

Mongolia mining minister rules out Oyu Tolgoi deal changes

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Mongolia's minister of mining and heavy industry has appeared to rule out making changes to the investment agreements that underpin the development of the giant Oyu Tolgoi copper project.

Dolgorsürengiin Sumyaabazar told the country's leading TV channel MNB that the \$5.3bn underground expansion of the mine should be based on the existing contracts between the government and Anglo Australian miner Rio Tinto.

"As the minister of this sector I see that further investment in the mining sector directly depends on this project," according to a translation of the TV transcript. "Various people with various backgrounds express their own opinions related to Oyu Tolgoi agreements. But we won't terminate the Oyu Tolgoi agreement."

His comments come after a parliamentary working group delivered a report on Oyu Tolgoi to the country's National Security Council that recommended scrapping one of the agreements and amending another.

The deals in question set the initial ground rules for the development of the project in the Gobi desert and the underground expansion, which is running behind schedule.

"For our country whose fragile economy is based on the mining, we need to improve, sit behind the table and negotiate, make proper steps to support each other to successfully carry this large project," said Mr Sumyaabazar.

He added that the expansion of Oyu Tolgoi needed to be seen in a wider context, citing Mongolia's plans to float its Tavan Tolgoi coal project on a foreign stock exchange.

"During this delicate time along with current issues, we need to properly think and deliver the decision on Tavan Tolgoi project and Oyu Tolgoi project," he said.

Arnaud Soirat, the head of Rio's copper and diamonds business, welcomed the decision by the ministry of mining. Separately, he also provided some more details on the delays to the underground expansion at Oyu Tolgoi.

"In a \$5.3bn construction project you can expect some challenges, and difficult ground conditions have slowed progress in some areas of the underground development," he told delegates at a major copper conference in Chile.

"We're adjusting our mine design as we progress — integrating new geotechnical data than was available during surface drilling. This data reveals there are areas where the strength of the rock is more variable than anticipated in the feasibility study requiring potentially significant design changes."

"We welcome the Mongolian Government's recognition of the importance of these agreements, with the Minister of Mining highlighting in comments overnight that they not only underpin the OT project but the strong economic future mining can deliver for the country."

Rio is expected to provide an update on the underground expansion, detailing the length and cost of the overrun, when it reports interim results in August.

Oyu Tolgoi is one of Rio's most important growth assets. It controls the mine through a majority stake in a Canadian-listed company called Turquoise Hill.