

Pursuit of Project Acceptance Through HSEC Excellence

ACT Project
Surigao, Philippines

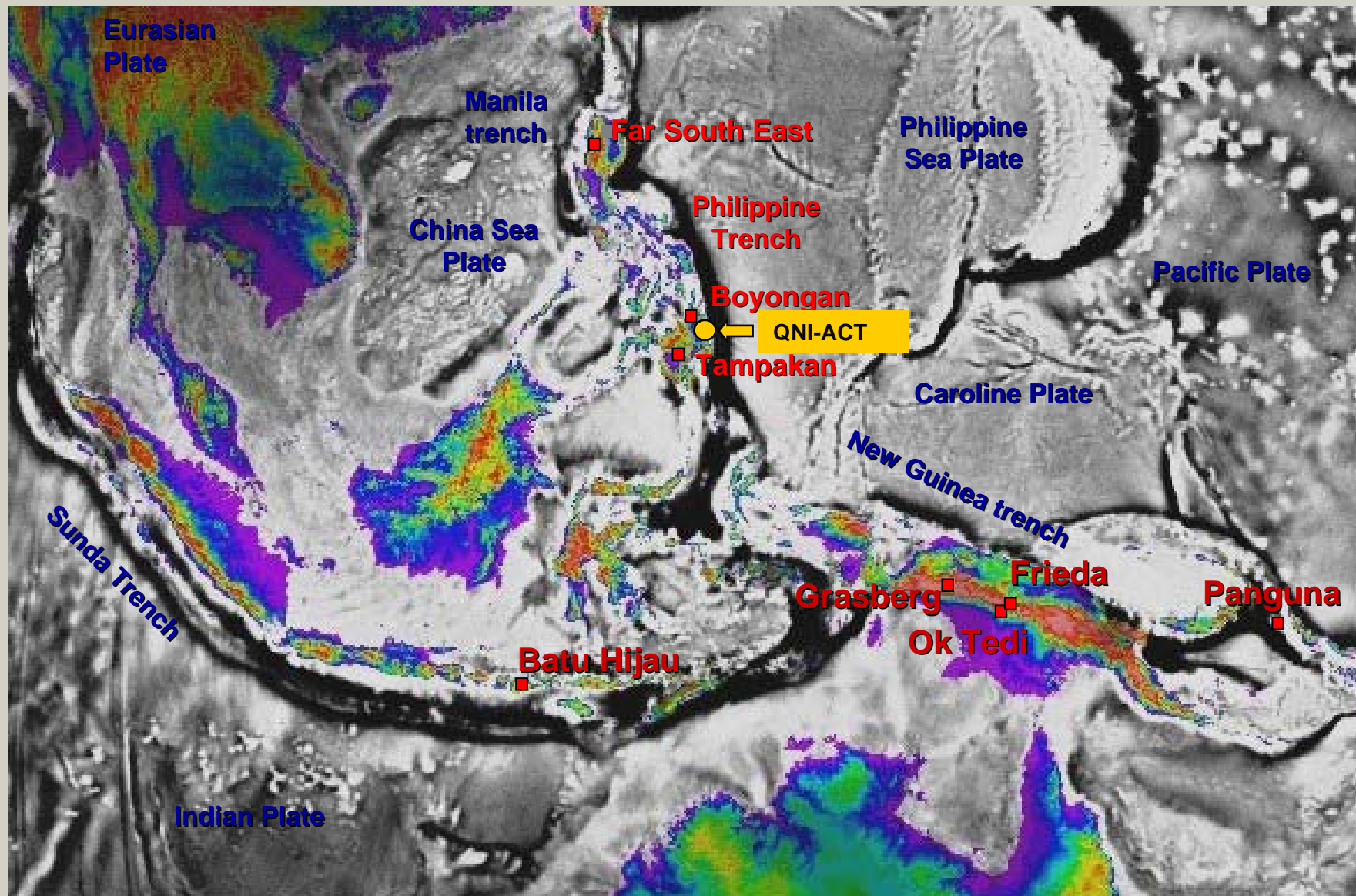


QNI Philippines, Inc.

