

**SECOND REPORT
ON THE DEVELOPMENT OF THE
SHETONGMON COPPER MINE AND ITS
IMPACT ON THE ENVIRONMENT AND COMMUNITY
IN SHUNG CUN, SHETONGMON (XIETONGMEN) COUNTY,
SHIGATSE PREFECTURE,
TIBET AUTONOMOUS REGION**

Spring 2007

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1. Executive Summary and General Assessment

As in the past, TibetInfoNet has been able to work on the proposed mining site under excellent conditions. Our researchers could freely observe work on the site, as well as at Continental/Tibet Tianyuan's office in Shigatse, and also accompany staff as they went about their business in other locations. In addition, the researchers undertook excursions to the surroundings of the villages impacted by the proposed mineral development. It is especially important, and for the main focus of this report crucial to note, that our researchers had open and undisturbed access to the impacted villagers and could freely interview them.

Although this research period has focused largely on socio-economic issues, we also had the opportunity to consolidate our knowledge and assessment of environmental issues related to the project. Our research has confirmed that considerable efforts are being made to keep environmental damage or scarring to a minimum. The impact of the planned development on wildlife is still under investigation and measures to limit any potential negative effects are currently being assessed in cooperation with scientific institutions in Lhasa. Plans are underway to seal the areas assigned for waste rock and tailing deposits in order to prevent any contamination of runoff water that could pollute surrounding fields and water sources. Emergency plans to deal with eventualities of seepage into the Tsangpo river or drinking water sources have already been drafted.

In regard to the project's environmental impact, Continental has certainly achieved its goal of introducing the highest international standards to Tibet, thus distancing itself from the devastating legacy of artisan mining on the plateau. Although some questions about the long-term care of the tailings have yet to be answered, the only real remaining environmental concern about the project is the transport of the mineral concentrate to the smelters in Gansu. This issue however, comes mainly within the sphere of responsibility of the PRC authorities, and only marginally within Continental's. As it is only indirectly related to the proposed mine development at Shetongmon/Shung, it is also widely beyond the scope of this study.

In terms of the compensation paid to the locals, in particular for the loss of grazing land, Continental has moved on from mere symbolic gestures of goodwill (which the last report elaborated upon) to what are, according to local standards, substantial payments going far beyond the stipulations of Chinese laws, which are themselves relatively generous in the TAR. The company has also proven very creative and effective in negotiating with the authorities so that compensation payments are distributed directly to the impacted villages. This prevents a substantial part of the funds being retained by the local administration and party officials (possibly lining pockets!), a standard practice in China. Upon receiving funds, the villages have been able to determine in their own way how these are to be allocated among themselves. This is a novelty which sets new standards in Tibet and is particularly remarkable in an environment where

people's input into decision making on public affairs (other than to acclaim decisions of the Party) is normally unthinkable. This is certainly Continental's greatest achievement so far.

In comparison with last year, in the field of local employment, considerable progress was also made, both in terms of remuneration for labor and the amount of work sourced locally. Very low wages, which had been identified in the last report, were substantially increased to a far more appropriate level. In 2005, local hiring was still rather exceptional, whereas now the majority of the villagers found at least a few days of employment on the proposed site. However, seen as a whole, the revenue generated by such employment is still very marginal and represents only a fraction of the funds received by the villagers as compensation. This appears problematic because experience with mining in other parts of the world show that such a discrepancy involves the risk of negatively impacting the productivity of the local population.

No matter how generous compensation is, in the long term, locals will only really benefit from mining if they can be fully integrated into regular and sustainable economic activities in relation to mineral extraction and draw substantial income from them. It is particularly surprising that many positions which could be filled locally or at least from the pool of Tibetan labor available in the region were still occupied by Chinese migrants in spring 2007, despite the availability of enough manpower with sufficient skills (for instance drivers) at cheaper costs. This points to shortcomings in the local management's hiring practice. Although more recent figures seem to indicate that the situation has improved since then, up to spring 2007, Continental can hardly be seen as having maintained a local-first hiring policy.

A further issue is the quality of employment. With just a few exceptions, notably the members of the community outreach team, all locals or other Tibetans were employed in menial jobs. There is no doubt that finding highly-qualified Tibetans is comparatively difficult, however, especially because it is so, a targeted search for them is imperative if the proposed mine is to set itself apart from the usual practice of importing Chinese manpower into Tibet instead of employing Tibetans. At the time of our missions, this approach had yet to be put in practice by the local management. Having said this, we were witness to the activities of Continental Vancouver staff directed towards attracting more Tibetans employees and subcontractors. This experience gives a well-founded hope that the strong discrepancies in hiring policy are being progressively and genuinely addressed.

A very positive step taken by Continental was the organizing of high-quality agricultural training programs. These programs provide the local communities with skills allowing them to both adapt to their future situation in the backyard of an operational mine, and draw the maximum economic benefit from it. This has

been fully recognized by the villagers who were unanimous in their positive comments about the programs and expressed the wish to have more of them.

Before summer 2006, Continental community outreach was mainly symbolic. Things changed from spring 2006 onwards with the hiring of one and then a full team of six Tibetans to start up a fully-fledged community outreach program. Community outreach however, faced serious challenges in the beginning. An incident due to a misunderstanding in the village of Orgyen in early summer 2006 showed that at that point, communication with the communities was not as clear as Continental management perceived it to be. The very late disclosure of the company's exact plans and their impact on the villages also rendered the establishment of a trusting relationship difficult. This difficult situation led to the premature departure of the first community outreach manager. Further restructuring of the outreach team in late 2006 indicates that the establishment of an effective community work was not an easy process. With time however, and after the villagers had been fully informed about the company's plans, Continental successfully built up trust with the community especially through generous and prompt compensation payments. An efficient framework for interaction with the community was established, making sure that their voices are heard and any lack of information does not lead to tensions in the future. One of the researchers described Continental's community outreach team, as it was in spring 2007, as "*One of the best developmental-conscious teams in Tibet*".

In all, the interaction we had with the impacted villagers revealed their satisfaction with the status quo, although tensions of the past were mentioned by some. For the sake of clarity, it should be expressed that the villagers are fully aware that the project enjoys the full support of the Chinese government and that mining, through Continental or others, will take place at Shetongmon no matter what. Nonetheless, they also realize that their involvement in the process surpasses any previous experience in the past, on a site where mineral exploration and small-scale mining has been going on for at least two decades. They are also fully appreciative of the compensation they have received so far, as well as other benefits, in particular the training workshops.

Many locals, including representatives of the local government, have freely expressed some remaining concerns about long-term prospects. They realize that their lives are going to change and the unknown nature of the way forward naturally raises some apprehensions. On a more practical level they are very concerned about possible contamination of their water, probably reflecting past experiences with mining in their vicinity or at other places in Tibet where water is an essential and relatively scarce resource (religious motives might well also play a role here). All in all, the villagers were found to be very candid, pro-active and cooperative, and have decided to seize the opportunity to use mining to build themselves a better future. Under these positive circumstances, and assuming that Continental's Vancouver headquarters will provide clear and sustained guidance to the field operations, the establishment of a copper-gold mine in

Shetongmon will be an opportunity to prove that environmentally and socially responsible mining can provide full benefits to local communities in Tibet.

2. Villages and communities

2.1 Shung ('Xiong cun 1') and Tsurung Village ('Xiong Cun 2', Shung Trongtsho)

These two villages have been described in the last report. They are administered as one. Tsurung might only have been in its current location for about 60-70 years, when its previous site was overrun by a huge debris flow (the area is now the emplacement of the guarded entrance to the mining site). Tsurung will need to be moved since it is planned that the processing facility will be built on its site or in the direct vicinity. No final decision has been made on the exact location for the resettled village. Within the area of the cun, it could be rebuilt at the southeast corner of the agricultural area. However, this would place it very close to the facility and its associated traffic, noise and dust. A better location would be a sediment fan in the southwest of neighboring Orgyen cun territory, which is not much used since it is covered by debris. However, the land would need preparation work to make it suitable for farming and the residents of Orgyen would need to agree to this.

	Shung	Tsurung	Total
Population	156	50	206
Households	22	7	32

So far, these two villages are the most heavily impacted and also have received the most in compensation as well as benefiting from the most work opportunities.

2.2 Tsurung Nunnery

It could be determined that the ruins above Tsurung used to be an ani gumpa (nunnery). What remains of the foundation walls indicate that the nunnery was quite small and probably only of local significance. It ceased to exist at least two generations ago according to information provided by a woman in Tsurung. The informant could or would not specify if the nunnery had already been abandoned before the 1950s or in the context of the Chinese taking control of Tibetan regions. A Sinosphere expert who also saw the ruins contacted the Tibet Cultural Heritage Protection Bureau in Lhasa, which was supposed to inspect the ruins and present a report, according to Sinosphere.

2.3 Dungkar

Dungkar village is located to the North of Rungma up the Dungkar Chu Creek, and west of the proposed mining site. There are 58 households with a population of 513 people (average 8.8). It is separated from the site by Shung Ridge, a substantial north-south running mountain ridge. However, Continental's exploration (soil and rock sampling and a few drill holes) is crossing the ridge, and areas of mineralization have been found and named Langtongmen and Newtongmen. Both of these seem much smaller than the deposit scheduled for

mining, but seem worth exploiting, thus potentially extending the life of the mine. In addition, Continental merged with Great China Mining Inc. in mid-December 2006 and has thus obtained extensive exploration rights on Shung Ridge and basically the whole water catchment area to the north of Dungkar. This, however, does not include the two small-scale mines right above Dungkar.

2.4 Orgyen Village (Wujian Cun)

Orgyen is located to the east of Shung and Tsurgung villages and the proposed mine. The village is built on the piedmont of the sheer cliff on which a ruined structure known locally as Dzong Tsenba sits. It overlooks the Tsangpo valley.

Orgyen village includes 503 people living in 78 households (6.4 head per household). Orgyen will be impacted by the tailings of the mining operation. The Pushar Valley (Xia Qu, East Creek), which is separated from Orgyen village by the Dzong cliff, is planned to be the site for depositing the tailings. It is projected that the whole valley will be filled to a height of 200m high with the sandy tailings after copper, silver and gold has been extracted from the ground-up ore. In the Pushar Valley, three households currently reside, and they live and farm next to the ruins of Neta Gonpa. They will need to be resettled according to Continental's plans

2.5 Neta Hamlet

Neta hamlet, which is officially a part of Orgyen village is an outlying settlement beyond the reach of any road, but accessible by an easy one-hour walk. Continental built a road some of the way up the Pushar valley in order to carry out test drillings to learn about the geology of this valley. Up the valley, adjacent to the hamlet, are the ruins of a hermitage belonging to the Gelugpa school of Tibetan Buddhism. It was destroyed during Tibet's absorption into the PRC. There are now three households there, two of which are related. They were sent up there in 1971 to cultivate the fertile land that was probably previously managed by the monastic community.

