

SUSTAINING THE COAL SECTOR WITH THE ROAD AND TRANSPORTATION
POLICY
GOVERNMENT OF MONGOLIA

*MINISTRY OF ROAD, TRANSPORTATION, CONSTRUCTION AND URBAN
DEVELOPMENT*

Statement by Mr. J.BAT-ERDENE State Secretary of the MRTCUD

THE ROAD AND TRANSPORTATION POLICY

The basic policy documents being pursued are:

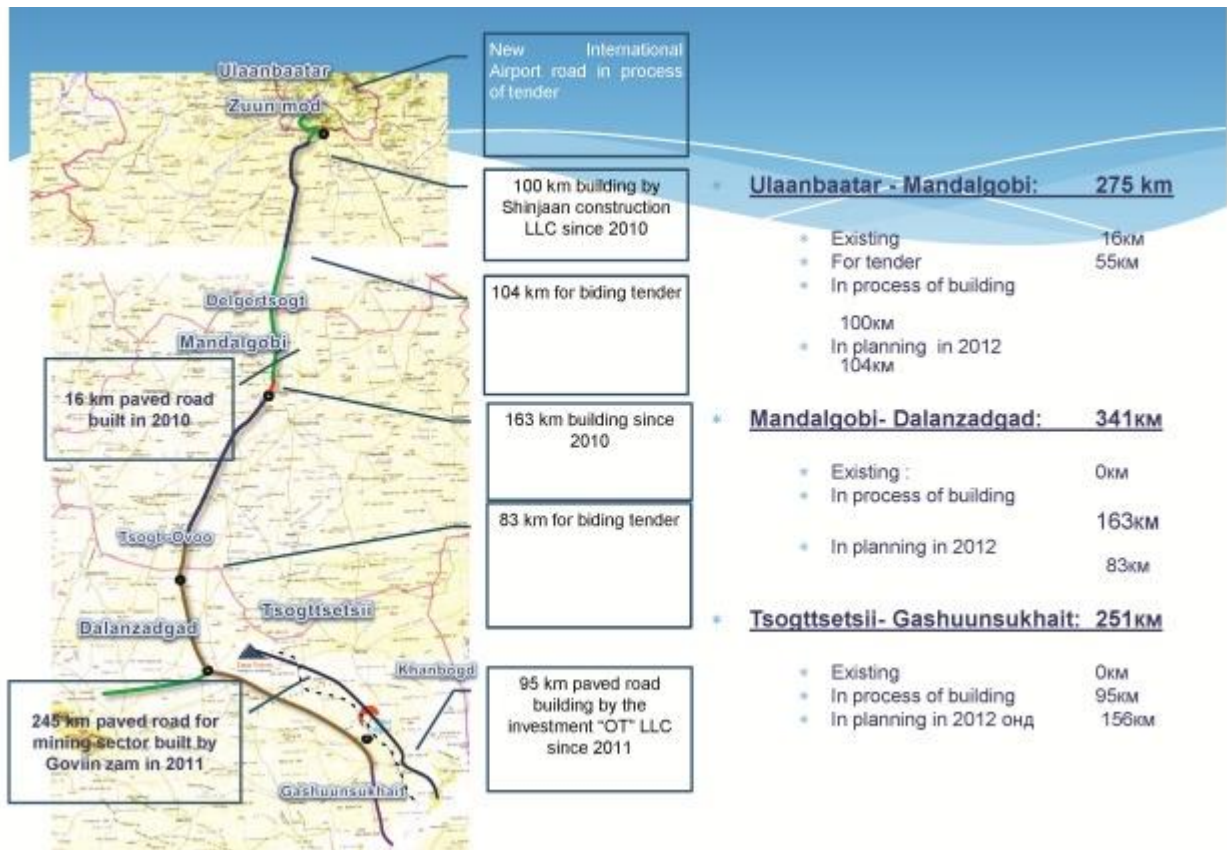
- The Integrated State Policy on National Road Network of Mongolia; and
- The State Policy on Railway Transportation

In line with these policy documents our goal and objectives are to develop the infrastructure that would facilitate the transportation of coal, by road and railway taking into consideration the coal deposits located in the major mining regions. In particular, the deposits in Central, Dundgobi, Southgobi, Dornogobi and Sukhbaatar aimags, which are either in operation or being prepared for operation, as well as Sainshand Industrial Park.

