EUROPE-MONGOLIA INVESTORS FORUM,
LONDON Dec 3, 2009



Challenges and opportunities in the mining and minerals sector of Mongolia

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Advisor to Minister



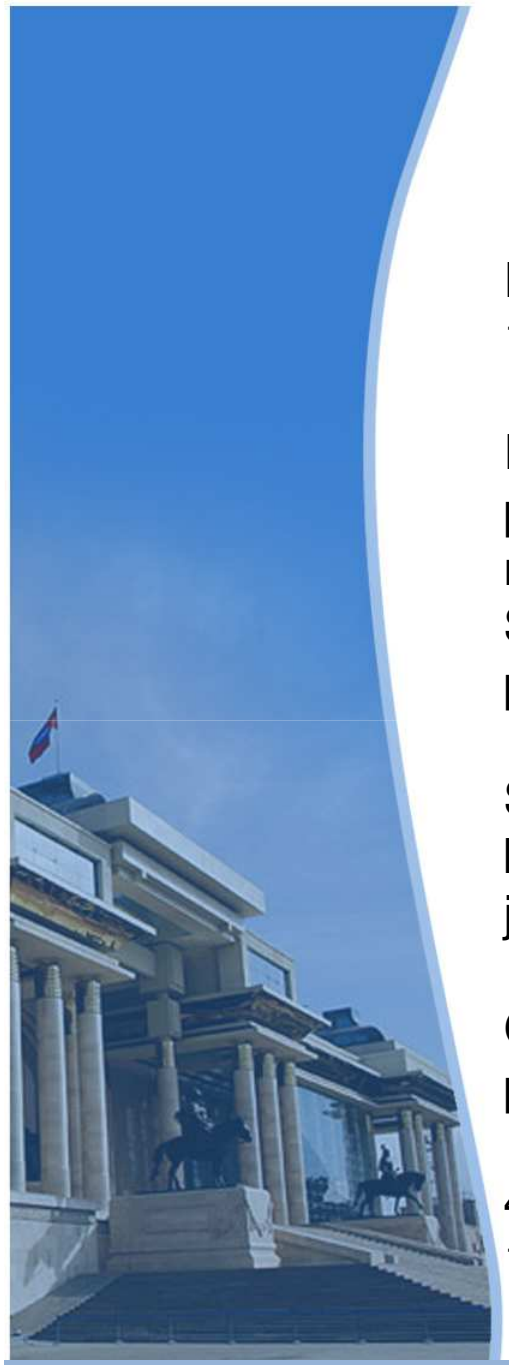
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- MONGOLIA AT A GLANCE
- MINERAL RESOURCES
- CHALLENGES
- OPPORTUNITIES
- MAJOR PROJECTS





Mongolia is a country that embraces principles of democracy and private ownership. The country has become one of the most open economies in the region, setting free government-administered prices, exchange rates, and interest rates, as well as establishing a two-tier banking system and opening doors for private initiatives.



Main political indicators

Peaceful transition to market economy and democracy in 1990, and new Constitution approved in 1992

Parliamentary democracy with popularly elected unicameral parliament consisting of 76 members elected by a simple majority for the term of 4 years and President is the head of State and National Security Council elected directly by the people

Separation of branches of power and system of checks and balances: parliament, executive government, independent judiciary

Consolidation of democracy: 5th parliamentary and 4th presidential election since transition

4 parties in the parliament, two major parties in power since 1990, coalition government since 2008

Political stability

Country	Percentile Rank (0-100)	Governance Score (-2.5 to +2.5)
CAMBODIA	28.8	-0.43
CHINA	32.2	-0.33
INDONESIA	14.9	-1.13
KAZAKHSTAN	57.7	+0.37
RUSSIA	23.1	-0.75
VIETNAM	56.3	+0.31
LAOS	42.8	0.00
MONGOLIA	68.3	+0.66
KYRGYZSTAN	15.4	-1.11
KOREA, SOUTH	62.0	+0.45

According to World Bank, 2007, indicators on political stability, measuring the perceptions that a government in power will be destabilized by unconstitutional or violent means, Mongolia offers a highly stable environment. Mongolia remains a stable, democratic country.

Doing business 2009

Rank	Doing Business 2009
Ease of Doing Business	58
Starting a Business	59
Dealing with Construction Permits	103
Employing Workers	71
Registering Property	20
Getting Credit	68
Protecting Investors	24
Paying taxes	79
Trading Across Borders	156
Enforcing Contracts	38
Closing a Business	108



ECONOMY

During Soviet period(1921-1990), Mongolia was heavily dependent on Soviet subsidies so suffered massive deprivation in the first years of democratic independence.(1990-1993)

Structural reforms and privatization has increased agricultural production, trading and services.

