

Prepared for:



COMPENSATION PLAN

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Prepared by:

rePlan

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SUMMARY

S-1 Introduction

This document – the Compensation Plan (Draft 4) – provides a comprehensive outline of the Compensation Plan for the Kouilou Potash Project, including a strategy delineating responsibilities and outlining a workplan for its' elaboration, finalization and implementation over the months ahead.

At present, the document comprises a mix of strategic recommendations and preliminary analysis. It builds on – and incorporates in summary form, where appropriate – the work undertaken to date by the Company and GENIVAR, which includes a Land Use and Occupation Survey (LUOS) of the areas to be affected that was conducted in Nov/Dec, 2007; and a draft Land Acquisition and Compensation Plan (LACP).

MagMinerals, Inc. (the Company) is planning the development of a 600,000 t/a potash (KCl) production plant over the next 20 years using brine obtained from hot solution mining of a carnallite deposit in the Department of Kouilou, Republic of Congo (RoC).

The potash production complex will be located near the village of Mengo, 16 km north-east of the city of Pointe-Noire. The Mengo area is largely rural and is home to less than 3,000 inhabitants.

The carnallite deposit and processing plant are both located in a rural, but fast growing area, located about 16 km north-east of the commercial capital of Pointe-Noire. The deposit itself straddles the N1 National Road that links Brazzaville with Pointe-Noire. Other Project facilities are also located mainly in rural areas and/or are located in whole, or in part on land covered by the EFC Eucalyptus Plantation Long-Lease. The exception is the Brine Line Corridor, parts of which traverse densely populated areas of Pointe-Noire along the existing rail line and the CFCO right-of-way.

The total Project Area is defined as the 8 rural communities that will be affected by the Project (some more directly than others); and the areas of the city of Pointe-Noire that the Brine Line Corridor passes through.

The Compensation Plan itself defines the principles, policies, procedures and rates that will be used to compensate Project Affected People for any economic and/or physical displacement associated with the exploration, construction, operation, and closure of the Project and its' associated facilities, whether temporary or permanent in nature.

S-2 Institutional and Legal Framework

The Compensation Plan is based on applicable RoC laws, decrees, codes, and regulations; applicable IFC Performance Standards; with reference to legal documents such as the EFC Long-Lease, the CFCO Articles of Association, and the Company's Potash Investment Agreement; and international best practices.

S-3 Existing Conditions and Potential Impacts

The existing conditions have been documented by a first Land Use and Occupation Survey (LUOS) that was carried out in some of the communities that will be affected by the Project in Nov/Dec 2007. A second LUOS will take place in April/May, 2009 to gather additional information.

S-4 Stakeholder Engagement

In this Plan, "stakeholder" is defined as follows: individuals, groups, and organizations with a legitimate interest in the compensation process, including – in particular – Project-affected people, households, and communities, relevant political authorities, responsible government agencies, and interested civil society and community-based organizations.

The stakeholders will be engaged by the Project in many ways, including general public meetings, focus groups, household level meetings, participation in negotiating committees, public information campaigns, etc.

S-5 Scope of Displacement

One of the guiding principles in the design and development of the Project is to minimize the level and degree of displacement imposed on the affected population. At this time, there is no residential physical displacement anticipated to result because of the Project; but the physical displacement of some small land-based businesses may be unavoidable.

Given the relatively short amount of time that the each individual well will be in production, and the relatively small footprint of the installations associated with each well, it is envisioned that the economic displacement of people from their agricultural fields within the brine field will be temporary in nature.

S-6 Compensation Framework

The Compensation Framework specifies all forms of asset ownership or use rights among the population affected by the Project, and the Project's strategy for compensating them for the partial or complete loss of assets or access to those assets. It includes the following: guidelines for compensation from the RoC and compensation principles from the IFC; the methodology that the Project will use to determine values and compensation rates; the types and levels of compensation to be paid; eligibility criteria to receive compensation and/or other assistance, or to benefit from other Project sponsored activities - *i.e.* the Community Development Plan.

Specific objectives of the Compensation Framework that the Company will put forward for discussion with Project Affected Peoples include:

1. Facilitate the timely construction and operation of the Project;
2. Conduct a transparent, informed and consensual compensation planning and implementation process in keeping with RoC national law and international best practice;
3. Provide fair and timely compensation and assistance to Project-Affected Persons;
4. Provide compensation and assistance for loss of assets at full replacement cost;
5. Ensure that lack of legal title to land is not a bar to compensation eligibility;
6. Restore and improve the livelihoods and welfare of Project Affected Peoples, Households and Communities such that they are equal to or better off than before displacement.

S-7 Livelihood Restoration and Community Development

The goal of the Livelihood Restoration and Community Development Plan is to help Project Affected Households re-establish their livelihoods -- or create new ones -- and improve their overall quality of life.

In addition to this program, Project Affected People will be eligible for a number of other Project-related benefits, including preferential access to appropriate employment possibilities as per the Company's policy regarding local employment, and Community Development Plan.

S-8 Assistance to Vulnerable Persons and Groups

International experience has shown that some individuals and groups benefit less and/or bear a disproportionate share of the negative impacts resulting from the implementation of large projects. These Individuals and groups are classified as "vulnerable".

For the purposes of the Compensation Plan, "vulnerable" persons are defined as persons, households, and/or communities who by virtue of gender, ethnicity, physical or mental disability, economic disadvantage, religious minority, livelihood activity, and/or social status may be more adversely affected by economic or physical displacement than others, and who may be limited in their ability to claim or take advantage of compensation related benefits and assistance.

The Company will undertake a participatory Vulnerable Persons Needs Assessment to confirm community concepts of vulnerability, and identify potentially "vulnerable" individuals, households, and groups during the LUOS in April, 2009.

S-9 Grievance Management

Given the size and nature of the planned Project, a process is necessary for all Project stakeholders to have the possibility to register, present, and ideally resolve grievances and conflicts amicably with out resorting to the official, formal legal mechanism of the State. Notwithstanding, the concerned party always retains the right to refer an unresolved grievance to the State legal system.

The Company is in the process of elaborating a mechanism to receive and address concerns and grievances from the stakeholders in a transparent, constructive, timely, and culturally appropriate manner.

S-10 Monitoring and Evaluation

Monitoring and Evaluation of the implementation and impact of the Compensation Plan will follow two general objectives:

- 1 Monitoring of specific situations arising from Plan Implementation, and of compliance with objectives and procedures set out in the Plan;
- 2 Evaluation of the mid- and long-term impacts of the Plan on compensation beneficiaries.

S-11 Responsibilities and Workplan

The team required to advance this work will be the Compensation Manager, working in collaboration with the Compensation Coordinator, the Community Liaison Officers, the Data Coordinator, and the Community Development Manager; with ongoing support from Company management and professional advisors.

The Company will take the following important steps over the next 10 months to finalize the Compensation Plan, as follows:

1. Prepare Framework Compensation Plan;
2. Align with Lenders;
3. Engage with Project Affected People;
4. Prepare Draft Compensation Plan;
5. Disclose Plan (30d) and Finalize.

The Compensation Plan is comprised of the following sections:

1. Introduction;
2. Institutional and Legal Framework;
3. Existing Conditions and Potential Impacts;
4. Stakeholder Engagement;
5. Scope of Displacement;
6. Compensation Framework;
7. Livelihood Restoration and Community Development;
8. Assistance to Vulnerable Persons and Groups;
9. Grievance Management;
10. Monitoring and Evaluation;
11. Responsibilities and Workplan.

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1. INTRODUCTION

This section will provide an overview of the Project and its geographical setting, describe the Company's overall approach to land acquisition and compensation, identify goals and objectives of this Plan, and define the scope of this Plan.

1.1 Project Overview and Setting

MagMinerals Inc. is planning the development of a 600,000 t/a potash (KCl) production plant over the next 20 years using brine obtained from a hot solution mining of a carnallite deposit in the Department of Kouilou, Republic of the Congo (RoC). It is the first step in a long-term project to develop a large deposit of magnesium, sodium, and potassium salts.

The Kouilou region represents one of the largest carnallite salt deposits in the world, currently estimated at 800 billion tonnes (Gt), lying between 400 and 1,200 m below sea level. Potash was conventionally mined in the nearby Holle area during the 1970s, but the mine was closed after flooding in 1977.

1.1.1 Context

The potash production complex will be located near the village of Mengo, north-east of Pointe-Noire, the Republic of Congo's second largest city and principal commercial center and Atlantic port. The urban area of Pointe-Noire extends to within 6 km of the production complex. The Mengo area, situated above the city on a high plateau, is in contrast largely rural and home to less than 3,000 inhabitants.

Land use in the Project Area is dominated by 2 uses: 1) small-scale subsistence agriculture production done primarily on the slopes and in the valleys, and 2) extensive Eucalyptus Fibre Congo (EFC) plantation plantings of Eucalyptus trees on the savannahs and the top of the plateau.

The village of Mengo is bisected by the N1, the national highway linking Pointe-Noire with Brazzaville, the national capital, and the interior of the country beyond. Widening and paving improvements to the N1 highway are currently underway and, when completed, will transform transport linkages as well as commercial and cultural ties between Mengo (and other communities lying within the Project Area) and the ever-expanding city of Pointe-Noire.

1.1.2 Project Description

The plant area and initial solution mining field are located 1.5 km east of Mengo. Initially, the solution mining field and the processing plant will cover approximately 2.5 km², extending to 8 km² over the 20 year life of the Project, although the use of the brine field is progressive, with wells closing and being rehabilitated as they are no longer required. Along with the processing plant and the utilities areas, the Project will include tank farms, other storage and warehousing areas, workshops, a power plant, a storm water collection basin, a train loading station, as well as various administrative buildings. A series of production wells will be developed in the brine field and will be linked by pipelines and access roads.

The plant and other associated facilities will be constructed within the EFC Plantation. The drilling platforms where the wells will be located will require land that is principally within the EFC plantation. A small part of the footprint of wells, pipelines, and other facilities within the brine field is located on secondary forest that is outside the EFC plantation, and is currently cultivated by people from the surrounding communities.

The energy supply will come from natural gas probably supplied via a dedicated 27 km, 16" line from Djeno, running alongside the existing gas pipeline running to the north of Mengo and the plant site.

The supply of freshwater needed for injection into the wells, will come from a pipeline to the Loeme River, located approximately 20 km southwest of the plant site.

The commercial end product will be shipped out from the port at Pointe-Noire, located approximately 16 km south of the plant site. The natural gas and the freshwater will be transported by pipeline; the potash end product will be transported by rail (a 4 km long rail spur will be built to connect the plant with the existing rail line); various other equipment and supplies will be transported by the existing, or to be improved, road network in the Project Area. The water supply station and the port of Pointe-Noire, for example, will be linked to the plant site by road.

By-products from the production of potash – including sodium chloride salt and magnesium chlorine brine – will need to be disposed of in an environmentally acceptable manner. The salt will be backfilled into the mining caverns; and the brine effluent will be transported to Pointe-Noire via a 30 km long pipeline running along the rail line. The brine will be discharged into the ocean 1 km out to sea using an outfall and diffuser system.

The construction phase of the Project is expected to create at least 2,000 direct jobs, of which 500 (or 25 %) will be sourced locally. Approximately 453 direct jobs, 93 % of which will be sourced locally, will be created during the operational phase of the Project; plus over 100 drilling-related jobs. Pre-production drilling will create approximately 39 additional jobs, virtually all of which will be sourced locally. Many more additional indirect secondary and tertiary effect jobs are expected to be created within the greater Project Area as a result of the Kouilou Potash Project's installation in the area. MagMinerals, Inc will invest a total of USD 72 M in the RoC during the construction phase alone.

MagMinerals, Inc and the Government of the Republic of Congo have agreed to and signed a Potash Investment Agreement (PIA) on December 31, 2008. The PIA is an agreement between the RoC, MagIndustries, and MagMinerals Potasses Congo SA, (MPC) which defines the rights and obligations of both the RoC and MagMinerals in connection with the Project, including the production and marketing of potash; the economic, legal, administrative, financial, tax, customs, land, mining, maritime, environmental, and social conditions under which the Project will be implemented and operated. The PIA includes an option for the RoC to acquire a 10 % share of the Operating Company – MagMinerals Potasses Congo SA.

1.2 Approach to Land Acquisition and Compensation

The Company requires land to develop and operate the Project. This land is currently used for a variety of economic activities by nearby households and communities.

The displacement of these economic activities will be carefully managed by the Company through a compensation process that both conforms to international best practice, and fulfills the requirements of RoC law.

