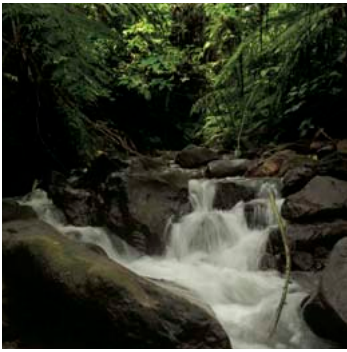




CARING FOR COMMUNITIES AND THE ENVIRONMENT

SAGITTARIUS MINES, INC.



Through a Financial or Technical Assistance Agreement (FTAA), Sagittarius Mines, Inc. is the Philippine Government's contractor for the exploration, development and operation of the Tampakan Copper-Gold Project. SMI is a Filipino company represented by its preferred and common shareholders Xstrata Copper, Indophil Resources NL, Alsons Corporation and the Tampakan Group of Companies.

Xstrata Copper is part of Xstrata plc, a global diversified mining group that is listed on the London and Swiss stock exchanges. Xstrata Copper provides technical, financial and managerial resources for the development of the Tampakan project.

Indophil Resources NL is an Australian-listed exploration company and Alsons Corporation is a Filipino conglomerate; both provide funding and participate in Joint Venture Management meetings. The Tampakan Group of Companies is represented by local

shareholders with a long involvement in the exploration of the Tampakan Copper-Gold Project.

The Project

The Tampakan Copper-Gold Project will involve the development and operation of the Tampakan Mine. The Tampakan deposit is one of the largest undeveloped copper-gold deposits in the Southeast Asia – Western Pacific region.

SMI has undertaken the exploration of the Tampakan deposit for many years. Upcoming project phases to be completed include a feasibility study, community consultation as part of the Environmental Impact Assessment (EIA), provision of Free and Prior Informed Consent (FPIC) with our host indigenous communities and a resettlement program.

SMI Business Principles and Core Values

SMI will grow and manage the Tampakan Project with the aim of delivering industry-leading returns for our shareholders. We can achieve this only through genuine partnerships with employees, customers, shareholders, local communities and other stakeholders, which are based on integrity, co-operation, transparency and mutual value-creation.

The SMI Business Principles recognize that our commitment to genuine relationships requires that: we work ethically, we work responsibly, we work openly and we work together and with others.

Sustainable Development Policy

"Sustainable development" describes SMI's approach to ensuring the long-term viability and continued success of our business activities.

We invest for the long-term in the Tampakan Project, which provides a basis for social and economic development in the region. Although the lifespan of our activities is finite, we aim to invest in skills, social development and economic benefits that outlive these activities.



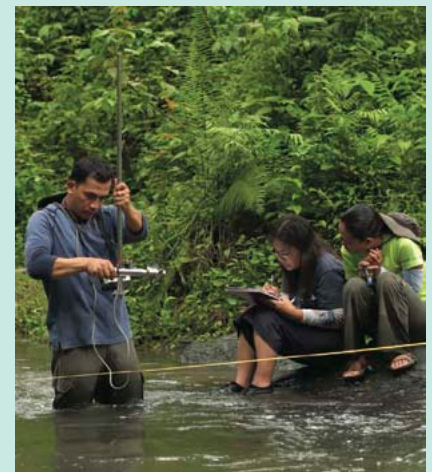
Caring for the Environment

SMI is committed to adopting the best available technologies and management practices in caring for and minimizing the project's impacts on the natural environment. SMI takes its environmental responsibilities and commitments very seriously. Stakeholder concerns on biodiversity, land rehabilitation, water management, waste management, energy consumption and other environmental impacts are considered at all stages of project planning.

SMI's ongoing reforestation program, which values the involvement of local communities, was awarded Best Mining Forest Award in

2006 and 2008 by the Philippine Government. Under the *Maleh Tu Kayu* Program, a Blaang phrase which means 'let us plant trees', SMI together with its stakeholder partners, committed to plant 250,000 seedlings over five years from 2005 in the denuded areas surrounding the Tampakan project. As of July 2009, more than 250,000 seedlings have been distributed and planted throughout the Project area and surrounding municipalities and provinces.

