

Mongolian Mineral Policy and Investment Opportunities

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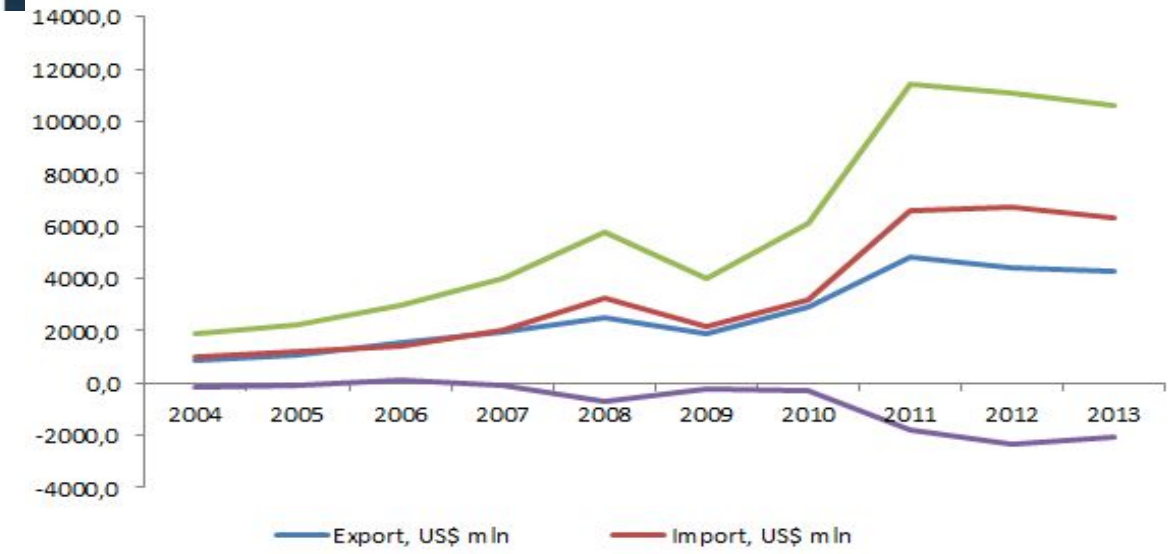
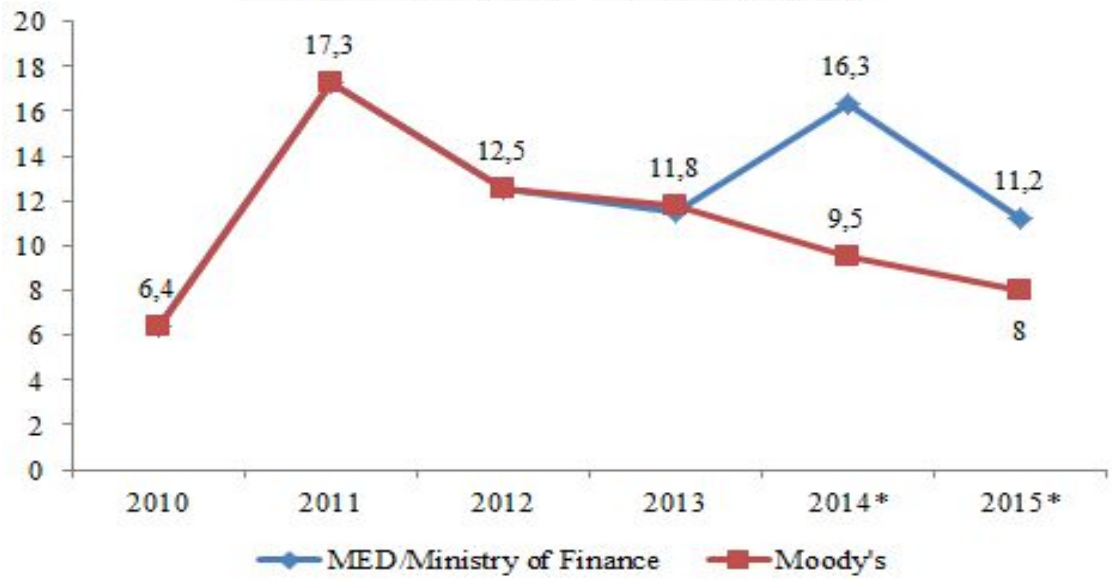
Mongolian mineral sector – key facts

