
Mongolia may force private stakes in Rio mine - Report

Monday, 29 Sep, 2008

Bloomberg reported that the government of Mongolia, where Rio Tinto Group is seeking to develop one of the world's biggest copper mines, may seek to give domestic private investors a stake in the project.

Mr Gavaa Batkhuu deputy chairman of Mongolia's parliament said that Mongolia should participate in the Oyu Tolgoi project through royalties and private investment. He added that lawmakers also may seek changes to Mongolia's mineral law guaranteeing that mining companies, Rio Tinto included, produce finished products such as cable or wire.

Mr Batkhuu said "The government should not be involved in equity investment, but when there is already production, there will be revenues that will be shared. Once they have these revenues, it's up to the government if they want to distribute equally to Mongolians or in the form of shares to private investors."

A 2007 draft agreement entitling the government to a 34% equity stake of the project never received parliamentary approval as some lawmakers pressed for as much as a 51% share for the nation.

Rio and partner Ivanhoe Mines Limited have sought approval for Oyu Tolgoi for 5 years at a time when emerging market governments are attempting to boost their share of profits from mining ventures amid years of commodity price gains. Mongolian lawmakers have been deadlocked, with some seeking the royalties as soon as possible to spend on infrastructure and alleviating poverty, while others want to hold out for better terms.

Mr Kathleen Ambrose Rio's Washington based principal adviser for government relations said that the company's position has not changed since a September 2007 statement that Rio expects ongoing investments in the project will be cut significantly in the absence of a satisfactory agreement.

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