

## Environmental and Social Review Summary (ESRS) Released in 2008

### **Overview of IFC scope of review**

The Mindoro Resources Project covers mining exploration across several Regions of the Philippines. The IFC team has reviewed data relating to two sites, the flagship Agata project, Mindanao Island and the Batangas project, Luzon island.

IFC's environmental and social review of information relating to the Agata Project has been undertaken on the assumption that it is a mining exploration project. However, MRL and its Filipino JV partner Minimax Mineral Exploration Corporation (Minimax) engaged Delta Earthmoving for Direct Shipping of Ore (DSO) mining operations in the southern portion of Agata Project. It is unlikely that DSO operations will commence in the short term and therefore this ESRS focuses on the immediate impacts of the exploration work and notes actions which will need to take place prior to the commencement of any substantive mining, including DSO operations. Specifically, the documentation prepared by MRL for the DSO operation does not yet meet the IFC requirements necessary for a mining operation and MRL have agreed to update and disclose it before DSO commences.

Review work on Agata has included an SEIA (prepared to meet local regulatory permitting requirements for a DSO operation), and documents provided by the sponsor. IFC has also reviewed the regulatory requirements in the Philippines where mining and exploration activities are controlled by the Department of Environment and Natural Resources (DENR). Both the Environmental Management Bureau (EMB) and the Mines and Geosciences Bureau (MGB) report into the DENR. The MGB is responsible for issuing the Mineral Production Sharing Agreement (MPSA) for mineral projects whilst an Environmental Compliance Certificate (ECC) is awarded by the EMB after submission of an SEIA and a series of public consultation exercises coordinated by the EMB. MRL have completed these requirements and were awarded an ECC permit on May 19th 2008 which covers Direct Shipping of Ore (DSO) mining operations.

IFC has also reviewed documents relating to Delta Earthmoving who have signed an agreement with MRL to potentially undertake a DSO operation in the southern part of the project area. Any Delta operations would be permitted through the same ECC, as they would be operating within the MRL/Minimax MPSA.

IFC would not normally require an SEIA for a purely exploration project. The SEIA document prepared by MRL in order to attain the ECC, although intended to cover DSO mining operations is somewhat generic in scope and requires upgrading in order to meet IFC requirements for the commencement of DSO activities, in particular providing greater detail on the impacts and mitigation measures of a mining operation. IFC staff have participated in two field visits to the Agata project sites in northern Mindanao, one to the Batangas Province site, and one site visit to a Lafarge limestone quarry where

Delta Earthmoving are operating as contract miners. IFC also received numerous presentations from MRL and Delta employees on the social, environmental and potential mining plans for the Agata projects and on work being undertaken in the Batangas Region.

Interviews were conducted with potentially projected affected communities in the Agusan del Norte project area including indigenous peoples (the Manobo and the Mamanwa). These communities included those who would likely be directly impacted should mining commence.

### **Project description**

Mindoro Resources Limited (“Mindoro”, “MRL” or the “Company”) is a listed (TSX Venture and Frankfurt Stock Exchange) junior mining exploration company focusing on nickel, gold and copper-gold exploration in the Philippines. Its headquarters are in Edmonton, Canada, with a professional staff of over 40 people in the Philippines, led by CEO and founder Mr Tony Climie. The Company’s primary asset is the Agata nickel laterite deposit in the Agusan del Norte Region, Northern Mindanao Island. The exploration tenement held by the Company has the potential to host a world class nickel deposit (over 75 Million tonnes), grading 1.2-1.5% nickel and 20-40% iron. At present MRL have defined an NI-43101 compliant resource, detailing measured and indicated resources of approximately 4.4 million wet metric tonnes of nickel laterite, averaging 1.25% nickel and 23% iron. The Company plans to continue exploration activities in the Agusan del Norte Region to allow for definition of a potentially world class nickel laterite deposit which would support development of processing and refining facilities. The company is also undertaking exploration activities in the Batangas Region, Luzon island and holds exploration licences in other areas.

The Agata area is home to members of the Mamanwa and Manobo IP communities although none will be physically displaced or otherwise adversely impacted by exploration activities. MRL has been engaging with these communities since 2006. There are also artisanal miners working on the Agata concession but not in areas that MRL is potentially likely to mine and none observed were IPs.

