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Politics

Mongolian FM pays visit to South Korea

Ulaanbaatar, October 3 (MONTSAME) Minister of Foreign Affairs Ts.Munkh-Orgil paid a working visit to the Republic of Korea on September 29 and 30. He had official talks with the South Korean Foreign Minister Yun Byung-se.

The dignitaries agreed on boosting bilateral ties in all spheres. Mr Ts.Munkh-Orgil affirmed Mongolia places a great weight in the developing ties with our close partner Republic of Korea, and emphasized an importance of forwarding bilateral cooperation in the areas of politics, economy, culture, education as well as in the humanitarian areas.

While confirming South Korea's wish to intensify relations with Mongolia, Mr Yun expressed willingness to consolidate bilateral collaboration in the regional affairs.

The Mongolian FM held meetings with the first deputy minister of Strategy and Finance of S.Korea Choi Sang-mok, Chairman and President of the Exim Bank Li Duk-hoon, and President of KOICA Kim In Shik where he highlighted the significance of economic relations and cooperation in overcoming the current economic recession within a short period of time and achieve sustainable growth.

The sides reassured their commitment to introducing S.Korean technologies to Mongolia and promote interaction and investment between the private sectors in order to diversify Mongolian economy through developing agriculture, processing industry and infrastructure.

Autumn session of State Great Khural commences

October 3 (gogo.mn) Today on October 3, 2016, the State Great Khural (Parliament) of Mongolia has commenced its Autumn plenary session that usually continues until February 1st.

The president of Mongolia Ts.Elbegdorj has attended the opening ceremony of autumn plenary session.

Speaker of the Parliament M.Enkhbold delivered opening remarks. He emphasized an importance of straightforward and honest mindset, without politicizing, when it comes to solving the country's critical financial problems.

It is vital in the current circumstances to recover the economic and financial well-being through re-defining the macroeconomic adjustments, promote private sector by all available means and attracting more foreign investment, he said.

The speaker also noted it is the very time for the major projects to be forwarded. As the major factors of depreciated confidence of foreign investors, the Speaker underlined bureaucracy in the public service, political pressure, legal instability, misunderstanding and lack of single window system.

He also addressed the upcoming local elections of citizens' representatives Khurals (councils) and wished people success in their wintering preparations.



Following party groups in the State Great Khural held meetings. After that, sub-working group of Legal Standing Committee discussed revised draft law against family violation and affiliated other drafts.

Prime Minister's official trip abroad to start from Japan

October 4 (Mongolian Economy) "The Prime Minister of Mongolia beginning his official visits to other countries starting from Japan indicates that Mongolia gives high priority to its relationship with Japan," said Japanese Ambassador to Mongolia Takenori Shimizu, during his meeting with Speaker of Parliament M.Enkhbold on October 3, 2016.

Ambassador Shimizu congratulated Speaker Enkhbold and his party for their success in the general election and said that he hopes that the new Speaker will focus on further developing the inter-parliamentary relationship between the two nations.

He stated "I think many works have been done to develop and expand the bilateral cooperation up to today. For example, I am pleased to say that many projects such as the Khushig Valley International Airport, hospital building under the Health Sciences University of Mongolia, as well as the Japanese scholarship for 1,000 engineering students are being successfully implemented."

Furthermore, the Ambassador talked about the medium-term programme to develop the Mongolia-Japan strategic partnership between 2017 and 2021, and proceedings to take place to commemorate the 45th anniversary of establishment of diplomatic relations between the two countries.

Speaker Enkhbold expressed his appreciation for the meeting with the Ambassador and noted that the role of the ambassadors of the two countries is crucial in expanding bilateral relations.

The Speaker stated: "Mongolian-Japanese relations are developing rapidly and high-level visits between the two countries are becoming regular. Prime Minister Shinzo Abe visited our country last July. Mongolian Minister of Foreign Relations Ts.Munkh-Orgil visited Japan on September 27-28. Soon Prime Minister J.Edenebat will visit Japan. Parliament will emphasise and give its full support on the issue of establishing a medium-term programme on the development on the Mongolia-Japan strategic partnership between 2017-2021."

During the meeting, the parties discussed the Government of Mongolia, cooperation with the IMF, Thermal Power Plan V and other projects and issues.

Rio Tinto board visits Mongolia

October 5 (Mongolian Economy) Prime Minister J.Erdenebat received top-level executives of Rio Tinto in Mongolia.

CEO Jean-Sebastien Jacques, in his and his team's first visit to Mongolia, opened the meeting by reaffirming his confidence in investment and long term mining prospects.

OT recently hired 2,000 employees as part of plans to get to work on the recently green-lighted underground mine, and plans to hire more as work progresses, which should take approximately five more years.



The company is also focusing on the improvement of Mongolian workers' skills and preparation of specialists in order to compete internationally, said Jean-Sebastien Jacques.

Prime Minister J.Erdenebat also reaffirmed his newly-elected government's commitment to moving and implementing major projects, emphasizing OT's importance to Mongolia. In addition, the prime minister hinted as his wish for OT to purchase domestically produced products in order to support the local economy, which Jacques supported.

The importance of the stability of the OT agreement cannot be understated. Operations must be clear, open, transparent and accountable to the people, added the PM.

Source: Government Media and Public Relations Division

Cabinet meeting in brief

Ulaanbaatar, October 6 (MONTSAME) On Wednesday, the cabinet appointed B.Bayarsaikhan the State Secretary of the Ministry of Education, Culture, Science and Sport, D.Ochirbat the State Secretary of the Ministry of Health and Z.Mendsaikhan the State Secretary of the Ministry of Energy.

The majority of cabinet members also backed in principle the draft amendments, initiated by Kh.Bolorchuluun MP, to the laws on Food and Food Security.

The cabinet allowed Minister of Foreign Affairs Ts.Munkh-Orgil to exchange notes with the Government of Japan on visa waiver regime for diplomatic passport holders.

The resolution on establishing "Mongolia-Kuwait Environmental Protection Center" self-funded venture was approved by the cabinet. The Center will work in fields of conserving rare wildlife and flora species and prevention water, soil and air pollution.

Justice minister submits bill regarding offshore accounts to Parliament

Ulaanbaatar, October 7 (MONTSAME) Draft law on adjustment of personal interests in government and public service, to ban offshore properties for high-ranking government officials was presented to the Parliament on October 7.

