



GROWTH FINANCE

EITI Extractive Industries Transparency Initiative



MONGOLIA SEVENTEENTH EITI RECONCILIATION REPORT 2022

**MONGOLIA EXTRACTIVE INDUSTRIES
TRANSPARENCY INITIATIVE**



Ulaanbaatar
2023

MONGOLIA SEVENTEENTH EITI RECONCILIATION REPORT 2022

Client: Ministry of Mining and Heavy Industry, Mongolia EITI Working Group

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The appendix provides some information that needs to be transparent in accordance with the EITI Requirements and Terms of Reference, and some appendices contain a large amount of information and are disclosed in Microsoft Excel format to the website of the EITI office www.eitimongolia.mn. Therefore, the report should be read together with these appendices.

"S I C A" LLC, "Growth Finance Audit" LLC

CONTENT

1. INTRODUCTION	11
1.1. Background	11
1.2. Role of the Independent Administrator	12
1.3. Participants	12
1.4. Limitations	12
1.5. Acknowledgments	13
2. EXECUTIVE SUMMARY	14
2.1. Sector overview	14
2.2. EITI engagement	14
2.3. Scope of the report	14
2.4. Total government receipts	15
2.5. Summary of reconciliation results	17
2.6. Data completeness and accuracy	20
2.7. Data quality, and reporting validation	20
3. DETERMINING THE RECONCILIATION METHODOLOGY AND SCOPE	24
3.1. Introduction	24
3.2. Determining the scope	24
3.3. Methodology	27
3.4. Assurance	29
4. RESULTS OF THE RECONCILIATION	30
4.1. Summary of initially reported flows	30
4.2. Initial unresolved differences and non-reporting companies	30
4.3. Unresolved differences	31
4.4. Non-reporting companies	34
4.5. Detailed results of the reconciliation	35
5. EXTRACTIVE INDUSTRY OF MONGOLIA	40
5.1. Legal framework and fiscal policy (Requirement 2.1)	40
5.2. Mining	50
5.3. Exploration, production and export of minerals (Requirement 3.1)	67
5.4. Oil and natural gas	73
5.5. Contribution of the extractive sector to the economy	91
5.6. Government agencies	96
5.7. State participation in extractive sector	99
5.8. Budget process and revenue Allocation	114
6. OTHER ISSUES	120
6.1. Beneficial Ownership (Requirement 2.5)	120

6.2. Contract transparency	123
6.3. Infrastructure investment and barter arrangements (Requirement 4.3)	126
6.4. Revenue from transportation (Requirement 4.4)	126
6.5. Information on rehabilitation.....	127
6.6. Electronic reporting system.....	132
6.7. Information on water consumption	134
6.8. Information on waste	134
6.9. Disaggregation level and form of EITI report (Requirement 4.7)	135
7. RECOMMENDATIONS	137
7.1. Implementation of the recommendations offered in the previous reconciliation reports 137	
7.2. EITI reporting and recommendations for its implementation	145
8. APPENDICES	147

List of table, graph and figure

Table 1. Government receipts, by government institutions, in MNT million.....	15
Table 2. Reconciliation of receipts reported by government, in MNT million.....	16
Table 3. Reconciliation of government and corporate receipt flows, in MNT million.....	17
Table 4. Results of the consolidated report for 2018-2022, in million MNT.....	18
Table 5. Contributions of the top 20 companies, of those 60 companies involved in the reconciliation report, in MNT million, by percentage.....	18
Table 6. Tax payments of enterprises incorporated into the Reconciliation Report, as per recommendation of NGOs, in MNT million.....	19
Table 7. Tax payments of 20 businesses that paid the least taxes out of 104 companies included in the RR, in MNT million and percentage.....	19
Table 8. Information submitted by companies.....	20
Table 9. Information collected through the templates, by year.....	21
Table 10. Receipts reported by the government, and the number of companies, in MNT million.....	25
Table 11. Reconciliation made into government receipts, by government agencies, in MNT million.....	26
Table 12. Receipts by TOP taxpayers, by year.....	26
Table 13. Initially reported payments, income flows and reconciliation, in MNT million.....	30
Table 14. Initially reported payments, revenue flows and adjustments, in MNT million.....	30
Table 15. Unreconciled differences, in MNT million.....	30
Table 16. Unresolved differences, by income flow.....	31
Table 17. Unresolved difference, by company.....	32
Table 18. Major income flows, national level, in MNT million.....	35
Table 19. Major income flows, local level, in MNT million.....	36
Table 20. Reconciliation for national level, by income flow, in MNT million.....	37
Table 21. Amendments introduced into key legislations on the extractive industry in 2022.....	41
Table 22. Key regulations introduced to enhance the legal framework of extractive industries.....	46
Table 23. Other sectoral laws.....	47
Table 24. Details of budget revenue collection.....	50
Table 25. Key indicators of the mining sector.....	51
Table 26. Extraction of the key mining products.....	51
Table 27. Existing uranium licenses.....	51
Table 28. Mineral deposits of strategic importance.....	52
Table 29. Gold traded by individuals to the Bank of Mongolia.....	54
Table 30. Area eligible for artisanal and small-scale mining,.....	54
Table 31. Number of valid mineral licenses, by area size, and by province and capital.....	57
Table 32. Legislations concerning the issuance of licences.....	59
Table 33. Process of license issuance for mineral exploration and exploitation.....	59
Table 34. Process of changing the mineral exploration license to an exploitation license....	60
Table 35. Process of issuing mineral licenses under a selection procedure.....	60
Table 36. Transfer process of mineral licenses.....	61
Table 37. Assessment sheet for the technical proposal concerning the selection procedure for an exploration license.....	61
Table 38. Licenses for radioactive minerals.....	62
Table 39. Special licenses for exploration of common minerals.....	64
Table 40. Process of issuance of exploitation licenses for common minerals.....	65
Table 41. Transferred exploitation licenses in 2022.....	66
Table 42. License transparency.....	67
Table 43. Enterprises that signed contracts to perform prospects in 2022.....	67
Table 44. Expenditure on geological and exploration, by work type, in million MNT.....	68
Table 45. Production of mining products (millions).....	68
Table 46. Coal production, sales and exports.....	69

Table 47. Extraction of the key mining products	69
Table 48. The average export price of mineral products /USD/	70
Table 49. Export revenue of major products / million.USD /	70
Table 50. Production of key mining products in the last 10 years	71
Table 51. Export volume and value of leading export products in 2022	73
Table 52. Reserves of oil products for the last two years (tons)	76
Table 53. Process of awarding petroleum exploration license	78
Table 54. Extension process oil exploration license	78
Table 55. Process of issuance of oil exploitation licences	79
Table 56. Process for renewal of oil exploitation licenses.....	79
Table 57. Technical and financial criteria for licensing.....	80
Table 58. Legislation concerning PSA.....	81
Table 59. Companies concluded PSA.....	84
Table 60. List of PSAs disclosed as of 2022	86
Table 61. Disclosed prospecting contract.....	87
Table 62. Oil production and export in 2021.....	89
Table 63. Prices of petroleum products, by each month of 2020 and 2021 (MNT).....	89
Table 64. Prices of petroleum products by aimag and region	90
Table 65. GDP growth and extractive sector exports.....	92
Table 66. Exports of mineral and non-mineral products	93
Table 67. Export revenue of the key products, in USD million	93
Table 68. Import of mineral products.....	94
Table 69. Import performance of petroleum products (in USD million)	94
Table 70. Production of the main types of products in the industrial sector	95
Table 71. Revenue collected in the budget, in billion MNT	96
Table 72. Information on shareholders of SOEs.....	102
Table 73. Liabilities and loans paid by the SOEs in 2022	108
Table 74. Transparency of transactions between the SOEs	109
Table 75. Transparency of SOE financial statements.....	109
Table 76. Financial transparency of state-owned enterprises.....	110
Table 77. Disclosure of audit reports of the SOEs.....	111
Table 78. Disclosure of the Charter of the SOEs.....	111
Table 79. Amendments introduced into the Law on Glass Accounts in 2022.....	112
Table 80. Disclosure on the glass account.....	112
Table 81. Procurement transparency	113
Table 82. Glass account information of the SOEs	114
Table 83. Income transfer information of the United Local Development Fund for 2021	115
Table 84. 2022 Planned and actual financial support transferred to communities	115
Table 85. 2022 revenue projections and performance of the mining sector.....	117
Table 86. Information disclosed on state budget and audit activities	119
Table 87. Actions taken to disclose beneficial owners.....	120
Table 88. BO of licensed companies.....	122
Table 89. Contract transparency	123
Table 90. Agreement uploaded on the database.....	125
Table 91. Information on water consumption in 2021	134
Table 92. TOP 10 companies that paid for water in 2021	134
Table 93. 10 companies that paid high fees for waste.....	135
Table 94. Actions to be carried out per the recommendations of 2018, 2019, 2020, and 2021 RR and the 2022 EITI Validation Report.	137
Graph 1. Receipts by TOP taxpayers, by year	27
Graph 2. Rehabilitation status.....	55
Graph 3. Production of major mining products over the past 10 years	72
Graph 4. Export performance of the mining sector in 2022	73

Graph 5. Year-over-year comparison of oil exports and oil product imports	75
Graph 6. Oil reserves of deposits transferred for use in Mongolia, million tons	76
Graph 7. Oil production and export in the last four years.....	88
Graph 8. Comparison of GDP and income of the mining and extraction industry in the last 7 years (in trillions of MNT)	91
Graph 9. Data on precious metals purchased by the Bank of Mongolia from 2018 to 2022 (kg)	119
Graph 10. 2020-2022, beneficial ownership information.....	122
Graph 11. The number of contracts uploaded to the database.....	125
Graph 12. Approved DEIA reports, by evaluation area.....	131
Graph 13. Conclusions of approved DEIA, by year	131
Graph 14. Approved DEIA reports, by year	131
Figure 1. Operational areas of the companies included in the reconciliation report	26
Figure 2. Stakeholder participation in the E-reporting system.....	28
Figure 3. Location of oil and unconventional oil exploration and exploitation areas	77
Figure 4. Oil production, export, budget revenue.....	88
Figure 5. Exports of the key products of the extractive industry in 2022	92
Figure 6. Legislation on environmental protection and rehabilitation applicable for mining operations	127
Figure 7. Procedures in force within the framework of legislation on environmental protection and rehabilitation applicable for mining operations	128
Figure 8. EIA process.....	129
Figure 9. EMP	130
Figure 10. Principles applied in the development of the E-reporting system.....	133
Figure 11. EITI E-Reporting system manual.....	133
Figure 12. information on waste, m ³	135

Abbreviation

CIT	Corporate Income Tax
USD	United States Dollars
MRPA	Mineral Resources and Petroleum Authority
LFEEEMR	License fee for exploitation and exploration of mineral resources
USA	United States of America
ISA	International Standards on Auditing
RK	Republic of Korea
RCh	Republic of China
MET	Ministry of Environment and Tourism
MEGDT	Ministry of Environment, Green Development and Tourism
EPP	Environmental protection plan
BO	Beneficial owner
MM	Micro mining
PShA	Product Sharing Agreement
CGA	Customs General Administration
PA	Petroleum Authority
GDP	Gross Domestic Product
TP	Thermal Power
GO	Governor's office
MEITI	Mongolia Extractive Industry Transparency Initiative
MNMA	Mongolian National Mining Association
SPIA	State Professional Inspection Agency
TT	Thousand tonnes
A	Accounting
IAS	International Accounting Standards
SIF	Social Insurance Fund
OSF	Open Society Forum
VAT	Value Added Tax
LDCF	Local Development Consolidated Fund
LDF	Local Development Fund
MSWG	Multi-Stakeholder Working Group
EITI	Extractive Industry Transparency Initiative
RF	Russia Federation
ISFR	International Standards on Financial Reporting
MF	Ministry of Finance
ERS	Electronic reporting system
PWYP	Publih What You Pay
NGO	Non-governmental Organization
SAM	Sustainable artisanal mining
GDT	General Department of Taxation
GBG	General budget governor
GLMT	General Law of Mongolia on Taxation
SOE	State-Owned Entities
GAPCSP	Government agency for policy coordination on state property
SOC	State-Owned Companies
SOJSC	State-Owned Joint Stock Company
BD	Board of Directors
TEFS	Technical and Economic Feasibility Study
PM	Parliament of Mongolia
MMHI	Ministry of Mining and Heavy Industry
MNAO	Mogolian National Audit office
NAP	National action plan
NSM	National statistics of Mongolia
SE	Stock Exchange
JSC	Joint Stock Company

MLSP	Ministry of labor and social protection
LLC	Limited Liability Company
MPC	Mineral Professional Council

1. INTRODUCTION

The Extractive Industries Transparency Initiative (EITI) is a global coalition of governments, companies and civil society equally working together to strengthen governance and improve stakeholders' responsibilities in accountable use of revenues from natural resources (minerals, oil, natural gas) for the benefits of society by ensuring the transparent reporting.

