

**NEWS ON NEGOTIATION BETWEEN
HERDERS' REPRESENTATIVES OF KHANBOGD SOUM
AND OYU TOLGOI COMPANY**

Khanbogd soum

Ikh Bulag

19 August 2014

We regularly provide you with information regarding the agreements reached through the joint meetings between the Herders' Representatives and Oyu Tolgoi Company held with CAO involvement. This is the news release about the meeting held on 19 August 2014. As usual the meeting was facilitated by Compliance Advisor/Ombudsman of IFC and Oyu Tolgoi Watch NGO attended as an advisor to herders.

Herders representatives and the company have exchanged views on further improving negotiation outcomes and discussed the purposes and results of the actions agreed by two parties during one year since they started to work together to reach common understanding regarding the compliant submitted by the herders of Javkhlant bagh and seek particular ways to resolve the issues.

As tradition, two parties briefly introduced to each other about the actions taken since last meeting and exchanged information concerning the on-the-spot check of Undai river water flow monitoring device; alternative options to prevent or mitigate the impacts on herders' pasture reserve and water quality due to Undai river diversion; and whether there are additional impact mitigation measures if so to include those in IEP report; organizing a discussion among bagh governors and herders regarding Bor Ovoo spring location; as well as water supply to herders households residing within 20 km radius from OT project and whose wells dried up. The Company, after consulting with herders of the bagh, installed 4 water containers at Ekhen Khaliv and around the mining fence and since 12 June transported water to fill those for 2 months thus supplied with water more than five thousand livestock of 11 households. Moreover, one household pastured its livestock inside the mining fence according to the Grazing protocol. They have also reviewed the implementation status of more than fifty actions mutually agreed by two parties in the last one year of CAO facilitated problem-solving process and mutually agreed on interim solutions (livestock grazing inside the mining fence, to supply water to households residing within 20 km from OT) and speeding up IEP work, submitting OT letter to soum governor regarding establishment of "Compensation working group" and "Rehabilitation working group", which were previously agreed but not established yet. Furthermore, water specialist of OT Environment department informed the herders about water utilization, rehabilitation, biodiversity monitoring and herders' participation in those, and the fact of revealing of two more leaking boreholes during groundwater borehole check conducted by the project. Besides, the herders raised again the issue concerning rehabilitation of roads used by OT to transport materials, coal, goods and services.

During this meeting, a herders' proposal on Bor Ovoo spring location was presented and it is deemed proper to get an expert conclusion on biodiversity effect and rehabilitation of vegetations used to be growing around the spring like broomgrass and iris. Therefore, it is agreed to hold a meeting involving OT specialists of this field, community relation officers and herders representatives before 30 August to discuss the issue.

Both parties considered that it is appropriate to get finalised the initial phase report of IEP, which is conducting evaluation of impacts due to Undai river diversion, and the recommendations to be presented. In this regard, the experts were advised to work in Khanbogd soum by the end of August to obtain additional information and data and to present the final report by the beginning of October.

Next joint meeting date is set as to be hold by the end of September and decided to invite representatives from soum govegnor's office.

Herders Representatives of Khanbogd Soum and Oyu Tolgoi LLC