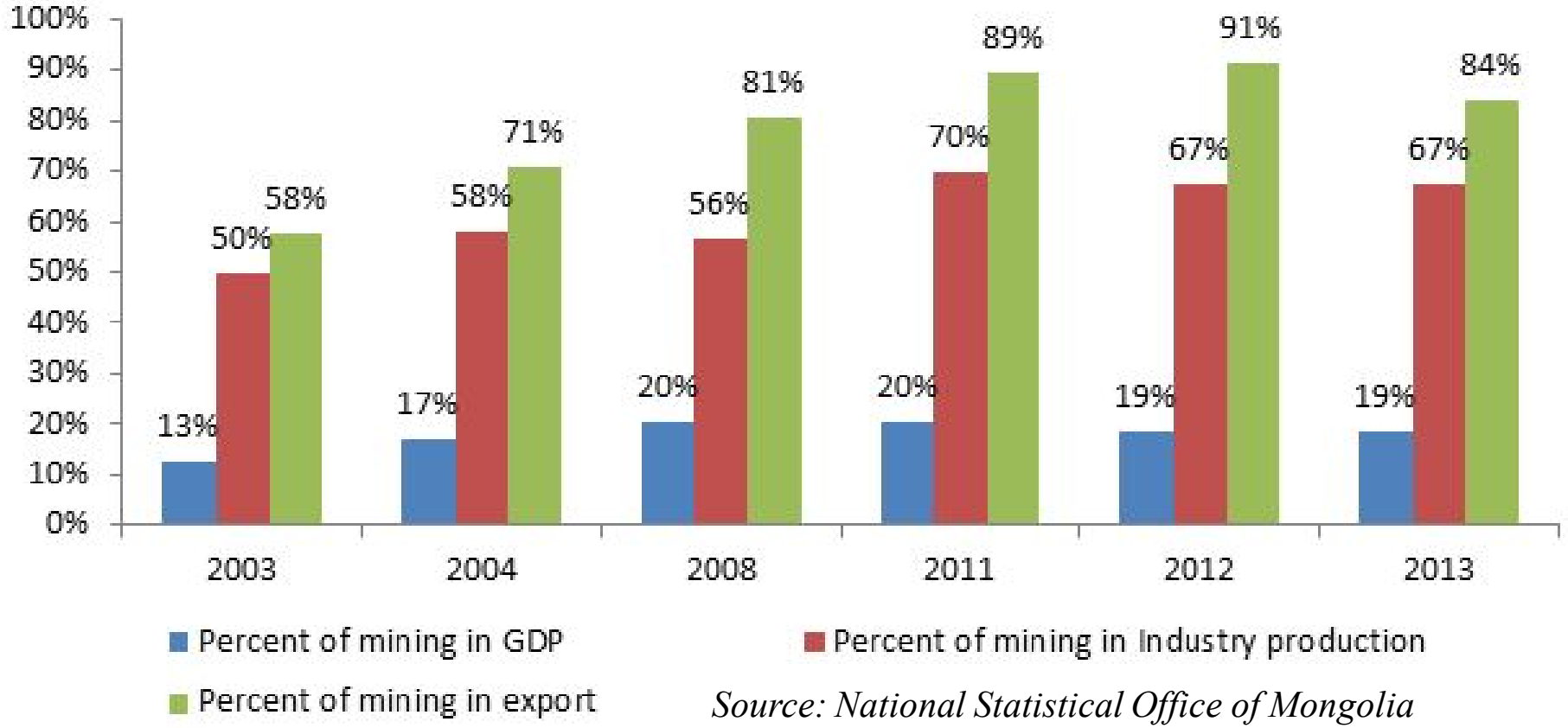




- Copper and coal exports have been increasing rapidly due to new operation of new copper and coal mines.
- Mongolian economy is expected to grow on average by 8-10 percent for coming years.
- GDP per capita is expected to reach 5000 USD by 2015.