In EITI Reporting, companies in extractive industry publish what they pay and governments publish what they receive from these companies where such information is reviewed and reconciled by an independent administrator; the reconciled reports covering non-revenue information of extractive industries then prepared and publicly disclosed. This process will be performed under coordination and oversight of multi-stakeholder group (MSG) comprised of government, companies and civil society.

1.1. Background

The Extractive Industries Transparency Initiative ("EITI") is a global standard for improving transparency and accountability in the oil, gas and mining sectors. The Government of Mongolia announced the country's adaption of EITI in 2006. In follow-up actions, a National EITI Council and a multi-stakeholder group (MSG), comprised of representatives of the government, mining companies, and civil society, were established to implement EITI.

Since adopting EITI, Mongolia has produced fifteen EITI Reports, and has appointed "S I C A" LLC and "Growth Finance Audit" LLC as the Independent Administrator for the current (sixteenth) report.

The Principles and Requirements for EITI implementation were re-stated twice in 2016 and 2019, which was formally launched at the EITI Global Conference in Lima on 24-25 February 2016.

This EITI Standard encourages countries to make use of existing reporting systems for EITI data collection and make the results transparent at source. It requires that the identity of those that own and profit from extractive activities should now be disclosed: all countries must ensure that the companies that bid for, operate or invest in extractive projects declare who their beneficial owners are.

The EITI's quality assurance mechanism, Validation, which checks whether countries are adhering to the EITI Requirements, has also been refined in the 2016 EITI Standard. Although the bar for achieving compliance has not changed, the assessment will be a greater extent take into account the diversity in implementing country membership, recognize efforts to go beyond the minimum requirements and incentivize continuous improvements in implementation.

EITI Standard 2019 addresses implications of global issues such as environmental, social and gender equality issues, as well as encouraged all countries implementing EITI to make previously undisclosed mining sales, project reports and all contracts to be made in and after the year 2021 transparent.

1.2. Role of the Independent Administrator

The roles and responsibilities of the Independent Administrator shall consist of the following activities as specified in the Terms of Reference.

- Conduct a study to determine the scope of Mongolia's 2021 reconciliation report dedicated to the MSG's decision-making process
- Prepare the Mongolia EITI Reconciliation Report for 2021 in accordance with EITI Standards and Terms of Reference
- Develop the creative conclusions and recommendations on improving sector's governance in respect of a leading sector of the Mongolian economy, and managing the sector on the level of international standards.

1.3. Participants

The parties involved in the reconciliation report comprise of:

- Government entities, both national and sub-national, which receive material revenue flows from extractive industry companies.
- Government departments and agencies with responsibility for oversight, regulation and reporting for the extractive sector.
- State-owned entities operating in the extractive sector, and
- Extractive industry companies making material payments to government, in compliance with relevant regulation.

The participating government entities and enterprises are detailed in Section 3.2 and Appendix 1.

1.4. Limitations

This is the second time the independent Independent Administrator has completed this report. While completing the reconciliation report, there was a lack of contact information to build communication with selected enterprises, and the administrative burden of engaging with the government agencies has required a considerable amount of time like previous year. Furthermore, it was still common for the enterprises operating in the extractive industry and the government organizations that submitted information for reporting purposes, to incorrectly enter the information into the database. Compared to the previous year, although the discrepancies in the initial reconciliation were negligible, it was troublesome to obtain information due to the increase in the number of businesses participating in the report and a considerable increase in micro-mining companies. The initial adjustment required much time, and the clarification process had to be done repeatedly.

Also, no legal framework stipulates that entities operating in the mining field ought to be included in the EITI RR. In other words, due to the absence of laws and regulations, some organizations participating in the 17th RR refused to participate, hindering the report preparation process.

1.5. Acknowledgments

“S I C A” LLC would like to express its sincere gratitude to Sh. Tsolmon, IT Consultant, for supporting and assisting the engagement team in obtaining the necessary permission, letters and documents from and submitting to government entities, agencies and extractive companies; and for extending assistance in all relevant areas.

2. EXECUTIVE SUMMARY

2.1. Sector overview

The extractive industry is the key economic sector of Mongolia and has been the main source of economic growth. As of 2022, the mining sector alone accounts for 25% of the GDP, 90% of exports, and more than 30% of state budget.

Also, this sector occupies 57.7% of FDI and 66.70% of total sales. Total production of the mining sector reached 25.2 trillion MNT in 2022, increased by 5.3 trillion MNT (26.6%) from 2021 and total sales reached 44.4 trillion MNT in 2022, increased by 16.7 trillion MNT (60.3%) from 2021.

2.2. EITI engagement

The Government of Mongolia committed to undertake the EITI in December 2005, and was admitted as the EITI Candidate on 27 September 2007. After the successful Validation against the old EITI Standard of its implementation, the country achieved compliance on 19 October 2010.

Since the implementation of the EITI, Mongolia has produced sixteen reports. The current report is the seventeenth EITI report, and it aimed at accomodating a more simplified approach towards EITI reporting for 2021, ensuring transparency is more flexible in consideration of time as well as cost-effectiveness and simplicity.

2.3. Scope of the report

The report contains information on a range of topics that are concerned with the extractive sector, including:

- Revenue stream of the extractive sector
- Legal framework and budget policy
- Contribution of the extractive sector to the economy
- Exploration of mineral resources, and production and exports
- State involvement in the extractive sector
- Licensing and contract transparency
- Overview of mineral and oil resources
- Social expenditures and rehabilitation activities
- Beneficial ownership.

Statistical data on the impact of the COVID-19 pandemic on the mining sector of Mongolia has been briefly summarized for each of the above-mentioned areas.

Earlier experts who performed Validation concluded that EITI requirements were ambiguous in regards to the SOEs. In compliance with this conclusion, a significant number of new requirements were introduced into the new Standard. According to the Standard, it was stipulated that the MSG was encouraged to document how it has made efforts towards gender equality as well as social involvement. In compliance with this, not only the information concerning gender was introduced under the mineral sector workforce but also women's participation in the sector were demonstrated.

In addition, since environmental issues are an integral part of natural resource governance, Therefore, environmental impact of extractive sector, and how environmental impact monitoring and assessment are carried out in Mongolia are presented in this report.

In compliance with the TOR, the detailed information pertaining to BO is described in Appendix 20.b.

104 gold, copper, and coal companies (including 14 SOEs) were approved by the MSG to be included in the Mongolia EITI reconciliation report, and the contributions made by these companies to the state and local budget funds had been compared to and reconciled with 26 government organizations (including 20 local organizations) which received these payments. The detailed results are presented in Chapter 4 and Appendices 12 and 13 of this report.

2.4. Total government receipts

2.4.1. Government receipts in 2021 from the entire sector

As of December 31, 2022, a total of 3,027 licenses have been issued to 2,043 companies in Mongolia. Total receipts from 2,043 companies amounted to 5.5 trillion MNT, and the receipts equivalent to MNT 5.3 trillion from 104 major reporting companies that are engaged in gold, copper and coal operations are demonstrated in Table 1 for each receipt state organization.

Table 1. Government receipts, by government institutions, in MNT million

№	Government institutions	Government receipt			
		All companies of the extractive industry		Companies included in reconciliation	
		2021	2022	2021	2022
1	MRPA	1,566,651.70	174,656.70	1,522,449.10	147,348.00
2	GDT	1,208,453.40	4,076,954.30	1,138,337.00	4,008,888.70
3	SIGO	356,170.60	438,159.00	301,148.00	394,528.60
4	CGA	88,547.00	202,271.10	75,984.50	90,425.60
5	MET	1,407.90	5,155.70	384.1	3,505.40
6	MRPA	94,878.60	482,667.20	58,344.30	482,667.20
7	LG	161,309.70	187,545.50	155,946.80	177,471.80
Total		3,477,418.90	5,567,409.50	3,252,593.80	5,304,835.10

2.4.2. Reconciliation coverage

During the scoping stage, within the framework of flexible reporting, in order to reconcile the flows reported by the government and the companies, the selection was made upon taking the share of government receipts, license fees, and royalties into account. The selection process is described in Section 3.2. The table below shows the government receipts in a post-adjustment manner as well as to the comparison of total industry flow.

Please refer to Appendix 6 for details.

2.4.3. Reconciliation of receipts reported by the government

In connection with companies selected for the reconciliation process, the amounts initially reported by the Government have been reconciled and compared to the post-reconciliation amounts.

Table 2. Reconciliation of receipts reported by government, in MNT million

Government institutions	Government receipts from companies included in the reconciliation								
	Pre- adjustment			Adjustment			Post-adjustment		
	2020	2021	2022	2020	2021	2022	2020	2021	2022
Mineral Resources and Petroleum Authority	8,178.00	1,529,689.40	140,872.80	1,365.00	-12,210.90	6,475.10	9,543.00	1,517,478.50	147,348.00
General Department of Taxation	1,885,497.00	1,134,329.50	3,919,766.40	63,302.00	10,987.00	89,122.30	1,948,799.00	1,145,316.50	4,008,888.70
Social Insurance General Office	246,587.00	304,193.80	394,514.90	-24,764.00	-4,102.90	13.7	221,823.00	300,090.90	394,528.60
Customs General Administration	158,105.00	73,599.10	90,425.60	-7,975.00	3,624.20	-	166,080.00	77,223.30	90,425.60
Ministry of Environment and Tourism	-	981.6	3,505.40	-	-639.5	-	-	342.1	3,505.40
Other	635	3,849.60	1,986.40	55,482.00	55,277.70	480,680.80	56,117.00	59,127.20	482,667.20
Local government	18,932.00	99,911.90	136,791.50	115,307.00	53,084.20	40,680.30	134,239.00	152,996.00	177,471.80
Total	2,322,057.00	3,146,554.80	4,687,862.90	373,680.00	106,019.70	616,972.20	2,695,737.00	3,252,574.50	5,304,835.10

Following the reconciliation, the major adjustments made into government receipts include:

At the time of the initial reconciliation, the majority of the discrepancies related to rural were concerned with the government report missing information for the districts of Bagahangai, Bayanzurkh, and Songinokhairkhan as well as Umnogov, Selenge, Dundgov, Uvs provinces. A total of 93 companies out of 104 failed to report the personal income tax, which caused an information gap on the company side. Moreover, there was an error in not registering details regarding donations provided by some companies.