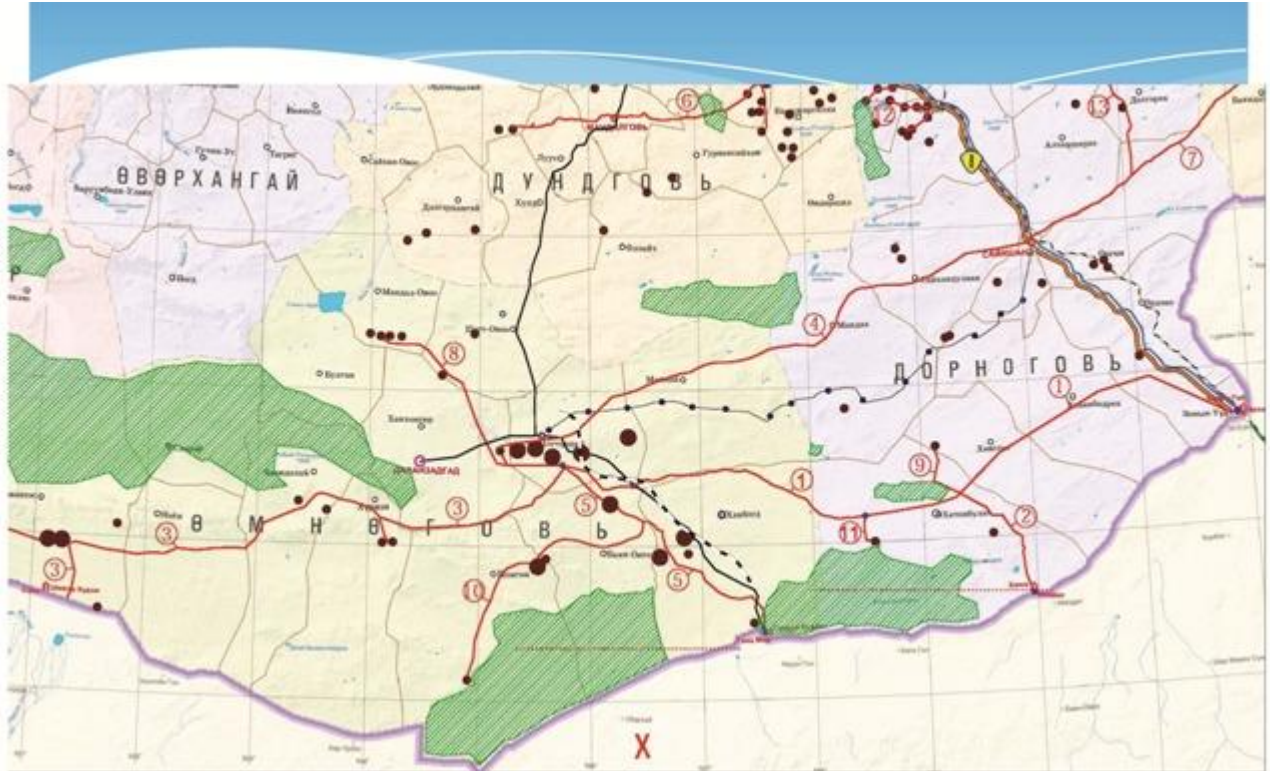
ROAD TRANSPORTATION

- Since 2002, coal exports have been transported from Nariin Sukhait mining site through the Shivee huren border. Similarly, since 2003, there has also been active transport from Tavantolgoi mining site through the Gashuunsukhait border in Umnugovi province.
- -Oil, zinc concentrate and coal through the borders of Khavirga-ArKhashaat, Bayan-Uvdugof Dornodprovince, Bichigt-Ar Khatavch of Sukhbaatar province.
- Goods and equipment through the borders of Zamiin-Uud-Ereen, Khangii-Mandal of Dornogovi province.
- Coal through the borders of GashuunSukhait–Gants mod, Shiveehuren-Sekhee.
- Zinc and iron ore through Burgastai-Laemoof Gobi-Altai province.
- The aforementioned freight of mining products is being carried by 5718 drivers with 60-100 ton capacity of 3755 trucks.
- In 2010, 12.2 million tons of coal were exported by auto transport through Umnugobiprovince; this increased to 19.3 million ton in 2011.

