Labour relations are a fundamental responsibility of operational management and we seek to have a direct relationship between our employees and line management founded on quality leadership, effective communication, mutual respect and trust.

We consult with employees in advance of any significant operational change. At the Tampakan Project there is no formal notice period; however, progress reports are provided to employees every week. Where significant change is planned, discussions are held with community leaders and with employees prior to the change occurring.

In October 2007, a small number of workers protested against changes to the project's employment strategy (see employment section on page 12). While we believe these changes are necessary to ensure our employment practices are equitable, open and transparent, we understand that some stakeholders may hold a different point of view. We always advocate peaceful negotiation and discussion as a way to resolve these differences and we subsequently engaged the protesters in a dialogue that was mediated by the National Conciliation and Mediation Board of the Department of Labor and Employment (DOLE). As a result, a peaceful resolution was achieved and the protesters ended their actions.



case study

Drilling down into the issue

In 2007, the Tampakan Project's health and safety team introduced a quarterly safety performance competition to promote best safety practice among the project's drill rig teams.

According to Health and Safety Superintendent, Mr Lerne Segaya, each team is monitored for their safety performance in relation to their adherence to correct procedures and wearing of appropriate Personal Protective Equipment (PPE).

"Reaching the drilling workers from the local community with our safety training program comes with its own challenges - illiteracy levels are high and each tribal community has its own dialect.

"To meet this challenge our team uses a lot of images to get the safety message across, showing pictures of the kind of injuries that can be sustained if the correct PPE isn't worn.

"The best performing drill rig team is awarded with a token prize, but more importantly earn bragging rights over their fellow community members working in other teams on the rigs. The competition has encouraged a healthy level of competition and camaraderie among the drill workers," Mr. Segaya explained.

All drill workers' inductions include comprehensive safety training which covers equipment handling and essential safety procedures.

Each team member is allocated PPE, including a hard hat, safety glasses, ear plugs, ear muffs, hand gloves and safety boots as standard issue.

Safety co-ordinators carry out regular safety inspections to ensure all safety standards are being met in the field.

Caring for our environment

Xstrata Copper strives for industry leadership in environmental performance and its operations and projects are required to meet and, where practicable, exceed relevant laws, regulations and standards. They must also manage environmental risks, work with local stakeholders, and set targets for continuous improvement and report the results.



In all parts of our business we limit our environmental impacts by the efficient use of natural resources, by limiting or preventing pollution and by reducing waste. We manage biodiversity-related risks and seek to avoid, minimise or mitigate any negative affects on biodiversity caused by our operations.

In line with Xstrata Copper's Environment Policy, the Tampakan Project is committed to achieving the highest standards of environmental performance. In 2007 we implemented a range of environmental initiatives with a particular focus on:

- Implementing an Environmental Management System and internal audit program consistent with the ISO14001 principles;
- Re-establishing environmental baseline studies with a focus on quality assurance;
- Improving community-based environmental monitoring programs in and around Tampakan and Columbio;

- Rehabilitating drill sites; and
- Progressing our reforestation program in the project area.

Environmental management system

During the year, we made significant progress in progressively implementing Xstrata Copper's Environmental Management System (EMS) at the project. The EMS provides a framework for environmentally sustainable development during development, operation and closure of mining operations. Our focus in 2007 was on environmental management programs relating to solid waste management, water and wastewater management and rehabilitation. These programs were developed and assessed during the year.

Quarterly internal environmental audits were conducted to monitor the project's environmental performance and to help develop environmental best practice.

Another component of these audits was to assess employees' and contractors' awareness of the EMS and how they have translated environmentally-friendly practices into their daily routines. The audits have enabled the project to identify gaps in performance and to take corrective actions to ensure continuous improvement in this area.

Environmental baseline studies

Accurate baseline data of current environmental conditions is needed to track the long-term performance of the project's Environmental Management System. The project's environmental baseline studies were re-established in 2007 to include water quality, meteorological and aquatic biota monitoring. The studies have been extended to encompass both the project area and surrounding areas, where project infrastructure may potentially be located, and to ensure that high quality data is routinely collected.

“We limit our environmental impacts by the efficient use of natural resources, by limiting or preventing pollution and by reducing waste.”

case study

Reforestation: An inclusive hands-on approach



The Tampakan Project’s community-based reforestation program went from strength to strength in 2007. More than 3,000 volunteers from local schools, colleges, community groups, non-government organisations and local government helped plant over 20,000 native and fruit tree seedlings in the area.

The program’s main goal is to combat the effects of forest ‘denudation’ which has resulted from former logging activities and ‘slash and burn’ or ‘kaingin’ farming practices. Tying in with the reforestation program are the project’s community-based initiatives aimed at providing alternative means of income to environmentally destructive farming practices.

The program is also being used to help rehabilitate land disturbed by the project’s drilling and road building activity.

Its importance is multi-fold, but a key aspect involves the prevention of soil erosion and sedimentation as the result of the absence of tree roots - a vital role in this high rainfall area.

Another important component of the project involves the use of vermiculture to promote organic fertilisation techniques.

A 50 square metre plot of land is used for this purpose and used paper from the project is recycled to feed the worms, the casts of which are then used for organic fertiliser.