Some key terms are as follows (from the IFC Handbook for Preparing a Resettlement Action Plan):

- **"Compensation"** refers to payment in cash or in-kind for an asset or resource that is acquired for or affected by the Implementation of a Project judged to be in the greater good. It can also include the implementation of activities designed to redress the resulting negative economic impact on Project affected peoples and communities;
- **"Involuntary displacement"** occurs when the Project can resort to government authority to acquire land or impose land use restrictions (complete or partial expropriation), and the "owner" cannot refuse, resulting in involuntary physical and/or economic displacement;

- **"Economic displacement"** occurs when an "owner" or "exploiter" losses assets or resources or unobstructed access to productive assets or resources (either permanently or temporarily) from which s/he gains all or part of their livelihood. Exclusion from these assets leads to loss of income and/or or total or partial loss of means of livelihood – thereby necessitating some form of compensation and/or livelihood replacement;
- **"Project Affected People, Households, or Communities"** refers to those people, households or communities with productive assets or resources, usage rights or livelihood activities located or undertaken within the Displacement Zones, (*i.e.*, areas where the compelling needs of the Project or its' associated facilities cause economic and/or physical displacement (temporary or permanent) – including the imposition of long-term land use restrictions;
- **"Cut-off Date"** is the date beyond which people are no longer considered eligible for compensation. It is usually the date of completion of the census and inventory of assets of persons affected by the Project, or soon thereafter;
- **"Vulnerable Groups"** are people who by virtue of gender, ethnicity, age, physical or mental disability, economic disadvantage, or social status may be more adversely affected than others, and who may be limited in their ability to claim, or take advantage of related development benefits;
- **"Replacement Cost"** is the standard to which compensation rates for lost or affected assets will be calculated. Replacement cost is equal to the market value of the asset in question, plus any registration costs. Specifically, it is defined as the following for different types of asset:
 - **Agricultural Land** – the market value of land of equal productive use or potential located in the vicinity of the affected land, plus the cost of preparation to levels similar to or better than those of the affected land, plus the cost of any registration or transfer taxes;
 - **Land in Urban or Peri-urban Areas** - the market value of land of equal size and use, with similar or improved public infrastructure facilities and services, preferably located in the vicinity if the affected land, plus the cost of any registration and transfer taxes;
 - **Household and Public Structures** – the cost of purchasing or building a structure, with an area and quality similar to or better than those of the affected structure, including labor and contractors fees and any registration and transfer taxes;
 - **Damaged or Destroyed Crops** – the market value of the crop in question (annual or perennial) plus any additional costs associated with establishing the crops – clearing brush, buying and applying inputs such as fertilizer and insecticide, etc, digging holes, watering, etc.

In determining "Replacement Cost", depreciation of the asset and the value of salvage materials are not taken into account.

Given that economic displacement is unavoidable, international best practice requires that the Company prepare and implement a Compensation Plan in accordance with IFC standards. A Compensation Plan is the document in which the Company specifies the procedures that it will follow and the actions that it will take to mitigate and redress adverse effects, compensate for losses, and provide development benefits to persons, households, and communities economically and/or physically displaced by the Project.

The Company will use the following principles to guide the compensation planning process:

- **International best practice should guide the process** – The Company must ensure that Project Affected People are familiar with international best practice, as represented by the Policy and Performance Standards on Social and Environmental Sustainability of the International Finance Corporation, and particularly Performance Standard 5 on Land Acquisition and Involuntary Resettlement;
- **Process should be driven by participatory planning** – The Company has committed to a transparent, participatory compensation planning process with Project Affected People. It appears at this point that four planning processes will be required, one each for the PlantSite/Brine Field, the Brine Line Corridor, the Water Line Corridor, and the Gas Line Corridor (it should be noted that as of this writing, it has not yet been determined if construction of the Gas Line will actually result in any economic displacement and/or physical relocation.);
- **Broad and inclusive engagement program should complement participatory planning** -- To complement the four participatory planning processes, the Company will lead a broad and inclusive engagement program with all compensation stakeholders. In addition, the Company will implement and make available an accessible and understandable, culturally appropriate grievance management system to all Project Affected People;
- **Transparency, fairness and equality should be maintained** -- Maintaining transparency, fairness and equitability across the multiple participatory planning processes over the life of the Project is a particular concern of the Company. The ultimate goal is one comprehensive and consolidated Compensation Plan that aligns policies, procedures, compensation rates, mitigation measures and schedules for all four Displacement Zones, and that is applicable over the entire period of time that displacement can be expected to occur;

- **Compensation should be viewed as a development program** -- International best practice emphasizes the notion that the compensation process be considered as a development opportunity for Project Affected People, Households, and Communities through which their quality of life is improved;
- **Vulnerable people should be given special attention** -- The Company will take special care to ensure that PAPs identified as "vulnerable" have full access to the negotiations, planning and implementation activities proposed herein, and that additional assistance will be made available, as necessary, to ensure that "vulnerable" individuals, households, and groups share equally in the benefits of the Project, and do not suffer disproportionately from Projects activities and impacts.

1.3 Goals and Objectives of this Plan

The Compensation Plan defines the principles, policies, procedures and rates that will be used to compensate Project Affected People for any economic and/or physical displacement associated with the exploration, construction, operation, and closure of the Project and its' associated facilities, whether temporary or permanent in nature.

The goals of the Compensation Plan are to:

1. Avoid or at least minimize involuntary displacement (whether economic or physical) wherever feasible by exploring alternative project designs (see Section 6.1);
2. Mitigate impacts from land acquisition by providing compensation for loss of assets at full replacement cost;
3. Reflect a negotiated settlement with Project Affected People in accordance with the principles of free, prior and informed consultation;
4. Improve or at least restore the livelihoods and standards of living of displaced persons;
5. Provide the mechanism to acquire lands necessary for the development of the Project in accordance with its schedule; and the process for establishing and paying fair and equitable compensation.

With respect to no. 2 above, the participatory planning process to define the Compensation Plan is detailed in Section 5. This process comprises four geographically distinct areas, one for each Displacement Zone. Specifically, it is recommended that a Negotiation Committee be established for the

Plant Site/Brine Field, and that a less formal participatory planning process – based on consultation – be established for each of the Water Line Corridor, the Brine Line Corridor, and the Gas Line Corridor.

The specific objectives of the Compensation Plan are to:

1. Define the legal and institutional framework that will guide definition and implementation of compensation activities for this Project, including the RoC framework, international framework, and the Company's own corporate framework (Section 3);
2. Describe existing conditions in Project Area communities, and particularly in the four Displacement Zones;
3. Outline the stakeholder engagement activities that parallel and follow the development of the Compensation Plan, including the participatory planning processes described above;
4. Define the scope of displacement, including all efforts made by the Company to reduce the overall scope and size of economic and physical displacement, and to minimize project-related impacts;
5. Establish a compensation framework that will set out the principles, policies, procedures, and rates that will be used to compensate the people, households and communities that are economically and/or physically displaced by the Project;
6. Describe the Livelihood Restoration and Community Development Program for which Project Affected People and Communities will be eligible;
7. Describe the assistance measures that will be made available to Vulnerable People and groups;
8. Define a Grievance Management Mechanism;
9. Outline a Monitoring and Evaluating program;
10. Define an elaboration and implementation strategy that will include the roles and responsibilities of various stakeholders, and detailed workplans, resulting in finalization and delivery of the Compensation Plan.

1.4 Scope of this Plan

The four "Displacement Zones" encompass the major geographic areas that make up the Project footprint, and from which land use activities will be displaced, either temporarily or permanently. They are: the Brine Field (including the Plant Site), the Water Line Corridor, the Brine Line Corridor, and the Gas Line Corridor, as follows:

1. Brine Field and Plant Site:

Process Plant:	15 ha
Rail Spur and Siding:	17 ha
Storm Water Basin:	1 ha
Contractors Camp & Laydown Area:	37 ha
Topsoil Stockpiles:	6 ha

Displacement from the plant site and associated facilities will be permanent. Displacement from the portions of the brine field outside the eucalyptus plantations will be temporary in that land will be restored and returned to the communities once the wells are complete. (It is unclear whether displacement from the Brine Field footprint will be permanent or temporary.)

2. Brine Line and Electricity Line Corridor:

The Brine Line Corridor will run from the Plant Site to the sea, about 26 km long and 25 m wide at its' maximum width. It will run along CFCO's Railway Right-of-Way for virtually the entire 26 km. An Electricity Line will run within the same Corridor, but mounted on poles 12 m in height.

It is unclear at this time whether displacement from the Brine Line and Electricity Line Corridor will be permanent or temporary.

3. Water Line Corridor:

The Water Line Corridor will run from the Plant Site to the Loeme River for a total of about 20 km.

It is unclear whether any displacement from the Water Line Corridor will be permanent or temporary.

4. Gas Line Corridor:

The exact footprint of the Gas Line Corridor footprint remains TBA.

It is unknown whether displacement from the Gas Line Corridor will be permanent or temporary.

The "Project Area" in the context of the Compensation Plan, encompasses the 8 rural communities located within and around the Project concession area and

extending down the proposed Water Line right-of-way, Brine Line right-of-way, and Gas Line right-of-way, but not including the city of Pointe Noire itself. These 8 communities are:

- Mengo, Boutoto, N'singa, Ngondj, Mpofo, Tchiniambi Centre, Tchiniambi Débarcadaira, and Lukala.

The city of Pointe-Noire and its population can be considered directly affected, by virtue of both its proximity to the Project and the proposed alignment of the Brine Line Corridor. However, Pointe-Noire is large enough that any impacts or benefits are likely to be relatively insignificant on the population as-a whole. Accordingly, the city of Pointe-Noire is not included as being part of the Project Area – except for the households and/or businesses located alongside or next to the Brine Line Corridor. Specific activities have been designed for this area as described in Section 5 below.

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2. INSTITUTIONAL AND LEGAL FRAMEWORK

This section provides a comprehensive overview of the institutional and legal framework that will guide preparation and implementation of the Compensation Plan.

A preliminary draft of this section has been prepared, based on internal research as well as reports prepared by the Company and GENIVAR.

In the weeks ahead, rePlan will continue to work with the Company, including in-country legal counsel, to flesh out our understanding of mandated compensation activities in the RoC.

2.1 Republic of Congo

2.1.1 Institutional Framework

Key components of this section are likely to include the following:

1. Legislative, executive and judicial authority, and relevant Ministries at national level;
2. Decision-making, financial powers and activities overseen at department and district levels;
3. Responsibilities, finances and chain of command at local (village, brigade, bloc) levels.

2.1.2 Legal Framework

Key components of this section are likely to include the RoC Constitution, Mining Code and its decree, legislation relating to land tenure and transactions, the EFC Long Lease and Convention, the Company's Investment Agreement and Convention, CFCO's articles of association, RoC legislation relating to expropriation and RoC legislation relating to compensation.

Key observations to date are provided below.

Land Tenure and Transactions

1. Introduction of management mechanisms for the landownership system is relatively recent; they still do not reach to all regions of the country;

2. RoC has an ongoing process of land reform in which customary land owners may have their land tenure status formalized. Title may be recognized by the Commission of Recognition of Customary Rights. Plots of land which are the subject of customary law can only be registered after their improvement is duly recognized by the Land Registry, Agriculture and Forestry Economy Services. For rural lands, improvement consists in carrying out one of the following activities: growing crops, doing in animal husbandry, engaging in fishing activities, and generally undertaking productive work. Applicants need a notarized note, a permit of occupation, confirmation of acquisition or other supporting documentation;
3. In the Project Area, land use decisions, and land ownership transfers are made informally, without documentation and according to traditional customs. Depending on the village, prospective land purchasers reach agreement either with the relevant landowner, the village committee or a "land chief". Compensation for the land (its price) may be paid in cash or in kind;
4. Alternately, land is rented for a period of one to two years – *i.e.* the time required to clear the land of brush and grow crops for one season. The field then reverts to the original landowner who can decide to either rent it out once again, plant it for himself, or let it lie fallow. To rent a field, a person must necessarily work through landowners, the village committee and/or the land chief. The price of renting a field varies depending on the relationship between the parties concerned, the location and fertility of the plot, and the balance of supply and demand for arable land in the area. Rental agreements are usually negotiated and concluded verbally with no written record;
5. In the villages, the landowners keep some of the land for housing and public/communal facilities: schools, health centre, market place, sports ground, etc. Village committees may be consulted when a change in land use is requested – *i.e.* if someone needs land to build a new house or convert forested land into fields;
6. In the majority of cases, "ownership" of land by large families goes back generations and, in most cases, is not supported by a formal, written deed of ownership. Property limits are often marked by physical or geographical features such as watercourses, knolls, hills, etc;
7. Many land transactions, especially in rural areas, are completed without ever being officially registered;
8. As the formal economy extends into more economic sectors and more rural areas of the RoC, these customary norms of land management are changing and, in some cases, being undermined by new actors and attitudes;
9. Many land owners from the Project Area live in Pointe-Noire, although they may still have family and a house in the village;

10. The RoC established the Kouilou Landowners Association (ATK) in 2006 to represent landowners' interests. It is empowered to issue physical Certificates of Ownership or Occupation in recognition of customary law, in an attempt to bring more order and structure to an inherently somewhat chaotic and unstructured situation.

EFC Long Lease / Convention

1. Most of the land required for the Kouilou Potash Project facilities are located within the EFC Eucalyptus Plantation, and are therefore covered by the provisions of the ***Long Lease Agreement for the Forest Massif, Transfer of Equipment and Cooperation*** entered into between the RoC, ECO, EFC and CCT, Ltd on October 1, 2004. The Long Lease Agreement is an integral part of the EFC Establishment Agreement entered into in June 2005;
2. Under the Lease, the RoC warrants and represents itself as the "owner of the land on which the Forest Massif is planted." Specifically, the land on which the Forest Massif is located is in the private domain of the State;
3. The Lease allows the RoC to grant third parties limited rights over the land in the Forest Massif if such is deemed to be in the "public interest";
4. Pursuant to the current Forestry Code, the allocation of a part of the Forest Massif currently under the Long Lease Agreement to a third party requires, first of all, that a "declassification" decree be issued by the Council of Ministers on the joint initiative of the Minister of Mines and the Minister of Forest Economy, to allow for a "project of public interest" to be realized. Secondly, via the classification of usable land of a similar surface area to that of which the declassification has been requested. A second decree authorizing the deforestation of the land in question must be issued as well;
5. In the case of expropriation for reasons of public utility during the period of the lease, the State will have to compensate EFC for the reduction of the perimeter covered by the lease. The amount of compensation will be discussed between the State and EFC (article 1.6);
6. The boundaries of the lands under the EFC leasehold are being updated. A revised property map will be submitted to the Ministry of Forestry and enacted in a new bylaw.

