

# COOPERATION AGREEMENT

DATE April 2015

## SIGNATORIES

Umnugobi Aimag of Mongolia (**Umnugobi Aimag**)

Khanbogd Soum (**Khanbogd Soum**)

Manlai Soum (**Manlai Soum**)

Bayan-Ovoo Soum (**Bayan-Ovoo Soum**)

Dalanzadgad Soum (**Dalanzadgad Soum**)

Oyu Tolgoi LLC (**OT**)

## BACKGROUND

- A OT is the Investor as defined in the Investment Agreement and the OT Project is located in Umnugobi Aimag. Khanbogd Soum is the closest community to the OT Project. Since the execution of the Investment Agreement, the Parties have recognized the importance of a constructive and collaborative relationship and they have already cooperated on a number of projects that have contributed to the socio-economic development of the Cooperation Area and the successful development of the OT Project.
- B This Agreement was reached after four years of deliberation by the Parties, recorded in the Memorandum of Understanding signed in 2011 and the Process Agreement signed in 2012. The Memorandum of Understanding, the Process Agreement and the minutes of working group meetings have been made available for public scrutiny throughout. Through the use of public meetings, bagh meetings, meetings with Elderly Associations and other local agencies and direct briefings with herders, the Parties consulted widely with communities in the Cooperation Area.
- C Further to the Memorandum of Understanding and the Process Agreement and in accordance with the Investment Agreement, and Article 42.1 of the Minerals Law, the Parties wish to enter into this Agreement to:
- (i) record and agree a transparent basis for their continuing relationship; and
  - (ii) develop mutual recognition, respect and support for each other's interests which include:
    - (a) practical support from Umnugobi Aimag and Partner Communities for the OT Project and OT's business and operations; and
    - (b) sustainable socio-economic development, including promotion of employment and training, environment and cultural heritage protection and monitoring, health and safety and local business development.

# Agreed terms

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The Parties acknowledge and agree as follows.

## **1. DEFINITIONS AND INTERPRETATION**

In this Agreement capitalised terms have the meanings given in clause 1 of Schedule 1 and the interpretations in clause 2 of Schedule 1 will apply.

## **2. CONDITION PRECEDENT**

This Agreement and the Parties' obligations under this Agreement are subject to OT Board approval being granted for OT to enter into this Agreement.

## **3. PRINCIPLES OF RELATIONSHIP**

### **Mutual interest and cooperation**

- 3.1 The Parties commit to the principles of good faith and promoting mutual interest. The Parties agree to support significant, transparent and meaningful engagement between them to support the OT Project and the socio-economic development of the Cooperation Area.

### **Support for Umnugobi Aimag**

- 3.2 The Parties will work together to develop an understanding of the issues and priorities of Umnugobi Aimag and the Partner Communities and to jointly facilitate implementation and monitoring of the Obligations and the Parties' obligations under this Agreement in order to promote the sustainable socio-economic development of Umnugobi Aimag and the Partner Communities.

- 3.3 The Parties acknowledge that the creation and funding of the DSF and the support for any Project or Program is a meaningful contribution by OT to the sustainable socio-economic development of the Cooperation Area.

### **Support for the OT Project**

- 3.4 The Parties agree to support the development of the OT Project, including any activities conducted by OT to improve the efficiency, effectiveness or growth of the OT Project in accordance with applicable laws and the Investment Agreement. Umnugobi Aimag and Khanbogd Soum agree to provide ongoing and timely assistance to OT to facilitate OT's satisfaction and compliance with the Obligations and Commitments.
- 3.5 Implementation of the Obligations and Commitments and the Projects and Programs will be aligned and consistent with applicable laws, the Investment Agreement and other relevant binding commitments on OT and subject to meeting applicable OT and Rio Tinto standards, policies, requirements and guidelines on communities and social performance.

### **Publicity about the OT Project**

- 3.6 The Parties agree to provide correct and accurate information about the OT Project to the public (which includes citizens and residents of Umnugobi Aimag and Partner Communities and any third parties) and take reasonable steps to ensure that information about the OT Project provided to the public by third parties is correct and wrong information is not distributed.

## **4. RELATIONSHIP COMMITTEE**

The Parties agree to establish a Relationship Committee and nominate representatives to participate in the Relationship Committee. The Relationship Committee will provide the Parties with a forum to support and implement the principles of their relationship as set out in

Schedule 2. The purpose, functions, composition and procedures of the Relationship Committee are set out in more detail in Schedule 2.

## **5. AGREED OBLIGATIONS AND COMMITMENTS**

- 5.1 As at the date of this Agreement, OT has Obligations and Commitments in the following thematic areas (further details of which are set out in Schedule 4 to Schedule 10) which the Parties recognize as being important topics of mutual interest:
- (a) Water management (Schedule 4);
  - (b) Environmental management (rehabilitation, biodiversity and ecological balance) (Schedule 5);
  - (c) Traditional animal husbandry and pasture land management (Schedule 6);
  - (d) National history, culture and tourism (Schedule 7);
  - (e) Basic social services (health, education, vocational training and employment) (Schedule 8);
  - (f) Local business development and procurement of goods and services (Schedule 9); and
  - (g) Infrastructure and capital projects (Schedule 10).
- 5.2 The Thematic Schedules are subject to review in accordance with clause 16 of this Agreement and amendment in accordance with clause 18.8 of this Agreement.
- 5.3 The Parties agree to continue to support and develop these Obligations and Commitments according to the applicable details set out in the respective Thematic Schedules and as further agreed between the Parties.
- 5.4 The Parties will support and monitor the implementation of these Obligations and Commitments through their participation in the Relationship Committee.
- 5.5 The Parties acknowledge the importance of third parties who visit or provide goods and services to the OT Project acting in a manner consistent with the Obligations and Commitments and the principles of the Parties' relationship as set out in clause 3 of this Agreement.
- 5.6 The Parties acknowledge and agree that the Commitments as set out in the Thematic Schedules:
- (a) are only summaries of certain of OT's commitments originating from a number of sources including the Investment Agreement, the ESIA and other applicable laws and standards;
  - (b) do not, and are not intended to, alter, amend, vary, supplement or replace OT's obligations (whether under the Investment Agreement, the ESIA, any other applicable law or standard or otherwise); and
  - (c) do not, and are not intended to, merely by their inclusion in any Thematic Schedule, confer any rights or impose any obligation on any person (including the Parties and the Partner Communities).

## **6. KHANBOGD SOUM URBAN DEVELOPMENT**

The Parties agree that the development of a Khanbogd Soum urban plan is intended to be developed by Khanbogd Soum separately to, and not under, the framework of this Agreement. There is no obligation on the Parties under this Agreement to develop or contribute to a Khanbogd Soum urban plan. However, the development or implementation of Projects or Programs approved by the DSF may contribute to the development of a Khanbogd Soum urban plan.

## 7. PREVIOUS AND EXISTING OT CONTRIBUTIONS

### Previous OT contributions

- 7.1 The Parties acknowledge that OT has contributed significant funds and other benefits, including the contributions reflected in the table in Annexure D prior to concluding this Agreement.

### Existing OT undertakings

- 7.2 OT acknowledges and confirms its commitment to complete certain projects it has commenced for the benefit of the sustainable socio-economic development of the Cooperation Area. These legacy projects are set out in Annexure E and they will continue to be separately funded by OT in accordance with the scope of its prior undertakings and not by the DSF under this Agreement, or otherwise.

## 8. FUTURE OT FINANCIAL CONTRIBUTIONS

### Establishment and management of the DSF

- 8.1 As part of its commitment to the principles of the relationship of the Parties and the socio-economic development of the Cooperation Area, the Parties undertake to establish and register the DSF as an 'Independent Legal Entity' under the *Law of Mongolia on Non-Governmental Organisations* and otherwise according to applicable Mongolian laws.
- 8.2 The DSF must be governed by the DSF Board and operate in accordance with and subject to the principles, functions, powers and disbursement policies set out in Schedule 3 of this Agreement and any further policies and guidelines adopted by the DSF Board from time to time.

### Financial contributions to the DSF

- 8.3 Following the establishment of the DSF, OT will provide an aggregate amount of five million United States Dollars (US\$5,000,000) per calendar year, subject to adjustment in accordance with clause 8.4 (or a pro rata amount in respect of any shorter period) to the DSF (the **Contribution**) to assist it with the funding and implementation of Programs and Projects in accordance with the principles set out in further detail in Schedule 3.
- 8.4 The amount of the Contribution for each calendar year commencing on 1 January 2017 will be adjusted in accordance with the following formula:

$$Ann\_Cont_t = US\$5,000,000 \times \frac{CPI_{t-1}^{US}}{CPI_{base\ period=Jul.15}^{US}}$$

Where:

- $Ann\_Cont_t$  means: the Contribution by OT in year  $t$ ;
- $CPI_{t-1}^{US}$  means: the overall seasonally unadjusted Consumer Price Index of the United States, published by the United States Bureau of Labour Statistics, in July of year  $(t-1)$ ; and
- $CPI_{base\ period=Jul.15}^{US}$  means: the overall seasonally unadjusted Consumer Price Index of the United States, published by the United States Bureau of Labour Statistics, in the base period of July 2015.

- 8.5 The Contribution will be paid in a series of incremental payments throughout the year depending on the financial commitments of the DSF. In making decisions regarding the timing of the payments of the Contribution OT will confer with the DSF Board and attempt to structure and time the making of the Contribution (or any part of it) so that it allows the DSF to meet its financial commitments as and when they arise.

- 8.6 The Contribution will be deposited in a bank account held with a commercial bank in the name and under the control of the DSF. The establishment and ongoing operating costs (including any salaries, audit fees, external consulting service fees and Taxes) of the DSF are for its own account and must be met from the Contribution or from other revenue generated by the DSF, from time to time.
- 8.7 The Parties agree that details of the Contribution, how it has been disbursed and the progress of any Project or Programs assisted by the Contribution will be made publicly available in a form agreed by the DSF Board taking into account the requirements of applicable laws.
- 8.8 An audit of the DSF, including the decision making process to select any Projects or Programs, disbursements from the DSF and the progress of any Projects or Programs will be carried out on an annual basis (or more frequently if determined by the DSF Board) by an internationally recognised and reputable audit and accounting firm. The costs of the audit will be paid for by the DSF.
- 8.9 The Parties acknowledge and agree that no Contribution will be made until such time as:
- (a) the DSF has been established and a bank account opened in accordance with the requirements of this clause 8; and
  - (b) the DSF Board has adopted the DSF Funding Criteria in accordance with the requirements of paragraph 6(c) of Schedule 3.

**Suspension, cessation and return of the Contribution**

- 8.10 OT may:
- (a) stop or suspend the transfer of the Contribution; and/or
  - (b) require the DSF to procure the return of any remaining funds in the DSF to OT;
- in each of the following circumstances:
- (c) a material and/or persistent breach of this Agreement (including in relation to clauses 3.4, 10.1 and 10.2) by Umnugobi Aimag and/or Khanbogd Soum for so long as that breach remains unremedied;
  - (d) any report from an audit of the DSF under clause 8.8 discloses that disbursements of the DSF have not been used for the purposes prescribed by the DSF Board or there has been any other breach of law, breach of this Agreement or material irregularity that is not capable of remedy or, if it is capable of remedy, has not been remedied within 30 days;
  - (e) any material failure of the DSF to comply with its powers, functions and procedures as set out in Schedule 3;
  - (f) any incidence or credible allegation (that is not disproved or dismissed by the DSF within 30 days) of corruption, bribery or failure of business integrity in relation to the DSF's activities or the use of the DSF or its funds including in relation to the development or implementation of any Projects or Programs; or
  - (g) in the event of Force Majeure or like situation which lasts for more than 120 days from the date of OT's notice of the occurrence of Force Majeure or like situation to Umnugobi Aimag and Khanbogd Soum.
- 8.11 Furthermore, the Parties specifically agree and acknowledge that OT's obligation to make any Contribution is at all times conditional on the success and economic sustainability of the OT Project and OT's obligation to deliver returns on capital to its shareholders. Accordingly, OT may decrease or withhold (temporarily, indefinitely or absolutely) the payment of any Contribution in the following circumstances:

- (a) if OT issues a formal decision to put any mine within Mining Licence 6709A into care and maintenance;
  - (b) if mining and/or processing of Products within Mining Licence 6709A has permanently ceased or has been suspended or deferred for more than 6 months;
  - (c) if mining and/or processing of Products within Mining Licence 6709A has been seriously impacted by the actions or decisions of a Governmental Authority and remains so for a period of more than 45 days; or
  - (d) if any of the circumstances specified in clauses 13.1(b)(i) to (v) of this Agreement occurs.
- 8.12 If OT stops or suspends any payment of the Contribution under clause 8.10 of this Agreement or decreases or withholds the payment of any Contribution under clause 8.11 of this Agreement, then any subsequent Contribution will not be cumulative and OT will not be obliged to gross-up the amount of any such subsequent Contribution to account for any decreased or withheld prior Contribution.
- 9. PUBLIC USE INFRASTRUCTURE/SERVICES**
- 9.1 OT agrees to discuss and consider any proposal that Umnugobi Aimag and/or Partner Communities may make to OT in relation to providing access to Public Use Infrastructure/Services under the relevant terms and conditions of the Investment Agreement.
- 9.2 Any proposal to be considered under clause 9.1 of this Agreement must take account of whether the proposal:
- (a) would interfere with the operation of the OT Project;
  - (b) is consistent with the Obligations and Commitments;
  - (c) complies with OT's safety obligations; and
  - (d) is technically and commercially viable.
- 9.3 Nothing in this Agreement prevents OT, at its election, from making available funds to build, or building, infrastructure or other capital projects for public use outside the terms and conditions of this Agreement.

## **10. APPROVALS**

- 10.1 The Parties acknowledge that in undertaking the Core Operations, including implementation of this Agreement and other commitments under the ESIA, OT and the OT Project require Approvals on a regular basis.
- 10.2 To the extent permitted by law, Umnugobi Aimag and Khanbogd Soum each agree to consider and provide their timely support for any applications for Approvals made by, or on behalf of, OT to ensure that such applications are made, and any Approvals obtained, as efficiently as possible in accordance with applicable laws.

## **11. REPRESENTATIONS AND WARRANTIES**

Subject to clause 2, each Party represents and warrants that:

- (a) all necessary authorisations have been obtained to enable them to enter into and perform under this Agreement;
- (b) this Agreement is valid and binding, and enforceable in accordance with its terms against it;

- (c) it has received full and proper legal and financial advice during the negotiations of this Agreement, in accordance with the Memorandum of Understanding and the Process Agreement, about the content and effect of this Agreement; and
- (d) it enters into this Agreement on the basis of an informed understanding of its contents.

## **12. TAX**

- 12.1 To the extent that OT is required by Law to make or pay any withholding (including Taxes, duties, levies, imposts or deductions) on, or in respect of, any payment made under this Agreement (including any Contribution) then the amount of such payment will be reduced by the amount of the withholding and the recipient will only be entitled to the net amount and OT will have no obligation to increase the payment by the amount of the withholding.
- 12.2 The DSF is responsible for all Tax liabilities imposed on it in connection with the funding or development of any Project or Program or otherwise arising out of its activities.

