

2005 Annual Report of the Community Relations and Sustainable Development Department

The Community Relations Department of Ivanhoe Mines Mongolia Inc. was established in June 2004. The department was responsible for the Herder Relocation Project in 2004 and commenced Community Health and Education Project in 2005. The department has spent considerable amount of time and resources for these two projects. In addition, three new programs were launched through the Department with a budget of 750.000 USD, which were initiated and publicly announced by Mr. Robert Friedland, Chairman of Ivanhoe Mines. Those three programs included the following:

1. **IMMI Students scholarship program** to sponsor 70 students from the Gobi region to study at the universities and colleges of Mongolia;
2. **IMMI Doctors scholarship program** to sponsor 20 doctors to live and work in remote soums of the Gobi region for 5 years;
3. To sponsor the establishment of **English Language Training Center in Dalanzadgad, Umnugobi aimag.**

The project staff worked in Oyu Tolgoi and Dalanzadgad, while 14 members of the project team worked at the project sites.

Total of twenty eight, including eleven project staff, three drivers and fourteen employees, performed the following activities in 2005 under the direct supervision of Executive Vice President Layton Croft, managers Tony Borkett and Sarantuya, and Advisor Allison Croft.

A. In the framework of the Health Program

1. With a fund of 157.0 million tugrugs, major improvement is undertaken for the delivery unit, ambulatory unit, the kitchen and the outside yard of Khanbogd soum hospital, and toilets (indoor and outdoor), shower room, surgery room and a room for training and fitness are newly established, creating comfortable and pleasant environment for patients to receive health services at their local hospital.



Khanbogd hospital façade, 2004



Delivery room, 2004.



Khanbogd hospital façade, 2005.



Khanbogd hospital interior, 2004



Delivery room, 2005



Khanbogd hospital interior, 2005

2. Purchased equipment worth of 38.0 million tugrugs and provided to the Khanbogd soum hospital.
3. In the scope of the health scholarship program, two doctors are in Khanbogd and Bayan-Ovoo soum hospitals each.



Doctor Duurenbayar, a scholarship winner.

4. For the purpose of delivering medical services in efficient and timely manner for remote bagh residents, an IJ PLANETA motorcycle is donated to Javkhlant bagh doctor.



Motorcycle is handed over to Ariunaa, Javkhlant soum doctor

5. Organized a two-day seminar on hospital staff communication skills or how to communicate properly with the patients for hospital staff in cooperation with GTZ of Germany and Aimag Health Care Office.
6. Distributed medicines and medical supplies worth of 5.0 million tugrugs, in order to support medicine supply of Khanbogd soum hospital.



Medicines and medical supplies, worth of 5.0 million tugrugs, provided to the hospital

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



Medical supplies donated by F.I.R.E, an NGO, handed over to Ms. Oyunsuren, Director of Umnugobi Aimag Health Care Office and Delgersaikhan, Polyclinics Director.

8. The hospitals of Khanbogd, Bayan-Ovoo, Tsogttsetsii soums were given complete set of desktop computers.



Handing over a computer to Delgermaa, Director and physician of Tsogttsetsii soum hospital.

9. Funded the 4.0 million tugrugs required for the repair work of the ambulance car of Gurvantes soum hospital.
10. Selection Committee of the Ivanhoe Scholarship Program was established in May, 2005. The Committee has been conducting the selection procedure in open and transparent manner, involving people from the local and Aimag

administration, and professional organizations. In the framework of the scholarship program, five physicians have been sent to remote soums, and doctors of required specialization are working at the aimag hospital on contract basis. By the end of 2005, seven physicians were involved in the company scholarship program.



Selection Committee of the Scholarship

Program is selecting the doctors.

11. Company has made a commitment to buy X-ray apparatus, portable fluorography apparatus and basic ultrasound apparatus, that are required as priority for Umnugobi aimag Polyclinics,.
12. The Company rendered financial aid of 2,247,000 tugrugs, for the cost of career-developing courses for 13 doctors and medical personnel who work in Umnugobi aimag Polyclinics.
13. Under the educational scholarship program, 7 students from Umnugobi were granted scholarship, to study at medical universities and colleges.
14. Asia Foundation of USA contributed 40 books in English to Umnugobi aimag Health Care Office.
15. In 2005, the expense for health sector totaled 404.9 million tugrugs.

B. In the framework of community education program

1. Granted a UAZ van to the school of Khanbogd soum.



A van handed over to school.



New fence erected for the school.

2. Improved the heating system of Khanbogd soum secondary school with the fund of 40.0 million tugrugs.
3. Efforts were taken for the outside and inside furnishings of the school, establishing a waste area, outside toilet, new fences and front yard of the school. Conducted a major improvement for the school kitchen and donated kitchen equipment.
4. Provided a fund of 30,000 USD to establish Teacher Development Center at the Education and Culture Office in Dalanzadgad.

5. Organized the schools of Tsogttsetsii, Khanbogd, Bayan-Ovoo soums, and the 3 schools of Dalanzadgad and Manlai soum school to be involved in the Book program of Asia Foundation and distributed to each school 60-120 books in English depending on the students number. Reports of the schools have been collected and submitted.
6. Donated outdoor equipment worth of 4.8 million tugrugs to the “Olympus Gobi” center of Sports Committee in Umnugobi aimag in conjunction with the health program.



