



3 - 5 Aug 2018, Le Meridien, Kochi

Myanmar: Gold's New Frontier

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3rd August 2018



Introduction

The 2 years since the formation of Her Excellency Daw Aung Suu Kyi's new government, have been a very exciting era for businesses.

Whether the policies and regulations are new or restructured, they paint a future that is filled to the brim with vast potential.

Gold specific policies as well as other major policies that are implemented across all industries, assisted in spearheading the development of the gold sector.

This presentation is the positive result of these cause and effects, and shows the opportunities to further expedite Myanmar's long awaited dream of entering the world gold market come into fruition.

Major and significant policies

Major and significant policies that have an impact on Myanmar's gold sector:-

1. Myanmar's 12 point economic policy announced 29 July 2016. (Summarized)

- Highlighting national reconciliation and job creation as basic considerations for the policy.
- Guarantees nationwide equitable development.
- Ranging from the privatization of some state-owned enterprises to the development of infrastructures.
- Includes electrification facilities and ports to implementing an ID card system, the Digital Government Strategy and the e-Government System.
- To create opportunities for new generations with all-round capacity.
- Will draw separate policies to attract foreign investment and to promote use of copyright and the rule of law as well as establish an effective and fair tax system.

2. Participant in the Belt and Road Initiative.

- China-Myanmar Economic Corridor.

Major and significant policies (2)

3. ASEAN Economic Community (AEC) Blue print 2025.

- A highly integrated and cohesive economy
- A competitive, innovative, and dynamic ASEAN
- Enhanced connectivity and sectorial cooperation
- A resilient, inclusive, people-oriented and people-centered region
- A global ASEAN.

4. New foreign investment law 2016 and rules 2017, to encourage and protect foreign investors.

5. New Company laws announced Jan 2018, to allow local companies to have up to 35% foreign ownership. Enacted since 1st August 2018.

6. Globalization via the development of an International Finance Centre (Economic region) incorporating an International Financial System.

Major and significant policies (3)

7. Mines rules 2018, a comprehensive and detailed compendium to the mines laws released in 2015. This is especially catered towards all forms of investors domestically and internationally.
8. Extractive Industries Transparency Initiative.
9. Ministry of Commerce's announcement on foreign investment for the operation of large scale retail outlets and wholesale centres.

Gold specific policies

1. After 5 decades of being banned from export, the liberalization for gold export has been announced in late 2017/18.
2. Ministry of Planning and Finance's Inland Revenue Department (IRD) 0% tax on pure gold (24K/99.99%) for export (to target for LBMA within a decade or less). Other purities will incur a 1% tax.
3. Public-Private-Partnership (PPP) Implementation committee formed to study and established a gold exchange and gold mercantile center (for other forms of gold).
4. Further development including importing standard gold at 0% tax and duties (Tax is 0% but customs duty is 15%), as well as other forms for reprocessing and export.
5. Official announcement of Ministry of Commerce to start exporting gold in various forms on Jan 2018.
6. In line with point no.5, there will be a gold export/import One Stop Service Centre (OSSC) to be established before year end. This will be spearheaded by Myanmar Gold Development Public Co., and supported by companies from allied associations.

Market updates

Update 1 :

Daily spot and deferred deliverable gold

- Total US\$66-88 million. (US\$6-8+ million spot, US\$60-80+ million deferred)
- Annual US\$15.77 - 20.02 billion
- Or 360-480+ tons annual domestic transactions

Update 2 :

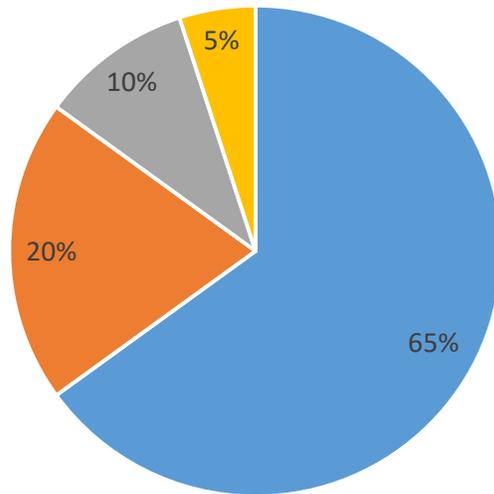
7 month gold jewelry tax revenue

- Based on 1% commercial tax
- Collect tax revenue of Kyats 16+ billion or US\$11.7 million
- Actual sales calculated to US\$1.117 billion in 7 months or US\$2.02 billion per annum.
- Only gold jewelry, not including gold trade at trading offices or via brokerage.