Mongolian mineral sector – key facts

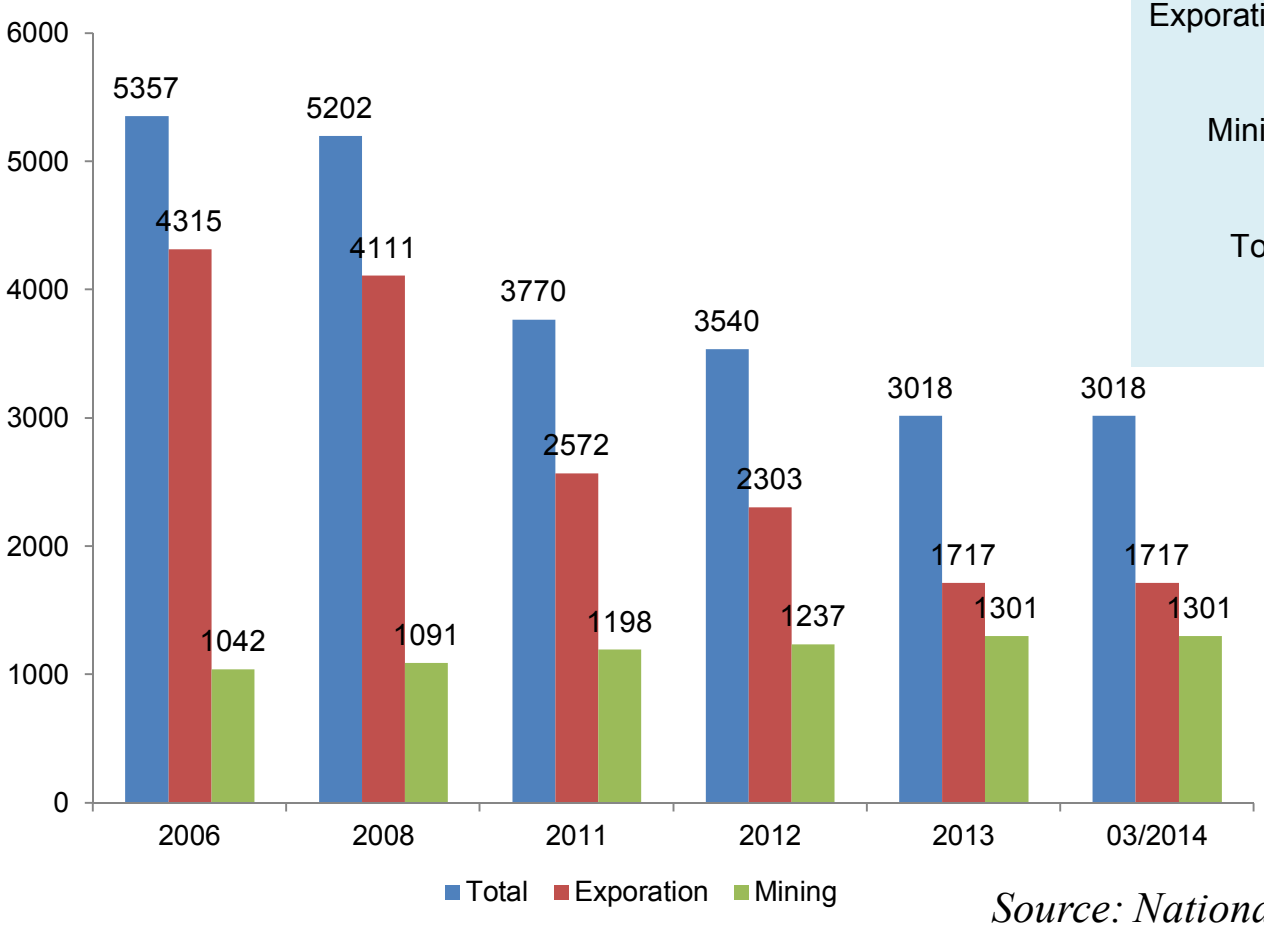
MINERAL SECTOR CONTRIBUTION TO MONGOLIAN ECONOMY (2003-2013)