The Company completed an SEIA for submission to the Environmental Management Bureau in January 2008, as part of its application for the ECC permit covering DSO operations which was granted on May 19th 2008. This SEIA has been reviewed by the IFC and the company has been advised that the SEIA would need to be upgraded (with full disclosure) including demonstration of how MRL will meet IFC Performance Standards prior to the commencement of any mining operations. However, given the present uncertainty of the commencement of mining (in particular DSO operations) this work cannot be undertaken until MRL finalises its strategy for mining development. In the interim, the Company have appointed Coffey International to undertake further baseline data collection in the area. MRL shall formalize a Stakeholder Engagement Plan.

Whatever the final mining development strategy chosen, MRL has committed not to commence any form of mining development (including DSO) until a revised SEIA demonstrating compliance with IFC Performance Standards, and agreed with IFC, has been completed and disclosed.

The proposed IFC investment of Canadian \$1.140 million would give IFC an equity stake of approximately 6% in the company (equivalent to 6 million shares). To accommodate future investment the proposed investment approval is for an equity investment of Can\$5million.

MRL has considered possible future mining scenarios which include (i) a relatively small scale direct shipping of ore (DSO) mining operation to export nickel laterite and (ii) a large world-class nickel mining operation with a nickel refinery which would allow for much greater added value to the local economy. The first option could be started quite quickly whereas the second option requires definition of a much larger reserve and therefore needs additional exploration work. Either option would need a fully revised and appropriately detailed SEIA with further rounds of consultation and disclosure. Two DSO areas have been considered within the MRL/Minimax MPSA area granted by the Philippine authorities. The first (Agata North) could be developed by MRL, covering a total land area of 52.5 hectares, while the second could be developed by the Delta Earthmoving JV (Agata South), occupying a maximum of 250 hectares over the life of a DSO operation. Both sites are within the MRL controlled MPSA and both would be eligible to operate under the ECC awarded to MRL by the Philippine authorities. Based on the information received by IFC, recent weak demand and weak prices (which are expected to continue) make it unlikely that DSO mining operations will commence in the short term.

The proposed IFC investment in MRL is therefore purely for funding ongoing exploration work with a limited footprint.

IFC recognises that the exploration project has the long-term potential to develop into a world class nickel resource and large-scale mine. If the project were to be developed into a world class mine, and if IFC is involved as a financier, this would require full review and appraisal and the documentation would be subject to a full Free Prior Informed Consultative process. Any future IFC investment would be categorized according to impacts generated by that project.

### **Identified Applicable Performance Standards**

All Performance Standards are applicable to this investment, but IFC's environmental and social due diligence indicates that the investment in the exploration phase of the project will have impacts which must be managed in a manner consistent with the following Performance Standards:

PS1: Social and Environmental Assessment and Management Systems

PS2: Labour and Working Conditions

PS3: Pollution Prevention and Abatement

PS4: Community Health, Safety and Security  
PS7: Indigenous Peoples

If a mining project is developed, in addition to the above, the project would likely have impacts which would have to be managed consistent with PS 5, 6 and 8.

### **E&S Categorization Rational**

This is a category B project according to IFC's procedure for Environmental and Social Review of projects because the exploration has limited adverse social and environmental impacts that are few in number, are site specific and will be largely reversible and readily addressed through mitigation measures. The IFC made this categorisation based on:

- Review of available environmental and social documentation, including the existing SEIA prepared to meet Philippine requirements, and contractual agreements between MRL and Delta Earthmoving;
- Site visits to Batangas and Agusan del Norte exploration areas by Environmental and Technical specialists, site visits to Agusan del Norte Delta exploration areas, and Delta Earthmoving contract mining site by a social specialist on Mindanao and Luzon Islands respectively;
- Meetings with management and key technical, environmental and social staff from MRL and Delta Earthmoving;
- Meetings with affected communities in the Agata Project area, including the villages of Lawigan, Binuangan and Coro (Indigenous Peoples village, including both Mamanwa and Manobo).

The key social and environmental issues in this project currently are:

- Management of exploration activities – control of erosion and rehabilitation of drill roads, drill sites and trenches, safe disposal of oils, waste materials, dust control; water and effluent management, occupational health and safety, public safety, hazardous materials handling and management; emergency preparedness & response.
- Limited economic displacement, which will be compensated and impacted villages will be prioritized for employment opportunities.
- Environmental, Health & Safety Management System and Policy commitments to ensure IFC Performance Standard compliance of any future open pit mining and associated overburden and waste dumps - surface and groundwater protection; drainage and dust control .

