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The challenges of investing and strengthening relationships with Canada and Mongolia

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Bulgan Batdorj, Michael Hitch
and Andre Xavier





Introduction

Case “Boroo
Gold”

Overview

Conclusion

Bilateral
Relations

Introduction

- First western companies to explore the Democratic Mongolia
- Canada's interest in Mongolia intensifies
- But why the Canadian Mining business have challenges to thrive in Mongolia?



Why have Canadian Developers Been So Unsuccessful?



- Ovoot
Tolgoi
(Coal)



- Boroo
- Gatsuurt



- Dornod
Uranium

Case “Boroo Gold LLC”

- Centerra Gold LLC is a Canadian based company that holds the 100% equity interest in Boroo gold LLC.
 - Owns Boroo and Gatsuurt gold mines
 - Entered stability agreement with Boroo on March 1, 2004 to July 2013 (3+3+3)
 - Boroo mine closed in 2015
 - Gatsuurt is subject to parliament approval



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53,128

ounces of gold
produced in 2014

\$973

all-in sustaining cost
per ounce sold¹ in 2014

1.8

million ounces of gold
produced since 2004

MONGOLIA **BOROO MINE**





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17.1

million tonnes proven
and probable reserve

2.9

g Au/t
average grade

1.6

million contained
ounces of gold

DEVELOPMENT GATSUURT PROJECT





John Kazakoff receiving the award from UB Mayor E. Bat-Uul





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Mongolia

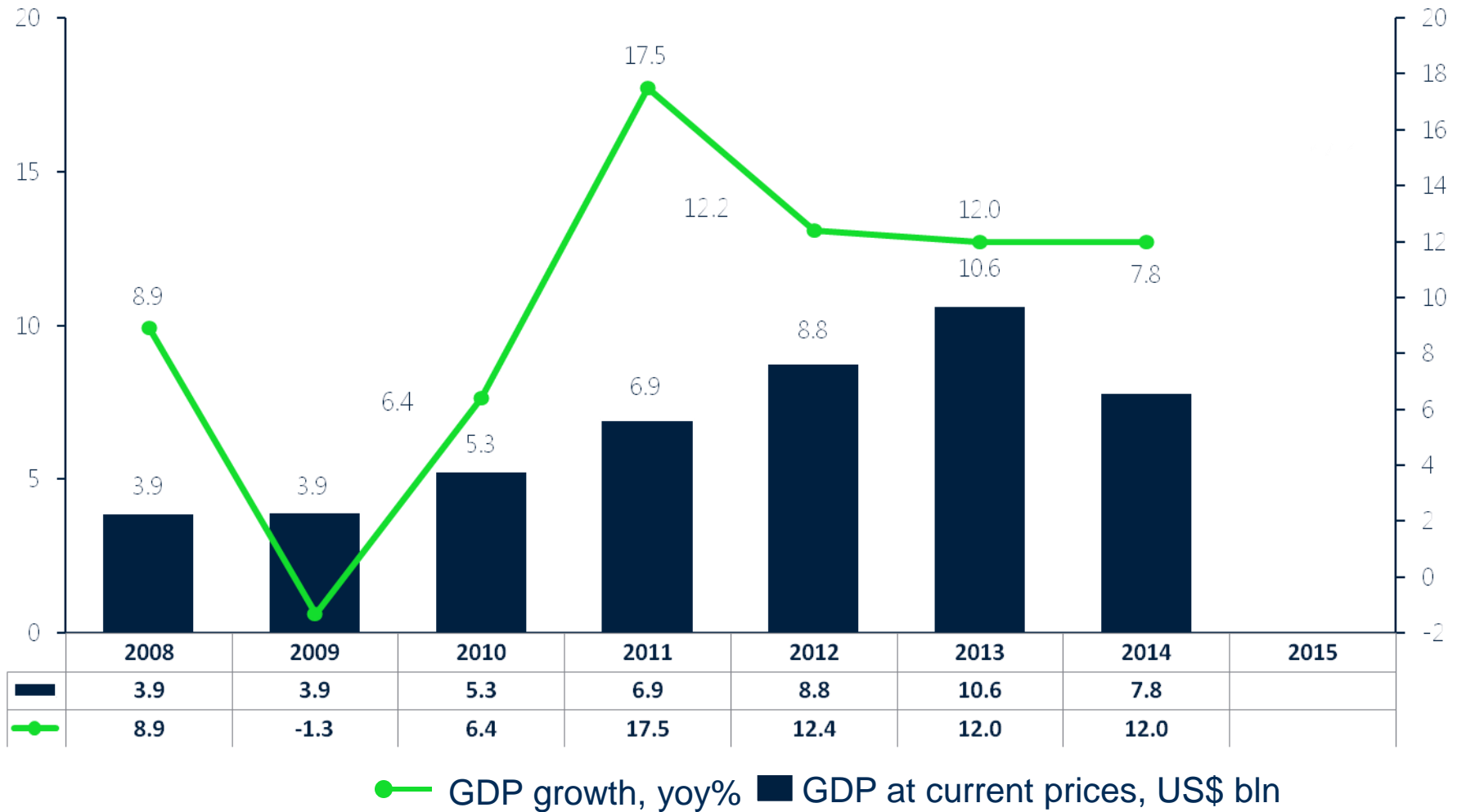


1. Territory: 1.6 million sq/km with population of 3.0 million
2. Largest untapped reserves of gold, coal, copper and uranium and in close proximity to the largest global resource markets
3. Democracy

Political context

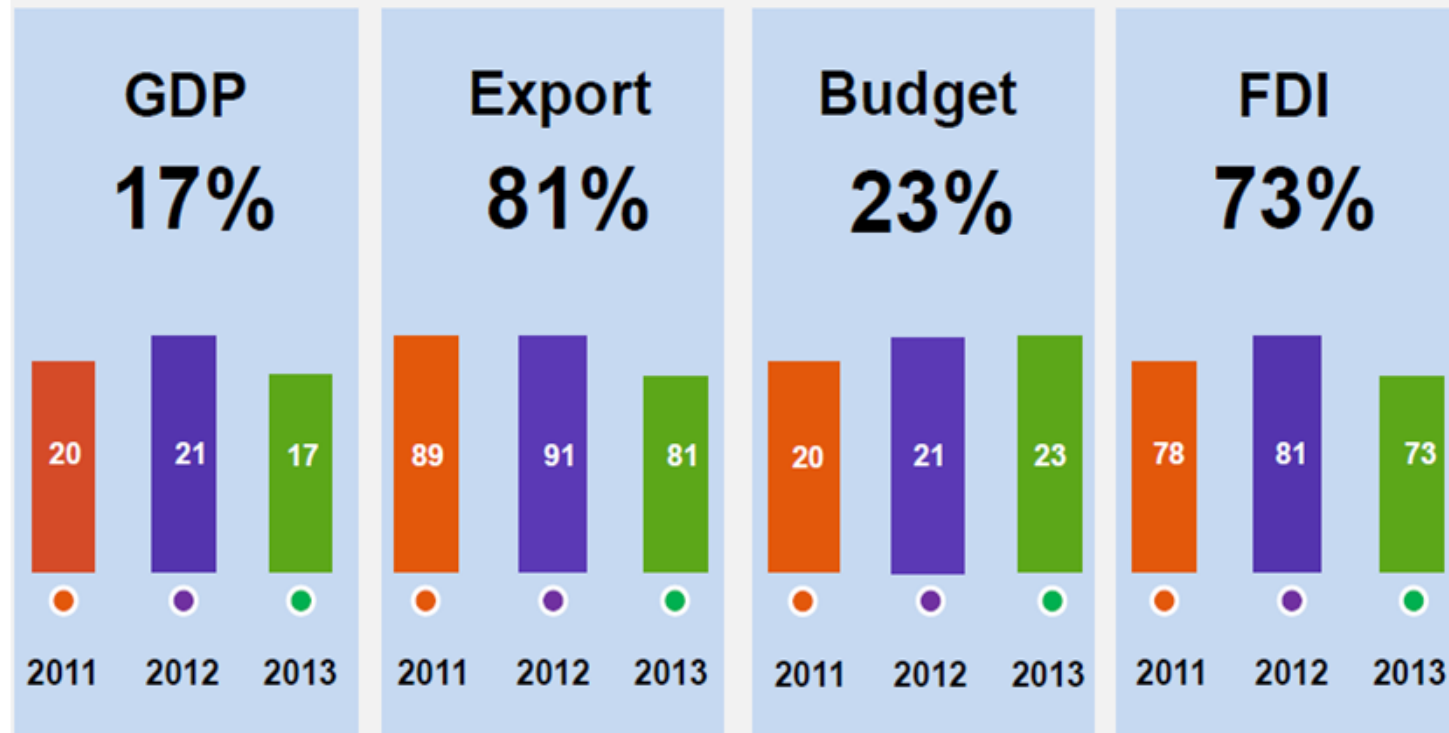
- Authority (executive body)
 - Employs power to enforce rules and carry out policies over a defined territory
- Rule of Law (judiciary)
 - Rules are binding even on the most powerful political actor
- Mechanisms of accountability (legislature)

