

RESPONSIBLE MINERAL DEVELOPMENT AT THE XIETONGMEN PROJECT

Questions and Answers on the status of the project, sustainability and corporate social responsibility

Continental's Health & Safety and Sustainability policies can also be found in the company's Corporate Governance Manual.

Status of the Xietongmen Project

1) Has mining begun? What are the current activities on the ground?

No, mining has not begun. Construction of mine facilities has not yet commenced because we are awaiting receipt of the mining license permit. In the meantime, we are working on detailed engineering, which is the next phase for a project once feasibility has been established. During this period, mine design elements and equipment specifications will be finalized.

Current activities on the ground are focused on advancing our environmental and community outreach programs. We are continuing with environmental baseline studies such as air quality, precipitation and hydrology, meteorology and stream sediment movement. Furthermore, we continue to study the local black necked crane populations and their habitat usage to supplement our knowledge on current conditions and to further refine our mitigation plans.

Our community programs focus on building local capacity and maintaining traditional lifestyles. One of our goals is to create opportunities for additional education and skills development. Some of our recent programs have included:

- *Donations of medical supplies, including an ambulance, and training for local Tibetan doctors;*
- *Scholarship programs for children to pursue post-secondary education and contributions of materials and supplies to the local schools;*
- *Driver training, as requested by local villagers;*
- *Donations of construction materials for and training on the use of greenhouses;*
- *Community infrastructure improvements such as electrical hookups and support for construction of community buildings;*
- *Support for enhanced agricultural productivity through the construction of threshing grounds and irrigation systems; and*
- *An animal husbandry initiative to introduce livestock that are healthier and more disease resistant, as well as training local people in basic veterinary care.*

Employment and Training

1) What steps will be taken to hire and train local people and maximize local employment opportunities?

We use a number of different approaches to recruit local people. For daily casual laborers, we go to the local communities and tell them how many people we require. The local communities have their own methods of ensuring people in the villages have fair access to these local employment opportunities, and we end up with a good mix of women and men.

For technical and professional employment, our community relations team advises the local communities about these opportunities and we also use a variety of advertising methods. We place job ads in local and regional newspapers, and post them on employment websites and at university employment centers. Typically, we require fluency in Tibetan as well as Mandarin which encourages local applicants. We find that word of mouth through the local network is one of the most effective means for us to find qualified local people.

The company supports a number of training initiatives, such as professional education courses for its staff and skills development for members of the local community which have included programs on agricultural practices, animal husbandry and driver training. We have also sponsored advanced medical training for local Tibetan doctors. In addition, we have implemented a scholarship program for local young people who want to advance to higher education.

In preparation for mine construction and production, we have initiated the development of a comprehensive employment and training plan that addresses local workforce realities and challenges. The plan will focus on developing skills needed for the construction, operation and closure of the mine. The objective is to implement strategies that address the education and skills gaps for the local population in order to maximize employment opportunities.

2) As a percentage of total employees, how many local people are currently employed?

Fifty-five percent of the full-time employees at our site office are Tibetan, about half of whom come from the local area or Lhasa. On a weekly basis, we have been employing up to 70 local people to assist with environmental baseline studies and other work around the project site.

3) Are there employment standards developed for equitable hiring practices, wage and compensation levels, hours of work, age of employment, fair treatment of employees, respectful workplace and dispute mechanisms?

We comply with country laws on employment standards, which cover wage and compensation levels, hours of work, age of employment and organization of employees' unions. The introduction of the new Chinese Labor Law in January 2008 has formalized protection for workers. The new labor law clarifies employee rights for both workers and employers leading to a more stable workforce and greater retention of workers. Employers will now have a solid foundation on which to invest in human resource development. The law integrates modern management methods that promote a more-balanced labor relationship.

We continue to implement policies and practices that go beyond what is required by law. For example, we have an internal process for raising complaints and resolving disputes. If these complaints cannot be resolved internally, there is an external process, managed through the Labor Bureau, which provides for investigation, mediation or arbitration of disputes. We also have a code of conduct that is mandatory for all employees and contractors, which covers employee conduct with colleagues in the workplace and with local community members.

Further systems will be put in place as the operation advances to the development stage and employee numbers increase.

4) There will be people employed at the mine from at least three different cultural backgrounds. How will you ensure a respectful workplace that fosters team development?

We realize the importance of maintaining a work environment that places a strong emphasis on respect and cooperation, which is why we established a code of conduct that addresses these issues.