## **13. TERM AND TERMINATION**

- 13.1 This Agreement commences on the Commencement Date and will continue unless terminated under the following circumstances:
  - (a) Umnugobi Aimag and Khanbogd Soum may (acting jointly not severally) terminate this Agreement if OT fails to fulfil any material and significant obligations under this Agreement for a period of 6 months, which obligation is not excused by an event of Force Majeure, and following the provision of a written notice by the Umnugobi Aimag and/or Khanbogd Soum to OT specifying the failure(s) and requesting OT to remedy it (**Community Notice**), OT fails to take reasonable action toward the fulfilment of the obligations described in the Community Notice within 60 Business Days from the date the Community Notice is issued; and
  - (b) OT may terminate this Agreement in the following circumstances:
    - (i) if either, or both of, Umnugobi Aimag and Khanbogd Soum fails to fulfil any material and significant obligations under this Agreement for a period of 6 months, which obligation is not excused by an event of Force Majeure, and following the provision of a written notice by OT to either, or both of, Umnugobi Aimag or Khanbogd Soum specifying the failure(s) and requesting either or both to remedy it (**OT Notice**), Umnugobi Aimag and/or Khanbogd Soum fails to take reasonable action toward the fulfilment of the obligations described in the OT Notice within 60 Business Days from the date the OT Notice is issued;
    - (ii) if mining and/or processing of Products within the Contract Area has permanently ceased or is not economically sustainable taking into account the mineral reserves in the Contract Area;
    - (iii) if the Investment Agreement is terminated;
    - (iv) if any of the Mining Licences expires without being extended, is terminated or is revoked; or
    - (v) if OT transfers the Mining Licenses.
- 13.2 Termination of this Agreement does not affect the validity of any licences, permits, consents or authority that OT has been granted by any of the other Parties or any other Governmental Authority.

## **14. TRANSFER OF MV6709A**

OT will not transfer MV6709A unless it has used its reasonable endeavours to procure that the transferee accedes to the terms of this Agreement or agrees to enter into a new cooperation agreement with the other Parties satisfactory to them acting reasonably.

## **15. DISPUTE RESOLUTION**

### **Good faith negotiations**

- 15.1 Any disputes between the Parties arising out of, or in connection with, this Agreement will be settled by the Parties first attempting in good faith to negotiate a resolution. If a negotiated resolution to the dispute is not agreed to within 30 Business Days of the date of a Party's request in writing for such negotiations the matter will be referred to the Governor of Umnugobi Aimag and the President & CEO of OT to resolve. If a negotiated resolution to the dispute is not agreed to between those persons within 30 Business Days of the date when the matter was referred to them, or such other time period as may be agreed, then the dispute will be settled in accordance with clause 15.4.
- 15.2 At any stage the Parties may agree to seek to resolve the dispute by mediation and may engage suitably qualified and experienced expert(s) for this purpose.
- 15.3 If the Parties are in dispute over the subject matter of this Agreement, without prejudice to any other rights or obligations of the Parties under this Agreement, no Community Notice or OT Notice may be issued.

### **Arbitration**

- 15.4 If a dispute is not settled by negotiation in accordance with clause 15.1, it will be resolved by binding arbitration in accordance with the procedures under the Arbitration Rules of the United Nations Commission on International Trade Law (the UNCITRAL Rules) as in force at the time of the dispute. Accordingly, the following will apply:
- (a) the number of arbitrators will be 3 (three);
  - (b) the three arbitrators will be appointed in accordance with rules 7 and 8 of the UNCITRAL Rules, with one arbitrator to be appointed jointly by Umnugobi Aimag and Khanbogd Soum, a second arbitrator to be appointed by OT and the third, presiding arbitrator to be appointed by agreement of the two selected arbitrators and an arbitrator appointed for a Party other than OT must be a person with high level verbal and writing skills in both English and Mongolian languages;
  - (c) the language of the arbitration will be English with a highly skilled Mongolian language translator provided at the cost of OT at all stages of arbitral proceedings;
  - (d) the arbitrators will apply the laws and regulations of Mongolia to the interpretation of this Agreement;
  - (e) the place of arbitration will be in Ulaanbaatar, Mongolia; and
  - (f) the arbitral proceedings will be administered under the UNCITRAL Rules by the Singapore International Arbitration Centre which will serve as appointing authority for purposes of the UNCITRAL Rules.
- 15.5 The arbitral award will be final and binding on the Parties. Judgment on the award may be entered by any court having competent jurisdiction, provided that an arbitral award will first be presented in an appropriate court of Mongolia for execution and enforcement. If such execution and enforcement has not occurred within 30 (thirty) days of presentation, the award may be presented to any other court having competent jurisdiction.



- 15.6 The provisions of this clause 15 will continue to apply to any dispute that arises during the term of this Agreement or any dispute that occurs after the expiry or earlier termination of this Agreement in regard to activities arising out of or in connection with this Agreement.
- 15.7 The Parties agree to bear their own costs in relation to the negotiation, mediation and resolution of any dispute arising under this Agreement.

## **16. IMPLEMENTATION, REVIEW AND REPORTING**

### **Implementation**

- 16.1 The Parties recognize the importance of implementing the principles, commitments and processes set out in this Agreement in an efficient and timely way to support this Agreement's aims and the Parties' relationship. Set out in Schedule 11 is an implementation plan setting out next steps. The Parties agree to work together to try to achieve these steps.

### **Parties to conduct Formal Review**

- 16.2 The Parties will commission a suitably qualified third party to undertake a formal review of this Agreement every three years (or at such period as the Parties may otherwise agree is appropriate) to consider:
- (a) the Parties' compliance with the terms of this Agreement;
  - (b) whether the principles of the relationship and the aims, targets or other requirements of the implementation of the Obligations and Commitments are being met; and
  - (c) whether the Thematic Schedules continue to be appropriate and recommend any need for changes to the Thematic Schedules or to identify new Thematic Schedules to best promote the mutual interests of the Parties.

### **Outcomes of review**

- 16.3 The Parties must meet in good faith to discuss the outcomes of the formal review and may agree to take steps and actions based on such outcomes. However, no Party is bound to accept or comply with any outcome or recommendation made without its consent. The formal review or a summary of the formal review may be published with the consent of the Parties.

## **17. NOTICES**

- 17.1 Any notice, demand, consent or other communication (**Notice**) required to be given to a Party under this Agreement must be in writing and will be deemed to have been duly given when it has been delivered by hand, mail or facsimile, with postage or transmission charges fully prepaid, to the Party to which it is required to be given or made at such Party's address specified below (or such other address notified to the other Parties). If sent by mail, it is taken to have been received 5 Business Days after it is posted. If it is sent by fax, it is taken to have been received when the sender's facsimile system generates a message confirming that the notice was transmitted in its entirety to the facsimile number of the recipient.
- 17.2 The address for Notice for each Party is as follows:
- (a) OT: Oyu Tolgoi LLC , 12th floor, Monnis Tower, Chinggis Avenue 15, Sukhbaatar district, Ulaanbaatar 14240. Attention: Company Secretary;
  - (b) Umnugobi Aimag: the Governor of Umnugobi Aimag, 201, Umnugobi Aimag Governor's office, Bag 3, Dalanzadgad Soum, Umnugobi Aimag, Post Code: 46089. Attention: Umnugobi Aimag Governor's office; and

- (c) Khanbogd Soum: the Governor of Khanbogd Soum, Ikh Bulag, Khanbogd Soum Governor's office, Umnugobi Aimag, Post Code: 46010. Attention: Khanbogd Soum Governor's office.

## **18. MISCELLANEOUS**

### **Entire Agreement**

- 18.1 Except as provided for in this Agreement, this Agreement contains the entire agreement between the Parties about its subject matter and supersedes all prior discussions, negotiations, representations, warranties, understandings and agreements with respect thereto including the Memorandum of Understanding, the Process Agreement and the Collaboration Agreement.
- 18.2 Nothing in this Agreement or any agreements entered into pursuant to this Agreement will amend or vary the Investment Agreement or the Amended and Restated Shareholders' Agreement between OT, Erdenes Oyu Tolgoi LLC and the other shareholders of OT entered into on or around 8 June 2011.

### **Cooperation**

- 18.3 Each Party must at its own expense do all things and execute all documents necessary to give full effect to this Agreement and the transactions contemplated by it.

### **Relationship of the Parties**

- 18.4 Nothing in this Agreement (including the establishment of the Relationship Committee) is intended to create, nor will it be construed as creating, any partnership, association, or any other obligation or liability with regard to the Parties except as expressly provided for in this Agreement.

### **Language**

- 18.5 Each Party will retain one copy of this Agreement in each language and the Parties agree that the Mongolian and English versions will be treated equally except that, in the event of any legal dispute in the interpretation between the two language versions, the English version will prevail to the extent of any inconsistency.

### **Governing law**

- 18.6 This Agreement will be governed by the laws of Mongolia.

### **Transparency and integrity**

- 18.7 The Parties agree that the DSF and projects and programs carried out pursuant to the DSF and under the framework of this Agreement will be likewise carried out consistently with applicable anti-bribery, anti-corruption and similar business integrity laws and regulations and the Parties will promote policies and practices that seek to prevent violation of such laws and regulations and rules. The Parties acknowledge OT's *The Way We Work* code of business conduct.

### **Amendment**

- 18.8 Upon mutual consent recorded in writing, the Parties may make an amendment to this Agreement including upon the recommendation of the Relationship Committee made to the Parties from time to time in relation to proposed changes to the Obligations contained in the Thematic Schedules.

### **Force Majeure**

- 18.9 To the extent and for the period that a Party's ability to perform its obligations or commitments under this Agreement is affected by Force Majeure it will be excused and its obligations and

commitments will be suspended provided it notifies the other Parties in writing setting out the details of the Force Majeure and its likely duration.


**Severability**

- 18.10 Any provision of this Agreement that is illegal, invalid or unenforceable will be severed to the extent necessary and this does not effect the legality, validity or enforceability of this Agreement or any other provision of this Agreement.

## Signing pages

Executed as an agreement:


Signed for and on behalf of **Umnugobi  
Aimag Citizens Representatives Meeting**

  
Batchuluun Lkhachin  
Speaker of Umnugobi Aimag


Signed by **Governor of Umnugobi Aimag**

  
Badraa Badamgarav  
Governor of Umnugobi Aimag

Signed for and on behalf of **Khanbogd  
Soum Citizens Representatives Meeting**

  
Nekhiit Khurgaa  
Speaker of Khanbogd Soum

Signed by **Governor of Khanbogd Soum,**

  
Buyan-Ulzii Tavanjin  
Governor of Khanbogd Soum

Signed for and on behalf of **Oyu Tolgoi  
LLC**

  
Andrew Woodley  
President and Chief Executive Officer of  
Oyu Tolgoi LLC




The Parties acknowledge the active participation and significant contribution of **Manlai Soum, Bayan-Ovoo Soum** and **Dalanzadgad Soum** in the process to develop and negotiate this Agreement. These Soums record their signature below to recognize this Cooperation Agreement and support its purpose and content.

Signed for and on behalf of **Dalanzadgad Soum Citizens Representatives Meeting**

  
\_\_\_\_\_  
Ulam-Urnukh Damdin  
Speaker of Dalanzadgad Soum

Signed by **Governor of Dalanzadgad Soum**

  
\_\_\_\_\_  
Battulga Tsendensodnom  
Governor of Dalanzadgad Soum

Signed for and on behalf of **Bayan-Ovoo Soum Citizens Representatives Meeting**

  
\_\_\_\_\_  
Mandakhbayar Ochirbat  
Speaker of Bayan-Ovoo Soum

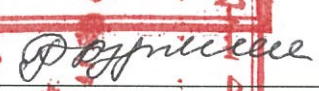
Signed by **Governor of Bayan-Ovoo Soum**

  
\_\_\_\_\_  
Batbold Khorloo  
Governor of Bayan-Ovoo Soum

Signed for and on behalf of **Manlai Soum Citizens Representatives Meeting**

  
\_\_\_\_\_  
Bat-Erdene Ochirsuren  
Speaker of Manlai Soum

Signed by **Governor of Manlai Soum**

  
\_\_\_\_\_  
Burmaa Rentsendorj  
Governor of Manlai Soum

# Schedule 1 – Definitions and interpretation

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## 1. Definitions

**Agreement** means this Cooperation Agreement, including its schedules and annexures, as amended, varied, supplemented or replaced from time to time.

**Approvals** means any and all special permits, permits, approvals, land rights, leases, land management plans, and related arrangements thereto, right or entitlement to enter into or go through other's land, decisions by competent authorities, and other equivalent or similar actions or resolutions, rights and authorisations to be issued, and currently issued by governmental organisations (the **Approvals**), including requests or applications for, and extensions, renewals, or changes made in connection with the Approvals.

**Business Day** means days other than Saturday and Sunday on which banks are open in Ulaanbaatar for their primary operations.

**Collaboration Agreement** means the Collaboration Contract dated 7 November 2011 as set out in Annexure C.

**Commencement Date** means the date that this Agreement is signed by all Parties.

**Commitments** means any obligation (including any behaviours, contributions, supports, projects or programs) which relate to the OT Project and which OT is, or becomes, bound to implement, make, provide, commit to, perform or undertake for the socio-economic development of the Cooperation Area pursuant to Investment Agreement, the ESIA or any other applicable laws, standards or other binding or enforceable requirements including anything contained in the first section of each of the Thematic Schedules, from time to time.

**Community Board Member** means a person appointed by agreement between Umnugobi Aimag and Khanbogd Soum under paragraph 2(a) of Schedule 3.

**Community Notice** has the meaning given in clause 13.1(a) of this Agreement.

**Community Representative** means a person appointed by Umnugobi Aimag and Khanbogd Soum under paragraph 3(a) of Schedule 2.

**Contract Area** has the meaning given in clause 16.11 of the Investment Agreement.

**Contribution** has the meaning given in clause 8.3 of this Agreement.

**Cooperation Area** means administrative and territorial units (as defined in the *Law on Administrative and Territorial Units of Mongolia*) within the territory of Umnugobi Aimag and/or the Partner Communities.

**Core Operations** has the meaning given in clause 1.5 of the Investment Agreement.

**Custodial Trustee** means a person appointed under paragraph 3.4 of Schedule 3.

**DSF** means the Development Support Fund an entity to be established by the Parties in accordance with clause 8 of this Agreement.

**DSF Board** means the board of members constituted in accordance with paragraph 2 of Schedule 3.

**DSF Board Member** means each of the OT Board Members and the Community Board Members and may mean any one or all of them as the context may require.

**DSF Executive Director** means the person appointed from time as the executive director of the DSF.

**DSF Funding Criteria** has the meaning given in paragraph 6(c) of Schedule 3.

**DSF Proposal** means a proposal for a Program or a Project submitted to the DSF.

**DSF Protocol** has the meaning given in paragraph 11 of Schedule 3.

**ESIA** means the environmental and social impact assessment for the OT Project dated 31 July 2012 produced for the purpose of obtaining project finance for the OT Project.

**Force Majeure** means an event beyond the control of a Party, including without limitation natural disasters such as earthquake, storm, fire, lightning, flood, drought, radioactive contamination, the closure of an international border crossing (on either side), significant labour unrest, and social emergency situations such as plague, war, state of war, and quarantine. Economic and operational downturns and government decisions significantly affecting the normal business operations and continuity of OT constitute Force Majeure.

**Governmental Authority** means any government or a legal person acting on behalf of the government or exercising powers and functions of the government, government administrative, fiscal or judicial body, department, commission, tribunal, ministry, agency or entity.

**Investment Agreement** means the investment agreement entered into between the Government of Mongolia, Ivanhoe Mines Mongolia Inc. LLC (the former name of OT), Ivanhoe Mines Ltd and Rio Tinto International Holdings Limited on 9 October 2009.

**Memorandum of Understanding** means the Memorandum of Understanding between the Parties dated 8 April 2011 as set out in Annexure A.