The bill was handed over to the Speaker, Mr M.Enkhbold by the Minister of Justice and Domestic Affairs, Mr S.Byambatsogt.

The latter, in noting Mongolians have gotten even more offshore properties and bank accounts since 1990 when the nation gained better access to the outside world, said out of the total USD 15 billion foreign investments flown to Mongolia between 1990 and 2015, USD 10 billion was made from offshore regions. What's more, there were over some 13 thousand companies with foreign investments were newly recorded in Mongolia during that period of time of which a thousand companies were invested from offshore zones, he added.

Taking into consideration the fact that the people's confidence towards the government has been weakening over the iterating discoveries of offshore bank accounts and companies owned by high-ranking government officials, the law initiators have worked out the bill to handle clash of personal interests in the government affairs and public service.



The bill sets out provisions, which ban the government officials, who are obligated to submit income statements to the Corruption combating agency (CCA), to have bank accounts or operating legal entity in offshore regions. However, the bill will not apply to private businesses.

Liu Yunshan's Visit

President Ts.Elbegdorj welcomes Liu Yunshan

By B. Amarsaikhan

Ulaanbaatar, October 3 (MONTSAME) Mr Liu Yunshan, the First-ranked Secretary of the Central Secretariat of the Communist Party of China, paid a courtesy call on Mr Tsakhiagiin Elbegdorj, the President of Mongolia, on Saturday. Mr Liu noted in the beginning of the meeting that his visit aims at launching implementations of actions following up the deals and agreements, negotiated during the recent high-level visits between the two countries.

President Ts.Elbegdorj remarked three points in regard of the visit of one of the top leaders of Chinese Communist Party.

At first, the President underlined the composition of the State Great Khural (Parliament) has been changed considerably and the cabinet has been formed with a new composition. However, he wished to highlight, the policies and actions in the relations with China will stand. Relations between the political parties will be essential in defining the cooperation for the next four years.

Secondly, it was agreed by the leaders of China, Russia and Mongolia at the Tashkent meeting to hold the next tri-partite meeting in Ulaanbaatar. "We appreciate Chinese President Xi Jinping's pledge of support. The Mongolian side is planning to host this meeting around May of 2017", said Mr Elbegdorj.

At last, the President asserted the signing of agreement on establishing an economic corridor, which happened during the Tashkent tri-partite meeting, and that Mongolia's proposals regarding this agreement see eye to eye with China's initiatives. What is left is transforming the decisions into reality, the President concluded.

Mr Liu Yunshan responded with gratitude for the importance Mongolia attaches to the relations with the People's Republic of China, and said the Communist Party of China also prioritizes the ties with Mongolia. Thanks to the mutual efforts, he said, the bilateral relations have been undergoing the most prosperous stages in their relationship.

While appreciating the results of the three time tri-partite meeting of the heads of state, Mr Liu promised to devote efforts in realizing the deals.



PM emphasizes Mongolia-China economic cooperation in times of decline

Ulaanbaatar, October 3 (MONTSAME) Prime Minister J.Erdenebat met the member of Politoburo Standing Committee and First-ranked Secretary of the Central Secretariat of the Communist Party of China, Mr Liu Yunshan, and discussed the comprehensive strategic partnership matters.

The attained frequency of the high-level interactions gives impetus to bilateral cooperation in every sector, the Premier remarked and extended gratitude to the Government of China for assistance and support in organizing the 11th ASEM Summit in Ulaanbaatar in July.

The PM also highlighted the significance of close cooperation between Mongolia and China in these times of critical economic condition through stimulating tangible collaboration in the economic spheres and realizing major projects that can become a powerful leverage for the growth of both economies.

Chinese, Mongolian party leaders meet

October 3 (news.mn) Senior Communist Party of China (CPC) official Liu Yunshan met here Saturday with the Chairman of the Mongolian People's Party (MPP) Miyegombo Enkhbold, pledging to increase mutual trust and jointly push forward bilateral ties.

Liu, a member of the Standing Committee of the Political Bureau of the CPC Central Committee, arrived in Ulaanbaatar earlier Saturday as guest of Enkhbold, who is also chairman of the State Great Hural, Mongolia's parliament.

Describing the two countries as "good neighbors, friends and partners," Liu said China has proposed and will uphold its neighbourhood diplomacy featuring amity, sincerity, mutual benefit and inclusiveness.

Liu called for the implementation of the consensus reached by leaders of the two countries, saying the two sides should boost mutually beneficial trade cooperation and tightly dovetail China's Belt and Road Initiative with Mongolia's Steppe Road program.

In 2014, Chinese President Xi Jinping paid a state visit to Mongolia, and the two countries agreed to upgrade bilateral ties to a comprehensive strategic partnership -- the highest rank in Mongolia's diplomatic relations.

Liu also pledged closer party-to-party and people-to-people exchanges between the two countries.

China-Mongolia friendship is deeply rooted in the minds of the two peoples, said Liu, expecting to further increase cultural interactions on such fields as exchanges between young people, women, media and civil organizations so as to pass on the friendship from generation to generation.

Enkhbold expressed congratulations on the 67th anniversary of the founding of the People's Republic of China, saying the frequent high-level exchanges will vigorously promote pragmatic cooperation between the two countries.



Mongolia's political and economic development is at a critical stage, said Enkhbold, voicing hope for more support from China.

He also said Mongolia attaches great importance to cooperation on major projects under the Belt and Road Initiative and the strategic trilateral cooperation among China, Mongolia and Russia. (Xinhua)

Foreign Relations

Mongolia and Turkey sign over 100 cooperation documents since 1990

Ulaanbaatar, October 4 (MONTSAME) Chairman of the State Great Khural (Parliament) M.Enkhbold welcomed on Monday Ambassador of Turkey Murat Karagoz at the State House in regard to his pending return to home upon completion of his diplomatic mission.

The Speaker expressed his high recognition of the Ambassador's contribution to boosting Mongolia-Turkey ties during his time in the office. He noted the cabinet and parliament have been formed with new composition and have defined the programs and priorities of action for the coming four years. The comprehensive partnership with the Republic of Turkey will play a certain role for the Mongolian government to achieve its goals, said the Speaker.

Speaker M.Enkhbold said Mongolia is interested in continue the TIKA-assisted and other projects in the frames of the governmental non-refundable aid.

