



# BUSINESS COUNCIL of MONGOLIA

## NewsWire

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### NEWS HIGHLIGHTS:

**Business:** *Government gives Centerra Gold the green light; Railway project increases coal company's export capacity; Erdene Gold deposits found in wider area; Civil protestors lodge petition to stop exploration*

**Economy:** *IMF mission prioritizes inflation; Mongolia's property catches up; New State company starts rail reform; National statistics show 2008 trend*

**Politics:** *Political leaders agree on draft Minerals Law amendments; Bayar's government reaches 100 days; Foreign Minister seals new airport funds; MPRP's expose on Mongolian-Russian relations; Kazakhstan-Mongolia cooperate in energy sector*

### BUSINESS

#### GOVERNMENT GIVES CENTERRA GOLD THE GREEN LIGHT

Centerra Gold Inc. (TSX - CG) announced Mongolia's Mineral Resources and Petroleum Authority (MRPA) has accepted the feasibility study for the development of Gatsuurt hard-rock gold deposit. The Company said in a news release March 11 they had commenced negotiations with Government for an Investment Agreement for the development of Gatsuurt deposit. Centerra Gold Inc. President and CEO, Len Homeniuk said, "Now that the Gatsuurt Project feasibility study has been approved, I am hopeful we can negotiate an acceptable Investment Agreement, which will allow us to develop the Gatsuurt deposit in a timely manner."

Source: Centerra Gold news release March 11 *and* [www.canadaeast.com](http://www.canadaeast.com)

#### RAILWAY PROJECT INCREASES COAL COMPANY'S EXPORT CAPACITY

A proposed project aims to increase export capacity of Mongolia's largest mining operator, Sharyn Gol Energy LLC, responsible for mining 15 percent of the nation's coal. The company wants to reduce transport costs by switching from road to rail and sought funding from the United States Trade and Development Agency (USTDA)

A US \$391,550 grant has been approved for a study on construction of a more economical and environmentally sustainable railway from Sharyn Gol coalmine in Shivee Ovoo to the existing north-south Mongolian Railway. The funding will allow the company to move minerals more efficiently; increase production; and create new jobs. The funds will help Mongolia overcome one of its major concerns for finding economical ways to transport minerals mined in Mongolia to world markets.

US-based TERA International Group has been selected to conduct the study.

**Read more:** [www.mongolia-web.com](http://www.mongolia-web.com)

#### ERDENE GOLD DEPOSITS FOUND IN WIDER AREA

Erdene Gold Inc. announced March 11 drilling results which showed mineral deposits extended much farther than previously estimated at their Zuun Mod site. The site holds major deposits of molybdenum and copper.

As a result of drilling, deposits have been found extending by 250 meters to the east and by 300 meters south. In a statement released by Erdene Gold, President and CEO, Peter Akerley, said, "As molybdenum demand continues to increase, driven by China's growth and increased use in the energy sector, amidst a tightening supply environment, it is more evident that strong molybdenum prices can be maintained for

the long term and the development of world class molybdenum deposits will be required." Zuun Mod is located about 200 km north of the Chinese border.

Source: [www.montsame.mn](http://www.montsame.mn)

### CIVIL PROTESTORS LODGE PETITION TO STOP EXPLORATION

A civil movement claims Canadian company 'Shaman Resources,' has been conducting exploration illegally and submitted a petition to Parliament March 11 demanding their sites in Khentii and Tov aimags be removed from mining exploration under threats to culture and the environment.

Kherlengiin Khodoo Aral movement and local administrators, herders and citizens protested to Shaman Resources and accused Company leaders of obtaining their permission under a false name from the Mineral Resources and Petroleum Authority (MRPA).

MRPA Petroleum Extraction and Transport department head, D. Tserenbaljir said the Government approved a 'Product Purchase Share Agreement,' between the MRPA and Shaman Resources to conduct petroleum exploration in Nyalga-14 area following a recommendation of the National Security Council, on June 20, 2007, Resolution 14.

According to the Product Share Agreement, Shaman Resources will spend at least US \$6.1 million in the first five years of exploration. The Company started its subsoil reconnaissance research in 2008 on 400 hectares of area with an agreement with Mongolian Khet LLC to conduct research of two-dimensional shaking.

The research will be continued for two months and findings will be refined in Canada after which Shaman Resources will decide whether to conduct exploration drilling, or not.

Source: Ardiin Erkh

## **ECONOMY**

### IMF MISSION PRIORITIZES INFLATION

An IMF mission visiting Ulaanbaatar has found even though Mongolia's economic performance has been strong, risks from a booming economy signalled measures to manage and regulate growth were urgent, with inflation the top priority. The regular member country mission, to review recent economic developments, discuss economic outlook and assess economic and financial policies in line with each member country's medium-term objectives, was led by IMF's Mr Roger Kronenburg. They met key government and private sector leaders and released their recommendations in a press release March 11.

