



Mongolia Mining Energy Fund

Contracted power. Investment-grade oftakers. No grid risk.

*A dedicated vehicle that owns wind, solar and storage assets built at the mine gate and leases them to mining oftakers on **20-year finance leases**. The mine commits no capital. The lender underwrites the lease, not the build.*

USD 13.2MFIRST TRANSACTION, AT
TERM SHEET**400M+**

USD IDENTIFIED PIPELINE

20 yearsCONTRACTED LEASE
TENOR**Zero**PPA, TARIFF AND
CURTAILMENT RISK

01 · THE PROBLEM

Mongolian mines need power they cannot build

Mongolia's mining sector generates the majority of the country's export earnings and consumes the majority of its industrial power. That power comes from an ageing, predominantly coal-fired central grid that is capacity-constrained, increasingly unreliable in winter peak, and rising in cost. Remote operations fall back on diesel at multiples of the grid tariff.

Every mine operator understands the fix: build dedicated wind, solar and storage at site. Almost none of them do it, for three reasons that have nothing to do with the technology.

WHY MINES DO NOT SELF-BUILD

- **Capital discipline.** Boards will not allocate scarce capex to a generation asset that is not the ore body. Power competes with the mine plan and loses.
- **Wrong balance sheet.** A twenty-year power asset sits badly against a mine life and a commodity cycle.
- **No in-house capability.** Developing, financing and operating a hybrid renewable plant is a different business from mining.

WHY GRID-CONNECTED DEVELOPERS STALL

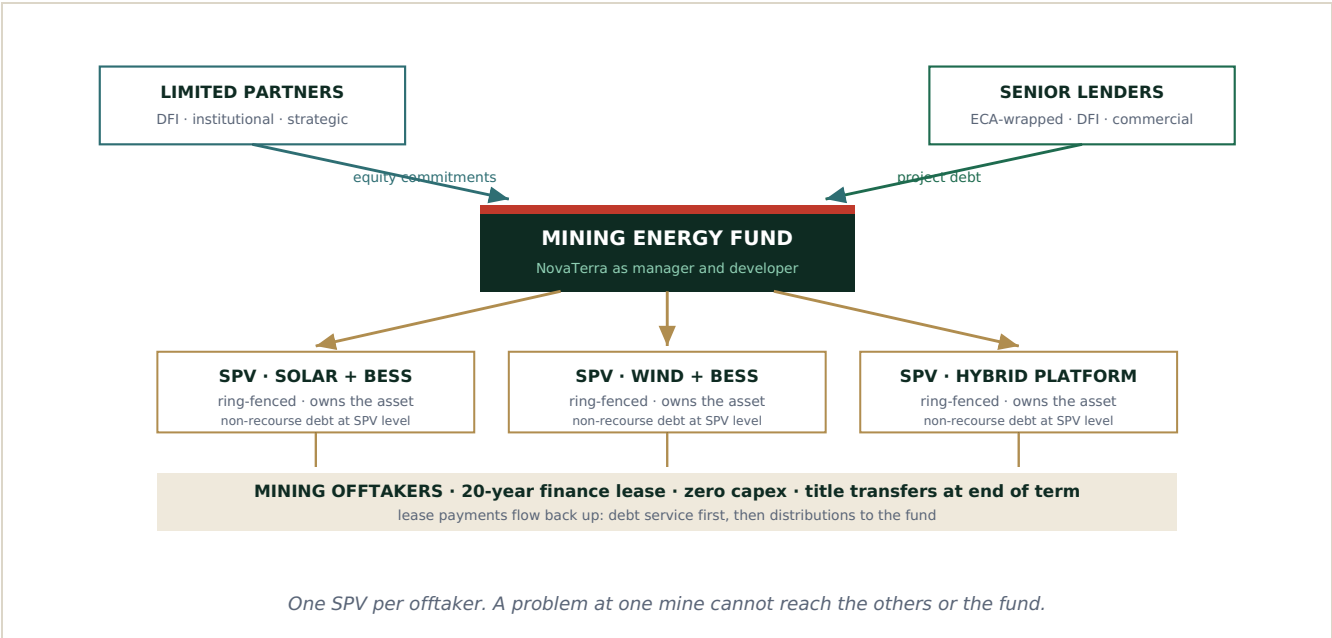
- **Tariff approval** from the regulator is slow and politically exposed.
- **Power purchase agreements** with the single national oftaker are hard to obtain and harder to bank.
- **Grid connection and curtailment** risk is real: the transmission system cannot absorb the renewable capacity already licensed.

THE BOTTLENECK, STATED PLAINLY

Mongolia has roughly 73 GW of economically recoverable wind potential and one of the best solar resources in Asia. The constraint is not the resource, the technology or even the capital. It is that the standard project structure asks a mine to spend capex it will not spend, or asks a developer to accept regulatory and grid risk it cannot price.