The Ambassador of Turkey, Mr Karagoz thanked the Speaker for his time and conveyed the greetings from İsmail Kahraman, the Speaker of the Turkish Grand National Assembly. In mentioning Mongolia and Turkey have long ties having rooted in the ancient times, the Ambassador expressed a wish to upgrade the enduring successful comprehensive partnership to a strategic one.

Mongolia and Turkey has signed over a hundred cooperation documents since 1990, said Mr Karagoz and noted the cooperation in defense and education has been progressing. It is important now to enhance cooperation in trade and economy, he said.

In regard to the economic difficulties Mongolia is undergoing at this time, the Ambassador mentioned that Turkey, which economy now ranks 6th in Europe and 17th in the world, overcame same obstacles in its economic path. In the past years, the Republic of Turkey implemented Stand-By Arrangement 19 times benefitting some USD 50 billion of loan. By 2016, Turkey repaid all its debt to IMF and has reached the stage where it can be one of the lenders to the Fund, Mr Karagoz said. "We will be happy to share these good practices with Mongolia", he noted.

At the end of the meeting, Speaker M.Enkhbold wished success in the Ambassador's future endeavours.



Economy

World View: Mongolia in Economic Crisis Asks the IMF for a Bailout

October 5 (breitbart.com) **Mongolia in economic crisis asks the IMF for a bailout**

Mongolia is another story of wild spending when the times are good, resulting in huge debts when times are bad.

In 2011, Mongolia borrowed billions of dollars to invest in huge road and infrastructure projects. Now the country owes some \$2 billion in public and private debt repayments in 2017 and early 2018, and is seeking a bailout from the International Monetary Fund. The country's tugrik currency has been falling sharply – more than 10% this year, causing the central bank to raise interest rates by 4.5% to 15%. (America's current Federal funds rate is between 0.25% and 0.5%. The eurozone, Denmark, Sweden, Switzerland and Japan, have negative interest rates in some cases.)

The reason that Mongolia's economy appeared invincible in 2011 is because the country has huge reserves of copper, coal and gold. So far this year, the country has grown by 1.4%, down from 3% last year. But in 2011, the economy grew by an astronomical 17.5%, mainly thanks to foreign investments.

Mongolia's economy has suffered for two reasons. First, China has been Mongolia's major market for its copper, coal and gold, but China's economy has been slowing down, and so China has been importing less of these products than previously.

The second reason is the fall in commodity prices. The sharp plunge in the last two years of the price of oil has harmed in economies in countries including Russia, Saudi Arabia and Venezuela. Other commodities have fallen as well. In 2011, the price of copper was about \$4.50 per pound; today it's around \$2 per pound.

In August, the finance minister said the economy is in crisis and the government pitched a series of austerity measures and taxes that were later overturned by parliament. The government is now drafting an "Economic Stabilization Plan" which it hopes will restore its economy to stability. However, Generational Dynamics has been predicting for years that the existing global deflationary spiral would continue, and Mongolia will continue to be a part of that. [Bloomberg](#) and [IntelliNews](#) and [CNN \(23-Aug\)](#)

Mongolia signs new mining deal with Rio Tinto for future growth

Mongolia hopes to recover from its economic growth by taking advantage of its rich natural resources. In May of this year, Mongolia signed a contract with Australian mining giant Rio Tinto to invest \$5.3 billion in the development of the Oyu Tolgoi underground copper and gold mine.

There's an existing Oyu Tolgoi open pit mine, which has been producing copper since 2013. The underground mine is expected to produce a considerably higher grade of copper.

The mine will work 365 days a year, with two 12-hour shifts. At the peak of construction, the underground workforce is expected to be more than 3,000 people, 95% of them Mongolian workers. First production from the underground mine is expected in 2020, with the mine producing at full capacity by around 2030.



However, 2030 is a long way off, and Mongolia has to make debt repayments now.

Ten-Point Plan to Fix Mongolia

October 3 (fronteranews.com) Mongolia set a foot on the road to stabilizing its economy by formally beginning talks with the International Monetary Fund last week. Here are a further 10 steps the new government and the IMF should take to put one the world's most promising economies back on track.

1. Gold: Stop talking, start digging

While estimates have run wild on the trillion dollar-plus potential from Mongolia's mineral wealth, even the most conservative numbers show huge scope. Now that Rio Tinto's Oyu Tolgoi project is back on track, the mine projects a fivefold surge in gold output this year. Centerra Gold's Gatsuurt mine, another with substantial proven resources, is slated to produce in the coming year. Smaller mines have increased total output by as much as 70% this year. This trend will underpin economic growth in the next couple of years – but it's just the start. Production could surge if Mongolia issues further exploration licenses and removes impediments created by a difficult and rent-seeking bureaucracy.

2. Coal Train to China

Mongolia has around a tenth of the world's coal reserves but the sector contributes little to the economy. That should soon change: coal prices have jumped more than 170% to over \$200 per ton for the first time since 2012. An expected boost in production from the Tavan Tolgoi coal mine, near the Chinese border, should create a windfall in 2017. Even so, it won't reach anything near its potential without an efficient means of transport. Plans for a railway across the Gobi Desert to link the mine to the nearest Chinese railhead at Baotou, agreed in 2014, have gone nowhere. Now, the rail project is back under discussion with China for construction from the spring of next year. With this in place, BMI Research estimates production could increase by over 9% a year until 2020.

3. Grow up

With winter temperatures plummeting to minus 40 degrees centigrade, farming is tough – though not impossible. In the Canadian prairies, Saskatchewan has a similar climate but exports are expected to exceed \$20 billion in the coming years. Privatization and open sales of Mongolia's agricultural land in the past five years have helped expand farming, particularly in areas close to the capital, Ulaanbaatar. Further gains rely on technology: modern irrigation to enhance grasslands; superior feed and cross breeding to boost cattle productivity. Such investment would pay dividends through food security and an improvement in the balance of payments with China.

4. Import Substitution

While local agriculture could dramatically reduce imports, it's not the only low-hanging fruit. Mongolians use around 2 million tons of cement a year, 70% of it coming from China. At a price of \$100 a ton, substituting this with local sales would cut imports by \$140 million and contribute to the push for full employment through self-sufficiency in the construction and materials sectors, along with spinoff benefits from bolstering manufacturing capabilities.