Some of the major discrepancies underreported or erroneously submitted by the company include:

- A total of 93 companies out of 104 failed to report the personal income tax, which caused an information gap on the company side. For instance, Oyu Tolgoi LLC, Erdenet Mining Corporation, and Erdenes Tavan Tolgoi JSC had not reported 68 billion MNT, 41 billion MNT, and 7.8 billion MNT, respectively, in the first reconciliation.
- According to the PSA, Petrochina Dachin Tamsag LLC failed to report 133.9 billion MNT of oil earnings, which were to be paid to the government in the first reconciliation.
- C O A L LLC failed to report 24.5 billion MNT in corporate income tax and 59.3 billion MNT in fees for the use of mineral resources in the first reconciliation.
- Xin Xin LLC had not reported the corporate income tax of 23.3 billion MNT and 41.8 billion MNT in fees for the use of mineral resources in the first reconciliation.
- Khangad Exploration had not reported 25 billion MNT in fees for the use of mineral resources in the first reconciliation.
- By dropping one digit, Bayan Airag Exploration LLC had underreported the value-added tax and the employee social insurance contributions in the amount of 5 billion MNT.

Please refer to Section 4.2 for details concerning the reconciliation.

2.5. Summary of reconciliation results

2.5.1. Comparison of flows of government and companies, post-reconciliation

Upon combining the data submitted by the government and the companies, and making appropriate reconciliation, the post-reconciliation results are summarized.

Table 3. Reconciliation of government and corporate receipt flows, in MNT million

Indicator	Total		
	2020	2021	2022
Government receipts (post-reconciliation)	2,695,737	3,252,574.50	5275365.6
Corporate payment (post-reconciliation)	2,696,264	3,252,593.80	5282472.2
Total difference	-527	-19.3	-7106.6
Companies not responded to reconciliation requests	545	-	9
Unresolved differences	18	-19.3	-7106.6
Over-reported by government institutions	-860	6,778.90	136,725.10
Under-reported by government institutions	878	-6,798.20	-129,618.50

The initial reconciliation of payments and receipts resulted in a net difference of 136,725.1 million MNT. The Independent Administrator introduced additional adjustment worth 600,444.5 million MNT to the government report, and minus adjustment 470,826.1 million MNT to the amounts submitted by the companies. As a result, the net difference was reduced up to 7,106.6 million MNT. There are nine companies that failed to respond.

Unresolved differences of prior years' reconciliation reports are compared to the current year and displayed below.

Table 4. Results of the consolidated report for 2018-2022, in million MNT

Top taxpayers	2018	2019	2020	2021	2022	Total
Erdenet	600,439	922,713	984,198	965,261	1,785,363.40	5,257,974.37
Oyu tolgoi	466,940	520,320	532,245	916,185	589,259.70	3,024,949.73
Erdenes tavan tolgoi	415,180	710,227	468,569	294,949	1,052,562.80	2,941,487.76
Petrochina Dachin Tamsag	283,319	273,161	-	7,970	139,439.20	703,889.20
Energy resources	-	221,988	182,244	50,975	308,384.70	763,591.69
Mongolian Alt MAC	165,334	-	75,515	122,587	103,807.90	467,243.87
Tavantolgoi	-	-	-	51,864	289,419.00	341,282.99
Total of top taxpayers	1,931,212	2,648,409	2,242,771	2,409,791	4,268,236.60	13,500,419.61
Percentage of change	18%	27%	-13%	7%	77%	-
Total revenue from extractive industries	2,817,019	3,722,505	3,211,790	3,466,680	4,841,234	-
Percentage of change	-	24%	-16%	7%	39%	-

2.5.2. Summary of contributions of extractive companies

Upon analyzing the payment details reported by the companies after adjusting the amount of receipts reported by the government, in 2022, 91.7% (80.9% in 2021) of all corporate payments had been contributed by the top 10 companies. Meanwhile, the amount of payments made by the top 20 companies account for 87.1% of the total income received by the government (89.9% in 2021). Compared to the previous year's figures, the top taxpayers' figure has increased, indicating that the impact of the Covid-19 pandemic on the sector has weakened in 2021 and that the economy is on its way to recover.

Table 5. Contributions of the top 20 companies, of those 60 companies involved in the reconciliation report, in MNT million, by percentage

No	Registration number	Company	Amount	Percentage in the total amount
1	2074192	Erdenet	1,790,187.10	35.8
2	5435528	Erdenes tavan tolgoi	1,038,597.30	20.8
3	2657457	Oyu Tolgoi	592,606.80	11.8
4	2887746	Energy Resources LLC	289,252.10	5.8
5	2016656	Tavantolgo	283,199.60	5.7
6	2075385	Petrochina Dachin Tamsag	164,890.60	3.3
7	5141583	MoEnKo	116,000.60	2.3
8	5261198	C.O.A.L LLC	107,659.50	2.2
9	2095025	Mongolian Alt MAC	105,491.20	2.1
10	2548747	Tsairt Mineral LLC	102,334.60	2
11	2830213	Xin Xin LLC	79,101.90	1.6
12	5084555	Southgobi Sands LLC	62,944.70	1.3
13	2094533	Boroo Gold LLC	57,231.60	1.1
14	2855119	Boldtumur Yeruu Gol LLC	42,846.70	0.9
15	2697947	Khuren Tolgoi Coal Mining LLC	34,129.60	0.7

No	Registration number	Company	Amount	Percentage in the total amount
16	5199077	Usukh Zoos LLC	30,472.50	0.6
17	2887134	Khangad Exploration	29,273.30	0.6
18	5830974	MAK Cement	26,069.90	0.5
19	2641984	Tsementshokhoi JSC	25,548.90	0.5
20	2008572	Baganuur JSC	25,533.20	0.5
21	Other 84 company		279100.2	5.3

During the meeting on the inception report of the 2022 or 17th EITI Reconciliation Report, nine relevant NGOs, such as the Publish What You Pay (PWYP) coalition, Open Society Forum, Khovd Mirror, and Steps Without Borders, were asked to propose enterprises that ought to be incorporated into the Reconciliation Report. In duplicate, the names of three of the 12 submitted enterprises were TOP-20 taxpayers, and the pertinent details are demonstrated in Table 5.

Details of the remaining nine enterprises are shown in the following table.

Table 6. Tax payments of enterprises incorporated into the Reconciliation Report, as per recommendation of NGOs, in MNT million

No	Registration number	Company name	Amount	Percentage in the total amount	Percentage in the total reconciliation
1	2807459	Tefis Mining	6,255.0	76%	0.118%
2	5774047	Talstmolor	495.0	6%	0.009%
3	4065115	Westernhold LLC	296.6	4%	0.006%
4	5369223	Big Mogul Coal & Energy	1,069.3	13%	0.020%
5	5095638	Bold f oar da	69.3	1%	0.001%
6	5493781	Elbeg Ord	26.4	0%	0.001%
7	5364884	Horikawametal	-	0%	0.000%
8	5938953	Budar Minerals	-	0%	0.000%
9	5185874	Geopro Mongolian	-	0%	0.000%

Moreover, the following table details the status of tax payments of 20 businesses that paid the least taxes out of the 104 enterprises included in the RR.

Table 7. Tax payments of 20 businesses that paid the least taxes out of 104 companies included in the RR, in MNT million and percentage

No	Registration number	Company name	Amount	Percentage in the total amount	Percentage in the total reconciliation
1	5467268	Infinity space	1,369.3	11%	0.026%
2	5482046	Tsetsens Mining and Energy	1,185.5	9%	0.022%
3	5452503	ML Tsahiurt Ovoo	1,036.5	8%	0.020%
4	5098297	Zonghenyuutian	-	0%	0.000%
5	2801299	BMNC	1,501.9	12%	0.028%
6	5097282	Fieldsupply	72.9	1%	0.001%
7	5073189	Ilt Gold	821.4	6%	0.016%
8	5197325	Shanjin Ord LLC	53.9	0%	0.001%
9	5513618	Tah Resource	871.0	7%	0.016%
10	5906865	Bayangol Eco Zaamar	735.4	6%	0.014%
11	2867095	Petro Matad	776.0	6%	0.015%
12	2057573	Max Impex	870.8	7%	0.016%
13	2003821	Erchimbayan Ulqii LLC	856.8	7%	0.016%

No	Registration number	Company name	Amount	Percentage in the total amount	Percentage in the total reconciliation
14	6192939	Batbrothers Mining	516.5	4%	0.010%
15	5396786	Irmuun bosgo	1,123.5	9%	0.021%
16	2661128	Khotgor	689.9	5%	0.013%
17	5898749	MGGEC	358.7	3%	0.007%
18	5118344	Altain khar azarga group	124.7	1%	0.002%
19	5097517	Azargiin gol chonot	7.3	0%	0.000%
20	5722616	Jamts davs	22.1	0%	0.000%

Details of payments submitted by the companies are shown in Appendix 10.

2.6. Data completeness and accuracy

Companies and state entities who were completing the EITI report had been evaluated in terms of adequacy of report verification, namely, whether the reports had been audited by independent auditors in adherence to international standards.

Of the 104 companies included in the reconciliation, 31 have verified the transparency report and forwarded the Management Accountability Letter, while 73 companies failed to do so.

In previous reconciliations, the companies were required to provide audited financial statements. However, from the audited financial statements of the companies, it was nearly impossible to encounter data applicable for the assessment of the quality of information reported to the EITI. This is because the financial statements are prepared on an accrual basis, while the EITI reports are prepared on a cash accounting basis. The table below shows the information submitted by 104 companies, and 63 companies submitted audit reports, 40 companies submitted information on rehabilitation, and 31 companies submitted management letters. See Appendix 6 for details of these companies.

Table 8. Information submitted by companies

Information submitted	Reconciliation correction template		Information on rehabilitation		Audit report		Management letter	
	2021	2022	2021	2022	2021	2022	2021	2022
Submitted	63	95	51	40	45	63	42	31
Nor submitted	0	9	12	64	18	41	21	73
Total	63	104	63	104	63	104	63	104

63 enterprises were included in the 16th EITI RR, whereas 104 were included in the 17th RR. In 2021, enterprise information submission was at 100%. Meanwhile, nine enterprises did not submit information for this year's RR, reaching 91.3% of inclusion.

2.7. Data quality, and reporting validation

The EITI aims to introduce the international best practices by emphasizing the importance of data quality, especially as a prerequisite for systematic reporting by government entities and private companies, mainstreaming and minimizing the need for reconciliation of data by an Independent Administrator.

Although the government organizations, SOEs and private companies have provided validation of the payments, revenues and other additional information through auditor's assurance together with Management Representation Letter, there are still observed discrepancies among the parties.

Therefore, more efforts needed to strengthen accountability of the EITI stakeholders, who provided erroneous reports, and engage independent auditing firms to assure the quality of the reports in accordance with the Requirement 4.9.

2.7.1. Report submission, and the response status

For the 2022 EITI report, the fact that some local organizations did not enter tax and payment information into the electronic reporting system, has resulted in high discrepancies. Furthermore, there were many instances where it was required to newly acquire the relevant information for the reporting purposes, which caused reconciliation difficulties. From company's side, those who were included in the report extended cooperation by submitting responses to the clarifications, while from the state side, the MET failed to respond. In conformity with the EITI standards, official letters were sent to request the necessary information to a total of 26 ministries and government organizations, and other agencies except the MET responded and provided the relevant information.

The previous 16th report noted that, despite recommendations had been made in every annual reconciliation report that the companies and government institutions should aim to ensure timely submission and accuracy of the reports, the progress had been minimal. Similarly, the progress has been negligible for this year. Misreporting and underreporting are still common both for the government and the companies.