The entire reforestation program’s fertiliser requirements are catered for in this way. This is showing the community how synthetic fertilisers can be replaced with organic farming techniques to benefit the long-term interests of the environment.

Central to the project is a strong educational ethos - each group of volunteers participating in the planting are educated in the tree species being planted and their importance in maintaining balanced ecosystems.

According to the project’s Environment Coordinator, Ms Sol Mari Sato, the initiative has caught the imagination of the local community.

“Many different groups contact us asking to participate in this project. It is making great progress in physically enhancing the local environment and it is helping to promote a cultural awareness on the need to protect and nurture the environment - and that is something that will benefit the area forever,” she said.



Weather station monitoring at the Liberty Corefarm

Community-based Environmental Monitoring Program (CBEMP)

The Community-Based Environmental Monitoring Program (CBEMP) is a multi-sector partnership in which members of the Tampakan and Columbio communities monitor and report on water quality and meteorological conditions. In 2007, we provided extensive training to CBEMP members to increase their capacity to undertake monitoring programs.

In addition, CBEMP members play an advocacy role through their environmental awareness campaigns and reforestation activities. They also work closely with local government and environmental agencies in the implementation of their environmental programs. A CBEMP will be established with the Kiblawan community in 2008.

Biodiversity and rehabilitation

In 2007 we re-established our baseline environmental monitoring and will broaden the scope further in 2008. Once project definition is established in late 2008, biodiversity risks assessments and appropriate mitigation strategies will be evaluated.

The Tampakan Project, under the Financial and Technical Assistance Agreement, holds a total land area of 23,571 hectares. In 2007, 9.5 hectares of land was disturbed during drilling operations. Approximately 90% of

this land has been rehabilitated and will continue to be monitored until it has returned to its original condition.

Reforestation and field trial projects

During 2007, a total of 20,860 seedlings, both native and fruit trees, were planted around the project area as part of the Maleh Tu Kayo reforestation program in the municipalities of Tampakan, South Cotabato; Columbio, Sultan Kudarat; and Kiblawan, Davao del Sur. Over 3,000 volunteers from various groups participated in the tree planting campaign. The performance of the reforestation project is closely monitored so that successful techniques can be applied to future rehabilitation programs.

The Tampakan Field Trials and Research Station (FTRS) was expanded in 2007 to include a second station at Kiblawan in the eastern area of the project. As well as being responsible for managing the project's reforestation program, the Tampakan FTRS also provided training programs such as vermiculture, animal husbandry, eel farming, coconut and coffee propagation and management and plant nursery management. The programs were attended by over 180 community participants.

As part of the Tampakan Project's efforts to raise environmental and biodiversity awareness within the community we constructed a terrarium at the Department of Environment and Natural Resources Central Office in Manila displaying species

of butterfly and stick insects native to the project area that had been bred at the Tampakan FTRS.

Environmental incidents and fines

In 2007, the Tampakan Project received an environmental fine of PhP 1,450 (USD 600) related to the construction of the Liberty Corefarm prior to obtaining the necessary Environmental Compliance Certificate from the Department of Environment and Natural Resources regional office.

There were no category 3 (significant), category 4 (serious) or category 5 (disastrous) incidents at the Tampakan Project in 2007.

"The Community-Based Environmental Monitoring Program (CBEMP) is a multi-sector partnership in which members of the Tampakan and Columbio communities monitor and report on water quality and meteorological conditions."

Energy and material use

The energy and materials used by the project in 2007 were relatively small given it was still in the pre-feasibility phase (see table 3).

Table 3: Energy and Material Usage

Total Resource and Material Use	Amount or Volume
Diesel	555 kL
Fuel Oil	271 kL
Lubricants	20,000 kL
Electricity	305,328 kWh
No. of Tyres - Light Vehicle	296

Water

In 2007, an estimated 6 ML of groundwater was consumed for project operations and an estimated 13 ML of surface water was consumed during drilling operations. While there was no data available for 2006, surface water consumption would have increased significantly in 2007 due to the increase in drilling operations. Water recycling has not yet been implemented on site but opportunities for recycling are being identified at all project sites.

Waste

In 2007, a total of 46 tonnes of solid waste was generated by the project. Of this, 5 tonnes was recyclables (e.g. domestic PET, paper, etc) and a further 5 tonnes was scrap metal. In addition, 11 kL of waste oil was also collected. The project plans to develop a Waste Management Program in 2008 to improve waste segregation and increase awareness among employees.

Emissions

Xstrata Copper is committed to managing energy use and the emission of associated greenhouse gases. Energy use during project development is generally at low levels. The operation of generators for camps and fuel for light vehicles and drilling programs are the main energy consuming and greenhouse gas producing activities. Normal 'housekeeping' energy efficiency programs are encouraged at Xstrata Copper's project sites.

The key to the effective management of greenhouse gases for a project is the design of the mining and processing operation, because once commissioned, these will require high energy inputs over decades of operation.

The Tampakan Project does not emit ozone depleting substances, nitrous oxides or sulphur oxides.



