



BUSINESS COUNCIL of MONGOLIA NewsWire

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NEWS HIGHLIGHTS:

Business: *Parliament's last chance to decide Mongolia's mining fate; Eznis responds to record fuel price hikes; NAMBC to discuss Mongolian investment opportunities; Chinese eye Mongolian coal mines*

Economy: *Food and fuel prices loom as regional risks; Mining and inflation influence Mongolia's economic growth; Expo showcases new communication technologies; Regional plant raises employee salaries*

Politics: *President to attend regional forum; Tax office works hard to achieve goals; Mongolian-Russian ties tightened*

INVITATION - INTERNATIONAL TAX WORKSHOP

Lecture with Case Study

PricewaterhouseCoopers (PwC) and the Business Council of Mongolia (BCM) extend an invitation to BCM members to the second, free of charge, 'Tax Workshop' on principles of International Taxation on tax issues for foreign investors, and listing a company on a stock exchange. The Workshop will be presented in both English and Mongolian.

Please register by telephone, 11-332-345 or Email, tugi@bcmmongolia.org.

Date: April 15, 2008

Time: 4pm - 6.30pm

Venue: Khan Bank Theater, Khan Bank Headquarters, Seoul Street, Ulaanbaatar

PwC will sponsor refreshments after the Workshop.

BUSINESS

PARLIAMENT'S LAST CHANCE TO DECIDE MONGOLIA'S MINING FATE

The status of the draft amendments to Mongolia's Minerals Resources Law has made no further progress since Prime Minister Bayar's hopes for resolution of issues delaying the amendments, were tabled in an extraordinary session of Parliament mid-March. The Prime Minister and the President want it as the highest priority for discussion in Parliament's spring session, being held now.

This will be the current Government's final session of Parliament before the June 29 Parliamentary elections, and possibly the last chance for the present Cabinet to decide the fate of Mongolia's mining sector future.

Any opportunity to conclude issues surrounding the draft amendments and open the way for investment agreements on the country's mineral rich strategic deposits, dived when the Democratic Party working group took a break from the extraordinary March session to discuss the amendments in detail.

Since then, debate over the amendments has clouded decisions. Mongolian and foreign ownership percentages stating the Government's right to claim a minimum of 51 percent, or 34 percent of any strategically important deposit explored with State and private funds, is countered with an the amendment stating up to 51 percent of State interest of a strategically important deposit explored with private funds, would be subject to negotiation under an investment agreement.

Also unclear are licensing permission processes and a clear definition of 'strategic deposits'. These issues have foiled any consensus being reached by stakeholders and

the Government's capacity to approve the Minerals Law continues to fluctuate.

A table of the amendments released in media last week, compared what constitutes a strategic deposit; ownership criteria and licensing permission processes. It identified strategic deposit reserves as those that would have sufficient impact on the country's economic development including gold, copper, silver and uranium.

The President said in his opening address of Parliament's spring session, there had been too little action from Parliament illustrated through research published in 2008. It showed Mongolia had reasonable minerals resources ranked in the first ten countries out of 68, however, the index for policy effectiveness was 8th from the bottom.

He said the 'Legislative Environment Study Index' fell rapidly in the last two years and a disappointing performance ranked Mongolia 56th of 68 countries. He said the main factors for the fall were Mongolia's position third from last in the list of countries with the toughest taxation law; seventh from last for political stability and fifth on implementation of legal documents and ability to explain surrounding issues.

Sources: Montsame National Newsagency, The Mongol Messenger, Minerals News Daily Update

EZNIS RESPONDS TO RECORD FUEL PRICE HIKES

Eznis Airways, with other Mongolian aviation industry carriers, has felt the impact of soaring fuel prices in spite of Government promises to curb further increases. It informed passengers in a press release that from April 9 it has had to impose a 'fuel surcharge' on all customers to offset record high jet fuel costs and export taxes.

The company clarified the surcharge was an amount to be paid by all Eznis Airways customers, over and above ticket costs. There are two surcharge levels. An MNT 4,700 /US \$4 per sector flown will apply to most Mongolian destinations. Exceptions will be to longer haul destinations in the west including Ulangom, Hovdt and Ulgi, where the surcharge will be MNT 9,400/US \$8 per sector flown with a separate charge on the ticket to show the fuel surcharge amount.

Eznis advised its customers it had no control over increasing fuel prices and they were difficult to forecast and imposed with little notice. The Company stated fuel surcharge proceeds do not become Eznis' revenue or profit but pay for the fast-increasing jet fuel costs.