STANDART ROADS IN DUNDGOBI AND SOUTHGOBI AIMAGS



GENERAL PLAN OF THE PAVED ROAD FOR MINING SECTOR



RAILWAY TRANSPORTATION POLICY

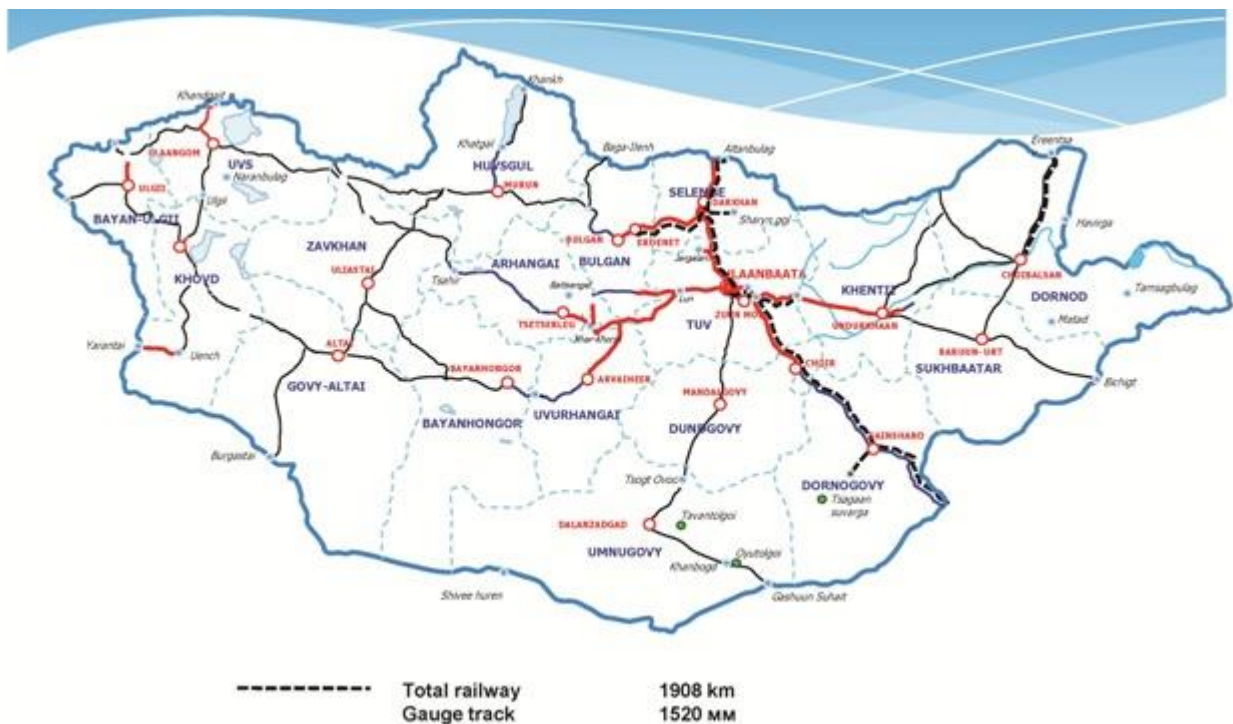
State Policy on Railway Transportation was endorsed on the 24th of June, 2012 by the State Great Hural (Parliament) in Resolution no.32.

- By implementing the State Policy on Railway Transportation, strategic mineral deposits of Mongolia will be utilized and introduced into economic circulation; processing industries will be developed and unified and a highly efficient railway transportation system will be established.
- Determining the direction to build new railway infrastructure, it shall be aimed at satisfying the cargo transportation demand of the processing plants and mineral deposits with strategic importance; this is to ensure delivery to markets with high demand for minerals and to ensure independence from a single market.