17-18 November 2003



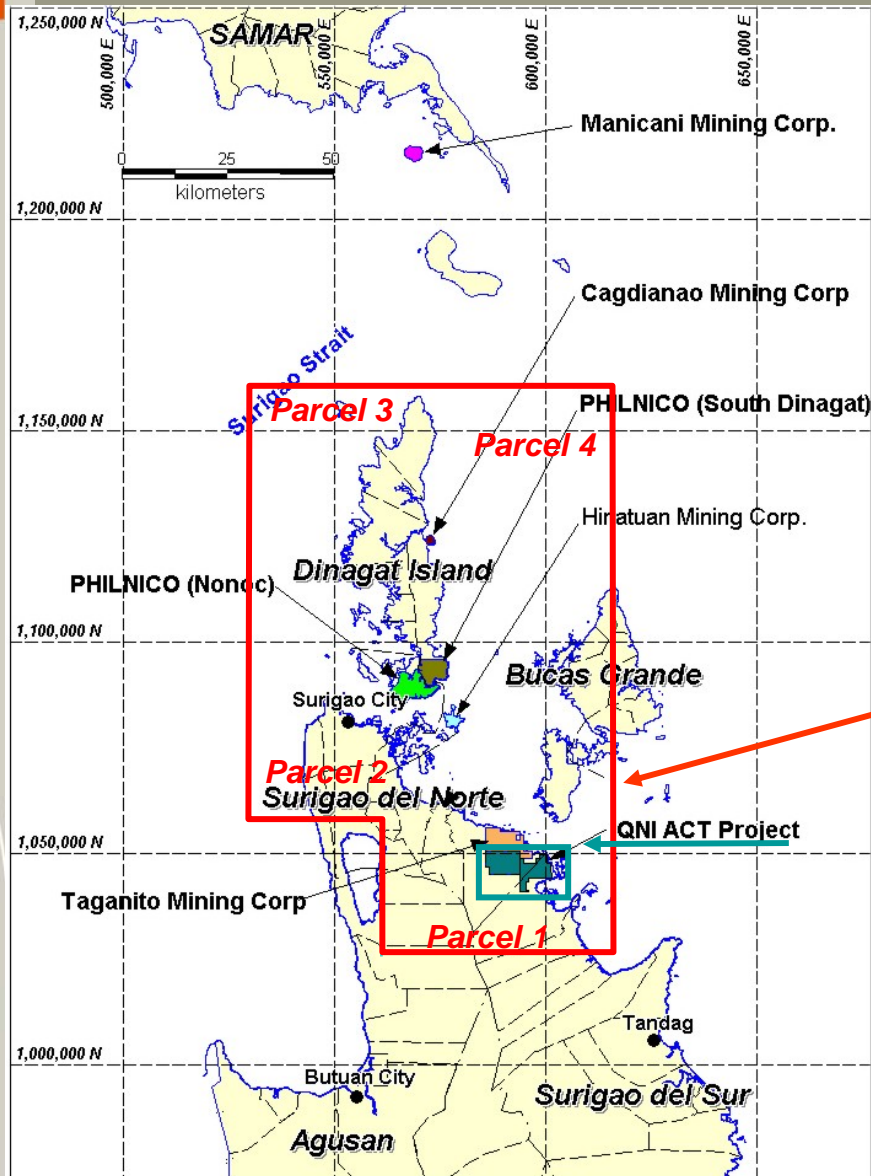
The Philippine's Tectonic Location



Location Map



Regional Map of Surigao



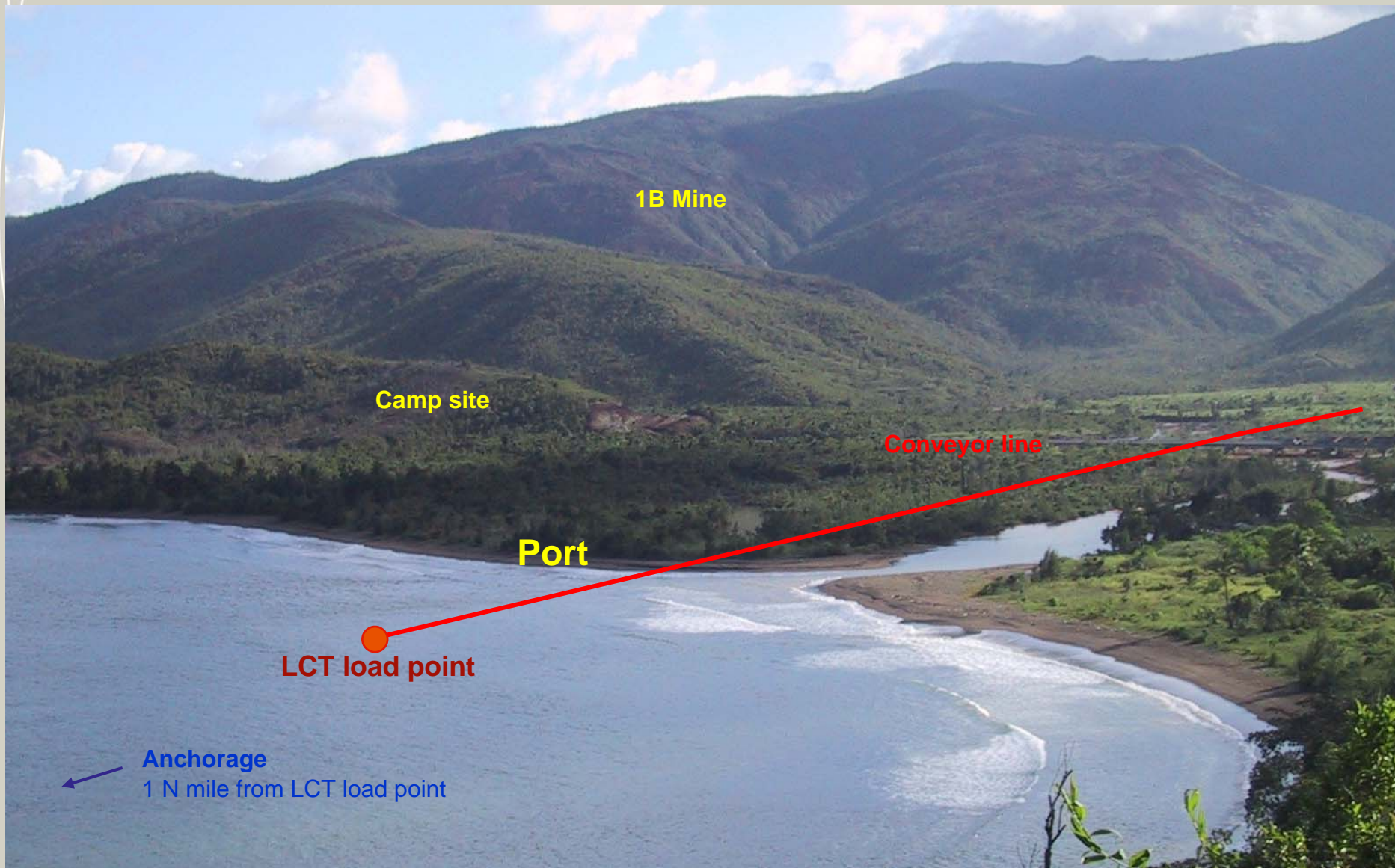
This map shows Surigao's nickel-iron region in Parcels 1-4 (Mineral Reservation), which has a total area of over 220,000 has. Most of the nickel mines are in this region.

ACT General Information

- Mining is the vital industry in Surigao region, being fishing and agriculture as secondary; skilled workforce is available
- ACT Project is the integration of mining claims in the localities of Adlay, Cagdianao and Tandawa, which are within the a Mineral Reservation. QNI is partner in the exploration that has just been completed
- The region has been an established resource area of copper, gold, lateritic nickel and chromite. The Nonoc Island Ni refinery operated in 1974 to 1986. A number of exploration companies are operating in the region.
- The population totals some 600 people in the ACT impact communities.



ACT Plan (Surigao; SE View of Hinadkaban Bay)



Resource *(smaller deposits excluded)*

Deposit	Class	Mdt	Ni (%)	Co (%)	Fe (%)
Caga4	Limonite	6.77	1.37	0.18	48.2
	Saprolite	5.97	1.82	0.03	13.3
	Total	12.74	1.58	0.11	31.8
Adlay 1b	Limonite	2.29	1.34	0.16	45.6
	Saprolite	3.29	1.80	0.03	13.2
	Total	5.58	1.61	0.08	26.5
Total	Limonite	9.06	1.36	0.17	47.5
	Saprolite	9.26	1.81	0.03	13.3
	Total	18.32	1.59	0.10	30.2