Investment Agreement / Concession

1. The Company and the RoC have concluded a Potash Investment Agreement (PIA) that was signed on December 22, 2008, and which sets out the legal framework for and the conditions under which the Kouilou Potash Project will operate;

2. Title 3 of the PIA sets out the guarantees of the State with regard to infrastructure, and also sets out the details around land ownership. It guarantees that the land located in the Mengo area required by the Project is owned by the State (article 17.1), and that it shall allow MagMinerals Potasses Congo SA (MPC) to occupy and use any and all land required for the Project. It further guarantees and that there will be no other users of this land who may interfere with the smooth operation of the Project. RoC also guarantees that anyone who is expropriated from the Project Area will be compensated;
3. Once the required portion of EFC leasehold land is "extracted" from the EFC Long Lease Agreement, it will be allocated to the Ministry of Mines and will be registered with a view to establishing a land title in the name of the Republic of the Congo. The registration of these lands by the State, represented by the Ministry of Mines, will enable the rights *in rem* over the land to be registered to MagMinerals Potasses Congo SA through a lease agreement.

CFCO

1. The CFCO right-of-way is the public domain of the state made available to CFCO for occupation of the land. Projects, for works which have an impact on the natural and human environment which goes beyond the rail network, must be approved by the Ministry of Transport and by the other competent authorities concerned. Most of the Brine Pipeline will be located entirely within the easement of the land already allocated to the CFCO. Therefore, except for the Autonomous Port of Pointe-Noire (PAPN), no additional approvals are necessary other than an official agreement concluded with the CFCO.

Autonomous Port of Pointe-Noire (PAPN)

1. The PAPN right-of-way is the public domain of the state made available to PAPN for occupation of the land. The Brine pipeline will cross through PAPN right-of-way before continuing out to sea for a distance of 1.1 km. An official agreement authorizing the pipeline to cross through their right-of-way will be concluded with the PAPN.

Expropriation

1. Public and private corporations are authorized to have recourse to expropriation for reasons of public interest, in compliance with law n°11-2004 dated March 26, 2004 defining the expropriation procedure. The State's prerogatives are justified through the implementation of land development policies in rural and urban areas; and policies for collective procurement and for the improvement of areas which are determining factors in terms of satisfying the needs of the population. The objective of the mobilization of lands is to enable optimal use of the natural resources of the soil and subsoil, and economic and social usage, which is in keeping with the public interest. The latter is assessed by any administrative authority established for this purpose;

2. Following the state's declaration of public utility and the notification of affected parties, a conciliation commission is formed to achieve the agreement of the parties regarding the amount of compensation to be provided. The transfer of ownership can be carried out either through mutual agreement, or by the expropriation judge's decision;
3. If no amicable transfer can be agreed, the case is referred to the expropriation judge to pronounce the expropriation and fix the compensation award. The expropriation compensation is fixed according to the make-up of the property on the date of the schedule of condition affidavit. Improvements of any kind that might have been made to the property for the purpose of obtaining a higher compensation award will not give rise to any compensation;
4. An appeal against the decision can be lodged within a period of one month, as from the date when the said decision was pronounced. The appeal has no suspensive effect.

Compensation

1. The Republic of Congo issued a decree (86/970) in 1986 fixing a price list for the amount of compensation to be paid in case of destruction of fruit trees and damage to food crops;
2. Other industrial development projects in the region have applied these rates and have compensated for structures and land according to the values determined by Ministry of Housing surveyors;
3. The company, in compliance with IFC requirements to provide compensation at "full replacement cost" will establish proposed compensation rates in a transparent manner that includes extensive consultation with affected stakeholders. This will apply to compensation for affected agricultural crops (both perennial and annual); affected structures; and replacement land.

2.2 International Finance Corporation

The International Finance Corporation (IFC) adopted new Performance Standards on Social and Environmental Sustainability in April 2006. The outcome-based Performance Standards (PS) updated existing IFC safeguard policies, strengthening social and environmental policy, and prescribing more comprehensive and integrated impact assessments. The IFC has also published Guidance Notes to help explain the requirements of the Performance Standards.

Performance Standard 1, Social and Environmental Assessment and Management System, and Performance Standard 5, Land Acquisition and Involuntary Resettlement, are most directly relevant to this Compensation Plan.

Performance Standard 1 structures the way in which environmental and social issues are to be handled and serves as the core around which the other Standards are framed. Performance Standard 1 requires that affected communities be appropriately engaged on issues that could potentially affect them. Key requirements include:

- Ensuring free, prior and informed consultation and facilitating informed participation;
- Obtaining broad community support;
- Focusing on risks and adverse impacts, and proposed measures and actions to address these;
- Undertaking consultation in an inclusive and culturally appropriate manner;
- Tailoring the process to address the needs of disadvantaged or vulnerable groups.

Performance Standard 5 refers to the management of physical displacement (*i.e.* relocation or loss of shelter) and economic displacement (*i.e.* loss of assets or access to assets that leads to loss of income sources or means of livelihood) as the result of project-related land acquisition. Involuntary resettlement relates to transactions where the buyer can resort to government authority to gain access to land or impose limits on land use.

The Performance Standard defines displaced persons broadly as:

- Those who have formal legal rights to the land they occupy;
- Those who do not have formal legal rights to land, but have a claim to land that is recognized or recognizable under the national laws;
- Those who have no recognizable legal right or claim to the land they occupy, such as opportunistic squatters and recently arrived economic migrants who occupy land prior to the cut-off date.

Objectives of Performance Standard 5 include:

- To avoid or at least minimize involuntary displacement wherever feasible by exploring alternative project designs;
- To mitigate impacts from land acquisition by providing compensation for loss of assets at full replacement cost and ensuring that compensation activities are implemented with appropriate stakeholder engagement;
- To improve or at least restore the livelihoods and standards of living of displaced persons.

The Performance Standard:

- Requires that project proponent identify, via a census, those persons who will be displaced and establish a cut-off date to establish eligibility for compensation;
- Requires project proponent to offer land-based compensation, where feasible, where livelihoods of displaced persons are land-based, or where land is collectively owned;
- Introduces the concept of negotiated settlements to avoid forcible removal of people or land use activities;
- Requires private sector companies to “bridge the gap” between domestic legal requirements and the requirements of the Performance Standard.

Performance Standard 5 further requires that standards for compensation be transparent and consistent within a project, and established with the participation of those impacted. Project proponents must, according to the Performance Standard, offer displaced persons and communities compensation for loss of assets at full replacement cost and other assistance to help them improve or at least restore their standards of living or livelihoods. Depreciation of structures and assets should not be taken into account in calculating replacement value.

Preference should be given to land-based compensation strategies for economically displaced persons whose livelihoods are land-based as opposed to cash payments. When payment of cash compensation is considered, the abilities of the affected population to utilize cash to restore standards of living should be assessed.

Individuals and communities subject to physical and/or economic displacement should have the opportunity to participate in the negotiation of compensation packages and consultations regarding compensation eligibility criteria, procedures, rates and schedules.

A project may include multiple components that cannot be identified that may be implemented sequentially over an extended period (such as a mining project for which land acquisition cannot be planned at one time). Under these circumstances, the Compensation Plan should establish the principles, procedures, entitlements and eligibility criteria, organizational arrangements, arrangements for monitoring and evaluation, the framework for participation, and mechanisms for redressing grievances by which the client will abide throughout project implementation.

The client should document the procedures for determining and awarding compensation in a Compensation Plan that: 1) identifies all affected people; 2) provides an affected asset inventory; 3) describes the methods applied for valuing

land and other affected assets at full replacement cost; 4) indicates the rates of compensation to be paid; 5) outlines a schedule of land take and compensation payments; and 6) describes the process whereby affected people can appeal property valuations they deem to be inadequate. The client should disclose this information to ensure that affected people understand the land acquisition procedures and know what to expect at the various stages of the transaction (e.g., when an offer will be made to them, how long they will have to respond, grievance procedures, legal procedures to be followed if negotiations fail).

2.3 Company Policies and Standards

The Company is committed to high standards of corporate governance, accountability, and responsibility. Guidelines and initiatives which the company is considering aligning themselves with include:

- Extractive Industries Transparency Initiative (EITI);
- US/UK Voluntary Principles on Security and Human Rights;
- Organization for Economic Cooperation and Development Guidelines for Multinational Enterprises;
- Organization for Economic Cooperation and Development Convention on Bribery and Corruption.

The Company is committed to managing the mineral resources in a responsible way, to the benefit of its relationships with host communities, the environment, and the business itself. MagMinerals recognizes the need to contribute to sustainable development, and aligns itself with the Sustainable Development Principles developed by the International Council on Mining and Metals as far as these are appropriate to the activities of MagMinerals.

MagMinerals has a Sustainable Development, Environment, Health, and Safety Committee which operates at Board level and considers on an on-going basis, the management of environmental and health and safety issues within the business unit. MagMinerals has an HSE Manager, a Community Liaison Officer, and a Risk Manager at site level. Although they are supported by staff members who provide specialist advice and support in managing all aspects of EHS, ultimate responsibility rests with the senior management team. The highest EHS governance body is the SEHS Committee which reports directly to the Board.

2.4 Comparison of National, International and Internal Practices

A principal distinction between national and international practices is the focus of international best practice on stakeholder engagement and livelihood restoration.

With respect to the latter, displaced people must be restored in their livelihood, and must be no worse-off after displacement. Emphasis must be put not only on compensating lost assets (as per national standards) but also on assisting people to restore incomes, ways of life and livelihoods. This includes access to income-earning opportunities such as agricultural production or to natural resources deemed critical for subsistence.

Where differences exist, international best practice requires that a Compensation Plan bridge the gap between domestic requirements and international practice. Bridging the gap is at the core of Compensation Plan planning. Specific measures taken will be identified in this section.

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3. EXISTING CONDITIONS AND POTENTIAL IMPACTS

This section will present a general description of existing conditions in the Project Area and Displacement Zones. It will build from the data contained in the ESIA chapters, including LUOS 1, and will require the completion of a new LUOS (LUOS 2) and other complementary socio-economic surveys to fill remaining gaps.

With respect to the LUOS, the Company will need to conduct a second LUOS following declaration of an Entitlement Moratorium / Cut-off Date in the four Displacement Zones. RePlan has provided MAG and GENIVAR with proposed terms of reference for LUOS 2, and the current schedule requires that this exercise be undertaken in April 2009.

It is noted that extensive stakeholder engagement activities are required to frame LUOS 2, before, during and after survey activities, in order to ensure its relevance for the Compensation Plan. Furthermore, undertaking LUOS 2 should be step 1 of a comprehensive participatory planning process designed to arrive at mutually agreed principles, policies, procedures and compensation rates to guide land acquisition and compensation. The LUOS cannot be undertaken in isolation from these activities.

LUOS 2 will include the following:

1. 100 % census and immoveable asset inventory of all households that will be displaced in the Brine Line Corridor and Water Line Corridor during the construction and operational phases of the Project, as well as a livelihood survey of a representative sample of these households;
2. 100 % census and immoveable asset inventory of all households that will be displaced in the Brine Field during the construction and years 0-3 of the operational phase of the Project, as well as a livelihood survey of a representative sample of these households;
3. 100 % census of all households resident in Project Area communities, in order to cap potential beneficiaries for social management plans and discourage in-migration, as well as a livelihood survey of a representative sample of these households.

This section will comprise the following sections:

1. Methodology;
2. Context;
3. Project Area;
4. Displacement Zones.

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4. STAKEHOLDER ENGAGEMENT

4.1 Overview

The principles, approach and history of stakeholder engagement are reviewed in the Framework Stakeholder Engagement Plan. Key actions specific to the Compensation Plan include:

- Identification of compensation stakeholders, including Project Affected People, Households, and Communities, and active inclusion of each stakeholder into the compensation planning process;
- Participation of compensation stakeholders in workshops hosted by the Company on international best practice as it relates to land acquisition and compensation;
- Creation of a Negotiations Committee to guide compensation planning in the Brine Field (Note: this core group will form the initial base for the Community Liaison Committee), and implementation of a complementary engagement program;
- Creation of broad and inclusive consultation programs to guide compensation planning along the Water Line, Brine Line, and Gas Line Corridors;
- Establishment of accessible Public Information Centers and Notice Boards, furnished with information on the Project, answers to frequently asked questions, and rights and responsibilities of Project Affected People, Households, and Communities;
- Creation of a responsive grievance management system for recording and responding to comments and concerns (see Section 10).

4.2 Stakeholders

Compensation stakeholders are individuals, groups and organizations with a legitimate interest in the compensation process, including – in particular – Project-affected people, households, and communities, relevant political authorities, responsible government agencies, and interested civil society and community-based organizations.

