

 Early Warning System

EBRD-41158

Oyu Tolgoi

This project is still under review by the EWS. Project information and/or project analysis may be incomplete.



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### Quick Facts

<b>Countries</b>	Mongolia
<b>Financial Institutions</b>	European Bank for Reconstruction and Development (EBRD)
<b>Status</b>	Approved
<b>Bank Risk Rating</b>	A
<b>Voting Date</b>	2015-01-14



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## Project Description

### PROJECT DESCRIPTION

The EBRD is considering a project involving the development, construction and operation of an open pit and underground mine and ore processing facility at the Oyu Tolgoi copper, gold, silver and molybdenum deposit located in the southern Gobi region of Mongolia, in the eastern part of Omnogovi aimag in Khanbogd soum, approximately 220 km from the aimag capital of Dalandzadgad and 45 km southwest of Khanbogd soum centre. Oyu Tolgoi, one of the world's largest copper-gold deposits, contains a currently identified commercial resource (JORC compliant) of almost 40 billion pounds (Bib) of contained copper and 20 million ounces (Moz) of contained gold plus further identified reserves of 40 Bib of contained copper and 25 Moz of contained gold which are in the process of being defined through geological investigation and modelling. The project is being developed in phases, with commercial production from a 100,000 tonnes per day (tpd) concentrator (due to start in 2013) to be sourced initially from the Southern Oyu open pit mine. In parallel, construction is under way to develop infrastructure at the underground Hugo North deposit. A dedicated road to the Chinese border will be built to export mine output. Power is to be sourced initially from China. The project is expected to have a material positive impact on the economic development of Mongolia and, at full production, is anticipated to increase national GDP by 30% by 2020. The fiscal benefits for the country will include greater tax revenues, as well as royalties and dividends. The project will adopt best transparency standards through compliance by the project company with the EITI requirements and serve as an example to other private sector investors in the Mongolian mining industry. In addition, the project will act as a catalyst for the development of supporting infrastructure in the region, including utility services and transportation, and will contribute to the development of the necessary vocational skills in the country through the establishment of two vocational training centres in the South Gobi, and the provision of full financial support for 3,300 Mongolians to attend technical and vocational education training schools across the country. Employment generation, both directly at the project and indirectly through the development of a supply chain providing goods and services to it, is expected to be significant. The project will maintain a greater than 75% Mongolian workforce for direct mining operations and at least 90% of the remainder of the workforce will be Mongolian during the operational phase. Transition Impact The transition impact potential of the project is expected to derive from: (i) the support to private sector development in the copper mining industry, currently dominated by State-owned entities; (ii) transfer of skills, thanks to the involvement of a world-leading mining operator; and (iii) setting higher standards of transparency, corporate governance and environmental, health & safety practices. Moreover, the project is expected to contribute significantly to the economic development of the South Gobi region, and it will be leveraged to support the development of local SMEs through backward and forward linkages. The Client Oyu Tolgoi LLC (OT), a company established in Mongolia to implement the project. OT is 66% ultimately owned by Turquoise Hill Resources Ltd (formerly, Ivanhoe Mines Ltd), a Canadian mining group, and 34% by Erdenes Oyu Tolgoi LLC, a corporate body owned by the Mongolian State. Turquoise Hill Resources Ltd is ultimately majority owned and controlled by Rio Tinto Plc, a leading global mining group, which also acts as manager of the project. EBRD Finance A project finance loan to OT to be syndicated to commercial banks. The EBRD will lend up to USD 400 million for its own account (an A loan) and arrange syndication of up to USD 1 billion to commercial banks (a B loan). This will be part of a larger financing package including loans from, among others, the International Financial Corporation (IFC) and Export Development Canada (EDC). Environmental Impact The Environment and Social Department (ESD) at the EBRD has been involved in a comprehensive environmental and social appraisal of the project since early 2010. Over this time period, the Bank has made numerous visits to the site to review and observe critical aspects of the project and to meet with potentially affected people and government officials near the mine site, and at Khanbogd and Dalandzadgad. The main tasks completed by ESD during the appraisal included: Seven separate site inspections to make first hand observations of site conditions and company practices, as well as detailed interviews and discussions with site personnel Interviews with administration officials in Khanbogd, Dalandzadgad and



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**Investment Description**

- European Bank for Reconstruction and Development (EBRD)



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### Contact Information

#### ACCOUNTABILITY MECHANISM OF EBRD

The Project Complaint Mechanism (PCM) is the independent complaint mechanism and fact-finding body for people who have been or are likely to be adversely affected by an European Bank for Reconstruction and Development (EBRD)-financed project. If you submit a complaint to the PCM, it may assess compliance with EBRD's own policies and procedures to prevent harm to the environment or communities or it may assist you in resolving the problem that led to the complaint through a dialogue with those implementing the project. Additionally, the PCM has the authority to recommend a project be suspended in the event that harm is imminent. You can contact the PCM at [pcm@ebrd.com](mailto:pcm@ebrd.com) or you can submit a complaint online using an online form, [http://www.ebrd.com/eform/pcm/complaint\\_form?language=en](http://www.ebrd.com/eform/pcm/complaint_form?language=en). You can learn more about the PCM and how to file a complaint at <http://www.ebrd.com/work-with-us/project-finance/project-complaint-mechanism.html>.



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**Other Related Projects**

- EBRD-55780 OT Liquidity