3. Environment

3.1 Wildlife Around the Site

3.1.1 Black Necked Cranes

Throughout the winter months, Black-necked cranes (*Grus nigricollis*) are common in the Shigatse-Shetongmon reaches of the Tsangpo River (which upon leaving the Himalayas is known as Brahmaputra) and are easily observed. In the summer, cranes migrate to wetlands in more remote, higher locations of the Tibetan Plateau, where they build nests and raise their young. Black-necked cranes search harvested fields and fallow agricultural areas for food, mostly for waste grains, insects, invertebrates and small amphibians and reptiles.

The reaches along the Tsangpo below the site in Shung and Rungma are included in a TAR-level crane protection area. Here cranes, which are up to 1.15m in height, are easily observed between grazing livestock and bar-headed geese. They tolerate human activity, but do take to the air to relocate if anyone comes closer than 100-150m. *Grus nigricollis* is a class 2 protected species in China. Humans have venerated cranes for a long time. Their graceful, complex mating dances have fascinated humans for millennia, especially in East Asia.



Black-necked cranes (*Grus nigricollis*) searching for grain alongside Brahminy Shelducks (*Tadorna ferruginea*) on harvested fields.

Most flocks of cranes observed along the river during the drive from Shigatse to the site occur midway along the route, about 5 km before Shung village. Some cranes also seem to feed in the lower fields between the Tsangpo and Dungkar village. Fields in Shung had already been plowed in late November for seeding of winter wheat. The introduction of winter wheat and the plowing in connection with its cultivation makes it much harder for cranes to find food in the winter. However, grain production, one of the main sources of income to local farmers,

has been increasing substantially with the recent introduction of winter wheat to Shetongmon. Farmers are now able to use fields that were otherwise not in agricultural production during the winter, although they were grazed and fertilized by livestock.

While the intensification of winter wheat cultivation is a negative development from the crane's perspective, recent stricter enforced protection at a TAR level seems to have helped crane populations to adapt to habitat loss and even to increase. However, Continental will have to study thoroughly the impact of their planned activities on these populations in the context of the environmental impact assessment in order to successfully apply for its mining permit. An upcoming report should provide more details and a scientific count of the crane population in Shetongmon.

Continental is cooperating with the Tibet Plateau Biology Research Institute in Lhasa in order to collect data on current crane populations and their habitat needs. The study is supposed to answer questions such as:

- Is there a resident population below the site?
- How big is the population; is it significant?
- Have there been any changes to the population?
- How sensitive are the cranes to human impact, i.e. the sound of blasting, transport, water issues?
- What is the most likely scenario for the future in connection with mineral development?
- What is the relationship of the farmers with the cranes?
- Are they regarded as a nuisance to farmers?
- How can Continental assist farmers so that cranes do not get harmed?

3.1.2 Blue Sheep

A population of blue sheep (*Pseudois nayaur*) known in Tibetan as “Na” has its habitat within the area for which Continental owns exploration rights. Usually, blue sheep, a class II protected species in China, stay close to a rocky area where they can escape predators. Often their lower grazing grounds are the alpine pastures of yaks. Wherever there are blue sheep there is a good likelihood that there is still a snow leopard population around. However, according to villagers, the last snow leopard on this site was encountered in the 1970s. There is no alpine wildlife protection area impacted or close by to the proposed mining site.



A herd of blue sheep is roaming right above the mining site at an elevation of 5000m.
(December 2006)

3.2 Future Transport of Mineral Concentrate

The daily concentrate load to be transported out is about 700 tonnes; at least 18 truck loads going at full capacity at 40t per vehicle. The impact on the newly built roads will be substantial. The road would also need to be moved in some places so that the villagers are not unduly affected by vibrations, noise, dust and the risk of livestock and children straying into the road.

Another option is piping the concentrate to the railhead to be built in Shigatse (the funding for the railroad extension has already been approved on Central level). Piping had to be considered as part of the environmental impact assessment, but was deemed uneconomical. The same applies for extending the railway another 53km from Shigatse to the mining site.

All in all, the issue of transport to the Jinchuan smelter in Gansu is complex. The Qinghai-Tibet railway was built for taking on such loads, but so far there has been no regular freight transport. In the summer of 2006, first reports indicated minor tilting of the tracks in some locations due to thawing of the permafrost upon which they are based. The pressure of passing weight translates into heat, which is conducted into the ground. It has to be seen if the permafrost holds up when heavy freight trains will be added to the passenger trains currently running.

3.3 Water Issues

Surface and groundwater sampling started in December 2006 and is to be carried out for twelve months. Surface runoff is being monitored at six

hydrological stations. Monitoring sites for runoff and sample taking have been established at five creeks (Xialinka, right next to the current entrance to the site, Dungkar, Tsurgung Chu (Cuogong Qu), Pu Sher (Puxia) and Pu Nub (Zhuobuqing Pu) – both in Orgyen/Wujian and Longsher (Longxia) Pu. One more will be established next year near Orgyen. At these sites, runoff will be recorded daily for one year.

In addition, the Tsangpo volume will be recorded once a month at four sites (near Cuocun, Rungma, Shung, and Longxia) using Acoustic Doppler Current Profiler (ADCP) radar technology. This technology allows quick, three-dimensional measurements of the flow field in the river that provides a far more accurate and detailed view of velocity profiles and flow structure in the river. Changes of riverbed geomorphology are noted as well. Water samples will also be taken and shipped to a laboratory in Chengdu for sediment load and chemical analysis. Readings are taken by experts; in Dungkar, only two locals have been trained for daily readings.

Four batches of ground water samples will be evaluated. At the time of the study (November 2006) no groundwater sampling has been carried out, but holes have been drilled, and in order to get representative samples, they need thorough cleaning to avoid contamination. Sample taking is scheduled for late spring and summer 2007.

According to information given by Continental's local manager, the daily grinding of 40,000t of ore needs about 40,000t of water. 30,000t of this would be recycled. The other 10,000t, according to HDI experts, can probably be supplied from local runoff and from water retained in an artificial pond within the mine. If there is a need to pump up water from the river, Continental has received a permit to take extra water. All runoff from the tailings and overburden piles will also be retained and might need to be treated.

One 250m hole was drilled to test underground water. Another four holes were drilled to establish the stability of underground rocks and determine whether they could provide reliable, airtight foundations for the tailings. On many occasions, 30cm holes were dug out and water poured into them to see if and how fast the water seeps into the ground. This is to ascertain the levels of seepage of tailings water into the ground as a precaution to protect the drinking water. This will be contrasted with the data gathered during the mining process itself.

All slope runoff surface water above the tailings will need to be directed around the tailings. The redirecting of incoming creeks and the retention of the runoff all along the sides of the tailings, overburden and mine is crucial. Water could leach out toxic metals and the runoff could pollute surface and groundwater. In some places, water might need to be tunneled through mountains to direct it away from tailings. It is much more economical to channel water away from tailings than to

treat all the water passing through it. The engineering of the aqueducts will be complex and resource consuming.

Efforts are made to keep environmental damage or scarring to a minimum. Areas are already assigned for rock waste/tailings, and plans have been made to seal these with a view to prevent polluting the surrounding fields and water. There are already plans to deal with eventualities of seepage into the river or drinking water. A hole has been drilled deep into the ground to test the water for toxins or contamination.

Some villagers (ten households) have already moved to the new site (Tsethang) without being prompted. This resettlement has been initiated by local policies and is independent from Continental's project work. Due to the degraded nature of the terrain of the current residential area, villagers had already decided to move to a new site well before the company informed them of its resettlement plans. In short, they are willing and well prepared to move so there's no difficulty with this issue. The company will help them move. It will also help them build their houses and cultivate their new farms; that is to make new fields ready for farming by experimenting with them for a year prior to the actual relocation.

Regarding their future, the villagers worry about water issues. Their ground water table might be lowered since Continental will be digging such a deep hole by open pit mining. Continental and the government have guaranteed them the same or improved living standards through income from the mining. The villagers believe this will be the case. They would like Continental to help them build a concrete dam to protect fields from floods in the summer, plant trees and pump water for irrigation. The village lacks water for irrigation during summer. They repeatedly brought the attention of the researchers to water issues, and asked them to insist on the company being particularly careful with water.

3.4 Natural Hazards

Intense summer rains hitting the steep, and often overgrazed slopes can cause dramatic erosion and debris flows. On site, the slopes of Tsurung Pu are completely eroded, many others are trenched by deep, continuously progressing gullies. Serious debris flows have repeatedly originated from the gully that feeds Shung Chu above the current camp. Already in July 2005, a debris flow came down Shung Chu, and stopped just above the road and village, fortunately without causing any damage. However, 70-80 years ago, according to an elder in Tsurung who was interviewed by Continental's environmental manager, a disastrous debris flow completely destroyed the village and covered all the fields so that people were forced to move the village to its current location. The location of the destroyed village was given as exactly the same site where the grinding and processing facility is to be built. This information should be corroborated by exploratory drill cores taken in this area, which should show recently deposited debris on top of an agricultural soil horizon.

3.5 Tailings

Water from above the tailings needs to be diverted around the tailings without contamination from tailings runoff.

Our researcher asked the county officials if they were aware that current science only allows making a recommendation of safe storage engineering of tailings for 50 years. Continental's general manager told the county officials that there is no guarantee for the safety of these tailings beyond these 50 years. There is no prediction available in the industry that would guarantee safe storage for a duration of 500 years.

3.6 Risk Management Above Dungkar

Two goldmines are located above Dungkar village whose claims are outside of the area held by Continental after the merger. The mine on the right bank of Dungkar Pu is still in operation; the mine on the left bank has been abandoned. Supposedly, the owner went bankrupt. Above the abandoned site, Continental cut a road in 2006 that winds with tight switchbacks up to the ridge. Test drillings have also been carried out here and the area holds a copper-gold mineralization, named Langtongmen. In case of an extreme precipitation event, it might be possible that a debris flow originates from this part of the Continental claim and washes over the abandoned mine site. Such an event might cause serious pollution to the water supply of Dungkar village and, if this occurred, Continental would be an obvious target, since it holds considerable assets. An eventuality of this nature would pollute the Dungkar Pu, which provides the drinking and irrigation water for Dungkar and drains straight into the Tsangpo. Although these mines are in no way the responsibility of Continental, it might be prudent that Continental uses its influence with the county to initiate a clean-up operation at these sites. The gold mines probably used highly toxic cyanide to leach out the gold.

4. Land Use Issues and Compensation Payments

4.1 Compensation

In the Tibet Autonomous Region (TAR), the government owns all land and people have usage rights. This is based on a government decree from the Second National Work Forum on Tibet convened in Beijing in 1984. Officials promulgated the “*The Two Unchangeables*” policy (Pinyin: *liangge changqi bubian*), according to which land is turned over to a household to use and to have unchangeable long-term rights of management, (it also addressed livestock issues). Implementation began in 1984 and by the end of 1985, 95% of TAR communities had carried out the new policy. In short, government ownership of the land is immutable; locals only have rights to manage it. This applies to agricultural as well as pastoral land. While in lowland China this policy was applied with a lifetime of 30 years, in TAR it was implemented with no time limit. Additionally, locals must be recompensed for land that is ‘acquired’ from them. Compensation is not simply the replacement of property lost, but also entails financial reimbursement for loss in productivity.

