Oyu Tolgoi Project
Ivanhoe Mines Mongolia Inc. (IMMI)

Community Relations and Sustainable Development Department

Annual Report 2006
Table of Contents

EXECUTIVE SUMMARY

BACKGROUND

CRSD STRUCTURE

GOAL & OBJECTIVES

COMMUNITY PROGRAMS

COMMUNITY EDUCATION AND TRAINING PROGRAM
COMMUNITY HEALTH PROGRAM
SMALL AND MEDIUM BUSINESS DEVELOPMENT PROGRAM
CULTURAL HERITAGE AND PRESERVATION PROGRAM
HERDER SUPPORT PROGRAM

KHANBOGD URBAN AND COMMERCIAL DEVELOPMENT

COMMUNITY SUPPORT TO LOCAL ENVIRONMENTAL INITIATIVES

COMMUNITY GRANTS PROGRAM

LOOKING AHEAD

CONCLUSION

APPENDICES

- REVIEW OF “GOBI SCHOLARS PROGRAM” PRESENTATION
- REVIEW OF “DOCTORS SPONSORSHIP PROGRAM” PRESENTATION
- REVIEW OF “DOCTORS HOUSING PROGRAM”
- PRESENTATION & ANNUAL REPORT ON DIAGNOSTIC EQUIPMENTS
- SUMMARY OF KHANBOGD INVESTMENT
- PRESENTATION ON HERDER RELLOCATION PROJECT
- ARTICLE ON ARDIIN ERKH NEWSPAPER
- SUMMARY OF THE QUESTIONNAIRE ON GROUND WATER USAGE FROM NOMGON, MANLAI AND BAYAN-OVOO SOUMS
- TIM’S PRESENTATION OF IMMI PROCUREMENT COMMITMENT
- KB INVESTMENT
Executive Summary

In November 2005 the following was written to guide the Oyu Tolgoi project’s Community Relations and Sustainable Development department’s work in 2006:

Purpose and Structure:
The two-fold purpose of the IMMI CRSD Department is to build and maintain open and productive relationships with communities near Oyu Tolgoi and throughout the Gobi region, and to provide strategic financial and technical assistance to institutions and initiatives working to achieve sustainable economic, social and environmental development impact throughout the Gobi and across Mongolia. The CRSD Department is led by the IMMI Executive Vice President for Corporate Affairs, is operated by a senior Mongolian Manager and Deputy Manager, and includes 15 full-time professional and support staff. Based in Ulaanbaatar, the CRSD Department coordinates closely with IMMI’s Dalanzadgad branch office and the Oyu Tolgoi-based External Affairs office.

Goal and Objectives:
The goal of the CRSD Department is for IMMI to become an exemplary role-model of strategic and sustainable corporate citizenship, philanthropy and social responsibility in Mongolia. To achieve this goal, the CRSD Department pursues the following objectives:

- To build and maintain close, trust-based relationships with citizens, leaders and representatives of development-oriented institutions and initiatives in the Gobi and nationwide;
- To strengthen IMMI’s local knowledge, understanding, insight and sensitivity of the opportunities for and challenges facing local communities in the Gobi and nationwide;
- To identify the developmental needs of local communities according to a strategic framework;
- To provide targeted financial and technical assistance to institutions and initiatives based on mutual commitment and a strategic approach to achieving tangible, sustainable results; and
- To ensure perceived and real ownership by local stakeholders of the inputs to and outputs from CRSD activities.

Functional Programs and Activities:
The CRSD Department exists to serve all departments that make up IMMI and Ivanhoe, and acts as IMMI’s primary interface with external audiences for corporate philanthropy, outreach and sustainable development. Specifically, the CRSD Department coordinates and facilitates the implementation of programs and activities in nine strategic development sectors: formal and non-formal education; public health; market-driven private enterprise; good governance in urban planning; natural resource management; civil society and independent media; youth development; cultural heritage; and herder livelihood support. Programs and activities are functionally supported through four kinds of results-oriented interventions:
1) Institutional Capacity Strengthening and Human Resource Development – Workshop-based and on-the-job training, mentoring, exchanges and other professional development interventions will result in building institutional foundations, structures and systems for enhanced Mongolian capacity to achieve specific development objectives in each of the nine CRSD strategic development sectors.

2) Scholarships and Fellowships – Supporting Mongolian youth and professionals by providing academic and vocational skill-enhancement opportunities will result in a more capable and confident Mongolian workforce to lead private sector, governmental and non-governmental organizations and contribute to sustainable economic growth and social development.

3) Physical Plant Construction and Improvement – Upgrading physical infrastructure – and using locally available materials and labor to do so – will result in a more dynamic enabling environment for Mongolian institutions and individuals to grow and prosper, as well as in improved livelihoods and enhanced morale among local citizens.

4) Institutional Grants and Donations – Targeted financial contributions to entrepreneurial, productive and accountable institutions and initiatives will result in more local ownership of sustained development impact in each of the nine CRSD strategic sectors.

In November 2005 the following was written to guide the Oyu Tolgoi project’s Community Relations and Sustainable Development department’s work in 2006:

**Strategic Goal:** To tangibly contribute to market economic-led and sustained economic and social development of Mongolians by Mongolians, with a special focus on the South Gobi region. This will be achieved through strategic investments of time, human, material and financial investments by the OT project.

**Core Departmental Functions:**

**South Gobi Community Relations and Support**
- Regular (weekly and monthly) open community and informational meetings in KB, DZ and other soums
- Public information bulletin boards and distribution of printed and broadcasted information in all SG soums
- OT Day Tours (Gobi-originated)
- Receiving and coordinating visits of announced and unannounced visitors to the OT site (from government agencies, media, NGOs, international organizations, and all other)
- Relocated Herder Support program
- Demchig monastery restoration (with Tseghi)
- SG English Language Learning Program
- SG Doctors Sponsorship Program
- SG Doctors Houses Program
- SG Gobi Scholars Program
Community Relations and Sustainable Development

- Special Gobi-based promotional events/South Gobi based (e.g. Camel Festival, Chess tournament)
- Promotional philanthropic donations/South Gobi (“investing in Mongolian people”) -intellectual, physical, cultural, emergency
- Contribute content and information to PIC core activities (OT Newsletters, OT TV, OT CD-ROM, Sersen Govi, Toim, etc.)

Khanbogd Urban and Commercial Development (KBUCD)
- Finalize and implement strategic plan and budget for Phases II and III
- Networking, convening stakeholders, and consortium management
- Town planning, urban design, architecture, construction
- Good governance training and support: budgeting, financial management, transparency, accountability, performance monitoring and evaluation
- Promotional/informational events (link with PIC Department)

Oyu Tolgoi National Development Foundation (OTF)
- Research world’s best practice
- Public opinion polling, networking, convening and building consensus
- Organizational design through participatory process
- Establish OTF and OTF capital endowment fund (US$9M)
- Promotional/informational events (link with PIC Department)

The Oyu Tolgoi project’s Community Relations and Sustainable Development (CRSD) department is a learning organization. The language used to guide 2006 and 2007 CRSD efforts, respectively, underscore this fact.

This 2006 Annual Report marks an important stage in the ongoing evolution of the Oyu Tolgoi project’s CRSD institutional capacity. Much has been accomplished, and learned, from 2006 activities, and particularly in light of Ivanhoe’s recent strategic partnership with Rio Tinto, there exist many opportunities to enhance the capacity, scope and sustainable impact of the CRSD department in 2007 and beyond.

The most significant achievement for CRSD in 2006 has been the adoption of a guiding philosophy and approach: Investing in Mongolian people. This simple and clear philosophy has served to greatly sharpen the focus of CRSD work with local stakeholders, with the priority on building individual and institutional capacity among Mongolian, with a special focus on Gobians, to acquire and apply the knowledge, skills, attitudes and capacities to improve their livelihoods and ensure sustainable development for their own communities and their country.

From this sharpened approach has come a fundamental shift in the way CRSD does business. In particular, CRSD began in 2006 to engage and empower local stakeholders in the design, development, management and evaluation of CRSD programmatic activities. Now core CRSD programs in education, health and cultural heritage sectors are
now run by Mongolian institutional stakeholders, in partnership with each other through management teams or committees, and in partnership with IMMI and the Oyu Tolgoi project. As a result, there is a stronger and more genuine local ownership of such programs, and a greater transparency, accountability and productivity in the management, implementation and evaluation of these programs. In addition, the Khanbogd Urban and Commercial Development (KBUCD) initiative entered its second phase in late 2006, and Phase 2 promises to become a central aspect of CRSD efforts in 2007.

In light of 2006 accomplishments, there remains much to learn and to improve on. In particular, the CRSD department’s application and integration of the Community Development Toolkit (ESMAP, World Bank, ICMM: October 2005) is expected to intensify in 2007, an objective we expect our new partners at Rio Tinto will be well positioned and able to help us with.

Finally, it is perhaps most important to acknowledge the unique challenge facing our CRSD department’s operational context: the lack of an Investment Agreement (formerly called Stability Agreement) with the Government of Mongolia in order to formally commence construction and operations of the Oyu Tolgoi mine. This reality has created a constant uncertainty and yet expectancy among all Oyu Tolgoi project stakeholders, especially members of local communities in the South Gobi. Moreover, the lengthy nature of this uncertain operational context (now more than three years) has taken its toll on relationships, expectations, trust, and attitudes and opinions by and among local stakeholders of the Oyu Tolgoi project. In turn, CRSD staff sometimes struggle to articulate the position of IMMI and the Oyu Tolgoi project in ways that satisfy local stakeholders. This challenge remains at the time of releasing this internal Annual Report document, and it will continue to color and shape our approach to CRSD as we move forward.
Background

Since coming to Mongolia nearly 10 years ago, Ivanhoe Mines Mongolia Inc. (IMMI) has been and remains committed to working with the Government of Mongolia to improve the social and economic conditions of the communities in the Gobi region. This commitment has resulted in the establishment of a Community Relations Department.

The aim of the Department is to evaluate the current status and forecast the possible needs of the communities that are influenced by or likely to be influenced by any projects or activities the company may be involved in. It also aims to develop relationships at all levels, and to assist in and be aware of timely changes in Government policies and decisions that may affect our projects.

The Department was formed at Oyu Tolgoi project site in the later half of 2004. During this period the Department focused on Community Relations and the Herder Relocation Program in order to maintain positive relations with and strong support from local communities.

Sustainable Community programs have been implemented since 2004 in regard to Herder Support Program, in 2005 Community Health and Education & Training, Small and Medium Business Development; Cultural Preservation Programs were implemented and continued in 2006 improving the management of all programs. We worked in close relationship with local stakeholders aiming to improve the quality of local health care and education and training facilities, will benefit local citizens with a healthy and skilled workforce and potential pool of employees for Oyu Tolgoi Project. Moreover, we ensured active involvement and participation of local stakeholders in the consultation, planning, implementing process of all programs. In addition in 2006 with the establishment of Public Information and Communication Department under direct supervision of Executive Vice President for Corporate Affairs, company successfully managed to produce various public informational documents in regards to the past, current status and future trends of Oyu Tolgoi project and organize events in a greater extent emphasizing our commitment for intellectual investment.

The challenge for our Department in 2006 was to coordinate and manage expectations of local Khanbogd citizens in relation to Khanbogd town development. First stage was implemented by the Senior Coordinator and engineering team. The project is moving to its next phase of ensuring the sustainable development of town building is based on the relationship, active engagement of stakeholders in consultative and participatory ways.

A successful CRSD department will improve community and employee relations, ensure continued community support for IMMI Projects, develop supplier linkages, improve access to and quality of local health care and education facilities, reduce dependence on the mine for local economic well-being over time, and bring substantial benefits in terms of reputation and good corporate citizenship.
Managing the impact of Ivanhoe CRSD projects on local communities is critical to its successful development and operations.

To date, the company has provided and/or pledged more than $2 million USD in cash and in-kind donations, as well as through provision of technical assistance. This is remarkable in light of the fact that Ivanhoe has yet to begin mining, and its more than $370 million USD investment has yet to see $1 of returns. Nevertheless, the company’s commitment to supporting Mongolia’s community-based and national-scale sustainable development, and to being a leading corporate citizen and model of corporate social responsibility in Mongolia and elsewhere, is stronger than ever.

To 2003, IMMI’s community relations and sustainable development efforts have been mostly characterized by charitable donations, and were executed in pragmatic, ad hoc ways. This was natural given the exploratory nature of the company’s Mongolia work in the early years. And though such philanthropic and community-oriented outreach efforts have to date largely occurred without strategic, long-term planning and management, they have achieved significant results and made lasting impacts.

In 2004, we created several institutional mechanisms to more formally and effectively execute its commitment to supporting Mongolia’s community and national development. Those included the creation of the Ivanhoe Mines Children’s Foundation – established in 2001 to support the Lotus Children’s Center and Orphanage in Ulaanbaatar – and the creation of the South Gobi Cultural Heritage Foundation – established in 2003 to support the initial phase of restoration of Danzanravjaa’s Demchig monastery in Khanbogd soum. In addition, the company wisely created an internal Grants Committee, in 2004, which has been a highly effective mechanism for transparent, accountable, equitable and generous charitable grant-making by the company to a variety of organizations, initiatives and projects all over Mongolia. Finally, also in 2004, IMMI established the Community Department, with its own leadership, staff, portfolio of programs, and budget. The Herder Support program, the South Gobi Education and Health initiative, and the Khanbogd soum hospital renovation are salient examples of the Community Department’s impact through ongoing activities.

Since the second half of 2005 looking ahead to the future, IMMI intended to implement a specific set of CRSD programs and activities based on a clear vision and mission, and according to a strategic framework, action plan, and budget. With progressive transition for the company’s overall presence in Mongolia, in which Oyu Tolgoi construction and development efforts are increasing and will soon result in exponential transformation of not only the nature and impact of Ivanhoe’s work in Mongolia, but of Mongolia itself. Therefore, CRSD Department is also transformed, and aims to become an efficient, productive, predictable, and high impact-generating unit within the company, with its performance ultimately measured by tangible and sustainable growth and development in the Gobi region and throughout Mongolia.
One salient example of our CRSD’s learning and evolution is our approach to defining “community.” Given Mongolians’ unique cultural, geographical and socio-political characteristics, and in light of the unprecedented scope, scale and nature of the Oyu Tolgoi project, our CRSD department defines community at both local (South Gobi, Khanbogd) and national levels. It is for this reason that we are committed (and have already publicly pledged US $10 million to launch and endow) an independent Oyu Tolgoi National Development Foundation, once the Oyu Tolgoi Investment Agreement is concluded and the project is officially launched.

While the goal of the company’s Community Relations and Sustainable Development (CRSD) Department as benefiting Mongolia and Mongolians, achieving this goal at once will provide great benefits to Ivanhoe. Specifically, our corporate image, in terms of both perception and reality, will be characterized and defined by integrity, exemplary corporate citizenship, and a steadfast, relentless commitment to corporate social responsibility.

Building on achievements and successes to date, IMMI’s CRSD Department is an integral unit within the company. Central to its success is close communication and coordination with all other departments, namely Construction, Exploration/Recon, Public Information and Communications, Government Affairs, Human Resources, Administration, Legal, and IT. As an extension, the CRSD Department is unique in that its efforts indirectly benefit the entire company and all other departments within IMMI, and yet at the same time the CRSD Department’s primary constituencies are local Mongolian communities in the South Gobi region, and moreover the Mongolian people nationwide. In addition, since the CRSD Department inherently takes a relational, long-term approach to its work, it must operate according to specific, short-term action plans and budgets directly within a larger, long-term strategic framework.
Community Relations and Sustainable Development

Department Structure

The CRSD Department is led by the IMMI Executive Vice President for Corporate Affairs and Social Responsibility, is operated by a senior Mongolian Manager in Dalanzadgad Office and Program Officer in Charge, and includes 13 full-time professional and support staff. Based in Ulaanbaatar, the CRSD Department coordinates closely with Dalanzadgad branch office and the Oyu Tolgoi-based External Affairs office.

