



# BUSINESS COUNCIL of MONGOLIA

## NewsWire

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### NEWS HIGHLIGHTS:

- Business:** *Ivanhoe Mines bears major losses; Khan Resources warns political uncertainty ahead; Property market grows; EBRD invests in AIDD; Government to initiate review of Gatsuurt Project Reserves; Khan Bank receives large sum for business loans from ADB; Chinese energy giant eyes Mongolia*
- Economy:** *State budget approval struggles to meet deadline; Kuwait to fund new public library; Increased spending on city roads*
- Politics:** *Prime Minister suggests re-structured Cabinet; Prime Minister says Tavan Tolgoi should go ahead immediately; Russian billionaire investors to Mongolian-Russian Business Forum; Bayar's tough tasks ahead*

### BUSINESS

#### IVANHOE MINES BEARS MAJOR LOSSES

Canada's Ivanhoe Mining Company's share sales on the Toronto Stock Exchange have decreased over the last three months as a result of the postponement of the Oyu Tolgoi investment agreement. According to the Company's balance sheets, drilling and engineering expenses have increased. By September 30, net losses reached US \$83.1 million from US \$66.5 million (2007).

Ivanhoe Mines and Rio Tinto companies hoped that they could have completed the agreement by the end of this year and announced they would reduce project expenses significantly if the agreement was postponed again.

The company's share price was US \$13.27 on November 16 on the New York Stock Exchange and decreased to US \$11.30 by November 21.

Source: Oonoodor

#### KHAN RESOURCES WARNS POLITICAL UNCERTAINTY AHEAD

The Canadian press has reported that Mongolia's imminent elections (2008) have caused general market weakness. Several miners with interests in Mongolia traded lower November 27, as a warning from Khan Resources Inc. (TSX:KRI) that an upcoming election in Mongolia could potentially jeopardize its majority ownership stake in the Dornod uranium project - and general market weakness - pushed the group down. Stock in Khan Resources fell 17 per cent or 38 cents November 27 to close at US \$1.80 after talk of the political situation in Mongolia.

Read more: [www.macleans.ca/business/wire/article](http://www.macleans.ca/business/wire/article)

#### PROPERTY MARKET GROWS

'Mongolian Properties', one of Mongolia's larger property development companies, has launched 16 new upmarket residential apartments, 'The Temple Residence.' The apartments in the heart of Ulaanbaatar, offer investment in a price range from Euro 1200 to 1600 per square meter and are expected to be completed in summer of 2008. The apartment building is almost completely sold with only two apartments remaining. The majority of the building will be rented to expatriates living in Mongolia.

Rental yield of the investment is expected to fall in the range of 10 to 14 percent per year with price appreciation in line with the market and anticipated to fall somewhere between 15 to 30 percent per year, during the next couple of years

Scandinavian Architects EVATA has designed the apartments and Mongolian Properties will manage them. The Temple Residence will be the fourth large residential development undertaken by Mongolian Properties.

Read more: [www.mongolia-properties.com/property-news](http://www.mongolia-properties.com/property-news)

### EBRD INVESTS IN AIDD

A US \$6 million equity investment has been provided to one of Mongolia's largest drilling companies, Australasian Independent Diamond Drilling (AIDD).

The European Bank for Reconstruction and Development (EBRD) is providing the equity investment to AIDD and offering services to exploration for base and precious metals, uranium and coal. It is the EBRD's first equity investment and corporate transaction in Mongolia.

The investment is through the Bank's Direct Investment Facility (DIF), which makes direct medium sized investments in Central Asia and in the Caucasus.

Investment proceeds will support the Company's continuing growth and provide working capital for expanding operations to allow AIDD to continue to offer high quality drilling services in the buoyant mineral markets. AIDD has substantial western expertise and commitment to international industry standards in environmental and health and safety issues.

EBRD Director for Mongolia, John Chomel-Doe, said he was delighted the Bank could promote private sector development and support entrepreneurial initiative, with the AIDD investment.

Mongolia formally became a new country of operation of the EBRD on 15th October 2006. The EBRD, owned by 60 countries and two intergovernmental institutions, aims to foster the transition from centrally planned to market economies in central and Eastern Europe and the Commonwealth of Independent States.

Source: EBRD Press release Nov\_07

### GOVERNMENT TO INITIATE REVIEW OF GATSUURT PROJECT RESERVES

Centerra Gold Inc. (TSX - CG) announced on November 27 it received confirmation from the Government of Mongolia that it has initiated the review of the Gatsuurt Project reserves and feasibility study. This is the first step in the process that should pave the way for the negotiation of an Investment Agreement and the development of the Gatsuurt deposit. As previously disclosed, the Company intends to truck Gatsuurt ore to the Boroo processing facility where a new biooxidation circuit will be constructed to treat Gatsuurt ore.