**Minerals Law** means the *Minerals Law of Mongolia* (2006).

**Mining Licences** means: (i) mining licenses 6708A, 6709A, and 6710A; and (ii) any other mining licenses which are, from time to time, included in the Investment Agreement pursuant to clauses 15.5 and 15.7.8 of the Investment Agreement; and (iii) any renewals, consolidations, extensions, substitutions, or replacements of any such mining licences referred to in subparagraphs (i) or (ii).

**Notice** has the meaning given under clause 17.1 of this Agreement.

**Obligations** means those actions, activities, projects or programs which relate to the OT Project which are contained in the second part of each of the Thematic Schedules, from time to time, and which the Parties are, or become, bound to implement or undertake for the socio-economic development of the Cooperation Area pursuant to the terms of this Agreement.

**OT Board Member** means a person appointed by OT under paragraph 2(b) of Schedule 3.

**OT Notice** has the meaning given in clause 13.1(b)(i) of this Agreement.

**OT Project** means the 'Oyu Tolgoi Project' which consists of the Core Operations and all ancillary activities that are undertaken on, or in connection with, the Contract Area.

**OT Representative** means a person appointed by OT under paragraph 3(b) of Schedule 2.

**Parties** mean Umnugobi Aimag, Khanbogd Soum and OT, and a **Party** means any one of them as the context may require.

**Partner Communities** mean Khanbogd Soum, Manlai Soum, Bayan-Ovoo Soum and Dalanzadgad Soum of Umnugobi Aimag.



**Process Agreement** means the Process Agreement dated 7 September 2012 as set out in Annexure B.

**Products** has the meaning given in clause 16.40 of the Investment Agreement.

**Program** means any intangible activity undertaken to promote the sustainable socio-economic development, or otherwise for the benefit, of Umnugobi Aimag and the Partner Communities which is approved for funding support from the DSF by the DSF Board in accordance with the policies and procedures adopted by it from time to time.

**Project** means any tangible, building or facility constructed to promote the sustainable socio-economic development, or otherwise for the benefit, of Umnugobi Aimag and the Partner Communities which is approved for funding support from the DSF by the DSF Board in accordance with the policies and procedures adopted by it from time to time.

**Public Use Infrastructure/Services** has the meaning given in clause 7.14 of the Investment Agreement.

**Relationship Committee** means the committee established under clause 4 of this Agreement and which will be governed by the Representatives and operate in accordance with the principles set out in Schedule 2 and any further policies or guidelines adopted by the Representatives from time to time.

**Relationship Committee Secretariat** means the person appointed under paragraph 6 of Schedule 2.

**Representatives** mean each of the OT Representatives and the Community Representatives and may mean any one or all of them as the context may require.

**Rio Tinto** means Rio Tinto International Holdings Limited, a corporation incorporated under the laws of England and Wales and with its registered office at 2 Eastbourne Terrace, London, W26LG, United Kingdom.

**Taxes** has the meaning given in clause 16.56 of the Investment Agreement and **Tax** has a corresponding meaning.

**Thematic Obligations and Commitments** has the meaning given in paragraph 2(b) of Schedule 2.

**Thematic Schedules** means Schedule 4 to Schedule 10.

## 2. Interpretation

In this Agreement, unless the context otherwise requires:

- (a) the Background, headings and sub-headings are inserted for guidance only and do not affect the interpretation of this Agreement;
- (b) words expressed in the singular include the plural and vice-versa;
- (c) 'including' and similar expressions are not, and must not be treated as, words of limitation;
- (d) if a word is defined, its other grammatical forms have a corresponding definition;
- (e) a reference to a person or to a legal entity includes an individual, company, partnership, foundation, association or other cooperative;



- (f) a reference to a Party to this Agreement includes that Party's successors and permitted assigns;
- (g) where the day on or by which a thing is required to be done is not a Business Day that thing must be done on or by the succeeding Business Day;
- (h) references to laws, regulations and standards include any subsequent amendments revisions or changes of any of them and a reference to a law includes every regulation and by-law issued under that law;
- (i) references to an agreement or document means that agreement or document as amended, varied or replaced from time to time;
- (j) if a Governmental Authority is replaced or made defunct, the reference to that body will include a reference to the replacement body or such other body that most closely performs the functions of the defunct body; and
- (k) a covenant or agreement by more than one person binds, and is enforceable against those persons jointly and each of them severally.

# Schedule 2 - Relationship Committee

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## 1. Purpose

The Relationship Committee oversees all interactions between OT, Umnugobi Aimag and the Partner Communities in the Cooperation Area. It is the forum where local government and community representatives and senior OT operations managers meet regularly to discuss and review the future, current and past impact of the OT Project on Umnugobi Aimag and Partner Communities. Its two primary purposes are:

- (a) to ensure comprehensive and transparent consultation on all Obligations and Commitments involving community interaction; and
- (b) to review submissions regarding DSF Proposals and provide recommendations to the DSF Board on the suitability of DSF Proposals and their priority having regard to the DSF Funding Criteria, including government policy and planning, the long-term development trajectory of the OT Project and the Parties' joint vision for long-term sustainable development.

## 2. Functions

The functions of the Relationship Committee are to:

- (a) foster and maintain a positive working relationship between the Parties; and
- (b) monitor the on-going implementation (and where appropriate develop protocols for implementation) of the Obligations and Commitments in respect of the thematic areas contemplated by the Thematic Schedules (**Thematic Obligations and Commitments**), including through receiving regular reports from, and attending briefings by, relevant OT personnel;
- (c) provide reports to the Parties addressing the effectiveness of implementation and resourcing and the operational successes and difficulties of the Thematic Obligations and Commitments;
- (d) make recommendations to the Parties on how implementation of the Thematic Obligations and Commitments could be improved and recommend amendments to the Thematic Schedules for consideration by the Parties; and
- (e) understand the Commitments relating to environmental and social impact, including through receiving and reviewing copies of all reports provided by OT under the ESIA or otherwise and be actively involved in the implementation and monitoring of these Commitments.

## 3. Composition of the Relationship Committee

The Relationship Committee will have 13 members in total comprising:

- (a) nine representatives appointed jointly by Umnugobi Aimag and Khanbogd Soum by notice in writing to OT (**Community Representatives**); and
- (b) four representatives appointed by OT by notice in writing to Umnugobi Aimag and Khanbogd Soum (**OT Representatives**).

Each Party must use its best endeavours to ensure that the Representatives appointed by it attend all Relationship Committee meetings and act consistently with the requirements of this

Schedule 2 and any rules and procedures for the functioning and governance of the Relationship Committee or any Working Group that are adopted in accordance with paragraph 5 of this Schedule 2.

#### 4. Working groups

The Relationship Committee will, as required, appoint working groups responsible for the implementation of specific Thematic Obligations and Commitments and review of specific Thematic Schedules in order to make recommendations to the Relationship Committee on proposed amendments to the Thematic Schedules (each a **Working Group**).

Each Working Group will include at least one OT Representative and at least one Community Representative and may also include persons who are not members of the Relationship Committee but who are selected for relevant experience and/or skills.

It is contemplated that, upon establishment of the Relationship Committee, the initial Working Groups and their respective Thematic Schedules will be;

- (a) Tri-Partite Council–Schedule 4, Schedule 5 & Schedule 6;
- (b) National History, Culture and Tourism Working Group– Schedule 7;
- (c) Basic Social Services Working Group– Schedule 8;
- (d) Local Business and Procurement Working Group– Schedule 9; and
- (e) Infrastructure and Capital Projects Working Group– Schedule 10.

Each Working Group will recommend to the Relationship Committee for its approval rules and procedures for the functioning and governance of that Working Group.

#### 5. Governance

The Relationship Committee will adopt detailed rules and procedures for the functioning and governance of the Relationship Committee and each Working Group that are consistent with this Schedule 2.

#### 6. Relationship Committee Secretariat

OT will fulfil the duties of the Relationship Committee Secretariat including:

- (a) convening Relationship Committee meetings;
- (b) preparing and serving notices, agenda and any other information for Relationship Committee meetings;
- (c) preparing and distributing minutes of Relationship Committee meetings to Representatives;
- (d) before and after Relationship Committee meetings, organising meetings with Working Groups and local communities as appropriate to inform them of the matters under discussion at Relationship Committee meetings; and
- (e) liaising with the DSF Executive Director on DSF Proposals.

#### 7. Meetings

The Relationship Committee will meet quarterly and more frequently if required. The Relationship Committee will appoint its Chairperson(s). Partner Community members and OT

employees may attend Relationship Committee meetings as observers. Other persons may attend Relationship Committee meetings as observers by agreement of the Relationship Committee.

## 8. Quorum

A quorum for a Relationship Committee meeting consists of at least 2/3 of the OT Representatives and at least 2/3 of the Community Representatives. If a quorum is not present within 90 minutes from the time appointed for a meeting, the meeting is adjourned until 48 hours after the time appointed. If a quorum is not present within 30 minutes from the time appointed for the adjourned meeting, the Representatives then present constitute a quorum. The Relationship Committee may not conduct any business at a Relationship Committee meeting unless a quorum is present at the commencement of the meeting.

## 9. Voting and Decision-making

All resolutions of the Relationship Committee relating to the recommendations to be made by the Relationship Committee in respect of a DSF Proposal must be passed by a simple majority vote of all of the Representatives present at a meeting and entitled to vote.

All other resolutions of the Relationship Committee must be passed by the unanimous vote of all of the Representatives present at a meeting and entitled to vote.

Where a conflict of interest might exist for a Representative in relation to any proposed resolution, that Representative is required to declare the potential conflict of interest and the Relationship Committee (excluding that Representative) will decide whether that Representative is permitted to vote on that resolution.

The Relationship Committee may pass resolutions by means of a circular written resolution signed by all of its Representatives.

## 10. Relationship with the DSF

The Relationship Committee and the DSF will have a close but independent relationship. The Relationship Committee will provide recommendations to the DSF in accordance with paragraph 1(b) of this Schedule 2.

There is no restriction on individuals being members of both the Relationship Committee and the DSF Board, provided that, at any time only one OT Representative and one Community Representative may be a member of both the Relationship Committee and the DSF Board.

Meetings of the Relationship Committee and the DSF Board will be held on a similar cycle, with at least one month between, to allow items to be referred from one body to the other and responded to before the succeeding meeting.

## 11. DSF Proposals

The Relationship Committee will agree the DSF Protocol with the DSF Board.

The Parties will use their best efforts to procure that their Representatives on the Relationship Committee and the Relationship Committee Secretariat will co-operate with the DSF Board and the DSF Executive Director with respect to the review, assessment and determination of all DSF Proposals in accordance with the DSF Protocol.

# Schedule 3 - Development Support Fund

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## 1. Purpose

The DSF manages the discretionary funds contributed to the DSF by OT in accordance with clause 8.3 of this Agreement to support sustainable development in the Umnugobi Aimag. The development that is supported by funding from the DSF may support the implementation of the Obligations and Commitments. The DSF specifically seeks to improve the wellbeing and capacity of Umnugobi Aimag communities by supporting Projects and Programs that target social infrastructure and the expansion of broad-based economic participation in the Cooperation Area.

## 2. Composition of the DSF Board

The DSF Board will have seven members in total comprising:

- (a) three representatives appointed jointly by Umnugobi Aimag and Khanbogd Soum by notice in writing to OT (**Community Board Members**); and
- (b) four representatives appointed by OT by notice in writing to Umnugobi Aimag and Khanbogd Soum (**OT Board Members**).

Each Party must use its best endeavours to ensure that the DSF Board Members appointed by it attend all DSF Board meetings and act consistently with the requirements of this Schedule 3 and any rules and procedures for the functioning and governance of the DSF Board that are adopted in accordance with paragraph 6 of this Schedule 3.

To the extent permitted by law, DSF Board Members will only be liable in case of gross negligence and wilful misconduct.

## 3. Role and Functions

### 3.1 DSF Board

The function of the DSF Board is to receive, review and approve, or not approve, DSF Proposals.

### 3.2 DSF Board Members

The roles and responsibilities of DSF Board Members are to:

- (a) attend DSF Board meetings;
- (b) give due consideration to submissions presented;
- (c) decide how funding is allocated and which DSF Proposals will be supported;
- (d) serve on any Subcommittees as agreed by the DSF Board in accordance with paragraph 4 of this Schedule 3;
- (e) sign all DSF Board meeting minutes as fair and accurate;
- (f) where a DSF Board Member has declared a potential conflict of interest in respect of a particular matter, decide if the DSF Board Member should withdraw from the decision-making in respect of that matter; and
- (g) regularly provide the Relationship Committee with information on funding and implementation of Projects and Programs.

### **3.3 Chairperson**

A Chairperson will be selected by a vote of the DSF Board Members, and will have the following additional responsibilities:

- (a) chair each DSF Board meeting;
- (b) regularly review the register of grants and forward commitments in respect of Projects and Programs; and
- (c) represent the DSF in public events and in seeking co-commitments to the DSF and/or for specific Projects and Programs. This function can also be delegated by agreement of the DSF Board.

### **3.4 Custodial Trustee**

The Custodial Trustee is independent, is funded by the DSF and attends DSF Board meetings to promote governance and support compliance with this Agreement. The roles and responsibilities of the Custodial Trustee are to:

- (a) attend all DSF Board meetings;
- (b) through the Chairperson, provide advice on tax, legal and governance matters to the extent the Custodial Trustee is qualified to provide that advice and, where they cannot, to take questions on notice and, when necessary; procure the advice for the following meeting;
- (c) monitor compliance by the DSF Board with this Agreement, the DSF Funding Criteria and its governance requirements in accordance with the rules and procedures for the DSF Board that are adopted in accordance with paragraph 6(b) of this Schedule 3; and
- (d) if satisfied that all probity requirements are met, countersign all meeting minutes and co-authorise all financial disbursements.

### **3.5 DSF Executive Director**

The DSF Board will appoint the DSF Executive Director who will have the responsibilities and will be authorised to act within the scope of responsibility and authority determined by the DSF Board and set out in the service agreement entered into by the DSF Executive Director and the DSF Board.

## **4. Sub-Committees**

The DSF may, as required, set up subcommittees to undertake reviews of the implementation of Projects and Programs and/or to manage specific activities, projects or programs (each a **Subcommittee**). Each Subcommittee will include at least one Community Board Member and at least one OT Board Member and may also include persons who are not DSF Board Members but who are selected for relevant experience and/or skills.

Each Subcommittee will recommend to the DSF Board for its consideration rules and procedures for the functioning and governance of that Subcommittee.

## **5. Administration and Staff**

The DSF will administer its executive and secretariat function with a small allocation from the DSF's overall annual funding, and will require for this purpose an annual budget to be prepared by the DSF Executive Director and approved by the DSF Board. Eligible administration costs are:

- (a) DSF Board Member's costs to attend meetings;

- (b) salaries of the DSF Executive Director and administration personnel;
- (c) meeting and travel costs;
- (d) external reviews and consultants (where applicable and approved by the DSF Board);
- (e) publications and website; and
- (f) costs associated with the Custodial Trustee.

## 6. Governance and DSF Funding Criteria

The DSF Board will adopt the following:

- (a) a mission statement and long term strategy and plans for the DSF;
- (b) detailed rules and procedures for the functioning and governance of the DSF Board and each Subcommittee that are consistent with this Schedule 3;
- (c) detailed eligibility and selection criteria for Projects and Programs to be funded by the DSF which will take into account (among other things) government policy and planning, the long-term development trajectory of the OT Project and the Parties' joint vision for long-term sustainable development (**DSF Funding Criteria**); and
- (d) together with the Relationship Committee, the DSF Protocol.

