

Mining

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Speaker met with the senior officials of Ivanhoe Mines

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Speaker Demberel met with senior officials of Ivanhoe Mines and exchanged his opinion on investment agreement on Oyu Tolgoi project.

Mr. John Macken, President of Ivanhoe Mines, John Fognani, Vice President, Keith Marshall and Munkhbat.A, the Executive Director of IMMI attended the meeting.

At the beginning of the meeting, Speaker stated that “The State Great Khural discussed OT investment agreement thoroughly, through the parliamentary session and meetings of party groups and standing committees. The agreement has to be mutually beneficial and efficient. Therefore, the agreement this meeting is being held in order to develop and update and upgrade the mutual understandings towards the agreement”.

“The State Great Khural is in favor of adopting the agreement. Therefore, this issue was included in the spring session of the State Great Khural. Party groups and Standing Committees decided to discuss some issues more deeply. The Standing Committee on Economy will consider them and present to the Government” he continued. Speaker said that “… there are some considerations towards the funding from the Mongolian side on OT project. For example, the loan interest rate on the Mongolian side investment made by the investors is relatively high. Mongolia should have a copper smelting factory because the project has good prospect, big reserve, higher grade and increasing copper demand in the world market”.

Speaker also mentioned that there is a clause which the Mongolian tax will not be higher than 68%, but in order to make it fair deal, in return there could be a clause stating the bottom level of tax that can be imposed. Also there can be another clause that benefit of the Mongolian side will be no lower than 55% of profit. Also it will be appropriate, if both sides agreed upon tax on dividend according to the international standard, instead of waiving it.

Mr. John Macken said that “…we believe that this agreement was drafted in favour of both sides thanks to the long cooperation with the Government. Of course, there were many issues for both sides hard to reach comment consent. Even, well known analysts conclude that the draft is beneficial to the Mongolian Government.”

It is urgent to realize this project in this time of recession. Our Board also thinks that it is time to realize it. The project was started when commodity price was low in 2003, but it saw high and low commodity prices. It is the right time to build the mine. Then we will gain more in the next wave of commodity price boom. If the agreement is adopted in the near future and funding is solved, the construction work of mine site can start in this summer. Therefore, many Mongolians will be employed. Our mission is to make this project one of top three in the world. We have such an experience, know-how and reputation”

IMMI officials emphasized that draft is complex issue, based on the mutual consent and negotiation. If we change single provision or clause, then whole procedure has to be restarted again. The investment of 34% ownership of the Mongolian side will be made by investors; therefore, it is risk free for the Mongolian side. On the other hand, most of the reserve is 1-2 km under the surface, which means lot more risk is on the shoulder of investors.

MP Ts.Bayarsaikhan, Head of the Economy Standing Committee, MP Kh.Badamsuren, MP G.Zandanshatar, adviser to the Speaker D.Davaasambuu attended the mee