Source: Eznis Airways press release, April 5 2008

NAMBC TO DISCUSS MONGOLIAN INVESTMENT OPPORTUNITIES

Investment opportunities for Canadian and US businesses in Mongolia will be the number one item on the 18th AGM of the North America-Mongolia Business Council (NAMBC) from April 16 to 18, 2008, in Calgary, Alberta in Canada.

Mineral Resources and Petroleum Authority of Mongolia chairperson, L. Bold and Mongolian Ambassador to Canada, Dr D. Gotov will present reports. The meeting will include panels on Mongolia's economy and elections, mining and oil sectors, Mongolia-related NGOs of interest to the private sector and financial services.

Read more: www.nambc.org

CHINESE EYE MONGOLIAN COAL MINES

China's state-owned Shenhua Energy said it would seek possibilities to purchase coal mines in Mongolia. Industry leaders see the announcement as a first move for China to become active in the international mining of energy-related minerals. Shenhua Energy raised a record US \$8.9 billion last fall in China's largest domestic first-time public offering. It is thought the funds might be used, in part, for foreign acquisitions. The company is a subsidiary of China's top coal producer, Shenhua Group. The company

announced it might discuss joint ventures in international mining opportunities with select mining companies and specifically mentioned an interest in meeting with Rio Tinto about possible joint ventures.

Source: www.topix.com/mn/ulaanbaatar

ECONOMY

FOOD AND FUEL PRICES LOOM AS REGIONAL RISKS

The April 2008 World Bank quarterly report, 'East Asia and Pacific Update,' has confirmed similar challenges for Mongolia identified a month ago by the International Monetary Fund mission's recommendations March 11, following their early March visit to Ulaanbaatar.

The report prioritizes rising food and fuel prices as the East Asian region's greatest challenges and cautions regional finance ministers not to rest on their laurels in 2008, following a good 2007.

The report states in spite of the US sub-prime crisis, 'the region's investment in sound macroeconomic policies and structural reforms over the last decade has added economic resilience and flexibility [that] will help deal with these challenges over the next year or two.'

It states the regions strong, long run growth trend has not been driven by yearly fluctuations in world demand, but by improvements in productivity, innovation, quality control, education and skills. These underlying sources of trend growth are unlikely to be affected by the financial turmoil or by a slowing global market - suggesting with continued prudent economic management, East Asia, and especially China, can continue to emerge as a growth pole in the world economy, providing a possible counterweight to the slowing industrial economies.'

The report states there will be a direct impact on the poor who spend a large percentage of their income on food and fuel.

Read more: <http://web.worldbank.org>

MINING AND INFLATION INFLUENCE MONGOLIA'S ECONOMIC GROWTH

The Asian Development Bank (ADB) report, 'Asian Development Outlook 2008' consolidates earlier World Bank and International Monetary Fund suggestions for Mongolia's path to sound economic growth and stability. It targets high international prices for export commodities and rising inflation driven mainly by food prices, and the likelihood of reaching double digits in 2008.

The report sees fast-paced economic growth set to continue in the next couple of years supported by an expansionary fiscal policy. It cautions competing pressures to distribute gains from mining, and to control inflation and encourage investment elsewhere in the economy, need to be reconciled.

Read more: bcmmongolia.org, Articles/Reports on Mongolia

EXPO SHOWCASES NEW COMMUNICATION TECHNOLOGIES

The Information, Communication and Technology Authority (ICCT) and Unitel LLC have organized the third 'ICT Expo-2008' to be held at Misheel Expo from April 13 to 17 in the scope of the 'The Day for knowledge society.'

ICCT chairperson, Ch. Saikhanbileg told press at a media conference the exhibition would cover a wider range of exhibits than previous years with communication products at more affordable prices, higher speed and improved quality, on April 4.

During the exhibition, awards will be given to the companies providing the best

products and services, training will be offered to study developed countries' experiences and achievements, and meetings held to exchange views on communication sector development and business relations, the legal environment and new initiatives.

Source: Montsame National Newsagency

REGIONAL PLANT RAISES EMPLOYEE SALARIES

Darkhan Metallurgical Plant board decided to increase employees' monthly salaries by MNT 100,000, at a board meeting on April 8. The average monthly salary of employee's reached MNT 520,000 with the lowest salary at MNT 262,000 and the highest MNT 1 million, as a result of the board's decision.

The Plant has 922 employees including 192 Khongor soum citizens. In 2007, its income was recorded at MNT 5 billion and the Plant paid MNT 8.4 billion to local and State budgets.