There will be no disbursement from the DSF to any Project or Program until the DSF has been established in accordance with clause 8.1 of this Agreement with a Charter that is agreed by the Parties and each of the documents referred to in this paragraph 6 of Schedule 3 has been adopted by the DSF Board.

## 7. Meetings

DSF Board meetings will be held quarterly, and more frequently as required.

Persons who are not DSF Board Members may attend meetings by explicit agreement of the DSF Board.

## 8. Quorum

A quorum for a DSF Board meeting consists of all DSF Board Members. If a quorum is not present within 60 minutes from the time appointed for a DSF Board meeting, the meeting is adjourned until 48 hours after the time appointed. If a quorum is not present 30 minutes from the time appointed for the adjourned meeting, the DSF Board Members then present constitute a quorum.

DSF Board Members may assign a delegate to attend a DSF Board meeting by prior written notice to the Chairperson. The DSF Board will not conduct any business at a DSF Board meeting unless a quorum is present at the commencement of the meeting.

## 9. Decision-making

### General

The Custodial Trustee is not entitled to vote on any matter.

All decisions of the DSF Board other than in respect of a DSF Proposal must be decided by the unanimous vote of all DSF Board Member present at the DSF Board meeting and entitled to vote.

Where a conflict of interest might exist for a DSF Board Member in relation to any proposed resolution, that DSF Board Member is required to declare the potential conflict of interest and the DSF Board (excluding that DSF Board Member) will decide whether that DSF Board Member is permitted to vote on that resolution.

### **Decisions regarding DSF Proposals**

A DSF Proposal that is submitted to a DSF Board meeting for approval by the DSF Board Members must be approved by the unanimous vote of all DSF Board Members present at the DSF Board meeting and entitled to vote.

If a DSF Proposal is not approved by the DSF Board Members, that DSF Proposal will be submitted to the Relationship Committee for further consideration and refinement and the Relationship Committee may submit that DSF Proposal to the DSF Board for consideration a second time at the next DSF Board meeting (**Second Board Meeting**).

At the Second Board Meeting, that DSF Proposal will be approved by a simple majority vote of the DSF Board Members present at the meeting and entitled to vote.

In determining whether to approve or not approve funding for any DSF Proposal, DSF Board Members must give due consideration to the submissions of the Relationship Committee and apply DSF Funding Criteria and informed judgement.

The DSF Board may pass a resolution by means of a circular written resolution signed by all of the DSF Board Members.

## **10. Relationship with the Relationship Committee**

The DSF and the Relationship Committee will have a close but independent relationship. The Relationship Committee will provide recommendations to the DSF and assist the DSF to develop a five-year strategy and a three-year rolling plan that complement the government plans of Umnugobi Aimag and the Partner Communities.

There is no restriction on individuals being members of both the Relationship Committee and the DSF Board, provided that, at any time only one OT Representative and one Community Representative may be a member of both the Relationship Committee and the DSF Board.

Meetings of the Relationship Committee and the DSF Board will be held on a complementary cycle, with at least one month between respective meetings, to allow items to be referred from one body to the other and responded to before the succeeding meeting.

## **11. DSF Proposals**

The DSF Board will agree with the Relationship Committee a working protocol for the review, assessment and decision making in relation to DSF Proposals (**DSF Protocol**). The DSF Protocol will be consistent with the following principles:

- (a) all DSF Proposals will be submitted to the DSF;
- (b) the DSF Executive Director will assess whether the DSF Proposal meets the DSF Funding Criteria;
- (c) if a DSF Proposal meets the DSF Funding Criteria, the DSF Executive Director will discuss the DSF Proposal with the Relationship Committee Secretariat and may seek additional information and input in relation to the DSF Proposal from appropriate person(s) (including any member(s) of the Relationship Committee, local government officers, OT personnel and relevant experts) (**Additional Advice**);



- (d) the DSF Proposal will be submitted to the Relationship Committee for review. The Relationship Committee may also seek Additional Advice to inform itself to enable the Relationship Committee to make a recommendation to the DSF Board regarding the DSF Proposal;
- (e) the Relationship Committee will submit the DSF Proposal to the DSF Board together with the Relationship Committee's recommendation and all documentation relating to the DSF Proposal (including the original application and all Additional Advice obtained);
- (f) following its review of any DSF Proposal, the DSF Board may request that the Relationship Committee obtains and provides Additional Advice in respect of that DSF Proposal to assist in its decision as to whether to approve the DSF Proposal; and
- (g) the DSF Board will ultimately decide whether a DSF Proposal is approved or not.

The Parties will use their best efforts to procure that their DSF Board Members and the DSF Executive Director will co-operate with their Representatives on the Relationship Committee and the Relationship Committee Secretariat with respect to the review, assessment and determination of all DSF Proposals in accordance with the DSF Protocol.

## 12. DSF Reviews and Reporting

Annual financial reports will be prepared by the DSF Executive Director, sent to the Relationship Committee, be publically reported and subject to annual financial audits in accordance with clause 8.8 of this Agreement. At the direction of the DSF Board, the DSF Executive Director will prepare and promulgate materials that promote the purpose, availability and achievements of the DSF.

Every three years, an external evaluator selected by the DSF Board will assess both the operation of the DSF and the success of the Projects and Programs funded by the DSF in meeting the stated objectives of the DSF. The DSF's success will be measured against the DSF's mission statement and long term strategy and plan adopted in accordance with paragraph 6(a) of this Schedule 3.

Every six years a strategic review of the DSF will be undertaken by the DSF Board and the DSF Executive Director who may include external advisers in that review process. The strategic review will consider the level of funding, the DSF's objectives for the next six years and the strategy for meeting those objectives.

# Schedule 4 – Water management

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## 1. Part one – Commitments

Set out below are summaries of certain of OT's Commitments which OT is required to undertake. The status and effect of these Commitments is explained in clause 5.6 of this Agreement. Reference should be made to the source of a Commitment to understand its proper interpretation and legal effect. In many cases there are applicable qualifications, conditions or counter-commitments that are not reflected in the summaries below.

OT has the following Commitments in relation to water management and the Partner Communities:

- (a) To procure an audit of OT's compliance with national environment and water-related legislative requirements once every 5 (five) years, and within 3 (three) months after the end of the relevant year, by an independent, competent, professional firm. The audit outcome will be provided to the central administrative authority in charge of environment.
- (b) Not reduce from the current level the quality and quantity of the existing potable and livestock water supplies used by existing users at the date of the Investment Agreement within the water resources area defined by reference to 'EIA Reports' under the Investment Agreement.
- (c) OT will make its self-discovered water resources available to be used for household purposes, herder families and agricultural activities of Partner Communities.
- (d) Recognising that the quality of self-discovered water may vary considerably, OT will support the Government of Mongolia to upgrade or treat these water resources for household purposes and agricultural activities of the Partner Communities and provide infrastructure for water transportation for local household use only.
- (e) OT will support the Government of Mongolia in the establishment of safe drinking water for Khanbogd Soum centre.
- (f) OT will apply modern operational technology and procedures in order to minimize raw water usage volume of the project and maximize efficiency of water usage and recycling where reasonably practicable having regard to technology and procedures used in similar operations.

## 2. Part two – Obligations

Set out below are summaries of Obligations which the Parties agree to undertake. In interpreting these Obligations:

- (a) where a Party 'may' do some thing, that Party is not obliged to do that thing and is entitled to elect to do, or not do, that thing in its complete discretion; and
- (b) a reference to 'support' does not mean that a Party guarantees any outcome or the achievement of any stated aim. It does not oblige a Party to make a financial contribution or incur financial or commercial disadvantage and will be limited by concepts of what may be reasonable and practicable for that Party in the circumstances.

In relation to water management and the Partner Communities, the Parties have agreed the following Obligations:

- (a) OT will provide a copy of any Mongolian environment and water-related legislative audit (referred to in the Commitments in part one of this Schedule 4 above) to the local administrative authority in charge of environment.
- (b) OT will continue to conduct comprehensive scientific water monitoring in the EIA-defined vicinity of OT Project areas and will submit reports detailing this analysis to relevant local authorities and make them available for inclusion in the Government of Mongolia regional water database. These reports will be discussed at Relationship Committee meetings.
- (c) Following discussion with the Relationship Committee, the Parties may agree to support hydrogeological explorations and water reserve identification for Partner Communities.
- (d) Following discussion with the Relationship Committee, the Parties may agree to support Partner Communities' efforts and projects identifying and implementing solutions for water capture and supply improvement such as restoration and construction of water wells and bores.
- (e) Following discussion with the Relationship Committee, the Parties may agree to support Partner Communities' activities directed to water conservation, development of water infrastructure and improvements to domestic and herd animal water supply.

# Schedule 5 – Environmental management (rehabilitation, bio-diversity and ecological balance)

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## 1. Part one – Commitments

Set out below are summaries of certain of OT's Commitments which OT is required to undertake. The status and effect of these Commitments is explained in clause 5.6 of this Agreement. Reference should be made to the source of a Commitment to understand its proper interpretation and legal effect. In many cases there are applicable qualifications, conditions or counter-commitments that are not reflected in the summaries below.

OT has the following Commitments in relation to environmental management and the Partner Communities:

- (a) OT will implement an environmental management plan (an **EMP**) and a comprehensive environmental monitoring and analysis program. Every three years it will submit to the central government authority in charge of environment a report prepared by a certified, independent, professional firm, addressing OT's implementation of the measures specified in the EMP.
- (b) OT will make the EMP and independent reports available to the public, provide local communities with sufficient relevant information and regularly consult with local communities on the impact of OT's operations on the local environment.
- (c) OT will rehabilitate the environment damaged by Core Operations in accordance with Mongolian and international standards and codes in effect when the mine is closed in whole or in part.
- (d) If any material adverse impact on air, water, soil, animals, plants and subsoil is found by the environmental monitoring and analysis program (referred to above), OT will take necessary measures to eliminate such material adverse impact at OT's expense.
- (e) OT will pay compensation for unanticipated and irreversible ecological damage directly caused by the operations of the OT Project based on the ecological and economic value for the permanently damaged natural resources, to the extent prescribed by the Law on the Environmental Protection and other relevant laws and regulations. The compensation will be determined by an independent group of environmental experts and OT will cooperate with the experts in such determination.

## 2. Part two – Obligations

Set out below are summaries of Obligations which the Parties agree to undertake. In interpreting these Obligations:

- (a) where a Party 'may' do some thing, that Party is not obliged to do that thing and is entitled to elect to do, or not do, that thing in its complete discretion; and
- (b) a reference to 'support' does not mean that a Party guarantees any outcome or the achievement of any stated aim. It does not oblige a Party to make a financial contribution or incur financial or commercial disadvantage and will be limited by concepts of what may be reasonable and practicable for that Party in the circumstances.

In relation to environmental management and the Partner Communities, the Parties have agreed the following Obligations:

- (a) OT will provide a copy of any report prepared by a certified, independent, professional firm, addressing OT's implementation of the measures specified in the EMP (referred to in the Commitments in Part one of this Schedule 5 above) to the local administrative authority in charge of environment.
- (b) OT will provide to the Relationship Committee any EMP report together with any environmental monitoring reports and any independent reports.
- (c) OT will continue to conduct comprehensive monitoring of air quality, dust and gaseous emission and manage land disturbance and dust generating processes in a way that minimizes environmental impact.
- (d) OT will implement management processes for minimizing, segregating, recycling, storing, using and burying waste in accordance with internationally recognized standards. Hazardous waste will be treated properly in compliance with international and national standards.
- (e) OT will implement a biodiversity management plan involving stakeholder engagement. A biodiversity-offset program will be implemented based on appropriate research in the Partner Community region.

# Schedule 6 – Traditional animal husbandry and pastureland management

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## 1. Part one – Commitments

Set out below are summaries of certain of OT's Commitments which OT is required to undertake. The status and effect of these Commitments is explained in clause 5.6 of this Agreement. Reference should be made to the source of a Commitment to understand its proper interpretation and legal effect. In many cases there are applicable qualifications, conditions or counter-commitments that are not reflected in the summaries below.

OT has the following Commitments in relation to traditional animal husbandry and pastureland management and the Partner Communities:

*[intentionally left blank]*

## 2. Part two – Obligations

Set out below are summaries of Obligations which the Parties agree to undertake. In interpreting these Obligations:

- (a) where a Party 'may' do some thing, that Party is not obliged to do that thing and is entitled to elect to do, or not do, that thing in its complete discretion; and
- (b) a reference to 'support' does not mean that a Party guarantees any outcome or the achievement of any stated aim. It does not oblige a Party to make a financial contribution or incur financial or commercial disadvantage and will be limited by concepts of what may be reasonable and practicable for that Party in the circumstances.

In relation to traditional animal husbandry and pastureland management and the Partner Communities, the Parties have agreed the following Obligations:

- (a) The Parties agree to work together and with other relevant parties to support the preservation and development of traditional animal husbandry and traditional nomadic pastureland usage and any supporting strategies implemented by the Parties should be consistent with Umnugobi Aimag and Partner Communities' policies. Umnugobi Aimag and Partner Community departments or units in charge of animal husbandry and veterinary services and cooperatives conducting activities in relation to animal husbandry will take the lead role in identifying such supporting strategies.
- (b) Support for the above strategies may include the provision of relevant data, research and expertise for the preservation and development of traditional animal husbandry, traditional nomadic pastureland usage and development of intensive animal husbandry (including the introduction of new technologies, improved veterinary services, pasture use plans and improved pasture management).
- (c) The Parties agree to work together to support the establishment of sustainable herder cooperatives.
- (d) The Parties agree to work together with local government and other relevant parties to support the restoration of herd animal watering points and improvement of pasture water availability where it is lacking in Partner Communities.

- (e) The Parties agree to work together to provide support in conducting pastureland assessments with the participation of relevant Umnugobi Aimag authorities, Partner Communities and third parties.
- (f) OT will seek, to the extent reasonably practicable, to enable disturbed land within the Cooperation Area (but excluding land within the Contract Area) to become suitable for nomadic herder access and grazing animals after it is no longer in use for the OT Project.
- (g) Under an agreed protocol, OT will provide grazing access for herd animals to the Contract Area with restrictions on the time of year, duration, precise locations and other matters relevant to the efficient and safe operation of the OT Project and the safety of the animals and herders.
- (h) The Parties will develop specific proposals for a herder livelihood improvement program for affected herder households and, through the Relationship Committee, get feedback on how to refine it and get support from Partner Communities to implement it.
- (i) The Parties will develop specific proposals for new types of income generation projects for affected herder households and, through the Relationship Committee, get feedback on how to refine them and get support from Partner Communities to implement them.

# Schedule 7 – National history, culture and tourism

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## 1. Part one – Commitments

Set out below are summaries of certain of OT's Commitments which OT is required to undertake. The status and effect of these Commitments is explained in clause 5.6 of this Agreement. Reference should be made to the source of a Commitment to understand its proper interpretation and legal effect. In many cases there are applicable qualifications, conditions or counter-commitments that are not reflected in the summaries below.

OT has the following Commitments in relation to national history, culture and tourism and the Partner Communities:

- (a) OT will comply with Mongolian Cultural Heritage Law and other applicable legal and statutory requirements in relation to the protection of the cultural heritage of Partner Communities.
- (b) OT will maintain a Cultural Heritage Management Plan (a **CHMP**) and a Cultural Heritage Management System (a **CHMS**) designed, amongst other things, to protect Umnugobi Aimag cultural heritage during the development and continued operation of the OT Project.