Cut-off Grade: **Limonite = 1.2%Ni**

Saprolite = 1.6%Ni

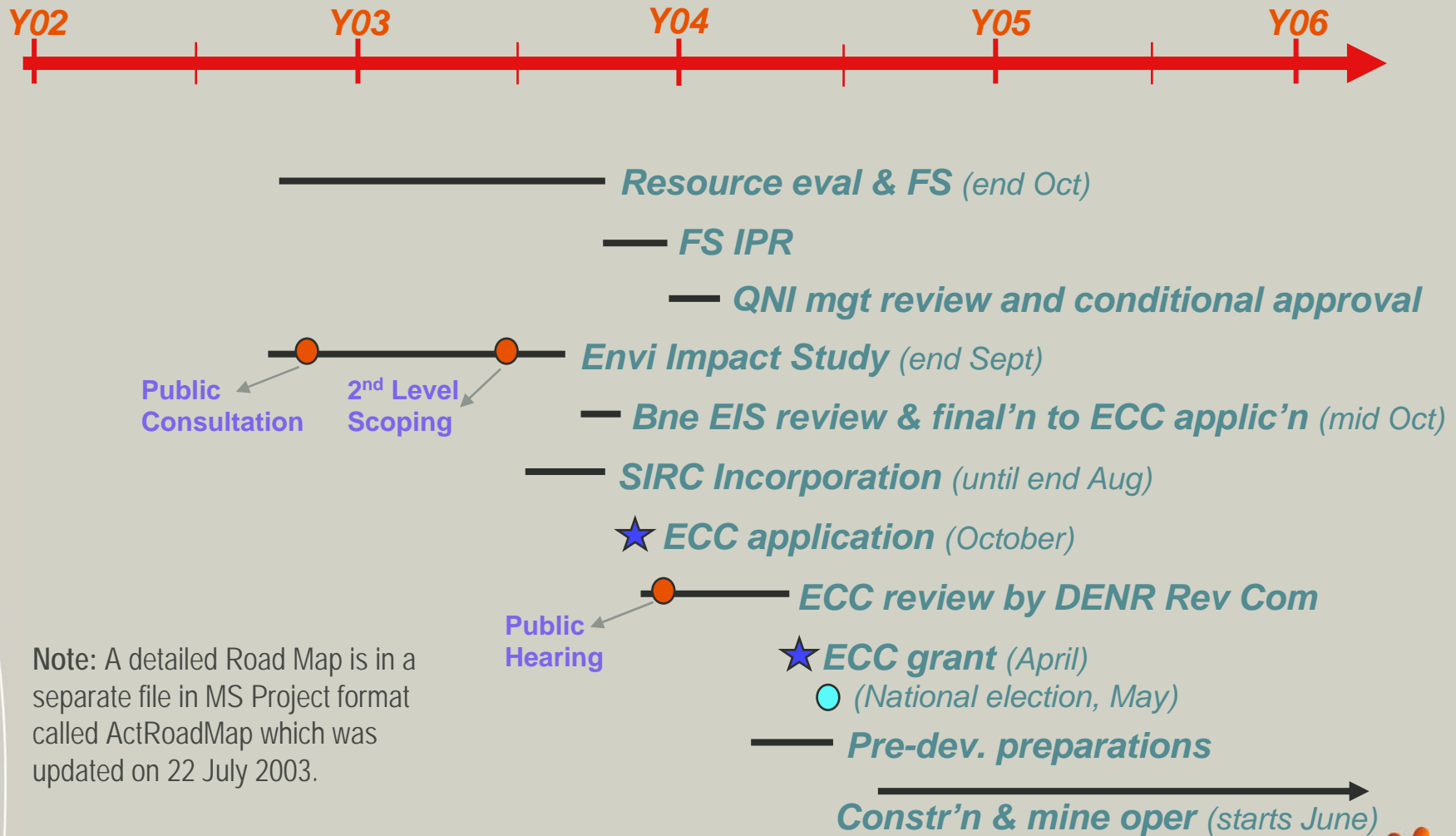
Project Phases and Current Status

1. Reconnaissance
2. Detailed exploration/drilling
3. Envi impact study & feasibility study
4. ECC application
5. Full government and management approval
6. Construct, develop, operate mine with progressive rehabilitation
7. Decommissioning (end of mine life)

Current
stage



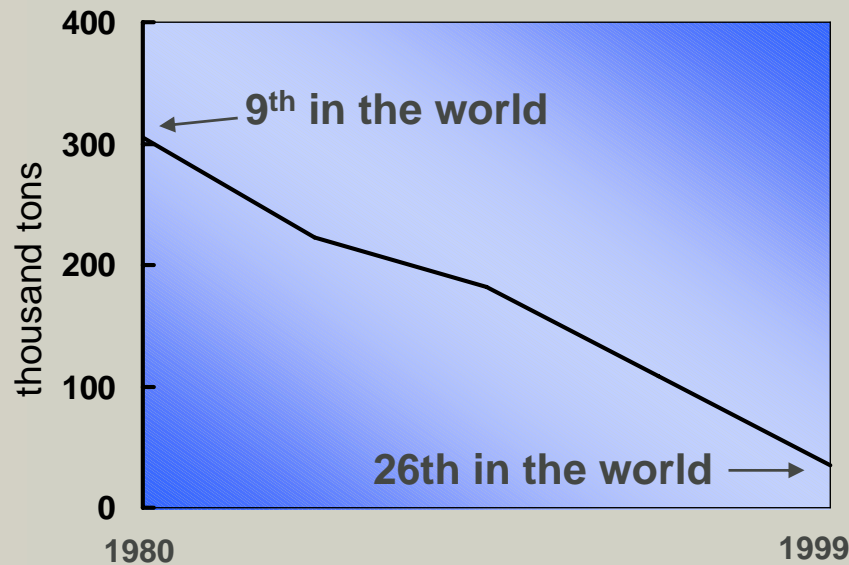
General Project Timeline



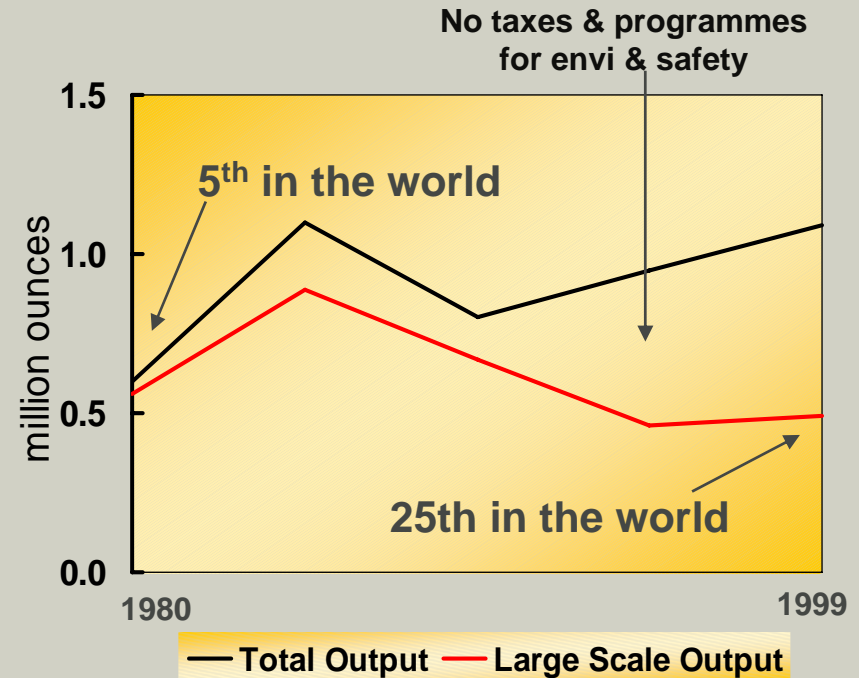
Note: A detailed Road Map is in a separate file in MS Project format called ActRoadMap which was updated on 22 July 2003.