What the fund does differently

The fund's project companies own the generation and storage assets, build them **behind the meter** at the mine, and lease them to the mining company under a 20-year finance lease with title transferring at end of term. The mine pays a lease, not capex. Because the assets sit behind the meter and off-grid, the transaction never touches the regulated system.



What the structure removes

RISK	IN A CONVENTIONAL PROJECT	IN THIS STRUCTURE
Offtake	PPA with the single national utility, slow to obtain, hard to bank	Bilateral lease with a corporate offtaker whose credit can be assessed directly
Tariff	Regulator sets and can revisit the tariff	Not applicable. Behind the meter, price is contractual
Grid and curtailment	Connection queue, transmission constraint, dispatch-down risk	Not applicable. Off-grid, consumed on site
Construction	Sits with the sponsor or the offtaker	Wrapped in a fixed-price EPC with a tier-one contractor
Operating	Owner-operated, variable	Long-term O&M contract with the EPC counterparty
Residual	Owner carries end-of-life exposure	Title transfers to the lessee at term. Residual is contracted, not speculative
Currency	Local-currency tariff against hard-currency debt	Leases denominated in USD to match the debt and the offtaker's revenue

The residual risk that remains, and the one an investor is genuinely being paid to take, is **lessee credit over twenty years**. That is a mining counterparty risk, not an energy risk, and it is the risk this fund is built to assess.

Four things arriving at once

DEMAND

- Grid tariffs rising and winter reliability deteriorating, pushing mines to look at captive supply on cost grounds alone
- International mining groups operating in Mongolia now carry hard Scope 2 reduction commitments to their own boards and lenders

SUPPLY

- Solar and battery costs have fallen far enough that captive hybrids beat grid-plus-diesel on a delivered basis in most Mongolian mine settings
- Chinese EPC capacity is immediately adjacent, competitively priced and export-credit supported

CAPITAL

- Export credit agencies will lend against equipment supply with insurance cover, which is how the first transaction is structured
- Development finance institutions are actively seeking Mongolian energy transition assets and have already funded the precedent

PROOF

- The precedent is built and operating: a 50 MW / 200 MWh battery delivered in 77 days and financed through a domestic bond bought by IFC
- The first fund transaction is at term sheet with a tier-one EPC engaged

Identified assets

ASSET	CONFIGURATION	INDICATIVE CAPEX	STATUS
MCHM captive hybrid	12 MWp solar + 4 MW / 16 MWh BESS	USD 13.2M	At term sheet. Covers ~59% of offtaker consumption. Envision as EPC and operator, insurance-wrapped senior debt identified
Large-scale wind and storage, southern Mongolia	Utility-scale wind + BESS serving mining load	Under assessment	Advisory stage. Details available under NDA to investors in discussion
Dundgovi standalone storage	100 MW / 400 MWh BESS	USD 150-180M	In development. Frequency response, peak shaving and arbitrage
Gobi captive platform	~100 MW hybrid, industrial and compute load	USD 180M+	In development. Land sponsor secured, EPC engaged

Beyond the named assets, the addressable set is every mine in Mongolia with a material power bill and a corporate parent capable of signing a twenty-year lease. Capex figures other than MCHM are indicative and pre-feasibility.

What one transaction actually looks like

The first transaction is documented, so its economics can be shown rather than assumed. A 12 MWp solar array with a 4 MW / 16 MWh battery, built behind the meter on the offtaker's own land, producing roughly 19,800 MWh a year and covering about 59% of consumption.

TERM	MCHM TRANSACTION
Capex funded by the project company	USD 13.2M
Offtaker capital contribution	Nil
Lease, year one	USD 1.50M
Annual escalation	2.0%
Tenor	20 years, title transfers at end of term
Contracted lease receipts, nominal	USD 36.4M, roughly 2.8x capex
EPC and long-term O&M	Envision Energy
Senior debt	Insurance-wrapped facility, identified

ILLUSTRATIVE RETURNS, DERIVED FROM THE TERMS ABOVE

Assuming operating and insurance costs of 2.0% of capex a year escalating with the lease, the contracted cash flows produce an **unlevered project return in the high single digits**. At 70% gearing on a fifteen-year amortising facility at 6.5%, the same cash flows produce an **equity return in the low teens with a minimum debt service coverage ratio around 1.25x**.

These figures are arithmetic from the stated lease terms, not a model output, and they exclude development fees, portfolio-level leverage, carbon revenue and any expansion of the initial installation. They are illustrative and not a forecast.