In Ulaanbaatar, the CRSD team works from Royal Castle office, and under the leadership of the Program Officer. In Dalanzadgad (DZ), the CRSD team works under the administrative supervision of the DZ Branch Office Manager. In Oyu Tolgoi, the CRSD team works together alongside staff from Public Information and Communications Department.
Our Goal:

The goal of CRSD Department is to build and maintain open, productive and long-term relationships with communities near Oyu Tolgoi and throughout the Gobi region, based on mutual respect and active partnership resulting higher standard and quality of life, improved health, education, environment and socio-economic standards by minimizing negative and maximizing positive impacts of our operations; provide strategic financial and technical assistance to institutions and initiatives working to achieve sustainable economic, social and environmental development impact throughout the Gobi and across Mongolia and to become an exemplary role-model of strategic and sustainable corporate citizenship, philanthropy and social responsibility in Mongolia.

To achieve this goal, the CRSD Department pursues the following objectives:

- To build and maintain close, trust-based relationships with citizens, leaders and representatives of development-oriented institutions and initiatives in the Gobi and nationwide;
- To strengthen IMMI’s local knowledge, understanding, insight and sensitivity of the opportunities for and challenges facing local communities in the Gobi and nationwide;
- To identify the developmental needs of local communities according to a strategic framework;
- To provide targeted financial and technical assistance to institutions and initiatives based on mutual commitment and a strategic approach to achieving tangible, sustainable results; and
- To ensure transparency, accountability, integrity and sustainability in every CRSD action based on mutual understanding, respect and active partnership.
- To ensure perceived and real ownership by local stakeholders of the inputs to and outputs from CRSD activities.

We endeavor to educate and train Mongolians in formal and informal ways in order to meet current and future market demands for employment and labor;
- to provide timely, high-quality health services to Mongolians to keep them physically and mentally strong and capable of growing and prospering on their own;
- to start and grow market-driven private enterprises;
- to plan for and govern modern urban settlements that people want to move to and continue developing on their own;
- to manage Mongolia’s scarce, valuable and fragile natural resources in productive and protective ways, so that their use and conservation brings sustainable economic prosperity;
- to Mongolians with minimal environmental damage;
- to deliver needed non-governmental services to Mongolians, and to advocate for legal, policy and governance reform on behalf of Mongolian citizens;
- to provide Mongolian citizens with independent, accurate, fair and balanced news, information and analysis of current events;
- to provide Mongolian children and youth with the care, attention, intellectual enrichment, leadership development and moral support needed for them to realize their dreams;
- to protect, preserve and celebrate Mongolia’s rich cultural heritage that spans and blends art, spirituality and pastoral traditions.

**Functional Programs and Activities:**
The CRSD Department exists to serve all departments that make up IMMI and Ivanhoe, and acts as IMMI’s primary interface with external audiences for corporate philanthropy, outreach and sustainable development. Specifically, the CRSD Department coordinates and facilitates the implementation of programs and activities in nine strategic development sectors: formal and non-formal education; public health; market-driven private enterprise; good governance in urban planning; natural resource management; civil society and independent media; youth development; cultural heritage; and herder livelihood support. Programs and activities are functionally supported through four kinds of results-oriented interventions:

1) **Institutional Capacity Strengthening and Human Resource Development** – Workshop-based and on-the-job training, mentoring, exchanges and other professional development interventions will result in building institutional foundations, structures and systems for enhanced Mongolian capacity to achieve specific development objectives in each of the nine CRSD strategic development sectors.

2) **Scholarships and Fellowships** – Supporting Mongolian youth and professionals by providing academic and vocational skill-enhancement opportunities will result in a more capable and confident Mongolian workforce to lead private sector, governmental and non-governmental organizations and contribute to sustainable economic growth and social development.

3) **Physical Plant Construction and Improvement** – Upgrading physical infrastructure – and using locally available materials and labor to do so – will result in a more dynamic enabling environment for Mongolian institutions and individuals to grow and prosper, as well as in improved livelihoods and enhanced morale among local citizens.

4) **Institutional Grants and Donations** – Targeted financial contributions to entrepreneurial, productive and accountable institutions and initiatives will result in more local ownership of sustained development impact in each of the nine CRSD strategic sectors.
CORE COMMUNITY PROGRAMS in 2006

Minimizing negative and maximizing positive impacts of the project on local communities is a prime objective of IMMI’s community programs. Through open and efficient relationship with the local citizens residing in the vicinity of Oyu Tolgoi and Gobi region IMMI has created set of core community assistance programs to achieve sustainable socio-economic and environmental development of Gobi region. IMMI is a strategically significant model enterprise bearing responsibility for the community and contributing to the sustainable development and currently implementing the core following programs summarized below.

1. COMMUNITY EDUCATION AND TRAINING PROGRAM
2. COMMUNITY HEALTH PROGRAM
3. SMALL AND MEDIUM BUSINESS DEVELOPMENT PROGRAM
4. CULTURAL HERITAGE AND PRESERVATION PROGRAM
5. HERDER SUPPORT PROGRAM

Performance Monitoring and Evaluation

Our goal is to evaluate the current status and forecast the possible needs of the communities that influenced by or likely to be influenced by the operation of OT Project, to improve the conditions, standards, and opportunities for a wide range of professionals, students, and community members. The Program will not only aim to address Mongolia’s existing system’s needs, but will also implement skills-based programs to supplement existing resources. This will not only improve the existing pool of human resources for the Oyu Tolgoi Project, but also the resources available for Mongolia as a whole.

Our efforts are monitored and evaluated and reported on the performance by in Dalanzadgad Branch Office Manager, in UB by Program Officer in charge and in OT by Program Assistant. This will be accomplished by producing and measuring CRSD activities against baseline, intermediate and end-results performance indicators, as well as on periodic progress surveys completed by community members, internal and external financial audits, and regular progress reporting by CRSD program staff.
COMMUNITY EDUCATION & TRAINING PROGRAM

Our main programs and projects are:

- Gobi Scholars Program 2005-2009 (formerly Education Sponsorship Program)
- English Language Learning Program 2006-2008
- Technical assistance to institutions in the educational sector in SG

The aim of the program is evaluate the current status and requirements to improve the conditions, standards, and opportunities for a wide range of education professionals, students, and community members. The Program will not only aim to address Mongolia’s existing education system’s needs, but will also implement skills-based programs to supplement existing resources. This will be done by working closely with a range of resource providers and established Mongolian training and educational institutes.

By Dec 2004 the first outline for Community Education Program and its strategy was developed evaluating the current status and requirements for a wide range of education professionals, students, and community members resulting in a higher standard of education and a greater skill base in the surrounding communities.

In 2004 first stage, was achieved over a 12 month period, is designed to raise existing facilities and resources to a more efficiently functioning standard. In addition, to introduce a basic trade skills course to the five surrounding communities. The Second and Third Stages aimed to increase facilities and resources to address the anticipated population increase and effect of the Project on neighbouring communities. This was achieved with by building additional buildings, supplying equipment, providing staff and community training programs. These stages were carried out over a number of subsequent years, building on the achievements and completion of Stage One in 2005.

In 2005 we achieved:

- Needs are identified.
- Local facilities and resources are improved and enhanced
- Long-term growth plan and changes both in standard educational needs in new skill development programs.
- Monitor and control program initiated changes.

Community Projects Team that has been established comprising of local herder family members plus a number of skilled community workers implemented much of the renovation works. Once the renovated facilities were submitted to the relevant organizations and they were maintained.

Achievements:

1. Improved the heating system of Khanbogd soum Secondary school
2. Conducted a major improvement for the school kitchen and donated kitchen equipment. Efforts were taken for the outside and inside furnishings of the school, establishing a waste area, outside toilet, new fences and front yard of the school.
3. Established Teacher Development Center at the Education and Culture Office in Dalanzadgad.
4. Implemented a Book Program and provided 60-120 English books to each school of Tsogttsetsii, Khanbogd, Bayan-Ovoo soums, and 3 schools of Dalanzadgad and Manlai soums through Asia Foundation. Reports have been collected and submitted.
5. In the framework of the Education Scholarship Program established the Selection Committee and granted a scholarship for 39 students including students from Herder Support Program (from 12 soums)
6. Improved the outside area of Khanbogd soum kindergarten and established playground for children, built fence and outside toilet and waste area.
7. Organized training for 22 women of Khanbogd soum in cooperation with “Herders and Nature” NGO.
8. Invested 1.5 million tugrugs to repair the heating system of the dormitory in Bayan-Ovoo soum.
9. Donated outdoor equipment worth of 4.8 million tugrugs to the “Olympus Gobi” center of Sports Committee in Umnugobi aimag in conjunction with the health program.
10. Donated Russian UAZ van to the school of Khanbogd soum.
11. Donated a complete set of computer with a printer for Khanbogd soum kindergarten.
12. Donated kitchen equipment, and made a major repair for the kitchen of Khanbogd soum kindergarten.
13. Donated 80 mattresses, 35 blankets and 35 pillows that are not used at Oyu Tolgoi to the dormitory in Bayan-Ovoo soum.

“Gobi Scholars Program 2005-2009”

“Gobi Scholars Program 2005-2009” was officially launched in Aug 2005. This is a 5 years program which will provide an opportunity for 130 students to obtain higher education in prestigious Universities and Colleges within Mongolia. Students will return to homeland for the development of the region but it is not a mandatory requirement. Investing to the people is a tangible contribution for the sustainable development. In 2005 we enrolled 39 students through open and transparent selection throughout the region in conjunction of Social Policy and Coordination Department. Program was announced through the local media, placed announcements on the information board of Dalanzadgad Branch Office, advertised through newspapers. Applications were available at Social Policy and Coordination Department and Education and Cultural Center, Soum Governor’s Office and at the company’s website. Our team managed to conduct open, transparent and fair selection of candidates despite this new initiative not even for the CRSU but for the whole area. Applications were filtered in presence of working group members, held interviews with the applicants, reply letters were sent by Aug 8, signed
agreements by the end of August. Students received the full tuition and housing support for the duration of studies only if they meet the requirements set forth. Close monitoring and evaluation on students performance is conducted on a regularly by our DZ staff Monkhchuluun. Students are proud to be a part of our Sponsorship Program.

With appointment of a new EVP the vision and the approach of CRSD was transformed in the third part of 2005. In the past we donated tones of goods, renovated the schools, kindergartens and hospitals and so on. All of this is good but is it the right way? Is it long term? Is it sustainable? It is important to teach how to catch the fish rather then providing it. This change was absolutely critical, the dependency is the major problem not only for South Gobians surrounding OT project it is a global issue for the developing countries. We learned lessons being as a Construction Company, being as an NGO, as a Peace Corp and we learned that this is not sustainable approach. We are a unit of a business entity which is Mining Company. Number of staff in Training and Community Project team was reduced from 35 to 13 including the professionals and support unit of Dalanzadgad office with the aim to become an efficient, productive, predictable, and high impact-generating unit within the company, where its performance
ultimately measured by tangible and sustainable growth and development in the Gobi region and throughout Mongolia.

Strategy and plan for “Gobi Scholars Program 2005-2009” remained the same in 2006. The program was outsourced to the local authority named Social Policy and Coordination Department to implement the program in a way it is done professionally in accordance with the local human workforce needs, which is overlooked by SPCD of SG. The Management team was established comprising of 5 members. IMMI signed an agreement with SPCD in June 1, 2006. Our Dalanzadgad office is in close relationship to monitor and evaluate the program implementation on a monthly quarterly basis. Management of this program is carried out by local professional agency provides a foundation for sustainable development and our aim to ensure perceived and real ownership by local stakeholders of the inputs to and outputs from CRSD activities was achieved. In total we provided sponsorship for 53 students in total, out of it 5 students graduated the University in 2006 and remaining 48 students are studying in Ulaanbaatar, Dornogobi and Darkhan cities.
Community Relations and Sustainable Development

Certificate award ceremony Sep 8, 2006, Art Gallery, Ulaanbaatar
“Teacher Developing Center” was established to improve the knowledge and skills of local teachers was established in Dalanzadgad in April, 2006 with the investment of 34 million tugrugs.

IMMI received a request from South Gobi Education and Cultural Department to support the establishment of Teacher’s Development Center in Dalanzadgad soum in May 2005. Education supervisor spent several months to assessing the needs and requirements for this particular center to be established in Dalanzadgad soum. The results of the study shown that high school teachers are lacking the professional development throughout Mongolia and with the speed of the development of information and technology teachers are not competent enough to provide the leadership to their high schools students. Request of South Gobi Educational Center was purely a financial support to purchase various equiupments such as computers, printers, software, goods and furnitures worth 33,700,000 million tugrugs. South Gobi Educational Center is runned by experienced teachers who worked many years in the educational sector of SG aimag and who knew exactly the priority issues regarding the teachers career development. The board of IMMI made a decision to support this request as it met all the needs and requirements set forth in Grants Committee. Mrs Oljmedekh, Manager of DZ branch office participated in the implementation part of the project to ensure the proper implementation of the project.

The center was opened in April 10th, 2006. The following people were present at the opening ceremony:

Mr Erdenebat, Head of Citizen’s Representative Khural  
Mr Badraa, Deputy Governor of DZ soum  
Mrs Narantsetseg, Head of Social Policy Coordination Department  
Mrs Oyunchimeg, Education officer  
Directors of all high schools of DZ soum  
Teachers from all over South Gobi aimag  

From IMMI:  
Mr Layton Croft, VP for Corporate Affairs and Sustainable Development  
Mrs Oljmedekh, Manager  
Ms Delgermaa, Program Officer  
Ms Munkhchuluun, Business Officer  

The most outstanding part of this intellectual investment was its coverage and its equal opportunity approach as the center will serve not only Dalanzadgad teachers but also teachers from all over the South Gobi aimag.

Mr Erdenebat, Head of Citizen’s Respresentative Khural thanked Oyu Tolgoi project despite its difficult time, also he highlighted in his speach that Oyu Tolgoi Project
is only at the exploration phase and it will be operational in Mongolia for many years ahead. It is worth to recognize the importance of intellectual investment as the educational sector as it always needs the more support from the Government and still lacking the professional development. He recalled IMMI support for the establishment the Vocational Training Center, Gobi Scholars Program, Doctors Sponsorship Program. He wished the best for the prosperous development of Teacher Development Center and sincere thanks to Oyu Tolgoi Project.

Mr Batbileg, Director of Teacher Development Center handed a Morin Khuur traditional instrument for our team expressing his thanks and wishing all the best. He mentioned that this is an opportunity for the brighter future for our kids and the opportunity for our teachers to gain the knowledge and share with each other.

Mr Erdenebat, Head of Citizens Representative Khural is

The motto on the wall says “Integrated information integrated decision”
ENGLISH LANGUAGE LEARNING PROGRAM

At the request of the local citizens, the company conducted consultative and 3 focus group meetings with citizens on how to implement successfully the English Language Learning Program (ELLP) in May 2006 in Dalanzadgad soum.