We proactively work towards establishing a workplace culture that builds upon the distinctive backgrounds of people within the organization and does not tolerate discrimination, harassment or intimidation of anyone on the job.

A respectful workplace also comes through leadership; our managers spend a lot of time reinforcing teamwork behavior. We build departmental teams made up of people from different ethnic backgrounds, led by Canadian, Han or Tibetan individuals.

As a result, there are examples of successful team building within our project departments, among them and between the company and local communities. We have coordinated and implemented environmental and community programs where people from diverse backgrounds and speaking different languages work with local people as part of a team. One such success story was the site hydrology studies, which were led

by external technical experts, supported by local labor, who are not fluent in Mandarin or English. Taking environmental studies from design to implementation required a coordinated and cooperative approach involving interpreters and the commitment of all members of the team.

In addition, our community relations team works closely with the other departments to help them learn about and understand local views and customs. More formal cross-cultural training will be part of routine site inductions for new employees during mine construction and operation.

Health and Safety

1) Is there a Health and Safety Policy for employees and local communities?

Yes, we have established a Health and Safety Policy that applies to all our employees.

HEALTH AND SAFETY POLICY

Safety for our employees and for the communities in which we operate is the priority.

Continental believes that all accidents and injuries are preventable and our goal is to achieve an injury-free workplace. We also believe that a safe workplace can only be achieved by working in partnership with our employees, contractors and communities in which we operate – together we are all responsible for safety.

Continental's contribution and commitment towards achieving a safe work environment is as follows:

- Provide plant and equipment which is operationally safe, by installing necessary safety devices and maintaining plant and equipment in a safe conditions;
- Formulate, communicate and implement systems to effectively identify, manage and monitor health and safety risks;
- Ensure managers and employees and contractors have a clear understanding of their responsibilities for taking positive actions to improve health and safety;
- Train employees and contractors in safe working procedures, provide the appropriate protective equipment and ensure procedures are actively practiced;
- Maintain effective emergency response systems and regularly train emergency response teams;
- Promote initiatives to continually seek ways to reduce safety and health risks;
- Promote a zero tolerance approach to the neglect of proper implementation of safety and health standards and procedures;
- Promote a zero tolerance approach to the use of cellular phones by any drivers of the company;
- Provide a respectful workplace that is free of bullying, intimidation or discrimination;
- Monitor and report on safety performance.

In addition to the Policy, we are developing both an Occupational Health and Safety Plan for employees and a Community Health and Safety Plan for local and relevant regional communities.

The company has had an ongoing safety program during exploration, however, during construction and operation a far more comprehensive program will be required due to the nature of the activities that employees will be involved in. This Occupational Health and Safety Plan will be implemented with staff and contractors prior to commencement of construction.

The Community Health and Safety Plan will be developed in consultation with local communities, relevant government departments and agencies and would identify and address risks associated with traffic, potential accidents, exposures to hazardous conditions including natural hazards and communicable diseases. The effectiveness of the plan will be monitored with community input and as part of regular social and environmental system review. It will be fully operational prior to commencement of construction. This plan will complement the Emergency Response Plan.

2) Does the company have or intend to have joint management and employee safety and health committees?

Joint employee-management safety and health committees are standard practice for mining operations and we will implement them at Xietongmen.

3) Will safety and health documents be translated into Mandarin and Tibetan?

Yes, safety and health documents will be translated into Mandarin and Tibetan.

Environmental Sustainability

1) What is the company's policy with respect to Sustainability?

SUSTAINABILITY POLICY

Continental and its subsidiaries are committed to developing projects in a manner that protects the environment, is respectful of local culture, tradition and values, and contributes in a sustainable way to the livelihoods of local communities.

Continental will undertake the following actions throughout project planning, construction, operation and closure phases:

- Actively consult with local communities and other key stakeholders in a manner that enables timely and ongoing, meaningful and respectful two way dialogue on project plans, effects and opportunities;
- Implement programs that protect worker and local community health and safety from risks related to the project's activities;
- Assess the environmental and social impacts of the project; develop, implement and regularly review associated management systems with the objective of continual improvement;
- Apply appropriate natural resource conservation measures such as reduce, reuse and recycle;
- Develop and support programs that support biodiversity;
- Foster a workplace that is free of discrimination and respects personal rights;
- Contribute to local sustainability by working in partnership with local communities implementing development programs that improve local capacities and incorporate community aspirations and culture;
- Optimize local project benefits by implementing sourcing policies and programs for purchasing, hiring and training that give priority to local people and businesses based on sound business principles;
- Where resettlement of households is required, work with relevant government authorities, and in consultation with those affected, to develop resettlement action plans that are consistent with country laws and international best practices;
- Comply with country laws and company policies and codes and strive to apply international best practices in the conduct of business;
- Actively engage employees and contractors to understand their role and responsibilities in implementing environmental and social responsibility programs;
- Regularly report on our environmental and social responsibility activities and performance toward goals.