5. Taxing times



The government is busy drawing up tax plans to replenish the public purse. Levies are set to increase on tobacco and alcohol. This is a good start. The key message here: stop drinking and start working. It will help increase employment and reduce expensive social programs. But the government also needs to substantially broaden its fiscal base. While generally keeping income taxes low will encourage corporate expansion, the burden should rise for those earning over 2.5 million tugrik, or \$111,000. In a similar vein, high-powered cars and other luxury goods should come in for excise duties. Savings on social spending should be ploughed into programs that encourage full employment.

6. Stick to the plan

Mongolia is part of the Open Government Partnership. Each year, signatories submit a National Action Plan to adhere to OGP principles. Mongolia's plan for 2016-2018 pledged to enhance budget transparency around mining, foreign direct investment and public procurement. All well and good, but Mongolia has some way to go. The OGP reported last year that the country had completed only 24% of its previous commitments, significantly below the global average of 51%. While cuts in high-ranking officials' salaries have been accepted by parliament, the focus must now be on smaller government, cutting back wasteful social programs and boosting employment.

7. The triple whammy

Mongolia could boost fiscal revenue, tackle corruption and lure back foreign investors in one fell swoop through privatization. State assets ripe for sale include the Mongolian Stock Exchange, State Bank, the Erdenet copper mine and MIAT airline. The government could even sell its 34% stake in Oyu Tolgoi. Case studies show a positive case: the sale of Khan Bank helped boost employment, training and income, yielding further contribution to the government's coffers through taxes on profits. Corporate governance practices at Khan Bank have become the template for stifling corruption and bad banking methods.

8. Foreign Investment Promotion

A small country overshadowed by giant neighbors must make a noise to get noticed. While the Foreign Investment & Foreign Trade Agency has had its success cases, it's mostly been ignored by governments as a potential engine of growth. It should be rejuvenated along the lines of Ireland's model, with aggressive campaigns for investment, and placed firmly under the Ministry of Finance with access and support from the country's embassies around the world. Political appointees should be replaced by fluent, persuasive, Western-educated Mongolians with experience in investment promotion, who are tasked with dramatically increasing and diversifying foreign fund flows. It should have a prominent role in ensuring that foreign investor rights are upheld within the government and the judicial system.

9. Long bonds

The Finance Ministry is projecting around a \$2 billion-a-year funding gap until 2018. One obvious solution is to swap debt maturing in the next year or two for longer dated bonds. At the same time, the government should slash a legacy of unrealistic expenditure commitments created by the previous government and dramatically increase revenue-generating activities outlined above. Embracing the IMF should help Mongolia to achieve both while leaning on the lender to provide further credit guarantees that will support government bond issuance. Additional debt from China will



help the government to term out debt until Rio Tinto's Oyu Tolgoi project phase II is in full production, substantially increasing its revenue royalties on mineral production as well as income tax on expanded employment among other sources.

10. License to bank

While the history of foreign interference makes Mongolians protective against influence from overseas, appropriately granted licenses to foreign banks could help stimulate competition, reduce fees and challenge the oligopolistic and insular nature of the financial sector in a country in dire need of additional capital and competition. Although the banking system dates to Russian involvement in 1924, the first foreign entrant in modern times wasn't until ING entered in 2008, and that was only a representative office. Standard Chartered followed in 2011 and the next year, along came Goldman Sachs [buying](#) a 4.8% stake in the third-largest bank, the Trade and Development Bank of Mongolia. Bank of China entered in 2013 but to date it hasn't been able to operate in the country.

Lee Cashell is the Founder & CEO of [Asia Pacific Investment Partners](#) and [Mongolia Properties](#), the country's biggest real estate firm

ADB: Mongolia's economy to grow by 1.4 percent

October 3 (Mongolian Economy) The Asian Development Bank forecasts 0.3 percent growth in 2016 and 1.4 percent in 2017 for Mongolia. Yolanda Fernandez Lommen, Mongolia's Country Director of the ADB, cited the Oyu Tolgoi underground mine project and the agriculture sector that is expected to begin to recover from next spring as key factors in economic growth. On September 30, Lommen presented the results of the ADB's 2016 Asian Development Outlook. Inflation is forecasted to be around 3.2 percent until the end of this year and will increase to 5.4 percent in 2017. The government measures to keep the prices of staple food products and fuel stable as well as the increased supply of money by expansionary fiscal policy are the main factors for the rising inflation rate. However, Lommen also noted that the main cause of economic decline was off-budget spending.

Structural reforms needed

"Mongolia's economic prospects are bright if the major projects in the mining sector can take off and if the state budget and balance of payments deficit can become positive in a short time," said Ms. Lommen. The first economic development challenge for Mongolia will be to ensure sustainability and accessibility of the economy dependent on the mining. The ADB mentioned in its report that it is time for the Mongolian government to rein in uncontrolled budget spending and make reforms to the economy.

Debt obligations will burden the 2017 budget

Mongolia's net foreign exchange reserves have started to show negative figures, and the state will start to pay off foreign debt in 2017-2018. These will become a burden on next year's budget, and future budgets will continue to run deficits. Foreign exchange reserves reached USD 1.3 billion at the end of July due to the most recent foreign loan taken by the government. The volatility of gold, coal, copper and iron ore prices on the



global market, foreign investment availability and foreign loan repayment are the main economic risks for the 48 countries of Asia, according to the ADB.

World Bank paints stark picture of Mongolian economy

October 5 (news.mn) The World Bank has forecast that Mongolian economic growth in 2016 will be just 0.1%. This is slightly below the recent Asian Development Bank (ADB) forecast of 0.3%. International analysts explain the sluggish forecast as a reflection of the fall in the export of raw materials and weak debt control. In 2015 Mongolian economic growth stood at 2.3%.

The World Bank warns that Mongolia is at risk of 'debt distress' because of its mounting external debts, declining foreign investment, diminished mining revenues and looming debt repayments. The Mongolian Government will begin debt repayments in 2017. The current balance of payment deficit has increased following the fall in foreign currency reserves. Therefore, as international analysts have suggested, Mongolia needs to implement robust and secure regulation as well as provide budgetary and macro-economic stability. The slowdown in the Mongolian economy has been compounded by poor decisions on budgetary and monetary policy resulting in macro-economic negatively; in addition the Mongolian Central Bank has financed expenses beyond budget, government debts and the rate of the Tugrik.