## 2. Part two - Obligations

Set out below are summaries of Obligations which the Parties agree to undertake. In interpreting these Obligations:

- (a) where a Party 'may' do some thing, that Party is not obliged to do that thing and is entitled to elect to do, or not do, that thing in its complete discretion; and
- (b) a reference to 'support' does not mean that a Party guarantees any outcome or the achievement of any stated aim. It does not oblige a Party to make a financial contribution or incur financial or commercial disadvantage and will be limited by concepts of what may be reasonable and practicable for that Party in the circumstances.

In relation to national history, culture and tourism and the Partner Communities, the Parties have agreed the following Obligations:

- (a) The Parties agree to work together and with other relevant parties to identify ways to preserve and promote Umnugobi Aimag cultural heritage and history.
- (b) The Parties agree to work together and collaborate with relevant Mongolian Governmental Authorities and other relevant parties to implement OT's CHMP to protect the Partner Communities' tangible and intangible cultural heritage.
- (c) Umnugobi Aimag will direct and lead efforts to protect Umnugobi Aimag's natural heritage and tangible and intangible cultural heritage.
- (d) Umnugobi Aimag will take an active part in the establishment and ongoing operations (including by ensuring and organising the cooperation of the relevant stakeholders) of the proposed 'Gobi cultural heritage study and development centre' which will be aimed at protecting and promoting studies of Umnugobi Aimag history and cultural heritage.



- (e) The Parties agree to work together in the identification of projects and programs which have the potential to qualify for support from the DSF and, through the Relationship Committee, support suitable proposals that aim to foster the continuity and development of the 'living culture' of Partner Communities.
- (f) OT will inform the Relationship Committee, Partner Communities, the Institute of History and Archaeology and the Institute of Palaeontology in advance of any planned excavation or mining in new areas.
- (g) OT's land disturbance procedures will require that archaeological, paleontological and ethnographic preservation investigations be undertaken in advance to ascertain whether land disturbance can be avoided through design and placement.
- (h) OT will select construction designs and placements that, to the greatest extent practicable, minimise or avoid impact on identified places of historical and cultural importance.
- (i) OT will involve the Institute of History and Archaeology in any OT-commissioned historical and ethnographic surveys.
- (j) OT will maintain and share with the Relationship Committee and Partner Communities, for informational purposes, a list of traditional sacred places located in the Cooperation Area, inclusive of landscape, natural features such as mountains and springs that have spiritual or sacred value to local residents, as well as cairns, ovoos and burial places. Myths, taboos and rituals associated with these places may also be recorded.
- (k) OT will adhere to a 'chance finds procedure' during land clearance and related construction activities and organise rescue excavations if identified by the Institute of History and Archaeology or the Institute of Palaeontology and Geology as necessary.
- (l) OT will include training in the 'chance finds procedure' in OT's employee and contractor induction program and include 'chance finds procedure' requirements in all contractor and sub-contractor contractual requirements. OT will provide all personnel and contractors involved in land clearance work with training in the 'chance finds procedure'.
- (m) When requested through the Relationship Committee, OT will implement a ground-breaking ceremony involving the local community in the blessing of any new OT construction site.
- (n) OT will provide induction to OT employees and contractors on cultural heritage awareness, including cultural sensitivities associated with sites of living and tangible cultural heritage and elements of the natural landscape that are ascribed spiritual significance by the Partner Communities.
- (o) By agreement through the Relationship Committee, the Parties will prepare and distribute awareness-raising materials about the importance of cultural and historical heritage.
- (p) The Parties agree to work together collaboratively to support the development of tourism in Partner Communities with the aim of creating additional sources of income and eventually minimizing the Partner Communities' economic dependence on mining.

# Schedule 8 – Basic social services (health, education, vocational training and employment)

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## 1. Part one – Commitments

Set out below are summaries of certain of OT's Commitments which OT is required to undertake. The status and effect of these Commitments is explained in clause 5.6 of this Agreement. Reference should be made to the source of a Commitment to understand its proper interpretation and legal effect. In many cases there are applicable qualifications, conditions or counter-commitments that are not reflected in the summaries below.

OT has the following Commitments in relation to basic social health services and the Partner Communities:

- (a) OT will make as a priority training, recruiting and employing citizens of communities in the South Gobi region with a preference to Umnugobi Aimag.

## 2. Part two - Obligations

Set out below are summaries of Obligations which the Parties agree to undertake. In interpreting these Obligations:

- (a) where a Party 'may' do some thing, that Party is not obliged to do that thing and is entitled to elect to do, or not do, that thing in its complete discretion; and
- (b) a reference to 'support' does not mean that a Party guarantees any outcome or the achievement of any stated aim. It does not oblige a Party to make a financial contribution or incur financial or commercial disadvantage and will be limited by concepts of what may be reasonable and practicable for that Party in the circumstances.

In relation to basic social services and the Partner Communities, the Parties have agreed the following Obligations:

### **Public Health and Safety**

- (a) The Parties agree to work together to support the implementation of all plans, policies, projects and programs aimed at strengthening the health system of Umnugobi Aimag and Partner Communities.
- (b) Umnugobi Aimag will take the lead in cross-sector cooperation to improve the availability and quality of local health services branches.
- (c) The Parties agree to work together with other relevant parties and health organisations to support the mitigation of risks related to communicable and non-communicable diseases.
- (d) Subject to OT's legal obligations and data privacy policies from time to time, OT will consider providing information regarding employee health to Umnugobi Aimag health authorities where such information may support the improvement of employee health in Umnugobi Aimag and Partner Communities.
- (e) OT may support personnel capacity building in the Umnugobi Aimag health sector and English language skills training for Umnugobi Aimag medical doctors and health sector professionals.

- (f) The Parties agree to work together to support road safety awareness and OT will work directly with Partner Community police departments and administrators to support them to develop and implement road safety programs.
- (g) OT will ensure that its employees and contractors are aware of public road safety programs in Partner Communities and that they promote awareness of such programs where reasonable.
- (h) The Parties agree to work together to support a range of practical education activities, demonstrations and other events to support Partner Community residents avoid traffic accidents. As far as practicable, OT will make its drivers available for school-based traffic and vehicle safety education.
- (i) OT will provide annual briefings on its emergency response plans and procedures to the Relationship Committee and to the local emergency services, police and soum administrations of Partner Communities.
- (j) The Parties agree to work together to support the development of Partner Community emergency and traffic accident response plans.
- (k) The Parties agree to work together to support Partner Communities' health campaigns, including safe driving, communicable diseases (eg STDs, HIV and tuberculosis), alcohol and drug consumption, mental health, gender-based and family violence, suicide prevention, nutrition, lifestyle and physical activity.
- (l) The Parties agree to work together to support herder and other community member health surveys in Khanbogd Soum.
- (m) OT may make available, at its discretion, its SOS Clinic and medical personnel for emergency assistance to local residents, assist with medical evacuations, provide access to specialist medical equipment and coach and train Khanbogd hospital medical staff. Such activities will be reported annually to the Relationship Committee.

#### **Education**

- (n) During 2015 OT will launch a 'Youth development program' in Dalanzadgad Soum focused on the personal development of Dalanzadgad Soum high school students.
- (o) The Parties agree to work together to support the Umnugobi Aimag Education and Cultural Department to extend the Dalanzadgad Soum 'Youth development program' in later years to other Partner Communities.
- (p) Based on workforce planning and policy and actual workplace demand for professional roles in Umnugobi Aimag, OT agrees to support the 'Gobi scholarship program' which provides financial assistance to selected Umnugobi Aimag students who are studying at Bachelor's degree level at accredited Mongolian universities.
- (q) The Parties agree to work together and collaborate with Partner Communities, the Umnugobi Aimag Education and Cultural Department and other related organisations to support the 'Gobi scholarship program' for five years from the Commencement Date.
- (r) The Parties agree to work together and collaborate with the American University in Mongolia to support the establishment of a 'mining school of excellence' in Dalanzadgad Soum.
- (s) OT and Khanbogd Soum agree to work together to support the improvement of the Khanbogd school and the Khanbogd kindergarten.

#### **Vocational Education**

- (t) The Parties agree to work with the Umnugobi Aimag authorities in a “Pre-employment job readiness program” in 2015-2016, to help provide the necessary skills, knowledge and practical experience to Umnugobi Aimag citizens to assist them in gaining employment. After the successful implementation, OT will continue to support the Umnugobi Aimag authorities in the further continuation of this program by the Umnugobi Aimag authorities.
- (u) OT will organise and implement in 2015-2016 a ‘Pre-apprenticeship program’ to help selected Umnugobi Aimag citizens who are interested in employment at OT and its suppliers to acquire core technical skills and knowledge.
- (v) The Parties agree to work together and with the Partner Communities and the Umnugobi Aimag Education and Cultural Department to support the ‘Pre-apprenticeship program’ to become sustainable.
- (w) The Parties agree to work together to support and assist the further development of a labour market demand-driven Technical Vocational Education Training (TVET) system in Umnugobi Aimag.
- (x) OT will prepare materials providing information on job-readiness training and other relevant issues and distribute these materials widely in the Partner Communities.
- (y) The Parties agree to work through the Relationship Committee to identify and agree the types of training that the Parties could support to help with job-readiness, particularly for herder households.

#### **Employment**

- (z) OT will continue to maintain health and safety policies, systems and procedures to ensure a safe workplace that complies with applicable health and safety laws and regulations in Mongolia.
- (aa) The Parties agree to work together to maintain a database of work-ready residents within the Partner Communities and will, from time to time, undertake labour and skills censuses in this regard. The results and Umnugobi Aimag employment rates at OT will be presented and discussed annually at a Relationship Committee meeting.
- (bb) OT agrees to work with Partner Communities to publicise, internally and externally, all OT role vacancies.

#### **Civic engagement on social matters**

- (cc) The Parties agree to work together through the Relationship Committee to support OT updates, meetings, workshops, targeted consultations and training and tailored support programs with key community groups (such as Elderly Associations and youth groups) within the Partner Communities.
- (dd) OT will maintain a community complaints, disputes and grievance system and educate residents of the Partner Communities about its purpose and use, and provide annual updates to the Relationship Committee on the overall nature of complaints received and their resolution.
- (ee) OT will, through the Relationship Committee, organise open days and specific site tours for selected groups of Partner Community residents such as senior citizens on Elderly Day.

- (ff) OT will work through the Relationship Committee to ensure its security system and procedures are understood by Partner Communities and adapted to the local context, without jeopardising the integrity of OT's site and asset security.
- (gg) OT will provide community awareness training to its employees and contractors and seek guidance through the Relationship Committee on the content and form this will take and how Partner Communities can support this.
- (hh) OT will enforce a code of behaviour for employees and contractors including rules about anti-social and illegal behaviour.
- (ii) OT will regularly attend bagh meetings in Khanbogd Soum to provide updates on relevant OT current activities, conduct focus group work (as appropriate), provide information on job-readiness training and other relevant issues and report back to the Relationship Committee on the discussions that arise.

# Schedule 9 – Local business development and procurement of goods and services

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## 1. Part one – Commitments

Set out below are summaries of certain of OT's Commitments which OT is required to undertake. The status and effect of these Commitments is explained in clause 5.6 of this Agreement. Reference should be made to the source of a Commitment to understand its proper interpretation and legal effect. In many cases there are applicable qualifications, conditions or counter-commitments that are not reflected in the summaries below.

OT has the following Commitments in relation to local enterprise development, goods and services procurement and the Partner Communities:

- (a) OT will support special business development programs to assist in starting and growing local businesses so they supply the OT Project, as well as the expansion and diversification of Mongolian business partners so that they are not fully dependant on the OT Project.
- (b) OT will, on a priority basis, purchase and utilise services supplied by Mongolian citizens and/or legal entities, and equipment, raw materials, materials and spare parts manufactured in Mongolia, with preference to businesses operating in Umnugobi Aimag, to the extent such services and materials are available on a competitive time, costs, quantity basis, and will give preference to Mongolian suppliers of freight and transportation services required for the OT Project.

## 2. Part two - Obligations

Set out below are summaries of Obligations which the Parties agree to undertake. In interpreting these Obligations:

- (a) where a Party 'may' do some thing, that Party is not obliged to do that thing and is entitled to elect to do, or not do, that thing in its complete discretion; and
- (b) a reference to 'support' does not mean that a Party guarantees any outcome or the achievement of any stated aim. It does not oblige a Party to make a financial contribution or incur financial or commercial disadvantage and will be limited by concepts of what may be reasonable and practicable for that Party in the circumstances.

In relation to local enterprise development, goods and services procurement and the Partner Communities, the Parties have agreed the following Obligations:

- (a) OT will maintain a 'South Gobi Supplier Development Procurement Policy' directed to increase jobs, revenues, knowledge, skills and technological improvements for local suppliers and to support economic development and sustainability in Umnugobi Aimag. OT will seek discussion, feedback and suggestions for refinement of the 'South Gobi Supplier Development Procurement Policy' from the Relationship Committee and all the Parties will support its implementation.
- (b) OT will apply and revise, from time to time, specific criteria to properly define 'Umnugobi Aimag Supplier' which may take into account whether goods are manufactured/supplied or services rendered within Umnugobi Aimag, whether suppliers are registered and pay their taxes within Umnugobi Aimag and whether the majority of the supplier workforce resides and carries out its works/services in Umnugobi Aimag.

- (c) OT will develop an annual 'Umnugobi Aimag Supplier' procurement spend target and will report performance against this target to the Relationship Committee and the local administrative organisation.
- (d) OT will organise training sessions to support Umnugobi Aimag suppliers to develop viable and ethical business management, health, safety and environment practices and consider other development activities.
- (e) OT will annually review Umnugobi Aimag suppliers and taking into account safety, legal and business integrity requirements identify successful suppliers for recognition, awards and promotion.
- (f) The Parties agree to support a local business and economic development (a **LBED**) program to develop non-mining economic opportunities in the Partner Communities, discuss and get feedback and suggestions for refinement from the Relationship Committee and all the Parties agree to support its implementation.

# Schedule 10 - Infrastructure and capital projects

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## 1. Part one – Commitments

Set out below are summaries of certain of OT's Commitments which OT is required to undertake. The status and effect of these Commitments is explained in clause 5.6 of this Agreement. Reference should be made to the source of a Commitment to understand its proper interpretation and legal effect. In many cases there are applicable qualifications, conditions or counter-commitments that are not reflected in the summaries below.

OT has the following Commitments in relation to public infrastructure and capital projects and the Partner Communities:

- (a) When constructing state roads and local roads, pipelines and other transportation facilities, OT will comply with all the laws and regulations of Mongolia and use its best endeavours to tie in with integrated road and transport network and development strategies.
- (b) OT may provide the public, Government and third parties with access to certain Public Use Infrastructure Services, provided the access does not interfere with the operation of the OT Project.
- (c) OT may, by agreement, transfer the ownership and/or governance of Public Use Infrastructure Services for local community use to local authorities, provided the transfer does not restrict or impair the access of the OT Project to infrastructure services, or interfere with the operation of the OT Project.

## 2. Part two - Obligations

Set out below are summaries of Obligations which the Parties agree to undertake. In interpreting these Obligations:

- (a) where a Party 'may' do some thing, that Party is not obliged to do that thing and is entitled to elect to do, or not do, that thing in its complete discretion; and
- (b) a reference to 'support' does not mean that a Party guarantees any outcome or the achievement of any stated aim. It does not oblige a Party to make a financial contribution or incur financial or commercial disadvantage and will be limited by concepts of what may be reasonable and practicable for that Party in the circumstances.

In relation to infrastructure and capital projects and the Partner Communities, the Parties have agreed the following Obligations:

- (a) The Parties agree to work together through the Relationship Committee to support OT-impacted soums with town planning and improved governance.
- (b) The Parties agree to work together to support the development of a sustainable water distribution system for Khanbogd centre.
- (c) The Parties agree to provide timely information to the Relationship Committee on any proposed significant construction projects to be undertaken by them, for discussion, regarding potential community impacts, mitigation strategies and any potential synergies which could result from design adaption to allow for shared use.