The mission said among the key priorities was a clear need to establish a transparent, stable and internationally competitive mining regime; maintain a modest budget surplus by avoiding further salary increases for civil servants; curtailing overlapping social spending and improving its targeting and avoiding low priority capital spending. It also recommended there should be no further spending on new programs.

Source: IMF press release; Check BCM website- 'Articles/Reports on Mongolia' for full report

### MONGOLIA'S PROPERTY CATCHES UP

An article in London's Financial Times, 'Mongolia's housing revolution,' by Francesca Lombardo March 8, provides an interesting insight into Mongolia's changing property market from a local perspective and suggests capital growth in the property market at 25 to 30 percent is here to stay - for sometime yet.

Lombardo describes the rising price trends in housing with examples of prices in the city center in Seoul Street area starting from US \$800 per square meter compared with US \$1,200 per square meter in the expatriate districts.

UK-based company Property Frontiers sales consultant, Ben Jefferies says the signs are that property prices are catching up with the upward economic trend. He said, "The property market is fuelled by the shortage of quality houses and increasing demand in the capital, Ulanbaatar from employees of large western companies, foreign business people, NGOs and government associations."

Capital growth in the property market has soared to a staggering 25 to 30 per cent over the past three years and rental yield growth is now at 18 per cent.

Experts believe that the next three to five years will be crucial for Mongolia to keep the momentum going and create long-term and sustainable growth.

Read more: [www.ft.com/cms-Francesca Lombardo](http://www.ft.com/cms-Francesca Lombardo)

### NEW STATE COMPANY STARTS RAIL REFORM

The government of Mongolia has resolved to grant financial assistance for technical reform of the Mongolia-Russia joint company, Ulaanbaatar Railway Company, and has decided to establish a State-run shareholding company, 'Mongolian Railway,' to seal ownership of mobile assets such as locomotives and wagons, purchased with State funds. Mongolian Railway will purchase three locomotives and 150 wagons with State funds budgeted in 2008 and lease them to Ulaanbaatar Railway Company. Finance Minister, Ch. Ulaan and Road, Transport and Tourism Minister, R. Raash will be responsible for measures regarding the resolution.

Mongolian Railway Company will be a 100 percent State-owned company under the government of Mongolia.

Source: Montsame National Newsagency

### NATIONAL STATISTICS SHOW 2008 TREND

In the first two months of 2008, Mongolia's export profit was in surplus US \$36.4 million a decrease by more than US \$20 million against the same period in 2007. National Statistical Office Macro Economy service head B. Badamtsetseg told Zunny Medee newspaper March 11, State budget total revenue and grants reached MNT 323.4 billion in February with total expenditure at MNT 268.1 billion. The exchange rate of the US dollar to the Mongolian togrog was MNT 1171.82, a drop of 0.7 per cent against the previous year. The consumer price index rose by 2.6 per cent against January and was an increase by 4.6 per cent at the end of 2007.

Source: [www.montsame.mn](http://www.montsame.mn)

## **POLITICS**

### POLITICAL LEADERS AGREE ON MINERALS LAW AMENDMENTS

A bill to amend the Law on Mineral Resources is ready to submit to Government and Parliament for approval. The bill stipulates that Mongolia will own no less than 51 percent share of total capital fund and foreigners will own no more than 49 percent share if Mongolia has joint ownership in strategically listed deposits with foreign legal entities.

Leaders of Mongolia's two leading parties, the Mongolian People's Revolutionary Party (MPRP) and the Democratic Party (DP) reached consensus on the form of the amendment to the Minerals Law. It is expected to be submitted to Parliament in an extraordinary session, on or about March 17.

Oyu Tolgoi is on the list of 15 strategic deposits.

Source: <http://newswire.mn>

### BAYAR'S GOVERNMENT REACHES 100 DAYS

The Bayar-led government will celebrate its first 100 days on March 21 and all

ministries will hold 'Open Door Days' to report on work completed under the new government.

Prime Minister Bayar reported the Government's achievements to press March 6. He said Cabinet had discussed the 2002 Land Law and decided to extend land privatization for families to May 2013; a State-owned 'Mongolian Railway' company had been established to overcome joint ownership issues of the Mongolian-Russian Rail Company managed under an outdated 1949 agreement; and the Law on Notary had been streamlined reducing the red tape surrounding certification of citizens' legal documents.

Source: The Mongol Messenger

### FOREIGN MINISTER SEALS NEW AIRPORT FUNDS

Mongolian Foreign Affairs Minister, S. Oyun has signed a note on the project to construct Ulaanbaatar's new international airport with soft loans from the Government of Japan. She completed the signing during her official visit to the country from March 3 to hold official negotiations with her counterpart, the Foreign Affairs Minister of Japan, M. Komura.