Furthermore, adequate compensation must be paid for homes and other buildings lost in any relocation and new houses have to be provided in the process. In the case of Shetongmon, the prefecture’s vice governor requested that a model house should be built in early 2007 so that people can actually see in advance what they can expect.

In order to carry out exploratory drilling, Continental started to cut access roads in 2005 and extended these to more remote, higher altitude areas in 2006. Since road construction destroys grazing land, and high altitude alpine pastures are some of the best resources available in this area, Continental is required to compensate local households for lost forage. The law requires appropriate compensation, but there is no fixed formula. In negotiations between locals, district (shung/xiang) and county officials and Continental representatives, the parties negotiated compensation settlements specific to each situation.

Compensation for lost grazing land is accounted for differently than that for farming land. For farming land, the average productivity over the previous three years is taken into account; for Shetongmon, this would be ¥500 per mu (¥7500/ha). Land loss compensation packages must involve replacement of any land with that of the same fertility or better, and a one-time payment of eight times the average harvest value. Should the field be under crop when farmers have to give it up, reimbursement for that one year must be double the value of the crop, raising the compensation to nine times the harvest value.

The underlying logic seems to be that even if land is of comparable value, soil quality needs time to be improved through the continuous annual addition of

biomass when plowing under animal dung and other organic matter. This compensation system seems to be based on TAR guidelines. Chinese law, according to a local district leader, contains only a general statement about compensating lost land with land of equal or greater value. However, the final decision regarding actual amounts of compensation rests with the county government that is meant to represent people's interest. Legally, any deal needs to be negotiated between Continental and the county and district government.

County officials state that as long as locals are compensated according to these rules, they should be satisfied with the compensation. Such a move from ancestral land causes concerns and creates uncertainties, but the short history of cooperation between Continental, locals and the local government has created sufficient trust at this point. The government and Continental went beyond what was necessary, according to these rules, to create trust. For example, Continental paid out compensation for lost grazing land due to road construction directly to locals. Normally, compensation would initially be discussed and agreed upon with locals, county and company representatives. Then the compensation would usually be paid to the county authorities, which would retain a portion (at least 15% to 20%) before paying out the rest to the affected locals. Thus, it is not normally of direct concern to a mining company how much of the compensation actually reaches households. However, Continental sought permission from the county government to pay compensation directly to villages. It is noteworthy that the county administration agreed to this process of direct payouts to villages, via village leaders, and denying themselves any fund retention.

In response to the question: "*What would happen if locals were not happy with the terms of compensation negotiated?*" The Director of Shetongmon CPPCC (Chinese People's Political Consultative Conference) states that this is hardly possible since local people, government and the company are all in close consultation. In addition, the company must provide new houses and farming land before people can be evicted from their old properties. In the case where a person may have "*unreasonable*" expectations, he or she would need to turn to the cun, xiang or county officials. We enquired as to whether there is any fourth-party arbitration process that an unhappy person could turn to, since it could easily be perceived that the county and the company benefit from this project and thus their interests conflict. Mr. Tenzin pointed out that the people's government represents the people's interest and thus there is no such process nor is it necessary.

The total area to be compensated was calculated to be roughly 110 hectares (1,100,000m²). The company offered to pay annually, over three years, ¥1 per square meter. However, locals did not feel comfortable with the idea of not receiving the money in advance, and immediately. Therefore, locals offered to settle at ¥2/m² in advance, instead of three installments over three years, at ¥1 per square meter of grazing land lost. Thus, a total of over ¥1.1 million

(US\$141,000) was paid out to the three impacted villages of Shung and Turgung (they are counted as one administrative village), Dungkar and Orgyen for lost grazing areas. Payments have been made in several installments. The following table lists the amounts paid to the communities in compensation.

Continental's Compensation Payments for Pasture Loss in 2006		
Village (Cun)	Payment in ¥	Payment totals in ¥
Shung & Turgung¹ (Xiong)	60,000	797,656
	262,800	
	141,227	
	141,227	
	192,402	
Dungkar (Dongga)	55,000	289,894
	98,400	
	136,494	
Orgyen (Wujian)	20,000 ²	60,979
	40,979	
Overall Total		¥1,148,529

¹ Included are ¥60,000 that were paid out already in late 2005.

² For water resource use

In order to put this payment into a local livestock-centered context, actual livestock figures are correlated to compensation payments. Currently, there are about 4,000 grazing animals kept in the villages (mostly sheep and goats, but also yaks, cows and some horses and donkeys). On a per animal basis, pasture loss compensation amounts to roughly ¥260 per animal (for comparison the value of one sheep is about ¥200, one yak can fetch ¥1000 – ¥2000). In terms of fodder procurement, the compensation payment for the pasture loss would not cover the cost if an animal had to be fed with bought fodder alone. Locals understand that loss of pasture will entail herd reduction and that compensation is not intended for long term fodder procurement. Sustaining livestock on purchased feed is a very uncommon practice in rural Tibet, since animals have to find food themselves not only in summer but also in winter (which is fortunately usually sunny and snow does not accumulate). Only youngsters and sick animals enjoy the perceived luxury of being fed by humans. Thus, it is evident that the compensation payment agreement is not based on a feed-for-land trade that would enable livestock holders to feed their animals with compensation payments. Rather than keeping the livestock at current level, it is understood that farmers will need to reduce their herds.

Comparing compensation payments to local incomes, the GDP of Rongma alone was ¥5.84 million in 2005, expenses figured at ¥1.42 million, thus the output after expenses was ¥4.42 million. Taking into account that the ¥1.15 million in compensation is going to only three out of Rongma's six cuns, it must be recognized as providing substantial financial benefit to these villages. (Per capita income = ¥1,898 (US\$243) in Rongma in 2005; in all of Shetongmon county = ¥2,120 (¥1,945 in 2004), close to the TAR average of ¥2,078).

All in all, compensation payments have been very popular; no locals interviewed complained about the amounts paid out. On the contrary, it is generally acknowledged that compensation payments were rather generous. In much of Tibet, locals would not necessarily receive compensation payments for grazing land lost to local road construction by government agencies, since the road would serve the community. However, this case is an entirely new situation. A foreign company is developing mineral resources - consequently much more attention has been paid to compensating locals.

4.2 Distribution of Compensation Funds in the Three Villages

The compensation fund allocation needs community support and is supervised by the village leaders. It is interesting that the distribution of Continental's compensation payments were handled with a different allocation system in each of the three communities: Shung, Orgyen and Dungkar. In Orgyen, the households, which control greater landholdings, managed to base their claims for lost grazing land solely on land units assigned to it in 1984. In Dungkar in contrast, poor households managed to have at least 30% of the compensation for their pasture loss based on a household head count. In addition, 35% was set aside for fertilizer and other agricultural needs (i.e. irrigation improvements). In Shung village, the compensation was divided into four, with one quarter allocated according to landholdings and two quarters also based on a head count. The two per capita distribution systems distinguish between villagers actually living in the village and absentee residents, which means that absentees only receive funds from one of the two groupings, while residents in the village receive funds from both groupings. The last quarter is kept as a fund for medical emergencies.

Distribution System of Compensation Funds in the three villages			
Village	Shung & Tsburgung	Dungkar	Orgyen
Compensation Total	¥797,656	¥289,984	¥60,979
Compensation payments distribution keys of villages	25% distributed based on landholdings 25% paid out per	¥180,000 distributed in cash to households 70% based on land holdings and	Total is distributed solely based on land

	capita (incl. children)	30% household size	holdings
	25% paid out for each villager (incl. children) actually residing in Shung	¥100,000 retained as village fund for fertilizer and community agriculture investments	
	25% kept by the village as medical insurance fund		

The formulation of these different distribution and allocation systems shows that there is a certain amount of decision-making power at the village level in Shetongmon county. It is best understood as a result of the absence of any pre-formulated policy due to the novelty of the situation. In addition, Chinese laws and regulations tend to be vague, so their interpretation and implementation is often left to those who apply them. In this case, the villages could find their own solutions since Continental, after securing support from county officials, has made possible a process that is relatively free from typical top-down interference.

4.3 Construction and Mine Worker Housing

Building the mine facilities and running the mine requires hiring up to 2000 people during construction and 500 people for carrying out the mining work thereafter. Not all of this labor, especially the engineering and management staff, can be sourced locally. Continental's general manager, referring to a central government policy formulated for the railroad construction in TAR that states at least 30% of the workforce need to be hired locally, said that Continental intends to have a much higher percentage of locally sourced labor. In January, a company representative went to Lhasa to find out about Tibetan construction companies to optimize Tibetan sourced labor during the construction phase of the mine and processing facility.

It is planned that outside labor contracted for construction and mining will be housed in Shigatse and Geding (Xietongmen Xian) to avoid creating a new Chinese town next to Shung. Bussing the workforce back and forth is a common practice in mining operations, since mines are often in remote locations, while the workforce lives within towns and villages. Bussing also reduces traffic and minimizes commuting-related accidents. In addition, punctuality ceases to be an issue because attendance simply becomes an issue of catching the bus or missing it. Settling workers in pre-existing towns, whose populations are characterized by a large contingency of newly arrived Chinese, Hui (Chinese Muslims) and non-resident Tibetans, would also minimize possible tensions with locals, which would be expected with a major influx into a traditional rural setting.

In addition, infrastructure that is already in place in the county seat and Shigatse (such as schools, shops, restaurants, hospitals, police, waste management etc.) can be used and improved instead of having to create new facilities for the hundreds of workers and their families.

4.4 Local Perceptions of a Future with an Operational Mine

Although no one has any experience living with a big open cast mine close by, the community trusts the company's assertion that Continental would help them to lead a life less dependent on their animals and shift their economic base to reduce the importance of livestock. It is hoped that in connection with the mine and the company-supported development initiatives people will be able to improve their economic situation without increasing their herds.

The Rongma Xiang Party leader stated: *"No one really can imagine the future here with the mining operation, even the leaders, although we have seen the presentations by Continental. We hope for the best, but we have two main worries: natural hazards and unforeseen problems for future generations."*

4.5 Tax Issues

The total deposit of Shung (Xiongcu) is estimated at 870,000t of copper, gold and silver, with an average concentration of 0.4% of copper. Mining a copper concentration under 0.15% is currently not economically feasible. Further smaller areas of mineralization (Langtongmen and Newtongmen) have been discovered to the northwest of the site in the Dungkar Pu catchment. Currently the concentration for these sites is estimated at 0.3g/kg. They seem to have the necessary mineralization to extend the life of the mine, but seem to be less rich than the already explored site.