THE MINING INDUSTRY IN THE PHILIPPINES

Historical Insight: Major Metallic Production



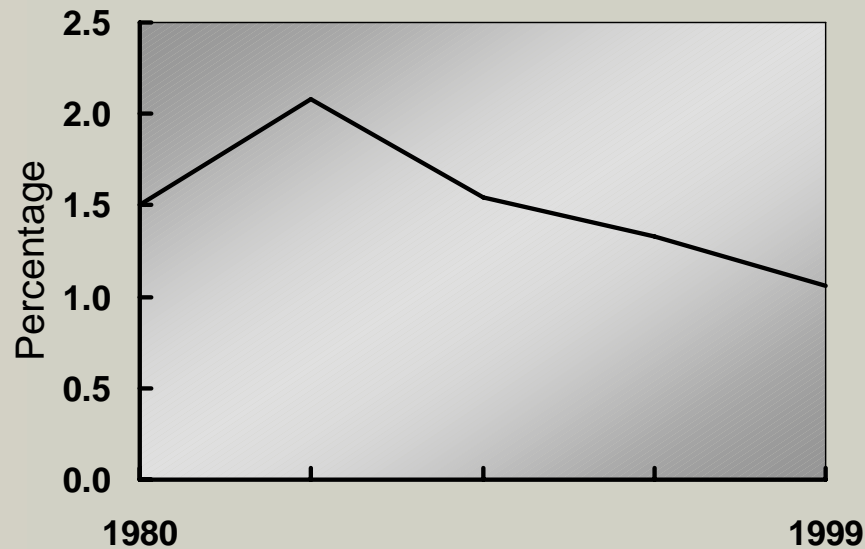
Copper Output (tons)



Gold Output (ozs.)

There has not been a new major Cu & Au mine since 1990's.

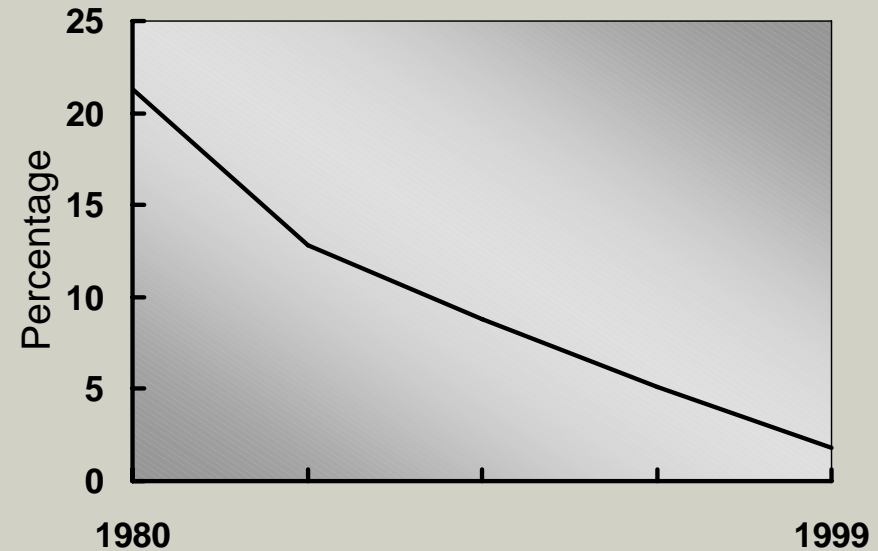
Contribution of Mining to National Economy