- (d) OT will provide technical advice to support the development of public waste management facilities, however these will remain owned and managed by soum governments.

The Parties will work together to support the progressive improvement of public waste management.

# Schedule 11 – Implementation Plan

## 1. Relationship Committee

Action/task	Responsible party
Parties to nominate their representatives to become members of the Relationship Committee	Each Party
First meeting to be convened (date, location and logistics to be determined)	OT (as the Relationship Committee Secretariat)
Appoint Chairperson(s) of Relationship Committee	Relationship Committee
Prepare and adopt draft rules and procedures for the Relationship Committee	Relationship Committee
Establish initial Working Groups	Relationship Committee
Working Groups to prepare draft rules and procedures for the Working Group and provide to the Relationship Committee for approval	Working Groups/Relationship Committee
With the DSF, agree the DSF Protocol to review, assess and make decisions in relation to DSF Proposals	Relationship Committee / DSF

## 2. DSF

Action/task	Responsible party
Parties to nominate their representatives to become DSF Board Members	Parties
Establish the DSF <ul style="list-style-type: none"> <li>Parties agree the form of the DSF charter consistent with this Agreement</li> <li>Founder decision to establish the DSF and approve the DSF charter in the form agreed by the Parties</li> <li>Registration of the establishment of the DSF and the DSF charter with the State Registration Office</li> </ul>	Parties (OT to lead)
First meeting of the DSF Board to be convened (date, location and logistics to be determined)	DSF Board
Appoint Chairperson of the DSF Board	DSF Board
Appointment of Executive Director, secretarial and administrative staff	DSF Board
Appoint Custodial Trustee	DSF Board
Prepare and adopt draft rules and procedures for the DSF Board	DSF Board
Establish bank account and signing authorities, in order to receive the Financial Contribution from OT	Executive Director, with guidance from the DSF Board and Custodial Trustee

Develop and approve DSF Funding Criteria, mission statement, long term strategy and plans	DSF Board
Consider establishing any initial DSF sub-Committees	DSF Board
If sub-Committees are established, develop the rules and procedures for the sub-Committees and provide to the DSF Board for approval	Sub-Committee members/DSF Board
With the Relationship Committee, agree the DSF Protocol to review, assess and make decisions in relation to DSF Proposals	Relationship Committee / DSF
Identify an auditor to carry out annual or more frequent audit pursuant to clause 8.8 of this Agreement	DSF Board
Develop protocols on how to make details of how the Contribution will be made publicly available pursuant to clause 8.7 of this Agreement	DSF Board

# Annexure A

## Memorandum of Understanding

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## Memorandum of Understanding

8<sup>th</sup> of April, 2011

Ulaanbaatar

This Memorandum of Understandings (hereinafter referred to as "MOU") is entered into with respect to the execution of mutually beneficial Cooperation Agreement (or "the Agreement") between Umnugobi aimag of Mongolia and Khanbogd soum of Umnugobi aimag, on the one hand, and Oyu Tolgoi LLC, on the other hand (hereinafter referred to as "Parties") for the purposes of making real contributions to socio-economic development of Umnugobi aimag and successfully implementing the Oyu Tolgoi Project upon the grounds set out below:

- Oyu Tolgoi LLC, holds mining licenses 6708A, 6709A, and 6710A (the "Mining licenses") issued under the Minerals Law of Mongolia, and the areas granted under the Mining licenses are located in the territory of Khanbogd Soum of Umnugobi aimag;
- The Investment Agreement, in Article 4.5, states that Oyu Tolgoi LLC will develop partnerships to ensure that sustainable benefits from the Oyu Tolgoi Project reach Mongolian people, including people in Umnugobi aimag;
- Under the Article 4.6 of the Investment Agreement, Oyu Tolgoi LLC is committed to conduct all of its local and regional socio-economic development programs and activities based on principles of transparency, accountability and public participation;
- The Article 42.1 of the Minerals Law of Mongolia stipulates that a mining license holder shall conclude an agreement and work in cooperation with the local administrative body on the areas of environmental protection, infrastructure development in relation to mine development, mine use and employment; and
- Oyu Tolgoi LLC, as a mining licenses holder, and as an Investor in the Oyu Tolgoi Project desires that its operations are required to be conducted in a socially responsible manner;

### One. Principles to apply for the execution of Cooperation Agreement

The Parties will be governed by the following principles based upon spirit of equality, mutual trust, and cooperation.

- 1.1. Development and execution of the Agreement shall be subject to open public discussion and shall broadly reflect the opinions and suggestions of the local citizens, governmental and non-governmental organisations, business entities, and organisations.
- 1.2. This MOU, Process Agreement and the Cooperation Agreement will be transparent and public.
- 1.3. The issues to be regulated under the Agreement shall be directed to providing equal opportunity of development and fair competition for local people and organisations.

Governor of Umnugobi aimag  
Chairman of Khanbogd soum



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President and CEO of Oyu Tolgoi LLC



- 1.4. Local communities will take an action to mitigate and jointly manage change arising from the Oyu Tolgoi Project by participating, on an informed basis, in decisions that affect their interests.
- 1.5. Public information and comments on matters relating to Process Agreement and the Cooperation Agreement shall be made by the Parties upon mutual agreement during the course of developing and negotiating those Agreements.
- 1.6. The primary language of the Agreements drafting will be Mongolian.
- 1.7. The Process Agreement and the Cooperation Agreement shall be executed in Mongolian and English. Both versions are equally valid.
- 1.8. The Cooperation Agreement is one agreement which will incorporate all common and specific areas and aspects of Oyu Tolgoi LLC's relationship with the local community.
- 1.9. The MOU, Process Agreement and Community Agreement shall be in conformity with the applicable laws. Rights, obligations and interests arising in connection from the MOU, Process Agreement and Cooperation Agreement shall be construed in accordance with the laws of Mongolia.


## **Two. Cooperation Agreement Signing Process and Timelines**

- 2.1. Preparations for the Process Agreement and Cooperation Agreement shall jointly be carried out by the Working Group headed by the Ts.Urtnasan, the Deputy Governor of Umnugobi aimag appointed by the Aimag Governor Order No a/25 of 2011 on behalf of Umnugobi aimag and the Working Group headed by David Paterson, the Vice President, appointed by the Resolution No 451/20 of 2011 issued by the President and Chief Executive Officer of Oyu Tolgoi LLC on behalf of of Oyu Tolgoi LLC.
- 2.2. The Parties shall make their best efforts the Process Agreement within the target date of **30 June 2011**; and the Community Agreement within the **last quarter of 2011** or **no later than March 2012** at the latest.
- 2.3. The Process Agreement and the Community Agreement shall become effective upon signing by Umnugobi aimag governor and Khan Bogd soum governor representing on behalf of Umnugobi aimag and the President and Chief Executive Officer of the Company representing on behalf of Oyu Tolgoi LLC and the agreements shall have binding effect.

## **Three. The Cooperation Agreement shall contain the following intentions of the Parties**

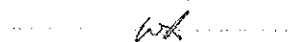
- 3.1. The Parties will make a valuable contribution to the social and economic development of the "Project impacted soums" and Umnugobi aimag..
- 3.2. By entering into the Cooperation Agreement, the Parties shall aim to provide opportunity on supporting implementation of the Investment Agreement and continuity and stability of Oyu Tolgoi LLC's production, finance, business operation.
- 3.3. The Parties shall aim to implement policies giving a priority of support to local citizens and local business entities when recruiting and training people for required job positions in "Oyu Tolgoi" project and selecting the Company's supplier and subcontractor.

On behalf of Umnugobi aimag:  
On behalf of Khanbogd soum:



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President and CEO of Oyu Tolgoi LLC



- 3.4. The Parties shall aim to work in collaboration to support local administration body's policies and projects that are consistent with the objectives of the Oyu Tolgoi Project, and policies and operations of the Oyu Tolgoi LLC..
- 3.5. The Parties will mutually agree on implementation of promises and obligations incorporated in the Cooperation Agreement, monitoring, evaluation, resourcing and financing thereof.

#### Four. Areas of Cooperation

- 4.1. The Parties will discuss and reach an agreement with respect to the implementation of programs and actions intended to promote local socio-economic development, the increase of positive social and economic impacts of a mining industry, environmental protection and rehabilitation, preservation of ecological balance, protection of Mongolian national history and cultural heritage, support of traditional animal husbandry, introducing rational Gobi water, and pastureland management, increased employment and specialty training of local citizens, capacity building of local government and administrative organizations, urban development, developing social services, education, health, information and infrastructure.
- 4.2. The Parties will discuss on forms and an amount of financing of the programs and activities stated in the 4.1 above during the negotiations of the Process agreement.
- 4.3. The Parties will purchase or procure a certain portion of supply of goods, services and works of Oyu Tolgoi LLC from local citizens and business entities.

#### Five. Others

- 5.1. The Parties will jointly evaluate and develop a proposal to improve the roles, organization, and operation of the "South Gobi Regional Development Council" in alignment with social and economic development of Umnugobi aimag, and Oyu Tolgoi Project operations and present the proposal to the Government of Mongolia.
- 5.2. The Parties will jointly develop evaluation criteria to assess the socio-economic impact of ongoing community projects and programs that are being implemented by Oyu Tolgoi LLC.
- 5.3. Oyu Tolgoi LLC's communities programmes and projects that are being implemented will continue as the Parties develop the Cooperation Agreement;
- 5.4. The Parties shall collaboratively determine the methods of implementing the agreement and evaluating the implementation of the agreement and solving any conflicts;
- 5.5. The Agreement shall be capable of being amended or adjusted upon review of new circumstances without affecting the general intent and principles of the Agreement and the continuity and stability of the Oyu Tolgoi project.
- 5.6. This Agreement may be executed in three (3) counterparts, each of which shall be deemed to be an original, and one and the same Agreement.

Signature of the authorized representative of the Government of Mongolia



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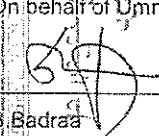
Signature of the authorized representative of Oyu Tolgoi LLC



Six. For the purposes of this MOU the following definition will apply.

- 6.1. "Investment Agreement" means the agreement made between the Government of Mongolia, Ivanhoe Mines Mongolia Inc LLC (Oyu Tolgoi LLC's predecessor), Ivanhoe Mines Ltd and Rio Tinto International Holdings Limited dated 6 October 2009.
- 6.2. "Mining licenses" mean mining licenses 6708A, 6709A, and 6710A issued to Oyu Tolgoi LLC under the Minerals Law of Mongolia.
- 6.3. "Local Citizens" mean Mongolian citizens registered as permanently residing in Umnugobi aimag, and are residing in the same aimag.
- 6.4. "Local business entities" mean business entities registered in tax and social insurance agencies of Umnugobi aimag, and are operating in the same aimag.
- 6.5. "Local government and local administrative body" mean the local self-governing body and the local government administrative body of Umnugobi aimag.
- 6.6. "Project impacted soums" mean Khanbogd soum, Bayan - Ovoo soum, Manlai soum and Dalanzadgad soum which are under the impact of operations and infrastructure of the Oyu Tolgoi Project.

On behalf of Umnugobi Aimag:



B. Badraa  
Governor of Umnugobi Aimag

775-2007


Agreed by the Memorandum:

On behalf of Oyu Tolgoi LLC:



Cameron McRae  
President and Chief Executive Officer of Oyu Tolgoi LLC

On behalf of Khanbogd soum:



B. Dendevsamba  
Governor of Khanbogd soum

775-2007



# Annexure B

## Process Agreement

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## **Process Agreement**

Governor of Umnugobi Aimag and Governor of Khanbogd  
Soum

Oyu Tolgoi LLC

## Process Agreement

<b>Date</b>	2012.09.07
<b>Parties</b>	
1.	The Governor of Umnugobi Aimag of Mongolia and the Governor of Khanbogd Soum (the <i>Aimag and Soum Governors</i> ).
2.	Oyu Tolgoi LLC of Monnis Tower 12th floor, Chinggis Avenue-15, 1st khoroo, Sukhbaatar District, Ulaanbaatar-14240 (the <i>Company</i> ).
<b>Recitals</b>	
A	Pursuant to the principles, vision and objectives set out in the Memorandum of Understanding signed between the Parties on April 8, 2011, the Parties agree the process and steps set out in this Agreement with respect to the negotiation of the Cooperation Agreement.

It is agreed as follows.

### 1. Definitions and Interpretation

The definitions and rules of interpretation set out in Annexure A apply to this Agreement unless the context requires otherwise.

### 2. Term of Agreement

This Agreement will become effective on the date of this Agreement and will remain in effect until execution of the Cooperation Agreement.

### 3. Objectives and Purpose

- (a) The Parties wish to base their relationship on a long term comprehensive agreement to be known as the Cooperation Agreement. The Parties wish to have an interest based Cooperation Agreement, which is focused on a shared future and which accordingly limits the room for an adversarial relationship.
- (b) The purpose of this Agreement is to establish:
  - (i) a process for the Parties to agree the Cooperation Agreement; and
  - (ii) an understanding of the communication, exchange of information, and decision making processes agreed by the Parties for the development of the Cooperation Agreement.

## Process Agreement

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### 4. Memorandum of Understanding

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- (a) In negotiating the Cooperation Agreement, the Parties will aim to achieve the principles and objectives set out in the Memorandum of Understanding.
- (b) The terms and conditions of the Memorandum of Understanding continue to apply up to the execution of the Cooperation Agreement. A copy of this Memorandum of Understanding is attached at Annexure B.

### 5. Principles

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- (a) In addition to and in support of the principles agreed as part of the Memorandum of Understanding, in negotiating the Cooperation Agreement, the Parties will adhere to the principles of:
  - (i) transparency;
  - (ii) accountability; and
  - (iii) consultation with relevant stakeholders.
  - (iv) the Parties must act fairly and honestly;
  - (v) the Parties must not make misrepresentations to the other;
  - (vi) the Parties must not disrupt or delay the negotiation process without reasonable grounds;
  - (vii) the Parties must not make any threats to one another;
  - (viii) the Parties must respond to each other's requests and proposals in a reasonable period of time;
  - (ix) the Parties must not prejudice or harm the core values and people of Umnugobi Aimag, or interests of the persons represented by the Parties;
  - (x) the Parties must maintain the confidentiality of any information provided by the other Party in the course of negotiating the Cooperation Agreement which that other Party states is confidential;
  - (xi) the Parties must endeavour to resolve any disagreements by way of talks and amicable negotiations;
  - (xii) the Parties must provide the community representatives involved in negotiation of the Cooperation Agreement with reasonably adequate information in a timely manner throughout the negotiation of the Cooperation Agreement, so that they are able to consider issues that affect their community interests on an informed basis before making a decision on them; and
  - (xiii) the terms and existence of this Agreement will be public and transparent.

## Process Agreement

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### 6. Public Participation and Consultation

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#### 6.1 General

- (a) The Parties acknowledge the importance of local communities participating on an informed basis in decisions that affect their interests.
- (b) The Parties acknowledge that this public participation will assist in achieving the purposes of this Agreement as well as the implementation of the Cooperation Agreement.

#### 6.2 Public Consultation

The Parties, through the Joint Working Group, will regularly conduct public consultations on the substantial issues relating to the Cooperation Agreement pursuant to agreed plans before the execution of the Cooperation Agreement. Such issues raised by the public shall be considered for inclusion in the Cooperation Agreement, as priority items. The timing of the public consultations will be scheduled in the 3 month schedule under clause 8.2.