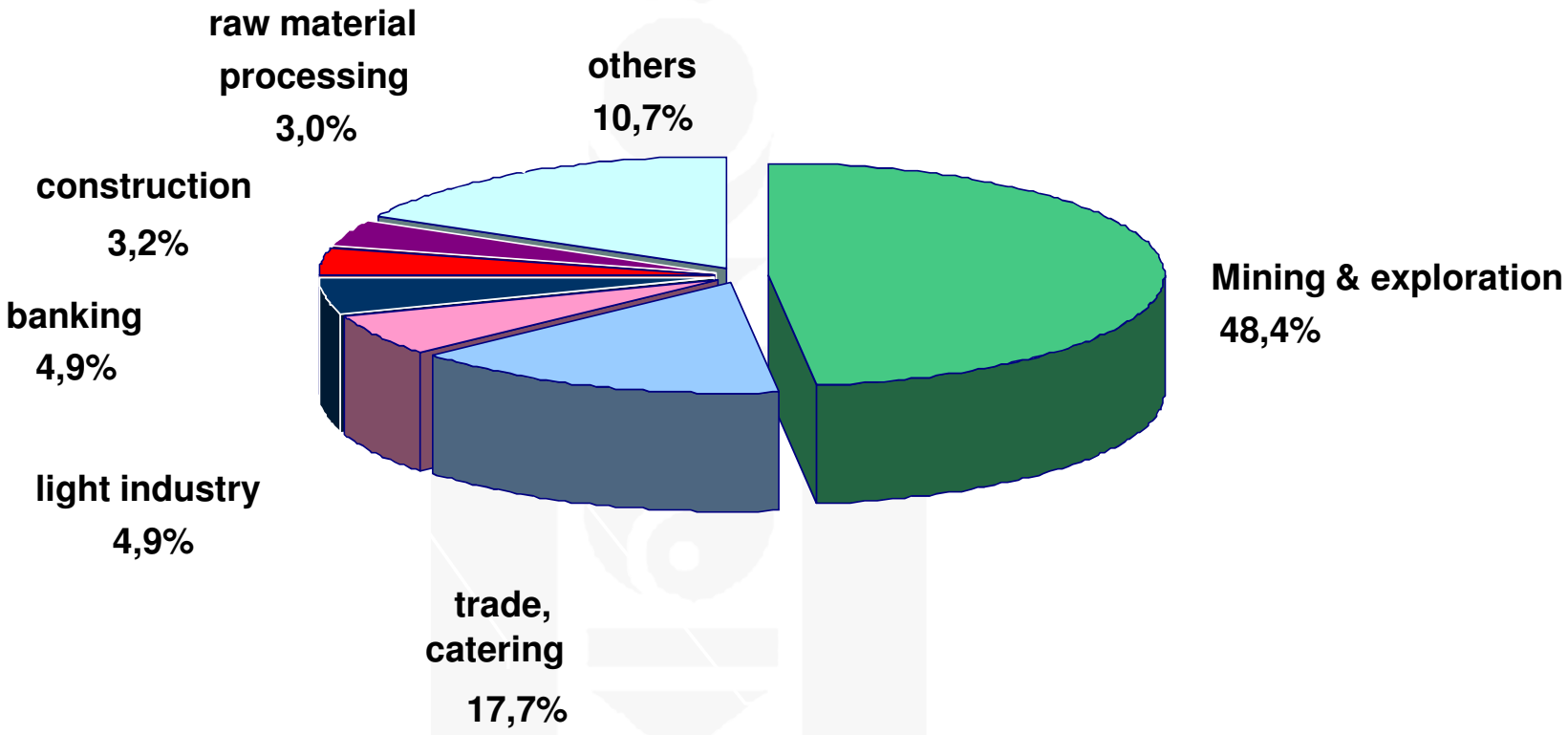
GDP growth in recent years before onset of the global economic downturn, was fueled mainly by high commodity prices. 84% of total exports, including copper 40%. Mineral revenues accounted for more than one third of the Government revenues.

Main economic indicators

Indicators	2005	2006	2007	2008 Expected	2009 Estimated
GDP real growth (annual, %)	**7.3**	**8.6**	**10.2**	**8.9**	**2.7**
Mining production (annual, %)	**10.6**	**6.3**	**2.9**	**0.1**	
Consumer price index (annual, %)	**9.6**	**5.9**	**14.1**	**23.2**	**9.0**
Population (mln)	**2.56**	**2.59**	**2.64**	**2.68**	**2.72**
Per capita GDP ($US)	**900**	**1,214**	**1,491**	**1,960**	
Budget balance (percentage in GDP)	**2.6**	**3.3**	**2.9**	**-5.0**	**-6.1**
Mining export (annual, %)	**24.7**	**37.7**	**15.6**	**37.2**	
Tugrug rate ($US, end of the year)	**1,221**	**1,165**	**1,170**	**1,268**	
GDP, real (trl Tugrug)	**2,780**	**3,715**	**4,600**	**6,130**	**6,294**

Source: Mongolbank, National Statistical Committee, Ministry of Finance, IMF and WB expert reports, WB quarterly economic review February 2009