% to GDP

1980 = 1.50 %

1999 = 1.06 %

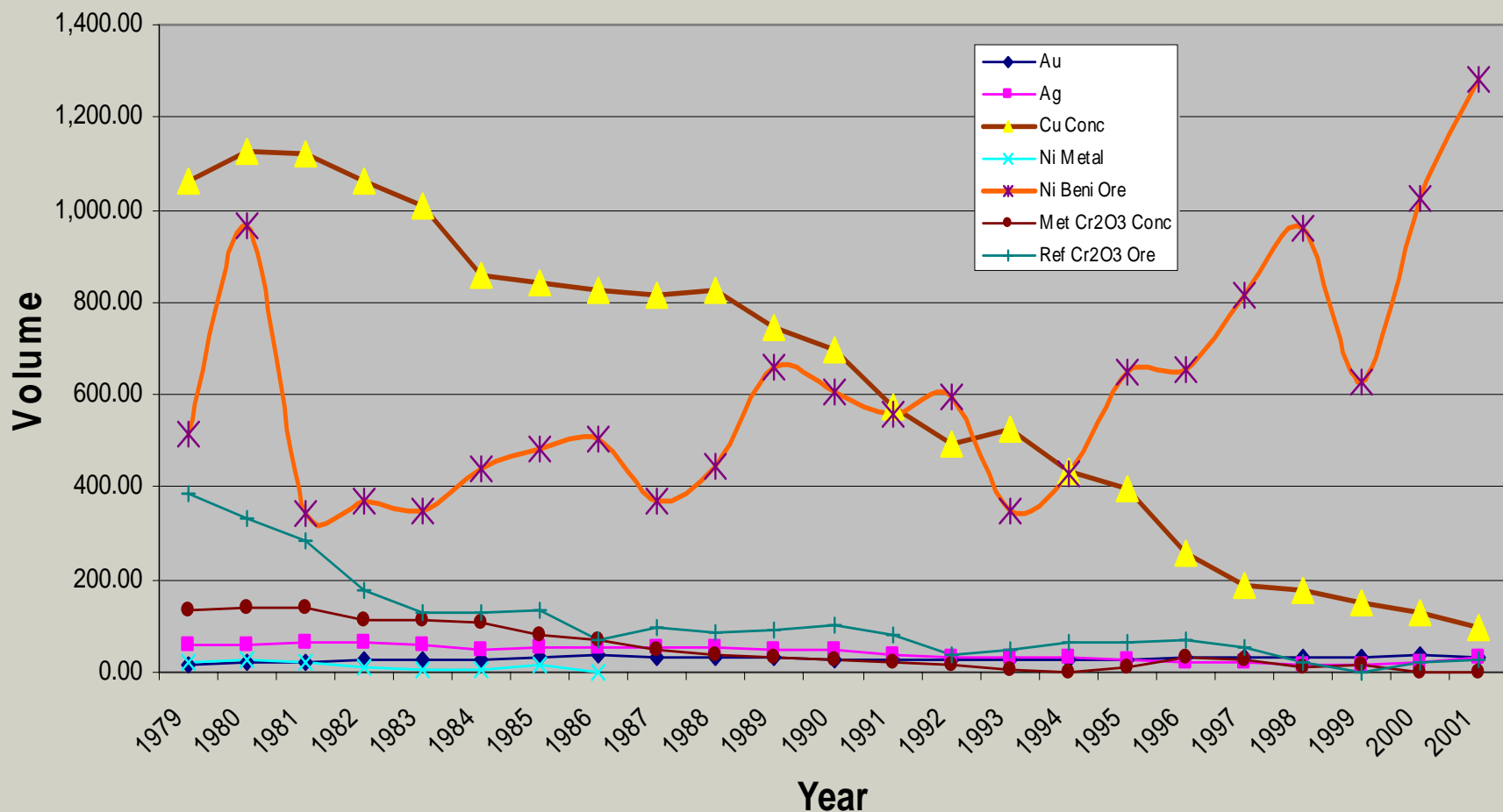


% to Exports

1980 = 21.33 %

1999 = 1.84 %

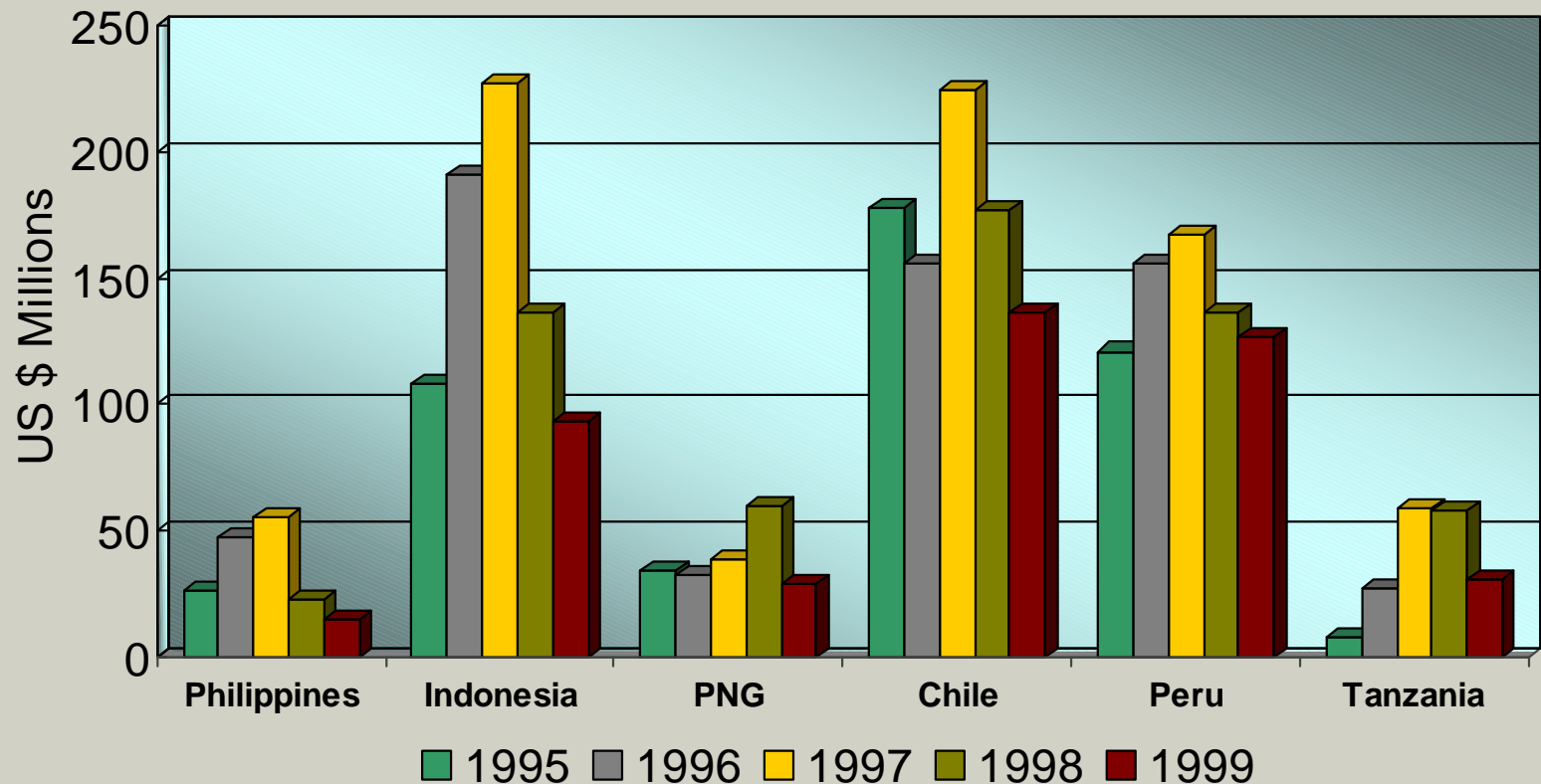
Philippines Mineral Production



Ni has been produced by the traditional mines that are controlled by a family

Investments in Mineralised Developing Countries

EXPLORATION EXPENDITURES



WHAT SEEMS TO BE WRONG?

Reasons Why Mining Projects are Being Opposed

- “Sins of the past” that snowballed negative perceptions
- Insensitivity of mining firms to the needs and aspirations of the stakeholders, thus a low public acceptability
- Insulation of the major mining companies from the host communities, thus preventing participatory engagement
- Unclear mining policies and inability of the government to amend/enact laws because of public opposition
- Lack of sound governance in which many private enterprises contribute to inefficiency

The Bottom-line of Opposition

The lack of models for corporate environmental and social responsibility among mining firms, thus.

- The non-governmental organisations that drive the opposition groups have been effective in portraying mining as a major contributor to environmental and social degradation. There have been a number of mining disasters and there was not substantial upliftment in the quality of lives of local people.
- There has not been an outstanding performance of firms that could be related to real sustainability in terms of health, safety, environment and community upliftment.
- The government has therefore taken the “tolerance” rather than the promotional mode in respect of mining.