Layton Croft, Executive Vice President of IMMI hands over outdoor sports equipment to Mr. Yadmaa, Governor of Umnugobi aimag and Tuvshinbayar, Physical Culture and Sports Committee of the aimag.

7. In the framework of the Education Scholarship Program established the Selection Committee, and 36 students were selected from 12 soums of Umnugobi aimag studying at national universities, institutes and colleges. 2 students from each of Khanbogd and Gurvan Tes, and 1 from each of Bayan-Ovoo and Nomgon soums are involved in the Community scholarship program, and the other 30 students are involved in the IMMI scholarship program.
8. In 2005, Ivanhoe Mines Mongolia Inc. has provided scholarship to 39 students.



Representatives of scholarship winner students receive their certificates. September 22, 2005.

9. Provided a complete set of computer with a printer for Khanbogd soum kindergarten.
10. Donated kitchen equipment, and made a major repair for the kitchen of Khanbogd soum kindergarten.
11. Made improvement for the outside area of Khanbogd soum kindergarten, established a playground for children, fences and outside toilet and waste area.



Kindergarten yard is improved and built fence.

12. Provided 80 mattresses, 35 blankets and 35 pillows that are not used at Oyu Tolgoi to the dormitory in Bayan-Ovoo soum.
13. Two trainings were planned to be organized for 22 women of Khanbogd soum in cooperation with “Herders and Nature”, a non-government organization. One is completed and the second training will be conducted around March 20.
14. Contributed 1.5 million tugrugs to repair the heating system of the dormitory in Bayan-Ovoo soum.
15. Ivanhoe Mines Mongolia Inc LLC has spent **137,150,000 tugrugs** for these works in the framework of the education support program.

B. In the framework of Herder support program

1. As stated in agreement, we continued and completed relocation of 11 herder families, providing access to water, and building cattle shed and pens.



Photo of the winter camp and cattle-pen provided to Surenkhorol’s family , that is involved in the program.

2. In the spring of 2005, cattle fodders were provided for those families during the time difficult weather.
3. Fully furnished 6 artesian wells and 11 manual wells have been provided for cattle-breeders.
4. Students from herder families have been involved in the scholarship program for 2 years: 12 students from 10 families (two of them were higher school students) last year, and 15 students from 11 families are involved this year. The Company paid tuition fees and dormitory payments for 3 students, and bought one-year supply of stationeries for 15 students. 2.4 million tugrugs have been spent for these activities.

5. A 3-day seminar was organized three times for the herders involved in the herder support program, in cooperation with the Dalanzadgad branch of Gobi Initiative Program. The seminars were financed with 3.0 million tugrugs.



Herders actively participated in training.



6. For the herder support program, **20,178,000 tugrugs** were spent in 2005.

C. In the framework of business support program.

Since it was established, Ivanhoe Mines Mongolia Inc LLC has been committed to support and encourage small and medium scale businesses of the communities in the Gobi region. In cooperation with Gobi Region Economic Development Initiative Program of USA (GREDIP), vegetables, fruits, berries for the use of Oyu Tolgoi have been supplied since 2005 by “Malchnii Buleg”, a client cooperative of GREDIP, in accordance with a specific schedule.

1. In 2005, the cooperative supplied Oyu Tolgoi 29.6 tons of vegetables in six supplies. IMMI purchased these vegetables for 15.9 million tugrugs.



Bulgan soum is supplying vegetables.

Poli, the owner of “Ankh san” cooperative of

2. Another initiative by the Company to support local people engaged in small and medium scale businesses is that the Company has purchased four types of samples boxes and sample tray needed for its geological exploration from a group of people in Khanbogd soum, spending 42,750 USD.
3. In 2005, 74,686,000 tugrugs were spent for the purpose of supporting businesses.

D. Other activities:

We have made effort to support some local proposals and initiatives. For example:

1. As result of the “Ger” project launched by the Company, 27 gers were provided to homeless and poor people residing in the center of Umnugobi aimag and soums.

2. 8.0 million tugrugs were sponsored for the building of a meeting ger for the administration office of Khanbogd soum. Currently 40% of total work has been done.



Meeting ger model

Total of 59,656,000 tugrugs were spent for the roof repair work of the nursing home in Batsumber; “Gobi Festival”; the Police Department of Umnugobi aimag; publishing a children’s book by Battsetseg, author from Umnugobi aimag; medical treatment cost of Uranchimeg, resident of Dalanzadgad; celebration of the Anniversary of the Declaration of State [in Umnugobi Music and Drama Theatre]; and meeting expenses of Aimag Youth Federation.

Conclusion: The Community Relations and Sustainable Development Department performed substantial amount of work in the region in 2005, with an expenditure of **696,057,000 tugrugs** in total. The works were carried out with preference to stable and long-term benefit to the users, in consideration of the local distinctions. In addition, we focused on projects that have not been addressed by the state budget or foreign investments, or difficult to be performed by the local people. We implemented projects starting from a soum then another, to openly monitor the results.

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