Market updates (2)

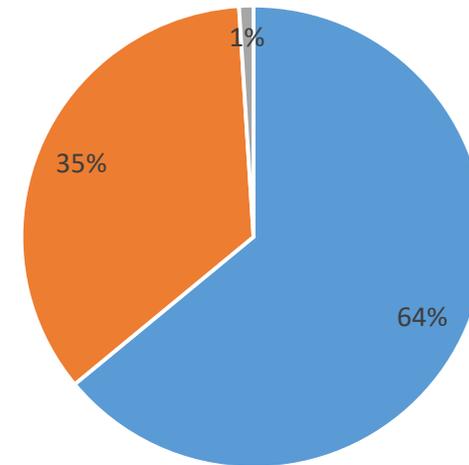
Update 3 :

Gold movement



■ Jewelry & Others ■ Safekeeping ■ Religious ■ Medical & Misc

Gold feed



■ Scrap Jewelry
 ■ Mine
 ■ Others (e.g. Pagoda gold recovery from drainage, etc)

Significant Facts

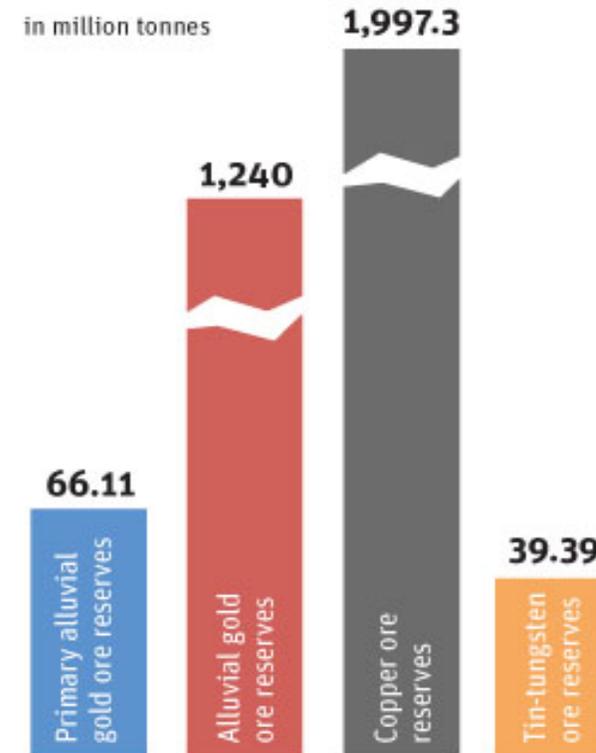
In a government report, published by South East Asia Globe in April 2013, Myanmar has a combine 1.306 billion tons of potential gold ore reserves untapped.

Reports by Canada based Prospectors and Developers Association, as well USGS, GSI and others have shown that this figure is just a drop in the bucket.

The report published only shows known deposits, and is not indicative of unexplored areas in the country. It is a fact that not only gold, but many other mineral rich areas in the country remains unexplored. All explored areas combined only amounts to a fraction of what can be realized.