Because of the scale of the project, mining rights are granted from the central-level Ministry of Land and Resources (MOLR), not the regional TAR office. If the project volume is over ¥100 million, approval needs to be issued by the National Reform and Development Council (NRDC) or the State Council itself. Thus, the MOLR at the TAR level cannot issue the exploration and mining license for Shetongmon. While the exploration license has been issued, there is no guarantee that the company will actually receive a mining permit. Nevertheless, assuming Continental has fulfilled all the necessary requirements in its application for the mining permit and the submission is still rejected without very plausible reasons, it would be very difficult for the PRC to attract other companies to invest in mineral exploration in China, and specifically in Tibet.

The resource tax collected by the county used to be 4% for gold and 2% for copper, but now it has probably been raised to 4% for copper as well. At an estimated total output of 870,000t of copper (current value approximately \$7 billion) over 15-20 years, that would equal 34,800t of copper value, at an annual

rate of 1,740t for 20 years. As the current copper price on the Shanghai Futures Exchange is ¥64,400 (\$8,324, June 13 2007), this equals about US\$14 million annually. In order to put these figures into some sort of context, the GDP of Shetongmon County in 2005 was ¥2,120 (¥1,945 in 2004), in PRC the national average was ¥3,255 in 2005.

However, the nature of this project, involving, as it does, national-level agencies, might affect taxation distribution systems. At this point it is not clear who will collect taxes. There is a strong case that tax offices in Lhasa operating at a TAR-level will collect taxes and would be required to distribute to Shigatse prefecture and probably Shetongmon county. A clearer picture should develop in the future.

5. Training Programs

Continental's community outreach team took groups of interested villagers to integrated rural development projects elsewhere in central Tibet as part of a training program supervised by the Company's environmental manager¹. There are several components to the program. To give a selected group of the impacted population an idea of potential development schemes, 23 people were taken to Tsetang prefecture's (traditionally known as Lhoka; Chinese: Shannan) Basic Human Need Project, where the group visited greenhouses, vegetable growing sites, bio-gas systems and afforestation projects. This venture is a bilateral government project involving Canadian international development agencies and TAR government agencies.

Following these educational excursions, Continental's community outreach team organized a one-month agro-tech training course training for 24 villagers from 25 November to 25 December 2006. Trainees attended classes to improve their animal husbandry and farming skills and received introductions to vegetable growing, greenhouse cultivation, nursery skills etc. The training was provided by the Nyingchi (Linzhi) Agriculture & Animal Husbandry College of Tibet University in Bayi. This training course is regarded as a cornerstone for environmental and community development in the area affected by mining, since Continental plans to initiate sustainable rural development through schemes that enable the impacted communities to produce and supply company workers with vegetables and other food items (meat, eggs etc.).

Selection of the first 24 trainees was a challenge, since there was overwhelming interest in the first training program. Although there were only nine slots available for Shung villagers at this point, nearly every family wanted to send a member (67 out of Orgyen's 73 households; 24 out of 30 households in Shung and Tsurung).

The enormous interest demonstrates that the local population is eager to learn and is willing to make use of training programs offered by Continental. Company experts envisage that these villages could improve their own income bases by growing food and raising livestock to sell to construction workers and mine employees in the future. These activities would surely compensate for any economic losses due to loss of grazing grounds.

Moreover, county and district (Dzong/Xiang and Shun/Xian) administration are working on integrated economic development in connection with the project. The Soil Management Bureau (SMB) (Chinese: Tuguan) is working on recommending possible projects based on site visits to the affected villages. SMB is evaluating schemes to improve agricultural production by improving irrigation water availability. They were considering optimizing water harvesting for irrigation

¹ See section on the community outreach team.

purposes for which increased water retention capacity through pools is crucial. In addition, SMB was looking into protecting irrigation water from possible contamination. After securing improved agricultural production by securing more irrigation water, they will look into selecting new agricultural produce, which seems to dovetail with community outreach team training programs.

6. Employment

6.1 Local Hiring

According to the district party leader: “*We would like to have more employment. Right now, it is not enough work for everyone, so we rotate. But not every job can be rotated, i.e. security guards*”. It is understood that there needs to be some continuity in employment to guarantee job performance quality. Only seven people have permanent jobs, mostly as security guards at ¥1200 per month.

Currently, all the hiring is done from households from the three villages. Continental hires labor from where the work is taking place (i.e. labor for road construction in Dungkar is recruited from Dungkar). If the amount of labor required exceeds the amount available in these three villages, the other three villages of Rongma will be approached. So far, this situation has not arisen.

All in all, and up to the last field research period (early Spring 2007) the impact on local income from wages was not substantial. Figures provided by the company for the period up to 30 November 2006 show that Continental locally contracted 1,019 workdays. At rates located in a range between ¥30 and ¥48 per day, including food provided on-site (see below), this amounted to ¥30,570 to ¥48,912 or slightly more than 2.5% but less than 5% of the ¥1.15 million pasture loss compensation payments from Continental. Although 45% of people had the opportunity to work for Continental or as subcontractors, most villagers were hired so far for one to three days only.

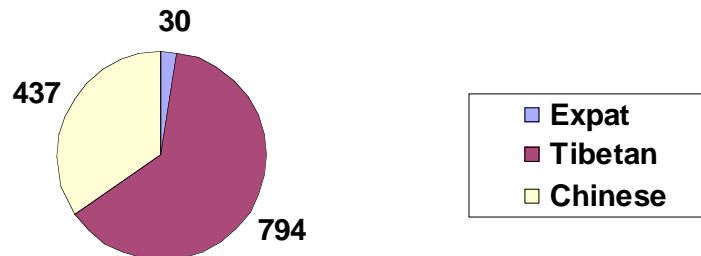
The following table lists the total number of work days provided by local Tibetans living in the villages affected by the project. Residents in Shung and Tsurung receive the most employment, since most of the work takes place in their area and where they traditionally hold grazing rights. Dungkar and Orgyen have been much less affected.

Local hiring for 2006 until November 30, 2006 (Continental figures made available by Zhang Ning)	
Village (Cun)	Local hiring in work days
Shung & Tsurung (Xiong)	777
Dungkar (Dongga)	179
Orgyen (Wujian)	63
Total Number	1019

The chart below shows the number of man-days of work hired for working at the Shetongmon site by Continental (only non-permanent staff; Continental's permanent staff or staff brought in by subcontracted companies like drill teams are not included; workers locally hired for the drill teams are included; expatriates are usually experts brought in temporarily by Continental for consultancy

services). The chart shows a substantial share of the hiring going to local Tibetans. However, the slices in this pie chart reflect employment time (work days hired), not the income derived from it. Most Tibetan labor is manual and therefore comparatively low paid.

Year to Date (Late 2006) Total Man Days Hired by Continental



6.2 Payment Increase for Locally Contracted Labor in 2006

Last year's report had brought up the issue of pay and suggested that local labor was hired at a very low rate (even by TAR standards) of only ¥20 per day. It was argued that the local government had proposed such a low rate, reflecting their fear that cheap labor for local infrastructure work would become less available. In early 2006, Continental raised the minimum payment from ¥20 to ¥30 and, in the case of jobs that require simple training, to ¥40 per day. Accounting for food provided on site, these jobs were calculated to be worth ¥48 per day to villagers, the maximum rate paid for local manual labor. These new payments are much more appropriate.

6.3 Quality of Employment

During the summer of 2006, the community outreach officer was the only Tibetan at management level, with two other Tibetans working on her team. At this point, besides her, there was only one Tibetan driver regularly employed and one administrative worker. The rest of Continental's staff was all Chinese, apart from a half dozen or so western experts. The first report had pointed out that Continental was lagging seriously behind in hiring Tibetans. Although the situation has evolved positively in terms of absolute numbers, the share of Tibetans currently employed still does not reflect what Continental's declared intention of practicing socially responsible mine development would suggest.

Despite impressive growth figures on paper for the TAR, in practice, Tibetans benefit less from growth and find themselves far away from key jobs and instead are relegated to manual jobs or hired for the few jobs for which linguistic and cultural proficiency is a key skill, mostly in order to smooth out relations with

locals (i.e. a driver with local knowledge who speaks Tibetan; an administrator who can make a phone call in Tibetan etc). In order to make a fundamental difference to this pattern, Continental still appears to have a long way to go, as the overall situation regarding the integration of Tibetans into managerial, administrative and technical positions is still far behind what it could be. At the time of both missions for instance, only one Tibetan worked in administration², and none were involved in geology.

In the fall of 2006, another Tibetan driver was hired and the community outreach team was enlarged to include six Tibetans and one Chinese. This is certainly a leap forward, however that this should happen at the point when the community needed to be informed about further developments on the site still seems to match the pattern described above.

Another problem with finding skilled or educated Tibetans is that, according to Continental, the company can currently only offer short term contracts since the project is in its exploration stage. There is the possibility that the mining permit is not granted by the central authorities. However, many skilled or educated Tibetans are looking for longer term employment with benefits that Continental is not able to offer at this stage.

The apparent reasons for the small number of full-time Tibetan employees are certainly manifold. There is no doubt that finding highly qualified Tibetans is more difficult than finding the equivalent Chinese staff. However, a closer look at less qualified jobs reveals certain shortcomings at this level too.

The ratio of hired Tibetan drivers of 2:12, for instance, cannot be blamed on the lack of qualified drivers in TAR, since finding bilingual drivers is no challenge in Tibet today; being a driver is in fact a popular occupation among locals. Economic considerations do not provide a credible explanation either, as hiring Chinese from the lowland is far more expensive. This is also the case with other sections of staff. The Chinese workforce has to work for 40 straight days and then has 20 days of paid vacation. In addition, Continental needs to pay their travel expenses, including plane tickets. The rationale given for the clear under-representation of Tibetans is that Tibetan employees are guaranteed a five-day working week, which would need to be coordinated with the 40-day stints that the Chinese from the lowland work. However, rather than being a satisfactory explanation, this suggests that the local management and its hiring department envisage employment opportunities at Shetongmon to largely be for Chinese workers, while Tibetans are considered to be there merely to fill gaps.

At the time of the missions, it had not yet been possible to find any Tibetan geologists or other experts besides those staffing the outreach teams. However, more than 50% of Lhasa's TAR Geological Survey staff is Tibetan. Each year, since 1985, more than 3000 ethnic Tibetans are sent to Chinese lowland areas to

² We understand that since then a Tibetan has been hired as an accountant.

attend Chinese schools (after completing sixth grade in TAR) and then later to graduate from colleges all over the PRC. Young Chinese now employed at Shetongmon have been hired directly from colleges in lowland China.