Sustainability as a Question

- Bruntland Commission's definition:

"Meeting the needs of the present without compromising the ability of future generations to meet their needs."



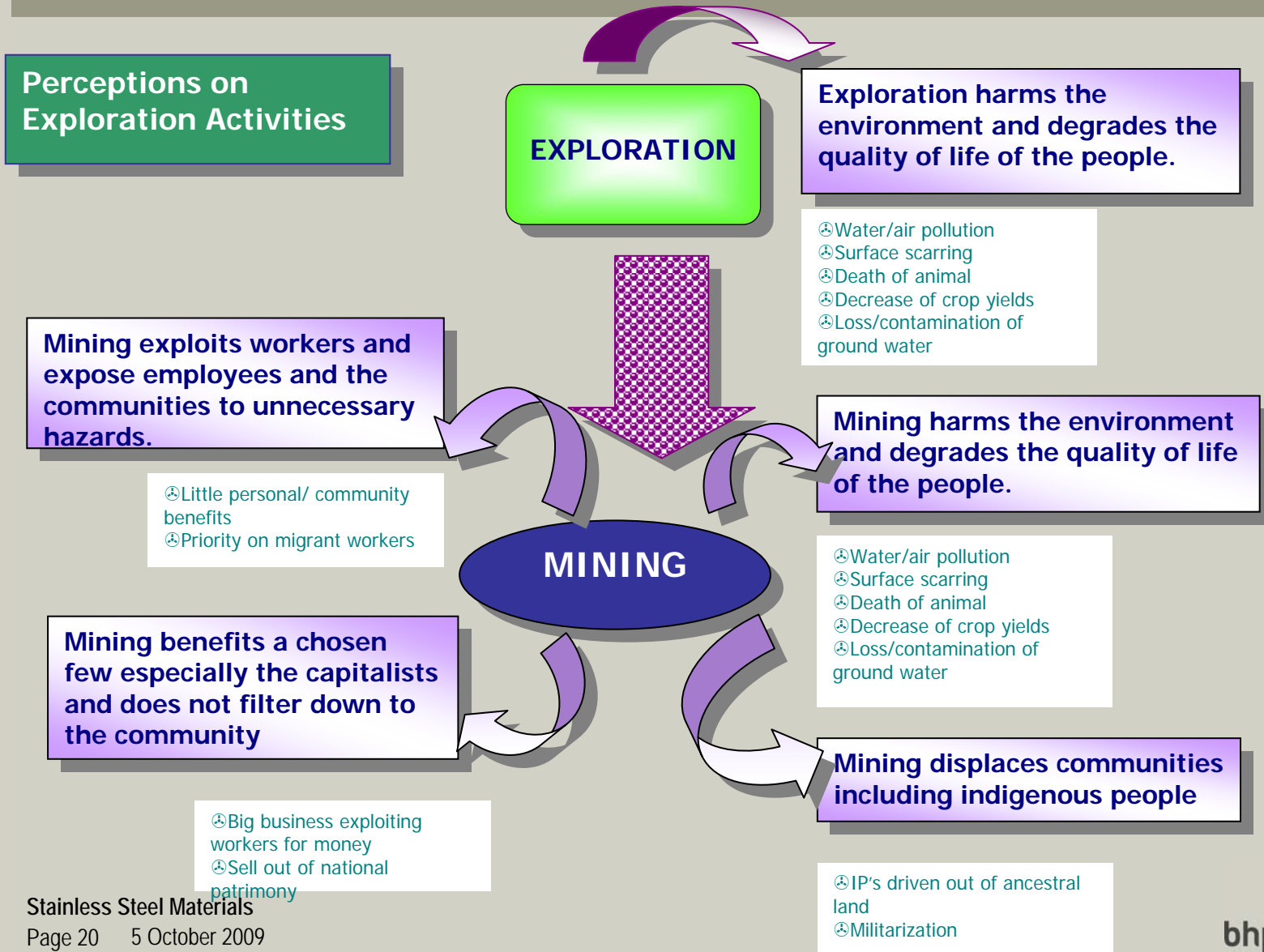
- Sustainability does not equate to project longevity

As a Result

Areas endowed with natural resources could not develop and leads to:

- Lack of investments due to risks, thus further economically dislocate remote and marginalised communities.
- Deteriorated peace and order problem in poverty-stricken regions
- Lack of infrastructural development and basic government services
- Migration of aspiring and better educated mass to urban areas
- Generational chain of poor education and under-development of skills of workforce to match changing industry requirements.

The Mining Issues in Spotlight



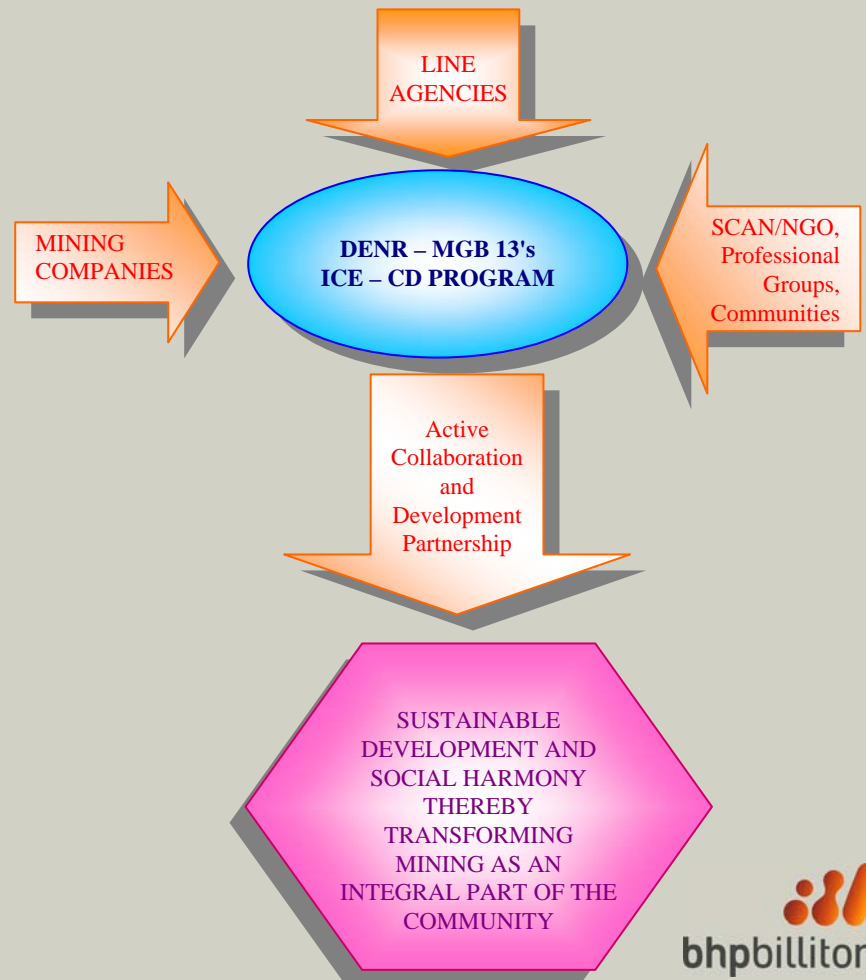
QNI's Approach: Reverse Negative Perceptions