Water quality monitoring on the Taplan River



The reforestation project's performance is closely monitored to inform future rehabilitation programs

“Xstrata Copper is committed to managing energy use and the emission of associated greenhouse gases.”

Caring for our communities

Xstrata Copper is proud of its reputation for social responsibility and we are committed to contributing to the social, economic and institutional development of the communities where we operate to improve the quality of life for all.



As outlined in Xstrata Copper's Community Policy, our community relations practices are characterised by open and honest engagement with all of our stakeholders through effective, transparent consultation and communication.

We consult and communicate with stakeholders regularly in culturally-appropriate and respectful ways, using materials that are easily understood and provide feedback on issues raised in a similar way. We record, monitor and address community complaints. We establish fair and equitable processes for engagement with indigenous and local communities including, where relevant, free prior informed consent.

The Tampakan Project's sustainable development programs are developed in line with Xstrata's Corporate Social Involvement Policy and form an important part of our work with local communities. Through these programs we develop community partnerships in the priority areas identified

by our host communities, namely health, education, livelihood development, and skills development. These community partnerships contribute to the development of sustainable communities and emphasise local capacity building.

The Tampakan Project faces a distinctive set of challenges given its location and the culture of its host communities. In the highlands, it straddles the ancestral domains of five indigenous tribal groups of the B'laan people. The B'laan people are traditionally a hunting community with their own language. Education and literacy levels are low among the B'laan community. This presents considerable community relations and communication challenges in making sure local people are fully aware of the logistics and issues involved in developing a mining project in the area.

In 2007, we introduced a new approach to helping local communities rise above the limitations of poverty and establish ongoing

sustainable development initiatives. With community participation at its core, this new approach places community members as the project drivers with the Tampakan Project and local government as strategic partners (see the Partnership Development Framework case study on page 23).

Social baseline studies

Throughout the year we continued to progress our social baseline studies in the project's exploration permit application area in partnership with the Ateneo de Davao University. Through these studies we are gaining a better understanding of the demographic, health, education and socio-economic status of our host communities. This data will be used to inform the project's broader Environmental and Social Impact Assessment (ESIA) study which is planned to commence in late 2008.



The Tampakan Project is playing an important role in increasing local access to education

Education

Historically, access to education services in the Mindanao area has been limited as students typically cannot afford learning materials for schools and colleges. Consequently, the region suffers from the highest level of illiteracy in the country.

The Tampakan Project is playing an important role in driving efforts to increase access to quality education services and facilities in the project area. In 2007, we contributed PhP 5,606,000 (USD 135,665) to educational grant programs providing free education for more than 10,000 students across the four barangays in the project area. We also provided financial assistance for 14 teachers' salaries for schools in our host communities and the surrounding area.

In addition, the project provided PhP 1,500,000 (USD 36,000) towards the construction of class rooms at Tablu National High School. Further building and restoration works, for public schools in the project and surrounding areas, are planned for 2008.

The Tampakan Project has also been instrumental in establishing a reader development program which aims to increase literacy among children in the Kiblawan, Tampakan and Columbio region. Following its launch in 2006, the Democratising Reading Among Mindanaoan Children (DReAM) project continued to expand in 2007 with additional schools joining the program and more books being distributed to key schools and reading centres in the area.

Capacity building

To complement our education support programs, the Tampakan Project established a Competence Training Centre in 2005. The Centre offers free training programs to equip local residents for employment and self-employment, through skills development and capability building for local micro-entrepreneurs. The training programs include



The Tampakan Project's Competence Centre offers free employment and skills training programs for local residents

trade skills such as plumbing, masonry, painting, and carpentry as well as livelihood skills such as handicrafts, high value crop farming and food processing. The Centre also delivers adult literacy programs and basic governance training for local and tribal leaders.

In 2007, the project invested PhP 1,733,000 (USD 42,000) in the Competence Centre initiative which ran 26 programs, in which more than 2,000 participants took part. Throughout the year we also trialed a new mode of program delivery in which the training was held in the communities themselves rather than at the Centre. Due to the positive feedback from our local communities we will continue to deliver training in this way in 2008.

Our commitment to enhancing employment opportunities for local communities through skills and capacity training was recognised in September, when the Centre received the coveted National Kabalikat Award from the Technical Education and Skills Development Authority.

Health

Improving access to primary health care services and to clean drinking water has been identified as a priority issue by our host communities. In 2007, we invested PhP 2.8 million (USD 68,000) on health care programs including medical and dental outreach services, maternal and child care, immunisation, family planning, vitamin supplementation, health education and potable water testing. We also supported over 2,000 indigenous families with their long-term healthcare by enrolling them in the PhilHealth indigent program. These programs will continue in 2008 with an increased focus on improving potable water infrastructure.

Livelihood development

The Tampakan Project is committed to the development of sustainable communities, thereby avoiding sole dependence on its operations. In 2007, we contributed PhP 810,000 (USD 20,000) toward community livelihood projects that were identified and implemented by our host communities (see case study page 23). These projects, which include corn growing for the Danlag and Folubato tribal farmers and goat rearing and vegetable growing for the tribal farmers of S'bangken in Tablu, will improve community income and increase the commercial viability of local businesses. Additional projects will come to fruition over the next the 12 months.

