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Agreement Between Mongolia and Rio Tinto Opens Door to Future Mining Projects, Economic Growth

If you wish to receive more information on the topics covered in this publication, you may contact your regular Shearman & Sterling contact person or any of the following:

Matthew Bersani
Hong Kong
+852.29788096
matthew.bersani@shearman.com

Andrew Ruff
Hong Kong
+852.29788088
aruff@shearman.com

Cynthia Urda Kassiss
New York
+1 212 848.7969
curdakassis@shearman.com

Richard J.B. Price
London
+44 20 7655 5097
rprice@shearman.com

Christophe Asselineau
Paris
+33 1 53 89 70 00
christophe.asselineau@shearman.com

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On May 18, 2015, the Government of Mongolia, Rio Tinto and the Rio Tinto subsidiary, Turquoise Hill Resources, reached agreement on development of the underground phase of the Oyu Tolgoi mining project. The agreement, termed the “Oyu Tolgoi Underground Mine Development and Finance Plan,” sets the stage for future development and investment by Rio Tinto in Oyu Tolgoi, one of the world’s largest copper mines. In addition, the agreement is both a signal of the Government of Mongolia’s interest in attracting new investment as well as a potential catalyst for significant foreign direct investment in the resource-rich country.

In a statement released by Rio Tinto, Prime Minister Saikhanbileg Chimed of Mongolia said, “Unlocking Oyu Tolgoi’s underground mine will have a significant impact on the Mongolian economy, which will benefit Mongolian citizens for generations to come. Our joint agreement clearly positions Mongolia as an attractive country for investment and underscores the fact that Mongolia is open for business.”

As indicated by Prime Minister Saikhanbileg, the Oyu Tolgoi agreement is a green light for mining and infrastructure projects that up to now have been in holding patterns. Tabled projects include several power plants, roads and other mining concessions. Potential investment by Rio Tinto alone, in connection with Phase II of the Oyu Tolgoi mine, is expected to require significant infrastructure investment in order to export concentrate. Execution of the Oyu Tolgoi agreement is also a sign that the Government of Mongolia is committed to attracting foreign direct investment.

Shearman & Sterling advised Erdenes Oyu Tolgoi LLC, a Mongolia state-owned company, in its latest round of negotiations with Rio Tinto and is actively involved several other projects in Mongolia, representing private-sector companies and government entities.

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