The Company will pay particular attention to engaging with vulnerable and disadvantaged groups, including landless individuals or households, female-headed households and the infirm, in order to ensure their participation in the compensation planning process, and attainment of the overall goals of the Compensation Plan.

4.3 Plant Site and Brine Field

The Company has developed a comprehensive and formal negotiation process between representatives of Project Affected Peoples and the Company to drive compensation planning for the Plant Site and Brine Field displacement zone. The goal of this process should be to arrive at mutually agreed principles, policies, procedures, rates and schedule to structure individual compensation agreements and guide land access and Project implementation.

The negotiation processes will:

- Involve the formation of a Negotiations Committee, including representatives of Project Affected People and the Company, as well as observers from the Government and other stakeholders as appropriate;
- Involve training and capacity-building of Committee participants such that representatives are familiar with international best practice and the obligations of the Company and RoC;
- Result in the agreement on compensation principles, policies, procedures, rates and schedule;
- Serve to alleviate pressures, fears and anxieties for Project Affected People and strengthen the overall planning process;
- Contribute to broad community support for the compensation process and Project.

4.3.1 Negotiations Committee

To initiate the negotiations process, the Company will:

1. Finalize project design, as well as the required land take and scope of displacement;
2. Use LUOS 1 to identify Project Affected People, Households and Communities in the Brine Field;
3. Identify other key stakeholders;
4. Consult with relevant government authorities and community leaders regarding the proposed process (see below);
5. Host a meeting for all identified Project Affected People, community leaders and key stakeholders, at which the Company will --
 - a. Describe need for land acquisition and likely impacts;

- b. Describe international best practices concerning compensation, and the Company's proposed approach to compensation planning, including phasing;
- c. Describe the Company's proposed terms of reference for a Negotiating Committee, including the potential need (depending on final numbers) for Project Affected People to identify representatives to participate on their behalf and which reflect an appropriate balance of stakeholder interests;
- d. Discuss need for a cut-off date and immoveable asset inventory, and ideally announce the launch of LUOS 2;
- e. Propose a grievance management mechanism;
- f. Set in motion the Negotiations process and LUOS 2.

Regarding (f) above, the Company proposes that LUOS 2 take place as quickly as possible following the above Negotiations Kick-Off Meeting, and that the Negotiations process involve biweekly meetings for a period of three to four months.

Regarding the need for representatives, the Company proposes that this be the topic of discussion at the first meeting. The upside of using representatives is that the number of committee members can be reduced. The downside is that the Company has to carefully guide how representatives are selected and ensure that they remain representative over the course of the negotiations.

The Company also proposes that the Committee include a number of specific observers, such as ROC government representatives (e.g., the Ministry of Mining, Subprefect of Hinda) and civil society organizations (e.g., Church, prominent NGOs). Observers should participate in presentations and discussions, but should play no role in decision-making.

Current project design indicates that the Brine Field committee will likely cover Project Affected People economically active in the area and resident in Mengo, Boutoto and N'Singa. The Brine Field displacement zone will include all land that will be taken during years 0 -3 by the Project.

The SEP has identified the need for a Community Liaison Committee (CLC), which would be a broad-based, multi-stakeholder body that would serve as an important forum for Company stakeholder engagement activities over the life of the Project. The above Negotiations Committee could serve as the foundation for the broadly based CLC. Following compensation negotiations, the committee could be refocused and adapted – such as through the inclusion of other stakeholder groups – to address other issues (e.g. community development) across a greater geographic range. The structure and procedures can be replicated across issues

and committees to attain a tested and understandable model of participation. The Negotiations Committee could remain constituted as a subcommittee of the broader CLC. In this manner, compensation activities can continue to occur over the life of Project, and there is a dedicated forum for compensation-related discussions as one specific focus of the overall conversation between Company and community.

4.3.2 Complementary Consultation and Disclosure Activities

The Company will complement the negotiation process with a series of consultation and disclosure activities in the Project Area, which both precede and parallel negotiations. Through these activities, the Company can ensure that not just the Project Affected People but every identified stakeholder is engaged in the compensation planning in an appropriate manner.

These consultation and disclosure activities will include formal meetings, use of the Public Information Centers and Notice Boards, one-on-one stakeholder meetings, and continual informal dialogue.

The scope of these activities will vary, depending on the composition of the Negotiation Committee, as described above.

Many of these activities should take place in conjunction with broader Project-related consultation and disclosure activities, as outlined in the SEP and in the other social management plans. Forums and workshops with a broader purpose (e.g. SEP, CDP, employment planning) may be appropriate events at which to disclose Compensation Plan information, as long as the Company's team maintains suitable messaging.

Assuming that the Committee involves representatives of Project Affected People, rather than all Project Affected People, the Company will have to hold a series of formal meetings to update the broader population in the activities of the Negotiations Committees and provide opportunity for questions, discussion and input. These events will help build understanding and consensus around agreements reached by the Committee.

To ensure that the questions and opinions of under-represented or disadvantaged groups are heard and that they stay informed of the negotiations process, the Company will conduct focus group meetings and workshops specifically for such groups (e.g. youth, women, etc).

The Company will use the permanent Public Information Centers in Mengo and Pointe-Noire as focal points for informal dialogue and the dissemination of information in the communities. The centers will maintain an open door policy, and will be staffed as often as possible with personnel familiar with the compensation planning process. The Company will provide a variety of written materials (In French, and other languages as appropriate and feasible) for display and easy access at the Centers including:

- IFC Policy and Performance Standard 5 on Land Take and Involuntary Resettlement;
- Minutes from recent Negotiations Committee meetings;
- Event schedules;
- Open letters to Project Affected People regarding events and key decisions taken;
- Frequently Asked Questions Brochure;
- Public display of maps of parcels and structures in the Displacement Zones.

The Company will also establish notice boards at key locations in the affected communities, where the above materials and other notices may be posted by the company and other designated Project planning participants.

The Company will also endeavor to distribute many or all of the above materials to Project Affected People and stakeholders at meetings. Materials should be designed in a manner appropriate to the culture, and taking into consideration the low literacy rates found within the Project Area.

The Company should also continue regular meetings with community leaders (and concurrent visits with community members) and maximize such informal moments of dialogue and confidence to disclose and discuss compensation planning-related issues.

4.4 Brine Line, Water Line, and Gas Line Corridors

It is recommended that broad and inclusive consultation programs led by the Company and involving Project Affected People drive compensation planning for the Brine Line, Water Line, and Gas Line Corridors. The goal of these processes should be to validate the principles, policies, procedures, rates and schedule to structure individual compensation agreements and guide land access and Project implementation.

The principles, policies, procedures, rates and schedule developed in this manner must be consistent both with each other, as well as with those developed by the Brine Field Negotiation Committee. To achieve this aim, the Company will carefully manage all the processes with a commitment to 100% transparency, equity, fairness and consistency.

The land along the Brine Line Corridor is the private domain of the state managed by CFCO, a public corporation. No other parties may claim ownership. However, parts of the CFCO right-of-way are currently occupied by a variety of productive assets – including annual and perennial crops, and structures housing on-going businesses. It is assumed that these assets are owned by individuals and households living along the CFCO right-of-way, and this will be verified during the LUOS 2 exercise. It is anticipated that these assets will be temporarily displaced during the construction phase of the brine pipeline and electricity line. Permanent, longer term land use restrictions in the CFCO right-of-way may cause further economic displacement, in the form of foregone opportunity.

Further, the right-of-way along the Brine Line Corridor is controlled by CFCO, and not by MPC. If the economic displacement, which is currently assumed to be temporary, becomes permanent because CFCO does not allow the PAPs to re-establish their productive assets within the CFCO-controlled right-of-way, then the Project will undertake to provide appropriate compensation for permanent economic displacement as necessary.

It should be noted that the temporary economic displacement caused by the Project along the Brine Line Corridor (CFCO right-of-way) is expected to last a few weeks at most. It should be clear soon after that whether the CFCO will allow the PAPs to re-establish their productive assets, and so determine whether the economic displacement is temporary or permanent in nature.

Similarly, the footprint of the Water Line Corridor crosses two types of land tenure: The first is EFC leasehold land planted with Eucalyptus trees. This comprises the vast majority of the land in the corridor, and is considered the private domain of the State. The second form of land tenure is that held by customary landowners, mainly located at the eastern end of the Water Line Corridor footprint. Again, crops and businesses are found in this area. These assets may be permanently displaced by the construction of the water pipeline and attached service road, depending on the final Project design.

At this point in time, it is unclear if there are any assets located inside the footprint of the Gas Line Corridor. This will be known once the final footprint of the corridor is decided, and a LUOS of the area has been completed.

To initiate the consultation process, the Company will:

1. Finalize the design for all Project components and associated facilities, including the required land take for each, and the resulting scope of economic and /or physical displacement;
2. Use LUOS 1 and informal visits to identify Project Affected People, Households and Communities with assets located inside the Water Line Corridor footprints;
3. Use LUOS 2 and informal visits to identify Project Affected People and Households with assets located inside the Brine Line Corridor footprint;
4. Informal visits, and a future LUOS exercise will be used to identify Project Affected People and Households with assets located inside the Gas Line Corridor footprint;
5. Identify other key stakeholders;
6. Consult with relevant government authorities and community leaders regarding the below process;
7. Host two meetings for all identified Project Affected People, community leaders and key stakeholders, one for each of the Water Line and Brine Line Corridors at which the Company will:
 - a. Describe need for land acquisition and likely impacts;
 - b. Describe international best practices and Company's proposed approach to compensation planning;
 - c. Describe Company's proposed public consultation and Information disclosure plan;
 - d. Discuss need for a cut-off date and immoveable asset inventory, and ideally announce launch of LUOS 2;
 - e. Propose a grievance management mechanism;
 - f. Set in motion the consultation process and the LUOS 2.

Ideally, LUOS 2 activities will begin directly following the meeting and be undertaken as rapidly as possible. LUOS 2 should be undertaken in conjunction with any necessary topographic surveys.

With respect to no.6 above, the Company will provide logistical assistance such that all Project Affected People along the Brine Line Corridor – both urban and peri-urban / rural residents – can attend at least one meeting.

4.5 Overall Assessment

The final version of the Compensation Plan, produced after the end of negotiations, will include an assessment of the stakeholder engagement approach and its results.

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5. SCOPE OF DISPLACEMENT

The section below will be updated as the Project design and land take are finalized, LUOS 2 is undertaken, and participatory planning activities continue.

5.1 Efforts to Minimize the Scope and Scale of Displacement

The following efforts have already been made to minimize the scope of displacement as reflected in the Project design for each of the Displacement Zones:

1. Plant Site and Brine Field
 - a. Land take is largely restricted to the EFC plantation leasehold lands, although some crops, fields and secondary forest areas will be affected;
 - b. The layout of the Plant Site and the Brine Field is designed to avoid villages, so as to not require any physical displacement;
 - c. The layout also avoids cultivated areas as much as possible so as to minimize economic displacement;
 - d. Aside from the Plant Site and some linear surface infrastructure (*i.e.*, roads, pipelines), the economic displacement will be temporary in nature (except for those fruit trees which had to be cut down), with access to the affected agricultural fields restored to the previous owners and users after 4 to 5 years; (*i.e.*, between 4 and 5 years);
 - e. Under the current design, access to land in the Brine Field will be unrestricted. Only the Plant Site will be fenced-off and access restricted;
 - f. The Company is investigating a compensation process whereby land take and corresponding impacts -- and related compensation -- will be phased sequentially over the life of the Project, as some areas are not required for use until 15 years after construction has finished, *i.e.* up to 18 years from now;
 - g. The construction and operation of platforms, roads, and pipelines is designed to affect only 30 % - 40 % of all the lands within the Brine Fields.
2. Water Line Corridor
 - a. Land take is largely restricted to the EFC plantation leasehold lands, although some fields and secondary forest will be affected;
 - b. The Water Line Corridor is designed to avoid settlement areas, most notably Tchiniambi Débarcadaire, so as to avoid any physical displacement;
 - c. The Water Line Corridor is also designed to avoid cultivated areas as much as possible so as to minimize economic displacement;

- d. The Company will use rapid, labor-intensive construction methods where feasible to limit disturbance and maximize community benefits as much as possible;
 - e. The majority of the Water Line Corridor footprint falls within plantation land under the EFC leasehold. However, that part of the footprint that falls outside the EFC leasehold lands will result in permanent loss of access to some land due to the nature of the Project installations to be built on them – including the buried pipeline, service road and other associated infrastructure.
3. Brine Line Corridor
- a. By staying within the CFCO right-of-way, proposed Project infrastructure (brine line and electricity line) will have little impact on formal land use activities;
 - b. Land take is designed to minimize the impact on informal activities within the CFCO right-of-way as much as possible by routing the brine pipeline to avoid walking paths, businesses, and crops to the extent possible;
 - c. Land take is largely temporary in nature (*i.e.*, less than one week) in that the Company will restore the land surface to its' former contours as soon as possible once the pipeline is installed;
 - d. Depending upon the specific type of brine pipeline installed, the Company may be required to impose some long-term land use restrictions on users of the land within the CFCO right-of-way for technical reasons;
 - e. Company intends on using rapid, labor-intensive construction methods to limit disturbance and maximize community benefit.
4. Gas Line Corridor – TBD.