Indigenous Rights and Comprehensive Land Use and Development Plan (CLUDP)

Xstrata Copper respects the traditional rights and cultural heritage of indigenous people, recognising that these people have a distinct ethnic identity and are often historically disadvantaged. We ensure that indigenous and other historically disadvantaged groups are properly identified in stakeholder engagement. At the Tampakan Project we structure our engagement activities in a manner that is culturally appropriate and facilitate the active involvement of indigenous peoples in consultation, including capacity building initiatives where necessary or appropriate.

Tribal communities in the Tampakan Project area currently hold Certificates of Ancestral Domain Claim. For these communities to acquire the same rights as private property owners, they need to complete a legal claim over their land through the conversion of their claims into ancestral domain titles. In 2007, we provided financial and logistical support to the communities, and worked closely with the National Commission on



Local elementary school pupils receive free mineral supplements through a scheme initiated by the Tampakan Project in partnership with the Local Government Unit



New crop farming techniques are being taught to B'laan tribes people through the Tampakan Project's community capacity building program

Indigenous People to facilitate the conversion of their claims. The title conversions are expected to be completed by the third quarter of 2008.

During the year we also engaged specialist consultants to work in partnership with the local governments of Columbio and Tampakan to establish a process for identifying local communities' land rights through Comprehensive Land Use and Development Plans. By the end of 2007, 40% of the work had been completed.

Principal Agreements

In 2007, we contributed more than PHP 23,600,000 (USD 570,000) to host communities and Local Government Units (LGUs) through Principal Agreements signed between the Tampakan Project and those parties falling within the project area. The agreements comprehensively outline the Tampakan Project's financial commitments and obligations to the local community. They focus on:

- Compensation payments for disturbance caused by the development of the project;
- A framework for resettlement and relocation of those members of the local community that will be directly affected by the development of the project;
- A framework and financial commitment for community development; and
- The general commitments of both parties.

As well as demonstrating responsible mining best practice by formalising the Tampakan

Project's commitment to community development, the agreements fulfill our legal obligations to the local community under Philippine law.

Currently, we have signed agreements across five local B'laan communities (Danlag, Fulobato, S'banken, Salnaong and Bong Mal), five barangays (Danlag, Tablu, Pulabato, Datalblao, and Kimlawis) and three municipalities (Tampakan, Columbio and Kiblawan).

The KITACO growth program

The Tampakan Project provides technical and financial support to the KITACO growth program, an initiative to promote cooperation for social and economic development in the three host municipalities (Kiblawan, Tampakan and Columbio), under the provision of the Local Government Code.

As part of the initiative, the municipalities identified common areas that a growth program could address. These included:

- Environment: forest denudation, illegal logging;
- Peace and order;
- Agriculture and livelihood: inappropriate and/or inadequate farming technology;
- Natural resources: rich natural resources, relatively fertile soil; and
- Access to basic services.

Technical working groups have been established to address the different areas of

"As the project develops, we will seek to engage local communities as early as possible"

concern such as peace and order, agriculture and education. A KITACO Secretariat will be functional by mid-2008 and will coordinate and supervise the development and implementation of KITACO programs and activities.

Community resettlement

We are conscious that resettlement is always a challenge and concern and we are committed to complying with the highest international standards to ensure that the quality of life of affected families will improve and not deteriorate over time. As the project develops, we will seek to engage local communities as early as possible in this process, to ensure that they make informed decisions through consultation and participatory planning.

In 2007, we progressed our social baseline studies that will allow us to monitor progress in the community (see page 18). In 2008, we will continue to deliver on our commitments in our Memorandum of Understanding agreements with communities in the project's exploration permit application area as required by the Free Prior and Informed Consent process in the Philippines.

Local residents map out plans for their community's future as part of a Tampakan Project Partnership Development Framework workshop

Stakeholder engagement and consultation

The Tampakan Project has identified its stakeholders at a local, national and international level through regular internal assessments of key groups, our membership of various associations, and engagement with interested parties.

We seek to engage with stakeholder groups in a manner that is culturally appropriate, effective and transparent and to integrate their feedback into our business planning and strategy development.

In 2007, we formalised our stakeholder engagement and social issue management strategies to ensure our engagement activities are systematically implemented and recorded.

During the year we consulted extensively with all levels of government, local communities, non-government organisations (NGO) groups and other key stakeholders including:

- Tampakan Project and Xstrata Copper personnel;
- B'laan communities (Folubato, Danlag, S'bangken, Salnaong, Bong Mal);
- Visayan communities;
- Host Local Government Units (LGUs);
- Secondary and peripheral LGUs;
- Legislative bodies (local and national);
- Religious organisations (local and national);
- NGOs (local, national and international);
- Universities;
- Industry, business and civic sector organisations (local and national);
- National government agencies;
- Media (local and national);
- Diplomatic missions and multilateral donors; and
- Project investors (national and international).