RAILWAY TRANSPORTATION FREIGHT TURNOVER

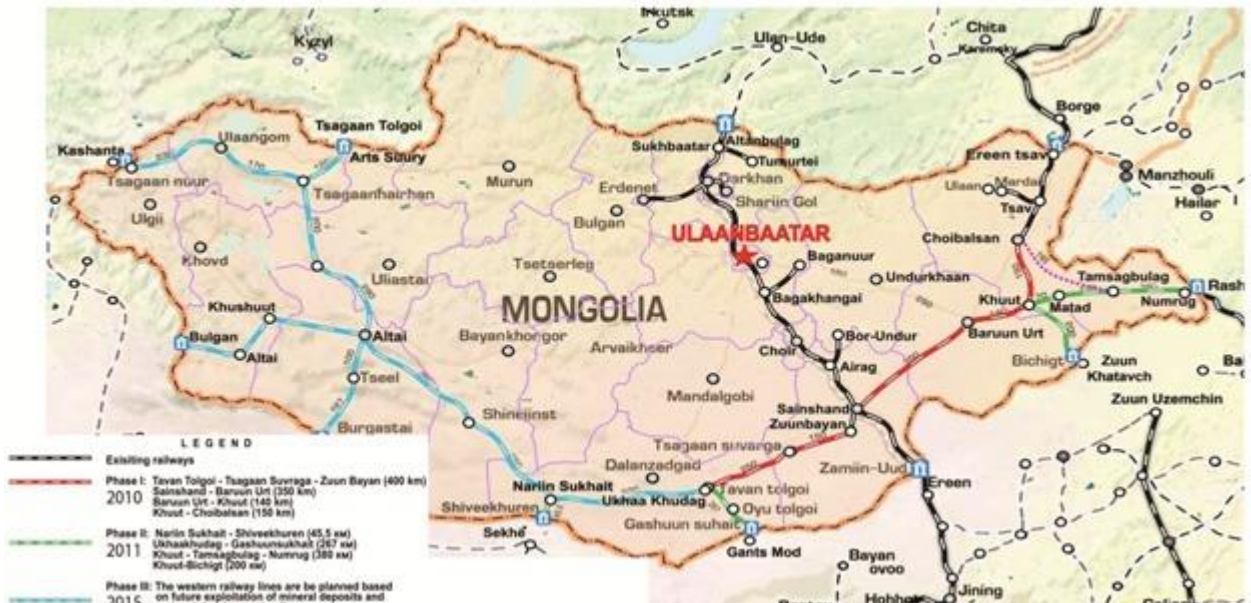
Freight	2006 /thousand.tn/	2007 /thousand.tn/	2008 /thousand.tn/	2009 /thousand .tn/	2010 /thousand.tn/
Total	14793.2	14072.6	14646.9	14171.51	16804.03
Import	1160.2	1310.4	1727.3	1263.70	1546.18
Export	1816.5	1776.3	2565	2954.92	4638.84
Local	7347.6	7512.6	8016.2	7656.26	8304.40
Transit	4468.9	3473.3	2338.4	2296.64	2314.62

EXISTING RAILWAY



Expansion of National Railway

- Cost effective expansion through sea ports
- Strengthens international trade position
- Boosts mining freight turnover



Expansion of National Railway: Phases of Development

Approximately 5,684 km of new railway is to be built between 2011-2014: an unprecedented increase. Development is already underway:

Phase I: Expansion of 1100km

- Dalanzadgad-Tavantolgoi-Tsagaansuvraga-Zuunbayan:400km
- Sainshand-Baruun-Urt:350km
- Baruun-Urt-Khuut:140km
- Khuut-Choibalsan:150km

Phase II: Expansion of 900km

- Nariinsukhait-Shiveekhuren:45.5km
- Ukhaahudag-Gashuunsukhait:267km
- Khuut-Tamsagbulag-Numrug:380km
- Khuut-Bichigt:200km

Phase III: Expansion of 3600km

- A Westward expansion is planned alongside further exploration of mineral deposits.
- This will progress in tandem with the government's regional development policy.

PROCESS OF THE IMPLEMENTATION OF THE NEW RAILWAY

-1. The Master plan for new railway route (Dalanzadgad-Tavantolgoi-Zuunbayan; Sainshand-BaruunUrt-Choibalsan) was approved. According to the trass, with 1:50000 map scale hydrogeology design and under 1165 kilometer, topography with 1:1000 map scale were finishe

-2. An advisory team headed by McKinsey & Company produced a feasibility study for the new railway. The study included in total 1766kilometer new railways and following routes:

Tavantolgoi-Sainshand468 km

Sainshand-Huut450 km

Huut-Choibalsan155 km

Tavantolgoi-Gashuunsuhait267 km

Nariinsuhait-Shiveehuren46 km

Expansion of National Railway: Access to Foreign Seaports



Expansion of National Railway: Economic Benefits

Strategic support for the mining sector

- Strengthens linkages with strategically key mineral deposits (TavanTolgoi, OyuTolgoi and others),
- Boosts freight turnover of mining products, transit cargos and exported goods.
- Mineral goods to top an average 50mn ton per year due to plans.

Industrial 'clustering' & productive potential

- Fosters economic and industrial 'clustering' and regional development
- Stands to boost structural capacity of the economy and the level of GDP significantly:

Improves national transit capacity

- Total volume of cargo transported is expected to increase by a factor of 3.5
- Eliminates significant bottlenecks

–Sets solid foundation for future passenger travel across the country

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