Various options were discussed such as:
- announce an open tender nationally to all English language institutions,
- train local English language teachers (former Russian language teachers) for 6 to 12 months in order to build the capacity of local teachers and pull the investment to local area,
- choose one of the best institutions such as Santis Educational Center from Ulaanbaatar
- collaborate with Ministry of Education and Culture
- build an English Language School in Dalanzadgad soum

It was decided by local citizens that Santis Educational Services, local administration and IMMI shall collaborate closely to achieve the outcome set forth with the framework of this program. Intensive English course for two years aiming to teach and generate approximately 800 people with fluent English language skills will be achieved by 2008. Local citizens will enroll to the program and will pay nominal fees only for the handbooks which are 28$ per person and the funds collected from the handbooks will be centralized in the Local Central Fund for the sustainability of this program beyond its completion. Local Administration will choose the citizens from each soum of SG and provide equal allocation so as the program will get greater coverage throughout the region. Provision of office space and accommodation for teachers from UB was overlooked by Local administration which ensured that the funds invested to ELLP will reach the targeted population. Our goal was to make certain that 120 million tugrugs will be invested to people not to the warm and comfortable facilities.

First phase of intensive 2 year ELLP began on November 13 and was completed on December 13. Dalanzadgad staff is working closely with Local Administration and Santis Educational Center monitoring and evaluating its performance.
Community Relations and Sustainable Development
COMMUNITY HEALTH PROGRAM

Our main programs and projects are:

- Doctors Sponsorship Program 2005-2009
- Doctors housing project
- Technical assistance to equip health facilities of SG

The aim of the Community Health Program is to evaluate the current status and forecast the possible needs of the communities that are influenced by or likely to be influenced by the operations of IMMI. The Program will endeavor to improve the conditions, standards, and opportunities for a wide range of public health and medical professionals, students and community members. The program will not only aim to work with the standard medical system needs, but will also implement training programs to increase locally available resources. This will be done by working with a range of medical organizations and institutes.

Community Health strategy that was produced in 2004 is comprised of three stages. The First stage, was achieved over a 12 month period, is designed to raise existing facilities and resources to a more efficient functioning standard. The Second and Third stages will aim to increase facilities and resources to address the anticipated population increase and effect of the Project on neighboring communities. This was achieved with building renovations and additional equipment, staff and community health training programs. These stages were carried out over a number of subsequent years, building on the achievements and completion of Stage One in 2005.

We are committed to working with the Mongolian government to improve the public health standards and trainings for the communities in the South Gobi region. Access to any medical care is difficult in the countryside, outside of the Ulaanbaatar, medical care is very difficult. All Mongolian hospitals, especially those in the countryside, have little medical supplies, including basic care items, drugs, and spare parts for medical equipment.

We achieved the following in 2005:

- Needs are identified.
- Local facilities and resources are improved and enhanced
- Long-term growth plan and changes both in standard educational needs in new skill development programs.
- Monitor and control program initiated changes.
- Implement, monitor and control herder educational programs.
1. Renovated KB hospital, maternity ward, ambulatory section, rooms for surgical operation, training and fitness were newly provided, complete repair was done in the maternal delivery unit, kitchen, toilet (outside and inside), shower, surgery room, training and fitness rooms and outside yard were improved creating comfortable and pleasant environment for patients to receive health services at their local hospital.

2. Organized a two-day seminar on hospital staff communication skills or how to communicate properly with the patients for hospital staff in cooperation with GTZ of Germany and Aimag Health Care Office.

3. Invested equipment worth of 38.0 million tugrugs and provided to the Khanbogd soum hospital.

4. Established the Selection Committee for the Doctors Sponsorship program, five physicians are working in remote soums. By the end of 2005, seven physicians were involved in the company scholarship program.

5. Two doctors are working in each of Khanbogd and Bayan-Ovoo soums.

6. Donated IJ PLANETA motorcycle to Javkhlan bagh doctor.

7. Distributed medicines and medical supplies worth of 5.0 million tugrugs, in order to support medicine supply of Khanbogd soum hospital.

8. Arranged and distributed 43 boxes of medicine and medical supplies to Dalanzadgad soum hospital, 2 boxes to Khanbogd soum hospital, one box to each Bayan-Ovoo, Bulgan, Gurvantes and Tsogtsetsii soum hospitals, donated by F.I.R.E, a non-government organization of the USA.


10. Funded the 4.0 million tugrugs required for the repair work of the ambulance car of Gurvantes soum hospital.

11. Equipped Central Hospital of Dalanzadgad soum with essential diagnostic equipments.

“DOCTORS SPONSORSHIP PROGRAM 2005-2009”

“Doctors Sponsorship Program to work 2005-2009” (DSP) is a program to provide health professionals to the remote areas of South Gobi aimag with the aim to improve health conditions of Gobi citizens and medical services & facilities. Currently program provides sponsorship for 14 doctors in Khanbogd, Bayan-Ovoo, Noyon, Bulgan, Gurvantes, Mandal-Ovoo, Nomgon, Bayandalai and Dalanzadgad soums.

Program was announced through the local media, placed announcements on the information board of Dalanzadgad Branch Office, advertised through newspapers. Applications were available at local Health Department, Mongolian Medical University and at the company’s website. Our team managed to conduct open, transparent and fair selection of candidates despite this new initiative. Applications were filtered in presence of working group members, held interviews with the applicants. Doctors were selected based on the experience, professionalism and willingness to live and work for long term at the designated soums.
As Gobi Scholars Program the DSP was outsourced to the Health Department of South Gobi which is a state central health care agency to implement the program in a way it is done professionally in accordance with the local human workforce needs. The Management team was established comprising of 6 members. IMMI signed an agreement with Health Department in June 1, 2006. Our Dalanzadgad office is in close relationship to monitor and evaluate the program implementation on a quarterly basis. Management of this program by local professional agency provides a foundation for sustainable development and our aim to ensure perceived and real ownership by local stakeholders of the inputs to and outputs from CRSD activities is achieved.

Contracted doctors will receive bonus each year and amount can vary depending on the specialized field, professional experience of the physicians and type of sponsorship applied. Bonus of 1.500.000 tugrugs shall be granted if the doctor is in service no less than 3 years, 1.000.000 tugrugs to a doctor without previous experience
working in the field and 500,000 tugrugs to local sponsorship doctor. The bonus will be provided accordingly 30% first month, 30% after six month and remaining 40% at the end of the sponsorship year. Besides bonus, additional 100,000 tugrugs are granted to doctors as a round trip expense to the native town.

The implementation of the program is monitored by Community Manager in Dalanzadgad branch office, progress reports are provided by Management team on a monthly and quarterly basis. Management team will ensure that sponsored doctors will have an opportunity to attend trainings and seminars to improve the knowledge and professional skills as well the timely delivery of the bonuses. Also sponsored doctors will reside in the doctor’s house constructed by the company in the particular soum during the sponsorship period.

Lessons learned from 2005:

- Our CRSD department was actively involved in the process of selection, announcement, interview and provision of bonuses in 2005. We had two problematic cases when the program was outsourced to the Management team. Doctors were not reluctant to work under its supervision. They viewed themselves as IMMI sponsorship doctors. We organized meetings in Dalanzadgad and OT day tours for sponsored doctors and health professionals working in Health Department. We managed to manage their expectations explaining that Management team of the program is a central health institution in South Gobi aimag. Outsourcing the management of the program will only improve the quality of the program and will benefit not only doctors but also local citizens, and local health system. We ensured perceived and real ownership by local stakeholders of the inputs to and outputs from CRSD activities.

DOCTORS HOUSING PROJECT

In the Community Health strategy 2004, we conducted analysis on the current status of the soum centre medical facilities and resources of Khanbogd, Bayan-Ovoo, Tsogttsetsii, Manlai and Nomgon soums. The priority was given to the surrounding
soums. As a summary, access to any medical care is difficult at best in all soums. In the countryside, outside of the Ulaanbaatar, medical care is very difficult. All Mongolian hospitals, especially those in the countryside, have little medical supplies, including basic care items, drugs, and spare parts for medical equipment.

The number of local people visiting Oyu Tolgoi’s medical clinic was increasing. In addition, emergency calls from herder families continue to increase. As a result, IMMI’s Mongolian site doctors were working as local community doctors.

South Gobi aimag is a remote province itself and there is a constant lack of health professionals to live and work in remote soums of remote province. Many soums of South Gobi were lacking physicians to provide primary health care. We are aiming to provide comfortable living and working environment for doctors and bonuses as an incentive.

Doctors housing program is an ongoing program. In 2006 we are construction doctors housing with examination room in Khanbogd, Bayan-Ovoo, Noyon, Bulgan and Manlai soums within the budget that will not exceed 125,000 USD. In 2007 we will construct in Nomgon, Mandal-Ovoo, Bayandalai, Gurvan Tes and subsequently in 2008 in Tsogtt-Ovoo and Tsogttsetsii and Khurmen and Sevrei soums.

Doctor’s sponsorship program provides health professionals to the remote areas of region to improve health conditions of Gobi citizens and medical services & facilities. We were aiming to construct the houses in the first stage to the neighbouring 5 soums around site. Houses will be constructed not only by geographical location as we aimed in 2004 plan, the goal of the Doctor’s sponsorship program is to ensure that doctors will work in the most remote area where the health system is struggling and logically the houses will be constructed where those doctors will reside. Our vision is for long term sustainable development. We believe that at the completion of 5 year community health plan the local health system is improved with the tangible results are achieved.

Construction of Doctor’s house in Khanbogd soum, Dec 2006
Houses are being constructed by 3 local construction companies “Gobi Gurvan Saikhan”, “Gal Munkh”, “Orshdos” under supervision of South Gobi Governor, Health Department and State Inspection Office. We signed a Memorandum of understanding in July 2005. Again we worked in partnership with local stakeholders to ensure that local ownership is sustained. The responsibility of Government were to identify and pre-qualify construction companies who are interested in bidding and construction health accommodations and facilities and complete construction, install all furniture and equipments and make each of the facilities fully ready for their intended use by Dec 31, 2006.
KHANBOGD HOSPITAL RENNOVATION

Khanbogd Soum hospital was built in 1985 and was semi-repaired by the medical staff in the summer of 2004. Currently the hospital has 10 patient beds with 16 medical personal, though there aren’t enough doctors, medics, and nurses. The hospital staff can use its medical equipment and computers only when there is electricity in the evening. The electricity system is centralized and works for limited hours. In the summer the hospital has electricity from 8pm-11pm and in the winter from 6pm-12pm. Therefore, mothers often deliver their children by candlelight. The hospital has a pharmacy.

We created a favorable condition for the public to receive medical and health services in comfortable environment in Khanbogd soum hospital (with investment of 157 million tugrugs) for to the Maternity ward, ambulatory section, rooms for surgical operation, training and fitness were newly provided, complete repair was done in the maternal delivery unit, kitchen, toilet (outside and inside), shower, surgery room, training and fitness rooms and outside yard were improved creating comfortable and pleasant environment for patients to receive health services at their local hospital.
PROVISION OF DIAGNOSTIC EQUIPMENTS TO THE CENTRAL HOSPITAL SOUTH GOBI

Central Hospital is a second category hospital which provides primary and specialized medical and preventive care to 47,854 people in total of 14 soums and 8 battalions of border troops in the territory of South Gobi. It was founded in 1931. Since its establishment the Central Hospital has 148 medical doctors and employees (37 medical practitioners, 75 medical staff members and 36 assistants and service staff members) with 142 beds, 7 units for in-patients who receive primary and specialized medical treatment (Internal disease unit, Children’s Unit, Neuro-Psychiatric Unit, Surgery and Trauma Unit and Intensive Care Unit).

The Hospital approached our company in 2005 to provide financial and technical support in ensuring the complete resolution for the issue concerning improvement of the quality and access of primary and specialized medical aid and services and reduce delay and cost being faced by customers and procure medical equipment essential for medical services which would meet patients needs.

The Central Hospital needed 3 essential, high capacity diagnostic equipments such as X-ray, Ultrasound apparatus and Flurographic apparatus in order to disclose, diagnose the illness at the early stages and carry out preventive medical examinations over severe symptoms.

In order to implement this project sucessfully we decided to establish an implementation team for this particular project consisting of Chairman of Central Hospital, Aimag Governor Office, Health Manager IMMI, Health Department of SG, Supplier company with the scope to privide high capaciy diagnostic equipment and apparatus and as a result the quality of medical aid and health services being provided for all citizens of SG aimag will be improved and all patients benefit from its outcome. We conducted a series of consultative meetings with the local citizens (project beneficiaries) and they fully supported this project. The primary criteria for implementing this project were:

1. To procure equipment specified in the project within the limits of the project budget and install and apply them
2. Equipment procured as a result of implementation of the project should meet all requirements in terms of quality and diagnostic capacity
3. To fully operate equipment procured according to technical regimes and begin to use them for diangosis and medical treament and health services
4. To implement it within the timeframe specified in the project

We estimated that there will be minor risks in terms of local environmental conditions in the course of implementation. First, since there are no manufacturers or distributors of such equipment in the country they will have to imported an thus, there will be a high economic risk which could increase customs duty and trasnportation cost. Second, since
there is a risk that any individual or company could desire to distribute old equipment at high prices which do not meet requirements we will overcome this risk by establishing a special commision, which will facilitate implementation of the project, assistance of officials of aimag authorities, aimag tender committee, and experts from the Ministry of Health.

We believe that these essential diagnostic equipments such as comprehensive stationary X-ray unit with screening system, Fluorography equipment and static echo graph produced in the USA and South Korea worth of 148,450 USD will be substantial invesment to the people, to the economy of this region and it will make valuable contribution to the health organizations as the social sector.

Equipments were installed in the Central Hospital of Dalanzadgad, South Gobi on March 10, 2006.
Tsogtsetsi hospital fence renovation project

Within the framework of Health strategy, and according to the planned activity, we carried out a project to renovate Tsogtsetsi soum Hospital fence and outside toilet in April 2006. We employed 10 unskilled workers from the soum center and built 230 meters long with 1.5 meters tall fence and with the brick foundation in duration of 22 days. We spent 10.4 million tugrugs for the renovation work.
COMMUNITY BUSINESS DEVELOPMENT PROGRAM

- Assessment of opportunities for local business
- Training to develop skills
- Linking the business with OT project

1. Bus Transportation

We supported local business entity “Umniiin Gobi” LLC through announcing an open bid to local entrepreneurs on providing transportation services for employees of Oyu Tolgoi project with further possibilities to extend its services to general public use. In order to achieve the desired results we collaborated with Gobi Initiative Project. Gobi Initiative announced a tender and selected the interested individuals and entities capable of operating a bus service between Dalanzadgad, Oyu Tolgoi mine, and Khanbogd soum center.

Interested individuals and companies submitted information with their previous experience in operating a transport business and/or transporting passengers, as well any licenses currently or previously held to operate vehicles such as buses with the statement of available financial resources to cover business operating costs including, if necessary, the cost of financing for the purchase of a bus.

The candidates were assessed by a joint Gobi Initiative and Ivanhoe Mines Mongolia committee. In addition to the above information, important applicant selection criteria were reliability, honesty, commitment, and business acumen. IMMI and Umniin Gobi signed a contract on providing roundtrip bus transportation from Dalanzadgad to Oyu Tolgoi on a twice weekly basis. Further we added another route from Oyu Tolgoi mine to Khanbogd soum 4 times a day (seven days a week) in April. As it was a business support program, we paid prior cost for the services expecting high quality service with minimum failures.

Local individuals and businesses recognized that that providing a service for mining site is challenging and demanding job. Our commercial & contract department recommended that capacity and internal regulation of a bus company needs to be straightened for local business as the program goes on.
2. “Buy from Gobi” Program

Sustaining and straightening partnership with local NGO’s on vegetable and dairy products supply. We linked local herders with USAID Gobi Region’s Economic Development Initiatives. Oyu Tolgoi Project purchases over 80 tones of vegetables during summer and fall seasons from local farmers. This is mutually beneficial cooperation fostering more concerted joint actions in developing a competitive domestic supply chain.