### 7. Cooperation Agreement Process

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#### 7.1 Negotiation of Cooperation Agreement

- (a) The Parties, through the Joint Working Group, agree to negotiate in good faith, in a cooperative manner and with mutual respect, and use reasonable endeavours to agree, the Cooperation Agreement in accordance with the terms and conditions set out in this Agreement.
- (b) The Parties agree to maintain open, direct and regular communications with each other during the negotiation process.
- (c) Discussions during negotiation will be informal, free and frank, and without prejudice. Any statements made, understandings reached or interim arrangements made in the course of discussions between the Parties will not be legally binding upon any Party unless expressly stated in writing that they are to have legal effect.

#### 7.2 Information Sharing

- (a) The Parties must exchange information for the purposes of, and to assist with, the negotiation of the Cooperation Agreement. For this purpose, the Oyu Tolgoi Working Group will provide the following information to the Aimag Working Group as soon as practicable after the date of this Agreement, in the following order of priority:
  - (i) Oyu Tolgoi mine plan;
  - (ii) feasibility study for the Oyu Tolgoi mine;
  - (iii) the workforce profile for the Oyu Tolgoi mine; and
  - (iv) the list of services and goods Oyu Tolgoi LLC plans to procure in the year 2012

## Process Agreement

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- (v) Environmental impact assessments of Oyu Tolgoi Project
- (b) This information, as well as any other information shared for the purpose of developing the Cooperation Agreement, will be exchanged through the heads of the Aimag Working Group and the Oyu Tolgoi Working Group.
- (c) If required by any Party, the Parties agree to execute a reasonable confidentiality agreement to protect the confidentiality of any information exchanged and a Party may withhold confidential information until such confidentiality agreement is executed by all Parties.

### 7.3 Appointment of Independent Advisor

- (a) If independent technical and specialist advice relevant to the subject area of the Cooperation Agreement is required, the Parties agree that the Joint Working Group will appoint the independent advisor. The following matters with respect to the appointment of the independent advisor will be determined by the Joint Working Group:
  - (i) scope of work to be undertaken by the advisor; and
  - (ii) the selection criteria for, and selection of, the advisor.
- (b) The Parties will ensure that the findings of any advisor are shared with each other through the Joint Working Group.
- (c) The Parties will ensure that appropriate integrity measures are implemented in respect of selection of the advisor.

### 7.4 Interest based negotiation

As soon as practicable after execution of this Agreement, the Parties will agree a time to hold a joint information workshop on how to apply interest based negotiation principles in the negotiation of the Cooperation Agreement.

### 7.5 Funding for Technical and Secretariat Support to Aimag Working Group

- (a) The Company wants:
  - (i) the Aimag Working Group to be able to participate fully in the processes set out in this Agreement for the negotiation of the Cooperation Agreement;
  - (ii) the Aimag Working Group to have access to independent support and advice as required; and
  - (iii) the Aimag and Khanbogd Soum to enter into the Cooperation Agreement on the basis of informed consent.

Accordingly, the Company agrees to contribute reasonable funding for technical and secretariat support to the Aimag Working Group.

## Process Agreement

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- (b) The terms and conditions for this funding (including the amounts of actual funding provided) will be set out in a separate agreement between the Parties, and will be attached to the Cooperation Agreement together with relevant supporting documentation and will be made publicly available.
- (c) An agreement signed with respect to technical and secretariat support to the Aimag Working Group on 7<sup>th</sup> November, 2011 is set out in at Annexure C.

### 7.6 Development of Cooperation Agreement

The Parties agree that for each area of co-operation to be included in the Co-operation Agreement, the Parties will, through the Joint Working Group, reach agreement on applicable principles. Once the principles are agreed, the Parties will agree a term sheet covering the applicable principles, which will then be used as a basis for the legal drafting of the Cooperation Agreement.

## 8. Joint Working Group

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### 8.1 Composition of Joint Working Group

- (a) The Joint Working Group shall comprise:
  - (i) the Aimag Working Group, headed by the Head of the Governor's Office of Umnugobi aimag appointed by the Aimag Governor Order on behalf of Umnugobi aimag; and
  - (ii) the Oyu Tolgoi Working Group appointed by the Resolution of the President and Chief Executive Officer of the Company on behalf of the Company.
- (b) Members of the Aimag Working Group and the Oyu Tolgoi Working Group shall be appointed by the Governor of Umnugobi Aimag and the President and Chief Executive Officer of Oyu Tolgoi LLC respectively.
- (c) Membership of the Joint Working Group will be set out in an annexure to the Cooperation Agreement.

### 8.2 Joint Working Group Schedule of Activities

The Parties will ensure that the Joint Working Group prepares a schedule of activities for three months in advance. The schedule will specify the following matters:

- (a) timing and venue of the Joint Working Group meetings;
- (b) agenda items;
- (c) timing and venue of the Joint Working Group preparation meetings;
- (d) timing and venue of joint community consultation and information disclosure measures;
- (e) the priority subject areas of the Joint Working Group for negotiation over the next six months; and
- (f) tasks and timelines for over the following three month period.

## Process Agreement

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### 8.3 Meetings of Joint Working Group

- (a) There will be an agenda for each meeting of the Joint Working Group. In respect of the agenda:
  - (i) a draft meeting agenda will be delivered to each member of the Joint Working Group not less than seven days prior to the meeting and any of their opinions must be reflected in the agenda;
  - (ii) the time, date and venue of the meeting will be stated in the draft meeting agenda; and
  - (iii) agenda items for each meeting will be clearly set out. If there is a need for consultants to conduct monitoring and study of an agenda item, it shall be identified in the draft meeting agenda together with the estimation of timing and cost of this activity.
- (b) The quorum for Joint Working Group meetings will be the attendance of 70% of the members of the each of the Aimag Working Group and the Oyu Tolgoi Working Group. Attendance of the Head of the Governor's Office of Umnugobi aimag and the Head of Oyu Tolgoi LLC's Working Group is required for quorum of the Joint Working Group Meeting.
- (c) Joint Working Group meetings shall be chaired, on a rotational basis, by the Head of the Governor's Office of Umnugobi aimag or the Head of Oyu Tolgoi LLC's Working Group.
- (d) Decisions of any Joint Working Group meeting will require agreement by at least fifty one (51) per cent of the members of Oyu Tolgoi Working Group and the Aimag Working Group respectively.
- (e) The Parties will ensure that the following occurs at each meeting of the Joint Working Group.
  - (i) at the start of every Joint Working Group meeting, the members of the Joint Working Group must review the action items from the last meeting, and progress on those action items;
  - (ii) at the end of every Joint Working Group meeting, the members will agree on the actions required to be taken as a result of resolutions of the Joint Working Group meeting; and
  - (iii) matters that were negotiated and agreed by the members at previous meetings of the Joint Working Group will not be discussed again.
- (f) A record of the meeting discussion items at, and meeting outcomes of, each Joint Working Group meeting will be circulated to each member of the Joint Working Group no later than seven days after each meeting.
- (g) The Joint Working Group will appoint an assistant to provide administrative support to Joint Working Group meetings. This assistant will prepare meeting agendas and other documents, circulating meeting papers, arrange the meetings including meeting times and venues, and provide other assistance to the Joint Working Group as required.



## Process Agreement

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### 9. Content of Cooperation Agreement

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#### 9.1 Annexure of Process Agreement to Cooperation Agreement

The Parties will ensure that a copy of this Agreement is annexed to the Cooperation Agreement, and, assuming that the terms and conditions of this Agreement are adhered to in the negotiation of the Cooperation Agreement, the Cooperation Agreement will contain an acknowledgment that the terms and conditions of this Agreement have been adhered to in the negotiation of the Cooperation Agreement.

#### 9.2 Implementation Arrangements

The Parties will agree on implementation arrangements for each area of cooperation to be addressed in the Cooperation Agreement as set out in clauses 4.1 and 4.3 of the Memorandum of Understanding. The implementation arrangements will address, as appropriate, the following matters:

- (a) achievements to be reached by the Parties;
- (b) measurement indicators for such achievements;
- (c) obligations of each of the Parties to reach the agreed achievements;
- (d) means of taking into account the common interest of the community;
- (e) cost estimation and funding issues;
- (f) performance measurement and reporting;
- (g) consequences and liabilities for failure to meet commitments or achievements; and
- (h) review and amendment provisions for the achievements to be reached by the Parties.

The identification of these matters will not be used by any Party during the negotiation of the Cooperation Agreement to limit the scope of discussions. The inclusion of these matters in this clause 9.2 does not commit any of the Parties to conclude agreement on it.

#### 9.3 Agreements on areas of co-operation before execution of the Cooperation Agreement

The Parties may reach agreement on the principles, implementation arrangements and legal agreement for a particular area of cooperation before negotiation of the broader/overall Co-operation Agreement is concluded. If this occurs, the legal agreement may be executed first and then incorporated into the final Cooperation Agreement.

### 10. Engagement with Umnugobi aimag citizens' representative convention

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To ensure the principles of transparency, accountability and consultation with relevant stakeholders in negotiating the Cooperation Agreement and also ensure its stability and long term durability, the Cooperation Agreement will be brought, for review and discussion, before the Umnugobi aimag citizens' representative convention. The Joint Working Group will decide the timing and ways to engage this institution in the negotiation of the Cooperation Agreement.

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## Process Agreement

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### 11. Dispute Resolution

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- (a) If there is any dispute arising from this Agreement by a Party or claim by a Party arising out of or in connection with this Agreement (Dispute), the Party claiming a Dispute will notify the other Party in writing of the issues in dispute. The Parties will, through their members on the Joint Working Group, negotiate in good faith to agree a resolution of the dispute or claim and for this purpose call a meeting of the Joint Working Group as soon as possible to attempt to resolve the matter. For the purposes of the negotiations, the Parties will ensure that their members of the Joint Working Group adhere to the principles set out in clause 1 of the Memorandum of Understanding.
- (b) If the Parties cannot resolve the Dispute within 30 days of written notice of the Dispute then the matter must be referred to the Aimag Governor and the Company Chief Executive for resolution within 10 days. Their decision will be final and binding on the Joint Working Group and the Parties.

### 12. Miscellaneous

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- (a) If a Party is prevented in whole or in part from carrying out its obligations under this Agreement as a result of force majeure ("Force Majeure"), it must give notice in writing to the other Party no later than 3 days after the start of the event of Force Majeure. The notice must describe the nature of the event of Force Majeure, the expected extent and duration of the event of Force Majeure, and the obligations affected by the event of Force Majeure. Following the notice under this clause 12(a) and while the event of Force Majeure continues, the obligations which cannot be performed because of the event of Force Majeure will be suspended.
- (b) Time shall be of the essence in this Agreement.
- (c) All notices and information shall be delivered personally, email or by fax, or such other method as agreed between the Parties through the following address:
  - (i) Umnugobi Aimag Governor: Local government office, Bag 3,  
(a) Dalanzadgad soum, Umnugobi aimag 46089
  - (ii) Khanbogd Soum Governor : Soum Governor's Office, Ikh Bulag, Khanbogd  
soum, Umnugobi aimag, 46010
  - (iii) Company: 12th floor Mennis Tower,  
Chinggis Avenue-15,  
1st khoroo, Sukhbaatar District  
Ulaanbaatar-14240  
Mongolia

## Process Agreement

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- (d) A Party cannot assign, charge, encumber or otherwise deal with any of its rights or obligations under this Agreement, or attempt or purport to do so, without the prior written consent of the other Party. The consent of a Party may not be unreasonably withheld.
- (e) This Agreement is governed by the laws of Mongolia. In relation to it and related non-contractual matters each Party irrevocably submits to the non-exclusive jurisdiction of courts with jurisdiction there.
- (f) This Agreement may be amended only by another agreement executed by all the Parties.
- (g) This Agreement is executed in three copies both in English and Mongolian. Each counterpart shall be deemed an original and all counterparts together shall constitute one and the same instrument.

Executed as an Agreement:

For and on behalf of Oyu Tolgoi LLC:

Signature:

Name: Cameron McRae ХХК

Title: President & Chief Executive Officer

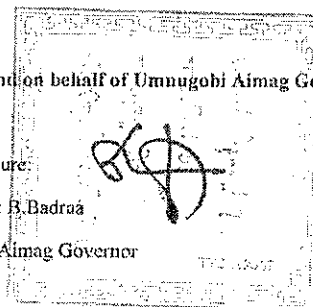


For and on behalf of Umnugobi Aimag Governor:

Signature:

Name: B. Badraa

Title: Aimag Governor

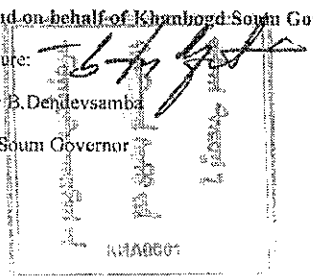


For and on behalf of Khumboid Soum Governor:

Signature:

Name: B. Dehdevsamba

Title: Soum Governor



## Process Agreement

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### Annexure A

#### Definitions and Interpretation

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##### Definitions

The following definitions apply unless the context requires otherwise.

*Aimag Working Group* means the Aimag Working Group established by the Order of Umnugobi Aimag Governor.

*Cooperation Agreement* means an agreement for the purposes of making contributions to the social-economic development of Umnugobi Aimag.

*Force Majeure* mean an event beyond the control of the Party claiming force majeure, and not as a result of the wilful fault or negligence of the Party, and includes natural disasters such as wild fire, earthquake, storm and floods, and riot, civil commotion and government decision.

*Interest Based Negotiation* means a 'win win' negotiation for a mutually agreed outcome which requires the Parties to focus on important goals and principles rather than Parties' positions and which involves a process of mutual disclosure of interests, joint problem solving and understanding of respective interests for possible accommodation.

*Joint Working Group* is defined in clause 8.1(a).

*Memorandum of Understanding* means the Memorandum of Understanding dated 8 April 2011 between Umnugobi Aimag of Mongolia and Khanbogd saum of Umnugobi aimag, on the one hand, and the Company, on the other.

*Oyu Tolgoi Working Group* means the Oyu Tolgoi Working Group established by Resolution No 21/12 of August 10, 2012 issued by the President and Chief Executive Officer of the Company on behalf of the Company.

*OT Project* has the meaning given in the Investment Agreement.

*Party* means a party to this Agreement.

##### Interpretation

The following rules apply unless the context requires otherwise.

1. Headings are for convenience only and do not affect interpretation.
2. Mentioning anything after *includes, including, for example*, or similar expressions, does not limit what else might be included.
3. Nothing in this Agreement is to be interpreted against a party solely on the ground that the party put forward this Agreement or a relevant part of it.
4. The singular includes the plural, and the converse also applies.
5. If a word or phrase is defined, its other grammatical forms have a corresponding meaning.

## Process Agreement

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6. A reference to a *person* includes a corporation, trust, partnership, unincorporated body or other entity, whether or not it comprises a separate legal entity.
7. A reference to a clause, schedule or annexure is a reference to a clause of, or schedule or annexure to, this Agreement.
8. A reference to an agreement or document (including a reference to this Agreement) is to the agreement or document as amended, supplemented, novated or replaced, except to the extent prohibited by this Agreement or that other agreement or document, and includes the recitals and annexures to that agreement or document.
9. A reference to writing includes any method of representing or reproducing words, figures, drawings or symbols in a visible and tangible form.
10. A reference to a party to this Agreement or another agreement or document includes the party's successors, permitted substitutes and permitted assigns (and, where applicable, the party's legal personal representatives).
11. A reference to a *right or obligation* of any two or more people comprising a single party confers that right, or imposes that obligation, as the case may be, on each of them severally and each two or more of them jointly. A reference to that party is a reference to each of those people separately (so that, for example, a representation or warranty by that party is given by each of them separately).

