



June 16, 2010

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Subject: Response to petition on PT Weda Bay Nickel

Dear Sirs and Madams,

As you know, PT Weda Bay has requested MIGA to consider providing insurance support to the detailed feasibility study stage of this possible mining project, during which analysis and assessments would be carried out to define better what the potential impacts might be, and how to address any potential negative impacts. MIGA staff were in Jakarta on June 14 and 15, and had hoped to meet with you to hear your views. It was unfortunate that you were not willing to meet with us, as a discussion would have allowed us to review together the concerns you have expressed on this project.

At this time, we unfortunately can only address the concerns you have expressed publicly in your March press release (issued at the beginning of MIGA's first mission to Indonesia to review this project) and in the similar Internet petition you posted and distributed. That Internet petition was distributed again on June 14. I would like to address a number of misunderstandings expressed in these documents, on issues which you provide as the rationale for your opposition to this project (where the quotations are from the English version of the Internet petition):

- 1) You say that "About 21% of the proposed mine area is located in protected areas including nature and wildlife reserves of the Lalobata and Aketajawe National Park. Mine plans include clearcutting 35,155 ha of protected forest for the mine.": However, none of the contract of work area is in any National Park. Furthermore, mining operations will involve new mining of about 60 ha each year, along with revegetation of about 60 ha per year, with mining covering a total of about 1,800 to perhaps 2,000 ha over thirty years. There will not be any clearcutting of 35,155 ha of forest.
- 2) You say that the operations will be "consuming large amounts of energy" and "is fossil fuel intensive": However, the operations will not be a large net user of energy, as the closed loop chemical process used to process the ores generates a substantial amount of heat,



which will be recycled into energy production by the company to supply all the major needs of the plant.

- 3) You say that "the mine plans to dump their tailings into Weda Bay, thereby threatening the existence of the entire island of Halmahera, North Maluku.": However, this too is incorrect. No tailings dumped into Weda Bay or any other body of water. All residues will be dried and then stored on land, to be progressively covered and revegetated.
- 4) You also state that "PT Weda Bay Nickel plans to use the controversial sulfuric acid heap leaching process": However, the company will not use any heap leaching process. Rather, ore processing will be a closed system, newly developed for this project.

These are important misunderstandings on this project, and we can see that with such misunderstandings, anyone would have concerns on such a project. Fortunately, they are misunderstandings, and do not reflect how this project has been designed and structured to address such potential issues.

We would still note that this is a major potential project, and such major projects can have major impacts, both good and bad. We have held discussions with local villagers near the project site in Halmahera as well as discussions last week with various groups (including NGOs) in Ternate. This local population is highly supportive of the project, as they look forward to the availability of well paying jobs and other economic opportunities such a project would provide to them. However, they also recognize, as we do and as PT Weda Bay Nickel does, that it is critically important that the potential impacts of such a major project be carefully assessed, with possible issues then addressed. That is precisely one aim of the feasibility study stage of the project (along with further exploration work and the testing of alternative methods, such as for revegetation) for which MIGA has been requested to provide support. No decision is being sought at this time on the construction and operation of the mine itself, as that decision will not be taken until the feasibility assessments are completed. It is extremely important that these assessments and other studies, and the plans that are then formulated based on them, are done carefully and well.

We hope there can be discussions on the project with you in the future. MIGA posted on its web site on April 29 an Environmental and Social Review Summary (ESRS) that provides a good deal of detail on this potential project (in both Bahasa and English), and in that document there are also web addresses for more detailed reports, including the ANDAL. Should you have any comments on the project or other information you would like to convey to us, we hope you will do so.

Sincerely yours,

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