A total of 25 types of information must be submitted by companies using the new template for the electronic report. In the electronic reporting system, these data are entered in forms, and all forms are filled in to a certain extent. The information contained in the forms display following errors. Including:

- Sections left blank
- Entry of irrelevant information
- Ambiguous measurement units
- Numerical values are detailed in digits
- Data duplication

Due to the above mistakes, there is a risk of providing incomplete information to the public, as well as providing false information to the report users. Therefore, the above information shall be assessed, improved and made available to the public by the Independent Administrator. The following table shows the submission of the data collected through the template, and it is commendable that the number of companies which have submitted the data has increased compared to past years.

Table 9. Information collected through the templates, by year

No	Information	2019	2020	2021	2022
1	Information on exploitation and exploration licenses	556	1133	1105	818
2	Taxes and fees paid to the state budget, and dividends	403	1046	1060	443

No	Information	2019	2020	2021	2022
3	Information on final beneficiary	335	893	733	185
4	Financial reporting quality	342	456	719	187
5	Information on staff	-	548	600	535
6	Taxes and fees paid to the local budget, and dividends	-	333	355	-
7	Information on resources	-	292	300	254
8	Information on rehabilitated areas	-	248	254	181
9	Information on waste	-	232	227	-
10	Information on water usage	-	227	224	73
11	Information on mining, production and sales of mineral products	76	220	237	215
12	Donations to organizations	93	204	238	214
13	Information on used energy, fuel, food products, labor safety and hygiene products	73	200	200	204
14	Project level information	247	141	134	331
15	Information on contracts with local authorities	-	130	144	159
16	Information on impact zones	54	129	134	252
17	Information on operators and subcontractors	-	111	103	552
18	Information on chemical substances used by concentrate producers	24	71	60	70
19	Information on dividends of state- and local-owned enterprises	23	63	55	87
20	Information on the members of the board of directors of state-owned and local-owned enterprises	13	39	38	111
21	Infrastructure investments and barter agreements	-	38	34	31
22	Information on loans and credit of state- and local-owned entities	10	37	38	33
23	Oil production and sales data	-	1	207	800
24	Information on the PSA	-	-	2	205
25	Transportation fees for state- and local-owned entities	21	-	58	598

2.7.2. Disclosure of state participation and requirements

In accordance with the EITI standards, the following information was requested from the APCSP:

- Information on the legal framework governing the relationship between SOEs and the government
- Information on regulations governing the financial relations between the government and SOEs
- Information on changes introduced into the ownership of SOEs operating in the extractive sector in 2021, and on the privatization of the SOE shares that were governed by the state
- Information on dividends received from all SOEs operating in the extractive sector in 2021
- Information on loans and guarantees issued by the government through the Development Bank to mining and oil SOEs
- Information on the government involvement in and policy changes of the SOEs
- Information on SOE operators and subcontractors, and contracts signed with them
- Information on the calculation of company's dividends, payout methodology, procedure, its implementation, and the amount of dividends paid out and announced in 2021
- Are there any loans and its balances or loan guarantees issued to extractive industry companies?

- Information on the management, structure, organization, ownership and governance of SOEs
- 2021 change map regarding the ownership structure of SOEs and concerning decisions
- Information on subsidies and investments provided by the government to extractive sector SOEs in 2021
- Information on the shares invested by the SOEs to other enterprises in 2021
- Information on the subsidies and investments made in 2021 by third parties/foreign and domestic enterprises to the extractive sector SOEs
- Information on the process of appointing independent members of the board of directors of SOEs, requirements and concerning regulations.

The APCSP provided the information regarding the SOE board members, the selection process, applicable laws, the financial relations between the State Government and SOEs and the subsidies and investment issued to extractive sector SOEs in 2021. Moreover, in compliance with the Law on Glass Accounts, SOEs shall upload the Statement of financial position, Detailed income statement, Statement of cash flows, Statement of changes in equity and Auditor's opinion on the web page of the glass account, and "Aduunchuluun" JSC did not upload any information among the SOEs included in the reconciliation report. The process of uploading to glass accounts of other SOEs can be found in Appendix 30.

On webpages of National Audit Office, glass account and the SOEs, the following information have been published with respect to audited financial statements of the SOEs.

- Statement of financial position,
- Detailed income statement,
- Statement of cash flows,
- Statement of changes in equity, and
- Auditor's opinion.

3. DETERMINING THE RECONCILIATION METHODOLOGY AND SCOPE

3.1. Introduction

The joint team of "S I C A" LLC and "Growth Finance Audit" LLC is responsible for executing the reconciliation report in conformity with the requirements defined in the TOR. This includes undertaking a reconciliation of specified flows to the government from the companies in the extractive sector, as described further in this section. The reconciliation has been carried out on a cash accounting basis.

If there are material payments or receipts omitted from the Mongolia EITI E-Reporting system or reporting templates by a government institution or a company, our work would not have been sufficient to detect them, and it poses risks of exclusion from the analysis. If either the government institution or the company has reported the flows, then it would be sufficient for us to complete the missing information and include in the report. Otherwise, any such receipts or payments which were omitted would not therefore be included in our report.

In conducting our work, the team has applied the completed reporting templates, information and explanations obtained from reporting entities. No verification is made in the accuracy or completeness of such information.

We expect the information and explanations submitted by the reporting entities during the engagement to be true and accurate.

3.2. Determining the scope

3.2.1. Introduction

In determining the coverage scope for the 2022 EITI flexible reconciliation report, the following issues were taken into consideration in cooperation with MSG. It includes:

- Scope of contextual information concerning the extractive industries to be included in the report;
- Scope of additional information to be provided by the companies covered in the report;
- Determining the extractive companies making material payments to the government;
- Determining the government institutions receiving material amounts;
- Determining financial flows of material payments to be covered in the report; and
- Mechanisms for reporting entities to provide assurance on the figures reported.

3.2.2. Scoping and Inception workshop

During the inception phase, we reviewed the content and information required for the 2022 Mongolia EITI report, and this included the review of requirements set in Table 1 of the TOR, integrity of e-reports, and determining the income flow of government institutions and companies which are included in the report and their systematic approach to transparency as well as clarifying the data.

The objectives of the inception phase were to determine the scope of the EITI reporting process at an adequate level, preparing the reporting templates, data collection procedures and the publication schedule of the EITI reconciliation report.

The team attended a workshop organized on 3 October 2023 along with the MSG members and discussed the content, relevant terminologies of the EITI report as well as benchmark payments and receipts of material amounts. Comments received during this workshop were reflected in this report, and the scope of the EITI 2022 report was approved by the MSG members.

3.2.3. Materiality

The level of materiality was determined using the information on payments and receipt flows received by the Government from the extractive sector. The findings of the analysis of this report are as follows.

Table 10. Receipts reported by the government, and the number of companies, in MNT million

№	Classification	Number of companies		Amount reported by Government		Percentage	
		2021	2022	2021	2022	2021	2022
1	Above 100 billion	8	9	2,886.90	3,947.60	77.2	81.5
2	1 billion-100 billion	79	85	750.7	794.2	20.1	16.4
3	500 million-1 billion	51	56	37.3	39.4	1	0.8
4	300 million-500 million	43	57	16.5	22	0.4	0.4
5	Up to 300 million	1,922	977	47.2	37.8	1.3	0.7
	Total	2,103	1,184	3,738.70	4,841.20	100	100

In the calculation of materiality, the criteria were applied that at least 98% of total receipts reflected in the government report must be covered.

When receipts paid by companies that do not operate in mining industry were subtracted from the amount reported by the government, then in accordance with the methodology above, the share of companies with national level payments and revenues of more than MNT 300 million accounted for 98.7% of total receipts.

The materiality of payments and receipts eligible for the EITI report was discussed at the Inception workshop and approved by the MSG. Plus, following the MSG proposal, 12 additional companies were added, and 74 gold, copper and coal operators were additionally selected and 15 companies engaged in other activities, 2 companies were offered by NGO or a total of 104 companies were selected.

3.2.4. Selection of financial flows applicable for reporting

24 types of national and 16 types of subnational taxes and fees were paid to the government. It was decided to cover all types of revenue flows in the 2022 reconciliation report, and introduce adjustment for any differences incurred.

EITI requirements related to revenue mobilization include: 4.1 - comprehensive disclosure of taxes and revenues, 4.5 - SOE transactions, and 4.6 – disclosure of subnational payments.

The difference of comparison between the pre and post-adjustment payments and taxes received by government institutions is 5.2 percent.

Table 11. Reconciliation made into government receipts, by government agencies, in MNT million

No	Government institution	Amount	Percentage in the total amount
1	Mineral Resources and Petroleum Authority	174,656.70	3.1
2	General Department of Taxation	4,076,954.30	73.2
3	Social Insurance General Office	438,159.00	7.9
4	Customs General Administration	202,271.10	3.6
5	Ministry of Environment and Tourism	5,155.70	0.1
6	Other	482,667.20	8.7
7	Local government	187,545.50	3.4
Total		5,567,409.50	-

Considering the payments and revenue materiality, a list of 104 companies was proposed and discussed at the Inception Workshop, and NGO recommended 12 additional companies and agreed to replace them with some of the previously selected companies. Although “Geopro Mongolia” and “Horikawa Metal” were selected to be included in the report and despite holding licenses, they had not run any operations and paid any taxes, hence a total of 102 companies were considered in the RR.

Figure 1. Operational areas of the companies included in the reconciliation report

Also, the payments contributed to the government by the TOP 7 taxpayers included in the report are shown in detail in the following table.

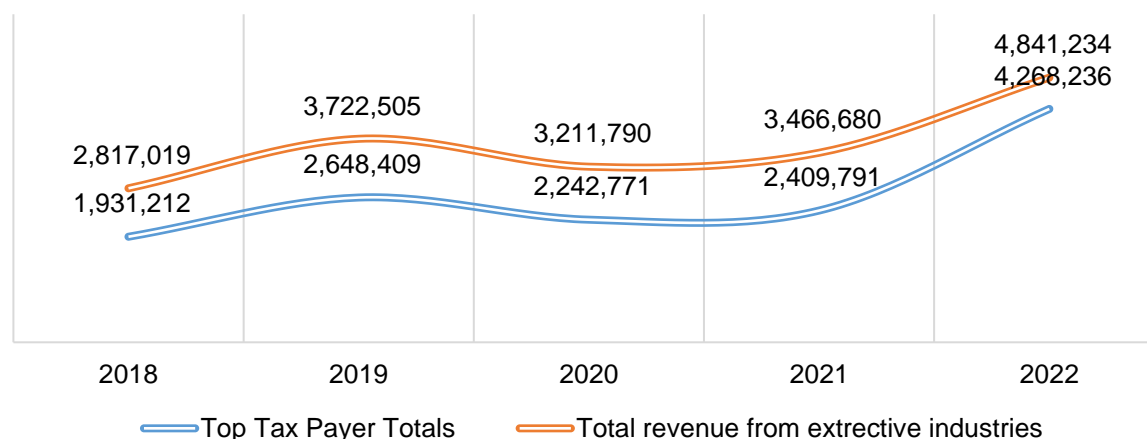
Table 12. Receipts by TOP taxpayers, by year

Top taxpayers	2018	2019	2020	2021	2022	Total
Erdenet	600,439	922,713	984,198	965,261	1,785,363.40	5,257,974.37
Oyu Tolgoi	466,940	520,320	532,245	916,185	589,259.70	3,024,949.73
Erdenes Tavan Tolgoi	415,180	710,227	468,569	294,949	1,052,562.80	2,941,487.76
Petrochina Dachin Tamsag	283,319	273,161	-	7,970	139,439.20	703,889.20
Energy Resources	-	221,988	182,244	50,975	308,384.70	763,591.69
Mongolyn Alt MAK	165,334	-	75,515	122,587	103,807.90	467,243.87
Tavantolgoi	-	-	-	51,864	289,419.00	341,282.99
Total amount of top taxpayers	1,931,212	2,648,409	2,242,771	2,409,791	4,268,236.60	13,500,419.61
Growth rate	18%	27%	-13%	7%	77%	-

Top taxpayers	2018	2019	2020	2021	2022	Total
Total revenue of extractive industry	2,817,019	3,722,505	3,211,790	3,466,680	4,841,234	-
Growth rate		24%	-16%	7%	39%	-

The following figure allows it to see the fluctuation of the total annual revenue of the extractive industry, depending on the amount of taxes and payments made by TOP taxpayers.