If MRL re-considers DSO operations, the following environmental and social issues may arise (the SEIA would be revised in order to identify the impacts and mitigation measures

of the project as it is defined at that time, and disclosed should this occur):

- Up to a maximum of 300 hectares of land in total being mined for direct shipping of nickel laterite. The actual footprint at any given time would be significantly smaller than this, due to both progressive rehabilitation plans and the speed of mine development;
- Resettlement of 6 households, with possible additional resettlement (10 households) (none of these are IPs) required for the development of the Delta Earthmoving causeway facilities and mine haul roads. Limited economic displacement, which will be compensated and impacted villages will be prioritized for employment opportunities;
- Potential for water contamination with sediment, and erosion of land due to mining and road development activities in a steep terrain high rainfall area of the Philippines, with rivers running directly into the Mindanao Bay;
- Secondary impacts (largely beneficial) to Mamanwa and Manobo Indigenous People's village through payment of voluntary 1% of revenue royalty;
- Possible cumulative impacts associated with two DSO operations being operated on the MRL MPSA and a third operation being run by another company (unconnected to MRL or Delta) directly to the south of the MPSA, resulting in significantly increased shipping traffic off the coast at peak periods;
- Development of limited road network on the ridge to allow for improved drill access during exploration, mine haulage roads to allow for evacuation of material to the ports (2 for each of the DSO projects), and a farm-to-market road for Binuangan and also for Lawigan over the ridge.

### **Description of Key Environmental and Social Issues and Mitigation**

MRL is an exploration company focused on nickel, copper and gold exploration in the Philippines. They plan to continue their exploration activities, focusing on expanding the nickel laterite resource they have identified in Agusan del Norte Region (Agata MPSA). MRL has been operating as an exploration company for the previous 11 years, with their major focus in the Philippines.

#### **Management**

MRL have displayed a very strong commitment to social and environmental management in their exploration activities, both in the Agusan del Norte region and in Batangas. They have a social and environmental team comprising over 12 people in Agusan-Surigao Projects and 7 in Batangas Projects, with community liaison officers "embedded" in a number of the affected communities including Lawigan, Tinigbasan, E. Morgado, Binuangan, and Sitio Coro, Colorado in the Agusan del Norte province. Between 10-12% of total exploration costs to date have been spent on social and environmental activities. In March of 2008, Dr Mon Monteros joined the team as the Vice President for Social and

Environmental Management for MRL. Dr Monteros is a sociologist by background, and came from working within the Mining and Geosciences Bureau in Mindanao where he developed the concept of Community Technical Working Groups, and worked closely with the MRL team to implement this concept in the Agusan del Norte MPSA. MRL have also appointed a mining engineer who is providing input into possible future mining scenarios.

MRL has committed to a Health, Safety, Environment and Community Policy (HSEC) document jointly developed with IFC. The Company has also agreed an 'Environmental & Social Action Plan' to cover all HSEC aspects related to exploration activities, feasibility work and potential future mine development. MRL, with IFC's assistance, is developing an Environmental Management System (EMS) to adequately manage, plan and document the environmental and social issues relating to their activities in the Philippines. The Company is also preparing a Stakeholder Engagement Plan which will describe their strategy and programme for engaging with stakeholders in a culturally appropriate manner.

Delta Earthmoving have appointed a technical team which includes mining engineers, and social and environmental officers. In addition, MRL have assigned one social and one environmental officer to work alongside their Delta colleagues in the Agata South area.

Should MRL or Delta commence DSO activities (after a revised SEIA has been agreed and disclosed), to comply with Philippine legislation for mineral projects, MRL would need to complete a 5-year plan on Social Development Management Program (SDMP) to be submitted to the DENR within 30 days upon issuance of the Environmental Compliance Certificate (ECC). The project would also need to complete an Ancestral Domain Sustainable Development and Protection Plan (ADSDPP) detailing how the project would impact indigenous peoples within the area and the management of royalty payments made to indigenous peoples. The ADSDPP is submitted to the National Committee on Indigenous Peoples (NCIP). Should both Delta and MRL eventually undertake mining activities, two SDMP would be implemented, one by MRL and one by Delta Earthmoving. The SDMP is funded by payment from the company of 1% of the value of mining and milling costs. The ADSDPP would be voluntarily funded by MRL to the order of 1% revenue from the MRL operations to the indigenous peoples of Coro (Manobo and Mamanwa).