Foreign Direct Investment

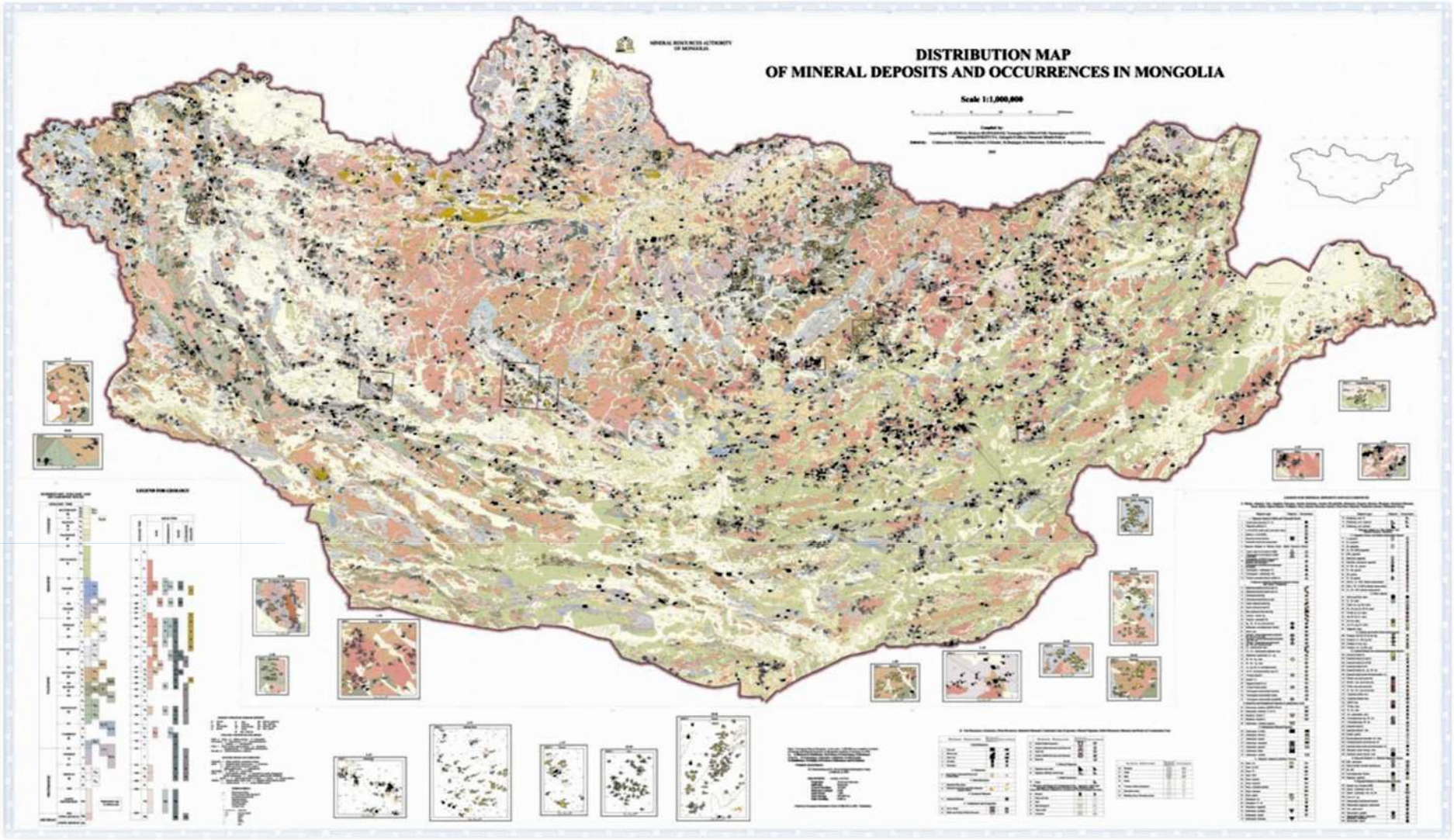


Source: Mongolbank, National Statistical Committee, Ministry of Finance, IMF and WB expert reports, WB quarterly economic review February 2009



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More than 1000 deposits and 8000 occurrences in 80 different mineral types



MINERAL RESOURCES OF MONGOLIA

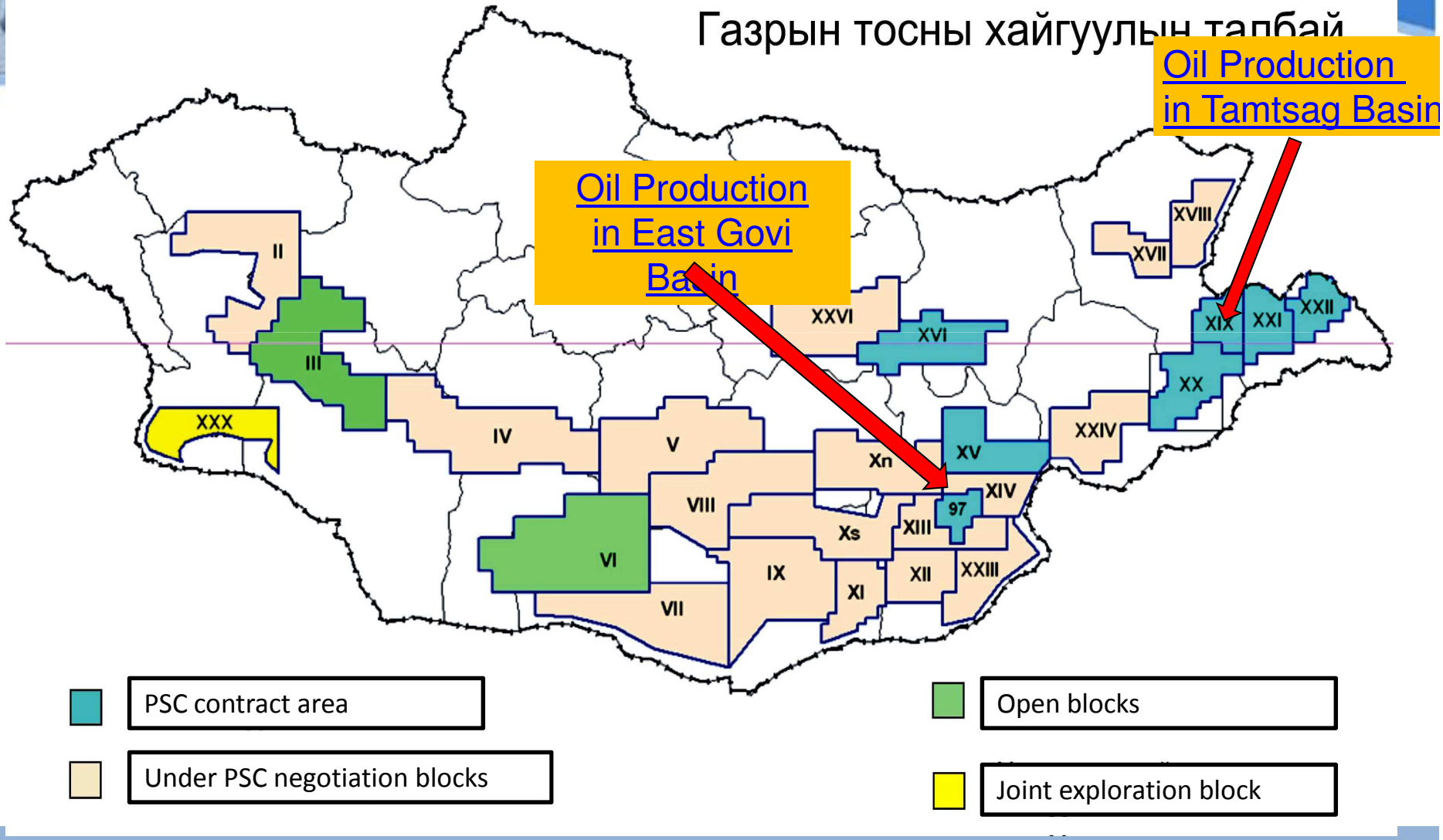
Minerals	***Reserve***		***Minerals***	***Reserve***
Copper	23 mln tons		Uranium	60 thousand tons
Molybdenum	218.5 thousand tons		Coal	150 bln tons
Gold	2763 tons		Fluorspar	14.4 mln tons
Silver	10 thousand tons		Phosphorus	2.4 bln tons
Iron ore	453 mln tons		Wolfram / tungsten steel	70 thousand tons
Tin	10 thousand tons		Lead / plumbum	3 mln tons



