

**Gobi Gem, Supplier recognition awards, 2013**

**29 April, 2014**

**Speech by Ivan Vella, Chief Operating Officer, Oyu Tolgoi LLC**

Distinguished guests and suppliers, I trust that you have enjoyed today's event. This event marks the end of a fantastic year of progress in developing our national supply chain.

76% of our expenditure on goods and services is from suppliers operating in Mongolia. In 2013, 40 per cent of our spend was with entirely Mongolian companies. We are targeting 55 per cent this year. Our national suppliers numbered 949 last year. That's 949 Mongolian companies employing 35,000 men and women.

Behind these statistics, we have seen some incredible individual examples of sourcing major areas of goods and services from within Mongolia for the first time, while meeting our rigorous international standards of safety and quality. I am delighted by what we have achieved together.

People will often ask the question, why do we do it? Why do we care? Why is building an in country supply chain, one of the central priorities of our business?

1. First of all an in-country supply chain is more secure, it is more reliable. Directly importing goods and services takes longer, which can result in shutdowns and loss of revenue.
2. Second it is more efficient. It is cheaper. Directly importing goods and services costs more and distracts us from our core business.

Security and efficiency of supply are absolutely critical to a successful operating business which delivers value to its shareholders and is sustainable throughout the commodity cycle.

This is also key to our role in contributing to the development of the Mongolian economy. The more expenditure that we commit in country the more capacity that is developed locally. We continue to support the long-term Government policy of transforming Mongolia's internal capacity.

We know that the volatility in our industry can be challenging. The economic environment at the moment for our business and yours is very challenging. Costs need to be controlled and there is uncertainty about the future.

But behind that, there is immense opportunity.

You know what we want from our suppliers. I ask that you continue to step up to the challenge, be in no doubt that we want to work with you more and more in future.

Please keep a fundamental focus on safety, professionalism and cost-efficiency. Oyu Tolgoi's operations have ramped up and are stabilizing quickly. There are many great opportunities for you to work with Oyu Tolgoi, for your workforces to continue to grow, and for your success to be even greater.

Thank you again.