Our Procurement department initiated “Buy from Gobi” program to supply vegetables and dairy products for Oyu Tolgoi site. We organized trainings for DZ and SG businesses in June and in September introducing the policies and procedures for this program. Many of interested local businesses filled the supplier forms and Gobi Initiative was assigned to provide trainings and on site visits to herders to ensure that the local grown vegetables, dairy products and packaging standards meet the requirements. We developed plan for summer and fall season in cooperation with Gobi Initiative and agreed that CIS (is IMMI contractor at OT site that overlooks for catering services) will collect the products directly from the plantation which removes the burden for transporting the goods. This year we learned that the standards for the vegetables need to be introduced. When vegetables vary greatly in size and quality it increases the volume of work for the people who work in the kitchen department at OT site preparing meals for approximately
1,500 people at a time. We are planning to conduct trainings in March 2007 aiming to improve our collaboration from the lessons learned in 2006.

3. Core boxes and recyclables

Encouraged local citizens of Khanbogd soum to produce 4 types of core boxes and core shelves needed for the Geological Department of Oyu Tolgoi site. We purchased 50 million in 2005 and consequently 80 million tugrugs worth of core boxes and shelves
in 2006. For the better communication with the herders we provided fax machine in Oct 2006. We had several cases when the quality of core boxes became poor and requested our local partners to sustain as company pays a premium cost for the delivered goods. Our procurement team purchases very good quality boxes from Ulaanbaatar supplier as well but we are committed to our local businesses but at the same time we request them to keep their promise for the successful future cooperation.

Since 2004, we have been delivering recyclable bottles and cans as a support for the poor families of Khanbogd soum in order to increase the family income. Families gross monthly income varies approximately from 300,000 to 500,000 tugrugs. Our administration, environment and community team are working to improve the delivery system. This program has operated for more than 2 years and now the local families’ financial condition is improved and now we are planning to implement professional, systematic waste management system. Herder families will be challenged to conduct this profitable business in a professional way complying with local laws and resolutions of State Inspection Office and filling the requirements set forth from our Environmental department. This is beneficial both for our safety operation as well wellbeing of herders.

4. “Gobi Festival” ongoing support to the local initiative

“Gobi festival – 2006” trade fair has been successfully organized by Umnugovi aimag Governor”s office in collaboration with “Mercy Corps”/Gobi initiatives Program, the
Aimag Chamber of Commerce and Industry, Food and Agriculture Authority in Dalanzadgad, Umnugovi aimag for the third year, to promote small and medium businesses and introduce their products to the community.

Cooperatives, public service organizations, individuals from 14 soums of Umnugovi aimag, and in addition, citizens and economic entities from Arkhangai aimag participated in the trade fair. In total, about 140 economic entities including 39 cooperatives, 14 companies, 6 banks, 8 public service organizations, 8 projects and approximately 60 private businessmen exhibited their products at the trade fair.

The organizers of the fair trade which took place on 27-28 Augusts spoke that it has been organized at a high level. All products displayed at the trade fair met the hygiene and quality requirements, were packed in retail packages. In addition, the participating entities placed their names and identities, and the products had labels, which is improvement from the previous festivals.

Oyu Tolgoi project, Tavan Tolgoi Trans Co.,LTD and Chin-Hua Narin Sukhait Co.,LTD were the sponsors of the “Gobi festival – 2006”.

Award Winners

Winners were selected for 11 nominations at the “Gobi Festival” trade fair, where participating products and services included: food products such as milk and dairies, bread and bakery, semi-processed products, various types of preserved and pickled vegetables as well as national costumes, shoes, furniture and carpentries, pelt and felt crafts, woolen products, handicrafts, painting, souvenirs, construction materials, carpets, electric appliances, selected breeds of animals, briquette coal. Also business and public organizations promoted their services.

The winners are as follows:

1. “Eersen Utas” camel wool product of the “Govi Bulag” cooperative of Gurvan Tes soum was selected as the product of the year and was awarded with a diploma of honor and cash. Dargahuu, the organizer and chairman of the Commerce and Industry Chamber was joking that they have found the best product from the farthest soum of the aimag. The reason is, Gurvan Tes soum is located 370 km from the aimag center.
3. “Pambiga” ice-cream of “Goviin Orgil” cooperative of Dalanzadgad was selected as the ecology friendly product. The “Goviin Orgil” cooperative has recently started its operation with a dozen of cows. The cooperative produces 400-450 ice-creams with 40 l of milk per day.
4. The sculpture called “Chinggis” by sculptor Chuluunbaatar.L, member of Painters and Craftsmen Association of Dalanzadgad was awarded for the best product of handicrafts.
5. Out of many companies and individuals who were competing for the best package nomination, the package of dried camel milk curd by the “Goviin Jiguur” company was selected the winner. It was awarded with a diploma of honor and cash.
6. The citizens of Dalanzadgad selected the „most wanted” product also from the farthest soum Gurvan Tes. The dairy products made by Gampilmaa from Gurvan Tes soum won this nomination.
7. The “Ankhsan” cooperative of Bulgan soum was selected as the “Best Vegetable Grower”. A cooperative of family members, sold vegetables worth of 906,700 ₫ within two days of the fair. They also organized the “Tomato Festival”, which involved significant audience. It was planned in the framework of the Gobi Festival -2006.
8. “The entity with largest sales”, the eighth nomination, was awarded to a dairy products cooperative “Naran Zug Melmii” from Noyon soum. The cooperative has traded diary products worth of 1,380,000 tugrugs within two days.
9. Oyu Tolgoi Project or Dalanzadgad office of IMMI was selected as the active promoting company that organized advertisement in various ways and was awarded a diploma of honor with 50,000MNT in cash. The funds will be kept in a fund that will support the local business initiatives.
10. The best organized team of the “Gobi – Festival- 2006” was awarded to the Governor’s office of Nomgon soum, which had a good management and preparation for the fair.
The organizers concluded that although the “Gobi – Festival-2006” trade fair was for a short period only, participating entities and individuals have made quite a good amount of sales. For instance: crafts, painting, souvenirs, pelts, and woolen products had 3,970,800MNT sales, including Chandmani–Erdene Co., that has sold 875,000MNT; sales of the food and diary product producers was 3,970,800MNT; and the vegetable growers 4,905,600MNT. Also, the sales of electric appliances, carpet and rugs reached 453,250MNT. The total sales amount was 13,300,450MNT.

“Gobi Festival-2006” trade fair organizers – Governor’s office of Umnugovi aimag, Mercy Corps/Gobi initiatives Program, the aimag Commerce and Industry Chamber, Food and Agriculture Authority in Dalanzadgad expressed their gratitude and highly appreciated the contribution of sponsors of the event - Oyu Tolgoi project, Tavan Tolgoi Trans Co., LTD and Chin-Hua Nariin Sukhait Co., LTD. The sponsors were awarded and emphasized for their valuable contribution.

Also we shared fair, balanced information about our project including OT leaflet, CD ROM, “Mining explained”, “Shine Erin” and various brand products such as mugs, key chains, flags, t-shirts and toys. As a result we were selected as a best advertising company at the Gobi Festival 2006.
5. Underwriting support to local Radio station “Gobi Wave” NGO

Gobi Wave is an independent news organization producing news in the Gobi, about the Gobi, for all of the Gobi.

The idea of the underwriting proposal is very new and radio underwriting is key element of corporate social responsibility and community engagement. By supporting Gobi Wave as an underwriter, we made a unique and bold statement about our social engagement in the Gobi and the strength of its commitment to communities throughout the region. We granted 5 million MNT to Gobi Wave NGO, to support programming and daily operations. The Gobi Wave in exchange for this grant will produce their programs independently from IMMI, but precisely worded announcements will be placed at exact times throughout the programming.

This is an investment with the purpose of providing citizens and herders of South Gobi aimag with fair, balanced and transparent and timely information using long-wave line of the Mongolia’s National Radio and Television in cooperation with “Gobi Wave” an NGO located in Dalanzadgad. For herders long wave is the only source of information and we believe that this arrangement, would support a valuable community asset while gaining valuable positive exposure to Gobi Wave listeners as well.

For two hours per week, Gobi Wave broadcasts to the entire Gobi region on 209 kHz over the Mongolian National Radio transmitter located in Dalanzadgad.
Awarding an investment certificate at the Gobi Wave office, Dalanzadgad soum
CULTURAL HERITAGE AND PRESERVATION

- Construction of the Demchig Monastery

Demchig Monastery is located in an area with extraordinary high levels of spiritual energy. It’s Buddhist and karmic importance is of great importance to Mongolia and Mongolians, including in cultural heritage, religious, and contemporary societal and spiritual senses. This project is of particular significance to the people of the Gobi and all of Mongolia. Construction and rehabilitation of Demchig monastery is underway to restore one of the three Galba monasteries in Khanbogd soum of South Gobi established by Danzanravjaa, Noble Saint of the Gobi with the budget of 130 million tugrugs at present.

We constructed the outside wall and foundations for the main stupa In Oct 2005 but it is important to know that our company is wholly committed to supporting this initiative whilst doing so in strict accordance to appropriate cultural, religious and spiritual requirements, norms and expectations. This is a very special, and not “typical” project, and our company’s participation and support of this initiative shall appropriate and consistent with the Mongolian Buddhist way.

We studied and conducted initial restoration of the monastery’s stupas. We have contracted a construction company “Barilga Impex” and they have completed approximately 70% of their contract. We have established ties with the key person in the Ministry of Education, Culture and Science (Oyumbileg) responsible for inspecting and approving such restoration work. But most importantly, we have established a positive working relationship with Purevbat Lama, and he continues to be the spiritual leader and guide for this initiative. Moving ahead we had close consultations with and guidance from Purevbat Lama.

As discussed, we agreed that Purevbat Lama will be the primary guide and spiritual leader for the remainder of the project. Purevbat Lama appointed an intermediary organization and this intermediary organization is handling all interactions with appropriate construction companies, government agencies, and the technical part of this project will take its direction from Purevbat Lama. We are highly committed to restore Demchig Monastery and restoration work is happening under direct supervision of Purevbat lama such as hands-on work of restoring, and getting appropriate government approvals to restore Demchig.

The entire project will consist of 4 distinct stages: research; construction; painting; and internal placement of Buddhist artifacts and sacred texts, etc., though each stage can be understood as consisting of two related parts: the main temple and surrounding stupas.

Currently the first stage which is developing the draft design and producing the mini model for the Demchig main stupa was delivered by Purevbat Lama in Nov 2006.
and, 2\textsuperscript{nd} stage of the construction of the main stupa based on the produced model will happen during March or April 2007 when the construction season is underway.

As we mentioned this project requires specific guidance and involvement from respected Mongolian spiritual leader such as Purevbat Lama and to satisfy the expectations of local citizens of Khanbogd soum.
• Camel Festival, Bulgan soum

With the aim to protect and increase the livestock of rare two-humped camels in the Gobi region we participated in the Camel-Festival-2006 in Feb 8-11 as a general sponsor which has become one of the most popular festivals in the Gobi aimed at protecting, raising and increasing yield of camels in cooperation with Ten Thousand Camels – Camel Trip Association, Great Mongolia-800 and the Ministry of Roads, Transportation and Tourism.
Munkh Ovoo mont worshipping ceremony
Gaviluut bagh, Khanbogd soum

For many years till 1937 local citizens of Khanbogd soum used to celebrate the mont worshipping of Munk-Ovoo soum but this tradition was lost since 1937. This year we after 70 years on June 11th, we restored this tradition and organized a series of events with wrestling, horse racing and ankle bone shooting game.

- 24 local wrestlers competed on the ring and nachin Bat-Erdene and Erkhembaatar were outlasted.
- Out of 15 horses O.Battulga, Ts.Gantulga, G.Tumendelger, D.Buyantogtokh and Enkhee’s horses were selected as fast runners.
- Two teams from Khanbogd soum and 1 from OT site competed on ankle bone shooting competition and team with from OT site won the game.

Ankle bone competition (team of OT employees).
HERDER SUPPORT PROGRAM

- Herder relocation project
- Local Tours and Meetings
- Khanbogd town hall meeting

Aim of the program is to build relationships, conduct consultative meetings, access the needs, provide trainings, technical & financial assistance to acquire knowledge and experience required herders on raising family income and living standards, proper pasture management, classification and processing of wool and cashmere products relying on the local resources and opportunities.

In 2005, we organized 3-day training for the herders living in Oyu Tolgoi vicinity in cooperation with the Gobi Initiative Program”s Representative Office in Dalanzadgad.

1. “Goat breading technology and cashmere classification”
2. “Pasture management”
3. “Processing the animal raw product and produce souvenirs to increase the household income”

In 2006, our approach to community activities was mostly, to gain the trust, build effective relationships, inform and educate on Oyu Tolgoi project and regarding company”s complicated socio and political condition in relation to Investment agreement rather than providing financial and material support. We continued organizing consultative meetings, public information activities and educating locals on the benefits of the project.

Herder Relocation Project

According to the agreement with the herder families and our long term commitment, we continued our support for 11 families living in Oyu Tolgoi licensed area. We built winter quarters, shelters for young animals, summer houses and operated 5 boreholes as well as 5 artesian wells with electric pumps. Moreover, we purchased 32 different livestock including goat, sheep and camel with special breeds that produce high-quality cashmere, wool and meat to each family to improve livestock strain and to increase livestock yield. Also livestock & financial support for herders during the harsh winter season in 2005.

In 2006 we continued to provide the employment for one member, scholarship support for 2 students to study at the desired University in the capital city and school supplies and uniforms for 2 high school students from each family.
Summary of Annual Meeting with Herder Relocated Families *(Meeting notes)*

Soum center/Meeting ger, Dec 15, 2006

Present:

**KB Governor Office:** Mr. Buyantogtokh KB soum Governor, Mr. Buyan-Ulzii, Deputy Governor, Mrs Enkhtuya, CRK’s speaker, Mr. Begzsuren, Javkhland bagh Governor, Mr. Sanjmyatav, Head of Land Office


The purpose of the meeting was to review the contract performance, make analysis and discuss future plans within the legal framework of the Herder Contract. The meeting consisted of opening remarks & introduction, presentations held by IMMI staff and consultation process with Herders on the appendixes of the contract.

Mr. Buyantogtokh expressed his thanks to IMMI for organizing the Annual meeting on Herders contract performance at this time of the year. Also he was pleased to noticed that one or two members from each herder families were present at the meeting.

Mr. Layton Croft highlighted the importance of the Annual meeting which is overlooking at the various aspects of contract performance in a transparent and open way to herders, KB officials and IMMI. Also Mr Layton Croft mentioned the Company is committed for herders and is willing to continue open, transparent and productive relationship in long and sustainable manner. OT project has a long term vision to work in Mongolia for the benefit of all stakeholders. It is worth to pay consideration to the current motto of OT project which says “Intellectual people are wealth of Mongolia”. Moreover, he said that well educated and healthy Mongolians will contribute for the sustainable development of the region and the country.

Mr. Luvsandonoi, Program Officer held a presentation on construction of summer & winter shelters, boreholes and wells with definite cost figures. He mentioned that Luvsandagva, Purev, Tserenkhuu, Tsedevdorj and Surenkhorol received one time investment in full compliance according to the contract (winter & summer shelter, boreholes and wells).

Ms Bayarmaa, Program assistant talked the history of the Herders support program from the beginning till today in order to provide a better understanding of the whole process including the selection of the new land in consultation with Javkhland bagh Governor and water availability studies and so on. The livestock, educational and employment assistance was an important part of the herder agreement. Also provided
handouts with the spreadsheet on contract performance and explained that families with the full assistance have higher value in contrast to other families.