Optimistic PM sees bright future for Mongolian economy

October 6 (news.mn) J.Erdenebat, the Prime Minister of Mongolia has forecast that economic growth in 2016 will be 3%. This is far more optimistic than the recent Asian Development Bank's figure of 0.3% and the World Bank's 0.1%, which we reported yesterday. 'According to warnings by international analysts, there are serious problems because of Mongolian beyond budget expenditure and an increase in government spending. The Government, therefore, plans to cut expenses beyond budget and to implement mayor mining projects such as Oyutolgoi, Tavantolgoi and the power station Tavantolgoi. During 2017, the Government will not create additional taxation or increase the tax rate. Also, some state owned companies will be privatised,' said PM J.Erdenebat.

On 6th of October, the State Great Khural (parliament) discussed the 2017 Budget Amendment and Social Insurance Funding presented by the Cabinet.



Parliament reviews the state budget and a possible IMF bailout

October 7 (UB Post) Parliament reviewed a draft of the 2017 state budget and the 2017 budget for the Social Insurance Fund on Thursday, and also discussed the possibility of an IMF debt bailout.

At the beginning of the session, Prime Minister J.Erdenebat spoke to the MPs in attendance about the 2017 state budget.

The Prime Minister highlighted that the government is planning to kick off the implementation of mega projects, including the development of the underground mine at Oyu Tolgoi, the Tavan Tolgoi Power Plant, Gatsuurt gold mining, and the expansion of Thermal Power Plant III in 2017, in an effort to overcome economic challenges.

MP J.Batzandan asked the PM about rumors that Mongolia will be receiving a standby credit facility from the International Monetary Fund (IMF).

The Prime Minister said that representatives from the IMF are coming to Ulaanbaatar this month to evaluate Mongolia's current economic situation. After reviewing the IMF's studies, the Cabinet will make a decision about pursuing credit.

Business

Vice Speaker welcomes Italian Chamber of Deputies delegation

Ulaanbaatar, October 4 (MONTSAME) Vice Speaker of Mongolian Parliament Ts.Nyamdorj received representatives of the Chamber of Deputies of Italy, headed by Mr Guido Galperti at the State House on October 4.

The vice speaker introduced to the guests the new head of Mongolia-Italy friendship group in the State Great Khural (Parliament) A.Undraa. He also emphasized the important role of the Italian embassy, opened recently in Ulaanbaatar, in boosting bilateral ties and wished the delegates to attach more focus to promoting cooperation in agriculture, light industry, arts and culture.

Mr Galperti thanked Mr Nyamdorj for his time and congratulated his party for the absolute victory in the 2016 parliamentary elections. He underlined 2016 was a remarkable year for the Mongolia-Italy relations, having visits of President of the House of Senates Pietro Grasso and Vice President of the Chamber of Deputies to Mongolia for the 11th ASEM Summit, Mongolia hosted with a success. The Embassy of the Republic of Italy opened in July as well, cited head of the delegation and added the opening of the embassy represented a considerable progress in diplomatic relations.

The dignitaries touched upon and exchanged opinions on potentials they sides master to forward bilateral cooperation in agriobusiness, light industry, arts and culture, and



energy through attracting more investment and favoring legal environment for businesses.

Present at the meeting were, member of the Mongolia-Italy friendship group N.Oyundari, Secretary General of the Parliament Secretariat Ts.Tsolmon, acting director of the foreign relations division Sh.Narantuya, director of the Europe Department of the Ministry of Foreign Affairs M.Tsengeg.

Austrian export credit for UB project

October 4 (news.mn) As a part of a financial cooperation agreement between the Mongolian and Austrian governments, an export credit facility to the value of EUR 7 million has been agreed. This sum will be used for a project entitled: 'Water and Sewer Improvement in Ulaanbaatar'. The project financing agreement was signed in Vienna on 27th of September. The project will help to repair water and sewer underground pipes *in situ* without digging. The export credit is interest free and does not need to be paid back for 17 years.

A financial cooperation agreement between the Mongolian and Austrian governments was signed in 2011.

Mining

Rio CEO says Mongolia won't receive mine dividend for 10 years

October 8 (gulf-times.com) Rio Tinto Group said Mongolia won't receive any dividend from the giant Oyu Tolgoi mine for 10 years as the world's second-biggest mining company prioritises completing a \$5.3bn underground expansion. Oyu Tolgoi, which at its peak will be one of the top five copper mines in the world, is partly owned by the government and Turquoise Hill Resources Ltd, which is majority controlled by Rio. In the past, Rio has said the project, the biggest in the country's mining history, could account for about one-third of Mongolia's gross domestic product. "We shouldn't forget that Oyu Tolgoi is a long-term project," Jean-Sebastien Jacques, Rio's chief executive officer, said in an interview with Bloomberg Television Mongolia in Ulaanbaatar on Thursday. "It will take us five years to build the infrastructure and seven to nine years to ramp it up."

"Until we get to a steady state, which is clearly 10 years down the road, we will not pay a dividend to anybody," he said.

Rio reported net earnings of \$53mn from Oyu Tolgoi in the first half of this year. Mongolia owes Turquoise Hill about \$1bn, Jacques said.

Rio and Mongolia have been embroiled in various disputes since the miner took control of the project in 2010. When Jacques was previously head of the copper unit, he was able to diffuse much of the tension after inviting former Prime Minister Chimedijn



Saikhanbileg to his west London home. The gesture helped pave the way for a crucial \$4.4bn financing accord last year to fund the underground expansion. Rio's board has been in the country this week visiting the mine located about 340 miles (547km) south of Ulaanbaatar and 50 miles north of the border with China. Jacques said he had met with new Prime Minister Erdenebat Jargaltulga in the city earlier this week. "We had a very open conversation on where we are in relation to our joint project," he said. Construction of the underground expansion is "well underway" and about 1,600 people are working on the project, he added. Staffing is expected to reach 2,400 by year-end.

Frustrated voters swept the Democratic Party from power in June, giving the Mongolian People's Party an overwhelming mandate to address the deterioration of the economy. This month, the country requested assistance from the International Monetary Fund to help it deal with an economic crisis stemming from a downturn in mining since 2011. Following the change of power, the government recently ousted three board members at the state-owned mining company that helped steer Oyu Tolgoi out of the long-standing dispute between Rio and the government.

