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Rio Tinto and Mongolian government reached agreement on Oyu Tolgoi.

Examples of Media Coverage to follow.



FINANCIAL TIMES

Mongolia PM confirms agreement in principle on Rio Tinto mine

Lucy Hornby in Beijing | April 6, 2015

Mongolia says it has broken the deadlock in negotiations about phase two of Rio Tinto's \$12.6bn Oyu Tolgoi gold and copper mine, as the resource-rich country seeks to woo back foreign investors.

Foreign investors, whose dollars make up a big component of Mongolia's \$11.7bn economy, have been put off by a combination of falling commodities prices and [quixotic policy making](#) in Mongolia.

Expansion of the [Oyu Tolgoi mine](#) — which has been under discussion for two years — is a potent symbol of the frustrations on both sides. Rio Tinto, the Anglo-Australian miner, and the Mongolian government have clashed over a tax dispute and cost overruns during the first construction phase.

However, on Sunday evening, the Mongolian prime minister said agreement "in principle" had been reached with investors for building on the next stage of Oyu Tolgoi and the smaller Tavan Tolgoi coking coal mine.

"The two sides have reached agreement, in principle, on the main points of dispute. Soon we will officially announce these results to the international community, after bureaucratic levels finalise relevant steps," said Saikhanbileg Chimed, prime minister, referring to Rio Tinto.

He did not provide further details. Rio Tinto's spokesman in London would not comment.

For Mongolia, much rests on resolving the Oyu Tolgoi dispute. Foreign direct investment fell last year with the downturn in commodity prices. The currency is weakening steadily and debt payments are looming.

Between March 2017 and January 2018, external debt amounting to \$1.08bn matures. Mongolia's aim to roll this over will depend on the creditworthiness of its balance sheet.

"Only two, three big projects, making two, three correct decisions . . . will totally reshape our economic situation," Mr Saikhanbileg said in a recent interview with the Financial Times.

A series of legislative changes has addressed a long list of investor concerns, he added. "In every aspect we are trying to fix it, acknowledge our problems, our mistakes."



Mongolia is not the world's most resource-dependent economy — it is outranked by some Opec countries — but it is among the top when it comes to mining. The commodities boom initially lifted its economy almost 12-fold from just over \$1bn when the supercycle began a decade ago.

Negotiations with Rio Tinto, whose annual revenues are about five times Mongolia's gross domestic product, have centred on the \$6bn underground extension to the Oyu Tolgoi copper mine

Mongolia receives no dividends from its 34 per cent stake in the mine until borrowings on the original mine are repaid, which it hopes to be able to do via [increased output](#).

But it can contribute little to financing the expansion. Rio Tinto earlier rejected a proposal for the [government to take a smaller stake](#) than its legally mandated 34 per cent in return for higher royalties.

For its part, Rio Tinto has been reluctant to commit to a remote and expensive copper mine when low prices are forcing spending cuts elsewhere. It has [cut about \\$5bn in operating expenses globally](#) since 2012.

Source: <http://www.ft.com/cms/s/0/b5482d08-dc00-11e4-b693-00144feab7de.html#axzz3Wb9Cl2kT>



FINANCIAL REVIEW

Mongolian PM says disputes with Rio Tinto are resolved

Michael Kohn | April 6, 2015

Mongolian Prime Minister Saikhanbileg Chimed stands out from predecessors in his use of national television and texting to get his message across to the public: without foreign investment, the economy is going nowhere.

The 46-year-old – who won office in November after the previous PM was ousted in a no-confidence vote – was back on TV today on a similar theme, highlighting stalled mining projects and disputes with foreign investors that need to be resolved.

"The two sides have reached agreement, in principle, on the main points of dispute. Soon we will officially announce these results to the international community, after bureaucratic levels finalise relevant steps," said Mr Saikhanbileg, referring to two years of negotiations between the government and Rio Tinto Group, which controls the Oyu Tolgoi mine.

Results of on-again, off-again negotiations to develop the Tavan Tolgoi mine will also be announced soon, said Mr Saikhanbileg, speaking in his office surrounded by family photos and a portrait of 13th century warlord Genghis Khan.

Earlier this year, Mr Saikhanbileg went on TV to ask the country's 3 million citizens to text a response to a question he had: Do they want austerity or prosperity? The majority went for the latter, which he's taken as a mandate to get overseas investment flowing again. It fell to \$US507.6 million last year from \$US4.45 billion in 2012.

"Through his television appearances, Saikhanbileg is taking the nation's most critical discussions to the people of Mongolia," Chris MacDougall, managing director at Mongolian Investment Banking Group, wrote in an email. "He is instigating a national dialogue."