Local community engagement

In 2007, our community relations team worked extensively with local community members and organisations to establish and implement the Partnership Development Framework (see case study page 23). As part of this process, the team was involved in a range of community engagement activities including:

- A series of focus groups with core groups, barangay and tribal councils, as well as local governments in Tampakan, Columbio and Kiblawan.
- Training core group members on Participatory Situation Analysis to enable them to assess the real situation in the barangays in order to properly address the needs of the community.
- Focus group discussions and workshops with community members in each sitio or purok (small village) in every barangay to develop and validate investment plans for the community.
- Participating in the Technical Working Group in partnership with the Tampakan local government to discuss the community investment plans and strategies for their implementation.
- Consulting with organisations representing specific groups (i.e. farmers and women) prior to project implementation and the delivery of training programs.

The most common issues raised by community members related to their lack of access to basic community services and amenities. Many of these issues are being addressed through the development projects initiated under the Partnership Development Framework initiative. The review of our employment practices was also a topic of interest and our community relations team consulted widely with community members and organisations on this issue.

“We seek to engage with stakeholder groups in a manner that is culturally appropriate, effective and transparent and to integrate their feedback into our business planning and strategy development.”

Wider stakeholder engagement

We recognise that engaging with all our stakeholders is critical to understanding key regional issues and that open and honest communication regarding our activities is fundamental to maintaining our social licence to operate. In 2007, we undertook extensive stakeholder engagement and communication activities including:

- Briefing the Mindanao Economic Development Council (MEDCo) and representatives of the World Bank on the project's activities in March;
- Briefing then Department of Environment and Natural Resources Secretary, Angelo Reyes, following Xstrata Copper's assumption of management control of the project in April;
- Participating in the 7th Asia Pacific Mining Conference in Manila in June and Newsbreak's Media Dialogue on Corporate Social Responsibility in Davao City in August;
- Conducting 100 site visits throughout the year for more than 1,000 community members, government and industry representatives and other key stakeholders;
- Distributing five project newsletters to local and regional stakeholders;
- Hosting a media briefing session to discuss the project's progress and the review of its employment strategy;
- Participating in the 2nd SMI - Tampakan LGU Dialogue in November in Koronadal City;
- Attending the 54th Annual National Mine Safety and Environment Conference's Mining Symposium in November in Baguio City;
- Addressing the Summit Conference on Responsible Mining organised by the Philippine Business Leaders Forum in Manila; and
- Launching a terrarium and butterfly garden at Department of Environment and Natural Resources office in December to promote environmental conservation.

The most common issues raised by regional and national stakeholders throughout the year related to Xstrata Copper's future plans for the project following its assumption of management control, employment opportunities and the project's environmental performance.



Through its Homesafe program, the Tampakan Project is committed to raising safety awareness in the home and local community as well as in the workplace

As outlined to our stakeholders, Tampakan is one of the larger and more advanced projects in Xstrata Copper's portfolio and, as such, is an important part of our growth strategy. At present, we are focused on progressing our feasibility-related studies and sustainable development programs with the local communities.

It is our policy to maximise employment opportunities for local people. Recognising that the project is at an early stage with a limited number of positions available, we are working with communities to support local businesses and to provide training to improve the commercial potential of local business activities such as farming and agriculture. In addition, we are delivering training programs across a range of trades to enhance employment options for community members. In 2007, we also reviewed our employment practices, including the rotational worker scheme, to ensure employment opportunities are being allocated among communities in an equitable, open and transparent manner.

In relation to our environmental performance, we are committed to caring for and minimising our impact on the natural environment. Since its inception three years ago, the project has enlisted the expertise of various stakeholders in the academia, government, and scientific community in putting together preliminary analyses of the project's ecosystems. In 2007, we re-established environmental baseline studies to include water quality, meteorological and aquatic biota monitoring.

In line with permitting regulations, the project's Environmental and Social Impact Assessment will commence in 2008. As part

of this progress, we will undertake intensive surface, groundwater, and geochemical investigations of the water resources within the local and regional environments. These investigations will result in the implementation of management plans, developed in consultation with government and community stakeholders, ensuring the long-term beneficial use of the water resources.

Community grievance

Following extensive community consultation in 2007, we formalised a grievance process to address community concerns and issues. The grievance system operates on the basis of:

- Promoting awareness of the opportunity to make a complaint;
- Identifying phone, email, or other channels that can be readily accessed to lodge a grievance;
- Documenting all grievances lodged and subsequent follow-up actions;
- A response process - with defined levels of resolution;
- Internal accountability for follow-up; and
- Strict neutrality towards those bringing the grievance.

From June to December 2007, we received 34 complaints from members of the public. The majority of these complaints were related to land access and damage to crops caused by the project's drilling activities. The complaints were resolved amicably through negotiating fair and equitable compensation.



case study:

Partnership Development Framework

During 2007, the Tampakan Project introduced the Partnership Development Framework (PDF), a dynamic new approach helping local communities to rise above the limitations of poverty and establish ongoing sustainable development. With community participation at its core, the PDF positions community members as project drivers with the Tampakan Project and local governments as strategic partners.

Prior to the launch of the PDF, members of the Sangguniang Bayan (municipal council) were briefed on the initiative. The Tampakan Project then signed a Memorandum of Understanding (MOU) with the Tampakan local government and a technical working group was established to oversee the development and implementation of PDF projects. The Tampakan Project supports the PDF process through provision of training, logistics, funding and other technical support.