Last December, Rio said it paid a total of \$1.3bn in taxes, fees and other payments to the government of Mongolia. In 2015, taxes to the country were \$278mn. Rio has been shipping concentrates by road to customers, mostly in China, since 2013. The mine is expected to be in operation for more than 75 years.

Turquoise Hill Resources Ltd owns 66% of the Oyu Tolgoi deposit. Mongolia's state-owned Erdenes Oyu Tolgoi holds the share of the mine not owned by Turquoise Hill. Rio owns 51% of Turquoise Hill.

Rio Tinto awaits word on Mongolia's railway, power project investment

October 7 (Creamer) ULAANBAATAR – Rio Tinto is waiting for word on the Mongolian government's efforts to attract investment for railway and power infrastructure projects that will boost the global miner's Oyu Tolgoi copper-gold mine, CE **Jean-Sebastien Jacques** said.

The land-locked country sits on vast, untapped mineral wealth but inadequate transportation infrastructure has held back development, with several proposed railway projects to ship copper, coal and gold to China long out of reach because of prohibitive costs and arguments over security.

The country will pitch railway projects to the China-initiated Asian Infrastructure Investment Bank and other investors to support its mining industry, regional trade, as well as bring in foreign investment.

"We're looking very carefully at the situation about railways because we have a vested interest," Jacques told Reuters on Thursday.

Jacques said he was also looking at the development of a new power source at Mongolia's Tavan Tolgoi coal mine that will replace energy imported from China.

The country is mired in debt following a slump in its chief export commodities coal and copper, a drop in foreign investment and a declining currency, forcing the government to hike interest rates and slash spending.



One source of foreign investment will be the \$5-billion Rio Tinto will spend over the next five years digging tunnels to access the bulk of the copper and gold at Oyu Tolgoi, and will expand the mine life to 75 years, Jacques said after returning from a tour of the mine for Rio's board of directors.

Oyu Tolgoi is a flagship for foreign direct investment (FDI) in Mongolia, Jacques said. "If Oyu Tolgoi doesn't work, there won't be further FDI," he added.

The launch of Oyu Tolgoi in 2009 helped kick-start a mining-driven economic boom in Mongolia.

But Rio put the project on ice in 2013 after Mongolia raised concerns about costs and repeated attempts to amend an investment agreement signed in 2009 for the project. Construction finally resumed last May following the release of \$4.4-billion in project financing from lenders in December 2015.

Jacques would not disclose planned spending for next year, but said a budget was up for approval by Oyu Tolgoi's board in late November or early December.

"When we start spending and building the mine, the sooner the mine is up and running, the better it is for the returns of the government of Mongolia, for Rio Tinto," he said.

Rio Tinto's majority-owned Turquoise Hill Resources has a 66 percent stake in the mine, with the Mongolian government holding the rest.

Bayan Khundii, Mongolia: 116m grading 2g/t Au from surface (BKD-49)

October 5 (mining-journal.com) Mongolia may still be suffering a bad reputation from prolonged talks over the underground expansion of Rio Tinto's Oyu Tolgoi copper-gold mine, but while companies are still able to find mineralisation akin to what Erdene Resource Development Corp has stumbled upon at its Bayan Khundii gold project, explorers will keep coming to this part of Asia.

After releasing the first seven holes of a planned 5,000m drill programme at Bayan Khundii, in the country's southwest, the company has more than doubled its footprint to 14,000m to take in targets at its flagship project and its neighbouring Altan Nar and Altan Arrow assets.

The decision comes as no surprise, with Erdene clearly chasing something substantial.

The standouts include a 116m intersection grading 2g/t Au from surface at the Striker zone at Bayan Khundii, which was accompanied by a 112m hit cutting 1.2g/t Au from surface nearby.

Investors liked what they saw judging by the 8% share price rise.

Cabinet cancels ministerial ordinances regarding EMC

Ulaanbaatar, October 6 (MONTSAME) At the regular Wednesday meeting, the cabinet reviewed conclusions of the working group responsible for investigating the purchase of 49 percent shares of formerly joint ventures the Erdenet Mining Corporation and the MongolRosTsvetmet respectively.



Afterwards, the associated ministers were tasked to adjust regulations and rules in a way to make sure the Government is guaranteed to exercise its 51 percent ownership authority in the management of the EMC and the MongolRosTsvetmet.

The cabinet annulled the ordinances regarding the EMC, issued between June 2 and 29 of 2016 by the then-Minister of Finance.

Also, the ministers resolved to publicize the notes and records from the cabinet meeting of June 13, when the decisions were made on purchase of EMC's 49 percent.

As per the decisions made on October 5, the Bank of Mongolia is to present a report of investigation in the financial resource, allocated from the commercial bank for procuring the shares.

Railway

Central, Eastern Europe key to Belt and Road Initiative: senior CPC official

October 7 (globaltimes.cn) Senior Communist Party of China (CPC) official [Liu Yunshan](#) said on Thursday that Central and Eastern Europe is a key region for building the Belt and Road Initiative and a priority area in China's external exchanges and cooperation.

Liu, a member of the Standing Committee of the Political Bureau of the CPC Central Committee, made the comment when addressing the opening ceremony of the China-Central and Eastern European Countries (CEECs) Political Parties Dialogue, the first of its kind within the China-CEECs cooperation mechanism, dubbed as the 16+1 framework.

"The Belt and Road Initiative, proposed by Chinese President [Xi Jinping](#) and advocated by the Chinese government, is a major move for China's opening-up on all fronts, fits in line with the theme of peace and development, and accords with the internal need of all countries to accelerate development. It will present more development opportunities to the world and open up more space for coordinated development of China and CEECs," Liu said.

Over the past three years, the Belt and Road Initiative has increasingly become a new driver of global economic recovery, a new bond for exchanges between Asian and European civilizations and a new platform for improving global governance, he said.

"It has been proved that jointly building the Belt and Road Initiative helps boost prosperity and regional economic cooperation among countries along the Belt and Road, enhance exchanges and mutual learning among civilizations and promote world peace and development," Liu said.

He called on China and CEECs to respect each other, enhance political mutual trust, maintain close high-level exchanges, implement consultation and dialogue mechanisms and consolidate traditional friendship to lay a solid political groundwork for deepening consultation.