Graph 1. Receipts by TOP taxpayers, by year



The total revenue of the extractive industries is directly dependent on the operations of the top seven tax-paying enterprises. These enterprises have paid a total of 13.5 trillion MNT in taxes to the state in the last five years.

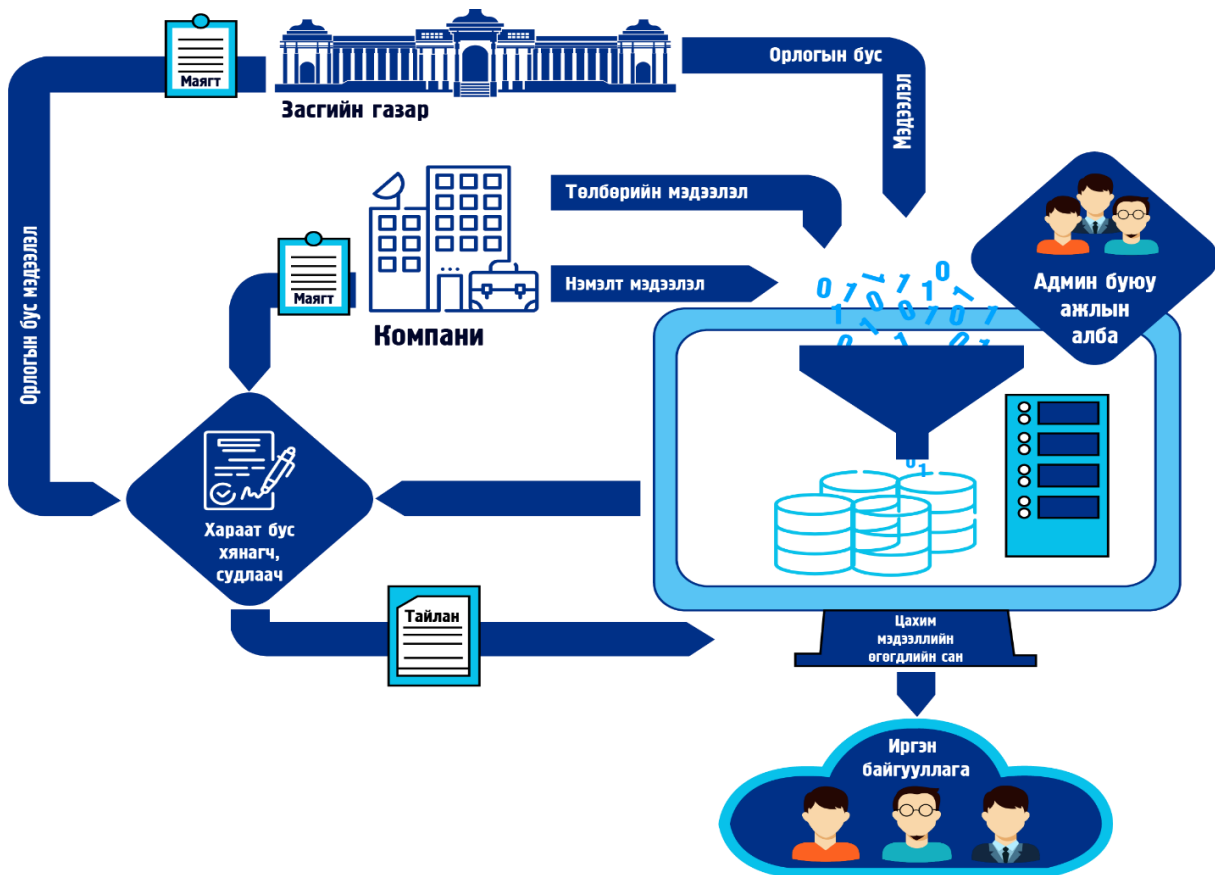
3.3. Methodology

3.3.1. Data collection

The Independent Administrator has retrieved financial and non-revenue information from the Mongolia EITI E-reporting system and based on it identified the initial discrepancies. From the selected companies, additional information clarifying the reasons for the initial discrepancy, details on rehabilitation and audited financial statements for 2021 were collected along with a Management Accountability Letter as a guarantee for data accuracy.

The following Figure describes the engagement of the concerned stakeholders in the e-reporting system.

Figure 2. Stakeholder participation in the E-reporting system



3.3.2. Templates used for 2022 reconciliation

Following the decision of the Mongolia EITI National Council delivered at the 18th meeting took place in December 2019, the MSG carried out a task to update the EITI Company reporting template. The relevant Technical Task Forces were established with the representatives from the NSO, the National Audit Office, the MRPAM, the Erdenet Mining Corporation SOE, the Mongolian Coal Association, The Steps Without Border NGO, The Administration Reform NGO, and the Transparency International Mongolia NGO, and they were assigned to update the Company reporting template and develop new templates based on the new EITI Standard and features that are specific to Mongolia.

The new form was approved by the order of the Minister of Mining and Heavy Industry on March 5, 2020, upon the agreement of the NSO. Based on these templates, the data for the report was collected and analyzed.

3.3.3. Disaggregation level

The EITI Standard 4.7 states that “the multi-stakeholder group shall agree on the disaggregation level for data publication. Data of the EITI report shall be enabled to disclose the revenue flows for each company, government entity”.

3.4. Assurance

3.4.1. Audit and assurance procedures of Mongolia

The supreme organization for implementation of the state audit of Mongolia is the National Audit Office (NAO). NAO is a member of the international audit organization INTOSAI and operates according to the organization's standards. The National Audit Office audits the financial statements of ministries, agencies and state-owned organizations and the consolidated financial statements of the Government and approves them by the Parliament. Local government organizations (province, sumad) must submit their annual financial statements and have them reviewed by the local audit organization under the NAO.

While the MNAO is in-charge of annual financial statement audit of the SOEs; it also allows private auditing firms, selected by competitive tender, to execute those audit engagements. This practice prevails most cases. The private auditing firms perform audit engagement in compliance with the International Standards on Auditing.

3.4.2. Validation procedures for EITI reporting

Government agencies, SMEs and mining companies are required to enter their information into the Electronic Reporting System and provide additional information to the Independent Administrator, if deemed necessary. The reporting entities are responsible for the completeness and reliability of the reported data.

According to the NAO guidance on financial statement audit “Payments made by extractive entities to national budget shall be reconciled with EITI Secretariat and government institutions which received revenues” MSG is required to provide assurance on the EITI data; however, this verification has not been carried out in 2020, which means that the NAO is not capable of performing this verification. The procedure was newly approved in 2021, and it was agreed that the executive management of companies would provide a signed assurance in a written form regarding the report and information submitted by a personnel authorised to represent their Board of Directors and to enter audited financial statements on the e-reporting system.

4. RESULTS OF THE RECONCILIATION

This section reviews in detail the reconciliation and the post-reconciliation results.

4.1. Summary of initially reported flows

According to the initial reconciliation of the report, the difference between the receipts received by the Government and the payments reported by the company amounted to 136,725 million MNT. In the course of the reconciliation, upon introducing a positive adjustment of 600,444.5 million MNT on the Government side and a minus adjustment of 470,826.1 million MNT on the side of the company, the difference was reduced to 7,106.6 million MNT.

Table 13. Initially reported payments, income flows and reconciliation, in MNT million

Adjustment of differences	Government	Company	Difference
Pre- adjustment	4,674,921.1	4,811,646.1	-136,725.1
Adjusted amount	600,444.5	470,826.1	129,618.5
Amount following total adjustment	5,275,365.6	5,282,472.2	-7,106.6

Of the 104 selected companies, 14 are state-owned and 90 are private entities. A summary of the initially reported payments, revenues and reconciliations is as follows.

Table 14. Initially reported payments, revenue flows and adjustments, in MNT million

Reporting organization	Number of companies	Nationwide	Local level	Total
Initial reporting				
Government institutions (revenue)	104	4,547,566.1	127,355.0	4,674,921.1
Private companies (payments)	90	3,181,848.1	109,076.9	3,290,925.0
SOEs (payments)	14	1,365,718.0	18,278.1	1,383,996.0
Differences in initial reconciliation	-	-91,646.9	-45,078.1	-136,725.1
Reconciliation				
Adjustment to government receipts	-	576,291.9	24,152.7	600,444.5
Adjustment to companies' payments	-	488,137.3	-17,311.2	470,826.1
Government's amount following the adjustment	-	5,123,858.0	151,507.6	5,275,365.6
Company's balance after adjustment	-	5,127,350.3	155,121.9	5,282,472.2
Final unexplained net difference	-	-3,492.3	-3,614.3	-7,106.6

See Appendix 10 for the unreconciled differences by companies.

4.2. Initial unresolved differences and non-reporting companies

The discrepancies in the initial reconciliation are due to the principal reasons shown in the following table.

Table 15. Unreconciled differences, in MNT million

No	Revenue flow	Government receipts		Payments reported by the government	
		Number of companies	Amount	Number of companies	Amount
1	Under-reporting in the initial report	100	568,698.10	99	518,283.70
2	Over-reported in the initial report	2	-41,078.60	46	-95,479.40
3	No information from the government	1	75.5	-	-
4	VAT refund amount included	3	-407.9	-	-
5	Withholding tax discrepancies	10	73,156.90	-	-
6	Not recorded on cash basis	-	-	39	31,758.40

№	Revenue flow	Government receipts		Payments reported by the government	
		Number of companies	Amount	Number of companies	Amount
7	VAT paid to customs is not entered in the VAT column	-	-	47	16,263.30
	Total	-	600,444.10	-	470,826.10

In the government report, the fact that the information on Selenge, Dornogovi, Uvs, provinces and Bagakhangai, Bayanzurkh, Songinokhairkhan districts was missing, and that is accounted for most of the initial difference.

Some of the major discrepancies under-reported or erroneously submitted by the companies include:

1. A total of 93 companies out of 104 failed to report the personal income tax, which caused an information gap on the company side. For instance, Oyu Tolgoi LLC, Erdenet Mining Corporation, and Erdenes Tavan Tolgoi JSC had not reported 68 billion MNT, 41 billion MNT, and 7.8 billion MNT, respectively, in the first reconciliation.
2. According to the PSA, Petrochina Dachin Tamsag LLC failed to report 133.9 billion MNT of oil earnings, which were to be paid to the government in the first reconciliation.
3. C O A L LLC failed to report 24.5 billion MNT in corporate income tax and 59.3 billion MNT in fees for the use of mineral resources in the first reconciliation.
4. Xin Xin LLC had not reported the corporate income tax of 23.3 billion MNT and 41.8 billion MNT in fees for the use of mineral resources in the first reconciliation.
5. Khangad Exploration had not reported 25 billion MNT in fees for the use of mineral resources in the first reconciliation.
6. By dropping one digit, Bayan Airag Exploration LLC had underreported the value-added tax and the employee social insurance contributions in the amount of 5 billion MNT.