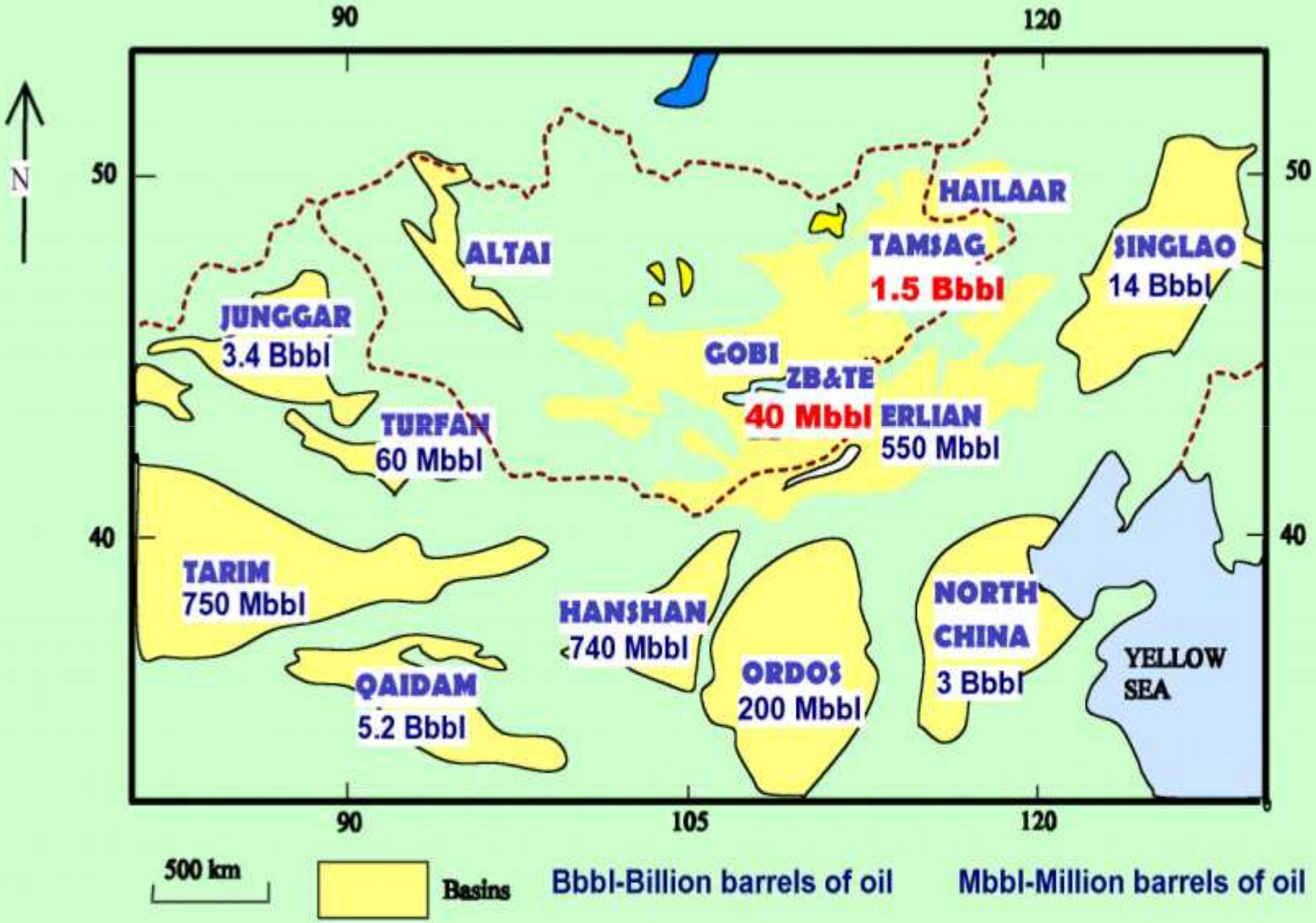
MINERALS SECTOR IN THE ECONOMY

YEAR / PRODUCTS	2003	2004	2005	2006	2007	2008
GROSS DOMESTIC PRODUCTS	12.70%	17.3%	18,0%	30.0%	27,5 %	28.2%
INDUSTRIAL PRODUCTS	49.80%	64.7%	65,5%	68,4%	67.8%	64.3%
TOTAL EXPORT PRODUCTS	58.90%	70.80%	75.8%	76,0%	68,8%	80.7%