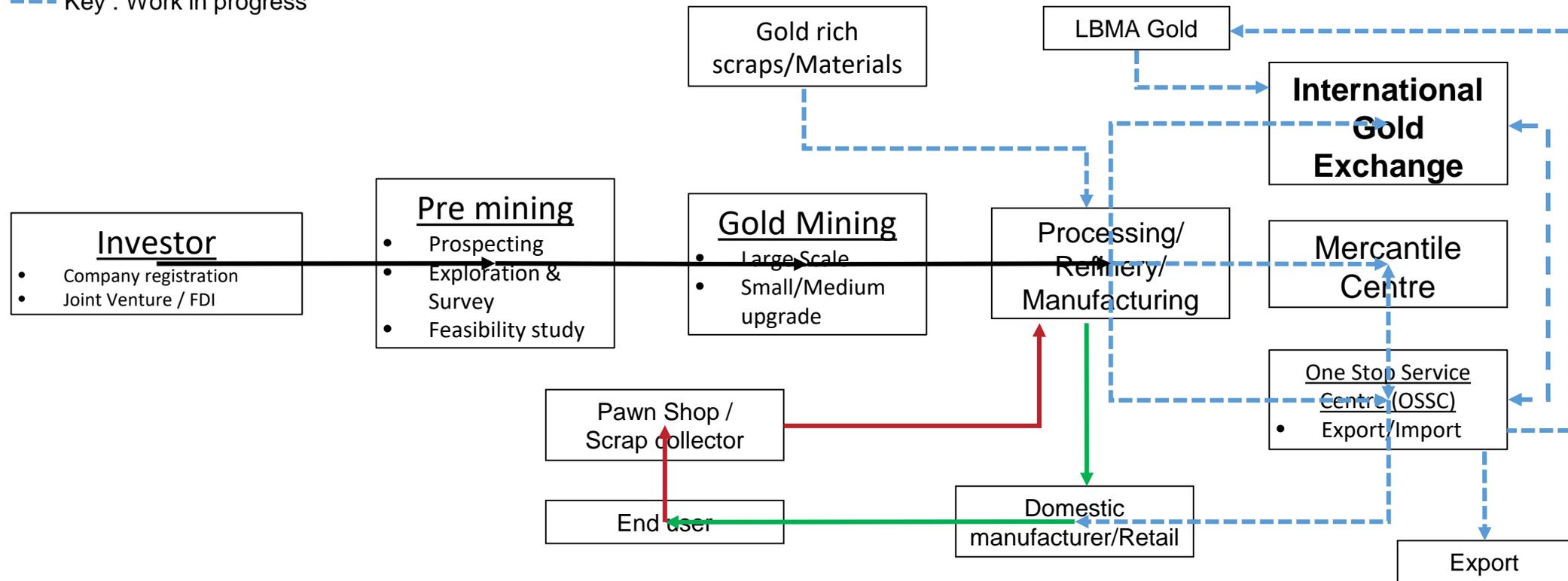
Based on recent submitted tax audits, large scale gold mines in Myanmar have frequently reached 8-10 g/mt or 8-10ppm.

↓ MYANMAR'S RESERVES, AS REPORTED BY THE MYANMAR GOVERNMENT



The value chain

--- Key : Work in progress



Opportunities

The key areas are as follows:-

- Foreign Investment for Joint Venture and Foreign Direct Investment (FDI) into the gold sector is now feasible with the liberalization of gold export, as well as the planned future abolishing of import taxes and duties for standard gold. (Myanmar Investment Commission - MIC)
- Prospecting permit (Ministry of Natural Resources & Environmental Conservation - MoNREC)
- Exploration & Survey permit (MoNREC)
- Feasibility study permit (MoNREC)
- Large Scale mine production permit up to 50 years. (MoNREC)
- Small to Medium mine production upgrade to large scale permit (MoNREC)
- Processing/Refinery permit (MoNREC)
- Trading and Selling permit (MoNREC)
- Integrated operations permit-for multiple permits in one, previously needed to apply individually. (MoNREC)

Opportunities (2)

- Large scale retail and wholesale for Foreign JV or FDI (Ministry of Commerce)
- Export of pure gold (24k) at 0% tax (Ministry of Planning and Finance/Central Bank/IRD).
- Export of gold in any other purity or form at 1% tax (Ministry of Commerce).
- Gold value added industry open for investment, participation and partnership.
- Planned Myanmar Gold & Precious Metals Exchange open for investment, participation and partnership.
- Planned Myanmar Gold Mercantile Centre open for investment, participation and partnership.
- Opening of the One Stop Service Center.

Summary

The significance of Myanmar liberating the export of gold and entering into the international scene, spells a myriad of opportunities along the value chain.

Added to this, it is anyone's guess to the amount of gold that she and her population has accumulated over 50 years of being banned from export.

Myanmar is without doubt rich in gold, and with proper investment not only in funding, but also knowledge and technology, she will be able to create a notable presence in the sector.

Thank you