5.2 Impacts on Households

In this section, the Company will identify the total number of Project Affected Households, broken down by Displacement Zone, and describe the nature and severity of the impact.

Impacts on households typically include loss of crops (annual and perennial), lands, structures and businesses. At this point in time, it is anticipated that impacts to households will be limited to the loss of crops, lands and businesses.

The Company does not foresee requiring land currently used for residential purposes (*i.e.* physical displacement). That said, the Project designs will need to be

updated through the participatory planning period and in advance of land take and construction. It is possible that residences may be affected, including speculative structures that do not exist today.

Currently, the only group of affected households are those that possess some form of ownership or use rights to assets located in one of the four Displacement Zones. These households will be economically displaced by the Project, in most cases temporarily, and will be eligible for compensation.

5.3 Impacts on Public Access

In this section, impacts on public access will be identified, divided by Displacement Zone.

The Company will temporarily displace public access along the Brine Line and Water Line Corridors during Project construction. In both cases, the Company will ensure that adequate alternative access is provided during the construction period.

The Company will design and build crossing points and roundabouts to mitigate any impacts due to the increase in traffic along the national highway, as well as Project vehicles crossing the national highway to get from one part of the Brine Field to the other.

The Company does not intend to affect public access through the brine field. Existing trail systems and forest tracks will be unaffected, with the exception of any that might have to be re-routed around the Plant Site (the only fenced-off, restricted access area). At times, however, users will have to cross Project infrastructure, including roads and pipelines. The pipelines have a maximum height of 30" (75cm) above grade and will not pose a barrier to most foot traffic. Regardless, the Company will provide regular crossing points, complete with steps, to facilitate continued foot traffic.

5.4 Impacts on Cultural Heritage

In this section, any impacts on cultural heritage sites located in any of the Displacement Zones will be identified.

5.5 Impacts on Communities

In this section, impacts on communities, including loss of communal assets, such as commons, will be identified.

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6. COMPENSATION FRAMEWORK

6.1 Strategy

The Compensation Framework specifies all forms of asset ownership or use rights among the population affected by the Project, and the Project's strategy for compensating them for the partial or complete loss of assets or access to those assets. It includes the following: guidelines for compensation from the RoC and the compensation principles from the IFC; the methodology that the Project will use to determine values and compensation rates; the types and levels of compensation to be paid; eligibility criteria to receive compensation and/or other assistance, or to benefit from other Project sponsored activities – *i.e.* the Community Development Plan.

6.2 Objectives

Objectives of the Compensation Framework that the Company will put forward for discussion with Project Affected Peoples include:

1. Facilitate the timely construction and operation of the Project;
2. Conduct a transparent, informed and consensual compensation planning and implementation process in keeping with RoC national law and international best practice;
3. Provide fair and timely compensation and assistance to Project-Affected Persons;
4. Provide compensation and assistance for loss of assets at full replacement cost;
5. Ensure that lack of legal title to land is not a bar to compensation eligibility;
6. Restore and improve the livelihoods and welfare of Project Affected Peoples, Households and Communities such that they are equal to or better off than before displacement.

6.3 Legal Basis

The legal basis for compensation negotiations and agreements include the following:

1. An individual's right to private property and ownership;
2. Customary rights to land;
3. The Government's right to expropriate for matters of public interest;
4. The Company's concession, including land use rights and obligations for compensation.

6.4 Eligibility

Once completed, this section will summarize the eligibility policy defined for the four Displacement Zones and provide an overview of activities undertaken to implement it.

In the current draft, some very preliminary suggestions for the Company to consider have been included.

6.4.1 Eligibility Policy

Project Affected People are eligible for compensation if they have a “legitimate interest” in immovable assets in any of the four Displacement Zones that were in place (*i.e.*, planted or constructed) prior to the entitlement cut-off date.

The Company observes that a “legitimate interest” is not synonymous with ownership. Project Affected People with no recognizable legal right or claim to the assets they are occupying or using are considered eligible for compensation and assistance to the extent that their means of livelihood is disrupted by the Project during the construction and/or operational phase – whether such disruption is temporary or permanent.

Cut-Off Dates

An entitlement cut-off date is necessary to define assets – and persons / households – eligible for compensation and to provide an empirically adequate and legal base to limit speculative activity in the Displacement Zones. (*i.e.* to prove ineligibility).

In practice, the entitlement cut-off date is the date on which the survey teams administer the census and inventory assets for a particular household. Accordingly, the cut-off date will have to be coordinated with the launch of LUOS 2 when eligible assets will be recorded as the Displacement Zones are surveyed.

Imposition of a cut-off date is considered an impact on Project Affected Households, as it effectively freezes these households until such time as the Compensation Plan is implemented. As a result, roll-out of a cut-off date needs to be undertaken following consultation with Project Affected Households. In practice, this means that the Company needs to discuss the need for a cut-off date, the legal foundation for the same, and the survey methodology with those affected ahead of time -- even if just hours ahead of time. The Company will consider arranging for aerial imagery and/or ground level digital photography to be taken of each Displacement Zone as appropriate, as quickly as possible following the announcement of the cut-off date.

The Company proposes a rolling cut-off date within the Brine Field, meaning that at a set time each year (over each 2-3 years as most appropriate) the Company, in consultation with Project Affected People (as represented by the Negotiating Committee), imposes a cut-off date and surveys immovable assets affected by that year's land take needs.

Speculation will be controlled, it is believed, through a combination of the following factors:

1. Uncertainty regarding the actual land take required -- as noted earlier only 40 % of land in the Brine Field will be actually be affected over a 20 years Project life;
2. Dominance of the EFC Eucalyptus Plantation -- as noted above, the vast majority of land in the Brine Field is a eucalyptus plantation under the management of EFC. The In-Migration and Speculation Management Plan has identified a number of ways for EFC to assert better control and management of lands covered in their Long Leasehold Agreement;
3. Close working relationship with Project Area communities -- the Company will work closely with Project Area communities over the life of Project, including two multi-stakeholder bodies – the Community Liaison Committee and the Compensation Negotiation Committee. The Company will ensure that Speculation management and control will be an important and regular discussion topic;
4. Legal right to monitor and control land use within the Project concession -- The PIA provides the Company with the right to secure the Mining, Industrial and Port Zones by installing barriers or any other security equipment which is deemed adequate by the Operating Company in compliance with the RoC legislation and to limit their access by Third Parties (article 17.7.11). It is further anticipated that the Company will allow a certain amount of "natural" land use activities, but will assert its rights to control speculative activities within the Project concession in consultation with village authorities.

The above notwithstanding, it is suggested that the Company should define now exactly where its infrastructure will cross the national highway, and begin to assert this right-of-way as soon as possible.

Immovable Assets

Immovable assets typically comprise:

- Crops – both annual and perennial;
- Land – cultivated land, grazing land, fallow land, residential plots, and other land that plays a vital role in other livelihood activities;

- Structures – household residential structures (for living, sleeping, cooking, storing of personal effects) and non-residential structures (wells, animal pens, fences, etc), as well as social/communal/public buildings (schools, churches, markets, health centers, etc);
- Access – all government recognized roads and mapped footpaths;
- Water -- all surface and sub-surface sources of water that are used at the household level (drinking, cooking, washing, laundry, etc), for irrigating agricultural fields, for watering animals, for fishing, or other activities (salt extraction, etc);
- Businesses - identifiable, place-specific commercial enterprises;
- Ceremonial Sites – places with ritual significance, including natural features.

Immoveable assets that are in place as of the entitlement cut-off date should be classified as:

- Completed immoveable assets – assets that are fully planted or constructed as of the entitlement cut-off date;
- Incomplete immoveable assets – assets that are only partially planted or constructed as of the entitlement cut-off date;
- Speculative immoveable assets – those structures built a certain period prior to (or after) the asset survey with the express purpose of claiming rights to compensation.

Whether assets are deemed to be "speculative" in nature depends upon the information which is available to the Company, and whether Project Affected People will permit this distinction. If approved, the Company will use data from the first LUOS to identify those assets have been developed since December 2007, and try and make a determination if the asset is purely speculative in nature, or serves a function within the household.

Immoveable assets that were constructed or planted after the entitlement cut-off date will not be eligible for compensation. A grievance management mechanism will be instituted to resolve disputes concerning compensation eligibility (see Section 9).

Within a household, the "legitimate interest" in immoveable assets is usually held by the Head of Household (HOH) and/or his/her spouse(s). By tradition and law, the HOH is typically the husband. When either spouse dies, a judicial process follows to identify heirs and transfer legal rights and responsibilities to them.

6.4.2 Survey Implementation (LUOS 1 & 2)

An initial Land Use and Occupation Survey (LUOS 1) was conducted in several communities located in the Project Area that had assets located in one of the Displacement Zones. LUOS 1 was conducted in Nov/Dec, 2007. LUOS 2, to be completed in April/May, 2009 will validate and complement the information collected during LUOS 1.

LUOS 2 will be carried out in each Displacement Zone, except for the Gas Line Corridor which will be completed at a later date, starting on the agreed entitlement cut-off date following public consultation with the appropriate affected communities. Survey teams will include Company representatives, Government representatives, and Community representatives, as well as the professional surveyors.

The LUOS survey teams will complete a comprehensive census and immovable asset inventory for all of the Project Affected Households with assets located inside the various Displacement Zones. A Livelihood Survey will be completed with a representative sample of households living in the communities most affected by the Project.

The survey teams will be responsible for signing off and certifying the completed survey, along with the HOH, and representatives from the RoC and the community.

While in the field, the Company, Government and Community representatives working with the survey teams will determine and certify whether a given immovable asset (structure) was complete, incomplete or purely speculative in nature.

6.5 Entitlements

The following is a preliminary entitlement matrix outlining potential compensation for each impact identified in Section 6 above.

The Company has yet to confirm the exact legal mechanism (*i.e.*, contractual arrangement) required for implementation of the Compensation Plan.

6.5.1 Loss of Crops

The Company will provide cash compensation at agreed compensation rates for all damaged or destroyed annual and/or perennial crops located within the Displacement Zones, and that were in place prior to the official cut-off date.

Depending upon the amounts involved, cash compensation can be structured as either as a one-time, lump-sum payment; or as a series of payments paid out over several years. In the case of perennial crops, it is preferable for compensation to be paid out over a number of years to bridge the gap between losing a productive asset, and the time it takes for that asset to be re-established. In any case, a Definitive Compensation Agreement will be negotiated, concluded, and signed by the affected person (household) and the Company (with witnesses from the RoC and the Community) before a given household loses (access to) a given asset.

The only identified piece of Congolese legislation that governs the paying of compensation for lost and damaged crops is Decree 86/970 dated September 27, 1986. This decree was promulgated in 1989, and there is no official mechanism scheduled to update the compensation rates listed in the decree. It is unclear what methodology and standard the RoC followed in arriving at these rates.

The IFC requires that compensation rates be set to a standard of "full replacement cost"; and that "full replacement cost" compensation rates be arrived at in a transparent way that includes consultation with project affected persons, households, and communities. To fulfill this requirement for crops, the Company will undertake a series of market price surveys to determine the market value of the various agricultural crops – annual and perennial – that are grown in the Displacement Zones. In addition, the Company will determine, in a collaborative and transparent way, values for the other variables that go into the formula for determining proposed compensation rates. Some of these other variables include the life cycle of each variety of tree, the yield per tree or per hectare of different agricultural products, and the value of labor expended in replacing the asset (clearing a field of brush, digging a hole and transplanting a tree, building a fence, etc).

Given that the IFC requirements for compensation go beyond what is required by the RoC, it will be necessary to produce a strategy document that lays out the ways in which the Project and the RoC agree to "bridge" the gap in terms of compensation requirements.

Compensation for damaged or destroyed crops will be paid to all affected persons regardless of the status of their land tenure over the field(s) where the crops were located. The responsibility will be upon the Company to make a best and good faith effort to identify all persons entitled to compensation as full or part owners of damaged and destroyed crops.

To the extent possible, the Company will make a reasonable effort to provide crop owners the opportunity to salvage (harvest or transplant) their crops prior to being damaged or destroyed.

The Company will not provide any cash or other compensation consideration to any person or household for any destroyed or damaged crops located in any of the Displacement Zones, where such crops were deemed to have been planted after the entitlement cut-off date.

6.5.2 Loss of Land

For Landowners

Landowners are defined as those who have formal legal rights to the land they occupy, as well as those who do not have formal legal rights to land, but have a claim to land that is recognized or recognizable under the national laws (e.g., customary landowners). The company is unaware of any third party that has formal legal rights to any land within the Displacement Zones.

Within the Eucalyptus Plantation

Preliminary research indicates that customary landowners were compensated in some fashion when the eucalyptus plantation was first established. This is a critical point, and needs more careful documentation. Key questions include "compensated for what and for how long?"

If the above is true and those compensated understood that they were ceding their ownership rights, then the Government is within their right to claim, as they do, to be the "owner of the land on which the Forest Massif is planted." In this case, the Company will only have to provide cash compensation to the Government at agreed replacement rates for all Project impacts to lands within the EFC Leasehold -- *i.e.*, in the eucalyptus plantation.