- ✓ **Encamped** and assimilated in the local communities
- ✓ Provided government linkages for the delivery of basic services
- ✓ Conducted Filariasis treatment and other medical missions
- ✓ Participated in educational and sports programmes
- ✓ Sponsored sanitation campaigns
- ✓ Continuously undertakes initiatives in replanting of trees
- ✓ Shared with the community the water supply piped to QNI's camp.
- ✓ Work and family values re-orientation of local employees for emulation by the community.

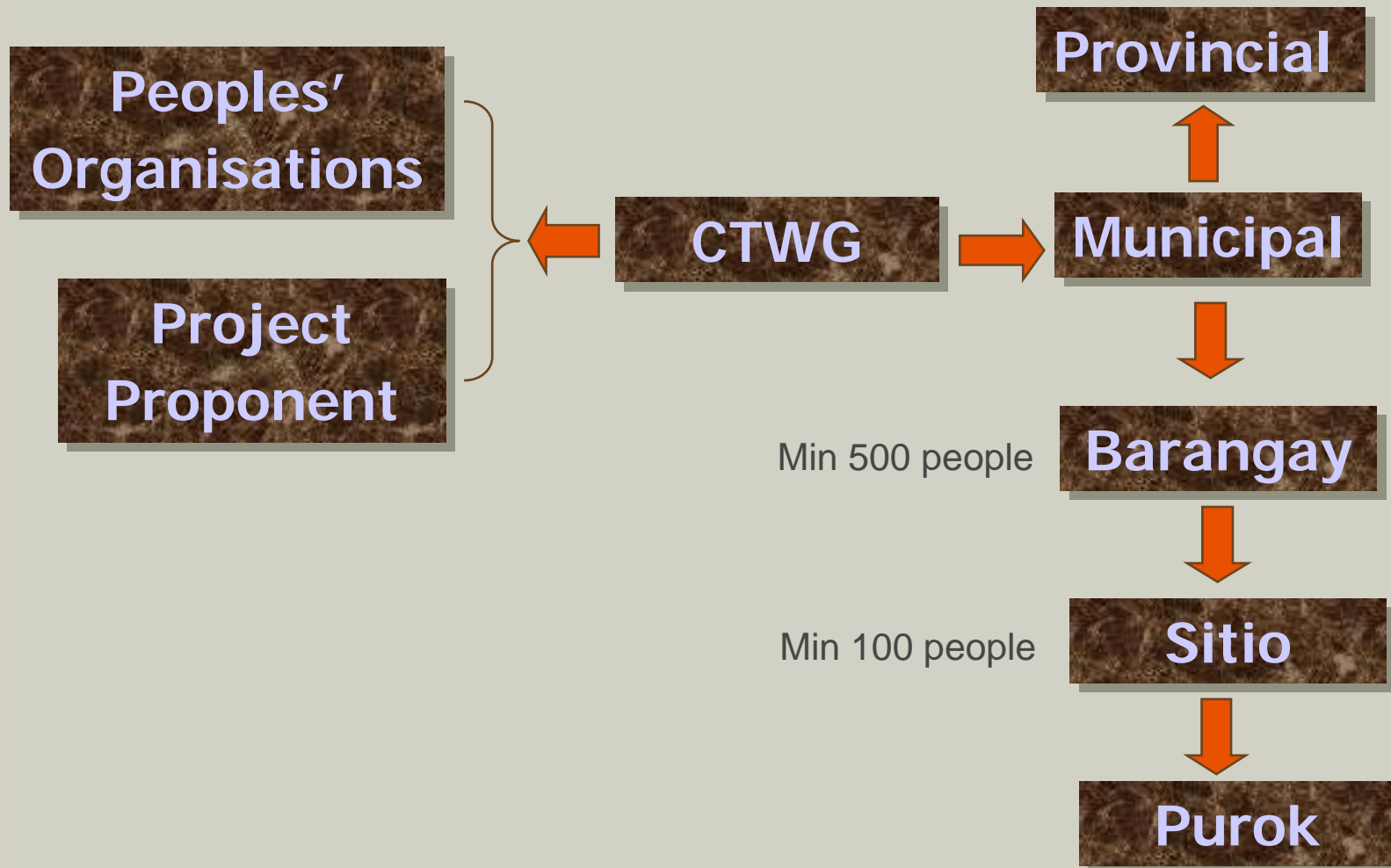
QNI's Approach: a test case

Participatory engagement of community leaders by forming Community Technical Working Groups (CTWG)

CTWG is a congregation of multi-sectoral leaders in the communities of impact. It is an extension of the regional working groups where people could congregate to participate, learn and resolve community issues/concerns that are related to any project in respect of livelihood, education, health, environment and values. QNI and partners signed MoAs with 2 CTWGs in the impact communities.



CTWG Interaction Flowchart: an Initiative



Agreed Main Tasks of the CTWG

- As a consultative body at municipal level to engage constituents in consensus building activity relating to vital community-related issues/concerns
- Link of the various peoples' organisations to the government agencies and industry leaders in locality
- Review and evaluate projects for higher and lower level endorsements
- Conduct skills, entrepreneurial development and management training of leaders and members of the community.
- Monitor projects at pre-ECC approval stage

CTWG' Composition

- Regional officer of the Department of Mines Bureau
- Department of Environment's local agencies
- Local government units (Provincial, Municipal and Barangay)
- Environmental NGOs
- Peoples' organisations
- Other relevant government line agencies
- Religious sectors
- Project proponent (QNI with partners)
- Other leaders of sectors such as indigenous peoples, recognised business organisations, etc.

The CTWGs in the respective municipalities have been formed and are conducting their regular meetings on a bimonthly basis. It independently elects its officers and any new member to the group.

Social Interaction at Work Through CTWGs

QNPH participating in meetings to reply to queries from community members.