Source: Zuunii Medee

POLITICS

PRESIDENT TO ATTEND REGIONAL FORUM

President N. Enkhbayar will be among 1300 delegates including world leaders, Australian Prime Minister Kevin Rudd; President of Pakistan, Perez Musharraf and Chinese President, Hu Jintao to attend the non-government, non-profit international organization Boao Forum for Asia (BFA). The Forum is a prestigious event for government, business and academic leaders in Asia and is to be held in the seaside town of Boao, Hainan Province, China from April 11 to 12.

The Forum brings Asian countries closer to their development goals. It was established in 2001 as a platform for high-level interaction between leaders from Asia and across the world to promote Asian countries' development goals through greater regional economic integration.

Source: www.boaoforum.org

TAX OFFICE WORKS HARD TO ACHIEVE GOALS

The National General Tax Administration Office has implemented two articles from the Law of Tax and Social Insurance from April 1, tightening registration to pay taxes and offering an amnesty to encourage those not registered, to register with a July 1 deadline, but to date has struggled to achieve its goals

Central Commission secretary responsible for overseeing implementation of the amendments at the National Tax Administration Office, B. Enkhtuvshin said none of Mongolia's 5000 taxpayer entities had registered to pay non-disclosed tax, nor presented their tax reports. He said citizens' laid-back attitudes to meeting timelines could be an issue.

500 tax inspectors have been trained and deployed to oversee the implementation of the Law. Organizations found to have breached the Taxation Law after the July 1 deadline or through regular bi-annual inspections, will face penalties relevant to the seriousness of their breach.

Read more: The Mongol Messenger

MONGOLIAN-RUSSIAN TIES TIGHTENED

Prime Minister S. Bayar and a large official group are visiting Russia from April 10 to 12 to discuss mutual cooperation in their economies and trade. In particular, they will talk about visas, fuel prices, the rail network and Asgat deposit. The Prime Minister will meet new Russian President, D. Medvedev, and the Russian Railway Authority

head.

Both governments will sign cooperation agreements on education, culture, science and technology, and veterinary sector support from 2008 to 2012.

Ministers of Foreign Affairs, Trade and Industry, Road, Transportation and Tourism and Food and Agriculture, Member of Parliament, N. Bayartsaikhan and a media team have accompanied the Prime Minister.

Source: Onoodor

ECONOMIC INDICATORS

MSE WEEKLY REVIEW

For the week ended April 4, 2008, trading activity on the Mongolian Stock Exchange (MSE) totaled 642,000 shares with 56 companies traded. Total market value of transactions was MNT 642.1 million.

The Top-20 Index decreased by 17.91 points or 0.1 % compared to the previous week closing at 12,948.54 points.

SUB INDEX	<u>Close</u>	<u>% Chge</u>
MSE composite index	5,568.43	-0.31%
Agriculture -10	1,021.96	+0.05
Mining -10	1,116.35	+1.56
Industrial -10	1,471.96	-0.17
Commercial & Service -10	1,151.55	-1.53
Construction & Transport -10	995.49	-2.64

Most active stocks traded were: Jenco Tour Bureau (237,900 shares), HB Oil (213,200 shares), Oiloo (57,900 shares), State Department Store (28,000 shares), Baganuur LLC (27,600 shares).

Major share price percentage gainers were: Ulaanbaatar (18.8%), Khasu mandal (15.2%), Aduun chuluun (15.1%), Tavan Tolgoi (15.0%), Erdenet zandan (15.0%).

Major share price percentage losers were: Buunii khudaldaa (36.9%), Makhimpex (7.6%), Shivee ovoo (5.8%), Moningbar (5.7%), Zoos Bank (5.3%).

Total market capitalization of the 358 stock companies listed on the MSE was MNT 885.5 billion, a decrease of MNT 6.1 billion from the previous week.

INFLATION

Year 2006	6.0%	[source: IMF]
Year 2007 - Average	9.0%	[source: ADB]
Dec 2007	*15.1%	[source: World Bank]
Jan 2008	*17.5%	[source: IMF]

* Year over year (YOY)

CURRENCY RATES - April 11 2008

Currency name	Currency	Rate
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US dollars	US	1167.40
Euro	EUR	1833.93
Japanese yen	JPY	11.41
British pound	GBP	2296.80
Hong Kong dollar	HKD	149.83
Chinese yuan	CNY	166.73
Russian ruble	RUB	49.54
South Korean won	KRW	1.20
North Korean won	KPW	8.16
Canadian dollar	CAD	1151.34
Australian dollar	AUD	1082.94
Taiwan dollar	TWD	38.33
Indonesian rupiahs	IDR	0.13
Malaysian ringgit	MYR	367.05
Singapore dollar	SGD	845.39