#### MRL Exploration

MRL has an in-house team of experienced geologists and engineers and uses contract drilling companies for drilling operations. The drilling activities for the nickel laterite exploration have been small-scale to date, with drills and drill core being manually carried through the Agata MPSA to avoid the need to develop access roads over the plateau areas. At Batangas, roads have been developed but MRL's rehabilitation of exploration sites is excellent. Any roads developed (such as those in Batangas) are revegetated where possible, and drainage management is ensured to mitigate impacts from erosion into nearby water systems. The company employs guards from project

impacted villages to protect the drilling sites and to monitor who is gaining access to the site. In Surigao, extensive engagement is undertaken with communities nearby the exploration activities, and the villages are involved in the monitoring of these activities through the Community Technical Working Groups (CTWGs). Where skills exist, employment opportunities are awarded to nearby villagers as a matter of priority. It is anticipated that the continuation of exploration activities will require the development of roads over the plateau on the Agata MPSA, and this will be undertaken in accordance with the plans laid out in the SEIA on which the ECC was awarded.

#### DSO Activities

The scope and scale of possible DSO activities under consideration by both MRL for its own account and the Delta JV would be dependent to a large extent on world nickel prices which are currently depressed and expected to remain so. Whilst some of the possible impacts of a DSO operation have been considered, these cannot be accurately quantified until such time as detailed plans for a possible operation are prepared. The elements of a DSO project which would require careful management would be community engagement, resettlement and relocation, restoration of livelihoods, haul roads from the plateau down to the western coast, loading jetties, stockpile areas, settling ponds and diversion structures for water management.

The Delta JV has conducted extensive drilling in one area (Area A) to the south of the Agusan del Norte MPSA, and are exploring two more areas (Areas B and C) slightly to the north of this area. Current results have not to date indicated an economic reserve at current nickel prices. The Mining Services Agreement signed with MRL commits Delta to comply with IFC standards. Should Delta move towards DSO activities these would have similar impacts to those outlined above and would likely need additional and separate roads and jetties. A Delta operation would also require the development of a road over the ridge, from the town of Tubay on the eastern side of the ridge. At present there is no access road over the ridge and the western coastal communities use boats to connect to markets and other villages.

#### Labour and Working Conditions

MRL operates in full compliance with Philippines labour legislation. Staff meetings are held regularly, keeping employees up to date on activities within the company, and soliciting opinion from employees. Freedom to organize is recognized by the company, and as the project matures, it is expected that unions will develop. The company is dedicated to Filipino employment, with only one expatriate working in the Philippines (the CEO). MRL have drawn on experienced professionals from the Philippine mining sector as well as individuals coming directly from university with social and environmental skill sets.

The company closely coordinates with the Department of Labour and Employment (DOLE). The Community Technical Working Groups (CTWG's) established in each of the Barangays are used as a system for raising complaints over employment as they occur. There have been complaints such as prioritization of employment for local labor and employment of locals affected by boundary disputes of Barangays Lawigan, Tinigbasan,

and E. Morgado. These complaints, however, were addressed and resolved after proper information and deliberation during CTWG/Brgy Council meetings). Expectations of employment are high in the affected communities, and the CTWG is a key mechanism for informing communities of future opportunities and skills required to gain those opportunities. MRL and Delta are both working with the Technical Education and Skills Development Authority (TESDA) to improve training opportunities for affected communities as operations commence. Handling of community workers grievances starts with the CTWGs which are then raised up to the level of the management for resolution. The company strives to create more jobs for female workers. Regardless of gender, workers are being hired based on competence and adaptability to work situations. More women are being trained on skills they might use for MRL or other employment.

MRL endeavors to create job opportunities in the communities it serves. Candidates for employment are selected on the basis of merit, ability, competence, experience, satisfactory character and employment track record and references. Labor practices are fair and consistent, non-discriminatory and conforms with Philippine labor laws and regulations. The company provides a work environment designed to keep its people motivated and productive. Training opportunities are granted for the advancement of skills of its personnel.

#### Cumulative Impacts

The MRL and Delta Earthmoving exploration areas at Agata are within 5km of each other. In addition, there is an existing nickel laterite DSO operation, located less than 5km to the south (this is owned by another company – SR Metals which has no connection with MRL or Delta). Cumulative impacts of any MRL or Delta mining operations will be covered by appropriate updates to the SEIA.

#### Water Quality and Erosion Management

MRL is conducting exploration activities in a number of locations in the Philippines. These activities are typically low impact, and the social and environmental management of these sites meets good international practice.