4.3. Unresolved differences

Following the adjustment, the difference was 7,106.6 million MNT where the CIT, Mineral royalties tax, VAT, and customs service fees account for the high amount.

Table 16. Unresolved differences, by income flow

№	Income flow	Over-reported by the Government	Under-reported by the Government
Payment flow, national level			
1	CIT	-	-5,446.40
2	Customs duty	-	-5,928.00
3	VAT	-	-7,613.80
4	<i>Excise duty on auto diesel fuel</i>	127.5	-
5	AMNAT	3,277.50	-
6	License fee	1,455.10	-
7	Payment for deposits explored with state budget funds	-	-557.2
8	Employment fee for international staff	-	-11,443.90
9	Air pollution charges	-	-509.2

No	Income flow	Over-reported by the Government	Under-reported by the Government
10	Employee social insurance contributions	25,122.50	-
11	Customs service fee	-	-1,617.50
12	Penalty	-	-1,838.70
13	Other	213.5	-
14	Training bonus collected in the current year under the PSA	390.7	-
15	Payment for supporting the operations of the representative office, in accordance with the conditions specified in the PSA	679.9	-
16	Personal Income Tax	195.6	-
Payment flow, local			
17	Real estate tax	3,705.10	-
18	Tax on motor vehicles and self-propelled vehicles	374.5	-
19	Land fees	-	-3,835.20
20	Water usage charges	-	-4,699.50
21	Water pollution charges	-	-1,410.60
22	Royalty fee for common minerals	-	-60.6
23	Payment for the employment of of foreign specialists and workers	-	-522.4
24	Dividends on local-owned property	-	-1,849.00
25	Penalty	-	-67.7
26	Compensation	-	-249.8
27	Others	3,242.20	-
28	Contribution at rate of 50% to a Special Account for Environmental Protection	1,789.90	-
29	Stamp duty collected in the local budget	-	-31.1
Net unreconciled differences			-7,106.60

The post-reconciliation unresolved difference by companies is as follows, and “Energy Resources” LLC, “Petrochina Dachin Tamsag” LLC account for the higher difference than others.

Table 17. Unresolved difference, by company

No	Registration number	Company name	Post-adjustment difference
1	2074192	Erdeney	-4,823.80
2	5435528	Erdenes tavan tolgoi	13,965.50
3	2657457	Oyutolgoi	-3,347.10
4	2887746	Energy Resources	19,132.60
5	2016656	Tavantolgoi	6,219.30
6	2075385	Petrochina Dachin Tamsag	-25,451.40
7	5141583	MoEnCo	-2,004.30
8	5261198	COAL	48.8
9	2095025	Mongolyn Alt	-1,683.40
10	2548747	Tsairt Mineral LLC	1,485.20
11	2830213	Xin Xin	37.1
12	2855119	Boldtumur Yuruu Gol	5,293.90
13	5084555	SouthGobi Sands LLC	75.7
14	2094533	Boroo Gold	-1,443.20
15	2697947	Khuren Tolgoi Coal Mining	188
16	5199077	Usub Zoos	-1,653.30
17	2887134	Khangad Exploration	-568.3

No	Registration number	Company name	Post-adjustment difference
18	2008572	Baganuur	374.1
19	5830974	MAK Cement	-438.4
20	2641984	Cementshokhoi JSC	-2,161.40
21	2708701	Bayan Airag Exploration	-883
22	2550466	Mongolian Rostsvetmet	-1,325.60
23	2051303	Dharkan metallurgical plant	374
24	2076675	Mongolian Soviet Joint Stock Company Ulaanbaatar Railway LLC	14,036.70
25	5106567	Moncement building materials	-23
26	6101615	Step Gold	-11,466.90
27	5124913	Erdenes Mongol	297
28	5671833	Khur Erdene Baylag	-622.9
29	6436226	Erdenes silver resource	-958.1
30	2050374	Shariin gol	-510.9
31	5051304	Mongoliajuyuanli LLC	2.2
32	2807459	Tefis Mining	34.6
33	2004879	Shivee-Ovoo JSC	28.7
34	6413811	Khan Altai Resources	0.2
35	5352827	Tsagaan Uvuljuu	-1,170.80
36	5295858	Speyshlmainz/Naran Mandal Enterprises	622.2
37	2819996	Uulszaamar	112.3
38	2839717	Ten Khun	-3,298.50
39	2766337	Donshen gazriin tos (Mongolia)	-1,189.40
40	2029278	Monpolymet	-2,020.60
41	5095549	Altain khuder	-152.5
42	2872943	Tod-Undarga	-1,677.10
43	5722942	Burdel Mining	-4,116.80
44	5502977	Badrakh Energy	-3,682.10
45	5877288	Friendship Resources	0.7
46	5217652	Javkhalant ord	21.7
47	6268048	Tod gan drilling LLC	2,265.80
48	5809797	IBBI	-1,542.30
49	6463932	Goviin shandast khuleg	-199.5
50	6195598	Khaan bulag international LLC	97.1
51	5439183	Baatarvan trance	-4.8
52	5253535	Mongolia Mining and Exploration	0.1
53	2014491	Buyantteeg	72.2
54	5292638	RED VOLCANO	5.4
55	2034859	Mogoin gol	-23.3
56	5824826	Erdenes Tsagaan Suvarga	-79.1
57	5396662	Lut Chuluu	-319.9
58	2784165	Altangol exploration	636.2
59	5118115	Munkhiin Bayan Gal	1,150.60
60	4065115	Westernhold LLC	1,150.90
61	2100231	Khos-Khas	103.1
62	5051134	Mongol Czech metal	286.4
63	2075768	Arig gal	-126.6
64	2010097	Gantulga trade	747
65	2718243	Erdene Mongol	187.4
66	5849314	Ubixsolution	-531.3
67	2009765	Kherlen-Impex	1,291.50
68	2011239	Aduunchuluut	139.6
69	2801299	BMNS	-571.9

No	Registration number	Company name	Post-adjustment difference
70	2868687	Uulsnoyon	-7.3
71	2166631	Khunt Uguuj	1.3
72	5288703	CMKI	-136.2
73	2344343	Ulz gol	-12.1
74	2618621	Shar narst	-332.3
75	5294088	Bileg baylag	-37.2
76	2643987	Khentii-Us	-1.3
77	2621169	SG group	723.5
78	5369223	Big Mogul Coal & Energy	-64.3
79	5467268	Infinity space	-385.9
80	5452503	ML Tsahiur Ovoo	-96.5
81	5482046	Tetsens Mining and Energy	-228.2
82	5098297	Zonghenyuutian	936.2
83	5906865	Bayangol Eco Zaamar	103.7
84	5073189	Ilt Gold	60
85	5097282	Fieldsupply	819.9
86	5197325	Shanjin-Ord LLC	822.8
87	2867095	Petro Matad	49.9
88	5513618	Tah Resource	-30.1
89	5396786	Irmuun bosgo	-428.6
90	2010895	Naingi	0.3
91	2003821	Erchimbayan Ulgii LLC	-84
92	2661128	Khotgor	3.2
93	2057573	Max Impex	-50
94	5898749	MGGEC	189.3
95	6192939	Batbrothers Mining	254.6
96	5118344	Altain Khar Azarga group	-60.7
97	5097517	Azargiin gol chonot	49.1
98	5095638	Bold Fo Ar Da LLC	-45.5
99	5493781	Elbeg Ord	11.4
100	5722616	Jamts davs	0.6
101	5185874	Geopro Mongolian	3.3
102	5364884	Horikawametal	4.6
103	5938953	Budar minerals	10.5
104	5774047	Talstmolor	-3.1
Total			-7,546.60

4.4. Non-reporting companies

In the review of the initial records of the government receipts at the E-reporting system of 95 companies selected for inclusion in the reconciliation. However, the remaining nine companies did not respond to clarifications for certain reasons. Except for a few overdues, all have responded to the reconciliation disclosures. It can be observed that since the report is annually compiled and the companies are approached for clarifications, the companies have gained a certain degree of knowledge.

4.5. Detailed results of the reconciliation

The table below displays the differences and adjustments of payments of the initial reconciliation report as well as the post-adjustment differences for every local level payment. Of the local level unresolved payment of 3,614.1 million MNT, the highest difference from the water usage charges, land fees, property tax and other fees.

Table 18. Major income flows, national level, in MNT million

Major flows, local level	Pre-adjustment			Adjustment		Post-adjustment		
	Government	Company	Difference	Government	Company	Government	Company	Difference
Real estate tax	23,720.40	51,393.30	-27,672.90	34,539.20	3,161.20	58,259.60	54,554.50	3,705.10
Tax on motor vehicles and self-propelled vehicles	223.2	522.9	-299.7	731.8	57.5	954.9	580.4	374.5
Land fees	29,373.80	41,813.60	-12,439.90	9,953.30	1,348.70	39,327.10	43,162.30	-3,835.20
Water usage charges	19,776.30	42,962.50	-23,186.20	18,823.70	337	38,600.00	43,299.50	-4,699.50
Water pollution charges	173.2	1,587.10	-1,413.90	0.6	-2.6	173.8	1,584.40	-1,410.60
Royalty fee for common minerals	382.4	27,296.40	-26,914.00	1,182.20	-25,671.20	1,564.70	1,625.20	-60.6
Payment for the employment of of foreign specialists and workers	-	502.2	-502.2	-	20.2	-	522.4	-522.4
Dividends on local-property	-	3,167.00	-3,167.00	-	-1,318.00	-	1,849.00	-1,849.00
Penalty	1,488.00	69.2	1,418.80	0.4	1,486.90	1,488.40	1,556.10	-67.7
Compensation	-	249.4	-249.4	-	0.4	-	249.8	-249.8
Other	48,605.50	2,869.50	45,736.00	-41,078.60	1,415.20	7,526.90	4,284.70	3,242.20
Contribution at rate of 50% to a Special Account for Environmental Protection	3,505.40	-	3,505.40	-	1,715.50	3,505.40	1,715.50	1,789.90
Stamp duty collected in the local budget	62.9	-	62.9	-	94	62.9	94	-31.1
Total	127,311.00	172,433.10	-45,122.10	24,152.70	-17,355.20	151,463.70	155,078.00	-3,614.30

The unresolved difference in the main income flows of the country is 3,492.3 million MNT, and the social security contributions, payment for the employment of foreign experts and workers Mineral royalties tax, VAT and customs duties account for a large amount of this difference.