Petroleum Current Exploration Blocks



MESOZOIC SEDIMENTARY BASINS IN CENTRAL EASTERN ASIA





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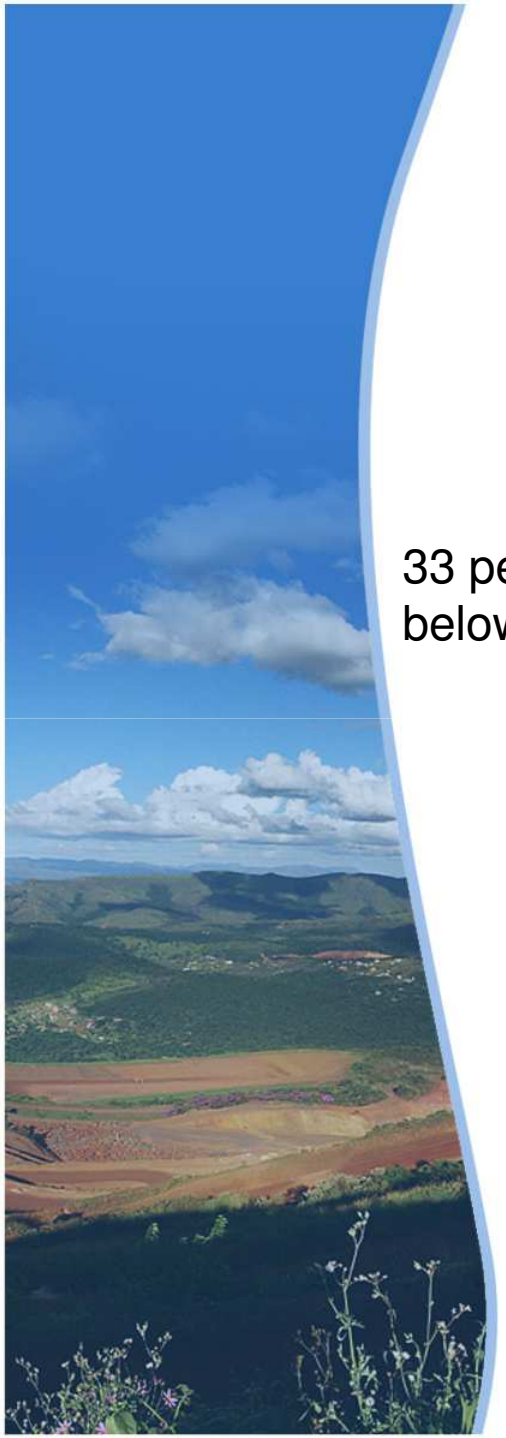
Challenges ahead

Geographical disadvantage of being a landlocked nation that is encompassed by a “tyranny of distance and isolation.”

Interaction and trade integration with neighboring nations is difficult due to transportation and delivery service inefficiency

Rapid rural-urban migration, and degradation of natural resources (forests, wildlife, pasture land) are challenges, which require urgent attention.

While boosting the economy, market forces have increased the disparity between the living standards of rural and urban populations. There is a widening income gap between haves and have-nots.



Challenges ahead (continued)

The capital city Ulaanbaatar has grown from about a quarter to nearly half the population in recent years, rapidly increasing pressure on land and water, utilities, and services and contributing to increasingly hazardous levels of air pollution.

33 percent of the population now lives below the poverty line

Economic growth due to high commodity prices on world market
Mongolia's recent economic growth has not been directly driven by the mining sector but by agriculture and services sector value added
Mongolia is becoming increasingly vulnerable to fluctuations in world mineral prices.

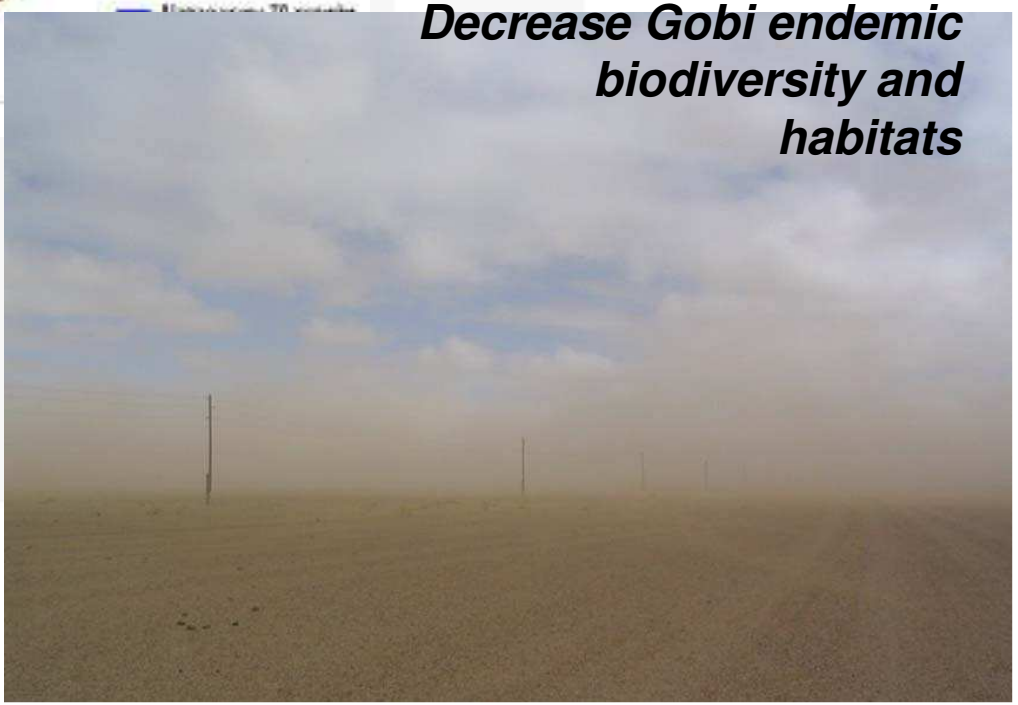
Mongolia is experiencing a boom of its mining sector which brings new opportunities as well as major risks

Challenges ahead (continued)



Shortage of water
Increase in dust concentration and yellow sand storm frequency
Intensification of desertification
Decrease Gobi endemic biodiversity and habitats