Exploration activities include reconnaissance and detailed geological mapping, geochemical soil and stream sediment sampling, gridline and topographic surveying, geophysical surveying, trenching and reverse circulation and diamond drilling. Minimal environmental impacts result from most of these activities, with the exception of trenching and drilling, which involve minor earth moving. Key potential environmental risks include:

- disturbance of flora and fauna habitat from trench digging and clearing of areas for access roads and drill sites;
- minor landslides from construction of access roads; river and creek siltation;
- contamination from spilled drilling oil and lubricants, and noise pollution from equipment stationed near human habitats.

At the onset of exploration activities, the company's Social and Environmental Management Team assesses and identifies possible social-environmental impacts. As exploration program progresses, the team conducts more detailed assessments. The Community Technical Working Group also participate in assessing the possible impacts of MRL activities. Through consultation with the CTWG, the company collects the information on how the community environments may be affected by its planned activities. Environmental concerns are always a major topic of debate in this forum. The company does not wait for the abandonment of the project site before it starts with environmental rehabilitation. It goes beyond the government's requirements in improving individual and community well being. Key mitigating measures include:

(i) Management and progressive rehabilitation of the disturbed surface area: For the drilling program, the planned drillhole sites are inspected by the Social and Environmental Management Team before proceeding to site/pad preparation. Assessment includes actual inventory of trees to be cut, estimation of the amount or degree of earth moving or ground disturbance, assessment of existing slopes and probable resultant slopes after the earth moving. In cases where ground disturbance cannot be avoided, a progressive rehabilitation program is put into place, side by side with the exploration works. Environmental disturbance during the construction or rehabilitation of the road to the project area is expected, thus rehabilitation is employed to minimize the disturbance. Rehabilitation works include: slope stabilization with the use of ripraps; drainage systems, including canals and spill ways, are constructed to divert surface runoff and prevent road scouring; and planting of fast-growing species along the road side. During exploration work where excavations are being done for the construction of a settling pond or sump, or digging of shallow test pits and trenches, only tolerable disturbance is experienced by the affected environment, as these areas can be easily backfilled once the work is completed. Excavated soil is placed into sacks which are piled around the sump to serve as a buffer zone, preventing erosion and further stabilizing the settling pond/sump. Immediately after the exploration, the stockpiled materials are used to backfill the area with the soil cover backfilled on the surface to ensure fast recovery of planted seedlings.

(ii) Reforestation/Re-vegetation: To support the reforestation/re-vegetation program, satellite nurseries have been established in barangays close to MRL work sites. Tree and fruit seedlings including giant bamboo seedlings are raised for reforestation. Upon completion of the exploration work, the drill site is immediately reforested using tree or fruit species requested by the land owner. In hilly or steep areas, the company applies the slope stabilization approach patterned after Slope Agricultural Land Technology (SALT) where contour farming is adopted using leguminous hedgerows.

(iii) Good Housekeeping: Cleanliness is strictly implemented in the camp houses, drill sites and in all access areas. Proper waste segregation is practiced in the project areas. Drill rods, additives and other drilling materials are arranged neatly to the designated area. Spill trays and pails are provided for ready use.

Impacts to Marine Areas

Although the exploration project is not predicted to have any marine impacts, fishing is an important livelihood activity in the coastal villages within this area, and the potential combined impact of any future mining operations by MRL plus Delta and the existing operations in the area on the coastal communities will need further study as future mining strategy becomes clearer.

#### Community Health, Safety and Security

MRL have worked closely with local Government to support community health programmes in the three Municipalities (Jabonga, Santiago and Tubay) within proximity to the MPSA. This has included regular community health missions, in collaboration with Government, providing medical and financial assistance to community members. The current exploration activities all occur at a considerable distance from neighbouring villages, and as such, pose no nuisance or recognisable impact from noise or dust. Appropriate PPE is worn by the drilling contractors and their assistants to mitigate any risk of industrial noise related hearing loss.

MRL employ guards to watch over their assets on the ridge. These guards are recruited from the local villages and are unarmed. Their primary role is to question unauthorised access to the site, and to keep a log of who is passing through the area. Through maintaining a physical presence in the area, the risk of unauthorised access from other nickel laterite operators is reduced. There is precedent for exploration and mining companies to use armed guards in this region to protect employees and assets from attacks. Both MRL and Delta Earthmoving have committed to operate in accordance with the Voluntary Principles on Security and Human Rights, specifically endorsing the approach of “appropriate use of force”.