Central to this issue appears to be the current human resources department. It is headed by a Chinese from Beijing who is in charge of identifying and hiring qualified people for Continental and, as with most lowland Chinese, knows little about the situation in the TAR. There is a clear lack of knowledge, expertise and motivation to find Tibetan employees right in the heart of Tibet. The hiring activities of most human resource officers mostly reflect the personal networks they have established over time. Needless to say that it is even more so in China (the keyword being here *guanxi*). All serious social surveys made in Tibetan regions of the PRC (and beyond in the rest of the country) show that the workforce of a given company/office/organization widely reflects the biography and identity of the person who hired them, i.e. his ethnicity, province, region and even town or villages of origin, his school or other educational institutions, his former employers, his relatives etc³. In the present case, the officers responsible for hiring for Continental in Shigatse evidently do not count Tibetans in their personal networks. This is a classic problem, which even NGOs in Tibet regularly have to struggle with. In addition, the fact that most Tibetans who work for Continental are hired locally for manual jobs, security and day labor (there are unlikely to be any higher skills available around the mining site), seems to indicate that the current local administration and management team have not looked any further for Tibetan workers. The under-representation of Tibetans in an area with a local labor surplus suggests that the Continental management on site has problems following through with Continental's corporate office concepts of social responsible mining and the integration of Tibetans. It appears highly unlikely that this is issue can be resolved without strong support from Vancouver.

It is worth noting that Continental's subcontractors working on the site did not perform particularly well in terms of employing Tibetans either. This was the case with the Shanxi-based 711 drilling company, which has been on site since 2004. According to HDI, 711's company policy prevents them from hiring any local Tibetans. Major, an Australian drill company that was subcontracted for the 2006 drilling season, integrated the largest number of locals into their workforce. Unfortunately, Major's non-Tibetan employees' misconduct left Continental no choice but to replace them⁴, but Hunan Pacific, a Sino-Filipino outfit, have since employed some locals in their drilling workforce.

Whereas the situation in Spring 2007 in terms of Tibetan employment was far

³ Although *guanxi* is often criticized, nowadays even within the PRC, the remarks made here are not intended to make any value judgment. Seen objectively, the system can also boast with some positive features. For instance, it may contribute in some case to effectiveness, and even at times create niches for ethnic minorities.

⁴ Employees of the drill contractor brought prostitutes to their quarters on the site in clear breach of company policy, see <https://www.tibetfonet.net/content/update/33>.

from satisfying, our findings also provide some reason to believe in the possibility of improved performance in the future. In early 2007, one of our researchers witnessed a company representative consulting a lawyer in Lhasa to discuss the legal framework within which Continental operates. This was in order to find ways to formulate contracts with Chinese companies which would have legally binding provisions to include Tibetans in the workforce. Continental, as part of the HDI group of companies, has also been contemplating the drafting of a 'local workforce first' policy, which we assume will apply to all their projects worldwide.

In Shetongmon itself, the county government is trying to address the employment issue by training their own people so that they will be able to work at the mine and reduce the amount of labor that is contracted from outside. Currently, there is a county-wide surplus of labor in Shetongmon, as evidenced in the willingness of local farmers to work for Continental. Asked about the possibility of training educated local youth to become geologists, technicians or engineers, Mr. Tenzin (CCPPC Shetongmon) said that Shetongmon is looking into three different programs, a one-year, a two-year and a four-year program; any of these could be used to the advantage of Continental.

Since large-scale industrial copper mining is in its infancy in the TAR, Shetongmon wants to provide educated technicians for the future, consequently a program was launched at the county high school focusing on training for mining jobs. We were informed that the class has 40 local students enrolled and that this will be continued in future years. So far, surprisingly, the Continental general manager was unaware that the county had implemented such an initiative. The program demonstrates that the county has taken proactive steps to enable its citizens to get a head start in the local mining industry, with Continental being only one player, although it is likely to be by far the biggest company in the foreseeable future, as well as the most influential one and the one with most latitude for maneuver.

Pro-active support for these local initiatives by Continental would be a win-win situation for both parties concerned; for locals, it would make their efforts more effective and their future more secure, and for the company it provides a unique opportunity to shape any future workforce in situ. This will also demonstrate an ongoing determination to favor locals, particularly because in the initial stages of the project, as has been mentioned, there will likely not be enough competent Tibetan workers to meet the demand.

The Rongma District leader reported that locals would like to have more employment opportunities. Currently there is not enough work for everyone, so the community rotates jobs but the need for continuity means that not every job can be rotated. All the hiring is done from the households of the three villages affected and Continental hires from where the work is taking place. If there is need for labor beyond the workforce available in these villages, the other three cuns of Rongma will be approached. So far, this has not been the case.

7. Working with the Communities

7.1 Continental's Community Outreach Team

Before 2006, Continental did not have a designated community outreach team; Continental management themselves worked out compensation for lost grazing land and made donations to the local communities and schools as part of a strategy to help generate trust. While most villagers perceive compensation levels to be adequate (and clearly generous by local standards), in 2005 as a whole, they represented less than 1% of Continental's Shigatse office budget.

In 2006, the budget for community outreach increased substantially due to the formation of a dedicated six-person team within Continental, initially under the leadership of a Lhasa-based trilingual community development expert with a background in international NGO work in the TAR and other Tibetan areas. However, the community manager declined to sign a contract after a three-months probationary period. There were several reasons for this decision (see below). Also, a senior agricultural expert, who had recently spent several years studying at the University of Hawaii, was hired as environmental manager. As a replacement for the first environmental outreach manager a Tibetan was hired who has a background in accounting and worked for several years for the EU-financed Panam project, Shigatse Prefecture, TAR.

Then, in October 2006, Continental's local manager, decided to divide up the community outreach department into two teams, community outreach and environmental outreach. The community outreach team is headed by the Tibetan who worked in Panam and the environmental outreach team is headed by Continental's environmental manager.

A Chinese person was hired to report to the general manager, and transmit instructions from him to the outreach teams. He is the General Manager's entrusted liaison person and they have worked together in the past for SinoGold⁵.

The division of the outreach team into two separate units is not easy to comprehend since all environmental outreach is directly implemented with and by the community. In addition, most of the outreach work currently entails natural resource-oriented programs addressing agricultural, livestock and horticultural issues. For example, the greenhouse development program falls under environmental outreach, but is clearly part of the overall community outreach. However, our research was carried out too soon after the team's division for the justification and impact of the Continental management's decision to be fully assessed and future evaluation is clearly needed.

⁵ It is also worth noting that within the current Continental team, in management positions, are six former SinoGold employees.

7.2 Information Policy

In October and November 2006, after Continental had been on site for over 18 months and had evaluated the mineralization as potentially economically viable, the community outreach team was finally able to give the locals a clear outline of the project's full extent and its potential impact on their community. Detailed planning for extraction and processing had also been underway for over a year and had reached a critical stage where concrete plans could be presented to the community. Until this point however, although Continental had informed locals about what tests would be carried out and how, (i.e. drilling in a particular area would be for determining rock stability/hardness or water purity etc), precise details about the scale and design of the project, and its impact locally, had intentionally been held back.

Continental's local manager explained that they were only ready to share their information at this point because they wanted to be sure that the mineralization would be viable before "*raising unnecessary expectations or concerns*". They also wanted a clear notion, based on thorough planning, of what places would be impacted, what shape the facilities would take and who would need to be moved. Informing the locals earlier would have been "*scaremongering*".

However, delaying informing the community had put the outreach team in a difficult position at a time when they were trying to carefully build up trust. This was because although they had been aware of these details, they had been requested to conceal them for their first months of outreach. This apparently was one of the main reasons for the then community outreach officer not to seek to extend her contract beyond her probationary period. Brought in as the person who would build a trusting relationship with the local community, she found it difficult to work under the management's policy of secrecy. The other – interlinked - reason not to continue her contract was that, in her own words, she felt that her position was "*not clearly enough defined and she had not enough decision-making power*".

The former community manager reported that she had reservations in the first place about working for a mining company in Tibet, since mining is traditionally taboo in Tibetan culture and any disturbance of the ground is in principle forbidden. Even during agricultural activities, 'earth spirits' need to be pacified, a need is felt even more strongly when it comes to mining⁶. It is believed that disturbing or upsetting earth spirits will affect the health and wealth of a household and its livestock. This belief, despite the upheaval of the second half of the 20th century, has remained very strong, at least among rural communities.

⁶ The depth of this belief is perhaps best to grasp if one considers that, traditionally, even people working with metal (i.e. material extracted from the earth), such as blacksmiths, were considered 'tainted' and therefore liable to a certain number of social taboos.

The Tibetans working for Continental have shed this taboo and they are not the first ones to do so. Tibetans in the past, including the pre-1950s administration, were involved in small artesian mining operations extracting gold, copper and other minerals. Nevertheless, Tibetan employees can expect unpleasant comments from friends and family if they participate in mining, even more so if in doing so there are also non-Tibetans involved. It was the pressure of this attitude, her perceived powerlessness in her position, connected with a number of incidents (see below) that led her to quit.

The former community manager believes there is a “*large gap*” between the Vancouver office and the office in Shigatse. The descriptions of “*socially responsible mining*” she had heard in Vancouver in spring 2006 had overcome her own bias against mining that had been shaped by observations and reports on irresponsible practices in Tibet and elsewhere, and the traditional Tibetan view that mining upsets environmental harmony.

The former community manager also reported that the rapport with the expatriate staff was always excellent, and that a lot of progress was made when people from the Vancouver office were in Shigatse. However, once they left Shigatse, her work would become much harder. In trying to implement village development as intended under the concept of socially responsible mining, she repeatedly faced the project manager’s skepticism and lack of support, and related a quote to exemplify his attitude: “*This is no NGO operating here, but a mining company*”.

The former community manager also felt that her position as community outreach team leader was never clearly defined. Although she was ostensibly the community relations leader, which was a managerial position, she had little decision-making power, no defined budget, nor was any clear strategy ever outlined. Every single action on her part had to be signed off by the project manager. Some of these issues were perhaps unavoidable because it was in the initial stages of the process, but overall the effect was, for her, still unnecessarily challenging.

On several occasions when she was resolving problems with the locals, she said that she felt like a firefighter rushing to an emergency. Obviously, she would have wanted to work with locals in a more open way, with communication that was consistent and undertaken on equal terms, but the local management did not support this approach. Obviously, she had a hard time working with villagers, since she was not allowed to share her knowledge about the impact of the mine. She had to answer villagers when they asked questions like: “*Please tell us what is happening here. Can I build my house here or will we all be moved. I know I will get my money back, but I don’t want to waste my time building twice*”.

This quote shows that compensation alone does not solve every problem when there is a lack of information flowing towards the locals. Even though they were undaunted by the prospect of displacement in itself, and confident that that were

it to happen, it would be handled in a way that would benefit them economically, the farmers had obvious concerns simply because they were facing the unknown. However, time itself can be an economic factor; time spent constructing buildings that could be destroyed within a year or so could be spent better generating income through other activities that could, for instance, pay for children's further education.