Briefings and orientations given by resource people nominated by CTWG

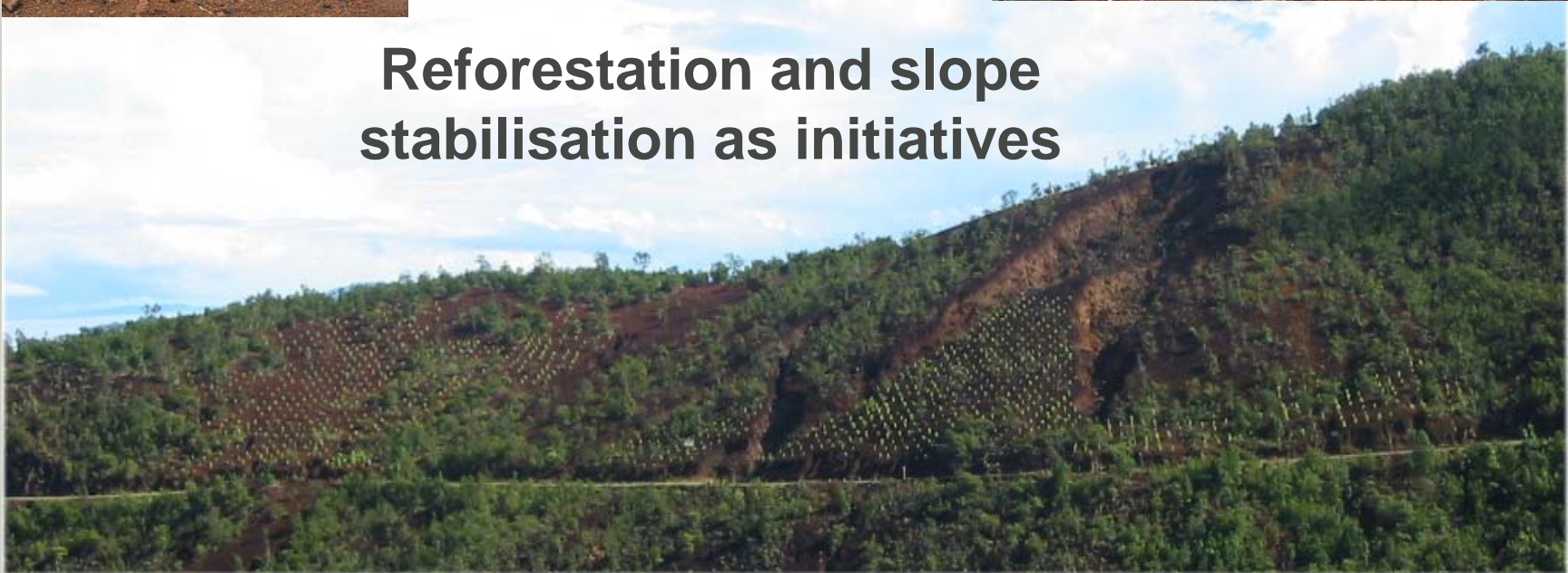
Germination of Endemic Species of Plants



Environmental Programmes



Reforestation and slope stabilisation as initiatives



Tangible Efforts impacting Daily Lives of People

Desks for schoolchildren

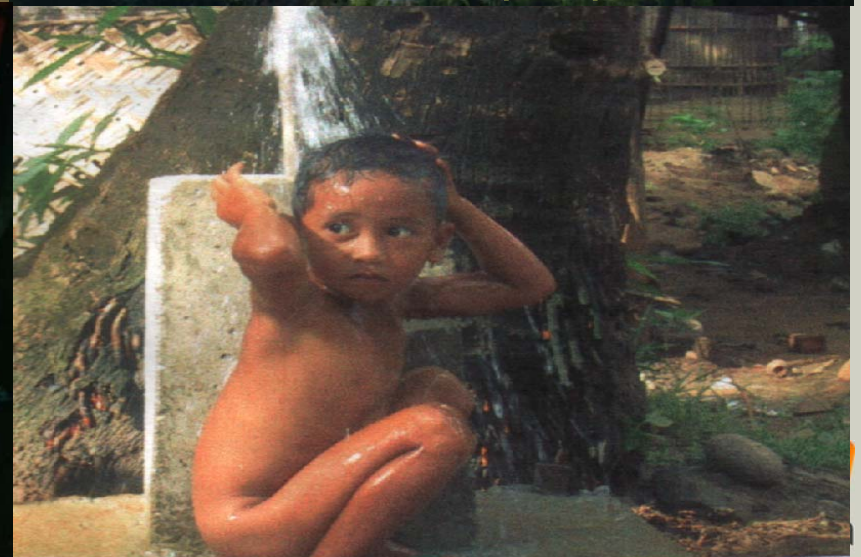


BRGY. RESERVOIR
FRONT. ELEVATION



Water supply and health
for the local people

Waste management & sanitation



Proactive Role in Community Building

- ✓ Enhancing friendship through sports development
- ✓ Values formation that emanate thru QNI employees



Social Responsiveness as a New Paradigm Shift



People look at the corporate entities to contribute in improving the quality of their lives as a share in the development of the natural resources in their communities.

An example of multi sectoral and holistic community programme that ACT may adopt through a volunteer organisation



Conclusion

- The high HSEC standard of BHPB that is being implemented in managing all the site of exploration activities has been at the forefront of QNPH's undertakings. Immersion in the project's communities, transparency and, true concern for people and environment have been the effective vehicles in transforming the negative perceptions at least at project level.
- QNPH is garnering increasing approval rating that has reached an unprecedented **96%** based on headcount within the affected communities. This is because of the participatory engagement with the local people.
- The emerging new mining companies will have to adopt HSEC excellence as the communities play an important role for projects to get full approvals
- The government and the mining community has awarded QNPH as one of the best performers in terms of HSEC.
- A full mining permit will have to be granted and all the above should speak for the project

QNPH as an HSEC Awardee



Project's Turning Points

- ✓ Timely completion of FS and EIS within budget
- ✓ Project's viability based on FS findings
- ✓ Favorable findings of BHPB risk assessment
- ✓ Initial management support
- ✓ **Host communities' acceptance of the project**
- ✓ Target grant of Environmental Compliance Certificate before mid of year 2004
- ✓ Full government and management approval to implement mining programme.

END

Initiatives for Communities' Well Being

- ✓ Live and assimilate with the local communities
- ✓ Provided government linkages for the delivery of basic services
- ✓ Initiated Filariasis treatment and other medical missions
- ✓ Piped water to the whole community where QNI personnel camps
- ✓ Education on waste management and sanitation
- ✓ Sponsored education and sports-related campaigns in the host communities, which proved to be very effective
- ✓ Work and family values re-orientation of employees for emulation of others; work with the Church