Centerra Gold Inc President and CEO Len Homeniuk said, "I am pleased that the Government of Mongolia has taken the first step on the road to permitting the development of the Gatsuurt deposit. This project is important not only to the Company but to the local communities in the Mandal and Bayangol Soums where we operate. It will create many new, well-paying jobs, increase local revenues and substantially increase the life of the Boroo Mine."

Source: www.marketwire.com

### KHAN BANK RECEIVES LARGE SUM FOR BUSINESS LOANS FROM ADB

Mongolia's Khan Bank is to receive a US \$10 million loan to assure Mongolian businesses have capital available for expansion. The loan is to be provided to Khan Bank by the Asian Development Bank. Asian Development Bank officials believe there will be a growing demand by Mongolian businesses for long-term funding. The Asian Development Bank stated in a release, "With the economy expected to grow substantially over the medium term, Mongolian enterprises are expected to face rapidly increasing demand, raising the need for long-term financing to support their growth." The statement also noted Mongolia's gross domestic product, which rose by an average 7.9 percent from 2003 to 2005 and by 8.4 percent in 2006.

Source: www.mongoliatrade.mn

### CHINESE ENERGY GIANT EYES MONGOLIA

China's Shenhua Energy is seeking foreign acquisitions for the first time. It is attempting to purchase a stake in Mongolia's Tavan Tolgoi coke site. Tavan Tolgoi is expected to yield more than 10 million tons of coking coal annually.

The Company is also seeking a controlling interest in Indonesian coal company, PT Adaro Indonesia. Media reports said Shenhua Energy would bid US \$4 billion for the stake in PT Adaro, Indonesia's second largest coal producer

Read more: www.mongolia-web.com

## ECONOMY

### STATE BUDGET APPROVAL STRUGGLES TO MEET DEADLINE

The MPRP has applied to other parties for an extension of the state budget to protect Parliament from violating the budget law. The State budget draft bill submitted to Parliament two months ago was stalled due to the resignation of former Prime Minister M. Enkhbold and subsequent resignation of his government that had refined the state draft bill. According to the budget law and under normal conditions, the budget should have been ready for approval by December 1. Only days remain for approval within the time frame according to the budget law.

On November 20, National Auditing Agency Director, L. Javzmaa, told the State Budget Control sub-committee the 2008 draft state budget was, "a very bad document because it is so extravagant."

Source: Zuunii Shuudan

### KUWAIT TO FUND NEW PUBLIC LIBRARY

Kuwait will fund the construction and equipping of a new public library in Ulaanbaatar according to an announcement by Mongolian President N. Enkhbayar during his state visit to Kuwait.

Kuwaiti media stated, "His Highness, the Amir Sheikh Sabah Al-Ahmad, showed the Mongolian President a model of a Kuwaiti-granted national public library in Mongolia. The State of Kuwait will set up a public library in the Mongolian capital, Ulaanbaatar, at its expense in the coming period as a gift from the Kuwaiti people to the Mongolian people." No further details about the proposed library were released.

Kuwait Petroleum Corporation and the Mineral Resources and Petroleum Authority of Mongolia signed a memorandum of understanding pledging additional bilateral assistance in energy exploration and development.

Source: www.mongolia-web.com

### INCREASED SPENDING ON CITY ROADS

In 2008, MNT 40 billion will be spent on maintenance and upgrading of Ulaanbaatar's roads. The expenditure is twice more than in 2007.

Funds will be allocated to upgrading Selbe and Tolgoit roads; construction of eight underground subways and overpasses in the city center including an 84 meter overpass in front of Tenggis Cinema; a 90 meter overpass in front of the Central Post Office and an overpass behind Onoodor Newspaper office, among others.

The largest improvements will be the construction of a bridge from the west crossroads to Khan Uul district. Officials plan to release tender invitations for these constructions soon.

Source: Odriin Sonin

## POLITICS

### PRIME MINISTER SUGGESTS RE-STRUCTURED CABINET

Cabinet has voted on new Prime Minister Bayar's suggestions to re-structure Cabinet during a regular cabinet meeting. 53 Members of Parliament voted with 46 agreeing and seven opposing the suggestion to re-structure Cabinet. The suggestion has been submitted to Parliament.