In line with its commitment to the highest standards of environmental performance, SMI effectively implements an Environmental Management System in its operation.





Supporting Local Communities

SMI strives to achieve a reputation for social responsibility by contributing to the fulfillment of the social, developmental, environmental and economic needs of local communities. Central to SMI's social responsibility initiative is the Tampakan Social Involvement Program (SIP) which was formulated following an extensive stakeholder consultation process. Commencing in April 2007, the SIP focuses on education, health, skills training and enterprise development in order to help local communities establish sustainable economies. The SIP's priorities are consistent with the United Nations' Millennium Development Goals.

As a recent example, SMI's SIP in 2008 amounted to PhP53.7 million. Of this total, PhP6.8 million was spent for education, benefitting 16,000 grantees from elementary to college; PhP5 million for community health benefitting almost 30,000 community residents; PhP3.6 million for livelihood, PhP3.4 million for infrastructure, PhP2.4 million for research and PhP32.5 million for community development funding commitments under Principal Agreements with the host communities.



Stakeholder Benefits

While the project is still at the exploration stage and yet to generate income, the investment in the Tampakan project to date has benefited the host municipalities and surrounding communities in terms of employment, business, development projects and taxes and fees.

In 2008 the project contributed PhP1.2 billion to Mindanao and the Philippine economy through:

- Employment of more than 209 people and a further 1,055 local persons working
- weekly rotational shifts on the project's drilling rigs. The annual wages exceed PhP182.6 million.
- Local purchases amounting to PhP817.1 million, split between goods at PhP264.5 million and services at PhP552.5 million.
- PhP181.4 million in taxes and fees paid to the Government. Of this, PhP2.9 million went to local government units.
- Community partnerships, sponsorships and donations totaling more than PhP65 million.



Respecting Indigenous Peoples Rights

SMI complies with the national regulatory framework for indigenous peoples (IPs) established by Republic Act No. 8371 (Indigenous Peoples Rights Act of 1997 or IPRA). The company also uses international standards as benchmarks for its IP engagement and development efforts. These standards include the World Bank (WB) and International Finance Corporation (IFC) Directives and Performance Standards and International Labor Organization (ILO) Convention 169.

SMI has secured the appropriate FPIC from the local IP communities for exploration

undertaken in the FTAA and SMI Exploration Permit (EP) areas through its Blaan Principal Agreements (PA) and Memorandum of Agreements (MOA), respectively. Based on the MOAs, a Certification Precondition (CP) was issued by the National Commission on Indigenous Peoples (NCIP). SMI will subsequently be engaging with the IP host communities to obtain FPIC for Mining and Resettlement prior to the commencement of mine construction in compliance with IPRA, the Mining Act and the international standards referred to above.



Corporate Track Record



SMI has also developed a reputation for corporate social responsibility in the Philippines, with the following recognitions:

- 2004 and 2006 Presidential Environmental Award;
- 2006 and 2008 Best Mining Forest Award; and
- 2007 Regional and National Kabalikat Award of the Technical Education and Skills Development Authority.

SMI's commitment to sustainable development is aligned with its major shareholder Xstrata plc, which is recognized globally as a sector leader in Corporate Responsibility. Among Xstrata's awards are:

- 2007 and 2008 sector leader in the Dow Jones Sustainability Index
- 2008 sector leader in the UK Business in the Community
- 2008 No. 1 rating in Australian Corporate Responsibility.

SMI's focus on sustainability is guided by Xstrata's adherence to the International Council of Mining and Metals' Sustainable Development Principles, Minerals Council of Australia's Enduring Value Framework, World Bank (WB) and International Finance Corporation's (IFC) standards and the Global Reporting Initiative, among others.

Through Xstrata, SMI adheres to the United Nations Global Compact principles. All of its business units have aligned their strategy and operational performance with the ten (10) universally accepted principles in human rights, labor, environment and anti-corruption.