If the above is not true, then the Company will have to consider the possibility that they will have to provide compensation to the customary landowners for all land acquisition related to the Project – including those lands located within the EFC eucalyptus plantation leasehold. Such compensation will have to take into account both permanent and temporary economic displacement. Assuming that the areas within the eucalyptus plantation have not been an active part of household livelihood formation for many years, it is suggested that such compensation could take the following forms:

1. Cash compensation, conceived of -- as above -- a kind of "annual rent" of required lands;
2. In-kind compensation, of a nature and type that benefits the communities with the Project Area.

This compensation would likely be in addition to that potentially owed to the Government as it is unlikely that the Government will recognize the rights of customary landowners in this manner.

Proposed compensation rates for land will be determined, in part, by a study of formal and informal land transfers completed in and around the Project Area, including an analysis of the amount paid by the "buyer" to the "seller".

Outside of the Eucalyptus Plantation

Outside of the eucalyptus plantation, the Company will have to provide compensation to affected landholders at agreed replacement rates for all Project impacts on land in the Displacement Zones. Compensation may be paid in-kind or in cash, and can be conceived of -- as above -- a kind of "rent" of required lands.

Compensation rates will be defined, in part, by a study of replacement values for rural land in the Displacement Zones.

Land compensation will be paid to the recognized "owner" of the land regardless of which land tenure regime is applicable to specific parcels of land. The Company will make a good faith, best effort attempt to identify all stakeholders with a legitimate interest in the land – including renters, sharecroppers and caretakers – and see that they each receive fair compensation.

Given that these areas (e.g., fields, secondary forest) have been largely incorporated into household livelihood activities, the Company will, wherever possible, provide in-kind rather than monetary compensation – including identifying alternative rural agricultural land that will be made available to the affected households during the time that access is restricted to productive, agricultural land located in the various Displacement Zones.

Following the end of Project-related activities, and before unrestricted access to the land is once again allowed, the Company is committed to undertake rehabilitation interventions designed to restore the fertility of the soil before it is returned to affected households.

For Occupants

The Company will provide access to alternative rural lands for the period of displacement by facilitating agreement with a landholder, such that Project Affected Households will be offered other parcels of land of equal or greater productive capacity on which they can continue their land use activities.

For Residential Use

The company will provide alternative land for residential use.

6.5.3 Loss of Structures

It is not anticipated that any residential structures will be damaged or destroyed by the Project. However, the damage or destruction (or moving) of some small commercial structures along the Brine Line Corridor may be unavoidable. Should physical displacement of these businesses become necessary as a result, the Company is committed to providing compensation that fully conforms to IFC guidelines, and will complete a Resettlement Action Plan as required by the IFC.

Any other structures that may be damaged or destroyed during the construction and/or operational phases of the Project will be compensated at full replacement value as per IFC guidelines.

6.5.4 Loss of Business

For business activities, the Company will provide compensation in cash for any impacts to net profits, as well as temporary relocation assistance.

Compensation should equal the loss to net profits during the time of Project disturbance. In the Brine Line Corridor, this could be for a matter of days.

6.5.5 Loss of Public Access

Loss of public access will be dealt with on a case-by-case basis to provide sufficient and safe alternative access.

6.5.6 Loss of Cultural Heritage

The Company will work with relevant traditional authorities to manage the relocation of ceremonial sites and other cultural heritage features as required.

The Company anticipates that such collaboration will likely entail in-kind assistance and the payment of a small fee.

6.5.7 Miscellaneous Rights and Allowances

In addition to the above entitlements, the Company will provide the following miscellaneous rights and allowances to Project Affected People:

- Displacement Allowance -- Project Affected Households are entitled to a one-time cash allowance to cover some of the hidden costs associated with economic displacement;
- Transportation Allowance -- Company will assist Project Affected Households with a transportation allowance to facilitate transport of moveable assets from the Displacement Zones;
- Right of Salvage -- Company will provide all Project Affected Households with the opportunity to salvage their immovable assets, prior to destruction as much as practical;
- Community Development Plan -- all Project Affected Households are eligible to participate in the Community Development Program outlined in Section 8, including a money management course, designed to encourage savings and wise investment of cash compensation benefits;

6.5.8 Purchasing Power

Given the phased nature of Project construction and the associated land take, the Project will not need to displace some households in the Brine Field until several years after the Compensation Plan is approved, adopted, and implemented. Final compensation rates for crops established as a result of a combination of market valuation studies and negotiations with stakeholders in 2009, may no longer be considered appropriate compensation rates in five or ten years and beyond.

However, recalculating, and possibly increasing the compensation rates in later years may cause problems with those project affected persons and households that have already received compensation in the early years based on lower compensation rates. This also becomes an issue for persons who have opted for a multi-year payout schedule for their compensation. To avoid this problem, the same compensation rates should be used throughout the duration of the project, and applied uniformly to all assets for all Project affected persons and households.

One way to do this is to convert the approved and adopted compensation rates to a hard currency (U.S. Dollars or Euros) to protect their purchasing power. Then, each

time a compensation installment payment is due, the appropriate compensation rate in hard currency is converted back into local currency at the then current exchange rate. While the compensation rate for an adult non-grafted mango may fluctuate in local currency from year to year, it remains stable in the hard currency year after year. To protect the PAPs against a sudden rise in the value of the local currency, or a collapse in the value of the hard currency (which amounts to the same thing) the Company may have to make a provision that the compensation rates in local currency terms may go up, but will not go down. In other words, the company should agree to make up any short-fall should the local currency rise in value against the hard currency. This is a price the Company should be willing to pay for being able to quantify their compensation liability in hard currency terms for several years into the future.

Using an inflation rate to adjust the compensation rates, as opposed to linking them to a hard currency, is not advisable for several reasons:

- Inflation rates are generally more easily manipulated than foreign exchange rates;
- Many different institutions calculate inflation rates – the World Bank, the Congolese Central Bank, the African Development Bank - leaving the question of who's to use;
- It is sometimes difficult to ascertain the methodology used by different institutions in calculating inflation rates – which basket of items were tracked, how often were the prices checked, which markets were checked, were imported items included, were manufactured items included, etc.

Whatever mechanism is decided upon for protecting the PAPs purchasing power over time, it will have to be presented to, explained, and approved by the Negotiating Committees, as well as by the RoC, before it is implemented.

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7. COMMUNITY DEVELOPMENT PLAN

The goal of the Community Development Plan is to help Project Affected Households improve their overall quality of life.

In addition to this program, Project Affected People will be eligible for a number of other Project-related benefits, including preferential access to appropriate employment possibilities as per the Company's policy regarding local employment, and the Community Development Plan.

Potential programs to be form part of, and complement, the overall Compensation Plan include:

- Community organization and mobilization;
- Adult literacy and numeracy classes;
- Improved educational opportunities for children in the Project Area;
- Training for skilled and unskilled labor;
- Training in money management and micro-enterprise start-up;
- Preferential hiring by the Project for PAPs;
- Improvement of land-based livelihoods;
- Access to microfinance;
- Training for Agricultural Cooperatives.

More detailed definition of these measures will occur through participatory planning activities involving key stakeholders, as part of the consultative development process of elaborating the final Compensation Plan.

Land that was formerly held by local landowners will be returned to the landowner under conditions described in Section 6.

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8. ASSISTANCE TO VULNERABLE PERSONS AND GROUPS

International experience with land acquisition and compensation indicates that the main risks leading to impoverishment as a direct result of economic displacement are:

- Landlessness – irreplaceable loss of land assets;
- Joblessness – loss of access workplaces or resources - forests, fishing grounds, etc;
- Loss of access to productive communal property and the products derived there from;
- Food insecurity - as a result of loss of, or access to productive assets (lands, fishing grounds, etc);
- Marginalization – loss of economic power and social standing resulting in decline in socio-economic status stemming from loss of productive assets;
- Social disarticulation – loss of social capital resulting from being cut off from extended tribal, ethnic, cultural, religious, age, and/or professional groups or associations – especially those that may be tied to a specific physical place to which access is lost;
- Increased morbidity and mortality manifested as a result of declining living standards resulting from a combination of the above.

The reality is that when physical and/or economic displacement occurs, several of the above risk factors - such as loss of land, employment, and/or deteriorating social structures, etc – come into play simultaneously, thereby reinforcing and exacerbating their impact. Any one of these risk factors can usually be dealt with effectively in isolation. However, when occurring together, the cumulative impact is often the creation of a level of seemingly intractable poverty – as verified through declining social and economic indicators – that is worse than existed among the PAPs prior to the implementation of Project activities.

For the purposes of the Compensation Plan, "vulnerable" persons are defined as persons, households, and/or communities who by virtue of gender, ethnicity, physical or mental disability, economic disadvantage, religious minority, livelihood activity, and/or social status may be more adversely affected by economic or physical displacement than others, and who may be limited in their ability to claim or take advantage of compensation related benefits and assistance.

The Company will undertake a participatory Vulnerable Persons Needs Assessment to confirm community concepts of vulnerability. However, initial interviews with Congolese suggest, and Project experience confirms, that the following groups may be identified as "vulnerable":

- Elderly persons;
- Widows and widowers, especially if with children;
- Households led by children;
- Persons with mental or physical disabilities and/or of chronic ill health;
- Persons whose incomes are insufficient for them to manage their situation after displacement (*i.e.* to manage the costs incurred from preparing new fields or businesses);
- Illiterate and/or semi-illiterate persons who will have difficulty accessing Project programs; targeting PAPs and designed to assist PAPs develop marketable skills;
- Female or young heads of households;
- Tenant/sharecropping households, who have no ownership rights to structures, lands or crops.

Future versions of the Compensation Plan will include:

- A Household-level vulnerability monitoring program to regularly measure certain socio-economic indicators condition of compensated households to identify ongoing impacts of displacement. This should be included as part of the on-going monitoring and Evaluation process;
- Specific measures that will aid vulnerable groups in salvaging and moving assets; preparing new agricultural fields, gardens and businesses; and in coping generally with displacement;
- Measures that ensure vulnerable groups understand the compensation process, procedures and documents, and ensure they have access to adequate identity documents.

9. GRIEVANCE MANAGEMENT

9.1 Strategy

The Company is in the process of devising and implementing a mechanism to receive and address concerns and grievances from the stakeholders in a transparent, constructive, timely, and culturally appropriate manner.

The primary objectives for the Grievance Management Mechanism are to:

1. Provide a mechanism to effectively address complaints scaled to project needs;
2. Effectively publish and communicate the mechanism to affected parties;
3. Provide a multi stakeholder forum to address grievances;
4. Make it accessible with no hidden costs;
5. Allow for confidentiality;
6. Provide quick response times;
7. Keep good records;
8. Fully respect aggrieved persons' human and legal rights.

Grievances relating to compensation planning and implementation activities are common. In particular, aggrieved parties may dispute decisions regarding their eligibility for compensation, the size/quantity of their assets as recorded during the affected assets survey, their land tenure status (titled owner, customary owner, renter or squatter) and the boundaries of their fields.

The Company will discuss the mechanism proposed below - including procedures, principles, participants, etc. – with Project Affected Peoples, and agree upon a mechanism specific to compensation-related activities.

9.2 Proposed Grievance Management Mechanism

The Company recognizes the need to provide an inexpensive, easily accessible and effective mechanism for the presentation and resolution of questions, concerns, complaints, grievances and disputes regarding the Compensation Plan by Project stakeholders.

Such a mechanism does not negate the legal right of stakeholders to refer their claims and grievances to the formal court system if they so wish. Nonetheless, such formal judicial processes would not always be required if an alternative, extrajudicial

and amicable process were available, especially for the purpose of providing additional/specific information, correcting errors and omissions and, of course, finding adequate solutions for justified grievances.

Using this logic, the Company has developed a grievance management system, which comprises four mechanisms that can be accessed by any stakeholder eligible for compensation at any time.

9.2.1 First Order Grievance Resolution Mechanism

The first order mechanism comprises an informal resolution process. Informal resolution of grievances and disputes will often occur when a stakeholder brings forward his/her concern for discussion in one of three forums: one-on-one meetings with the representatives of the Negotiations Committee; one-on-one meetings with representatives of the Community Relations team; or group consultation meetings or forums that take place as part of compensation planning activities.

With respect to the first, the Company believes stakeholders will most commonly approach the nearest members of the Negotiations Committee or Company staff member with verbal questions, requests and claims. On other projects, this informal resolution process by a Company's front line workers and community partners has proven to be very helpful for the simple and swift resolution of most requests and claims.

With respect to the second, stakeholders are also free to visit the Public Information Centers, which are staffed by Community Relations team members on a part-time basis. This opportunity allows for individuals to ask different Community Relations members for additional information and help in understanding the process. These requests and claims are considered informal as they are resolved quickly and do not need to be documented for further processing.

With respect to the third, stakeholders have extensive opportunity to participate in public meetings, focus groups and other consultation forums at which they can raise specific concerns and questions. Where appropriate, these concerns and questions are recorded by the Community Relations team and introduced to the formal resolution process (described below). Most of these concerns and questions, however, are satisfied in the meetings and there is no need for further processing.

The vast majority of queries, complaints and grievances are heard and resolved within these informal interactions. Satisfaction with the informal resolution or agreement on the part of the complainant is confirmed by the complainant's

continued participation in the compensation planning process and / or their decision to not refer the issue to the formal grievance resolution mechanism described below. If the informal process does not resolve the issue, complainants are urged to make use of any of the formal grievance resolution mechanism presented in this chapter.