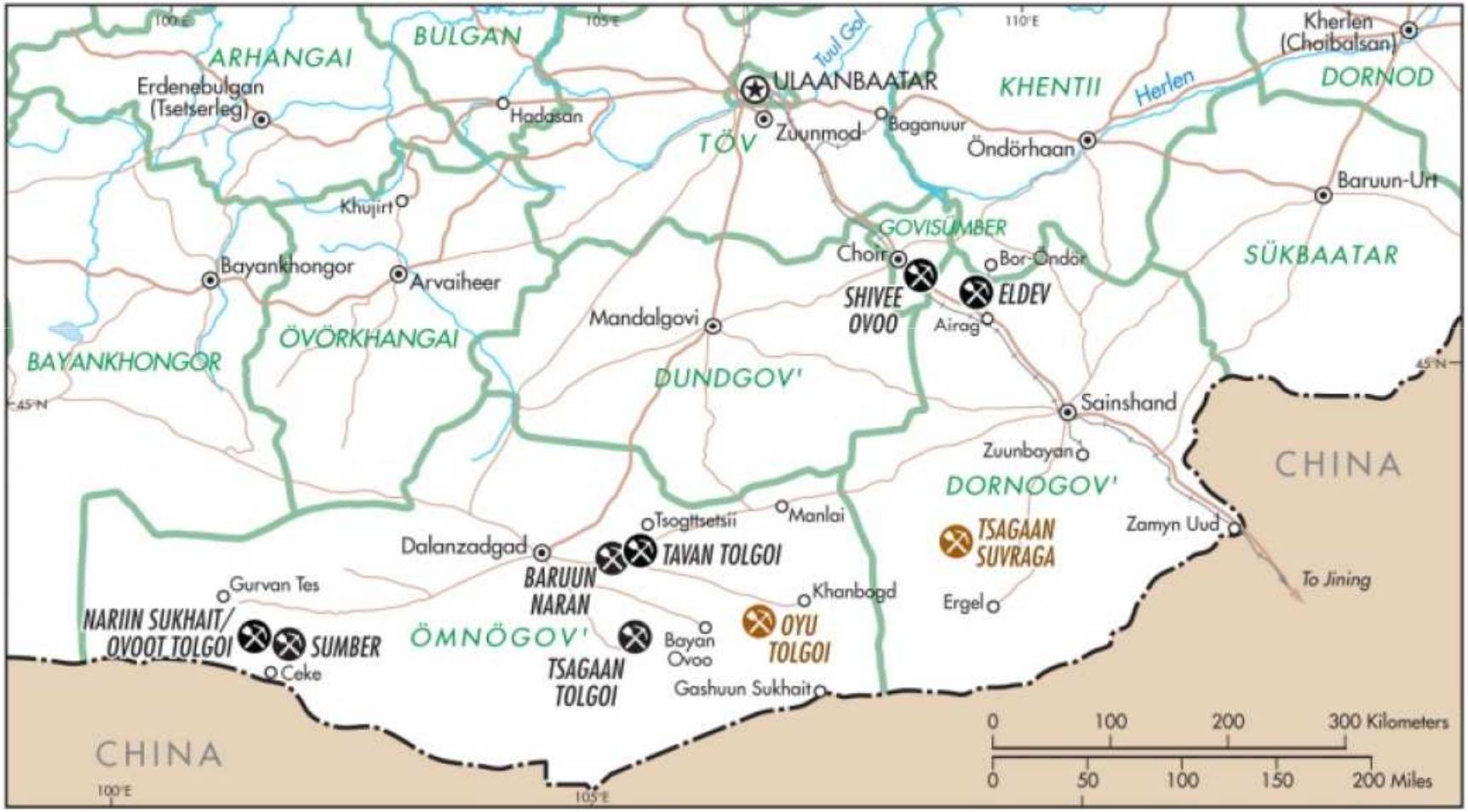




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Major Projects
FOCUS ON SOUTH GOBI