2) How do / will you ensure that the policy is implemented?

We have developed a Social and Environmental Management System that outlines the process for implementing the policy. This system includes a description of roles and responsibilities of various individuals within the different levels of the organization, the

process for planning and integrating community interests through engagement and the means of monitoring and reporting our environmental and social management performance.

3) Will the company have an environmental management system in place like ISO 14000?

ISO 14000 is an international standard for establishing environmental management processes. We do intend to have a management system similar to ISO 14,000. The only difference would be that we would integrate social issues management practices integrated into the system. So for instance, community and other stakeholder input through a consultation process would be an important aspect of how we identify environmental or social issues and establish plans to address them.

4) Has an environmental and social impact assessment been conducted for the project?

Yes, we have completed an environmental and social impact assessment that complies with international best practices. The document is currently under a third-party peer review.

5) How will water and wastes be managed at the project site? Will there be discharges to the environment? If so how will they be treated?

The mine project is designed as a zero discharge facility. Two key principles were used in the approach to designing the water management systems:

- *Minimize the amount of clean water that comes into contact with mining areas by diverting it;*
- *Collect all mine contact water in a closed-circuit system to protect the environment and to conserve water by reusing it in the mining process.*

6) Is there an emergency response plan for the project?

Field activities during exploration are very different from activities during construction and operation of a mine. Nevertheless, our focus to date has been and will continue to be on maintaining a safe working environment. We have also paid attention to vehicle traffic through communities and have trained on and reinforced good driving practices with our drivers.

The company takes safety and emergency preparedness very seriously. We have developed an emergency response plan for mine construction and operations. The plan identifies potential hazards and risk management measures for employees and the public. The plan will be implemented before construction begins and appropriate

resources such as equipment, budgets and trained manpower are in place. The plan also requires coordination with government authorities and the capacity development of local communities in order to ensure their preparedness to respond to local emergencies.

7) Who will monitor the environmental performance and will local communities be involved?

We have developed a plan for monitoring environmental quality. The results of this monitoring will be reported to internal and external stakeholders (i.e. government and communities). It is the company's intent to form a joint company/community environmental committee to regularly review the results of monitoring. A priority part of the plan is capacity building for members of the local communities in order for them to understand and meaningfully participate in discussions about the mine's environmental performance.

8) What will happen when the mine closes? Is there a reclamation plan?

Reclamation is an important part of mine closure that involves rehabilitation of lands disturbed by the mining process. This can involve recovering areas with new, clean soil and planting native vegetation. Mine closure involves demolition and engineering activities such as dismantling buildings and restoring natural creeks by constructing new channels over top of rehabilitated areas.

We were one of the first mining companies in China to submit a reclamation plan, which is required by law; the plan was approved in early 2008. In addition to the reclamation plan, the company has also prepared a closure plan that conforms to international standards as part of its environmental and social impact assessment report.

9) What about the cost of closing the mine? Is there some form of financial security to ensure funding is available through the life of the project to responsibly close the mine?

The Chinese government has recently implemented the requirement for a mining company to enter into mine reclamation funding agreement prior to commencement of construction. The form of the agreement provides financial assurance for covering the costs of closure and is consistent with 'bond-type' agreements between mining companies and governments in Canada. The fund is specifically for closure activities and is only accessible for that purpose. Contributions to the financial assurance account would be made prior to commencement of construction and at each stage in the mining process.

Corporate Social Responsibility

1) How does the current Canadian Government Strategy on Corporate Social Responsibility (CSR) apply to Continental Minerals and its activities in China?