Table 19. Major income flows, local level, in MNT million

Main flows, national level	Pre-adjustment			Adjustment		Post-adjustment		
	Government	Company	Difference	Government	Company	Government	Company	Difference
CIT	977,772.7	1,024,617.5	(46,844.9)	73,156.9	31,758.4	1,050,929.6	1,056,376.0	(5,446.4)
Customs duty	40,652.7	69,184.5	(28,531.9)	-	(22,603.9)	40,652.7	46,580.7	(5,928.0)
Value Added Tax (GDT+Customs)	234,354.1	202,692.9	31,661.3	(407.9)	38,867.2	233,946.3	241,560.0	(7,613.8)
Excise duty on auto diesel fuel	166.8	-	166.8	-	39.3	166.8	39.3	127.5
AMNAT	2,508,899.5	2,386,031.3	122,868.2	16,373.2	135,963.9	2,525,272.7	2,521,995.2	3,277.5
License fee	1,370.6	5,589.1	(4,218.5)	6,475.1	801.6	7,845.7	6,390.6	1,455.1
Payment for deposits explored with state budget funds	-	632.7	(632.7)	75.5	-	75.5	632.7	(557.2)
Payment for the employment of of foreign specialists and workers	-	5,449.5	(5,449.5)	-	5,994.4	-	11,443.9	(11,443.9)
Air pollution charges	21,923.0	21,301.2	621.7	0.1	1,131.0	21,923.0	22,432.3	(509.2)
Employee social insurance contributions	394,514.9	321,389.9	73,125.1	13.7	48,016.2	394,528.6	369,406.1	25,122.5
Customs service fee	49,772.9	49,620.1	152.8	-	1,770.3	49,772.9	51,390.4	(1,617.5)
Dividends on government property	-	450,773.8	(450,773.8)	450,773.8	-	450,773.8	450,773.8	-
Penalty	500.6	16,375.2	(15,874.6)	6,902.8	(7,133.1)	7,403.4	9,242.1	(1,838.7)
Other	1,485.8	62,391.6	(60,905.8)	-	(61,119.3)	1,485.8	1,272.3	213.5
Training bonus collected in the current year under the PSA	1,158.9	-	1,158.9	-	768.2	1,158.9	768.2	390.7
Payment for supporting the operations of the representative office, in accordance with the conditions specified in the PSA	1,211.8	-	1,211.8	-	531.8	1,211.8	531.8	679.9
Oil revenue to be received by the Government, in accordance with PSA	137,080.2	-	137,080.2	-	137,080.2	137,080.2	137,080.2	-
PRC	176,650.3	-	176,650.3	-	176,454.7	176,650.3	176,454.7	195.6
Total	4,547,514.7	4,616,049.2	(68,534.5)	553,363.1	488,321.0	5,100,877.8	5,104,370.2	(3,492.3)

If we demonstrate the difference by company, it is as follows. Including: “Petrochina Daichin Tamsag” LLC, “Energy Resources” LLC, “Mongolian Soviet Joint Stock Company Ulaanbaatar Railway” LLC companies have a high difference compared to other companies, and the details are available on the table.

Table 20. Reconciliation for national level, by income flow, in MNT million

№	Company name	Pre-adjustment			Adjustment		Post-adjustment		
		Government	Company	Difference	Government	Company	Government	Company	Difference
1	Erdenet	1,373,273.2	1,749,264.5	(375,991.3)	412,090.2	40,922.7	1,785,363.4	1,790,187.1	(4,823.8)
2	Erdenes tavan tolgoi	1,019,200.8	1,021,151.7	(1,950.9)	33,361.9	17,445.6	1,052,562.8	1,038,597.3	13,965.5
3	Oyu tolgoi	521,510.8	586,226.5	(64,715.7)	67,748.9	6,380.3	589,259.7	592,606.8	(3,347.1)
4	Energy Resources	299,790.2	296,049.8	3,740.4	8,594.5	(6,797.8)	308,384.7	289,252.1	19,132.6
5	Tavantolgoi	268,507.2	295,993.5	(27,486.3)	20,911.8	(12,793.9)	289,419.0	283,199.6	6,219.3
6	Petrochina Dachin Tamsag	139,274.8	32,764.3	106,510.4	164.5	132,126.3	139,439.2	164,890.6	(25,451.4)
7	MoEnCo	113,966.6	115,071.7	(1,105.2)	29.7	928.8	113,996.3	116,000.6	(2,004.3)
8	COAL	107,682.4	21,446.5	86,235.9	25.9	86,213.0	107,708.3	107,659.5	48.8
9	Mongolyn Alt MAK	100,630.5	101,302.6	(672.1)	3,177.4	4,188.6	103,807.9	105,491.2	(1,683.4)
10	Tsairtmineral	90,684.3	100,467.9	(9,783.5)	13,135.5	1,866.8	103,819.8	102,334.6	1,485.2
11	Zin Zin LLC	79,101.9	-	79,101.9	37.1	79,101.9	79,139.1	79,101.9	37.1
12	Boldtumur Yeruu Gol	48,087.5	40,949.8	7,137.7	53.1	1,896.9	48,140.6	42,846.7	5,293.9
13	Southgobi Sands	46,748.3	61,711.7	(14,963.4)	16,272.0	1,232.9	63,020.3	62,944.7	75.7
14	Boroo Gold	39,174.1	56,180.3	(17,006.2)	16,614.3	1,051.3	55,788.4	57,231.6	(1,443.2)
15	Khuren Tolgoi Coal Mining	34,096.7	33,591.4	505.3	220.9	538.2	34,317.6	34,129.6	188.0
16	Ushu Zoos	28,002.1	30,283.0	(2,280.9)	817.1	189.5	28,819.1	30,472.5	(1,653.3)
17	Khangad Exploration	27,292.2	28,195.5	(903.3)	1,412.8	1,077.8	28,705.0	29,273.3	(568.3)
18	Baganuur	25,881.3	19,318.4	6,562.9	26.1	6,214.8	25,907.3	25,533.2	374.1
19	MAK cement	25,609.9	24,275.7	1,334.2	21.7	1,794.2	25,631.5	26,069.9	(438.4)
20	Cementshokhoi JSC	23,386.1	-	23,386.1	1.4	25,548.9	23,387.5	25,548.9	(2,161.4)
21	Bayan Airag Exploration	21,842.2	15,073.2	6,769.0	218.5	7,870.5	22,060.7	22,943.6	(883.0)
22	Mongolian Rostsvetmet	20,965.7	15,693.6	5,272.0	237.0	6,834.6	21,202.7	22,528.3	(1,325.6)
23	Darkhanii tumurlugiin uildver JSC	20,004.8	-	20,004.8	203.3	19,834.2	20,208.1	19,834.2	374.0
24	Mongolian Soviet Joint Stock Company Ulaanbaatar Railway LLC	14,936.7	-	14,936.7	1.5	901.5	14,938.2	901.5	14,036.7
25	Moncement building materials	14,511.9	16,980.6	(2,468.7)	4.4	(2,441.3)	14,516.4	14,539.3	(23.0)
26	Step Gold	6,366.7	17,111.6	(10,745.0)	120.8	842.7	6,487.5	17,954.4	(11,466.9)
27	Erdenes Mongolia	8,617.7	-	8,617.7	65.2	8,385.9	8,682.9	8,385.9	297.0
28	Khur Erdene Baylag	8,419.9	1,628.3	6,791.6	13.7	7,428.1	8,433.6	9,056.5	(622.9)
29	Erdenes silver resource	7,581.0	21,660.5	(14,079.5)	1.9	(13,119.5)	7,582.8	8,540.9	(958.1)
30	Shariin gol	7,269.6	6,943.6	326.1	13.2	850.2	7,282.9	7,793.8	(510.9)
31	Mongoljuyuanli LLC	6,809.3	-	6,809.3	2.2	6,809.3	6,811.5	6,809.3	2.2
32	Tefis Mining	6,255.0	408.4	5,846.6	34.6	5,846.6	6,289.5	6,255.0	34.6
33	Shivee-Uvuu JSC	6,105.9	-	6,105.9	521.4	6,598.6	6,627.3	6,598.6	28.7
34	Khan Altai Resources	5,419.4	4,572.0	847.4	147.8	995.0	5,567.1	5,567.0	0.2

№	Company name	Pre-adjustment			Adjustment		Post-adjustment		
		Government	Company	Difference	Government	Company	Government	Company	Difference
35	Tsagaan Uvuljuu	5,550.4	6,495.0	(944.6)	446.8	673.0	5,997.2	7,168.0	(1,170.8)
36	Special mines /Naran mandal Enterprises	5,496.3	3,798.9	1,697.4	378.3	1,453.5	5,874.6	5,252.3	622.2
37	Uulszaamar	3,719.7	1,594.5	2,125.2	222.6	2,235.5	3,942.3	3,830.0	112.3
38	Ten Khun	4,526.7	7,586.7	(3,060.1)	8.2	246.5	4,534.8	7,833.3	(3,298.5)
39	Donshen gazriin tos (Mongolia)	4,080.4	-	4,080.4	2.4	5,272.2	4,082.8	5,272.2	(1,189.4)
40	Monpolymet	3,874.3	6,477.5	(2,603.2)	51.3	(531.2)	3,925.7	5,946.3	(2,020.6)
41	Altain khuder	3,635.4	2,398.0	1,237.3	17.8	1,407.7	3,653.2	3,805.7	(152.5)
42	Tod-Undarga	3,414.7	4,370.3	(955.6)	18.1	739.5	3,432.7	5,109.8	(1,677.1)
43	Burdel mining	3,328.7	7,029.3	(3,700.5)	63.8	480.1	3,392.6	7,509.4	(4,116.8)
44	Badrakh energy	2,470.3	6,565.8	(4,095.5)	1,056.5	643.2	3,526.9	7,209.0	(3,682.1)
45	Friendship Resources	2,928.4	3,810.6	(882.2)	0.7	(882.2)	2,929.1	2,928.4	0.7
46	Javkhalant ord	2,746.6	3,246.0	(499.4)	594.9	73.9	3,341.6	3,319.9	21.7
47	Top gan drilling LLC	2,709.9	-	2,709.9	106.8	550.9	2,816.7	550.9	2,265.8
48	IBBI	2,693.9	3,280.3	(586.4)	76.3	1,032.2	2,770.2	4,312.5	(1,542.3)
49	Goviin shandast khuleg	2,673.1	12,486.7	(9,813.6)	39.8	(9,574.3)	2,712.9	2,912.3	(199.5)
50	Khaan bulag international LLC	2,005.3	-	2,005.3	27.2	1,935.5	2,032.5	1,935.5	97.1
51	Batarvan trance	2,000.9	949.8	1,051.1	1.0	1,056.8	2,001.9	2,006.6	(4.8)
52	Mongolia Mining and Exploration	1,934.9	-	1,934.9	0.0	1,934.8	1,934.9	1,934.8	0.1
53	Bayanteeg	1,653.6	1,025.4	628.3	4.2	560.3	1,657.9	1,585.7	72.2
54	RED VOLCANO	1,748.4	-	1,748.4	5.4	1,748.4	1,753.8	1,748.4	5.4
55	Mogoin gol	1,680.5	1,548.2	132.3	(8.2)	147.4	1,672.4	1,695.6	(23.3)
56	Erdenes Tsagaan Suvarga	1,625.6	-	1,625.6	2.9	1,707.6	1,628.5	1,707.6	(79.1)
57	Lut chuluu	1,589.5	1,074.3	515.2	4.2	839.3	1,593.7	1,913.7	(319.9)
58	Altangol exploration	1,563.5	793.4	770.1	27.8	161.7	1,591.3	955.1	636.2
59	Munkhiin bayan gal	1,471.1	64.6	1,406.4	8.5	264.3	1,479.6	328.9	1,150.6
60	Westernhold LLC	1,445.9	-	1,445.9	1.6	296.6	1,447.5	296.6	1,150.9
61	Khos-Khas	1,394.4	1,009.5	384.9	(58.8)	223.0	1,335.6	1,232.5	103.1
62	Mongolczech metal	1,381.1	713.0	668.1	7.8	389.6	1,388.9	1,102.5	286.4
63	Arig gal	1,380.4	-	1,380.4	0.3	1,507.3	1,380.7	1,507.3	(126.6)
64	Gantulga traid	1,313.1	196.9	1,116.2	-	369.2	1,313.1	566.1	747.0
65	Erdene Mongol	1,312.0	274.0	1,038.0	161.5	1,012.2	1,473.5	1,286.2	187.4
66	Ubixsolution	1,188.2	1,405.2	(217.0)	16.4	330.7	1,204.6	1,735.9	(531.3)
67	Kherlen-Impex	1,295.4	3.4	1,292.0	0.7	1.2	1,296.0	4.6	1,291.5
68	Aduunchuluut	1,275.1	2,258.7	(983.6)	0.8	(1,122.4)	1,275.9	1,136.3	139.6
69	BMNC	877.3	913.6	(36.3)	52.7	588.3	930.0	1,501.9	(571.9)
70	Uuls-Noyon	1,162.1	906.4	255.7	(11.8)	251.1	1,150.3	1,157.5	(7.3)
71	Khunt-Uguuj	1,096.2	918.3	177.9	8.2	184.8	1,104.4	1,103.1	1.3