#### Physical and Economic Displacement

##### Exploration Activities

The current and foreseen exploration activities in Agusan del Norte do not require any physical displacement to be undertaken. Economic displacement impacts are identified by the Soc-Envi team prior to any activity being undertaken, and individuals and communities are compensated accordingly (in line with the schedule of compensation produced by the Government) prior to economic displacement occurring where possible. This has not involved any IPs. The village of Lawigan has received compensation for the cutting down of some coconut trees which provide an income for the village, and similar small-scale economic displacement has occurred in a number of small villages. As the exploration activities expand, and roads are developed into the plateau areas, and passing nearby villages additional compensation will be made to these villages. This includes compensation for impact (if any) to IPs at Sitio Coro, Colorado where its existing barangay road is being used by MRL as access road. The land on which the exploration is being undertaken is un-used at present by community members. The land was logged in the 1970's and has regrown over time with predominantly bracken-like shrubs.

Possible DSO activities by MRL would not be expected to require any physical displacement but may result in some economic displacement depending on the exact

siting of roads, stockpiles and jetties. The possible DSO operation by Delta could result in some physical displacement, again dependent on the siting of infrastructure but this would be small scale, probably 16 households or less. A potential jetty site is in line with previously agreed Provincial plans for a jetty in the area which had never been progressed. The major economic activities undertaken by local communities are fishing and copra production from coconuts. Delta have already consulted with the six landowners identified as potentially requiring relocation if DSO is to occur, and all have agreed to being relocated. The new houses will be constructed within less than a kilometer of their original location. As an incentive to move, Delta plan to considerably improve the quality of the housing provided for these households in their new locations. Delta Earthmoving will work with MRL to develop any Resettlement Action Plans necessary for resettlement and economic displacement.

Philippine legislation states the compensation rates for most items, and MRL pays compensation in accordance with these rates, in a transparent manner. The land acquisition for the development of the proposed jetties in the MRL area has been discussed extensively with the affected landowners. MRL have undertaken demographic profiling and understand the consequences of possible future land acquisition on each individual, and plan to write up this assessment and their management plan for land acquisition into a Land Acquisition and Compensation Plan.

The MRL MPSA was awarded in mid 1999. Five years after the awarding of this MPSA, a Community Based Forestry Management Agreement (CBFMA) was awarded over a subset of this area. The Lawigan Farmers and Fisherfolk Association (LAFFA) are responsible for the management of this CBFMA, which has four elements: re-forestation of the hills, agro-forestry, swine production and development of a fish sanctuary. Each of these projects have been trialed by the LAFFA, with varied success. Only the forestry programmes would have had the potential to interact with the possible mining area, and independently the forestry programmes have been declared failures by the community, prior to the arrival of MRL in the area (MRL only became active in the area in 2006). The fishing sanctuary has been established, with the support of MRL, and now protects the only live coral region known to exist in the immediate coastal region. The community hope that this will act as a draw for tourism in the future, improving their livelihoods, and also believe that it will improve fish reproduction in the region. MRL have provided micro-finance to support the swine production programmes being developed through the CBFMA. It is a Government requirement on the CBFMA that they co-operate with existing MPSA applied to the area, and MRL and the CBFMA committee have verbally agreed to work together in harmony if operations commence.

A pastoral claim (Forest Land Grazing Management Agreement (LFGMA)) has also been made on the land in the MRL MPSA area. This claim was filed after the awarding of the MPSA (Dec 1999), and agricultural/pasture activities have never been undertaken in the area. Given the timing of the approvals, the MPSA over-rides any subsequent claims made on the land.

Indigenous Peoples

The town of Coro, in the Jabonga Municipality, is an Indigenous People's village. The village is largely comprised of Mamanwa and Manobo tribes, with a small group of mainstream Filipino's also resident in the village. The Province of Agusan del Norte is home to one of the largest populations of Mamanwa and Manobo tribes. The Mamanwa were a nomadic tribe until recent years, while the Manobo have been traditionally sedentary. Both the Manobo and Mamanwa speak their own language, distinct from the Visayas spoken by mainstream Filipino's in the area. The Manobo and Mamanwa are physically distinct from mainstream Filipino and preserve customs and heritage unique to their tribes. The village of Coro was home to a small number of Mamanwa for many years, however it was only in the 1980s that the village grew to its current size. The Mamanwa and Manobo are largely tenant farmers in the Jabonga Municipality, and they do not own the land on which they reside.