Liu urged both sides to pursue win-win outcomes and synergize development strategies by promoting policy coordination, facilities connectivity, unimpeded trade, financial integration and people-to-people ties, bringing about a new win-win situation featuring aligned development, mutually reinforcing growth and integrated interests. He said both sides need to focus on major projects in priority areas of infrastructure connectivity, industrial cooperation, materializing some key projects at a faster pace to bring more tangible benefits to all countries, adding that people-to-people and cultural exchanges and friendship among the people should be strengthened. Political parties in China and the CEECs enjoy a long history of interaction and it is their shared responsibility to make good use of the "16+1" cooperation platform and advance the Belt and Road Initiative to release the potential for cooperation, Liu said. Political parties should shoulder the responsibility of strengthening political guidance and consolidating strategic mutual trust, conduct candid dialogue on major issues concerning the Belt and Road Initiative and the "16+1" cooperation and translate the political dialogue outcomes into government policies, Liu said. "We should build consensus among political parties and coordinate operations, focus on common interests and resolve differences and disputes through dialogue and consultation," Liu said, adding that political parties have the responsibility of increasing understanding between the peoples and translating cooperation vision into tangible benefits to the peoples.

The CEECs leaders, including Viktor Orban, president of Fidesz-Hungarian Civic Alliance and Prime Minister of Hungary, Vojtech Filip, leader of the Communist Party of Bohemia and Moravia and vice president of the Chamber of Deputies of the Czech Republic, thanked the CPC for creating the dialogue platform for political parties to discuss development strategy, overcoming ideological and geographical differences. The Belt and Road Initiative is a grand peaceful proposal to promote cooperation and win-win development. The initiative, rooted in China's profound philosophy and culture and love for peace, will guide the Europe-China relations for the coming decades and enable both sides to contribute to world peace, security and development, the CEECs representatives said.

They said political parties in the CEECs were delighted to engage in building the Belt and Road Initiative and are willing to work with the CPC to play a politically guiding role to lead the think tanks, civil organizations and the public to implement the initiative and make efforts for the peace and prosperity of China, the CEECs as well as the world. Liu arrived in Budapest earlier Wednesday for a two-day official good-will visit to Hungary. Liu is taking on an Asia-Europe tour, which took him to Mongolia and Greece ahead of Budapest.

Ulaanbaatar Railway joint venture has new director

Ulaanbaatar, October 3 (MONTSAME) D.Jigjidnyamaa, appointed the new director of "Ulaanbaatar Railway" Mongolian-Russian joint venture, received his seal on October 3. He previously worked as the deputy director for freight, transport and traffic of Ulaanbaatar Railway since 2007.



D.Jigjidnyamaa graduated from the Moscow Road Technical University, majoring in transport control engineering, and started his career at Baganuur coal mine by working as an operator, dispatcher and deputy head of office in 1988-1990. In 1990, he started working in Ulaanbaatar Railway, making his way up the promotion stairs from cashier to chief engineer.

He was appointed to Moscow to work at the trade representative office of Mongolia between 1993 and 1998.

Industry

Cashmere industry on less stable footing due to climate change

October 8 (thespec.com) Even goats in the far reaches of Mongolia are feeling the brunt of global warming — and that means your wardrobe will feel it, too, especially if you've a fondness for cashmere.

And that's a lot of us. The cashmere biz is booming, thanks to fast-fashion giants like H&M and Uniqlo, which in recent years have democratized the "fabric of kings," offering sweaters for less than \$100 and "challenging the concept of luxury," says John Jay, president of global creative for Fast Retailing, Uniqlo's parent company.

"To bring the highest quality to the greatest number of people — that is the world we want to live in now, that is the zeitgeist."

And that's great, except that it comes at a particularly perilous time for the industry. In Mongolia, home to some of the world's most highly prized goats, whose supersoft, lightweight undercoat is used to make cashmere, the situation is dire. Erratic weather and summer droughts mean less pastureland for goats to feed on, resulting in undernourished herds with coarser hair. And rising temperatures caused by global warming will only inhibit the growth of their winter coat further, according to a report released last year by Kering (a firm that owns various luxury brands, including Gucci and Balenciaga) and the nonprofit Business for Social Responsibility.

In an effort to create a more sustainable industry, and support the nomadic herding communities that rely on cashmere, some brands are trying to give back. Naadam, founded in 2012 and based in New York, buys cashmere directly from herders (not the middlemen who often hike up the price), and invest a portion of profits in Mongolian veterinary and insurance programs.

Pine Cashmere, which launched this year in Carlsbad, California, donates a portion of profits to a Mongolian dialysis centre, which provides health care and education.

"We spent time in the countryside, ate with the people, met some of the herders," says Stephen Tokarz, who founded Pine Cashmere with his wife, Zula, a Mongolian native. "There's a lot of love in their labour. Every season, wherever the goats go, the herders pack up their home and follow."



For Zula Tokarz, who grew up in Mongolia's capital, Ulaanbaatar, their efforts are a way to get back in touch with her roots.

"My dad grew up in the middle of nowhere, chasing goats," she says. "He'd send us kids to the countryside, starting in first grade. I'm a city girl, and was resistant at first. But the area is so beautiful — it's an experience I'll never forget."

A good cashmere sweater is also hard to forget. And these days, they come at all prices.

Darkhan Metallurgical Plant's employees are not paid

October 9 (UB Post) The Federation of Energy, Geology and Mining Workers' Trade Unions of Mongolia (MEGM) sent requirement to Darkhan Metallurgical Plant (DMP) Company to pay the salaries to their employees for the standby on October 5.

Director of MEGM Kh.Buyanjargal said that "QSC LLC got rights of DMP under concession agreement, and but the company cannot maintain their operation stable. Metallurgical Plant works only 15 days in a month. Because of that 6000 employees still did not get paid. After QSC took the rights of DMP, MEGM made cooperation agreement with the company. According to the agreement, when there is a standby, employees should earn 60 percent of their wages, and compensation for the grant. But the company did not fulfil the agreement. Court was made a decision on MEGM's side. Therefore it requires them to follow the court decision".