COMING TO A STANDSTILL

This is a very different picture from 2011 when the economy expanded at a world-beating 17.3 per cent as billions of dollars flowed in from some of the biggest mining companies, Rio Tinto among them. The Asian Development Bank's growth forecast for this year is 3 per cent. So, what went wrong? Mostly the Rio Tinto deal. The company had spent \$US6.6 billion developing one of the world's biggest copper and gold deposits, at the Oyu Tolgoi mine.

That was until about two years ago when disputes over cost overruns, profit sharing, management control and a \$US30 million tax bill halted deployment of funds to get at the mine's deeper, richer deposits. Similar conflicts have held up development of the \$US4 billion Tavan Tolgoi coal mine in the Gobi Desert.



Commitments for \$US4.2 billion in project financing to dig out more of Oyu Tolgoi, backed by more than a dozen global banks, expired September 30 and haven't been extended.

Solving Oyu Tolgoi is the bigger mountain to climb, so business officials reckon Mr Saikhanbileg – a weightlifter who bench-presses 175 kilograms (385 pounds) – will focus on sorting out Tavan Tolgoi first.

"Tavan Tolgoi negotiations have reached the final round," the prime minister said. "I'm happy to note that the two sides have reached agreements in principle. During the next government meeting we will discuss and pass the necessary decisions and we will be able to officially announce the Tavan Tolgoi project."

Enkhsaikhan Mendsaikhan, Minister of Mongolia, is leading the Tavan Tolgoi talks for the government with companies including Energy Resources, China Shenhua Energy Co and Sumitomo Corp.

A sticking point is \$US150 million owed by Erdenes Tavan Tolgoi, the state-owned company that holds the license to the deposit, to the Aluminum Corporation of China.

Overcoming financial obstacles will release a flood of investment, Mr Saikhanbileg promised.

"Fourteen of the world's largest banks will invest \$US4.2 billion" for Oyu Tolgoi, "and this opens the door to Mongolians and Mongolian companies to gain economic benefits," said Mr Saikhanbileg.

Source: <http://www.afr.com/business/mining/mongolian-pm-says-disputes-with-rio-tinto-are-resolved-20150406-1mf58a>



INTERNATIONAL BUSINESS TIMES

Phase 2 Of Rio Tinto Mongolia Mine Already Approved In Principle, PM Says; Shares Up

By Esther Tanquintic-Misa | April 7, 2015

Rio Tinto's \$7 billion expansion plans for its Oyu Tolgoi gold and copper mine in Mongolia is good to go after Mongolia's newly elected Prime Minister, Saikhanbileg Chimed, announced on national television that the dispute hampering the development of the project has been resolved in principle. Shares in Rio Tinto-controlled Turquoise Hill Resources immediately jumped on Monday, gaining 7.4 percent.

"The two sides have reached agreement, in principle, on the main points of dispute," Mr Saikhanbileg said. "Soon we will officially announce these results to the international community, after bureaucratic levels finalize relevant steps." The project's expansion had been stalled for two years because of bitter negotiations between the government and the Anglo-Australian giant. The two camps fought over funding. During the two-year squabble, a \$4.5 billion funding committed by the World Bank ultimately expired. Moreover, a \$100 million-plus tax dispute was raised but was eventually settled. The dispute cost the jobs of more than 2,000 at the mine.

Sky News reports Sam Walsh, Rio Tinto CEO, has confirmed Mr Saikhanbileg's announcement. The latter told TV viewers that without foreign investment, the economy will go nowhere. He said the realisation of the Oyu Tolgoi gold and copper mine project will translate to jobs, boost foreign direct investment, help the local currency appreciate and improve the livelihoods of all Mongolians. "This historical resolution to launch underground mining at Oyu Tolgoi will open possibilities for the world's biggest 14 banks to invest \$US4.2 billion in Mongolia," Mr Saikhanbileg said.

The downturn in the global commodity prices has greatly impacted Mongolia as foreign direct investment fell in 2014. Its currency, the Mongolian Tugrik, is steadily weakening. Moreover, the country has a pile load of debt payments to settle. The Financial Times reports the country has an external debt amounting to \$1.08 billion maturing between March 2017 and January 2018. The Asian Development Bank has forecast Mongolia's economic growth rate will grow to only a measly 4 percent for 2015 and 2016 if it fails to generate much needed foreign investment.

The Oyu Tolgoi phase II project, based in an updated feasibility study, has recoverable copper of 24.9 billion pounds, 11.9 million ounces of gold and 78 million ounces of silver over a mine life of 41 years. Mining.com reports that's equivalent to a whopping \$92 billion at current metals prices.

Source: <http://au.ibtimes.com/phase-2-rio-tinto-mongolia-mine-already-approved-principle-pm-says-shares-1436899>