The village of Coro is experiencing very limited direct impact from the exploration activities, through the company's use of a state access farm to market road which passes through the centre of the village. Prior to MRL's activities in the area, this farm-to-market road stopped shortly after the village of Coro, resulting in very limited through traffic. MRL constructed an extension to the road to allow for drill access to the Agata North area, and improved access to the Agata Basecamp for light vehicles. Under exploration activities, this road may experience an additional 5-10 light vehicles per day due to MRL. Even under a possible DSO scenario, no more than 20 light vehicles would pass through the village as a result of MRL's activities per day (Delta use an alternate access route to get to their exploration activities further to the south). During a meeting with the village of Coro, it was evident that the Manobo and Mamanwa have a good relationship with MRL, and welcome their presence in the area.

As part of the MPSA approval process, the National Commission of Indigenous Peoples (NCIP) is required to conduct Field Based Investigations to determine if the project will affect any indigenous peoples. Under the Indigenous Peoples Rights Act free prior informed consent (FPIC) of indigenous peoples is required for a project to proceed. At the time of the assessment (1999), the NCIP did not identify any IP's living in the area. It was only when MRL commenced exploration activities in late 1999 that they identified the village of Coro as an IP village, and a Memorandum of Understanding was signed between the Mamanwa, Manobo, MRL and the NCIP at this time. Interaction between the village of Coro and MRL was limited until MRL commenced construction of the extension to the farm to market road in 2005. This road extension opened up communication between the villages of Coro and E.Morgado (to the south of Agata Basecamp). Formal engagement with Coro commenced in late 2005, and Coro residents were given first priority for the road construction work which was undertaken. MRL established a nutrition programme for children in Coro in 2006, which has now been rolled into an "Adopt a School" programme. The town of Coro was also highly involved in the Medical, Surgical, Optometry and Dental Mission organized by MRL in early 2008.

MRL asked NCIP to return to the MPSA in early 2008 to conduct a second assessment of indigenous peoples in the area. Free Prior Informed Consent was declared to exist by the

NCIP at this time. Under Philippine law, companies are required to pay a 1% of revenue royalty to indigenous peoples, through the NCIP, where the area covered by/within the MPSA has been officially issued a Certificate of Ancestral Domain Claim/Title (CADC/T) for IPs. This requirement does not apply to MRL as the village of Coro is not considered a CADC/T area yet under Philippine law, however, MRL have volunteered to donate the 1% revenue royalty to the IP's in the area regardless. This generous agreement has the potential to dramatically improve the livelihoods of the indigenous peoples in the area. In discussion with the village of Coro, it is clear that there remains limited understanding of the scale of payment which they could receive under potential future mining operations, and they remain largely focused on accessing employment opportunities with the Project. The Memorandum of Understanding and subsequent royalty agreements are understood to have been developed through Good Faith Negotiations, as is required for all agreements made with IP communities under IFC Performance Standards.

The largest challenge facing the village of Coro is linked to their vulnerability as tenant farmers. Coro would like to purchase the land on which they reside, and may apply for ancestral domain rights on the area in coming years. Royalty payments derived from an MRL mining operation would make it possible for Coro to purchase their land, minimizing their long-term vulnerability. Once MRL start generating revenue, the 1% royalty will be managed through an Ancestral Domain Sustainable Development and Protection Plan (ADSDPP) which is lodged with the NCIP. A key challenge in the future will be ensuring the appropriate management of money within this community, and capacity building with village administrators to be able to use the money effectively for social development of indigenous peoples.

#### Cultural Heritage

During the Field Based Investigations conducted by the NCIP no areas of cultural heritage were identified in the MRL mining area. Further studies are being conducted in the Delta Earthmoving operational area to determine the existence of any sites of cultural heritage.

#### **Client's Community Engagement**

In the Agusan del Norte region, MRL have built relationships with three Municipalities, Santiago, Jabonga and Tubay. The Company started engagement with community members in 1997, and formally developed a Community Relations team in 2004 recently named Soc-Envi Management Team. The level of engagement with communities has been linked with the level of exploration activity within the area, with E. Morgado being consulted in the late nineties due to drilling programmes nearby, while the coastal communities only started interacting significantly with MRL in 2006 with the commencement of drilling on the western side of the plateau.

As noted earlier, MRL employ a team of Social-Environmental Management employees comprising at least 19 people. Some of the individuals are "embedded" into the local communities, through living with the community and acting as a constant liaison between the company and the community. Social Development and Environmental officers are

permanently placed/duly immersed in Lawigan, Binuangan, Tinigbasan, E. Morgado, Lapaz, Sitio Coro, Colorado and other villages. MRL have developed three Soc-Envi Management teams, one for Tapan Main/SF exploration activities, one for Agata Ni/Cu-Au, and one for Batangas Projects. The Soc-Envi team is sent to new exploration areas ahead of the geologists and drillers to explain the planned exploration activities, seek permission from the surrounding communities for the exploration, to conduct any compensation required and to develop a relationship with the communities to ensure a positive working relationship between them and the community. Often the communities are best placed to monitor the entry of competitor interests on the exploration areas, as is common in Philippines, and hence the strength of the relationship between MRL and the communities can mitigate risks of theft or licence expropriation by others.