It should be understood that on such a basis, the community outreach manager felt she could not level with the locals with whom she was supposed to build up a trusting relationship. Claims that the company had to be careful with their information in order not to unnecessarily upset the villagers do not hold up. The argument can only be sustained if one assumes a culture of animosity on the part of the villagers, but this assumption in itself could be seen as revealing an attitude by the local management that hardly matches otherwise credible promises of respect for the local community made by the central office in Vancouver. At best, it reveals a certain helplessness on the side of the local management and a flawed assessment of the locals.

In spring 2007, no villagers interviewed complained afterwards that information had been withheld from them. It is highly questionable though, that had our field research period taken place during summer 2006, locals would have expressed such satisfaction with the company's information policy.

All our research has shown that the locals accept the presence of the company and have even developed positive expectations, so providing the leeway for a more open approach. With this in mind, it could have been explained to the villagers in words they would understand about the existing options, and the difference between options and plans. By demonstrating understanding for the position of the villagers and offering a reasonable amount of practical help to come through a period of uncertainty, any anxieties might have been easy to overcome, particularly considering the excellent community relations team at the company's disposal to manage and facilitate this process.

An example of problematic relations with the local community by Continental management is illustrated by an incident that occurred in Orgyen village at the end of June 2006. Test drilling was being carried out at Neta Pu, near Orgyen, but the locals got the impression that the company had started the actual mining, a clear breach of the agreement that had been made between Continental and community. It didn't take long before enraged villagers seized the drill team and held them hostage for half a day. The management called in county officials, consequently bringing the situation to the attention of law enforcement agencies and party officials. This whole course of action ran counter to the advice of the former community relations manager, as she was adamant that the problem could be resolved through dialogue. The site manager responded by saying: *"I did not like to call in the county officials, but I did not know how better to address the situation"*.

After this incident, all drilling stopped while the villagers received a week of 'political education'. The term 'political education' evokes very negative connotations to say the least, as they are often the occasion for human rights violations and, in extreme cases, can involve physical violence. Fortunately, in this case things seem to have taken a more gentle turn, probably because the authorities were keen to avoid any confrontation in the presence of foreign investors. Still, even in this mild form these sessions are not popular since they are time intensive, and cost participants money by preventing them from going about their business.

Some of the responses received during interviews in Orgyen gave the impression that these political education sessions made the villagers understand that the project enjoys the full backing of the central government in Beijing, with the implication that opposition to it would not only be unwelcome, but could entail detrimental personal consequences.

The incident as whole showed that at this point communication was not as clear as Continental perceived it to be.

It must be noted however that, once these initial difficulties were overcome, and the data confirmed the viability of a mine on the site, Continental took a multi-faceted approach in informing the public. Several meetings were held in the villages with Tibetan Continental staff giving verbal presentations, and a large meeting was held in Shigatse in early November 2006, where a Powerpoint presentation was delivered in Chinese with a Tibetan translation. Villagers were informed in advance about this event, posters were hung and interested parties were transported to town. Continental offered ¥30 compensation per person for the time spent attending the event and provided food and drink. Such incentives are common practice in government and NGO programs throughout the PRC to attract people to instructive or informative meetings. Further meetings took place in December.

Continental also produced a brochure in Tibetan and Chinese, which describes the mining project in detail and uses pictures to show what a mine operation in Shung will look like. It also includes some examples of re-vegetated mine sites in Canada, including Butchart's Garden near Victoria. However, the brochure layout is very similar to the official Chinese style, and the language it uses is reminiscent of Communist propaganda material. As a result, it didn't inspire much confidence and gave the impression that the project in Shetongmon wouldn't be fundamentally different from any other mining development in the TAR or other Tibetan regions.

Another presentation by Continental in Powerpoint format (likely the one which was shown to the villagers in Shigatse) appears much more informative and comprehensive in comparison. Unfortunately, the version TibetInfoNet reviewed

had no readable text. We requested a further copy but it never reached us, making comments on the text impossible.

In general, at the point when we conducted our research, the community seemed well informed. All those who were interviewed (except the three households in Neta, see below) were well aware of the plans for the area. The interviews demonstrated that the level of knowledge amongst the population varies, apparently reflecting different levels of interest. Some individuals had a clear idea that an open cast mine with processing plant and tailings will be opened, others had a vaguer notion of what is going to happen. For example, one woman said: *“My husband went to the meetings and told me a bit of what he had heard at the Shigatse event, but I am not really interested in these details”*. No interviewee complained that they had not received sufficient information.

One has to bear in mind that the people in Shetongmon county, and especially in Shung and Dungkar, are accustomed to mineral exploration and mining operations. Dungkar has one working gold mine and another one that is no longer operational, though obviously neither of these compare in anyway to the scale at which Continental will operate⁷. Also, Continental's information outreach initiative and its commitment to fair and transparent compensation payments far exceed anything locals have experienced in the past in connection with mineral development. This appears to have contributed to a conducive and relaxed atmosphere in the villages. And although there were problems initially (as mentioned earlier), Continental's commitment to openness contrasts starkly with the way local government operates where decisions regarding mining activities are made behind closed doors with little or no consultation.

The inhabitants from all three villagers are informed on a regular basis of the activities at the site with various meetings held three or four times a week. Public meetings are held every three weeks except during the busy farming season. These are attended by village leaders, Xiang authorities, related departments, heads of Xian (Xian Bureau of Land Management), and representatives from the company. Initially a presentation is given describing what the company plans to do and the implications for the locals. Following this, brochures are distributed to each household, with extra copies also available on demand. These brochures were originally written in English, then translated into Chinese and then again into Tibetan. The information in the presentations and brochures are further elaborated upon afterwards during visits to each household, where villagers are encouraged to discuss the issues facing them amongst themselves. This allows any points that need clarifying to be identified and then addressed in simple yet clear colloquial terms.

⁷ It seems the existence of these two small mines could be a source of trouble for Continental, as they probably operate under conditions that do not in any way match the criteria of modern industrial and environmentally and socially responsible mining. For instance, any groundwater problems that they might well generate could easily be foisted on to Continental.

Public meetings involving the whole population of the impacted villages are usually avoided as they tend to be very heated and emotions run high. Villagers express conflicting opinions and concerns that do not produce any common conclusions. Instead, consultation and discussion sessions are held with manageable groups of four or five villagers to find the common concerns of the villagers and their demands. Questions that cannot be answered on the spot are recorded and presented to managers, who provide answers to the best of their knowledge at a later stage.

7.3 Reaching Out to Neta

The hamlet of Neta, a remote outpost of Orgyen village, presents a special case in that it is particularly short of information. Formerly, the site housed a small monastic community, but during the process of Tibet's absorption into the PRC, the site had to be abandoned. Later on it was given to the three households currently living there to farm. Our researcher hiked with two members of the community outreach team to the site, which cannot be reached by car. It was found that Continental community outreach team personnel had not previously visited the households there.

The women living in Neta were clearly under-informed if not misinformed. They were aware however that they had to make way for the tailings, which would rise 200m above their homesteads. The women assumed that their compensation (besides new houses and agricultural land) would only be the ¥500.5 they had recently and belatedly received from an Orgyen village leader. This leader turned out to be a related to one of the impacted households, but relations were described by the interviewee as poor. The ¥500.5 was given to them for loss of grazing due to road construction on village commons and was unconnected to the final move. The women displayed a lack of knowledge about many Continental activities, i.e. Continental sponsored training in Nyingchi, the presentation in Shigatse and other activities. However, this situation has now been rectified.

7.4 Local Perceptions

In Orgyen and Shung, conversations with the respective local leaders, villagers and locally employed people reveal that villagers do not resent the presence of the foreign mining company, although initially there was some tension and some misunderstandings. These conversations suggest that villagers believe that although the timing or the mining company might be different, mining will take place in their area regardless of what they think of it.

People are generally happy with the current compensation packages for the loss of pasture and farming land. However, they stress that although the short-term compensation on offer is satisfactory, it will do little to help resolve problems and difficulties in the long run. The villagers are clearly concerned about the future

and the long-term after effects of the mining. They frequently emphasized the significance of having effective general strategies and long-lasting compensation schemes to tackle future problems that are likely to result from intensive mining. Specifically, they are worried about the possibility of both their drinking and irrigation water systems becoming contaminated. They repeatedly asked our researcher to urge the company to do their utmost to prevent pollutants seeping into the water system and sought assurances that should this happen, the company would act immediately and efficiently. The company should also continue with the good work the community outreach is doing and try to maintain transparency in all their dealings, and in particular, give them clear warning of any detrimental environmental and social impacts their mining operation might have. This, they believe, would further build trust between the villagers and the company, and the villagers and their leaders.

From talks with the villagers and their attitude to the community outreach staff, we can deduce that they genuinely have a good relationship that is relaxed, friendly and communicative. They relate to each other in a light-hearted way without undermining the seriousness of the issues they discuss or failing to convey particular messages. The community team consists of well-educated Tibetan individuals who are sincerely concerned about the welfare of the villagers and the smooth and successful operation of the company. Our assessment is that Continental have managed to put together one of the best development-conscious teams in Tibet.

The villagers acknowledge how productive the community work undertaken so far by this team has been and speak of the effective communication link between the two. They speak particularly highly of aid with their irrigation work and the agricultural training of villagers in Lhoka and Panam. They urge the company to continue with such development work and would like to see an expansion of the programs to include other fields such as computer studies for the young, and management and construction training. Overall, as we have said earlier, villagers are satisfied with the current compensation scheme and community relations work carried out by the community outreach team. However, they remain concerned with the long-term impact of the mining on their communities and request and expect the company to help them cope with any eventualities. Therefore, at the top of their list of demands is the protection of local water system, provision of all kinds of training to the local people, recruiting of locals into the mining industry and developing strategies to help them to cope with an uncertain future.

In Dungkar, the villagers are satisfied with the compensation scheme and the work of the community outreach team for the moment. Without prompting, they readily acknowledge the good community work carried out by the company but they remain concerned about the impact of mining in the future. They repeatedly requested that the company assist them in their future difficulties if and when they arise. They also urge the company to carry on socio-developmental work by

providing a variety of training building village infrastructure. The company helped stabilize the village reservoir and irrigation system in the past and villagers would like to see the company continue to provide assistance like this. Like the other two villages, Dungkar is prone to flooding and the locals live in constant fear because of this. As a result, they asked that the company help build dams to prevent potentially devastating floods. They have also asked the company to help them replace electric cables with new ones. At the moment the cables are very old and exposed and they remain a health and safety hazard; both people and animals are frequently electrocuted.

All in all, the company-community interaction and its framework has seen a considerable transformation in 2007. It clearly demonstrates that HDI/Continental is forging ahead and searching for an efficient framework for addressing community issues in connection with the project development. Continental successfully built up trust with the community especially through generous and prompt payments whenever grazing land was destroyed by road construction. Continental has also actively engaged with the community and involved it to an extent that is unsurpassed in the villagers' experience. Nevertheless, several incidents demonstrate that communication is still in need of improvement. The fact that the researchers came across three households in Neta who were quite ignorant about the compensation they would receive when they had to leave their homes, and that no one from Continental's community outreach team had been there before our visit, also suggests that there are still issues to be worked out.