The goal of the project, established early on, was to empower local communities to identify the challenges they face and to implement projects that will enable them to overcome roadblocks to development, such as:

- Access roads;
- Clean drinking water;
- Schools;
- Health facilities;
- Childcare; and
- Electricity.

The first stage of the PDF entailed training 'core group leaders' from within the communities to drive the project work. They were trained in a discipline called, Values Formation Leadership (VFL), which provided them with the skills to lead community development from a position of authority and responsibility.

The core group leaders were also trained in project proposal making and project planning and, as the project develops, they will be given further training in technical design, financial management and procurement. More than 120 leaders were trained from Danlag, Pula Bato and Tablu, in Tampakan last year.

The next stage of the PDF established the communities' problems, needs and priorities through Participatory Situation Analysis (PSA). Using tools such as resource and social mapping, wealth ranking, seasonality calendars, problem tree and objective tree analysis, the PSA confirmed more than 80% of the community in the project area lived below the poverty line and lacked basic access to services and amenities.

The PSA was conducted through extensive community consultation involving 27 sitios (small villages). Each sitio set about developing its own community action and investment plan with the help and advice of the technical working group.

Many of these communities had traditionally been socially isolated and disenfranchised, so for many of their members it was the first time they had participated in determining their own future. "This is quite a change for us. We are significant in the community after all," commented one farmer from Pula Bato following a project development workshop.

The community's involvement, which extends from validating the PSA findings through to project implementation, monitoring and evaluation, is unprecedented as previous decision-making was the sole domain of the traditional leaders or Barangay officials. Following the implementation of the PDF there is now a genuine grass-roots planning and budgeting process. This makes tackling poverty locally more responsive, efficient and sustainable.

Some of the projects already launched under the PDF include, corn growing projects for the Danlag and Folubato tribal farmers, goat rearing and vegetable growing projects for the tribal farmers of S'bangken in Tablu, and training programs on food processing and dressmaking as ways of raising income.

Other initiatives coming out of the PDF include the construction of school buildings in Tablu and Tokaymal, which have improved access to local education. Plans for water system projects in Pula Bato, Danlag and some parts of Tablu will aim to reduce water born diseases, thus relieving some of the strain on local hospitals. Additional projects will come into fruition in the next few years.

As a result community members are beginning to enjoy improved access to neighbouring villages, local markets, schools and other public facilities; decreased travel time and transport costs; improved community health standards; lower drop out-rates from school and enhanced connectivity.

According to Community Affairs and Development Superintendent, Ms. Bella Lechonsito, local community members are feeling reinvigorated with a renewed voice and new opportunities.

"There is a renewed sense of purpose among community members since the introduction of the PDF. It's empowering them to work through the many challenges they face.

"However, it's not just about the end solution; it's about the process which they go through in order to get there. This gives them a sense of ownership and a realisation that together they can achieve progress for their communities as a whole."

GRI index

The table below indicates where to locate information relating to GRI G3 indicators and principles in this report or other publications.

Indicator	Reporting Level	Location
Vision & Strategy		
1.1	✓	EGM Project Development Message, page 2
1.2	✓	GM Project Report, page 3
Organisational Profile		
2.1	✓	Introduction, inside front cover
2.2	n/a	–
2.3	✓	Introduction, inside front cover
2.4	✓	Introduction, inside front cover
2.5	✓	Introduction, inside front cover
2.6	✓	Introduction, inside front cover
2.7	n/a	–
2.8	✓	Introduction, inside front cover
2.9	✓	GM Project Report, page 3
2.10	✓	Our Approach to Sustainable Development, page 5
Report Parameters		
3.1	✓	Introduction, inside front cover
3.2	✓	GM Project Report, page 3
3.3	✓	Introduction, inside front cover
3.4	✓	Contact Details, back cover
3.5	✓	Our Approach to Sustainable Development, page 5
3.6	✓	Introduction, inside front cover
3.7	✓	Introduction, inside front cover
3.8	✓	Introduction, page 1
3.9	n/a	–
3.10	n/a	–
3.11	n/a	–
3.12	✓	GRI Content Index, page 24
3.13	✓	Our Approach to Sustainable Development, page 5
Governance, Commitments and Engagement		
4.1	✓	Governance & Management Systems, page 7
4.2		Refer to Xplc 2007 Sustainability Report
4.3		Refer to Xplc 2007 Sustainability Report
4.4		Refer to Xplc 2007 Sustainability Report
4.5		Refer to Xplc 2007 Sustainability Report
4.6		Refer to Xplc 2007 Sustainability Report
4.7		Refer to Xplc 2007 Sustainability Report
4.8	✓	Our Approach to Sustainable Development, page 4
4.9	✓	Governance & Management Systems, page 7
4.10	✓	Governance & Management Systems, page 7
4.11	✓	Our Approach to Sustainable Development, page 5
4.12		Refer to Xplc 2007 Sustainability Report
4.13	✓	Our Approach to Sustainable Development, page 5
4.14	✓	Community, page 21
4.15	✓	Community, page 21
4.16	✓	Community, pages 21-22
4.17	✓	Community, pages 21-22