The Mines and Geosciences Bureau (MGB) in Mindanao developed the concept of Community Technical Working Groups (CTWGs), which are jointly developed within mineral resource rich areas by the MGB and the Company. MRL has subsequently hired Professor Mon Monteros who was responsible for developing the concept of CTWGs in the MGB and he now manages the social and environmental management team for MRL. MRL has championed the development of CTWGs within their stakeholder communities, and there are now 12 CTWGs within Tapan Areas and 7 CTWGs within the Agata MPSA area working with MRL (E.Morgado, Lawigan, La Paz, Colorado, Binuangan, Tapangahoy and Tinigbasan). The CTWG comprises representatives at a Barangay level from: Peoples' Organisations, Religious Groups, Barangay Council, Youth groups, Women, Local NGOs, Farmers, Fisherfolk, Local Government Agencies and Indigenous Peoples. The CTWG is an entirely voluntary organization, and members are not paid for their involvement. The CTWG is responsible for: regular monitoring of MRL's exploration activities and the implementation of the environmental management system; involvement in the planning and development of social development programmes; conflict management between the community and the Company; participation in the Information, Communication and Education (ICE) campaigns; and assistance in the acquisition of land as required by the Company.

The mining of nickel laterite by direct shipping is a politically sensitive issue in Mindanao, and some opposition to the exploration activities and possible plans for DSO were experienced by the Company in the early stages of engagement. These concerns became apparent when an "anti-mining" protest group walked up to the plateau area in Agusan del Norte and staged a small protest against MRL. The strength of the relationship MRL had built with the affected CTWG (Lawigan) and the broader community was apparent as it was the CTWG who asked the protesters to leave as they did not share the concerns of the protestors. The Lawigan CTWG described their own change of views on mining as they have come to know MRL: initially the women of Lawigan were opposed to the project, assuming the standard of operation would be similar to that experienced in other mining operations in the area. Through raising their concerns with the CTWG and through the CTWG with MRL, they were able to discuss and understand the manner in which MRL conducts exploration and would plan to conduct future mining operations. Through the open dialogue, the CTWG of Lawigan is now strongly in favour of MRL and their plans to develop mining projects in the area.

MRL took representatives from CTWGs to a nickel direct shipping operation (Taganito) in eastern Mindanao to give communities an impression of what possible DSO operations would look like and how their lives might be impacted by such an operation.

Delta is also working with the CTWGs in Agata South and is following the same approach to community relations and ICE campaigns as has been developed by MRL.

Under the application for the ECC, MRL have conducted extensive engagement at the Barangay level and with Provincial Government. These meetings have been minuted and summaries of the issues raised during the full history of engagement and consultation with neighbouring communities is contained within the Stakeholder Engagement Plan which is undergoing final refinement by MRL. The CTWGs act as the grievance management mechanism for the communities and the CTWGs then pass on any grievances to the Company. No major grievances have been registered to date. Systems for logging, acting on and closing grievances are being incorporated in the Stakeholder Engagement Plan.

MRL have to date conducted the consultation process for the SEIA and all land acquisition in a manner consistent with Free, Prior and Informed Consultation (FPIC) to meet IFC requirements. To the extent that Indigenous Peoples have been impacted by the Project, the NCIP has concluded that Free, Prior, Informed Consent has been given for the Project by the Manobo and Mamanwa of Coro. The consultation process includes on-going engagement with communities and individuals over long periods of time, signing of formal agreements with communities as appropriate (such as CTWG's and small-scale miners in the north of the Agata MPSA), provision of timely information and time for decision making according to local cultural practices. Under Philippine law, the Environmental Protection and Enhancement Program (EPEP) will need to be submitted within 30 days upon the issuance of the ECC. The CTWGs will participate in the monitoring of MRL's compliance with the SDMP while a Multi-Partite Monitoring Team (MMT) will be organized for the monitoring of the EPEP and to ensure the Company's compliance with the conditions of the ECC).

### **Local Access of Project Documentation**

Copies of the Environmental and Social Review Summary (ESRS) and Summary of Project Information (SPI) are available for public perusal at the Company's offices as follows:

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