



## **“One understanding of the project – transparency” forum**

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### **T.Munkhbat**

*Oyu Tolgoi LLC, Vice-Director in charge of Resources Strategy and Innovation department and Operational Projects*

Ladies and Gentlemen and distinguished guests

I am delighted to be here today on behalf of Oyu Tolgoi LLC to introduce the project.

My presentation covers the initial history of the Oyu Tolgoi project and its achievements up until today. The second part of the presentation, on project management systems, will be done by Tulga, IT department manager, as a case study of the IT department.

The Oyu Tolgoi project is ranked as the largest project in the history of Mongolia and is currently one of the largest mega projects in the world. We have constructed an open pit mine and a concentrator in the Gobi desert, without any previous infrastructure, in less than 30 months.

This achievement is the result of sustainable partnerships between our government and our investors. About 18 thousand engineering-technical personnel, from 44 UN member countries, have been working together to achieve this historic record in Umnugobi aimag.

When we started geological exploration work at Oyu Tolgoi, about a decade ago, we never imagined that these small brown hills would contain such enormous copper reserves. Today, this has become one of the topics of the project, of most interest to the public.

Relevant multi-stage research work took place; including a report on the results of the geological-exploration work of the deposit, a reserve report, preliminary project design research, the Oyu Tolgoi integrated development plan, a preliminary feasibility study and a final feasibility study.

The Oyu Tolgoi reserves were estimated according to the relevant standards or temporary instruction on resources and reserves of Mongolia, Canadian NI-43-101 reserve reporting code and Australian JORC codes. By using these standards, it became possible to finance the project and attract investment to Mongolia.

The Oyu Tolgoi investment agreement was signed in late 2009 and the construction of phase 1 of the project commenced in mid-2010. Now the concentrator, with 100 thousand tonnes of ore processing capacity, the open pit mine and other relevant infrastructure, have been constructed and commissioned.

Oyu Tolgoi is managed by Rio Tinto and follows its strict standards, introducing new technology and standards to the Mongolian mining sector. We implement Mongolian laws, company policy, standards and regulations, to the highest ethical standards.

Since the scope of the project was realized and the feasibility study, which was on paper, was turned into actual plants and operations, an investment of US\$6.2 billion dollars has been made.

During this period, Oyu Tolgoi has purchased goods and services from Mongolian companies and businesses, spent money financing them and conducted many activities to support stable social and economic development in the country. Oyu Tolgoi is a very special project because it is investing in social and cultural and economic development of the country - even though it is not yet earning revenue.

Since the start of the construction phase, Oyu Tolgoi has paid over US\$870 million to the national budget in the form of taxes, loans and advance payments. Oyu Tolgoi is ranked the second highest tax payer in the "Top-150 Companies for 2012", recognition co-organized by the Chamber of Commerce and Industry and the Government of Mongolia.

**These are the achievements we made, while not yet in production or earning revenue.**

According to latest data, 67 per cent of all our suppliers are national businesses. National businesses are defined as businesses that are at least 50 per cent owned by Mongolian citizens.

We have been working with the government since 2010 and we are investing US\$126 million dollars in the vocational educational sector over a five-year period.

Throughout Mongolia, we are training a qualified workforce of over 6,600 people, building three new vocational educational centres, upgrading four existing vocational educational centres, supplying training equipment and improving the vocational educational curriculum and skills of vocational teachers.

We are introducing advanced equipment and technology to Mongolia, the likes of which have never been used in our country before. There is the task of having enough qualified personnel to construct and operate the equipment and train other people to operate the equipment. Therefore, national and international specialists and technical engineering personnel have worked on the project and successfully helped to complete the development phase.

We produced the first batch of copper concentrate in early 2013 and we are on track to export our product to the market in June. Thus, a whole new brand “Oyu Tolgoi copper concentrate”, produced in Mongolia, is ready for export.

While company and local community shares will mutually benefit when the mine is developed. We are making substantial investments in developing the local community.

Our local community investment is directed to; construction of schools and hospitals, the improvement of the drinking water supply, implementation of a health programme, preservation and protection of the local cultural heritage and benefitting the neighboring local community and residents.

Water is a precious treasure in the Gobi desert. Therefore, we are spending a lot of funding in the protection and preservation of water sources.

We are introducing the latest mining processes and technology with the least water usage. One hundred per cent of domestic wastewater and 80 per cent of industrial water at the OT site is recycled.

We are committed to becoming one of the most water efficient copper mines in the world.

Multi-billion dollar financing, to build the second phase of Oyu Tolgoi, will greatly benefit our economy. Attracting leading global banks and financial institutions to Mongolia will confirm that Mongolia is a favourable international investment.

We believe that the successful implementation of the Oyu Tolgoi project - a result of the partnership between our government and investors - will increase the benefit of the mining sector and it will become the best example of economic development.

The Oyu Tolgoi open pit mine will start earning revenue from the second half of 2013, but we still need to raise substantial funding to complete 250kms of underground tunnelling in the Oyu Tolgoi underground mine. Most of the ore body of Oyu Tolgoi, 80 per cent of the total value, will come from the underground mine.

We are committed to the implementation of strict standards to protect the best interest of our country, our partners and the natural environment.

Thank you for your attention.