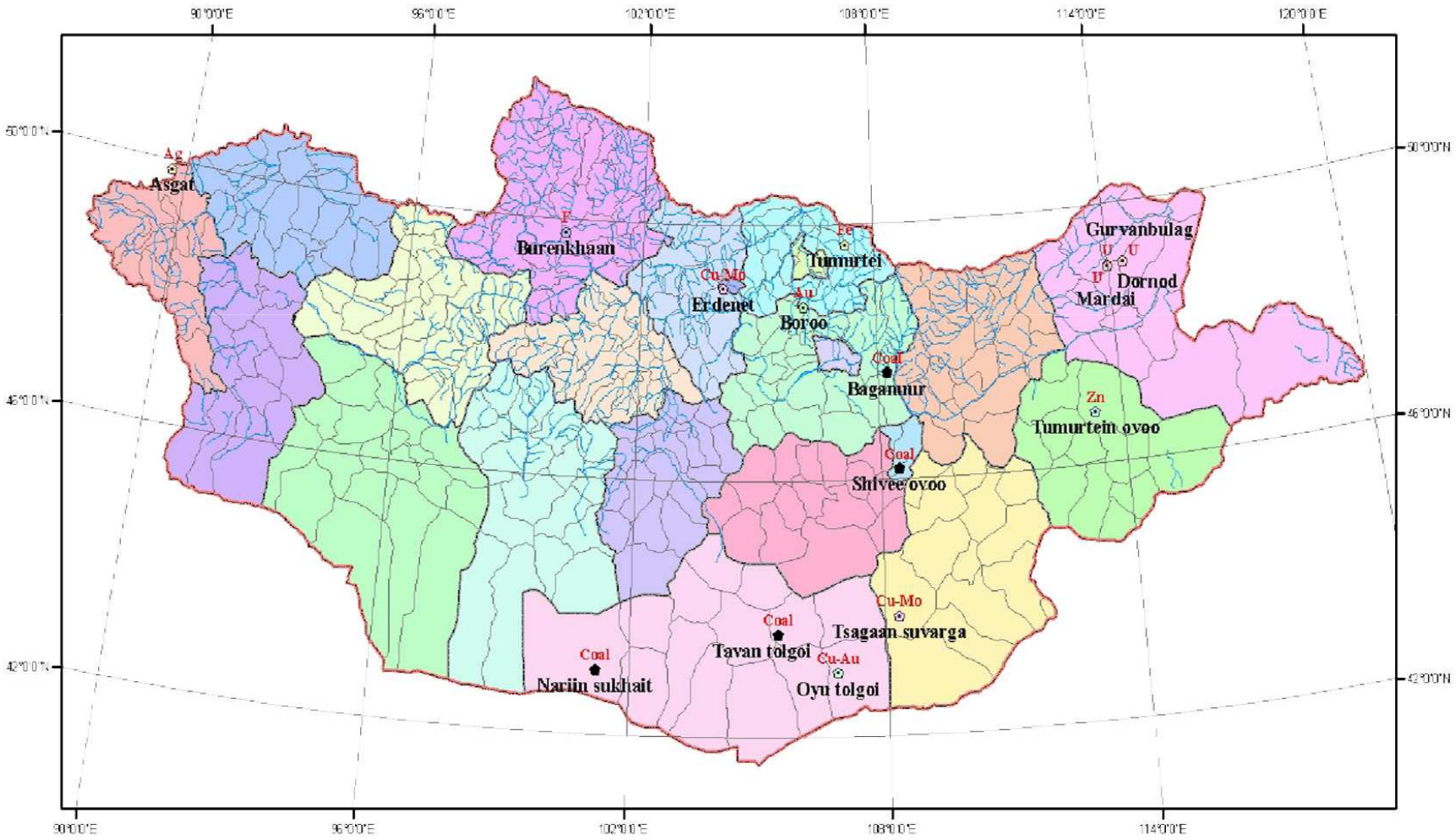


Major Projects
WATER



Strategically important deposits





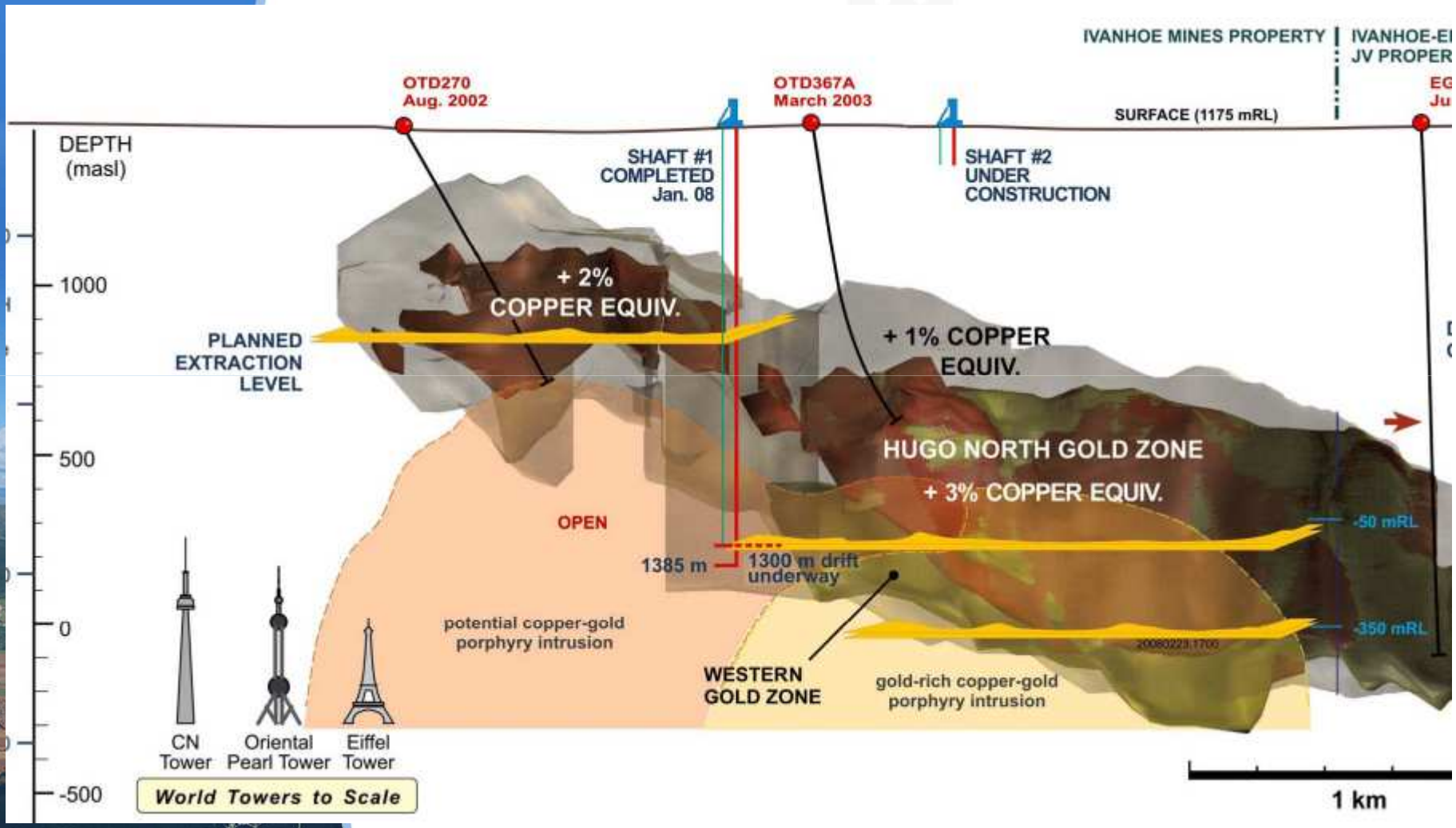
Background information
Strategically important mineral deposits

№	Name of deposit	Mineral type	Location	Reserve, tn.	Commentary
1	Tavan tolgoi	Coking coal	Umnugovi, Tsogt tsetsii	1,5 bln.	State owned company, Inferred resources up to 5 bln.
2	Nariin sukhait	Coal	Umnugovi, Gurvantes	90,8 mln	Stability agreement with private company
3	Baganuur	Lignite	Ulaanbaatar, Baganuur	512,8 mln	Majority state owned listed company
4	Shivee Ovoo	Lignite	Govisumber, Shiveegovi	564 mln	Majority state company owned listed company
5	Mardai	Uranium	Dornod, Dashbalbar	1104	Company with state participation
6	Dornod	Uranium	Dornod, Dashbalbar	58.933	Company with state participation
7	Gurvan bulag	Uranium	Dornod, Dashbalbar	16.073	Private company
8	Tumurtei	Iron	Selenge, Khuder	229,3 mln	State owned company