Buyantogtokh: Maintenance of wells and boreholes is an issue of high importance. According to the contract maintenance of wells, boreholes is herder’s responsibility but KB Governor suggested that it shall be KB’s property (common) as well as based on the experience when Tsedevdorj moved to another area he removed the top facility for borehole leaving the borehole of no use for anyone. Luvsandagva’s borehole is not operational when IMMI handed all necessary equipment for proper operation of the well. This example can occur in the future. To cost of the boreholes if very expensive and herders looking at the specifics and needs of local herders shall be willing to share the boreholes with other herders from Javlklant bagh area. It is a big investment and shall be kept and preserved in a responsible manner.

Questions and Answer Session

Tseesuren: I have 3 requests
1. I would like to get the wood for the fence
2. Well with generator
3. Felt for the ger

Tsagaan.Ts: Is it possible if you would construct a new borehole?

Lkhamasuren, Iderborgil’s mother: I have a veterinarian hospital business. Javklant bagh used to have animal shower places in OT licensed area. Could you please investigate the possibilities and construct me the animal shower with the purpose of supporting the local, small businesses?

Namsrai: I have a well and currently the water in the well is reduced. I would like the borehole constructed according to the contract.

Oyun-Erdene, Munkhbayar’s wife: Water amount of the manual well is not sufficient.

Tserenkhuu: I would like to ask you to fix the generator for the borehole as it is not working properly.

Dolgorsuren, Namsrai’s mother: One of the assistances of the contract is to conduct trainings IMMI provided the following training:
“Goat breading technology and cashmere classification”
“Pasture management”
“Processing the animal raw product and produce souvenirs to increase the household income”

And, I would like to ask you to conduct English language, Dairy products and condensed/compressed fuel trainings.

Surenkhorol: As per agreement you have to install electrical water pump and move the winter shelter

Munkhbayar: I need the borehole

Tsedevdorj: Could you please fix our borehole?

Iderborgil: Also the borehole is needed the manual well is not sufficient.

Tsagaan.Ts: Please conduct the training with the aim to start the dairy products processing business.

Batjargal: Could you please guaranty the employment at IMMI for the members of Herder families?

Mr Buyantogtokh: The boreholes shall be the property of local government. It needs throughout accountability system. If the herder removes the top building of the borehole it destroy the whole usage of
borehole. Herders should understand this and agree on this matter. Eleven herder families received significant amount of support from IMMI according to the contract. We have around 60 herder families in total that live in Javklant bagh area. Please try to understand me but I think you are over spoiled. When I hear these 11 families asking to fix the generator, fence, borehole or building another borehole that is broken due to their own misusage and etc I feel bad for other families. Per example we have another citizen whose name is Bilegsaikhan. He has 3 children and his spouse passed away years ago. He used to live in Gaviluut. He is the one who should have been included in the Herders support program but I agree it is our mistake that his name wasn’t in the list of 11 families. I would like IMMI to consider this situation and build him a shelter for him. Herders shall live on agreed winter and summer locations, cannot stay at someone’s settling as it causes some problems. I support Dolgorsuren’s point of organizing English language training for herders. As a local authority I would like to confiscate Tsedevdorj’s borehole before it is destroyed. If you use I ask you to use properly. I ask you to be ethical in this regard, I was a herder in past and we know very well the problems of our herders. Boreholes shall be maintained and used properly. Dolgorsuren asked to support the establishment of condensed fuel business, the animals shower and Vocational training (English, cooking and wool processing). I’m also asking IMMI to investigate them and provide the answers

Oljmedekh: We all appreciate your comments and questions. We will install electrical water pump and move the winter shelter for Surenkhoriol’s family. We can provide the materials anytime. Our program officer Bayarmaa will make a plan for coming projects and we will inform you when the project will take place. Also we will move winter shelter and install borehole for Iderborgil’s family. For Tsedevdorj’s family we cannot fix the borehole. For Tsseesuren we will provide the borehole, this is a projected activity and we will discuss it in details latter. We cannot provide generator for Luvsandagva.

After the Herders meeting the CRSD concluded the following:

- Continue the research on boreholes and make a detailed action plan for rest of the families /Bayarmaa/
- Investigate the animal shower estimated cost /Bayarmaa/
- Provide 3 tones of cement to KB kindergarten as promised earlier.
- Herders contract shall be closed as it is with the current value. IMMI fulfilled one time investment. Educational assistance shall continue (discuss with Legal department if the contract shall be under Students name or remain the same contract) Shall modify the names of the students in current contract /Delgermaa/
SOUTH GOBI ORIGINATED LOCAL OYU TOLGOI DAY TOURS

Since February 2006 we have organized multiple UB originated tours and currently CRSD team organized 6 SG originated tours on a regular basis. The purpose of the tours is first to educate and extend the understanding of what is underground mining stands for, and to share information about the project current status, policies and procedures. Second is to have open and productive consultations. Visitors express their thoughts, interests in regard to local development. Tours are very condensed and very informational which evolves extensive logistics and planning. We have 2 full time staff in CRSD/OT who plan, organize the tours and activities. Result of local tours is extremely positive. We receive requests from various soums to conduct such tours at least once as Mongolian proverb says “Better to see once than listen thousands of times”.

KHANBOGD TOWN HALL MEETINGS

Each Saturday of the week our program officer Bayarmaa and Ganbayar conduct Khanbogd town hall meetings. Our approach is to have open, transparent relationships with local citizens. Everyone is welcomed to come for the meeting. The purpose is again to share information on whatever topic locals are interested to know but most important is that we are building the trust in our relationship. Initially meetings were oriented to provide basic understanding of mining process, construction phase, operation and etcetera.

Report from 1 December 2006 Khanbogd community meeting:

As a part of our CRSD and PIC job we started organizing open meeting for KB citizens every Saturday at 2 PM to be informed about OT project activities, especially community related programs and projects. Ganbi, Batbold and Oljoo organized the weekly meeting on Saturday, November 18. The meeting was held in the soum Cultural center and was involved over 50 citizens. There were representatives from school and kindergarten teachers” and unemployed people who want to get a job at OT. Government officials were not involved for this meeting.

At first stage we have briefed CRSD and OT activities and then showed them “The life of a mine” 15 minutes movie prepared by Rio Tinto.
Then we answered their interested questions. There were following questions and complains:
1. Is it possible to organize English training for KB citizens in KB soum under the ELLP?
2. How can get criteria to apply for the Gobi Scholars program for coming year?
3. There are millions MNT investment was made for KB kindergarten from IMMI, but last building repairing project did not complete yet. Donoi promised to provide materials like cement etc to complete it, but still waiting. If IMMI provides us required materials according to Donoi promise we can find labour locally to complete it.
4. Hired employees from KB are working for only cleaning and washing positions. Do better educated people have a chance to get better job for OT?
5. Chinese workers live there very missy and rude as local cleaning girls describe. They go out and enter to the fence freely, but Mongolians are limited. Are you control it?
6. OT people say that OT exploration is continuing and the mining not started yet, but big trucks from OT are going to China very often. Who knows if IMMI loading the gold and copper out of Mongolia?
7. How many cars should pass on the road between KB and OT? On that road cars and motorcycles are having accidents…
8. Is it possible to have some seats for KB citizens for emergency case on the plane? Or can any KB citizen fly paying for the tickets?
9. Some KB people receiving waste from OT and recycling, but most of them useless.
10. KB Cultural center requested to support them providing over 32 million MNT to get equipments and submitted us a written proposal as attached.
11. The bus for OT employees is taking school children from KB and dropping on them on the way. The winter is coming and it needs to be stopped. Otherwise school children can die because of the cold and snow storm on the way to come their home.

We answered for their questions and suggest that all related detailed answers need to be published on OT newsletters and responsible people can come to KB next meeting with our team to clear their understanding like the road and waste etc issues.

During the meeting we have delivered them new Toim magazine. There was only school boy who got the magazine and left, but he was reading the Toim magazine out of the Cultural center that looked nice (see photo 2101).

SUMMARY OF SURVEY IN REGARD TO OYU TOLGOI PROJECT AND ENVIRONMENTAL ISSUES

We conducted survey on OT Project in Bayan Ovoo, Manlai and Nomgon soum of Umnugobi aimag. 60 residents from Manlai soum, 63 from Nomgon soum and 32 from Bayan Ovoo soum, in total 162 local residents from three soums, took part in the survey. Based on the results of questionnaire it is observed that the majority of residents of three soums

⇒ 77 ÷ 88% support development and mining of OT mine
⇒ 34 ÷ 45% consider that OT Project would benefit local development and their family
⇒ Major concern of people is the environmental issue. 59 ÷ 78% of participants concerned about this issue.
⇒ 58 ÷ 68,7% of participants looking for from OT Project is creation of new workplaces and regional infrastructure development.
⇒ 25 ÷ 46,8% of people support underground water use for water supply of OT mine whilst 37 ÷ 45% need an additional information to make decision on this issue.
⇒ 6 ÷ 63,5% of participants consider that underground water use for water supply is not feasible. They concern that underground water use shall dry up wells, destroy plants and cause desertification.
⇒ The majority of people who took part in survey expressed their need of additional information on underground water use.
People provided number of comments and suggestions for the last question of questionnaire. These include to create new workplaces, protect and rehabilitate environment, make investment to other soums of Umnugobi aimag in equal amount of investment currently making in Khanbogd soum, take preventive measures from desertification, award the Stability Agreement immediately with best interest of local region, restrict migrant of non-local people, particularly Chinese workers, at OT, develop infrastructure of soums, hire employees from adjacent soums, provide electricity, work closely with soum residents, provide training for them, identify underground water points, assist to dig wells, build road between OT and Ulaanbaatar and hire Mongolian workers for road building work.

**Recommendations and conclusions**

Based on the results of survey, it is apparent that majority of residents of Khanbogd soum and other soums where OT Project has been implementing need more updated information on present situation of OT Project, human resource for the Project, local development, environmental impact and particularly the use of underground water.

Thus, it is recommended that IMMI need to provide local people of Khanbogd soum and other adjacent soums with updated information on the following topics and conduct survey again. The feedbacks provided by participants in survey should reflect on further activities of Community Relations and Environmental Department of IMMI.

1. IDP of OT Project
2. Environmental impact from OT Project and environmental protection measures (Environmental Department)
3. Results of groundwater exploration and survey, use of groundwater for OT processor plant, environmental impact and protection (Environmental Department)
4. OT Project policy of local development assistance (Public Information and Communication)
KHANBOGD URBAN AND COMMERCIAL DEVELOPMENT

PHASE ONE (February-July 2006)

Step 1: Determine current use of land
- Current Population: 2,688
- Produce a topographic map of Khanbogd for the location of streets, power, water and sewer lines, residences, businesses, schools, hospitals, libraries, and cultural and recreational sites.
- Research the types of industries in the community, the characteristics of the population, and employment and economic trends.

Step 2: Determine future use of land
- Estimated Population: 30,000 by 2015
- Use the topographic map and overlay it with a schematic design of suggested/alternative plans for land use and development for a town of 30,000 people which include:
  - Power
  - Sewage
  - Water
  - Housing
  - Economic/Commercial Development
  - Roads/Transportation
  - Historic Preservation

Step 3: Research infrastructure needs
- Research major infrastructure: power, water, sewage, roads
- Forecast future trends in population, housing, transportation, and employment and how it will impact infrastructure needs.
- Determine estimated cost of implementing and operating infrastructure projects.
- Forecast Khanbogd’s future financial situation (tax revenue from IMMI and increased population/businesses).

Step 4: Estimate impact on social services
- Determine the future demands on schools, hospitals, waste, telecommunications, and other kinds of infrastructure.
- What is the Mongolian Government’s responsibility? National, Aimag, and Town level?

Step 5: Determine commercial development
Forecast Khanbogd’s future commercial development as an industrial support town.
What do increased population and businesses mean for soum revenue?

Step 6: Recommendations to IMMI
- Make recommendations on best way to support Khanbogd urban and commercial development (technical assistance and infrastructure) with a timeline and budget

1. Introduction

1.1. Project Execution Overview

The Khanbogd Urban and Commercial Development Project is part of the Community Relations and Sustainable Development Department. The Project was initiated with the goal of providing Oyu Tolgoi employees and their families a desirable location to live. The Project will develop short- and long-term land use and urban development plans for Khanbogd Soum growth in consultation with relevant local authorities. In addition, the Project will estimate the costs of building regional infrastructure and the estimated tax revenues Khanbogd will receive from Ivanhoe over the life of the Oyu Tolgoi Project.

2. Project Management Phase I

2.1. Principal Management:
   2.1.1. Allison Croft, Project Coordinator
   2.1.2. Reece Fuller, Project Engineer

2.2. Supplementary Resources:
   2.2.1. External Engineering Project
   2.2.2. Community Relations & Sustainable Development Department
   2.2.3. Public Information & Communications Department
   2.2.4. Government Relations Department
   2.2.5. Legal Department

3. Project Deliverables

3.1. Deliverable 1: Topographic Survey of Khanbogd Soum

<table>
<thead>
<tr>
<th>Deliverable</th>
<th>Contractor/Management</th>
<th>By Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Topographic Survey Khanbogd Soum</td>
<td>Geomaster/Reece</td>
<td>April 15, 2006</td>
</tr>
</tbody>
</table>

3.2. Deliverable 2: Conceptual & Schematic Town Plan

<table>
<thead>
<tr>
<th>Deliverable</th>
<th>Contractor/Management</th>
<th>By Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Khanbogd Site Selection</td>
<td>HB Design/Reece/Allison</td>
<td>May 5, 2006</td>
</tr>
</tbody>
</table>
### Preliminary Schematic Design
- HB Design/Reece/Allison
- May 30, 2006

### Schematic Design Final Draft
- HB Design/Reece/Allison
- June 30, 2006

### Final Schematic Design & Final Report
- HB Design/Reece/Allison
- July 14, 2006

### Corrections to Final Town Design
- HB Design
- December 20

### Submit Final Town Design to Governor and Committee
- Reece/CRSD
- December

### 3.3. Deliverable 3: Socio-Economic Study

<table>
<thead>
<tr>
<th>Deliverable</th>
<th>Contractor/Management</th>
<th>By Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Socio-Economic Study</td>
<td>Social Research Institute</td>
<td>August 18, 2006</td>
</tr>
<tr>
<td>Estimated Revenues to SG and KB</td>
<td>David Baker/Allison</td>
<td>September 30, 2006</td>
</tr>
<tr>
<td>Corrections to Social Study</td>
<td>Social Research Institute</td>
<td>November 24, 2006</td>
</tr>
<tr>
<td>English Version</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Translate final version into Mongolian</td>
<td>Social Research Institute and/or IMMI (TDB)</td>
<td>December</td>
</tr>
</tbody>
</table>

### 3.4. Deliverable 4: Infrastructure Estimates and Work

<table>
<thead>
<tr>
<th>Deliverable</th>
<th>Contractor/Management</th>
<th>By Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power Development</td>
<td>Ken Harvey/Reece</td>
<td>May 1, 2006</td>
</tr>
<tr>
<td>Water Resources around KB</td>
<td>Aquaterra/Reece</td>
<td>May 19, 2006</td>
</tr>
<tr>
<td>OT – KB Road Improvement</td>
<td>Mick Waller/Reece</td>
<td>June 30, 2006</td>
</tr>
<tr>
<td>Light Industrial Park (LIP) estimates</td>
<td>Reece</td>
<td>June 30, 2006</td>
</tr>
</tbody>
</table>