8. Outlines of Selected Interviews

Initial interview partners were selected randomly in each village. People encountered outside their houses or on their terraces were asked if they were willing to be interviewed. No one turned down the request. Interviews were semi-structured. Each person was asked about their family status, family size etc. They were asked to rate their respective economic situation on a grid: lower level, middle or above average. Then questions were asked regarding the project. At the end of each interview all interview partners were encouraged to speak their mind and asked if they wished to leave a message for the company. Where a wealthier household was interviewed at first, a smaller house was targeted for further interviews, so that villagers with range of socio-economic backgrounds could express their views.

Dungkar Interview:

Male 45 years.

Continental's cutting of access roads to exploration sites destroyed grazing land and therefore compensation was paid. Each household received some money. The amount is dependant on land holdings (70%) and household size (30%). Their household of five received ¥800, out of the ¥180,000 distributed from the total of ¥280,000. The rest remains in a village fund. They hold less than two units of land and only four cows, which are not grazed on the mountain and no other livestock. They were earning some money through metal work.

Dungkar Interview:

Male 36 years.

He went to Shigatse to see the Continental presentation. He "*got wined and dined*" and received ¥30 in cash. 37 people from Dungkar went with him. Dungkar received a total of ¥280,000 compensation. ¥100,000 was kept behind in the village for fertilizer.

His household received a little over ¥3000. They hold seven land units and the household has eight members. They have 40 sheep and eight cows. The size of the cow herd is average, their sheep herd relatively small. "*Economically speaking we are in the lower middle of the village*". Some household members worked for the company, but only two to three days each. "*There are so many people who would like to work and so little work for us in the end. Until now there is only limited benefit for our family, but as a whole it is good for the village*".

Previous mining operations had not polluted water so far, to his knowledge. Continental pumped some water up onto the mountain starting this year. This did not create any problem for the village's water supply.

Meeting with Dungkar village leaders

There are 58 households in Dungkar with a population of 513 people (average 8.8).

Dungkar received ¥364,894 from mining related activities within its boundaries. Not only has Continental paid compensation for road construction (¥280,000 in 2006), but Honglu Mining also contributed over ¥80,000, which is operating upstream from Dungkar. Dungkar citizens contributed 112 days of labor (on average two days per household) and also four security guards (which should be ongoing work) to the Continental project. Some of their villagers (probably five) are currently in Bayi/Nyingchi for agricultural training.

“We hope to improve our farming. Several years ago, we build 24 greenhouses here, but once the plastic had deteriorated, we did not buy new plastic covers. Also, we bought bad seeds for this experiment”.



Dungkar village leaders.

Regarding their future, they are worried about water issues. They are worried that their groundwater table might be lowered since Continental will be digging such a deep hole (Note: this is not likely, since there is a massive mountain chain between Dungkar and the mine). Continental and the government have guaranteed the village at least the same or some improvements in their living standards through income from future mining and they believe that this will be the case. They would like Continental to help them build a concrete dam to protect their fields from floods in the summer, plant trees and pump water for irrigation. The village lacks water for irrigation during the summer.

Orgyen Interview

Male 55 years; female 50 years; male 25 years; male 22 years. A family of six

people, three person unit of land = 7mu = 1/2ha, maybe three to four households as poor as them, but most others are better off.

They found out in late summer (2006) about the project. *“Before, we thought we are too far away to be impacted”*. Currently, there has only been some grassland that was used for road construction and a pond was drained. They saw the maps for the mining development at village meeting. Their son went to the presentation in Shigatse. They are worried about future water quality. Some animals died recently and nobody knows why, maybe from the mining activity. Continental provided help in trying to establish what caused the deaths. They were also compensated for the loss. In Shung some sheep also died last fall and it is not clear why. The water was tested by Tibet’s EPA, but the results were not conclusive. Villagers thought the water or a powder that they had found might have caused it, but one of the expat geologists ate the powder in front of the villagers to demonstrate that it was not poisonous.

When asked about predation: *“Not many predators really left. Only Lynx (Tib: yi) and another feline: Sa rGan”* (could not identify). Sa rGan is notably larger than a domestic cat (that would leave only the golden cat - *Felis temmickii*, but there is not a single tree left and very little shrubs, so it’s the wrong habitat). *“But it is not a snow leopard. They prey on a few sheep each year. No snow leopards have been here for 30 years”*. However, others said they had found two snow leopard cubs. (*“Found”* suggests they killed the mother - just a hunch!).

“Before, we worried that our land would be just taken away as in the past, but the company helped with irrigation and built a road. They also paid compensation”. Most villagers are in favor of the project now. Distribution of compensation is a big issue in Orgyen. Now, it is only based on land holdings, which is in contrast to Shung and Dungkar, where there are other factors figured in as well. One unit of land equals about 2+mu in Orgyen (all the land per person units are different in each village, since the land was divided by inhabitants in 1982 with the introduction of the household responsibility system). Two of the interviewees express reservations towards this distribution formula and regard it as unfair to poor households like theirs. Also, work distribution is based on size of land holdings. (It was suggested to the company that more labor should be provided to households with less land to balance this issue). They received compensation twice; for the draining of an irrigation pond (¥190), which would conflict with tailings and for grazing area lost to road construction (¥303). So far there has been no work for them, but they would be keen to get some. Their boys did not get into the training in Nyingchi, there was a lottery and they did not get lucky.

They have four sheep (Tibetan: lu) and 12 goats (Tib: ra, all small livestock: ralu) for producing wool. Their livestock is too precious for them to consume any themselves, although they would love to eat sheep once in awhile. Sheep wool sells locally for ¥4-5 per jin (one jin = 0.5 kg); the maximum production is two jin per sheep, with the average 1.5 jin. On the Changtang, he buys wool for ¥3/jin

and resells it after transporting it to Shigatse. Wool from the goats is much more precious. It fetches ¥90/jin, but it takes about 12 goats to produce one jin per year. Thus, a sheep produces wool worth ¥6-8 and a goat ¥7.5.

Their sandy soil is not good enough to feed the family. Each year they need to buy grain for another ¥800, and in a bad year, even ¥1000. They managed to get by with some income from seasonal work and they have also taken out a bank loan.

Orgyen Interview

Female 40 years.

Her husband is on a trade mission on the Changtang. She married into the village from Goyang, just across the Tsangpo, in Shigatse County. She has three children: female 18 years; males 15 years and 13 years. Her eldest is in high school in Lhasa and is staying with relatives who pay a lot towards the schooling there. (The government pays for elementary and middle school.) They live off their land and some trading. He trades with the Changtang. He takes grain up and brings wool, leather and hides down. They have just built a new house, so they need much more work. They have 20 sheep and goats, seven cattle and one horse. They used to be at the bottom level of the village, but have worked their way up to the middle.

She does not know much about mining. Her husband goes to meetings. They have discussed the impact on grazing, the dam for the tailings, and potential water pollution. "*We are worried about the storage of the wet sand behind the dam*". So far, in compensation they have received: first installment: ¥350, an average of ¥50 per person, second installment: ¥700, since they have seven land people (over 15mu = >1ha). The second installment of Orgyen village's compensation was ¥40,000.

There is no work for them at the site. Their 15-year old boy is in Nyingchi/Bayi for training. She is hopeful he will learn a lot. He has not been to school for the last 3 years. First he was sick, and then he was kept home to help around house and farming.

Interview on the way to Neta

Male 40 years; male 18 years.

Both were carrying huge loads of thorny barberry branches (*Berberis hemsleyana*) on their backs. They use it for roasting tsampa, since it burns very hot.

Dremdu got ¥700 for ten people household in compensation, with seven land units. Their land units carry responsibility for public service work. "*Compensation is fair*". "*County and district did not keep any of the compensation*". He is aware of the tailings coming here. "*For our generation, it is enough to make a living, but we worry about the next generation. Water quality especially concerns us*".

Neta Interview

Female 45 years; female 45 years; female 43 years

Three households live in Neta. There are two sisters and a non-related woman. Two are widowed. Altogether, there are 11 people. They have 113 sheep and goats, 11 yaks, eight cows and a donkey. Officially, they hold five land units, however they hold much more than appears on the books since they have enlarged it since the 1970s. This would need readjustment for fair compensation and they hope that Continental will help them to measure their land. The soil is very rich, but often the grain does not ripen in time in the fields. They grow mostly wheat for animal feed. Additionally, the site is surrounded by many poplars, giving them much more wood resources than other households in Orgyen. They sell some of the wood. As they are the first farms on the creek, they have plenty of water. They are convinced that the water, even a stream they do not use, is theirs and consequently they should have special water rights once they are resettled down in the village. Continental's environmental manager pointed out that this might be difficult. One of the families has started to build a house on the road using government-provided funding. They are not opposed to resettling; they would like to live closer to the community but they do not want to lose their resource advantage (water, wood, land).

When two Continental community relations staff and our researcher arrived there, it turned out that they had not had any contact with Continental before this point; no one from Continental had bothered hiking up there. As a result, it took quite some time for the women of Neta to let off steam and before Continental's environmental manager could explain that the compensation of ¥500.5 (¥100.12 per land unit) they had received was for loss of grazing. They had only recently received the money from a village leader in Orgyen who is a relative, but they are not on the best of terms. They feel marginalized by the village community. They thought this year's grazing compensation was the compensation for all their land that is scheduled to be covered by tailings. They were not informed about many of Continental's activities (i.e. Continental-sponsored training in Nyingchi, the presentation in Shigatse among others). Continental's environmental manager apologized on behalf of Continental and promised to rectify the situation.

Our researcher had decided to visit to Neta when he heard that there was a small community that would be impacted by the tailings. When he found out that he had to hike in, he was determined to go. Too often programs don't reach beyond drivable roads in TAR, and apparently it was no different here. Taking into account how small the area Continental is affecting, it is inexcusable that nobody had been there before the visit with two Continental community relations staff and our researcher. It points to a lack in leadership in the outreach department.

Tsurgung Interview

Female 46 years; male 23 years; female 24 years and three children; father is a cadre in Geding/Xietongmen Xian

They are informed about the mining. They like the project, but worry about what

will happen after the mining is finished in 20 years. *“What will be left for our children?”* With mining there will be work. They had some temporary work. He worked for nearly three months with a drilling company in July and August. At the beginning, he received ¥30, but later it was raised to ¥40, plus food. They assume the visit is to find out how they feel about moving.

“We have no special feelings about moving. We found out three months ago, before that we never thought of that possibility. But now we know what will happen: a processing facility will be build where we are. We think the moving takes place next summer. At the moment compensation is satisfying. Maybe in future we want more (allusion to human nature of greed), but right now it is balanced in our hearts”.