Members of Parliament also supported a proposal to eliminate the Minister of the State Professional Inspection Agency and the National Emergency Management Agency and issues relating to these changes would be decided within the frame of the deputy ministries. The proposal has been submitted to Parliament.

Parliament's decision on these matters is expected in the next few days.

Source: news.gogo.mn

### PRIME MINISTER SAYS TAVAN TOLGOI SHOULD GO AHEAD IMMEDIATELY

The fate of Oyu Tolgoi and Tavan Tolgoi projects investment agreements is under scrutiny again in Government. The Prime Minister has given the go-ahead for work to continue as soon as possible. He stated his position that Tavan Tolgoi deposit be kept fully under Government control and said it was essential that the project went ahead immediately to preserve it from endless disputes and disagreements and to safeguard national security.

Following discussions, the Prime Minister met with Energy Resources Company shareholders including MCS, Altai Trading, Petrovis, MineInfo, Monnis and other companies who are members of the Tavan Tolgoi Project Consortium, on November 27. He discussed early Tavan Tolgoi exploration work and later events such as BHP Billiton returning the Tavan Tolgoi license and said Mongolian companies had taken a courageous and risky step to legally buy the license and invest in the project. He emphasized Government and Mongolian citizens valued work done by the Consortium in placing the deposit in the hands of Mongolian citizens.

The Prime Minister indicated it was time to use this wealth for the benefit of Mongolians and he was worried if more valuable time were lost it would prevent the project from proceeding. He said the project would be politicized further and hamper Mongolia's economic growth and development.

He expressed hope that Consortium members would understand the seriousness of the situation and come to an agreement with Government.

Consortium representatives stated that the license was legally obtained from 2004, major Mongolian companies united to establish the Consortium and they had paid the license fee and invested billions of MNT.

Energy Resources conducted hydro-geological, topographical and environmental surveys and built essential infrastructure including the railway, power plant and conducted essential drilling. Even though a vast investment had been made, Consortium representatives said they hadn't dug one shovel of coal and had no intention of selling the license to any foreigners, especially the Chinese. They said they understood benefits to be gained from the Tavan Tolgoi project for Mongolian citizens and the economy and announced members would carefully examine the Prime Minister's proposal and be open for further talks.

Source: Ardiin Erkh

#### RUSSIAN BILLIONAIRE INVESTORS TO MONGOLIAN-RUSSIAN BUSINESS FORUM

Five Russian billionaires, 'The Russian Bears,' on 'Forbes Top-100 Billionaires' list have announced their intention to take part in the 'Mongolian-Russian Business Forum,' on December 7-8 in Ulaanbaatar. They said they are interested in investing in the Mongolian mining sector.

Among the names of the billionaires, is Russia's third richest businessperson, Vladimir Potanin. He is coming to personally present his investment plan following up on an official letter of interest from Norilsk Nickel Corporation, sent to former Prime Minister M. Enkhbold's offices a year ago.

Polimetal, Severostali, Gazprom and Rosneft Companies have also announced their intention to participate in the Forum.

Russian Minister of Agriculture, A. V. Gordeyev will lead the delegation. In October, Russian President Putin appointed him as the representative of the Russian Federation to Mongolia on economic and investment policy.

The world media will focus on the Forum's leading economic business delegates, 'The Russian Bears' who have succeeded their western counterparts with their strength and wealth.

Source: Zuunii Medee

#### BAYAR'S TOUGH TASKS AHEAD

With elections less than eight months out the new Mongolian Prime Minister, Sanji Bayar has tough times ahead. He has promised to root out systemic corruption; restore faith in Mongolia as a place to invest for foreign investors and strengthening economic and social security. He named government weaknesses as lack of internal discipline and irresponsibility in execution of its duties and the excuse of 'the transition period' for bureaucratic bungling, as over.

Read more: [www.mongolia-web.com](http://www.mongolia-web.com), The Mongol Messenger

## ECONOMIC INDICATORS

### CURRENCY RATES - November 29 2007

Currency name	Currency	Rate
US dollar	US \$	1171.43
Euro	EUR	1730.67
Japanese yen	JPY	10.78
British pound	GBP	2415.72
Hong Kong dollar	HKD	150.48
Chinese Yuan	CNY	158.39
South Korean won	KRW	1.26
North Korean won	KPW	8.19
Canadian dollar	CAD	1175.78
Australian dollar	AUD	1024.18
Taiwan dollar	TWD	36.23
Indonesian rupiahs	IDR	0.12
Malaysian ringed	MYR	346.42
Singapore dollar	SGD	811.30

### INFLATION

November 29 2007	
October	0.9
YTD	13.2
12 months	14.2