## Process Agreement

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### Annexure B

### Memorandum of Understanding

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## Process Agreement

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### Annexure C

#### Agreement on Technical and Secretariat support

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# Annexure C

## Collaboration Agreement

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## COLLABORATION CONTRACT

Dalanzadgad city, Umnugobi Aimag

This Collaboration Contract (hereinafter referred to as "Contract") is entered into on 2011-11-07, by and between

Oyu Tolgoi LLC, a company with an official address at Monnis Tower" 5 th floor, Chinggis Avenue-15, 1st khoroo, Sukhbaatar district, Ulaanbaatar-14240, Mongolia (the "Oyu Tolgoi") on one hand;

and

The Governor Office of Umnugobi aimag (the "Aimag") on the other hand (hereinafter referred to collectively as the "Parties", and individually as a "Party"), for the purpose of confirming the financial support to be provided by Oyu Tolgoi to the Aimag to engage technical and secretariat support for the development of the Cooperation Agreement.

*Whereas*, both Parties, under the Chapter 4 of Investment Agreement with the Government of Mongolia, and Sections 189.5, 476-480 of Civil Code, Section 42.1 of Minerals Law, hereby agree to engage in the preparation work of Cooperation Agreement to be concluded with purpose of contribution to the sustainable socio-economic development of local community.

Please refer to the MoU signed between the parties on 8 April 2011.

### One. Purpose of this Agreement

- 1.1. The purpose of this Contract is to set forth the rights, obligations and responsibilities of Parties in the preparation work of the Cooperation Agreement, including, but not limited to funding and management of the technical and secretariat support for the Aimag of this work.

### Two. Key Terms and Conditions of Collaboration

- 2.1. The Parties to this Contract shall fulfill their obligations in good faith, actively participate to working meetings; exchange necessary information related to the development of the Cooperation Agreement.
- 2.2. Each Party shall assign a person in charge of this Contract implementation.

### Three. The rights and Obligations of the Aimag

Aimag shall exercise the following rights and obligations;

- 3.1. The Parties agree that the attached Appendix A ("Scope of Work") defines the purpose and functions of the Technical and Secretariat support for Aimag Working Group.
- 3.2. The Aimag shall select (3) three consultants to undertake the work outlined in Appendix A.
- 3.3. General requirements for the selection of the Consultants:
  - 3.3.1 The Consultants must not be a government official;
  - 3.3.2 The Consultants must have the demonstrated knowledge and experience relevant to the performance of the functions set out in Attachment A;

3.3.3 The Consultants shall work for 8 hours during the workdays over the hire contract period;

3.4. Aimag shall conclude hire work contract with three consultants.

3.5. Aimag, in terms of supervision and monitoring of consultants work, shall:

3.5.1. approve the detailed action plan of the consultants, which is in full compliance with Scope of Work specified in Section 3.1 hereof;

3.5.2. regular supervision and monthly review of performance of action plan of the consultants; and submission of monthly reports to Oyu Tolgoi as requested.

3.5.3. be fully responsible for their performance outcome.

3.5.4. provide evidence to Oyu Tolgoi that the consultants have demonstrated knowledge and experience relevant to the performance of the functions set out in Attachment A

3.6. The consultants will work exclusively to provide technical and secretariat support for the preparation of Cooperation Agreement.

3.7. Aimag shall provide the Consultants with, including but not limited to, office, and office equipment such as telephone, fax and internet connection until the establishment of Cooperation Agreement.

3.8. Aimag shall organize survey among local community on the needs and views of the citizens and public regarding priority objectives of socio-economic development of Aimag to be reflected in Cooperation Agreement and introduce its finding to the working group of Aimag.

#### **Four. Rights and Obligations of Oyu Tolgoi**

Oyu Tolgoi shall exercise the following rights and obligations:

4.1. Oyu Tolgoi shall be responsible for funding the listed items in Appendix B (purchasing of required equipment, salary of the consultants and other operational expenses) for the period of 6 months.

- 4.2. The financing will be issued in two payments, each covering three months of the budgeted total cost. The second three monthly payments will be provided based on demonstrated performance against the action plan (3.5.1) and evidence that the previous three month payment has been spent according to the agreed budget.
- 4.3. Oyu Tolgoi may request Aimag to provide information on the consultant's performance, and advice as well as comment on their work performance and require improving the outcome of their work.
- 4.4. Oyu Tolgoi shall exercise the right to demand Aimag to dismiss and replace the Consultants if their performance is unsatisfactory or they have breached the terms of the Contract concluded with them.

#### **Five. Effect of Contract and Termination of thereof**

- 5.1. This Contract shall become effective upon signing by the representatives of the Parties and shall be completed upon the execution of the Cooperation Agreement.

#### **Six. Miscellaneous**

- 6.1. This Contract is executed on two counterparts in both Mongolian and English, which shall have the same legal effect. Each Party holds one counterpart.
- 6.2. The invalidity or unenforceability of any portion or provision of this Contract shall not affect the validity or enforceability of this Contract and any other portion or provision thereof.
- 6.3. Issues not reflected in this Contract shall be mutually resolved under the Civil Code of Mongolia.
- 6.4. No amendment or modification of this Contract shall be valid unless made in writing and duly executed by the Parties.

6.5. The Contract may be terminated upon the following grounds:

6.5.1 Parties mutually agree to terminate;

6.5.2 If either party breaches its obligation set out in this Contract two or more times, upon the initiation of non-defaulting Party.

6.6. The Parties shall send any document or information to the address given below:

Umnu Gobi Aimag

Oyu Tolgoi LLC

Dalanzadgad soum, Umnu Gobi Monnis Tower, Chinggis Avenue-  
aimag 15, Sukhbaatar District,  
Ulaanbaatar-14240

Tel: 01352-22849

Tel: +976 11 331885

Fax: 0153222849

Fax: +976 11 331885

E-mail: turiin.albauma@yahoo.com

E-mail: erdenebatS@ot.mn

Name and position of the staff in  
charge:

Name and position of the staff in  
charge:

Dolbayar.T, Head of Development  
policy department.

Erdenebat.S, Coordinator-  
Cooperation Agreement

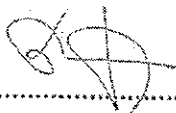

New address shall be notified to other party within 5 days if the address has been changed.

6.7. Party shall respond to the request, complaint received from the other Party regarding the Contract within 10 (ten) working days from the date of receipt.

6.8. The Parties shall use their best efforts to negotiate in good faith any dispute, controversy, claim or disagreement (the Dispute) arising from or

relating to this Contract. If the Dispute is not resolved through negotiations, the Dispute shall be resolved by the Court of Mongolia.

IN WITNESS WHEREOF the Parties hereto have executed this Contract on the date first above written.

On behalf of Umnu Gobi aimag:	On behalf of Oyu Tolgoi LLC:
	
Badraa Badamgarav Governor of Umnu Gobi aimag	David Paterson Vice President of Regional Development and Communications

## Appendix A

### Scope of Work

#### Oyu Tolgoi Cooperation Agreement

##### Scope of Work of

##### Aimag Working group's technical and secretary assistant

##### Purpose of the Aimag Working group's technical and secretary assistant

The collaborative objective of Aimag and Oyu Tolgoi Working groups was approved as in the Memorandum of Understanding of April 8, 2011. In order to ensure the full participation of Aimag Working group in the draft agreement preparation, officers with technical and administration skills are needed for the Aimag Working Group..

The purpose of this Scope of Work is to assist the Aimag Working group and Oyu Tolgoi LLC to define budget, duties and responsibilities of technical and administration assistance.

##### Overall responsibilities

Assist Aimag Working group and Oyu Tolgoi LLC to contract Cooperation agreement in accordance with the guidelines and principles of the Memorandum of Understanding. The technical and secretarial assistants shall help Aimag Working Group in every way and aim at reaching mutual understanding and bringing results beneficial to both parties.

##### 1. Provide technical assistance, including:

- Assist Aimag Working group with obtaining technical advice including legal advice.
- Conduct surveys and gather other information relevant to the Cooperation Agreement
- Review/ analyze and recap information from OT.

- Advise Aimag Working group with technical issues related to Cooperation agreement
2. Provide secretariat support to Aimag working group, including::
    - Arrange and write records and documents to confirm Aimag working group members' participation in the Cooperation agreement process
    - Prepare and arrange meeting documents
    - Arrange and prepare letters and communications on the behalf of Aimag working group
    - Keep record of Aimag Working group and OT scheduled meetings and ensure Aimag working group is fully prepared for the meetings
    - Arrange and organize Aimag working group meetings
    - Arrange and organize Joint working group meetings
    - Arrange accommodation and transportation of Aimag working group members
    - Arrange communications between Aimag working group and OT working group and act as a connection point.
    - Arrange communications between Aimag working group members
    - Arrange meetings with Local government, NGOs, and other interested parties
  3. Assist Aimag working group with project management of agreement process, including::
    - Arrange and prepare Cooperation agreement negotiation meeting
    - Plan and arrange Aimag working group's activity steps and forward action plan.
    - Estimate, review and adjust the budget, write expense books
    - Develop monthly work plan and get approval from head of the aimag working group
    - Prepare activity progress report and report back to working group members
    - Develop and implement a process to collect and compare suggestions from interested parties about the Cooperation agreement



# Appendix B

## Estimation of Cost for period of Six (6) months

### Purchasing of required equipment, salary of the consultants and other operational expenses

No	Type of cost	Amount of expense /MNT/	Amount of expense /\$US/	Note
1	Salary  /MNT600'000* 6 months* 2 staffs  MNT500'000*6months*1 staff/	10,200,000	7'864.30	3 staffs will be hired for duration of 6 months. 2 staffs will be paid 600.0 thousand MNT and 1 staff will be paid 500.0 thousand MNT per month.
2	Fuel	1,453,040	1'158.72	Two way travel expense of the Governors of Bayan-Ovoo soum (165 km), Manlai soum (220 km) and Khanbogd soum (265km) to come for the Joint Working Group meeting in Dalanzadgad. It is predicted that there will be three Joint Working Group meetings in total in DZ. 1 liter fuel is estimated to be 1640 MNT.
3	Equipment	5,194,200	4'142.10	The costs of laptop, desktop, projector and the screen has been estimated according to price proposal provided by the official DELL brand distributor-"MCS" electronics LLC.
4	Total cost	16,847,240	13'165.12	The estimated cost is sixteen million and eight hundred forty seven thousand and two hundred forty MNT

# Annexure D

Table of Benefits Provided before the  
Commencement Date

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### OT Discretionary Community Benefits 2004-2014

Year	Soum	projects and programs
2004-2008	Khanbogd	Demchig Monastery restoration
		Construction work and facilities for school, kindergarten expansion, construction work and facilities for hospital, support for herders water wells, student scholarship
	Umnugobi	English training, doctor housing, student scholarship, doctor sponsorship
	Bayan-Ovoo	Diesel fuel, school dormitory renovation, motorcycles for Khar Zag bagh
	Manlai	Manlai Soum exploration camp /donation/
2009	Umnugobi	Donation- doctor sponsorship, Gobi student scholarship, Govi festival
	Manlai	Diesel fuel for Electricity Generator
	Bayan-Ovoo	Diesel fuel for Electricity Generator
	Khanbogd	Diesel fuel for Electricity Generator
		Hospital - ambulance vehicles, dental & other
2010	Khanbogd	Diesel fuel & Genset / Gashuun sukhait
	Manlai	Diesel fuel for Electricity Generator
	Bayan-Ovoo	Diesel fuel for Electricity Generator
	Umnugobi Dalanzadgad	Doctor housing support
		Animal husbandry research, animal protection fund, animal fodder
		Participatory Environment Monitoring
		Cultural heritage program
		Doctor sponsorship, scholarship
		Community, health, safety, security program
2011	Khanbogd	Diesel fuel for Electricity Generator
		Exploration of water resources
		Start gravel road in soum centre
		Subsidized airfares (16 persons a month)
		Construction of the Vocational Training Centre
		Extension of school and kindergarten building
	Manlai	Diesel fuel for Electricity Generator
		Construction of OT-Manlai Soum gravel road
	Bayan-Ovoo	Diesel fuel for Electricity Generator
		Construction of Sports Hall
	Umnugobi Dalanzadgad	Health authority, Musical theatre - equipment, Police Station - 15 gers
		Exploration for water resources
		Sports Hall and Cultural Complex
		Provision of solid waste facilities (2 trucks and 10 containers)

		Local Business Development, Participatory Environment Monitoring
		Cultural heritage program
		Community, health, safety, security program
2012	Khanbogd	Diesel fuel for Electricity Generator
		Construction of 35KV power transmission line OT to Khanbogd Soum
		Finalise gravel road, culverts and concrete crossings in soum centre
		Animal fodder to herders
		Subsidized airfares (16 persons a month)
		Extension of school and kindergarten building
	Manlai	Animal fodder to herders
		Diesel fuel for Electricity Generator
	Bayan-Ovoo	Diesel fuel for Electricity Generator
		Animal fodder to herders
		Construction of Sports Hall
	Umnugobi Dalanzadgad	Construction of Vocational Training Centre
		Animal fodder to herders
		Health authority, Environmental research centre
		Participatory Environment Monitoring, Pasture Management Program
		Cultural heritage program
		Sports Hall and Cultural Complex
		Community, health, safety, security program
2013	Khanbogd	Exploration for water resources
		Construction of 35KV power transmission line between OT and Khanbogd Soum
		Feasibility study and design Khanbogd Soum to OT road
		Playground for Khanbogd Soum public park
		Boundary fencing for Khanbogd Soum agricultural land
		Khanbogd Soum internal road paving 5.5km
	Manlai	Design and start construction of Sport hall
2014	Khanbogd	Participatory Environment Monitoring (PEM)
		Local Business and Economic Development (LBED)
		Stakeholder and Community Partnerships
		Khanbogd Soum Potable Water Field Well Development, Treatment and Bulk water supply
		Finalise Khanbogd Soum playground
		Finalise Khanbogd Soum internal road paving
	Manlai	Sports Hall Manlai Soum
	Bayan-Ovoo	Sports Hall Bayan-Ovoo Soum
		Power connection Khanbogd Soum - Bayan-Ovoo Soum
	Umnugobi	Cultural Heritage Protection

2015	Dalanzadgad	Community Health, Safety and Security Program (CHSSP)
		Herder Well rehabilitation
		Pastureland Management Program (herders livelihood support)
	Khanbogd	Khanbogd Soum Bulk Water Supply
		Khanbogd Soum internal road drainage and flood protection
		Power connection Khanbogd Soum - Bayan-Ovoo Soum
		Community Partnerships
		Local Business and Economic Development (LBED)
	Manlai	Sports Hall Manlai Soum
	Umnugobi Dalanzadgad	Community Health, Safety and Security Program (CHSSP)
		Dalanzadgad Soum Sports Hall and Cultural Centre
		Cultural Heritage Protection
		Herder Well rehabilitation
		Pastureland Management Program (herders livelihood support)
		Establishment of a TVET college and a Technical Training Centre in Dalanzadgad Soum

# Annexure E

Legacy projects

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OT, subject to clause 7.2 of this Agreement, will implement the following projects which are incomplete as at the date of this Agreement:

- (a) Solid waste management (trench, landfill) in Khanbogd Soum
- (b) Bulk water well and water supply facility in Khanbogd Soum
- (c) Flooding drainage facility in Khanbogd Soum
- (d) Sport & Cultural Centre in Dalanzadgad Soum
- (e) Sport Hall in Manlai Soum