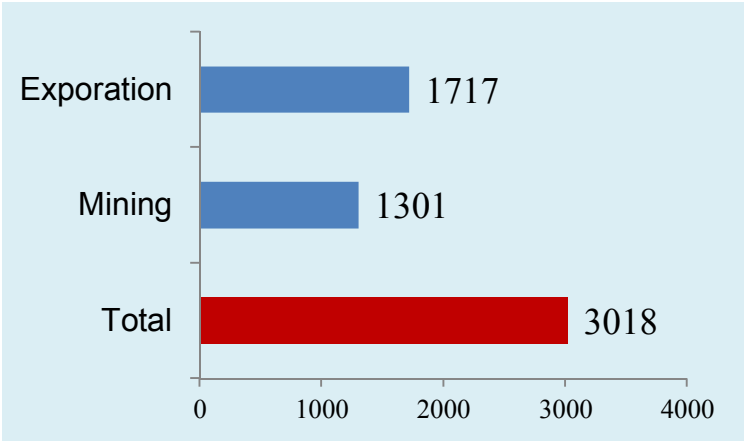


Source: National Statistical Office of Mongolia

Mongolian mineral sector – key facts

SPECIAL LICENSES, 03/2014

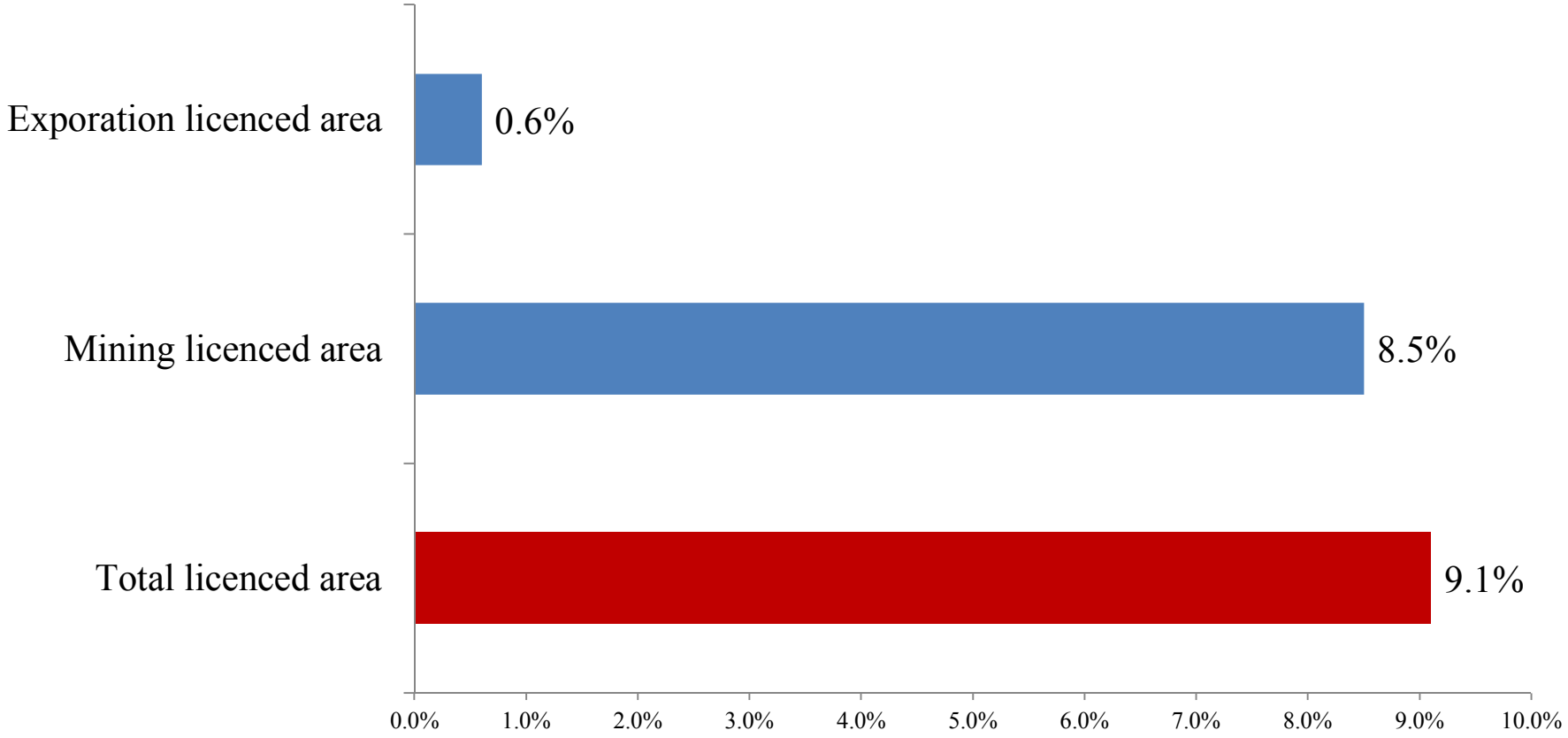




Source: National Statistical Office of Mongolia

Mongolian mineral sector – key facts

SPECIAL LICENSES, 03/2014



Source: National Statistical Office of Mongolia

Mongolian mineral sector – key facts

Reserves of selected minerals

№	Type of mineral products	Measurement	2009	2013
1	Gold	Tons	2 089,9	2 459,5
2	Silver	Thousand tons	22,2	27,9
3	Copper	Million tons	55,4	83,5
4	Molybdenum	Thousand tons	637,7	972,4
5	Zinc	Million tons	3,1	36,6
6	Iron	Billion tons	0,9	1,09
7	Tungsten	Thousand tons	267,8	333,2
8	Tin	Thousand tons	41,3	50,9
9	Lead	Million tons	1,6	2,0
10	Coal	Billion tons	8,5	20,7
11	Fluorspar	Million tons	14,6	14,6

Source: National Statistical Office of Mongolia

Mongolian mineral sector – key facts

Mineral production, 2010-2013

Type of mineral products	Measurement	2010	2011	2012	2013
Coal	Million tons	25,2	30,9	31,9	33,3
Crude oil	Million barrels	2,2	2,5	3,6	5,1
Copper concentrates	Thousand tons	522,0	513,7	517,9	803,0
Molybdenum concentrates	Thousand tons	4,6	4,1	4,0	3,8
Gold	Tons	6,0	5,7	5,9	8,9
Iron concentrates	Million tons	3,2	5,6	7,5	6,0
Fluorspar concentrates	Thousand tons	418,9	403,0	428,8	337,5
Zinc concentrates	Thousand tons	112,6	104,7	119,1	104,1

Source: National Statistical Office of Mongolia



Policy and legal environment

- There are 30 laws, over 40 regulations.
- The first legal act was the rule for regulating mineral sector and mines /1913/
- The Minerals Law of Mongolia was revised in 2006



Policy and legal environment

New State Policy on Mining Sector is being implemented Amendments to Minerals law, and Petroleum Law are discussing by the Parliament currently for approval:

Those laws specifics are:

- Develop open and responsible mining;
- Create stable investment environments
- Equal all treatments for local and foreign investors;
- Improvement of mining and mineral processing, health safety regulations;
- Introducing environment friendly and advanced technology