They have no clear idea about the history of the ruins on Tsurung Ridge, but in their parent’s generation, there was a monk up there. The loss of grazing land will force them to sell some of their animals, since they are losing their mountain pastures.

One child is majoring in English in Lhasa, another child is at middle school in Geding, and is due to enter high school next year.

Their final question to Continental was: *“Can we move also our plants, shrubs and trees?”* Continental’s response was: *“We do what is possible”.*

Shung Interview

Male 25 years. Family of nine: parents, old uncle, three brothers, his wife and two children. His younger brother studies at high school in Shigatse.

He is building a new house above the highway to the west of Shung; the old house is too old, over three generations. Living above the road is also *“more auspicious”*. His father remembers that there used to be only seven households in Shung. They own 15 goats, 20 sheep, two dzo, two bulls, two cows and two donkeys. Before they lost the grazing to the mining project, they also had between seven and eleven yaks, but now they have all been sold. The yaks were not milked, but used as transport animals for the Changtang trade. Grain was taken up and salt, butter, skins and wool brought down. He rented out his yaks for a three-month period; the trek took 20 days up in summer and he received two sheep in exchange for one yak. (Sheep are valued at ¥200, five or six years ago it was ¥150.) They said that they thought the compensation for their loss of grazing land is sufficient.

For loss of grazing land, his family received ¥18,400 in 2006. In 2005, they had already received ¥9,000. The whole village received ¥400,000 in 2006 and ¥200,000 in 2005. Before that the whole village had received ¥6,000. The ¥400,000 was divided into four equal parts at ¥100,000 each: one quarter was paid out to villagers based on landholdings, one quarter per capita (children included), one quarter per villager (children included) actually residing in Shung,

and one quarter is kept by the village as medical insurance fund.

He regards the loss of grazing area and the skinning of the mountain as a negative impact. *“Everybody is very sad about that and that we cannot keep yaks. We received lots of compensation. We hope to get more opportunities in the next 15-20 years, but after the mining is over, the company is gone, the mountain is destroyed, what will we live on?”*

“The company tells us not to worry, but we are left with a 400m deep hole and no mountain. We have not discussed noise in Shung, but that is why Tsurung is being moved. After the mining is done and over is our main worry”.

Shung Interview

Female 25 years, married with two children.

Her husband works at the health post in Rungma as *amchi* (traditional doctor) for the Red Cross at only ¥8 per day. He has asked for a raise several times, as he needs to be available 24/7. His father is a village leader. They own four cows, ten sheep and 25 chickens (chickens are kept for egg laying, not meat). There has been no change in livestock numbers since she has no yaks, which used to graze on the mountain. *“We have to keep animals so we can collect dung for fuel”.* They own two units of land.

In 2006, they received ¥6217; in 2005, a little less than ¥4,000 as compensation. She worked eight days at the site, clearing rocks, collecting rock samples and seeding grass, one day cement transport, two days cleaning. *“Work not so hard and well paid”.*

She went to the presentation in Shetongmon. The village had requested that each household send one person. *“I did not understand much. I am basically illiterate, but the food was good. I understand they will send sand to Orgyen and some to China, so we will not see any copper, gold or silver in Shung. I am not worried. I think it will bring happiness”.*

Interviews with local people and officials

Shetongmon Xian – Meeting with County Administration 29 November 2006

County represented by:

Director of Shetongmon CPPCC

Director of Mining Shetongmon Bureau

Director of Shetongmon Bureau of Land Resources

(the County Governor was in Lhasa and the Party leader was not available either)

Also present:

General Manager of Continental, and three other Company employees

TibetInfoNet researcher.

Continental's general manager explained to officials that the researcher was there to perform outside monitoring for the Company. Permission to interview randomly chosen local households to verify the previous data collection and interviews was requested. At first, the county government insisted that Mr. Pemba should represent them and accompany the researcher. The researcher argued that the presence of officials might affect the reply of the locals and that these interviews are intended for verification not data collection. After confirming that the researcher would be in the field with Continental representatives, Mr. Tenzin gave the okay to interview villagers. Mr. Pemba would inform Xiang representatives in Rungma.

Interview with Members of the Community Outreach Team (COT):

Why were the locals only informed about the impact of the project after 18 months of mineralization evaluation and planning?

Community Outreach Team (COT): We were not sure if mining would go ahead ourselves that's why the locals were not informed in advance. As we ourselves were not sure if there would be mining, it would just be scaremongering to inform the locals. Before any mining decisions were made for certain, we did inform locals what we were testing for and how we were going to go about it. We did tell them what we were testing for. For instance, if we made four holes at the mouth of a valley we told the locals what they were for; i.e. for testing the stability/hardness of the rock and the purity of the water etc. We inform the locals before the testing work is carried out.

Has this caused mistrust between the locals and community outreach team?

COT: Yes, it caused some tension and distrust in the beginning. However, our relations with locals has improved a lot and now it's very cordial and trustworthy because we endeavor to make everything transparent

Do villagers have a say in decision-making?

COT: No, which site to explore is a technical decision made by experts. We ourselves wouldn't be aware of it right until the end. However, if we were given the decision and information regarding a certain mining/exploration site, we would explain it to the locals in detail. We would tell them where holes would be drilled, land excavated and roads built. For instance, we would tell them where and how roads would be built. If villagers disagree with the way we suggest we lay the road, we would change it if possible.

How did the villagers react to the training sessions in Lhoka etc.?

After the training, most of them gained a lot of confidence and have the desire to do something. However, because they've never had such opportunities, they

don't know what to do next. As a result, we go and pay them a visit and suggest to them that they do not start a big project but they should start with something small. They should start using their skills just to help their own families. They can use their skills to work in other people's greenhouses and we could help them with the upkeep of these greenhouses, whilst those trained can improve and pass on their skills. However, it's difficult to promise things to the locals because if we do, they tend to create great expectations that are beyond our capacity to realize. For instance, they would ask if the company would help them build their houses.

Yes, similar training will be given to those who didn't get the chance initially and as well as training in other areas, such as handicrafts, we'll be looking into the microfinance programs of some NGOs. Another 25 people will be trained in March in agricultural and animal husbandry, forestation and vegetable planting. These training programs are given with the environment in mind. We aim to equip people with skills and knowledge not only to improve their living standards, but also to be able to cope with the impact of the mining activities. For instance, training in forestation is given with a view to reintroduce native plants and trees, such as juniper or apricot, to the local area. These skills and knowledge will also be used to restore the mining site to its original state. Different sorts of training will also be given to young people who've been to school.

Conversation with Continentals' Vice President, Business Development

Conversation with the VP Business Development reveals that he's genuinely concerned about the socio-environmental impact of the mining on the locals. He seems to be bent on making Continental's operations in Shetongmon as socially responsible as possible. He's making a great effort to find local Tibetan construction companies and workers to undertake construction and other work on the site. If this is not possible, he wants to find legal means to encourage conduct in adherence to corporate social responsibility, i.e. by putting in socially responsible clauses when formulating written contracts with Chinese companies.

Whilst we were in Lhasa he had a meeting with a Tibetan legal expert concerning this issue of employing locals and making it legally binding. He also asked this expert where to find Tibetan construction companies. He also sees ways to develop local industries, new and old, which would be used to sustain the mining activities on the ground, i.e. providing food for the miners. Locals should be used first, where possible.

Continental's operations in other countries should be looked into in order to learn lessons to apply to the operations in Shetongmon. The VP spoke of a local hospital or clinic set up by Continental in a Mexican region, which is partly funded by the government. The Mexican government intends to take it over in future so that it is no longer dependent on foreign capital or services. Lessons should be drawn from such precedents. Other facilities and equipment that sustain mining

activities should be utilized for the benefit of the locals in a similar way, such as heavy lifting or digging machinery used for infrastructure building.

9. Matrix

IMPACT STUDY SHETONGMON - MATRIX			TIBETINFO.NET
Update: Spring 2007			
Rating:			
	Very satisfying as of Spring 2007		
	Satisfying as of Spring 2007		
	Not satisfying as of Spring 2007		
	No specific comments/rating not yet possible/not or not entirely within Continental's scope		
Environmental Protection			
Area	Current	Planning future mine	Remarks
Water	Drilling water recycled		
	Surface and groundwater sampling underway		
		Water for grinding to be recycled	
		Sealing of tailings and waste rock areas	
		Slope runoff surface water to be directed around tailings	
		Emergency plans drafted for possible seepage into Tsangpo and drinking water drafted	

Noise	No relevant nuisance during exploration		
		Tsburgung village (site of planned plant) to be moved	
Dust	No relevant nuisance during exploration		
		Crushing of rock in enclosed area	
		Tsburgung village (site of planned plant) to be moved	
Transport of copper/gold concentrate	No transport before mine operational	Transport by road or train is being considered	Security issues related to transport in the first place in hands of PRC authorities
Vegetation and scarring of landscape	Experimental planting of local trees species and seeding of grass carried out		
	Locals being trained in re-vegetation		
	Drilling areas filled up and re-contoured, seeded with grass		
	Roads cut for exploration re-contoured, seeded		
Wildlife	Collection of data on crane population and habitat need (with Tibet Plateau Biology Research Institute, Lhasa)		

	Impact on blue sheep population under investigation		
Land Use, Property Rights, Local & Sacred Geography			
Area	Current	Planning future mine	Remarks
Compensations	Substantial compensation paid directly to villagers who decide on their own about allocation of funds within villages		Creative and effective handling of the issue
Resettlements	Appropriate new location for Tsurung being established	Village of Tsurung (7 households) to make place for grinding plant	Villagers principally agreed with re-settlement
Sacred geography	Sites of monasteries etc. being investigated by SinoSphere		
Socio-Economic Impact & Employment			
Area	Current	Planning future mine	Remarks
Employment	Share of Tibetans in skilled and management jobs very small		
	Continental explores legal scope for imposition of Tibetan quotas on subcontractors		
Local employment	Local salaries now appropriate		Raise of 50-80% compared with previous year

	Employment available for most villagers, but only on occasional basis and local/regional skills far of being fully used		Large increase compared to with 2005-6, but mainly menial jobs, wage impact insubstantial compared with compensation; one subcontractor employed more locals, but had to be withdrawn after inappropriate staff conduct
	Local government started initiative for early training of students in mining relevant jobs		
Communication /Input of locals into decision making	Effective procedure of consultation and information in place		Original communication policy deficient, but strong reversal after autumn 2006
	Excellent Tibetan Community Outreach Team		
Educational impact	Agricultural training programs to facilitate adaptation to future conditions (less animal rearing) & generation of income by supplying mine		High-quality training, very popular among locals
Return of proceeds to local communities	No proceeds before mine operational		Tax return issue not yet investigated, not under Continental responsibility
Migrant workers	Current situation satisfying	Housing off-site (Shigatse, Geding), busing to site daily	Incidents in 2006 were managed successfully by Continental