### 3.5. Deliverable 5: New Town Implementation

<table>
<thead>
<tr>
<th>Deliverable</th>
<th>Contractor/Management</th>
<th>By Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Survey and plot Phase I residential area</td>
<td>Geomaster/Reece</td>
<td>August 30, 2006</td>
</tr>
<tr>
<td>Survey and plot Phase II residential area</td>
<td>Geomaster/KB Governor</td>
<td>December 1</td>
</tr>
<tr>
<td>Evaluate and discuss New Town development and growth phases</td>
<td>Reece/CRSD/Governor/Committee</td>
<td>December 15</td>
</tr>
<tr>
<td>Apply for land use permit for 1 city block for IMMI offices</td>
<td>Reece/CRSD/KB Land Officer</td>
<td>December</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Deliverable</th>
<th>Contractor/Management</th>
<th>By Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meeting with Governor: Start project</td>
<td>Allison/Reece</td>
<td>March 24, 2006</td>
</tr>
<tr>
<td>Meeting with Governor: Update</td>
<td>Allison/Reece</td>
<td>April 2, 2006</td>
</tr>
<tr>
<td>Meeting with Governor and Committee</td>
<td>Allison/Reece</td>
<td>May 5, 2006</td>
</tr>
<tr>
<td>Presentation to KB Town</td>
<td>Allison/Reece/Allison</td>
<td>July 25, 2006</td>
</tr>
<tr>
<td>Ministry of Urban Development Presentation</td>
<td>Allison/Munkhbat A./Munkhbat T.</td>
<td>August 4, 2006</td>
</tr>
<tr>
<td>Meeting with Governor :UB</td>
<td>Allison/Degie/Tseghi</td>
<td>September 5, 2006</td>
</tr>
<tr>
<td>Meeting Committee/Governor</td>
<td>Allison/Bayarmaa</td>
<td>September 13, 2006</td>
</tr>
<tr>
<td>Meeting with Committee and Governor</td>
<td>Allison/Reece/Oljoo</td>
<td>November 6, 2006</td>
</tr>
<tr>
<td>Meeting with Governor: Update</td>
<td>Allison/Reece/Degie</td>
<td>November 15, 2006</td>
</tr>
</tbody>
</table>

4. Detailed Implementation Plan

4.1. Deliverable 1: Topographic Survey

<table>
<thead>
<tr>
<th>Item No.</th>
<th>Task</th>
<th>Action By</th>
<th>Start Date</th>
<th>End Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Geomaster Topographical Survey</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Scope of Work and Contract Drafted/Signed</td>
<td>Reece</td>
<td>March 1</td>
<td>March 10</td>
</tr>
<tr>
<td></td>
<td>Review survey area and adjust scope</td>
<td>Reece</td>
<td>March 24</td>
<td>April 4</td>
</tr>
<tr>
<td></td>
<td>Request &amp; review weekly survey updates</td>
<td>Reece</td>
<td>March 1</td>
<td>April 15</td>
</tr>
<tr>
<td></td>
<td>Send preliminary survey drafts to Hans</td>
<td>Reece</td>
<td>March 1</td>
<td>April 15</td>
</tr>
<tr>
<td></td>
<td>Geomaster survey field work completed</td>
<td>Reece</td>
<td>March 14</td>
<td>April 15</td>
</tr>
<tr>
<td></td>
<td>Geomaster survey AUTOCAD completed</td>
<td>Reece</td>
<td>March 14</td>
<td>April 15</td>
</tr>
</tbody>
</table>

4.2. Deliverable 2: Conceptual & Schematic Town Plan

<table>
<thead>
<tr>
<th>Item No.</th>
<th>Task</th>
<th>Action By</th>
<th>Start Date</th>
<th>End Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Hans’ Town Planning</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Scope of Work and Contract Drafted/Signed</td>
<td>Reece/AC</td>
<td>March 31</td>
<td>April 7</td>
</tr>
<tr>
<td></td>
<td>Send socio-economic information to Hans</td>
<td>Allison</td>
<td>March 1</td>
<td>March 5</td>
</tr>
<tr>
<td></td>
<td>Send preliminary survey drafts to Hans</td>
<td>Reece</td>
<td>April 31</td>
<td>April 31</td>
</tr>
<tr>
<td></td>
<td>Send survey updates to Hans</td>
<td>Reece</td>
<td>ongoing</td>
<td>completed</td>
</tr>
<tr>
<td>Item No</td>
<td>Task</td>
<td>Action By</td>
<td>Start Date</td>
<td>End Date</td>
</tr>
<tr>
<td>---------</td>
<td>------------------------------------------------</td>
<td>----------------------</td>
<td>-------------</td>
<td>-----------</td>
</tr>
<tr>
<td>2</td>
<td>Socio-Economic Study</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Scope of Work and Contract Drafted/Signed</td>
<td>Allison Munkhbat A</td>
<td>March 27</td>
<td>April 7</td>
</tr>
<tr>
<td></td>
<td>Request Bi-Monthly Updates</td>
<td>Allison</td>
<td>Ongoing</td>
<td>ongoing</td>
</tr>
<tr>
<td></td>
<td>Economic Study completed</td>
<td>Social Research Inst. (SRI)</td>
<td>April 10</td>
<td>August 10</td>
</tr>
<tr>
<td></td>
<td>Revisions to Social Study</td>
<td>SRI</td>
<td>September</td>
<td>November</td>
</tr>
<tr>
<td>4</td>
<td>Tax Revenues</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Determine soum and aimag tax revenues from IMMI</td>
<td>Allison/David baker</td>
<td>March 1</td>
<td>September 15</td>
</tr>
</tbody>
</table>

4.4. Deliverable 4: Infrastructure Development

<table>
<thead>
<tr>
<th>Item No</th>
<th>Task</th>
<th>Action By</th>
<th>Start Date</th>
<th>End Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>Power</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Estimate power consumption for KB</td>
<td>Reece, Ken</td>
<td>March 6</td>
<td>March 24</td>
</tr>
<tr>
<td></td>
<td>Estimate power consumption for LIP</td>
<td>Reece</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Research cost of building power distribution network</td>
<td>Reece</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Research cost of running power</td>
<td>Reece</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Research options on how/who to run power company</td>
<td>Reece</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Plans and drawings for power-substation completed</td>
<td>Ken, Reece, Allison</td>
<td>n/a</td>
<td>Waiting for Ken</td>
</tr>
<tr>
<td>6</td>
<td>Water and Sewage</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Discuss water with Aquaterra</td>
<td>Reece, Allison</td>
<td>April</td>
<td>June</td>
</tr>
<tr>
<td></td>
<td>Estimate water consumption for KB</td>
<td>Reece</td>
<td>April</td>
<td>May</td>
</tr>
<tr>
<td></td>
<td>Estimate water consumption for LIP</td>
<td>Reece</td>
<td>April</td>
<td>May</td>
</tr>
<tr>
<td></td>
<td>Research cost of building water pipelines</td>
<td>Reece</td>
<td>April</td>
<td>May</td>
</tr>
</tbody>
</table>
Khanbogd Urban and Commercial Development
Strategy Concept v.1
26 October 2006

Vision: Between 2007 and 2015, Khanbogd town (current population 2,500) becomes Khanbogd city (population 30,000). Approximately 90% of all Oyu Tolgoi project employees live in Khanbogd city once the mine begins production. Khanbogd city boasts modern urban planning and design, transparent and accountable local governance, and infrastructure and public services (schools, hospitals, municipal administration, law enforcement) on a par with, or superior to that of, Ulaanbaatar. Khanbogd city is a major driver of sustainable economic growth and social development throughout the South Gobi region, and a significant contribute to Mongolia’s national-level economic growth and social development.

Mission: Led by an international donor agency, a Consortium of strategic partners consisting of the Oyu Tolgoi project, Mongolian commercial banks, Mongolian urban development companies (developers, architects, construction firms), Mongolian production, service and retail companies, and Mongolian government agencies at local and national levels, will be formed. The Khanbogd UCD Consortium will produce and implement a strategic development plan for the market-led urban and commercial
development (UCD) and transparent and accountable governance of Khanbogd city as it transitions from Khanbogd town.

**Approach:** Oyu Tolgoi project’s sustainable development philosophy is to be a model corporate citizen supporting sustainable economic growth and social development in the South Gobi region, and in particular in and around Khanbogd soum. The Oyu Tolgoi project will be, by far, the largest contributor of public revenues to the Khanbogd soum budget, and the largest employer of and contributor of private sector wages to Khanbogd residents. The key to sustainability is local ownership, responsibility and accountability, from the beginning. Partnership with various stakeholders – Oyu Tolgoi project, Mongolian companies, international donor organizations, and relevant local and national government agencies – is also critical to success. To that end, the Oyu Tolgoi project wants to support the establishment, now, of a strategic Consortium of such stakeholders, including though not led or controlled by Oyu Tolgoi project or Ivanhoe Mines.

**Initial Timetable:**
- Khanbogd UCD Consortium will be formed by the end of the first quarter of 2007.
- Khanbogd UCD Strategic Plan will be produced and approved by the GoM by the end of the second quarter of 2007, commencing implementation immediately thereafter.
- Investment commitments will be made by Consortium stakeholders by the end of 2007.
- Construction of municipal infrastructure (power, sewage and water) for Phase One of developing Khanbogd city will begin from the first quarter of 2008.
- Construction of residential housing and commercial infrastructure (office buildings, industrial park, roads) will begin by the end of the first quarter of 2008.

**IMMI’s Plan for Khanbogd**

**Assumptions:**
- IMMI will not build, run or be perceived to be the patron or owner of Khanbogd city.
- IMMI will not build, own or operate Khanbogd city utilities and other urban or social service infrastructure.
- IMMI will not be responsible for collecting taxes or managing public revenues, including building or managing public service institutions (schools, hospitals, police, municipal administration).
- IMMI will not house non-Mongolian Oyu Tolgoi employees in Khanbogd city, but rather on the Oyu Tolgoi project site.

**Commitments:**
- IMMI will pay all applicable taxes, fees, and other payments, as per Mongolian laws and regulations, to relevant soum, aimag and national government agencies. Moreover, IMMI will publicly disclose all details (amounts, types) of all such payments on a regular basis.
IMMI guarantees that, after Oyu Tolgoi mine production begins, between 1,000-2,000 Oyu Tolgoi Mongolian employees will live, many with families, in Khanbogd city, and will commute to their jobs at Oyu Tolgoi.

IMMI will pay its Oyu Tolgoi Mongolian employees who live in Khanbogd city a monthly living allowance, in addition to salary and bonuses, to cover housing and meals.

IMMI will invest, through the Khanbogd UCD Consortium, up to US$100 million over 10 years to build necessary urban infrastructure to house up to 2,000 Oyu Tolgoi Mongolian employees in Khanbogd city (e.g. power, sewage, water, apartments, landfill).

IMMI will incent Oyu Tolgoi Mongolian employees to own their housing in Khanbogd city by selling apartments at very favorable terms, as negotiated with and implemented by the Khanbogd UCD Consortium.

IMMI will invest, through the Khanbogd UCD Consortium, up to US$10 million between 2008-2010 to contribute to the building of necessary social service infrastructure (e.g. school, hospital, law enforcement, municipal administration) to support the Oyu Tolgoi Mongolian employees and their families living in Khanbogd city.

---

**Khanbogd Urban and Commercial Development (KBUCD)**

**Phase 2 Scope of Work**

5 December 2006

**Goal:**

By 1 July 2007:

- We will know Oyu Tolgoi project’s needs within the Khanbogd City Masterplan and how our needs should be fulfilled in technical, financial, environmental, legal, political and social terms.
- We will understand how Oyu Tolgoi project’s needs are integrated into the broader context of local officials’ and citizens’ needs in order to successfully implement the Khanbogd City Masterplan.
- We will know the names, interests and capacities of required and desired stakeholders to successfully implement the entire Khanbogd City Masterplan.

**Objectives:**

1) To finalize the Khanbogd City Masterplan from a technical perspective.
2) To instill “local ownership” of and secure a “social license” to implement the Khanbogd City Masterplan from current KB officials and residents, and DZ officials.
3) To know all relevant Mongolians laws, legal procedures, approval and permitting processes, and regulations related to implementing the Khanbogd City Masterplan.
   - e.g. -- for construction, water usage, infrastructure, EIA, zoning, “city” status, taxation, revenues for/governance of education, health, administration, etc.
4) To determine projections of numbers (over time) of OT project employees who will live in KB City, and projections of their required and desired needs for: housing,
utilities, home furnishings/appliances, food (grocered and ready-to-eat), transportation, education, health care, local administration/governance and recreation/entertainment.

5) To determine total capital and running costs required (over time) to meet these projected numbers and needs, and costs broken out according to: OT project direct investment, OT project indirect investment (i.e. through monthly living allowances), and others’ investments.

6) To determine OT project and non-OT project inputs into the local economy, i.e. taxes, fees, consumer spending, private investment, etc.

7) To determine infrastructure and social service expansion needs based on projected OT employee relocations and general migration to KB City.

8) To determine projections as per objectives 4, 5, 6 and 7 above – and through consultations with local officials and citizens – of numbers and associated costs for estimated future residents of KB City who are not OT project employees.

9) To determine a fair and reasonable OT project running support cost scheme (over time), including monthly living allowance scales, maintenance and repair, etc.

10) To produce a master Implementation Plan and Timeline for the Khanbogd City Masterplan, including a detailed explanation of what must happen by when in order to synchronize the fulfillment of OT project’s needs with those needs of non-Oyu Tolgoi stakeholders (i.e. present and future KB City officials and citizens, SG Aimag and national government agencies and officials, international investors/donors, foreign and domestic private sector investors/entrepreneurs).

KBUCD Local Committee
The committee was established in Oct 2006. Committee consists of 16 members representing the will of Khanbogd citizens. The Committee is actively engaged and has a strong commitment to build a “good” town. Our team conducts regular meetings with KB committee to ensure that the ownership of this massive project is gained and three main principles, Partnership, Planning and Good governance which is a foundation of our relationship in regard to KB town development is achieved. By the end of December 2006, the Khanbogd City Development Committee had produced institutional by-laws, officer positions, and a draft strategic action plan and budget. The Committee had made dozens of presentations to local stakeholders in Khanbogd soum, South Gobi aimag and Ulaanbaatar.
Launching of KBUCD plan to local citizens, KB Cultural Center, Dec 29, 2006
CRSD support to local environmental initiatives

- Botanical Garden in Khanbogd soum

We have a long term commitment for the sustainable development of environment of local area. We are intending to provide financial and technical support to launch Botanical garden and Fauna in Khanbogd soum and to monitor the growth of local vegetation. Our environmental officer in line with Community team visited the local expert who owns the botanical garden in Baga Bulag and Khan Hongor soum, The Botanical garden will be established to grow the locally grown plants which will also prove our long term commitment for the sustainable environment effort. The research of this project was conducted by our Community staff in line with our Environmental Officer Altantsetseg but the actual implementation is delayed for latter. Below is a report on Baraaduuz’s Botanical Garden located in Han Hongor soum. (Please see the report “Khangai in Gobi”)

- Waste Management Initiative

Our CRSD in cooperation with Environment and Administration departments is intending to introduce the best waste management practice in site involving the local cooperatives, and companies. Environmental officers are in the process of studying the best system and currently working to set the requirements for each type of waste processing such as solid waste, recyclable (scrap steel, glass, bottles, containers and plastic), kitchen and food waste, infectious waste (medical), chemical waste such solvents, corrosive and toxic substances, used oil and battery, radio active and waste water. Management practice for each waste varies and we will need couple of local waste management companies to introduce and implement the best waste management practice. We will provide an open and equal opportunity for all local initiatives but only the ones who are skilled and competent will be selected.

REPORT ON “KHANGAI IN GOBI”

B.Altanstesteg, an environmental officer of IMMI, worked between 19 May to 23 May 2006, in order to study work experience about combating against desertification, sand storm and to familiarize with Mr. Baraaduuz’s tree nursery in Baga Bulag, Han Hongor Soum in South Gobi aimag.