ECONOMIC CONTEXT



Economy and Mining

Contribution of Minerals sector in Mongolian economy /2011-2013/



Source: Presentation by Minister of Mining D. Gankhuyag, 2014, Toronto



“Minegolia”

Name	Ranking	Year
Resource Governance Index	26/58	2011
Extractive Dependence Index	50/65	2015
Mining Contribution Index	14/214	2014
Doing business	72/189	2015
Economic Freedom	96/178	2015
Corruption Perception Index	80/175	2014

“Mongolia is best – kept secret in emerging markets in Asia” – Robert Friedland.



Mining Policy

1992 Gold Program

2014

1993 Foreign Investment Law (amended 2013)

- State Policy on the Mining Sector (January)

1997 Minerals Law (amended 2006, 2014)

- Mineral law (amended in July 2014)

2006 Windfall Profit Tax (invalidated in 2009)

- New Petroleum Law (July 2014)

2009 Long name law (by law approved)

- New Law on Industrial Minerals

2012 Strategic entities Foreign Investment Law SEFIL (2013)

- New Investment Law

Bilateral Relations

- Bilateral relations established in 1973
- The Embassy of Mongolia 2001
- The Embassy of Canada 2008
 - Commerce
 - Governance
 - Bilateral aid
 - Others (defence/ regional cooperation/
International orgs)



“I think Canada is a good example, and could even be a MODEL for MONGOLIA. There are a lot of natural similarities between our two countries”



Canada includes Mongolia in the list of development countries of focus in 2014

Mongolia is announced as Canada's Priority markets

- Canada will **support efforts to improve** the quality, stability and transparency of Mongolia's **mining-related legislation, policies** and regulations, including ensuring that environmental and workplace health and safety issues are addressed.
- Canada will also support Mongolia's efforts to **develop a professional, merit-based and non-partisan civil service** that can plan and administer government reforms and initiatives, particularly in **relation to the extractive sector**.

Canadian Investment

- Natural Resources Canada estimates that there are over 20 mining and exploration firms has an ongoing operation with total assets of USD \$400.
- From 1997-2013 the investment from Canada totaled USD \$1.5 billion.
- Today Canada is the 6th largest investor in Mongolia and was the 2nd largest in 2010.

Conclusion

- Mongolia is a young democracy and is being challenged by many different sets of issues.
- Mineral abundance demands integration of new trends, such as CSR, SLO, Governance, Sustainability.
- Many actions are being taken to reform the economy and politics.



- Canadian junior mining companies in Mongolia are under scrutiny from the locals and also being challenged by the sector's downturn since 2009.
- the Canadian companies can be the leaders in shaping the CSR practices and corporate good governance in Mongolia.
- Bilateral Partnership – should base on long term strategic partnership.



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RECOMMENDATION

To be continued...



- bulgan.batdorj@gmail.com



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