Indicator	Reporting Level	Location
Economic Performance Indicators		
EC1	✓	Economic Contribution, page 9
EC2	✗	Not reported
EC3	n/a	–
EC4	n/a	–
EC5	n/a	–
EC6	✓	Economic Contribution, page 9
EC7	✓	Economic Contribution, page 9
EC8	✓	Economic Contribution, page 9
EC9	✗	Not reported
MM1	✓	Economic Contribution, page 9
MM2	✗	Not reported
Environmental Performance Indicators		
EN1	✓	Environment, page 17
EN2	✗	Not reported
EN3	✓	Environment, page 17
EN4	n/a	–
EN5	n/a	–
EN6	✓	Economic Contribution, page 9
EN7	✓	Economic Contribution, page 9
EN8	✓	Environment, page 17
EN9	n/a	–
EN10	✗	Not reported
EN11	✓	Environment, page 16
EN12	n/a	–
EN13	✓	Environment, page 16
EN14	✓	Environment, page 16
EN15	n/a	–
EN16	n/a	–
EN17	n/a	–
EN18	n/a	–
EN19	n/a	–
EN20	n/a	–
EN21	n/a	–
EN22	✓	Environment, page 17
EN23	n/a	–
EN24	n/a	–
EN25	n/a	–
EN26	✓	Environment, page 14-17
EN27	n/a	–
EN28	✓	Environment, page 16
EN29	n/a	–
EN30	➔	Environment, page 16
MM3	n/a	–
MM4	n/a	–
MM5	n/a	–
MM6	n/a	–
Social Performance Indicators - Labour Practices and Decent Work		
LA1	➔	Introduction, page 1
LA2	✓	Our People, page 12
LA3	✗	Not reported
LA4	n/a	–
LA5	✓	Our People, page 13
LA6	n/a	–
LA7	✓	Our People, page 11

Indicator	Reporting Level	Location
LA8	✓	Our People, page 12
LA9	n/a	–
LA10	✓	Our People, page 12
LA11	✗	Not reported
LA12	✗	Not reported
LA13	➔	Our People, page 13
LA14	✗	Not reported
MM12	✓	Our People, page 11
MM13	✓	Our People, page 11
Social Performance Indicators - Human Rights		
HR1		Refer to Xplc 2007 Sustainability Report
HR2	✓	Governance & Management Systems, page 8
HR3	✓	Governance & Management Systems, page 7-8
HR4	✓	Governance & Management Systems, page 8
HR5	✓	Our People, page 13
HR6	✓	Governance & Management Systems, page 8
HR7	✓	Governance & Management Systems, page 8
HR8	✓	Governance & Management Systems, page 8
HR9	n/a	–
Social Performance Indicators - Society		
SO1	✓	Community, page 18-20
SO2	✓	Governance & Management Systems, page 8
SO3	✓	Governance & Management Systems, page 8
SO4	n/a	–
SO5	✓	Governance & Management Systems, page 8
SO6	n/a	–
SO7	n/a	–
SO8	n/a	–
MM7	✓	Community, page 21-22
MM8	n/a	–
MM9	✓	Community, page 20
MM10	n/a	–
MM11	✓	Community, page 19-20
Social Performance Indicators - Product Responsibility		
PR1	n/a	–
PR2	n/a	–
PR3	n/a	–
PR4	n/a	–
PR5	n/a	–
PR6	n/a	–
PR7	n/a	–
PR8	n/a	–
PR9	n/a	–

✓ fully reported ➔ partially reported ✗ not reported n/a = not applicable

Glossary

Ancestral lands

Refers to all lands exclusively and actually possessed, occupied, or utilized by indigenous cultural communities by themselves or through their ancestors in accordance with their customs and traditions, and as such, may be defined and delineated by law.

Barangay

Also known by its former name, the barrio, is the smallest local government unit in the Philippines and is the native Filipino term for a village, district or ward. Municipalities and cities are composed of barangays.

Baseline study

The analysis of current situation to identify the starting points for a program or project.

Biodiversity

An abbreviation of "biological diversity" and means the variability among living organisms from all sources, including land-based and aquatic ecosystems, and the ecosystems of which they are part.

Business Principles

Xstrata's Statement of Business Principles sets out the ethical framework for the way we work globally.

Certificate of Ancestral Domain Claim or CADC

Declares and certifies the claim of each indigenous cultural community over a corresponding territory earlier identified and delineated as ancestral domain.

Certificate of Ancestral Domain Title or CADT

A certificate of title that is issued by the office of the National Commission on Indigenous Peoples (NCIP). It completes the people's legal claim to a territory.

Commodity business

Xstrata's activities are structured into global commodity businesses organised along commodity lines.

Community complaints and enquiries

Any issue raised by a member of the community relating to the operation in question, whether resolved or not. This can relate to an enquiry or other incident or non-compliance.

Department of Environment and Natural Resources or DENR

The primary Government agency responsible for the conservation, management, development, and proper use of the country's environment and natural resources.