During this assignment period, we got familiarized with tree and shrub species that can be cultivated and grown in Gobi region, tree cultivation technique, irrigation, fertilizer, protection and nursing condition in situ.

All the research work during the assignment is shown below. By the way I’m being very thankful to the cooperation of DZ IMMI Branch Office manager D.Oljmedeh and driver Gankhuyag.

Who is Baraaduuz?

He is the native born citizen of South Gobi. He is a zoo technician and now reaching 67 years old. He lives in Baga Bulag which is part of Hanhongor soum in South Gobi with his wife Namjilmaa.
Community Relations and Sustainable Development

The land locates on the boundary of Hanhongor and Bulgan soum which is 57 km North West from the center of South Gobi aimag.

Mr. Baraaduu has worked totally 39 years in environmental and agricultural sector of aimag. For 14 years of this he worked as a deputy chairman of administration of the South Gobi aimag

He published 18 books, publications and recommendations independently and 7 with cooperation.

Picture 1. Mr. Baraaduu’s Tree Nursery in Baga Bulag in 1996

Picture 2. “Forest favor center”

Activity of “Forest favor” center

Objectives of the non-governmental organization:

1. to protect the genetic resource of Gobi rare and extremely rare plants
2. to bring up Gobi tree sapling.
3. to create Gobi plant seed source
4. to develop methodology about cultivation of potatoes, vegetables, feeding stuffs, trees, shrubs and herbs.

Picture 3. Inheriting experience

12 people of 6 families have been carrying out arboriculture and vegetable planting activity in 2.8 hectar area voluntarily.

About 80 kind of natural wild plants and cultivated trees, bushes and vegetables are planted in that area.

Also researchers investigted that 10 kinds of birds live there.

Picture 4. This year’s planting is already begun.

In addition, 3 nationwide and 2 regional orientation training, based on “Plant favor” center activity, was organized here. Also they organized vegetable ensilage training to about 50 local family.
Combatting against desertification in South Gobi is Mr. Baraaduuz’s wish and he has been trying to organize the training of cultivating trees and shrubs in gobi region and share his 14 years experience with people who take care of this local issue. Also he is willing to establish museum of gobi region plant.

**Introduction of Arboriculture**

When Mr. Baraaduuz arrive in Baga Bulag on march 28th of 1992, there were 3 broomgrass and 4 hummock. Then elmwood seed was first planted here on april 5. Now, the cultivated seed has been growing for 13 years and has became 13 m tall thicket.

*Elmwood (Ulmus pumila) is one of the most suitable tree in gobi region which comprises gobi forest and can reach up to 400 years old.*

*Elmwood reproduction is only by seed and the seed matures between end of may and beginning of june within 15-20 days*

*Mature seed looks yellowish coloured*

*Average size of wild elmwood is 0.5-1.5 m in diameter and 10-16 m in height. The width of tree crown is 10-13 m.*

After planting the elmwood, in 1996, they cultivated asp (*Populus*) which was brought from Zuunsaihan Mountain in South Gobi.

This asp is one of the main vegetation in South Gobi and thrives in Gobi arid condition.

10 year old asp was taller than 10 year old elmwood. Since the Gobi asp is one of quickly growing vegetation, it is widely used in afforestation.

Picture 6. 3 year old asp
Another drought-resistant tree in his garden is tamarisk and it thrives in variety of Gobi soil and moisture condition. Generally, all the vegetation planted here are native plants which adapted in harsh and arid climate.

It’s easy to cultivate tamarisk by the 1 year old branch offcuts. It’s suitable to cultivate as an ornamental plant of urban area. Because the tamarisk flowers during June to October.

Quickly growing wickers with brown and white peel grow in several places such as Ongi river and Zuunsaikhan Mountain in South Gobi aimag. Wickers have high significance in farming and it survives considerable droughts while other trees and shrubs grow in Khangai region can’t.

Wickers can spread vegetatively by sprouting from branches and they have to be protected. Because they can’t withstand competition from other wild plants and rabbits (they eat wicker peel) in the beginnig of the growth.

There are 3 kind of caragana in the tree nursery in Baga Bulag. Two of them are cultivated and one is growing wild.
After building fence around the tree nursery the caragana has been growing faster. Generally, it was obvious that all the wild plant growth has developed after building the fence because of good watering and irrigation ditch.
Community Relations and Sustainable Development

onions from Zuunsaihan mountain.

Altai onion is more aromatic than other cultivated onions and vigorous food plant.

Picture 15. Altai onion or wild onion

Almond is also one of the most appropriate tree to cultivate as an ornamental plant and shelterbelt. Almond produces flowers in May and bears fruit in July. Reproduction is primarily by seed.

Picture 16. 2 year old Almond 
(_Amygdalus pedunculata_)

Russian-olive (_Elaeagnus moorcroftii_) is an endangered plant whose distribution has been decreasing year by year.

So one way to prevent from destruction is to cultivate Russian-olive in tree nursery by seed.

Mr. Baraaduuz also cultivates vegetables and fruits in his tree nursery. When we came there, they said that they sowed almost all vegetables.

More than 80 kinds of plants are growing in “Forest Favor” center

Everyone knows that water is crucial necessity of plant. So Mr. Baraaduuz planned to use Baga bulag (which means Small Spring) water in his brooder area.
Water discharge rate of Baga bulag is 0.9 l/sec, water pH=7 in discharge area and water pH=8 in farm lands.

Spring water is now used both as a drinking water and in farm land watering. After pumped water through pipeline come to farmland, it is spreaded by ditches for irrigation of trees.

Other tree cultivated places:

Other organizations and residents cultivated a number of tree and sapling bought from Mr. Baraaduuz’s tree nursery.

- Bor-Undur in Hentii aimag 5000
- Center of Dundgobi 10000
- Most soums of Dund Gobi 10000
- Olon Ovoot
- Hanbogd soum 600

“Forest favor” center sold more than 40000 trees and sapling in last 3 years. We watched the trees cultivated in Han Bogd soum which is nearest to OT.
Afforestation history of South Gobi aimag:

As shown in the afforestation history of South Gobi (Baraduuz.D, 2006):

- In 1850, Tooroi tree, Bayangol in Nomgon soum.
- In 1949 spring, 16 elmwoods are cultivated in front of party committee of aimag.
- In 1951, elmwood was first transplanted.
- In 1952, 25 young elmwood which was brought from Han Bayan hoshuu in Mandal Ovoo soum was cultivated in central park of Dalanzadgad city.
- In 1956, elmwood is cultivated by seed in the center of Bulgan soum.
- From 1960, started to cultivate saxaul in north-west coast of lake Ulaan in Mandal Ovoo.
- In 1971, tree nurseries of aimag and soum were established and 100 Russian-olives were transplanted in 1973.
- In 1972 fall, 400 saplings of dwarf apple tree cultivated in Hatad in Han Hongor.
- In 1991, elmwood seed collected from Han Bogd was cultivated in Baga Bulag tree nursery in Han Hongor soum.
- In 2005, Environmental Service of aimag and Policy Regulatory Department of Governor’s office cultivated sapling in 80 hectar area for afforestation to prevent Dalanzadgad city from sand storm.

Picture 23. Trees planted in Han Bogd Soum (elmwood, asp, tamarisk)

Picture 24. Afforestation of 80 hectar area
How can they help us?

Trees can be cultivated for several purposes. For example:
1. to build a shelterbelt to prevent soil from degradation, erosion and sand storm.
2. for gardening purposes in the city and residential area.
3. to build a shelterbelt to prevent farmlands from wind erosion.

Cultivation method will vary according to the purposes. If we cultivate tree for gardening purpose, space between rows must be 2 m and space between the trees must be 3 m. In this case 33 trees can be cultivated in 100 m strip of land. If we cultivate tree for shelterbelt purpose, space between trees must be more dense and at least 6 rows of trees should be cultivated.

In Mr. Baraaduuz’s tree nursery
1 tree costs 400 tugrig,
1 sapling costs 200 tugrig (tree species are not classified).

However, it costs 400 to 800 tugrig in other tree nurseries and “Gobi Grove” Co.Ltd which provides afforestation supply.

We disscussed with Mr. Baraaduuz about where we can cultivate tree and he advised that;
1. Oyu Tolgoi is an apple of discord
2. It’s better to cultivate tree near the OT because it won’t dissappear later and stay there for a long time. So it will be good for your future plan.

In my opinion: it had better not to change the Undai river-bed in any case and on the other hand, the trees such as elmwood, wicker and almond etc are commonly found growing along wetlands. So it’s better to cultivate these trees on the west side of the Undai river-bed. Also, if we cultivate tree there, it thrives after 4 to 5 years. So it’s suitable to cultivate near the river-bed.
Conclusion

1. In Gobi region, trees such as Elmwood, asp, almond, Siberian pea shrub etc. can be cultivated by seed or branch off cut.
2. Water supply issue must be solved
3. Choose tree nursery area correctly by taking the possibility to thrive after 4 to 5 years into account.
   It’s better to cultivate tree near the river bed.
4. Tree nursery area must be restricted by perimeter fence
5. A man must be in charge of forestation activity permanently.
6. We need to organize training including individuals experienced in Gobi region forestation and to get consulting
7. Since it’s difficult for us to cultivate tree by seed, first of all we should buy and cultivate 1-2 year old tree sapling from tree nursery
8. We received the number of price offers from tree nurseries in Dalanzadgad and Mr. Baraduuz’s tree and sapling price offer was the cheapest.
9. It’s possible to transplant tree sapling in early spring or lately fall. So we have to bespeak the amount of tree sapling and prepare the land farm before cultivation begins.

Notes: We felt all the best of the nature such as humid fresh air and twittering of birds etc while we were getting acquainted with Mr. Baraduuz’s tree nursery and we thought it’s a real Khangai in Gobi.
COMMUNITY GRANTS PROGRAM 2006

We regularly receive requests and supports from local individuals, organizations and entire communities in need of assistance. With the development of Oyu Tolgoi Community programs and our generous contributions for the socio-economic development, specifically to the areas of education, science, culture we perceived an image Intellectual Investor. The number technical, economic, educational, cultural and social development requests and needs are assessed and evaluated by the Grants Commitee team.

Motorcycle for Kharzag bagh, Bayan-Ovoo soum, South Gobi

Our department received a request from Batbold.Kh, Governor of Bayan-Ovoo soum to help with essential transportation like motorcycle to deliver news and information to run state services. We assessed his request and donated a “Ij Planeta” russian motorcycle in May 2005, which will help Khar zag governor’s office to deliver news on a timely basis to herders., we provided

School #58, Dambadarjaa District, Ulaanbaatar

The District management contacted our Department to provide financial support to replace old windows with vacuum windows of the school #58, to procure toys and books for kindergarden #17, a set of computer equipment for health clinic in 12th microdistrict, musical instruments for school #16, and to organize a business workshop/training for local residents on the topic “How to run own business?”. School #58 is one of the schools that is located by the busy road at the edge of the Ulaanbaatar city. The management of the school #58 was aiming to build a friendly but yet healthy environement for the students as the big noise coming from the busy road was causing distraction.

Oyu Tolgoi Chess Tournament “Best of the Best Grand Master 2006”

We organized Oyu Tolgoi brand Chess Tournament in line with the Mongolian Chess Association the “Best of the Best Grand Master 2006” in Aug 3-13, 2006. The first 7 days were held in Children’s Palace in Ulaanbaatar city and final 3 days in the
Construction camp of Oyu Tolgoi site. For the first time in the history of the Mongolian chess we managed to organize the direct television broadcasting of our Corporate Grand Master Mrs Munguntuul with the TV spectators in Aug 5th. The motto of the tournament was “Intellectual people are wealth of Mongolia”. This event was broadly welcomed by Mongolians and especially many chess fans.

It was an intellectual battle of the best Mongolian chess players such as Grand Master B.Munguntuul and B.Khatanbaatar, Fide Masters Ts.Batchuluun, B.Gundavaa, Z.Byambaa and B.Bayarmandakh. The award fund was 3 million tugrugs.

Grand Master Munguntuul is the youngest but most successful chess player in the world ranking amongst youth. She is a our Corporate imidge and at her 16 years she received silver and bronze medals in World Youth Championship, 6 golden and 1 silver medals in Mongolia and Quiz Champion in 2003 in Russia.

The opening ceremony was held in Children’s Palace with presence of following invitees:
- S.Otgonbayar, Member of Parliament, President of Mongolian Chess Association
- Layton Croft, VP for Corporate affairs and Social Responsibility
- Mr Zandanshatar, MP, Member of Board, Mongolian Chess Association
- Mr Lundeejantsan, MP, Member of Board, Mongolian Chess Association
- Mr Chinbat, Head of Intellectual Property, Member of Board, Mongolian Chess Association
- Mr Jigjidsuren, Vice President Mongolian Chess Association
- Mr Munkhtur, Head of Mongolian Chess Association
- Mr Enkhtsag, Director of MonKad Chess Club, Member of Board, Mongolian Chess Association
- Mrs Erdenetsetseg, Director of Mon Erdene Company, Member of Board, Mongolian Chess Association
- Mr BatUlzii, Director of Beneduct Company, Member of Board, Mongolian Chess Association
- Mr Purevjavi, International judge
- Mr Batkuyag, Judge

Mr Layton Croft at the opening ceremony highlighted that chess is one of the intellectual sports amongst all the sport. Oyu Tolgoi project’s vision and goal is to help to establish the intellectual society and within this concept we support the bright Mongolian Grand Master Munguntuul. Oyu Tolgoi project is inviting all of you to participate actively and learn more about OT project while the final game of Chess Competition will be held in our site.
First Mongolian Women on the top of the Everest

Our employee, Erdenetogtokh climbed to the top of the Everest with the team of First Mongolian Women Mountaineers from March to June 2006. The first journey of women mountaineers to Everest was supported by generous support of Oyu Tolgoi Project and Erdenet as General Sponsors in collaboration with Wagner Asia and Welmon Trade (known as Khatan Tuul), Boroo Gold and Orkhon Uul province.

Erdenetogtokh hit the record within Mongolia in May 31 climbing 8.500km. She is an administration officer in Dalanzadgad Branch office and in Nov 26 was awarded by state award “North Pole”.

Mr Erdenebat, Head of Citizen’s Representative Khural handed her award in the Theater of Dalanzadgad soum.
“Responsible Mining U.S. Study Tour”

Mongolian Mining Association, The Asia Foundation and Homeland and Water Protection Coalition collaboratively organizing “Responsible Mining U.S. Study Tour” which will be held on Sep 23 through Oct 4, 2006.

Participants traveled directly to Denver, Colorado where the study tour began. The group spent 7 days traveling in Colorado where they met with state and county public officials, industry and association leaders, local chambers of commerce, ranchers, recreationists, media and non-governmental organizations that are involved in a range of issues including: responsible mining, economic development and job creation in, development planning, resource management, and others. In addition to meetings, The Asia Foundation arranged discussions/workshops on community involvement, environmental education and outreach, press and media relations, conflict management and alternative dispute resolution, and other relevant topics.

The group visited mining sites and learned about best available technologies and practices. The Mongolian delegates saw sites that typify best and worst mining and land-use practices. They learned first-hand about the short and long-term impacts of mining on communities from California and the 1849 California Gold Rush, to Colorado and its shorter-lived, but larger scaled 1859 Gold Rush.

We provided will provide support for some amount of the funds which is 30,000 USD

Nature and Ecology Training Ariun Suvarga NGO

Ariun Suvarga is an active civil group protecting human rights in relation to environment and ecology preservation. They are intented to conduct a workshop engaging the public to protect the Orkhon, Tamir, Khurkere, Ugiin Nuur rivers and lakes from mining activities in Arkhangai province in Jan 2007. We provided 1,9 million MNT for support of this initiative.