BE CLEAR ABOUT THE RETURN PROFILE

This is an infrastructure product, not a private equity product. Contracted twenty-year cash flows from creditworthy industrial offtakers, with regulatory and merchant risk designed out, do not produce venture-style returns and should not be marketed as though they do. The right investors are those who want **long-duration, inflation-linked, hard-currency contracted income from a frontier market at a spread over comparable developed-market infrastructure**: development finance institutions, insurers, infrastructure funds and strategic industrial partners.

Four levers above the base case

- **Development margin.** The fund develops its own assets rather than buying them built, capturing the development premium instead of paying it.
- **Cost of debt.** The first transactions carry a new-platform premium. As the portfolio establishes a payment record, refinancing at development-finance pricing lifts equity returns materially.
- **Scale in procurement.** Equipment bought once for a portfolio rather than deal by deal, with export credit support negotiated at programme level.
- **Carbon and expansion.** Verified displacement of grid and diesel generation is monetisable, and every installed site is the cheapest place to add the next megawatt.

The precedent is already built

WHAT WAS DONE	RELEVANCE TO THIS FUND
Mongolia's first grid-scale battery, 50 MW / 200 MWh at Baganuur	Structured the transaction and the financing, with the same EPC counterparty engaged on the fund's first asset. Delivered in 77 days and grid-connected. This is the operational proof that storage can be built to schedule in this market
Mongolia's first wind farm	Developed from concept to commissioning, raising USD 120M from EBRD, FMO and GE. The team has taken a Mongolian renewable asset all the way through international project finance once already
Mongolia's first municipal non-sovereign bond, USD 87.2M	Fully subscribed by IFC. Demonstrates the manager can create a new instrument in this market and place it with a development finance institution
National energy and minerals policy work	Authored Mongolia's national critical minerals policy for the Ministry of Industry and Mineral Resources through ADB, the Climate Smart Mining Strategy, and the five-country Northeast Asia power interconnection study with EDF

The manager is NovaTerra LLC, an Ulaanbaatar investment, project development and financial advisory firm. The team develops the assets, structures the leases, arranges the debt and manages the portfolio, with construction and long-term operations contracted to tier-one counterparties.

For discussion with anchor investors

ITEM	PROPOSED
Vehicle	Closed-end fund, offshore domicile to be confirmed with anchor investors
Target size	USD 250M, with a first close at USD 100M
Minimum commitment	USD 10M, with anchor terms available for the first two commitments
Term	12 years from final close, with two one-year extensions
Investment period	4 years
Base currency	USD. Leases denominated in USD to match debt and offtaker revenue
Target leverage	65 to 75% at SPV level, non-recourse to the fund
Distributions	Semi-annual once the portfolio is cash generative
Manager commitment	Meaningful GP commitment alongside investors
Governance	Investment committee with anchor investor representation, independent valuation, annual audit, quarterly reporting
Safeguards	IFC Performance Standards and Equator Principles applied to every asset

NOTE ON THESE TERMS

Fund size, fee structure, hurdle and carry are deliberately left open pending anchor investor discussion. The manager's preference is to set economics with the first institutional investor rather than present a fixed term sheet to the market.

What can go wrong, and what is done about it

RISK	MITIGATION
Lessee credit over 20 years	The core retained risk. Mitigated by offtaker selection, parent guarantees where available, security over the asset, step-in rights, and diversification across mines and commodities as the portfolio builds
Commodity cycle	A mine under pressure may seek to renegotiate. Mitigated by pricing the lease below the offtaker's delivered alternative cost, so paying it remains rational in a downturn
Construction and technology	Fixed-price EPC with a tier-one contractor, performance guarantees, long-term O&M with the same counterparty
Country and political	Political risk insurance available at asset level. Development finance institution participation in the capital structure provides additional deterrence
Currency and convertibility	USD-denominated leases against USD debt. Convertibility cover assessed asset by asset
Legal and regulatory change	Off-grid captive configuration minimises exposure to power sector regulation. Manager has direct national policy experience in the sector
Manager concentration	First-time fund from an established advisory firm. Anchor investor governance rights and an independent investment committee are offered to address it directly

THE ASK

Anchor limited partners · project-level co-investors · ECA and DFI debt partners

The immediate need is an anchor investor to set terms and a debt partner for the first transaction, which is documented and ready to fund. Co-investment at asset level is available to investors who prefer to see the model work once before committing to the fund.

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Draft for discussion, September 2026. This document is a preliminary description of a proposed investment vehicle. It is not an offer to sell or a solicitation of an offer to buy any security or interest in any fund, and no such offer will be made except by means of definitive offering documents. All figures are sponsor estimates, indicative and unaudited. Return figures shown are illustrative arithmetic derived from stated contractual terms; they are not forecasts, projections or guarantees, and actual results will differ. Pipeline assets other than the first transaction are pre-feasibility and subject to change. Recipients should conduct their own due diligence and take their own legal, tax and financial advice. Confidential. © 2026 NovaTerra LLC.