The Ministers discussed strengthening economic cooperation, increasing private sector investment, introducing environmentally friendly technology, improving Mongolia's legal environment and strengthening regional and multilateral cooperation.

The partners agreed to host a consultative meeting of their foreign ministries and the second meeting of the 'Government-Private Sector Committee' in Ulaanbaatar in the near future and expressed willingness to cooperate on Northeast Asian region issues.

Source: Montsame National Newsagency

### MPRP'S EXPOSE ON MONGOLIA-RUSSIAN RELATIONS

MPRP General Secretary, Yondon Otgonbayar, visited Moscow and was interviewed by 'Moscow News' reporter, Yuri Plutenko on March 8 about Russian-Mongolian relations. He said Mongolia would like to see a higher Russian presence and more Russian investment.

The General Secretary commented on a range of issues including Northeast Asian relations; Mongolia's foreign policy priorities; Mongolia's principal economic problems; Russian-Mongolian trade and economic cooperation; MPRP party membership; Mongolia's political situation; Mongolia's role as an observer at the Shanghai Cooperation Organization (SCO); and Mongolian society's perception of democracy and whether European or American political models could be taken as a models for Mongolia.

He said the Mongolian Government recognized, Mongolia was at a crossroads of change with globalization, on the one hand, opening great opportunities for the country, but on the other, faced formidable challenges.

Read more: <http://mnweekly.rian.ru/world/20080208/55308635.html>

### KAZAKHSTAN-MONGOLIA COOPERATE IN ENERGY SECTOR

Kazakhstan Ambassador to Mongolia, Orman K. Nurbaev has told Fuel and Energy Minister, Ch. Khurelbaatar that Kazakhstan would be interested in investing in Mongolia's energy sector, at a meeting on March 11. Both officials agreed to organize a joint meeting to discuss the potential for cooperation in the sector and in other areas.

Source: Odriin Sonin

## **ECONOMIC INDICATORS**

## MSE WEEKLY REVIEW

For the week ended February 29, trading activity on the Mongolian Stock Exchange (MSE) totaled 1,100,000 shares with 57 companies traded. Total market value of transactions was MNT 591.6 million.

The Top 20 index increased by 195.56 points or 1.6 % compared to the previous week closing at 12,359.05 points. Major share price gainers were: APU, Spirt Bal Buram, Tulga, Shivee Ovoo and UID. Most active stocks traded were: Hai Bi Oil (453,600 shares), Jenco Tour Bureau (173,800 shares), Tuul Songino Water (36,300 shares) and UID (27,000 shares).

Total market capitalization of 358 stock companies listed on the MSE was MNT 847.5 billion, up MNT 6.1 billion from the previous week.

## INFLATION

Year 2006	6.0%	[source: IMF]
Year 2007	15.1%	[source: World Bank]
Jan 2008	17.5%	[source: IMF]

## CURRENCY RATES - March 14 2008

Currency name	Currency	Rate
US dollar	US	1172.20
Euro	EUR	1802.20
Japanese yen	JPY	11.48
British pound	GBP	2358.88
Hong Kong dollar	HKD	150.47
Chinese Yuan	CNY	164.97
South Korean won	KRW	1.21
North Korean won	KPW	8.19
Canadian dollar	CAD	1183.14
Australian dollar	AUD	1091.14
Taiwan dollar	TWD	38.20
Indonesian rupiahs	IDR	0.13
Malaysian ringed	MYR	367.58
Singapore dollar	SGD	844.89

## EDITOR'S NOTE:

Consular General, Embassy of Mongolia, Washington, Ganbold Gonchig has written a response to a commentary article, 'Mongolia's Challenge,' in the Washington Times, February 21 by Professor J. Peter Pham, of the Nelson Institute for International and Public Affairs at James Madison University in Harrisonburg, Virginia.

Check the BCM website-'Articles/Reports on Mongolia' for the full commentary and Consular General's response.

## ACMS RESEARCH FELLOWSHIP PROGRAM

The American Center for Mongolian Studies (ACMS) is pleased to announce the first

year of the American Center for Mongolian Studies (ACMS) Research Fellowship Program with funding support from the Henry Luce Foundation.

The Fellowship Program will annually support three fellows to conduct up to 12-months of doctoral dissertation or post-doctoral research in Mongolia on topics in Social Sciences or Humanities. Previous Mongolian Studies experience is not required, but projects should enhance knowledge of Mongolia and the Mongols within relevant academic disciplines or fields of study. Projects that link research conducted in Mongolia to other parts of Asia or across academic fields are especially encouraged.

*For application process read more: [www.mongliacenter.org/fellowship](http://www.mongliacenter.org/fellowship)*