The Darkhan metallurgical plant owns the licence of the Selenge iron ore deposit. In frames of the implementation of a project on Mining and Metallurgy in the region of Darkhan and Selenge, QSC LLC which was selected as the investor have completed the railroad construction on a concession agreement with the government.

In addition, executives of the MEGM met with the Prime Minister on last September 30, and they explained these issues, and introduced about DMP's privatization request that it review the issue metallurgy privatization met with the Prime Minister on March 30 and posted on the issue. The Prime Minister is to make a working group to study the issue. In turn, the Prime Minister said that "he will appoint an action force to study the issue."

Agriculture

GIEWS Country Brief: Mongolia 30-September-2016

October 4 (reliefweb.int) **FOOD SECURITY SNAPSHOT**

- Wheat production in 2016 estimated to have recovered from last year's sharply-reduced level
- Wheat imports estimated at high level in 2015/16 marketing year (October/September)



- Prices of beef and mutton meat decreased in recent months

Wheat production in 2016 estimated to have recovered from last year's sharply-reduced level

Harvesting of the 2016 main season cereal crops, mainly wheat, barley and oats, is completed. The 2016 wheat production is estimated by FAO at 450 000 tonnes, up almost 80 percent from the 2015 sharply-reduced level and close to the 2014 record. This is the result of a recovery in both plantings and yields, reflecting favourable weather conditions and Government support, including distribution of subsidized fuel, wheat seeds, pesticides, herbicides and fertilizers.

Wheat imports estimated at high level in 2015/16 marketing year (October/September)

Wheat and rice are the two major imported cereals, mainly from the Russian Federation and Kazakhstan. Cereal imports in the 2015/16 marketing year (October/September) are estimated to almost triple the previous year's low level and reach 199 800 tonnes. This mainly reflects higher wheat imports, which are forecast at 170 000 tonnes, four times more than last year's level and well above the five-year average, reflecting the sharply reduced harvest in 2015. Rice imports in 2016 are anticipated to remain close to the previous year's level at 24 000 tonnes.

Prices of beef and mutton meat decreased in recent months

Prices of beef and mutton meat in Ulaanbaatar have decreased seasonally since June 2016, reflecting good supplies in the market. Overall, prices were below their levels in 2015.

Wheat flour and rice prices in Ulaanbaatar remained relatively stable in recent months, owing to adequate availabilities mainly from increased imports.

Early snow hits Mongolian harvest

October 5 (news.mn) According to reports just published, Mongolia is expected to lose 40% of its crops. Currently, farmers have harvested 324 thousand tonnes of cereal crops, 126 thousand tonnes of potatoes and 72 thousand tonnes of other vegetables. The Ministry of Food, Agriculture and Light Industry has reported that, Mongolia has harvested 60% of cereal crops, 82% of potatoes and 72% vegetables.

In terms of 'brining in' the crops, harvesting is going well in Bulgan, Tuv and Selenge provinces, but is getting sluggish in some other regions - in particular, the western and eastern provinces.

In Khentii province, snow fall this week affected harvesting and damaged some crops. Farmers had been harvesting for 12 days. According to the National Agency of Hydrology, Meteorology and Environmental Monitoring, snow is predicted until 8th of October.

Tuv Province wraps up harvesting

October 9 (UB Post) Tuv Province's Agriculture Department is expected to complete harvesting on October 10, in connection with recent weather forecasts.



Expert of the Food and Agriculture Department J.Surenkhorloo reported, "Wet snow might hit Tuv Province from October 5 to 7. Therefore, harvesting operations needs to be sped up."

Harvests are at 65 percent completion in Tuv Province. The province planted 61,000 tons of seeds and wheat in 49,414 hectares of land, 58,000 tons of grains in 46,784 hectares, and 2.6 tons of forage plants in 2,630 hectares of land.

Tuv Province supplies around 4,000 tons of fodder plants, 4,000 tons of vegetables, and 47,000 tons of potatoes, reported a representative of Tuv Province.

A total of 318 students, 709 soldiers and 116 students of vocational training centers are helping with harvesting in Tuv Province. "Everyone is doing their best to complete the work on time," emphasized representatives of Tuv Province.

Ulaanbaatar

Trenchless sewer line repair project financed by government loan

Ulaanbaatar, October 4 (MONTSAME) An export credit agreement was signed for the "Ulaanbaatar Trenchless sewer line repair" project on September 27 in Vienna. The credit EUR 7.0 million is provided under the financial cooperation agreement between the governments of Mongolia and Austria, established in 2011.

With the export credit, the trenchless repair technology will be introduced to Ulaanbaatar's underground water supply system and 44 km long sewer lines will be repaired without excavation.

The project executors are the Austria-based RTI Austria Company and the UB Mayor's Office.

Company News

Finncap maintained Central Asia Metal (LON:CAML) as 'Buy' With 264 PT

October 6 (ftsnews.co.uk) According to a report issued to investors by Finncap on Wednesday, shares of Central Asia Metal (LON:CAML) had their rating maintained by analysts to 'Buy'.

The analyst stated that the investment firm has set a price target of 264 on shares of LON:CAML. Based on the brokers price target of 264, this means Finncap believes there is a potential increase of 46.06% from the current stock price of 180.75.



Central Asia Metal has 111,558,000 shares which are currently outstanding with shareholders and have a price of 180.75 bringing Central Asia Metal's market capitalisation to 201.64M GBP.

The company's 50 day moving average is 177.31 and its 200 day moving average is 167.29. The 52 week high Central Asia Metal's shares have reached is 187.68 whilst the 52 week low for the company's shares is 118.21.

Central Asia Metals plc is a mining and exploration company. The Company's principal business activity is the production of copper cathode at its Kounrad operations in Kazakhstan. It also owns various exploration projects in Mongolia and holds interest in the copper tailings project in Chile. The Company operates through two segments, which consists of an SX-EW copper plant at Kounrad in Kazakhstan and the Copper Bay project in Chile. Its projects include Kounrad, which is an open-pit copper mine, located near the city of Balkhash in central Kazakhstan; Handgait molybdenum exploration project, which is situated in northern Mongolia; Ereen gold exploration project, which is situated approximately 130 kilometers north of Ulaanbaatar, in the center of Mongolia's historic mining district, and Chanaral Bay copper project, which is in the Atacama region of Chile, approximately 1,000 kilometers north of Santiago and over 120 kilometers northwest of the regional capital of Copiapo.