

Issues touched during the Oyu Tolgoi open debate and the reality

	Who	Remarks	Reality	Comment by Oyu Tolgoi LLC and additional information
1	S.Bayartsogt:	There is no risk for Mongolia. Second, OT is beneficial for Mongolia. Our country owns 53% of total profits or 59% of Net Present Value.	TRUE	<i>The Investment Agreement (IA) is risk free for Mongolia. The Government of Mongolian (GoM) bought its 34% ownership stake in the company with no cash up front, and put no public funds at risk. That means the government can never lose money. Additionally, GoM owns 100% of the minerals. According to the IA, GoM will pay back the repayment of 34 percent ownership through dividends. So even if Oyu Tolgoi works without profit, international investors will be responsible for payment of 34 percent ownership of Mongolia.</i>
2	S.Ganbaatar:	I am not against this agreement but it is very inadequate agreement. MP Bayartsogt said many important issues. He said that Mongolians will get 53% of profits. Let's break down this 53%. The profit of procurement and supply are not included, I think.	FALSE	<i>In addition to receiving dividends from its 34 percent ownership of Oyu Tolgoi LLC, Mongolia will get taxes and fees from investments made by the international investors, as well as royalty payments and VAT through national and local government organizations. From 2010 through to the end of August of 2012, a total of 1,058,226,585,000 MNT (US\$803 million) in taxes, fees and payments has been paid by Oyu Tolgoi LLC to the Government of Mongolia. As such, \$71 out of every \$100 dollars earned from Oyu Tolgoi will stay in Mongolia, according to research made by International Monetary Fund. This ratio is considered 59 percent is based on research from the Government of Mongolia. This research, however, did not consider cashflow spent on the supplier or any indirect benefits.</i>
3	S.Bayartsogt:	The natural wealth 100 % belongs to Government of Mongolia. Project financing is 100 percent coming from abroad. In terms of profit allocation, 53 percent is going to Mongolia and 47 percent is going to the investors.	TRUE	<i>Mongolia owns 100 percent of the underground wealth. In order to put this wealth into economic use, the Government of Mongolia partnered with investors from third neighbor countries and set up "Oyu Tolgoi" LLC and owns 34% shares of this company. According to 2010 research of International Monetary Fund, Mongolia to get up to 71 percent of the total cashflow of the Oyu Tolgoi project.</i>
4	S.Ganbaatar:	We have 3.1 billion USD debt even a kilo of a copper is mined yet.	TRUE	<i>Mongolia owns 34 percent of Oyu Tolgoi LLC and can get its 34 percent financing for development of the business from any source. The Government maintains the option of obtaining its financing from the national budget or through loan from foreign bank. However, the Government selected the approach to finance its 34 percent share from the investors with condition to repay back from its dividends.</i>

5	S.Ganbaatar:	This agreement was not done according to law. In short, I consider this agreement violated law. There are clauses in this agreement which is above law. Main thing, I will talk about whether this agreement is beneficial for Mongolians or not and not about law.	FALSE	<i>The Investment Agreement was reviewed three times and approved by the State Great Khural and was validated by Government as a law. There is no basis that the agreement violated law.</i>
6	S.Ganbaatar:	How to explain all these different numbers of 4 billion and 5.1 billion? The Feasibility Study should be exact. You did not get the Feasibility Study approved.	TRUE	<i>We agree that public has many different estimates about the initial investment. The Oyu Tolgoi Feasibility Study (FS) was submitted to the Minerals Counsel in July 2009 and was approved by the Minister of Minerals and Energy in March 2010. According to the Feasibility Study, initial investment is \$5,174m, defined as costs that would be incurred prior to the commencement of production in the concentrator, including: development of open pit, concentrator with 100ktpd ore processing capacity, continuing underground development, and associated infrastructure.</i>
7	S.Bayartsogt:	People from 50-60 member countries of UN working there.	FALSE	<i>About 15 thousand people from 40 member countries of UN are working in Oyu Tolgoi project.</i>
8	S.Ganbaatar:	The agreement has 14 clauses that validates rights of investors and Rio Tinto, Ivanhoe Mines. There is only one article that validates rights of Mongolian Government.	FALSE	<i>The investment agreement clearly defined rights and responsibilities of Government of Mongolia and the investors. It is not appropriate just to talk about rights. The investors took many responsibilities and duties such as development of Mongolian business, workforce, local development, infrastructure, training and natural environment and successfully implementing these. Mongolia's responsibility is to ensure a stable operational and tax environment.</i>
9	S.Bayartsogt:	Our royalty rate is five and management cost is six percent. Royalty is based on total revenue and management fee is based sum of two expenditures.	TRUE	<i>It is said that the management fee rate, which is 3 percent during mine development phase and 6 percent during production, is higher than royalty tax collected by Mongolian side. Actually, management fee is based on operational cost and cost of initial investment and royalty is based on total revenue. Although rate of the royalty is less in terms of number, its base is the total revenue and therefore, several times more than the management fee.</i>
10	S.Ganbaatar:	Although, we are together in this company, contracts between them or between this investor bank or financier and suppliers are not disclosed for us. We are left outside. Therefore, this agreement is against us.	FALSE	<i>It is not true that Mongolians are left outside the Oyu Tolgoi project circle. The Chairman and three members of board of the company are Mongolians. Also, roughly ten thousand Mongolians are participating in the development of the project, including Mongolians who holds important positions in the company - responsible for procurement, human resources and natural environment.</i>
11	S.Ganbaatar:	According to these estimates, we are already in debt of \$ 3.1 billion dollars.	FALSE	<i>During project duration, Mongolian side will never indebted and the investors will be responsible for the actual debt. While investors are spending funds to develop the mine, the Government of Mongolian has already received \$803 million dollars in the form of tax, fees and advance payments.</i>