The Government of Canada has developed a CSR strategy for the Canadian extractive sector operating abroad, informed by a series of consultations with industry, civil society and other stakeholders. The CSR strategy outlines a number of steps to promote corporate social responsibility which includes:

- *Promoting the use of internationally recognized CSR guidelines for Canadian mining companies operating in developing countries;*
- *Supporting the capacity development of governments in developing countries in order that they may more effectively manage mineral development and CSR activities;*
- *Setting up a center of excellence for companies to access CSR tools and training;*
- *Establishing an Office of an Extractive Sector CSR Counselor to assist stakeholders with CSR issues pertaining to the activities of Canadian extractive sector companies abroad.*

Continental management and its consultants have been involved in the activities leading to the development of the Canadian Government's CSR strategy. The company supports the goals of the strategy and already applies international best practices to its Xietongmen project.

2) How do other international social and environmental conventions that cover issues such as Human Rights, Environmental Protection and Protection of Workers apply to Continental's activities in China?

Many international conventions, treaties, declarations and protocols have been developed by organizations such as the United Nations and the International Labor Organization. In practice it is countries that adopt these conventions, which are then translated into policy, regulations or laws.

China has adopted many international declarations. For example, China has signed The Basel Convention on the Control of Trans-boundary Movements of Hazardous Wastes and their Disposal, the Convention on Biodiversity as well as the International Labor Organization's Minimum Age Convention. Continental must comply with the laws and policies of the People's Republic of China. With respect to the development of the Xietongmen project and operation of the mine, the company is committed to applying international best practices with respect to environmental protection, labor and working conditions, community engagement and sustainability practices.

3) To what extent have you consulted with local communities and would they meet the test of free, prior and informed consultation as described in the International Finance Corporation (IFC) Social and Environmental Performance Standards?

The IFC Social and Environment Performance Standards include eight comprehensive standards and guidelines that companies can implement to ensure social and environmental issues and risks are identified early and managed throughout project development and operation. A key component of the standards is active and ongoing stakeholder engagement. These standards are internationally recognized as a means of ensuring best environmental and social management practices are applied in developing countries.

We are committed to the principles of free, prior and informed consultation and are proud of the efforts we have taken to ensure that our engagement activities are consistent with these principles.

We have actively engaged the people in the local communities near the project since our exploration work began in 2005:

- We have consulted on planned programs in advance of undertakings, entered into land and water use agreements with local villagers, relocated planned drilling operations and access roads and made other program modifications when requested;*
- At times, we have deferred activities in order to facilitate more detailed discussions and to ensure that the local people understand our intentions and receive compensation as required by local legislation or beyond what is required as established by international convention;*
- We reach agreements through active negotiation with both the local authorities and the local population;*
- We have actively consulted local people about how a mine might best be developed in their area, listened to their concerns and created a development plan mindful of those interests and sensitivities;*
- Systems are in place for local villagers to communicate concerns about our activities and plans as well as their interests in community development programs.*

Economic Benefits

1) How are the economic benefits from the project, such as royalties and taxes, allocated among the different levels of government?

Financial benefits to the region will be generated through the payment of wages, purchases of local goods and services, and remittances for taxes, royalties and fees at the local, prefectural and provincial levels. It is our understanding that these benefits will be reinvested within the Tibet Autonomous Region (TAR).

At the local level, we intend to work with communities and government to develop capacity towards sustainable economic development that is not wholly reliant on the mine operations. In order for the initiatives to be successful, they need to be driven by local community's interests and build on existing capacity and knowledge. For example, a development initiative that builds on local capacity could relate to the production of blankets or rugs made from yak and sheep wool. There are several models of such successful, small scale, enterprises within the TAR region.

2) How will local communities benefit from the project?

We intend to continue with and expand on community development programs initiated during the exploration phase of the project. Our goal is to create benefits that continue beyond the life of the project.

In addition to direct employment and training, we are committed to developing a Community Development Program consistent with IFC Performance Standards in order to meet three main objectives:

- *Complement the mitigation that is being implemented to address potential social, economic and infrastructure effects and opportunities;*
- *Improve sustainable livelihoods in the local communities; and*
- *Support cultural heritage and traditional lifestyles.*

During consultation between the company and local stakeholders, numerous opportunities for community development were identified, from basic needs to livelihood, education and training programs and other economic development opportunities. More work is required to identify priorities and develop plans.

Collaborative planning for the Community Development Program will begin during the construction phase. Planning will commence with scoping of the program development areas with communities and local government. The focus of the initial scoping exercise will largely be on community basic needs, interests and capacity, as well as opportunities identified in the early stages the project development. Adequate funding will be established to implement plans and achieve the goals of the program.