Background information
Strategically important mineral deposits

№	Name of deposit	Mineral type	Location	Reserve, tn.	Commentary
9	Oyu tolgoi	Copper gold	Umnugovi, Khanbogd	28 mln Cu 805 Au	Draft investment agreement is submitted to Parliament
10	Tsagaan suvraga	Copper	Dornogovi, Mandakh	1,28 mln Cu 44 thous Mo	Private company
11	Erdenet	Copper	Orkhon, Bayan-Undur	3,2 mln Cu 90 thous Mo	Mongolian-Russian JV
12	Burenkhaan	Phosphor	Khuvsgul, Alag-Erdene	40,5 mln	Private companies
13	Boroo	Gold	Selenge, Bayangol	22	Stability agreement with private company
14	Tumurtein ovoo	Zinc	Sukhbaatar, Sukhbaatar	0,82 mln Zn	Stability agreement with private company
15	Asgat	Silver	Bayn-Ulgii, Nogoonnuur	2247	License held by Mongolian-Russian JV

OYU TOLGOI
GOLD, COPPER

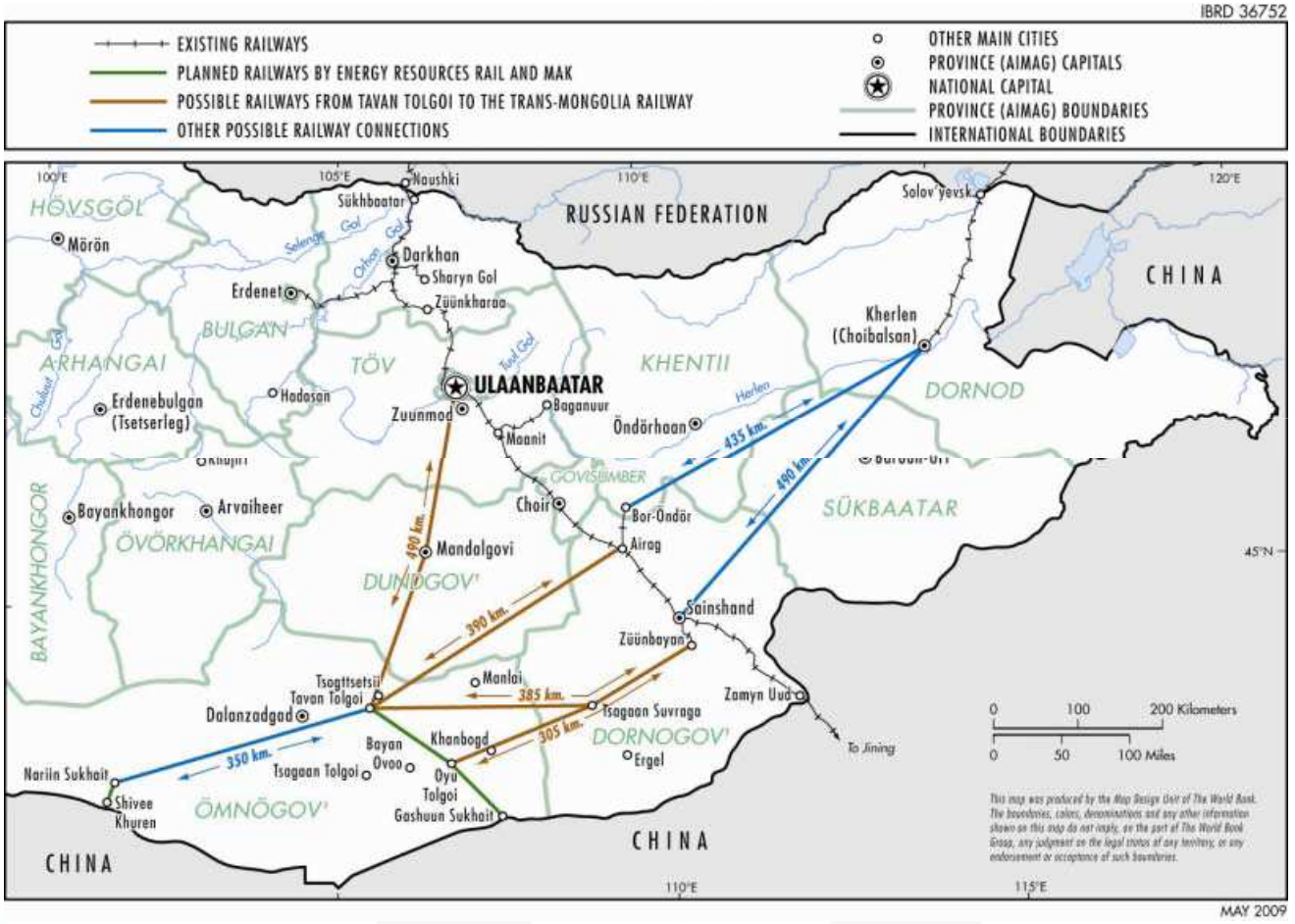


TAVAN TOLGOI

coking coal



POSSIBLE RAIL ROUTES IN SOUTHERN MONGOLIA





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- EXPECTED RESULTS



EXPECTED RESULTS BY 2015

- 2007-2015
  - bring annual economic growth at 14 % on average GDP per capita 5000 usd
  - Increase mineral resource extraction
  - establish foundations of knowledge based economy
- 2015-2021
  - keep the average economic growth at not less than 12 %, GDP per capita 12-15,000 usd
  - slow down the extraction during 2016-2021 but enhance finished products' industry.



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Mining sector opportunities

- **Technical Services**
  - consultancy services
  - contract engineering
- **Equipment and Consumables supply**
  - foreign and locally operated mines
  - high end segment of the market
- **Vocational Training**
  - shortage of skilled labour
  - shortage of technical skills





Mining sector opportunities (cont.)

- **Direct Investment**
  - vast unexplored resource potential
  - dependant on outcomes of OT and TT agreements
- **JV with Local Partners**
  - over 1000 licences held by local companies
  - local companies looking for capital, equipment & technical assistance





MINING SECTOR OPPORTUNITIES

EVERY DOLLAR SPENT IN MINING CREATES ADDITIONAL DEMAND OF 1.84 DOLLARS IN OTHER SECTORS

RAILROADS
AUTO ROADS
AIRPORTS
POWER PLANTS

HOSPITALS
SCHOOLS
APARTMENTS
URBAN DEVELOPMENT

TRANSPORT
FINANCE
LOGISTICS
CONSTRUCTION
HOTEL SERVICES

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