9.2.2 Second Order Grievance Resolution Mechanism

The second order mechanism will comprise a formal, yet hopefully amicable grievance resolution process. Specifically, it will involve the management of substantive and / or written comments and concerns that are presented to the Community Relations team for documentation and recording.

Importantly, there is no obligation for stakeholders to proceed through the first order mechanism to get to the second one, although the Company expects that most cases will be referred onwards by Community Relations team members themselves that have analyzed the claim and have not been able to produce a satisfactory response to the petitioner.

For all such petitions, the Community Relations team will maintain a detailed written record. The Company expects that the petitions will be presented in one of three ways: directly and in person, through intermediaries (e.g., village presidents), or through drop boxes.

The Community Relations team will respond to all second order grievances as soon as possible. Typically, the Community Relations staff that receives the grievance will make note of it in their weekly report to the Community Liaison Manager, including suggestions regarding its resolution. The Manager in turn will work with the appropriate individual / department within the Company to provide a response. The legal department will follow up with official responses and request additional input from claimants when necessary. Responses often include a settlement proposal, with the exception of complex cases where additional investigation or involvement of third parties is required.

The complaint will be responded to in writing within a maximum of one month time, although preferentially it will be resolved earlier.

When needed, Company staff will seek advice and, where appropriate, intervention of other stakeholders, including traditional authorities and members of the village council, to assist in attaining a resolution.

When the Community Relations team – with due process within the Company – cannot resolve the matter or where more complex issues require higher level decision-making, grievances are to be submitted to the Negotiations Committees.

9.2.3 Third Order Grievance Resolution Mechanism

The third order mechanism comprises another formal, amicable resolution process. Specifically, it involves the presentation of grievances to a multi-stakeholder forum for resolution. For the Brine Field, this forum would be the Negotiations Committee itself. For the Water Line, Brine Line, and Gas Line Corridors, it has not yet been determined which body would be the most appropriate to deal with grievances.

The Company expects that these committees, with broad local representation, will serve as an important and trusted arbiter in grievance cases.

Depending on the urgency of the grievance issue, such Committees may be convened specifically to deal with that issue. However, the Negotiations Committees will likely meet with sufficiently regularity to address the issue.

The decision will be documented in the meeting minutes and a written response will be provided to the aggrieved person by the Committee.

9.2.4 Fourth Order Mechanism

Project stakeholders have the right under RoC law to take their grievances into the court system for resolution. While this legal recourse is available, the Company believes that such judicial processes are too expensive and lengthy for most Project stakeholders (and particularly residents of Project Area communities) to employ effectively, hence the need to facilitate extrajudicial resolutions to the extent possible (*i.e.*, the first, second and third order grievance resolution mechanisms). Nonetheless, those persons that prefer to go to court will receive all necessary information and guidance from the Community Relations team.

10. MONITORING AND EVALUATION

10.1 Strategy

Monitoring and evaluation of Compensation Plan impacts and program outcomes will enable constant development and improvements to the framework over time.

This section describes the monitoring and evaluation program to be applied during Compensation Plan implementation.

Monitoring and evaluation have the following general objectives:

1. Monitoring of specific situations arising from Plan implementation, and of compliance with objectives and methods set out in the Plan;
2. Evaluation of the mid- and long-term impacts of the Plan on affected household livelihoods, environment, local capacities, economic development, and settlement.

Following the participatory planning activities outlined above, the Company will disclose an agreed version of the Compensation Plan, and release an updated version in response to comments. This document will act as the framework for individual compensation and easement agreements. That said, the phased development of the project and the resulting displacement, demands that the Compensation Plan be treated as a “living document,” which will be revised through continued consultation, and through incorporating the findings of monitoring and evaluation activities.

10.2 Monitoring and Reporting

Monitoring will be carried out by the Company in collaboration with Project Affected People.

The purpose of monitoring is to provide the Company, Project Affected People and other stakeholders with timely and concise information that indicates whether the Compensation Plan – and other social management plans – are on track to achieve their objectives.

Monitoring will be based on a number of key performance indicators. Indicators will be in the form of:

1. Simple audit observations of done / not done, present / not present, achieved / not achieved, etc;

2. Easily measured numeric indices suitable for trend analysis;
3. Collective judgments of Project Affected People, as revealed by participative socio-economic surveys.

With regard to point no.3 above, the Company intends that a substantial proportion of monitoring will be participatory: *i.e.*, that stakeholders contribute in determining what is important to monitor, either by themselves or with Company assistance, as well as the various social and economic indicators chosen for monitoring.

The monitoring will be linked to past surveys (baseline information) but will not include monitoring of areas outside the Project Area as a control. Where important baseline information is not available but a particular subject requires monitoring, the objective will be to identify any trends that emerge, year by year.

Monitoring data will be analyzed on an ongoing basis by the Company and Project Affected People to ensure that:

1. Compensation Plan goals and objectives are being met;
2. No unforeseen Project impacts or risks have emerged;
3. Company policies, RoC requirements and international best practices are being adhered to by the Project.

Project monitoring will continue for the life of Project with technical reports completed at various times during the life of the Project, with an Annual Monitoring Report released to the public. Annual reports notwithstanding, substantial shortfalls in the attainment of objectives, unintended negative consequences, and declining trends in social and economic indicators will be brought to the attention of Company management as they become apparent.

10.3 Evaluating and Reporting

The general purpose of evaluation is to bring to the attention of the Company, Project Affected People and other key stakeholders the following:

1. Whether the Compensation Plan and other social management plans are realistic (relevant, right-sized, and likely to meet appropriate goals, by means commensurate with those goals), timely, of requisite quality, and at sensible cost; and, if this is not the case, to propose course corrections;
2. Any emergent, unforeseen, or inadequately addressed risks or problems;

3. Recommendations in the Compensation Plan and other social management plans designed to correct identified problems and/or enhance the achievement of Company and PAP goals.

Evaluation efforts should cover organizational capacity, state of the Compensation Plan and other social management plans, progress with implementation, and budget. Specific objectives of evaluation are to provide assessments of:

1. Level of compliance in implementation of individual agreements and other measures in the Compensation Plan with the conditions agreed to in the Compensation Plan itself, RoC laws and regulations, Company policies, and relevant international standards;
2. The Project's impact on the quality of life of the PAPs, and specifically the impact of compensation on economically displaced persons as measured by various social and economic indicators;
3. Actions taken as result of monitoring to improve impact of the Plans and to mitigate any negative impacts.

Compensation Plan evaluation is not primarily a paper evaluation effort. The majority of time during an evaluation mission will be spent in affected local communities observing how the affected people are faring, in terms of their livelihoods, access to land, financial situation, health, vision of the present and future, and the strength of their social structures.

The Company will also undertake a more in-depth, independent evaluation exercise at regular five-year intervals during the life of the Project, beginning in the fifth year following initiation of construction activities.

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11. ELABORATION AND IMPLEMENTATION

11.1 Elaboration Strategy

This document (the Framework Compensation Plan) provides a comprehensive outline of the Compensation Plan for the Project, as well as a work plan and budget for its elaboration and finalization over the months ahead.

The current draft will be released for review by the Lenders Group. Comments received will be incorporated as appropriate and then the Company will engage broadly with external stakeholders around the proposals contained herein, with the goal of elaborating a complete Compensation Plan.

A ten month timeline for the elaboration and finalization of the Compensation Plan is proposed, as follows:

1. Prepare Framework Compensation Plan -- November 2008 to March 2009;
2. Lenders Review -- April to May 2009;
3. Engage with Project Affected People -- April to June 2009;
4. Prepare Draft Compensation Plan -- May to August 2009;
5. Disclose Plan (30d) and Finalize -- August to September 2009.

A more detailed work plan and schedule is provided in Figure 1.

The team required to undertake this work includes a mix of Company staff and consultant staff, as follows:

1. Director of HSEC and Assistant Director General, both of whom are full-time expat employees, will participate in important engagement activities, and will provide strategic oversight of Plan elaboration
2. Compensation Project Manager, who will be a part-time expat consultant and responsible for day-to-day management of the activities outlined in Figure 1, including elaboration of the Plan itself. S/he will be assisted by --
 - a. Compensation Project Coordinator, who will be a part-time local employee and responsible for project coordination and documentation
 - b. Compensation Advisors, who will be part-time expat consultants and responsible for strategic development and document review
 - c. Agronomist, who will be a part-time local consultant and responsible for the generation of replacement values and for technical input into the Community Development Program

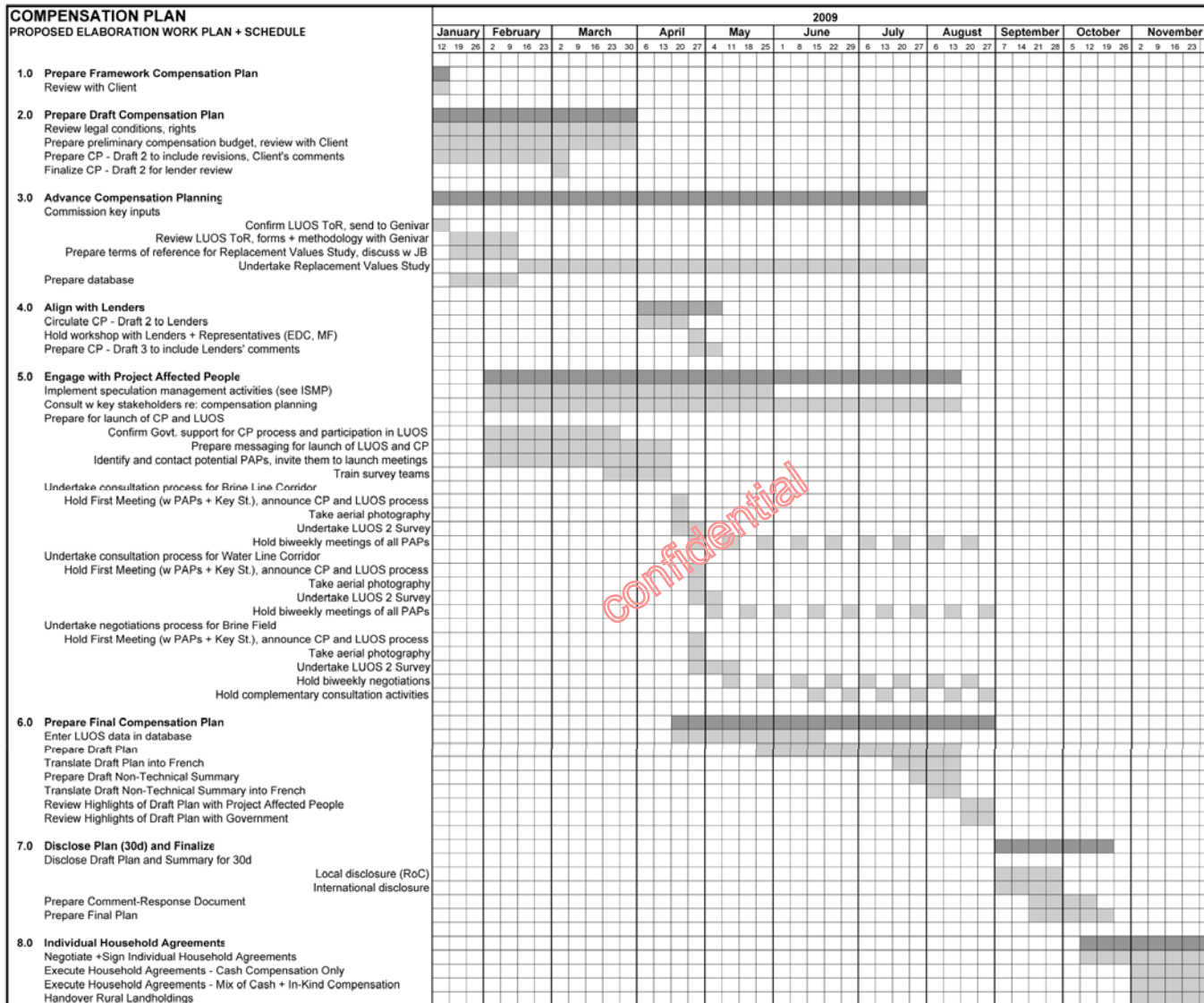


Figure 1 Elaboration Work Plan + Schedule, Framework Compensation Plan.

3. Community Development Director, who is a full-time expat employee and responsible for the overall stakeholder engagement process, including the Grievance Management Mechanism, working closely with the Project Manager. He will be assisted by --
 - a. Community Liaison Workers (n=3), who will be full-time local employees of the Company and responsible for assisting the Community Liaison Officer in the above.
4. Data Officer, who will be an expat consultant and responsible for building the Geographic Information System and overseeing the LUOS 2. S/he will be assisted by --
 - a. Programmer, who will be an expat consultant and responsible for retooling existing LUOS database to meet Compensation Plan needs;
 - b. Data Entry Clerks / Analysts (n=3), who will be local consultants and responsible for entering and analyzing LUOS 2 data;
 - c. Survey Teams, who will be local consultants and responsible for administering the census, livelihood survey and immovable asset inventory.

An overall orgchart for the External Relations Department is presented in Figure 2.

A preliminary budget for this work will be provided in Figure 3.