12	S.Ganbaatar:	According to estimates based on Libor plus 6.5 (researchers say 7.6), you to pay 6.5 with interest and 6.5 billion dollars.	FALSE	<i>LIBOR is not a loan at all. It's the lowest interest rate estimated by leading banks in London. It's a very low interest rate that is actually lower than what governments can borrow from commercial lenders. Simply put, investors saved money by successfully obtaining a low interest rate. In terms of the loan interest rate, it was reduced substantially. Initially, the interest rate was set as "U.S. Consumer Price Index + 9.9%". However, investors reduced it as LIBOR (London Interbank Offered Rate) + 6.5%". This way, investors were able to reduce the loan interest rate by three percent. Current quarterly based LIBOR rate is 0.31275%. The opportunity for Erdenes Oyu Tolgoi LLC to obtain a low interest loan from other sources to finance its 34 percent financing remains open, according to the IA.</i>
13	S.Bayartsogt:	Legal environment to review and revise the agreement is there. It is 70 year agreement and agreed to revise the agreement if both parties agree about the revision in writing.	FALSE	<i>While it is possible to mine Oyu Tolgoi for 70 or more years, the length of the Investment Agreement is 30 years and not 70 years. It is fully possible to revise the agreement if both parties agree in writing.</i>
14	S.Ganbaatar:	According to 8.12, Oyu Tolgoi strategic training plan was to be submitted for approval within 90 days. Until today, it is just a very formal paper. What we ask often is how many Mongolians are working in what jobs for how much salary.	FALSE	<i>Oyu Tolgoi LLC is implementing its Investment Agreement commitment. According to the agreement, during the construction stage, 60 percent of the workforce will be Mongolians and during production stage, 90 percent of the workforce will be Mongolians. Currently, we are not yet in production stage. However, 81 percent of the total workforce are Mongolians. More than half of the departments of the Oyu Tolgoi company is 100 staffed by Mongolians. On June 29, 2010, strategic training plan was submitted to the Government. In relation to this plan, Memorandum of Understanding was signed with the Ministry of Education, Culture and Science and implementing vocational training program.</i>
15	S.Ganbaatar:	In terms of training of workforce, very bad and not training our people.	FALSE	<i>To fulfill our commitments, OT LLC is investing 168 billion tugrug-the biggest ever investment in to the vocational education system of Mongolia. We are building brand new vocational education centres in Khanbogd, Nalaikh and Dalanzadgad. We are also upgrading and expanding 4 existing TVET schools with modern training equipment in Dalanzadgad, Choir, Erdenet and Darkhan. Technical vocational school in Khanbogd is opened now and construction of the Vocational school in Nalaikh is continuing and expansion and upgrading of the Darkhan vocational school is finished and will be opened on Dec 2, 2012. Additionally, OT is training 3300 qualified workers and 1200 teachers from TVETs. Moreover, OT is providing full scholarships for hundreds of students studying in domestic and international universities.</i>
16	S.Ganbaatar:	You are native of Selenge province. You have given right to divert Selenge river to Gobi.	FALSE	<i>There is no clause in the Oyu Tolgoi Investment Agreement related to diverting Selenge and other rivers in Mongolia.</i>