Department of Social Welfare and Development or DSWD

The primary government agency that provides assistance to local government units, non-government organisations, other national government agencies, people's organisations, and other members of civil society in effectively implementing programs, projects and services that will alleviate poverty and empower disadvantaged individuals, families and communities for an improved quality of life.

EIA

Environmental Impact Assessment.

EIS

Environmental Impact Study.

EMS

Environmental Management System[s].

ESIA

Environmental and Social Impact Assessment.

Extractive Industries Transparency Initiative or EITI

The Extractive Industries Transparency Initiative (EITI) aims to increase transparency in transactions between governments and companies in extractive industries.

Fatality

A death resulting from an occupational injury or illness.

Free Prior and Informed Consent, or FPIC

It recognises indigenous peoples' inherent and prior rights to their lands and resources and respects their legitimate authority to require that third parties enter into an equal and respectful relationship with them, based on the principle of informed consent.

GJ

Gigajoules (1 GJ = 1,000,000,000 joules).

Global Compact

The UN Global Compact is a voluntary corporate responsibility initiative to advance ten universal principles in the areas of human rights, labour, the environment and anti-corruption.

GRI

Global Reporting Initiative develops and disseminates globally applicable Sustainability Reporting Guidelines to assist corporations in reporting on the economic, environmental, and social performance of their operations.

Indophil Resources NL, IRN or Indophil

Part owner of the Tampakan Copper-Gold Project; an Australian publicly-listed company incorporated in 1996, to acquire, explore for and develop gold and copper-gold opportunities in South East Asia.

HSEC

Health, Safety, Environment and Community.

HSEC Assurance Programme

An independent audit programme which assesses the systems and performance of Xstrata's sites and commodity businesses against Xstrata's HSEC Policy and Management Standards.

HSEC Committee

Xstrata's HSEC committee is a committee of the Board and the primary HSEC governance structure.

HSEC Management Standards

A set of 17 standards which set out corporate performance expectations for each operation and against which sites and commodity businesses are independently audited through the Xstrata HSEC Assurance Programme.

ICMM

International Council on Mining and Metals.

IUCN

The International Union for the Conservation of Nature and Natural Resources, also known as the 'World Conservation Union'.

kg

Kilogram (1 kg = 1,000 grams).

kL

Kilolitre (1 kL = 1,000 litres).

km

Kilometre (1 km = 1,000 metres).

Land disturbed

Land disturbed by operational activities.

Land rehabilitated

Land disturbed by operational activities and then reshaped and revegetated.

LTI

Lost Time Injury is an occupational injury or illness that results in days away from work.

LTI FR

Lost Time Injury Frequency Rate = LTI x 1,000,000/hours worked.

Materiality

Disclosing all information of significant concern to stakeholders for assessing our economic, environmental, and social performance.

m3

Cubic metres.

Megalitre

1 megalitre = 1,000,000 litres or 1,000 kilolitres.

ML

Megalitres (1 ML = 1,000,000 litres).

Mines and Geoscience Bureau or MGB

The primary government bureau directly in charge of the administration and disposition of the country's mineral lands and mineral resources.

National Commission on Indigenous People or NCIP

The primary government agency in the Philippines that formulates and implements policies, plans and programs for the recognition, promotion and protection of the rights and well-being of Indigenous Peoples and the recognition of their ancestral domains and their rights thereto

NGOs

Non-Governmental Organisations.

Occupational illness

Any abnormal condition or disorder, other than one resulting from an occupational injury, caused by exposure to factors associated with employment.

PPE

Personal Protective Equipment.

Recycled water

Recycled/re-used water is water:

- that has been used at least once in a process within the operation or at another operation within the organisation;
- that would otherwise be part of a waste stream; and
- if not re-used, would require the input of raw water.

Social Involvement Plan or SIP

A plan produced by each Commodity Business of Xstrata, which sets out their engagement with local communities, and details the range of initiatives to be undertaken and the resources, financial and other, dedicated to this area of their business.

Technical Education and Skills Development Authority or TESDA

The Government agency in the Philippines tasked to manage and supervise technical education and skills development of the country's human resources. TESDA formulates manpower and skills plans, sets appropriate skills standards and tests, coordinates and monitors manpower policies and programs.

TRI

Total recordable injuries a measure that includes all injuries other than first aid, ie:

- Lost time injuries (including fatalities);
- Restricted work injuries; and
- Medical treatment injuries.

TRIFR

Total recordable injury frequency rate = (LTI + RWI + MTI) x 1,000,000/hours worked.

Western Mining Corporation or WMC

It was one of Australia's largest mining and metal corporations and one of the world's largest producers of gold, copper, nickel, alumina, talc and uranium.

Waste water discharged

Total volume of effluent discharged to: surface water for irrigation; third parties for treatment; and rivers or ocean.



Tampakan Office

Yakal St., corner Talisay St., Tampakan, South Cotabato 9597 Tel : 6383 227 1043 Fax : 6383 228 8011

General Santos City Office

JPM Bldg., Bula-Lagao Road, General Santos City 9500 Tel : 6383 302 3237 Fax : 6383 552 8405

Head Office

Sagittarius Mines Inc., 12F LKG Tower, 6801 Ayala Avenue, Makati City Tel : 632 856 3023 Fax : 632 856 3032