In an ideal world, the launch of the Negotiations Committee and participatory planning activities along the CFCO and Waterline Corridors would take place subsequent to ESIA disclosure activities. In this manner, the ESIA activities would expand the broader community's awareness of Project plans and impacts but would not provide detail specifically linked to the geographical scope of displacement or compensation planning procedures, and would thereby set the stage for compensation planning.

However, given tight Project development timelines, the launch of compensation planning activities in all three Displacement Zones will take place in parallel with ESIA disclosure activities. Furthermore, it is suggested that appropriate messaging be maintained to limit speculative activity in the Displacement Zones prior to the launch of LUOS 2.

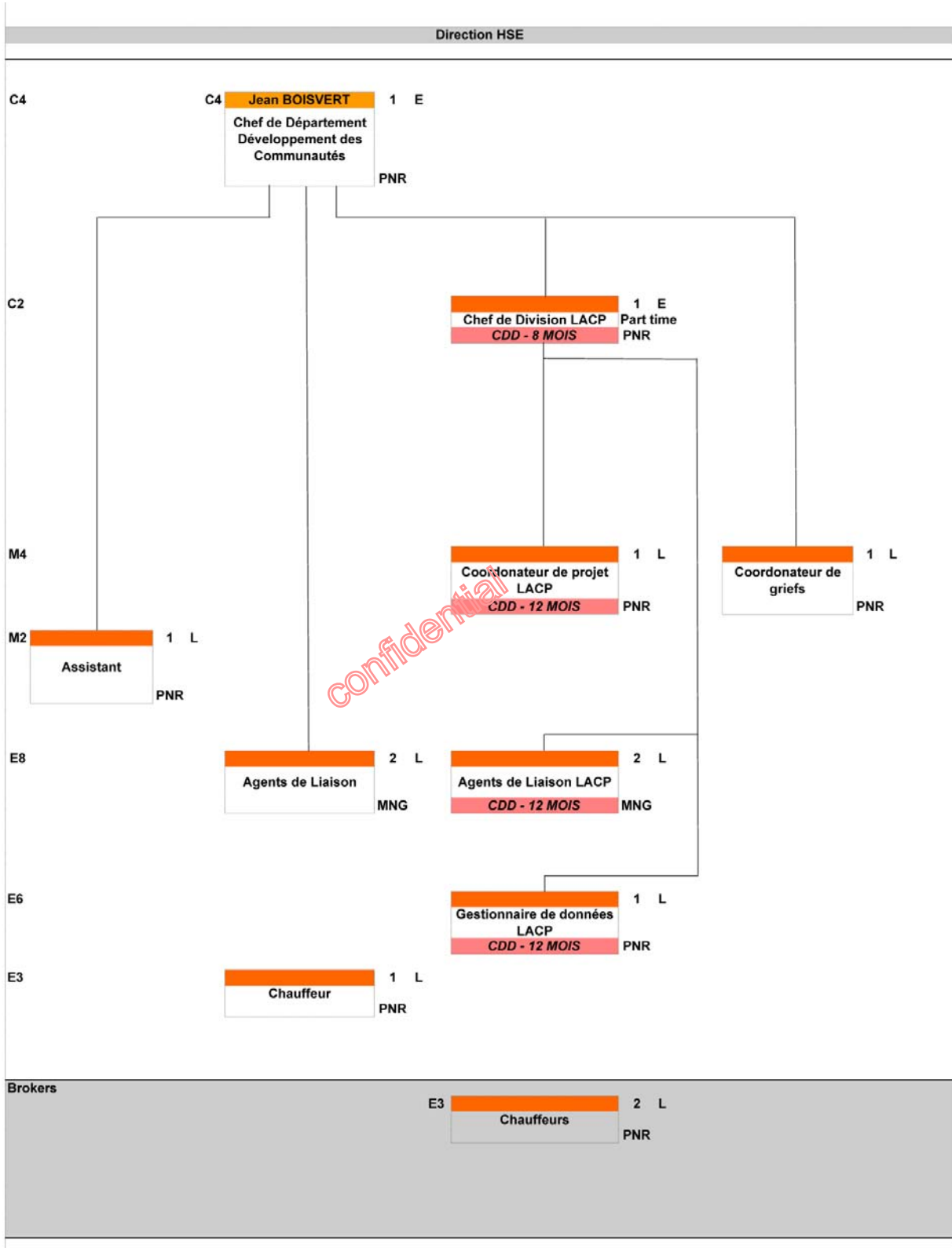


Figure 2 Organizational Chart.

DRAFT BUDGET TO END-AUGUST 2009
 COMPENSATION PLANNING
 KOUILOU PROJECT, REPUBLIC OF THE CONGO

REPLAN BUDGET

Estimated Fees	TASK DURATION		PERSONNEL				TOTAL REPLAN		
	Weeks	Days	SENIOR ADVISOR	ADVISORS	COMP. + IMS PROJECT MANAGER	GIS PROGRAMMER	DAYS	COST	
			<i>n= fielded by staff / consultant origin name daily rate (USD)</i>	1 rePlan Consultant Expatriate GB \$1,200	2 rePlan Consultant Expatriate PF, AM \$1,000	1 rePlan Consultant Expatriate JL \$1,200	1 rePlan Consultant Expatriate JW \$850		
COMPENSATION PLANNING									
1.0 Prepare Framework Compensation Plan	n/a	n/a		0	0	0	0	0	\$0
2.0 Prepare Draft Compensation Plan	12	72		2	5	8	0	15	\$17,000
3.0 Advance Compensation Planning	5	30		2	8	12	6	28	\$29,900
4.0 Align with Lenders	4	24		3	3	3	0	9	\$10,200
5.0 Engage with Project-Affected People	28	168		6	20	65	0	91	\$105,200
6.0 Prepare Final Compensation Plan	20	120		6	10	15	0	31	\$35,200
TOTAL DAYS				19	46	103	6	174	
Percentage of Available Days				11.7%	28.4%	63.6%	3.7%		
CONSULTING FEES				\$22,800	\$46,000	\$123,600	\$5,100		\$197,500
ADMINISTRATIVE FEES				\$570	\$1,150	\$3,090	\$128		\$4,938
TOTAL FEES				\$23,370	\$47,150	\$126,690	\$5,228		\$202,438
Estimated Disbursements	Unit Cost (USD) Unit								
a International Airfares	\$2,500	per flight		2	4				\$15,000
b N. American Airfares	\$1,000	per flight			2		1		\$3,000
c Travel per diems	\$250	per flight							\$2,250
d Miscellaneous	\$500	per month							\$3,500
TOTAL DISBURSEMENTS									\$23,750
Grand Total - rePlan									\$226,188

- Notes:
- 1... Flights for JL: 4 intl. flights are anticipated, 1 to cover the launch of LUOS and CP consultation, one in late March, one in May and one to conclude agreements / final preparation stage of CP document in June; plus 2 N.Am. flights, 1 to/from Toronto, 1 to/from Quebec City in advance.
 - 2... Flights for PF/AM: 2 intl. flights are anticipated for launch of CP consultation and for conclusion of agreements / final preparation stage of CP document.
 - 3... Flights for JW: 1 N.Am. flight is anticipated to/from Quebec City to guide LUOS database and GIS preparation.
 - 4... We propose that JL fly economy class on all intl. flights on the condition that MAG direct an agreed percentage (e.g. 60%) towards an agreed, relevant charity/initiative/organization. All other flights are proposed as business class tickets.
 - 5... No allowance for disbursements related to potential workshops w Genivar or the Lenders
 - 6... MAG to cover all travel related disbursements, including in-country transportation, accommodation, meals, communications, office space, as well as translation as required
 - 7... Rates quoted are exclusive of all ROC taxes
 - 8... Staff work 6dw, 10 h/d in ROC; 5 dw, 8 h/d in CAN
 - 9... Assumes that MAG counterpart staff are available to participate in planning activities, including the Comm Liaison Officer
 - 10... Administrative fees are equal to 2.5% of consulting fees

Figure 3 RePlan and MPC Preliminary Budget (in USD).

ITEM	PERSONNEL					PERSONNEL SUBTOTAL	OFFICE SUPPLIES	COMPUTERS	VEHICLES	SUPPORT FOR REPLAN PERSONNEL	TOTAL
	PC LACP	GRIEVANCE COORDINATOR	CP LIAISON WORKERS	DRIVER	LOCAL CONSULTANTS						
	MAG Staff Local Permanent	MAG Staff Local Temporary	MAG Staff Local Temporary	MAG Staff Local Permanent	MAG Staff Local Temporary						
AMOUNT	\$ 37,406	\$ 37,406	\$ 30,373	\$ 9,363	\$ 8,712	\$ 123,260	\$ 6,292	\$ 9,071	\$ 30,010	\$ 9,700	\$ 178,333

MPC Preliminary Budget through Feb, 2010

11.2 Implementation Strategy

Once the Plan has been elaborated, the Company will focus on implementation for the life of Project. Importantly, as noted above, the Compensation Plan with regard to the Brine Field will be a “living document,” which will be updated regularly, using the results of monitoring and evaluation activities.

The Company will provide sufficient management sponsorship and human and financial resources on an on-going basis to ensure effective and continuous implementation.

Once elaborated, the implementation of the Compensation Plan will be managed by the Project Coordinator.

The Project Coordinator will:

1. Be a senior manager within the Company;
2. Oversee the implementation of the Compensation Plan, as well as the In-Migration and Speculation Management Plan;
3. Serve as the bridge between Company policies, international best practices and the activities of his team with respect to the management of compensation, in-migration and speculation management activities;
4. Champion land access and control policies, procedures and issues with other divisions at the Company;
5. Set the strategic direction for the team and overseeing the day-to-day activities of all members;
6. Participate as a member of the Community Liaison Committee.

The Project Coordinator will report to the Assistant Director General of the Company.

The Company will train employees in those aspects of the Compensation Plan that are relevant to them, and, more generally, in social assessment and management, including roles and responsibilities for on-going social and environmental management and stakeholder engagement. Training programs typically have the following elements:

1. Identification of employee training needs;
2. Development of a training plan to address defined needs, including communication skills, problem solving skills, Company polices and procedures, etc;

3. Verification of compliance with training programs and organisational requirements;
4. Training of target employee groups;
5. Documentation of training received;
6. Evaluation of training received.

Training should ensure that employees have an appropriate knowledge base and skills to perform their work, including current knowledge of RoC regulatory requirements, the results of the impact assessment, the content of the Action Plans, and the methods required to perform specific activities in a competent and efficient manner.

All appropriate staff should receive sufficient training in mining, the mine life cycle and each other's areas (*i.e.*, Community, Environment and Human Resources) to ensure that communication provided by all departments is provided in appropriate formats and based on accurate information.

In addition, the following key observations are made:

1. Need to deliver compensation benefits prior to impacts may require interim agreements to be signed with particular households whose assets are "on the critical path" for Project construction;
2. Need to work closely with the Company's Legal Officer to define the actual compensation contracts;
3. Need for a long-term implementation strategy at the Brine Field to acquire land and deliver compensation benefits on an annual basis.

With respect to no.3 above, the following is suggested:

1. Company should define its land take schedule, specifying what areas and which plots will be required for each year of project development;
2. Current users in the brine field will be permitted to continue their economic activity in the brine field lands until their respective plots are required according to the Project's land take schedule, assuming that doing so poses no health, safety, or security threat from ongoing Project operations;
3. The land take schedule should be arranged such that displacement will take place once a year and should allow sufficient time for crop salvage;

4. At the conclusion of negotiations, individual agreements will be signed by households scheduled to be displaced in the first year of land take in the brine field. Compensation benefits will be delivered to households affected in the first year;
5. The Compensation Plan will include agreed-upon compensation rates for immovable assets. The Compensation Plan will also include provisions to protect the purchasing power of those eligible for compensation;
6. Should a PAP eligible for compensation sell or transfer his or her land (or part of the land) to another party after signing a Definitive Compensation Agreement, but before displacement, the conditions in the Definitive Compensation Agreement pertaining to that land will pass to the new owner;
7. All improvements to land after the LUOS and the announced official cut-off date (*i.e.* squatters without proof of purchase of title) will not be eligible for compensation;
8. Structures built on surveyed land after the LUOS and the announced, official cut-off date, will not be eligible for compensation;
9. In subsequent years, when a household's plot is scheduled to be 'taken', the Company will commission a survey of that property's dimensions and assets. Individual agreements will be signed as per the rates and policies defined in the Compensation Plan and the inventory of assets produced by the survey. This process will repeat each year for each take of land. Compensation payments will be paid to project affected peoples and households as mutually agreed to in the Definitive Compensation Agreement;
10. A Grievance Management Mechanism will respond to household grievances about the displacement schedule, Compensation Plan provisions, and other proceedings;
11. The Company has the responsibility to conduct patrols of the brine field area to discourage squatters, will liaise with Project affected communities on a regular and ongoing basis; and will communicate the approved and adopted compensation policies defined in the Compensation Plan.

Once the Company is finished using specific parcels of land for which compensation has been paid, whether during the construction and/or operational phase of the Project, the Company will explore the option of establishing a mechanism to release this land back to the affected individuals, households and/or communities. If this option is adopted, the land released by the Company will be restored to its original quality, or better. Broad consultations with all Project stakeholders will be necessary to define the exact parameters, conditions, requirements, and implementation mechanisms of such a program.