17	S.Ganbaatar:	Most unfortunate thing is here copper smelter will not be built here. If to build copper smelter here, will conduct research within 3 years.	TRUE	<i>The agreement included a joint effort to conduct research on building a copper smelter in Mongolia. This remains valid.</i>
18	S.Bayartsogt:	During construction period, 60 percent of total workforce will be Mongolians and during production period, 90 percent of all workforce will be Mongolians.	TRUE	<i>Oyu Tolgoi LLC is successfully fulfilling its commitment on workforce taken under the Investment Agreement. Oyu Tolgoi LLC created 1300 new jobs in 2012 alone. Currently, 88 percent of the workforce of the company is Mongolians and 81 percent of workforce of the overall project is Mongolians. This demonstrates we are prepared to implement the commitment of 90 percent Mongolian workforce during production stage.</i>
19	S.Ganbaatar:	In terms of tax, it is like a country called Oyu Tolgoi has been established in our country. Today, we have no right to change our taxes rate. Oyu Tolgoi will use that.	FALSE	<i>Government took the responsibility of ensuring stable tax and business environment for the investors during the Oyu Tolgoi project implementation period. By attracting the investment this way, the Investment Agreement has become a model agreement that boosted the confidence of other international investors. Therefore, foreign direct investment in Mongolia increased by 13 times since 2009 not counting Oyu Tolgoi project.</i>
20	S.Ganbaatar:	We are pursuing policy to create jobs for Mongolians and have qualified our workforce when the foreigners leave in 50, 60 years and implement large mining projects and deposits without relying on foreigners. Therefore, article 8.9 basically breached article 8.4 and 8.5.	FALSE	<i>Oyu Tolgoi LLC is training Mongolian workforce including engineering-technical workers that can develop mines now for 5-6 years and not after 50-60 years. Under the Internal company training program, trained about 400 mining professionals and created jobs. 11 thousand Mongolians are working in Oyu Tolgoi NOW...</i>
21	S.Bayartsogt:	Mine production has not yet started. When production starts in June or July of 2013, then real impacts of the mining will be felt.	TRUE	<i>Oyu Tolgoi is on schedule to achieve commercial production in the first half of 2013.</i>
22	S.Ganbaatar:	Are we investor or partner or just beneficiary?	TRUE	<i>The Government of Mongolia through Erdenes Oyu Tolgoi LLC is a shareholder of Oyu Tolgoi LLC.</i>
23	S.Ganbaatar:	All money goes abroad through large companies that came from abroad.	FALSE	<i>In 2010-2012, Oyu Tolgoi LLC spent \$ 1 billion in Mongolian. It is inevitable that Oyu Tolgoi, one of largest world mines, will deal with large international companies when buy large mining equipment and machineries. However, every purchase of equipment and goods from abroad generates customs tax for the state. In addition, the company pursues policies to buy all products, services and goods from Mongolia, if possible.</i>
24	S.Bayartsogt:	After this, outside impact on the GDP increases 13 times.	TRUE	<i>Since signing the Investment Agreement in 2009, foreign direct investment in Mongolia increased 13 times (not counting the Oyu Tolgoi).</i>

25	S.Ganbaatar:	Ivanhoe Mines is not the governing board that represents the management team.	FALSE	<i>Oyu Tolgoi project is managed by Rio Tinto company and the governing board consists of representatives of the Rio Tinto, Turquoise Hill Resources (formerly known as Ivanhoe Mines) and Erdenes Oyu Tolgoi LLC.</i>
26	S.Ganbaatar:	When Rio Tinto announces, they say initial investment is US\$7.8 billion dollars.	FALSE	<i>Initial investment of the Oyu Tolgoi project is roughly \$6 billion dollars and it is equal to about 7.8 trillion MNT.</i>
27	S.Bayartsogt:	During 70 years of the agreement implementation, we will earn US\$118 billion dollar revenue.	FALSE	<i>According to the Feasibility Study approved by the Minerals Council of Mongolia in 2009, it was estimated that Mongolia to get a total of US\$36 billion, while the investors are slated to get US\$32 billion dollars. Mongolia to get this profit within shorter period of time than the international investors. As we say, "today's lung is better than tomorrow's fat", value of today's money is more than value of money after 10 years.</i>
28	S.Ganbaatar:	This means, no tax for almost 8 years.	FALSE	<i>Mongolia collects tax from Oyu Tolgoi LLC. One can inquire about this from Government, Ministry of Finance, General Tax Authority, General Customs Authority and local government organizations. Since signing of the Oyu Tolgoi Investment Agreement, Oyu Tolgoi LLC paid 1 trillion tugrug in the form of tax, fees and advance payment to national budget.</i>
29	S.Bayartsogt:	Therefore, expatriates are coming for short time to train people. Also established 3 TVET schools and investing 300 million MNT for this, since signing of the investment agreement.	FALSE	<i>Oyu Tolgoi LLC is spending US\$126 million dollars or 168 billion MNT for vocational training program to train Mongolian workforce.</i>
30	S.Ganbaatar:	It is not possible to revise the agreement. All things are closed. Can tell each other everything is ok in writing. Otherwise, there is no right to meet.	FALSE	<i>Agreements are validated in writing. Therefore, it is natural to agree to revise any agreement in writing. Of course, it is possible to meet and discuss with each other.</i>

*Oyu Tolgoi Press and Media department
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