Policy and legal environment

LEGAL PROVISIONS:

- To provide national primary interests by developing conspicuous and responsible mining relied upon private sector
- To establish stable investment environment, to improve quality of mineral exploration, mining and processing by encouraging use of environment friendly and advanced techniques, technologies and innovations, to produce value-added final products and strengthening competitiveness of the country in the international market.
- To work open and responsibly in developing mineral sector
- To ensure that the State provides equal terms and conditions for minerals' sector investors and not to discriminate by ownership types



Outcomes of Mining sector

To provide long-term sustainable development for mining sector, maximizing national mineral reserves

To increase the diversity and volume of value-added final products by promoting processing level with environmentally-friendly technology and extracting mineral reserves completely at appropriate level;

To be able to do long-term planning of infrastructure development (road networks, power plants, cities and settlement centers) accompanied by mining projects;



Outcomes of Mining sector

Unemployment will be reduced with the training and employment of national human resources for mineral and infrastructure sector

To restrict mining, processing operations around the riverbed areas, out-flowing basins, forested areas, agricultural fields, fertile pastureland, Gobi oasis, lakes and ponds in order to provide ecological balance and to produce healthy eco-food products so that it would provide healthy nutrition and safe living environment for the population

All mineral sector activities shall run according to the applicable laws and regulations and be explicit to the public. New laws and big projects should reflect public opinions in it

To market mineral products as an open and transparent by establishing a mineral commodity exchange in Mongolia, providing a favorable business environment in the mineral sector



Policy and legal environment

DRAFT AMENDMENT OF MINERAL S LAWS

- Approved date: 24/01/2014

Purpose of Law:

- To ensure transparency in exploration, exploitation, processing and marketing activities
- Reduce gold royalty

Distinction:

- Gold royalty is 2.5% . (Only sold at Center bank of Mongolia and authorized banks)
- Gold will be sold in the financial year



Policy and legal environment

TAX ENVIRONMENT

Tax types	Ammount
Concentrates income tax	10% - 25% (3 billion tugrugs)
VAT	10%
Customs tax	5%
Royalty	2.5-10%