Pre-Forum Workshop on Mining, Regulation and Environment

A mining forum funded by Swiss Development Agency in relation to mining, regulation, environment and human rights issues was organized in May 24th, 2006. Our senior management and environmental team were actively involved in the discussions and dialogues.

National Center Against Violence

NCAV is an active NGO to protect children and adults affected from domestic violence and sexual abuse. Most of the children who live within violent relationship, becomes witness and victim, it creates serious condition for children to leave the home and escape from violent family. We supported them on purchasing the shelter house for children for 5 million MNT in line with generous sponsors such as World Vision.

We believe that this shelter will provide:
- Place children and protect their safety
- Encourage children to survive violence
- Delivering social work and legal assistance as comprehensive to the children

In October of this year we delivered 1.2 million tugrugs worth of potatoe, cabbage, carrots and onions to the main office of NCAV.

**State Organization for nursing vulnerable people in Batsumber**

**Rennovated roof for Batsumber Elderly House**

Batsumber elderly house is located in Batsumber soum in Tov aimag. Organization takes care of 160 disabled, elders and people who have mental disorder and identified as the ones, who have no capacity of self sufficiency and cannot live independently in the society.

The construction of the house was built in 1920’s, it may or may not be 80 but it looked that old. The walls were flaking and damp-stained; the tiles are broken and the plumbing has outlived. One step inside, even on a hot summer’s day it is chilly. The corridors are high and wide, some rooms are derelict; the flat roof has leaked for years and there is no money to fix it. It is a home for those people. School children come and visit the elders, and some have bonded to them. The government institution is has a small budget and was lacking the funds for an expensive project “Fix the roof”.

Our staff made couple of visits to the elderly house, investigating the cost for the roof renovation. And finally in Nov 2005 we contracted one of the local construction company “Evt Urguu”, who’s director has been supporting the Elderly house in a voluntary basis with small renovations for years in the past to renovate and build a new roof for 28 million tugrugs.

Mongolian tradition is for the family to look after its own members. However, most of those people outlived their family. We believe that our small support was helpful for those who needed it so much.

Also we delivered two dozen mattresses in the fall of 2005 donated by Australian doctor Barry Jiggins with paying the import duties and arranging a delivery.
IVANHOE MONGOLIAN CHILDREN’S FOUNDATION

Ivanhoe Mongolia Children’s Foundation was established on December 19, 2003 by the initiative of Ivanhoe Mines Mongolia LLC with the aim to develop and implement projects on health education and living conditions of Mongolian children.

During 2004, the foundation sought to help orphaned or abandoned children and to improve their living conditions, health and education in cooperation with Lotus Children’s Center (LCC) and planned to build housing for 150 to 200 children in Gachuurt district, Ulaanbaatar city. LCC is a registered Mongolian NGO, located in Khan –Uul, ger district that houses approximately 140 orphaned or abandoned children. The current facilities are in constant need of repair, there is overcrowding, and insufficient land area for needed expansion. For that matter the foundation applied to the Government of Mongolia and the Land Authorities for the necessary permission to occupy the 10 hectares of land for to build a new children’s center. As a result of the application, we received permission from the Land Authority of Bayanzurkh district to occupy land rent-free in accordance with Land law of Mongolia.

The foundation did succeed in identifying and building a fence around 10 hectares land for the amount of 60 million tugrugs in Shar Khooloi, Gachuurt, Khoroo 20, Bayanzurkh District and the Cadastral survey was made by Geo-master LLC. The foundation installed wooden pillars in every 5 meters and hired watchman to watch the land.

The other activity of the foundation was also in support of the Lotus Children’s Center, responding to their request for replacement of two of their vehicles that are used to transport the children. A donation from a Singapore-based corporation, Comcraft, allowed the foundation to purchase two used Mitsubishi Grace Grand Saloon vehicles and ownership of these vehicles was then transferred to the center.
In connection with the Government announcement of year 2004 as the Year of Investment and Development the foundation had venerable opportunity to support Mongolian improvements by contributing 10,000,000 MNT /ten million tugrugs/ for the district development and 2,500,000 MNT /two million tugrugs/ for environment protection, land rehabilitation, tree planting and beautification.

In October 2006, we provided vegetables worth of 1.2 million tugrugs to the children of Lotus center.

**International Women’s Association Mongolia**

The International Women’s Association of Mongolia (IWAM) raises funds to support women and children in need and to teach disadvantaged groups to help themselves. Examples of their projects include providing gardening instructions, seeds, and tools for thirty poor families and providing daily food consumption for fifteen disadvantaged children. In November 2006, IMMI donated 1 million MNT to support similar IWAM projects.

Donated two Russian jeep to Khanbogd Governor Office, April and September 2006
SG Days, UB

Our public information team with community team were actively engaged in organizing the South Gobi days in the Wrestling Palace in Ulaanbaatar, May 2006. We managed to distribute informational materials about OT project and mining related educational materials to the citizens of Ulaanbaatar. During the event the locally made goods, dairy products, souvenirs were presented to the UB residents. Also in the morning local officials in line with the Uuguul irgediin Kholboo conducted a meeting in Bayangol hotel to discuss the future development of South Gobi.

Civil Council

Civil Council in line with Monitoring Center Integrated Policy for National Development in order to change the tendency of weakening of people’s belief in their government and future, because of challenging conditions of life, unequal distribution of the social wealth, outdated views of people, lack of experience, management and administration policy, indifference between political and public servants and abnormal activities of the state, which are leading people to uncertainty.

“Civil Council” Center is planning to implement “Citizen’s viewpoint” project to reflect in the Integrated Policy for National Development, as everybody now has to promote real deed to fulfill the common goal for our a few Mongolians to strengthen national unity by supporting each other, but not striving to the different directions like “cow horns in the sack “, throwing away any revenge or bad thoughts, lechery, gossips
and rumors and developing our country with belief, confidence and imaginations of well-beings of the future. It is required to conduct consolidated surveys for citizen’s views at 9 districts of Ulaanbaatar, 21 aimags, 340 soums and 1664 baghs of Mongolia to make progress in the organized and unwavering development policy.

Therefore, Civil Council asked IMMI to fund the transportation costs for the national survey which will cover all aimags. This survey will benefit people to look forward with full confidence to the future and strengthen national unity.

We funded the transportation costs for this grand survey for the amount of 7.5 million MNT in Aug, 2006.

**Idersuren South Gobi’s hope and Oyu Tolgoi’s Sportsman**

We received a request from South Gobi Sports Committee to support “Aimag arslan” Idersuren, he is selected by “Best wrestler of aimag” in the latter years. Wrestling is a Mongolian traditional sport and Gobians believe that Idersuren will raise the aimag name reaching the state title. Idersuren is the best of his teenagers and he won the aimag Naadam and confirmed his success in 2005. Also in 2005, he graduated from “Shonkhor” sport institute.

Currently, he performs his wrestling preparation constantly in UB, and participated in UB wrestling for achieving to the state title. He is unemployed and performs his difficult preparations without salary and it’s difficult for his life.

We provided financial support for two years to prepare his trainings and he at the National tournaments Idursuren will wrestle under name of Oyu Tolgoi Project.

**Educational Advising Resource Center - US alumni**

EARC organized the First National Conference of US Alumni in Mongolia is to set up a National High School Exchange Program to support bright yet financially disadvantaged
students from rural areas of Mongolia in coming to the best high schools in Ulaanbaatar and preparing for scholarship programs overseas in Oct 28, 2006.

Our goal is to contribute to the education of Mongolia’s talented youth who will obtain the highest ranking education in the priority areas for the future development and prosperity of Mongolia. Our donation will enable the best of the best among Mongolian youth to study in selective Universities in USA and other countries and come back to make a real difference and momentous change in our home land of Mongolia.

We provided one million or more tugrugs sponsorship in Oct 27th, 2006

Bayan Ovoo crane

The heavy storm damaged the chimney for steam station of Bayan Ovoo soum in late October. Bayan-Ovoo Governor requested us to provide a crane to lift the chimney in order to fix it. We provided them monetary support to rent a crane from DZ to Bayan-Ovoo for 500,000MNT in November. The chimney for steam station is fixed before the start of the cold winter season.

Abu Robocon 2006 Ulaanbaatar, Mongolia

Abu Robocon is an annual robot contest starting from 2002, just for university, college and polytechnic students in the Asia-Pacific region. Under a common set of rules, participants will compete with their peers in other countries to create a robot using their creative and technological abilities in an open competition. This contest aims to create friendship among young people with similar interests who will lead their countries in the 21st Century, as well as help advance engineering and broadcasting technologies in the region. This event will be broadcast in your country through an ABU member broadcaster.

2006 Abu Robocon contest of Mongolia held in April at the Mongolian Wrestling Palace including all Technical and Scientific Universities of Mongolia. This year contest was sponsored by OT project.
OT project sponsored two athletes to participate in 15th Asian Sport Games in Doha.

Mongolian athletes M.Tsenguun /Triathlon/ and Ts.Myagmartseren /athletic for 400m, South Gobi’s resident/ was sponsored by OT project with sum of 2500 $ for air tickets and clothes, food. Even though they didn’t succeed for medals they have a chance to participate in next sport games.

Southern Blue Gobi book

September 2006, we support for publishing Southern Blue Gobi book which is written by local elder teacher Mr.Luvsantseren 2000 copies by 22 000 000 MNT. The book contains whole beautiful, famous, historical places, mineral resources and plants in South Gobi aimag. We are supporting local intellectual human through this investment. Also we think that this is the promotional activity for the foreign tourists’ interesting South Gobi aimag which is region of tourism because of the book’s whole text is in bilingual.

We put our development programs as a statement in bilingual for the book.

Sarand Buuveilegdsen Gobi book

August 2006, we made intellectual investment for publishing “Sarand Buuveilegdsen Gobi” book which is written by student Tsengelbayar by 300 000MNT. Student Tsengelbayar is 10th grade student from school number 3 in Dalanzadgad. He is a verse writer and has a lot of experiences. He already has over 30 verses before publishing this book. Mr. Batnyam, the poet and the member of Mongolian writers union defined and thinks that it will be a good verse book and he will be a good poet in the future.

The book published by Nom Khur LLC in UB.
Support to Art Council to create Synthesis Art show for the first time in Mongolia

Arts Council is a dynamic organization which supports, advocates and enriches Mongolian arts and cultural endeavours through a broad range of programs and projects. Art Council will manage the allocation of funds and on time implementation of the “Synthesis art and poetry show” project. The team of artists headed by Sarantsatsralt.S (State honoured artist) and team members B.Baatar, M.Batsukh, J.Batbayar create and produced the innovative, new trend of art which was sponsored by Oyu Tolgoi and Khaan Bank. Each of the organizations granted donation of 14,800,00 MNT. Mongolians very art like art especially poet. Therefore this interesting and innovative synthesis art program helps them to have positive imagine and optimism on the present bark society and difficulties and problems of life and lives happily. Also they have a possibility to receive poet by all sense elements, other corners and other thoughts. This project involved 500 orphan children and poor people, invaluable spiritual investment will be put info those people.

We are proud to contribute to the development of Mongolian art and culture.

Mongolian National Mining Association

Capacity building for “Responsible Mining Initiative”

Mongolian Mining Association organized “Responsible Mining U.S. Study Tour” with objectives to introduce public, private and NGO sector representatives to policy and practical issues associated with mining, economic development and environmental conservation, and to promote dialogue that yields viable approaches and collaborative solutions for Mongolia.
As an outcome of the tour in order to build the capacity in Mongolia it is required to organize and implement the following activities within the framework of Mongolian Responsible Mining initiative to:

- Establish a common base of knowledge that is predicated upon facts and shared scientific and technical information.
- Reporting will disseminate observations, findings and conclusions to the Mongolian public and thus inform debate and correct misperceptions.
- Public forums, seminars, discussion panels to engage Mongolians, and thus cultivate opportunities for constructive dialogue that leads to more responsible mining nationwide.
- Formation of a formal multi-stakeholder forum for discussion.

We supported this important initiative for 3 million MNT.

**All financial contributions given to organizations and individuals can be divided into 3 categories.**

**Corporate sponsorships**

1. B.Munguntuul, the grand chess master – received USD 25,000 to participate in various international chess tournaments and competitions on behalf of Mongolia promoting Ivanhoe Mines and its Oyu Tolgoi project. She participated in 10 international games and have increased her world ranking.
2. D.Erdenetogtoh, international mountain climber – received USD 20,000 to climb Mount Everest as the first Mongolian woman to ever climb the highest peak in the world. She reached 8700m height, 148 meters short of reaching the peak due to health problems.

**Media and civic organization support**

1. Mongolian Mining Association – 50 million
2. Press Institute – MNT 3 million
3. Gobi Development Foundation – 4,7 million
4. Educational Advise Resource Center – 1 million
5. Civil Council – 7.5 million
6. Lector Center – 5 million
7. National Center Against Violence –
8. №58th school of Dambadarjaa – 9 million
9. International Women’s Association – 1 million
10. Disabled Citizens” Association – 2 million
11. Uuguul NGO – 10 million
12. Ongi River NGO – 5 million
13. Study by the School of Mining
14. Public Communication Center for Ministry of Health – 1.4 million

Intellectual, Cultural, and Athletic support

1. Art Council – 14,8 million
2. Concert for Dashdondog – 1,5 million
3. UBS Music Award – 5 million
4. Robocon competition – 3 million
5. Two students from Sant-Maral school goes to physics“ Olympics in Indonesia
6. Two athletes go to Asian Olympic games in Doha – 3 million
7. Mongolian Basketball Association – 10 million
8. Radio & Television students – 1 million
11. “Book Without Nothing” - 1,250,000
12. “Mr.Mongolia” bodybuilding athletic competition – 1 million

Charities

1. Lotus Children Center – 1.2 million worth of vegetables
2. Verbist Child care center – 200,000
3. Sick child with brain cancer – 1 million
4. Sick child – 1 million
5. Sick woman with cancer - $2,500
Looking Ahead

The Oyu Tolgoi project’s CRSD department has much to build on in 2007. We are keen to work closely with our new Rio Tinto partners to identify and address gaps in CRSD-related aspects of engaging and working with local stakeholders to map out the most appropriate and sustainable courses of joint action to date. CRSD work in 2007 will focus on the following objectives:

- Systematically adopt and apply all 17 tools in the Community Development Toolkit in ways that strengthen existing and ongoing CRSD initiatives and activities;
- Ongoing managing and strengthening of existing relationships and CRSD programs;
- Successful implementation of Phase 2 of the KBUCD initiative and design and launch of Phase 3, with a focus on facilitating the establishment of a multi-sectoral consortium of private sector, government, civil society and international organization stakeholders; and
- Initial scoping, assessment and feasibility work on the Oyu Tolgoi National Development Foundation.

Conclusion

The Oyu Tolgoi project’s CRSD department is a learning organization. We have more than two years of institutional experience on which we aim to build and improve in 2007 and beyond. Given the unique operational and socio-political context in modern Mongolia, a wholly foreign-invested project such as Oyu Tolgoi faces the unique challenge of approaching “community” both locally and nationally. Moreover, CRSD efforts must continue with steadfast commitment, transparency and accountability despite the natural tensions caused by the fact that the Oyu Tolgoi Investment Agreement still has not been concluded, after more than three years of waiting and expectancy by local and national stakeholders. Finally, we plan to continue developing the skills and capacities of our CRSD team, with input and support from our partners at Rio Tinto, in 2007. There is much to build on and much to yet accomplish, but if we stay true to our guiding philosophy of *Investing in Mongolian people*, then our strategic goal of sustainable development will be achieved.