

The South Gobi Land Grab

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Contrary to the lukewarm investor sentiment towards Mongolia currently, the exploration license activity in and around Oyu Tolgoi (OT) has started to heat up. Kinross Copper recently announced the acquisition of privately held Ibex, creating the largest land bank of exploration licenses in the South Gobi. Entrée Gold retains extremely valuable and strategic land surrounding the Oyu Tolgoi deposit, which is only partially covered by their Joint Venture with Turquoise Hill. Rio Tinto and Turquoise Hill have also been quite active, perhaps beyond what many had thought, which we detail below. What happens in this region in the next 1-2 years will help shape modern mining history, which has recently been obscured by the now resolved dispute between the Government of Mongolia and Rio Tinto over Oyu Tolgoi. Many leading geologists view the South Gobi Desert as the most prospective ground for copper mining in the world today, making the current land grab taking place a high stakes game and something investors should be paying attention to. Investor sentiment towards Mongolia has improved considerably following Rio Tinto giving Oyu Tolgoi its “Notice to Proceed” for construction on the underground mine. Through publicly available data from the Mineral Resource Authority of Mongolia (MRAM), we will try to give investors a better sense of the exploration license activities currently taking place and the strategic implications.

The Pole Position

As the only major mining concern operating in Mongolia, Rio Tinto (via their 51% ownership of Turquoise Hill) controls Oyu Tolgoi, the world’s most significant copper discovery/project of the past 25 years. Following the successful resolution of the dispute surrounding the OT Investment Agreement last May, RIO/TRQ appear to have gone back into expansion mode, as per their FY’15 financial results released on March 17, 2016:

“Exploration during 2015

Oyu Tolgoi’s exploration program focused on near surface targets using geochemical surveys and detailed ground magnetic surveys to identify porphyry style mineralization. **In December 2015, Turquoise Hill acquired a second exploration license within 50 kilometers of Oyu Tolgoi.**” (Emphasis ours)

****The remainder of this report can be accessed by BDsec clients and account holders.****