Source: Mineral Resource Authority Of Mongolia



Policy and legal environment

EXCESS ROYALTIES

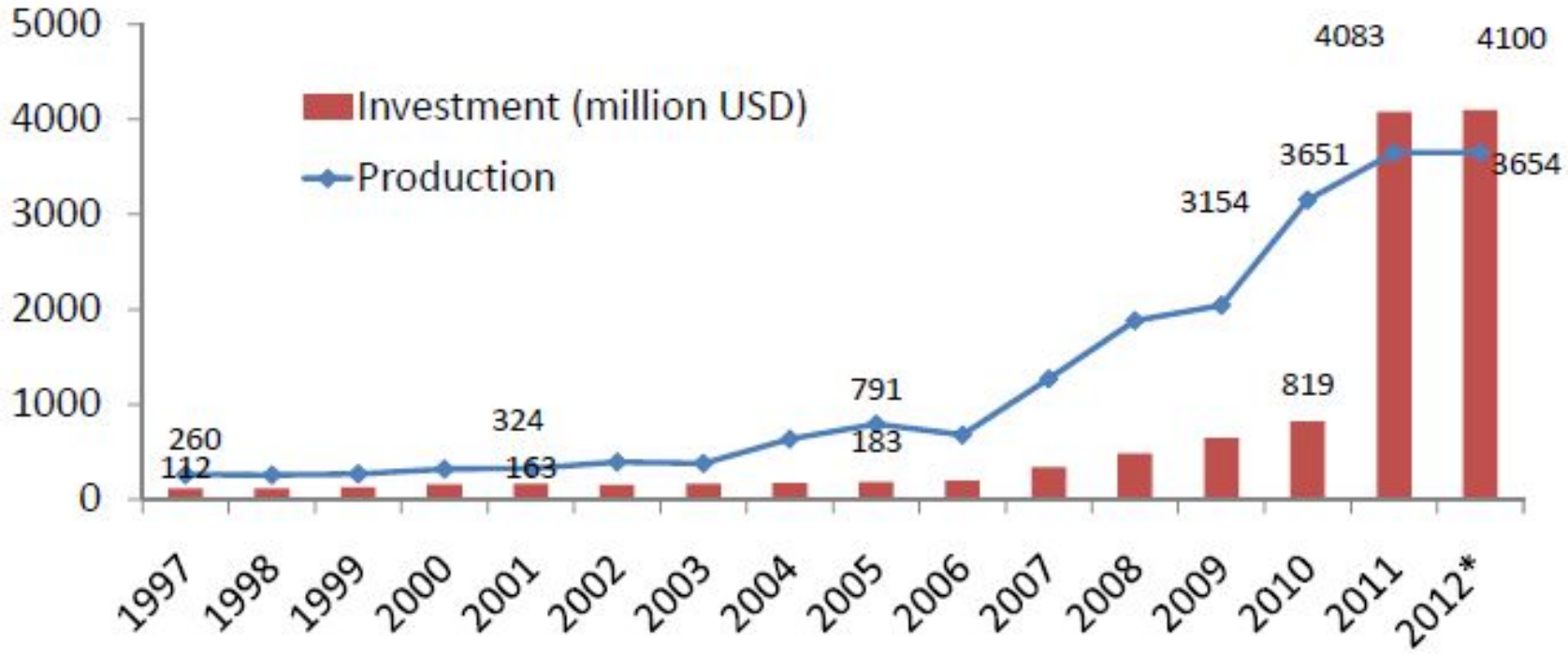
- **Basic royalty rate – 5%**
- **Excess royalty rate – 0-5%**
- **As the amendment of Minerals Law, gold royalty is imposed by 2.5 percent if sold gold to Central Bank of Mongolia.**

Processing level	Ore	Concentration	Final product
Additional rate to impose	30-5%	15-5%	5-0%

Source: National Statistical Office of Mongolia

Foreign Direct Investment

Investment in mineral sector is growing dramatically in last years.



Source: National Statistical Office of Mongolia

Foreign Direct Investment

Investment source:

- State budget
- Development bank of Mongolia

  /Chinggis Bond/
- Private investment
- PPP
- Financial market

  /Commercial bank and Investment fund/













Challenges

Political:

- Social license to operate: Educate public and local community;
- Environmental issue management;
- Stakeholder relationship: coordinates private and government sector;
- Enhance institutions: skills shortage;
- Professional journalism;
- Transparent, predictable, reliable and accountable rules and regulations.

Economic:

- Revenue management;
- Global commodity price volatility;
- Lack of economic diversification and dependence on minerals sector and world commodity prices;
- Expansionary fiscal policy pressures and high inflation.

Big projects

Future prospective

Oyu Tolgoi

- Open pit and Underground mine
- Processing plant
- Pawed road

Tavan Tolgoi

- Open pit mine
- Coal washing plant
- Power station, 450 mW
- Rail way to Gashuun Sukhait
- Water supply system

Tsagaan Suvarga

- Open pit mine
- Processing plant
- Infrastructure objects

Final production projects: Steel making, Copper smelting, Phosphate fertilizer, Coal processing and gasification, Oil refinery



Future prospective

- Proxy to China – large growing market;
- Clear policy and legal environment;
- Supporting private investment and investing to infrastructure;
- Competitive tax environment and improve fiscal policy;
- Diversification of extractive mineral;
- Improvement of mineral processing levels- value added products;
- Efficient Revenue management;
- Support the geological survey and promote mineral exploration;
- Mineral classification;
- Support and cooperate with dynamic growing human resource.
- Trading with two neighbor partners and transit to 3rd market
- Integrated standards shall be introduced.



Thank you for attention

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