№	Company name	Pre-adjustment			Adjustment		Post-adjustment		
		Government	Company	Difference	Government	Company	Government	Company	Difference
72	CMKI	1,116.3	466.5	649.8	3.2	789.2	1,119.5	1,255.8	(136.2)
73	Ulz gol	1,065.5	13.9	1,051.6	13.9	1,077.6	1,079.4	1,091.5	(12.1)
74	Shar Narst	1,032.8	1,148.9	(116.0)	11.0	227.2	1,043.8	1,376.1	(332.3)
75	Bilegt Bayalag	1,013.6	1,037.7	(24.1)	1.3	14.3	1,014.9	1,052.1	(37.2)
76	Khentii-Us	1,005.9	-	1,005.9	-	1,007.2	1,005.9	1,007.2	(1.3)
77	SJ Group	961.2	226.6	734.6	39.2	50.3	1,000.4	277.0	723.5
78	Big Mogul Coal & Energy	981.5	2,752.3	(1,770.8)	23.5	(1,683.0)	1,005.0	1,069.3	(64.3)
79	Infinity space	965.4	889.1	76.3	18.0	480.2	983.4	1,369.3	(385.9)
80	ML Tsahiurt Ovoo	934.2	430.1	504.1	5.7	606.3	939.9	1,036.5	(96.5)
81	Tetsens Mining and Energy	954.9	582.1	372.9	2.4	603.4	957.3	1,185.5	(228.2)
82	Zonghenyuutian	936.2	-	936.2	-	-	936.2	-	936.2
83	Bayangol Eco Zaamar	831.1	676.3	154.8	8.0	59.1	839.1	735.4	103.7
84	Ilt Gold	821.4	-	821.4	60.0	821.4	881.4	821.4	60.0
85	Fieldsupply	886.4	50.5	835.9	6.4	22.4	892.8	72.9	819.9
86	Shanjin Ord LLC	875.0	-	875.0	1.7	53.9	876.7	53.9	822.8
87	Petro Matad	789.1	779.2	9.9	36.8	(3.2)	825.9	776.0	49.9
88	Tahi Resource	840.7	29.9	810.8	0.2	841.1	840.9	871.0	(30.1)
89	Irmuun bosgo	676.8	1,595.2	(918.4)	18.1	(471.7)	694.9	1,123.5	(428.6)
90	Naingi	846.6	652.2	194.5	208.0	402.2	1,054.7	1,054.3	0.3
91	Erchimbayan Ulgii LLC	768.0	-	768.0	4.9	856.8	772.9	856.8	(84.0)
92	Khotgor	692.0	640.0	52.0	1.1	49.8	693.1	689.9	3.2
93	Max Impecs	768.6	692.6	76.0	52.2	178.2	820.8	870.8	(50.0)
94	MGGEC	541.1	236.7	304.4	6.9	122.1	548.0	358.7	189.3
95	Batbrothers Mining	764.5	495.4	269.1	6.6	21.1	771.0	516.5	254.6
96	Altain Khar Azarga	57.7	113.1	(55.5)	6.3	11.6	64.0	124.7	(60.7)
97	Azargiin Gol Chonot	7.3	-	7.3	49.1	7.3	56.4	7.3	49.1
98	Bold po ar da	23.0	69.3	(46.3)	0.8	-	23.8	69.3	(45.5)
99	Elbeg Ord	26.4	-	26.4	11.4	26.4	37.8	26.4	11.4
100	Jamts Davs	13.5	-	13.5	9.3	22.1	22.8	22.1	0.6
101	Geopro Mongolian	-	-	-	3.3	-	3.3	-	3.3
102	Horikawametal	-	-	-	4.6	-	4.6	-	4.6
103	Budar minerals	2.6	-	2.6	7.9	-	10.5	-	10.5
104	Talstmolor	471.88	557.37	(85.49)	19.99	(62.41)	491.86	494.96	(3.10)

5. EXTRACTIVE INDUSTRY OF MONGOLIA

5.1. Legal framework and fiscal policy (Requirement 2.1)

5.1.1. Laws and regulation of the extractive sector

5.1.1.1. Current state of the legal system governing the mining, oil and nuclear energy sector

The mining sector is governed by more than 30 laws and more than 40 regulations. When global trends in mining are increasingly developing towards sustainable, mutually beneficial, and green development movements, there is a greater need for more tailored regulations, particularly on matters such as public services, the sustainable investment environment, and local community engagement. In 2022, the laws related to the operations of the extractive industry of Mongolia are implemented in accordance with following goals.

Law on Minerals:

The objective of this Law is to regulate relations concerning the prospecting, exploration and mining of minerals, and protection of exploration field and mining area in use in the territory of Mongolia.

Law on Common Minerals:

The purpose of this law is to obtain a special license for the exploration and use of common minerals in the territory of Mongolia, to regulate the responsibilities of the licensee and the protection and restoration of the environment of exploration sites and mining areas.

Law on Subsoil:

The goal of the Mongolian Law on Subsoil is to regulate social relations related to the use and protection of the subsoil in accordance with the interests of the present and future generations.

Law on the Prohibition of Mineral Prospecting, Exploration and Mining in Protected Zones of Watershed and watersheds and forest areas:

The purpose of this law is to prohibit mineral exploration and use in protected areas and forest areas, as well as to regulate relations related to the restoration of the environment in that area.

Mongolia; the Law on Subsoil; the Law on Petroleum; the Law of Mongolia on Petroleum Product; the Law on Prohibiting Mineral Exploration and Production near Water Sources, Protected Areas and Forests; the Law on Regulations for the Compliance of the Law on Prohibiting Mineral Exploration and Production Near Water Sources, Protected Areas and Forests; the Law on Legal Status of Industrial and Technological Parks; the Nuclear Energy Law; the Law on Common Minerals; and the Law on Business Licensing.

Law on control of circulation of explosive substances and explosive devices:

The purpose of this law is to control the circulation of industrial explosives and explosives, to prevent their harm, to ensure their safe operation, and to regulate relations related to the prohibition of illegal use .

Law on Oil:

The purpose of this law is to regulate relations related to the search, exploration and use of oil and unconventional oil in the territory of Mongolia.

Law on Oil Products:

The objective of this law is to regulate relations arising in connection with the importation, production, sale, transportation and storage of petroleum products and ensuring the safety of these activities.

The Law on Toxic and Hazardous Chemical Substances:

The purpose of this law is to regulate relations related to the export and import of toxic and dangerous chemicals, their transportation across the border of Mongolia, production, storage, sale, transportation, use, disposal, and control.

Law on Nuclear Energy:

The purpose of this law is to regulate relations related to the peaceful use of radioactive minerals and nuclear energy in the territory of Mongolia, to ensure nuclear and radiation safety, and to protect the population, society, and the environment from the negative effects of ionizing radiation.

5.1.1.2. Key legislations governing the sector, and their amendments

Amendments to the main laws of the sector are indicated by date. It includes:

- Minerals Act, 2006 (Amended twice in 2017, 2018 and 2019)
- Explosive Substances and Explosive Devices Control Act, 2013 (Amended in 2015, 2017, 2020)
- Subsoil Act, 1988 (Amended in 1994, 1995 and 2015)
- Distributed Minerals Act, 2014 (Amended in 2015, 2016 and 2017)
- Nuclear Energy Act, 2009 (Amended twice in 2012, 2013, 2015 and twice in 2016)
- Petroleum Act, 2014 (Amended in 2017 and 2020)
- Petroleum Products Act, 2005 (Amended in 2013, 2015, 2016, 2017 and 2019)
- Law on Prohibition of Exploration and Use of Minerals in Protected Areas and Forest Areas, 2009 (amended in 2015)
- Nuclear Energy Law Compliance Act, 2009
- Law on Procedures for Compliance with the Law on the Prohibition of Mineral Exploration and Exploitation in Protected Areas and Forest Areas of Rivers and Rivers, 2009 (amended in 2015).

The amendments to these laws in 2021 are also presented in the table.

Table 21. Amendments introduced into key legislations on the extractive industry in 2022

Key legislation	Date	Note
Law on Minerals	April 22, 2022	Article 1. Article 46.1 of the Law on Minerals shall be amended as follows: "46.1. The mining license holder shall have the assay and quality of all types of mined precious metals and gems assayed by the state administrative organization or authorized legal entities responsible for assaying and have the quantity registered."
		Article 2. This law shall be enforced from the date of entry into force of the Law on the Protection of Personal Information (revised version).

Key legislation	Date	Note
		Article 2. This Law shall be enforced from the date of entry into force of the Law on Treasury Fund (revised version).
Law on Common Minerals	November 11, 2022	Article 1. The term "professional inspection" specified in Article 10.2 of the Law on Common Minerals, shall be amended into "a central state administrative organization in charge of mining, authorized to carry out inspections". The term "organization and professional inspection" stipulated in Article 16.3 shall be amended into "in charge of matters"; the term "and professional inspection" stipulated in Article 25.2.3 shall be amended into "authorized to carry out inspections"; the term "professional inspection" and "authorized to carry out inspection" stipulated in Articles 26.2 and 37.6 shall be amended into "authorized to carry out inspection", respectively, and the term "professional inspection agency" stipulated in Article 34.1 shall be amended into "authorized to carry out inspection".
		Article 2. Terms "organization and professional inspection" and "professional inspection agency" stipulated in Article 14.8 and Article 19.7 of the Law on Common Minerals shall be removed, respectively.
		Article 3. This law shall be enforced from January 1, 2023.
	April 22, 2022	Article 1. Term "Representatives" stipulated in Article 14.4 of the Law on Common Minerals shall be removed.
Law on Control of Circulation of Explosive Substances and Explosive Devices	November 12, 2022	Article 1. Term "on Business Licensing" specified in Article 2.1 of the Law on Controlling the Movement of Explosive Substances and Blasting Instruments shall be amended into "on Permits". Term "according to Article 11 of the Law on Business Licensing" specified in Article 11.1, 12.1, 12.3, 15.2 and 17.4 of the Law on Controlling the Movement of Explosive Substances and Blasting Instruments shall be amended into "according to Article 5.1.3 of the Law on Permits". Plus, the term "according to Articles 15.10.5, 15.10.6, 15.10.18, 15.10.20, 15.15.1, 15.18.5, 15.18.6 of the Law on Business Licensing" specified in Article 16.1.1 shall be amended into "according to Articles 8.1.5.1, 8.1.5.6, 8.8.7, 8.8.14, 8.8.15, 8.8.16, 8.8.19 of the Law on Permits"; the term "according to Article 15.15.4 of the Law on Business Licensing" specified in Article 16.1.2 shall be revised into "according to Article 8.1.5.2 of the Law on Permits"; and the term "according to Article 15.14.6 of the Law on Business Licensing" specified in Article 16.1.3 shall be revised into "according to Articles 8.1.3.3.1, 8.1.3.3.3 and 8.1.3.3.5 of the Law on Permits".
		Article 2. The term "Articles 11.1.6 and 11.1.7 of the Law on Business Licensing" specified in Article 20.1.1 of the Law on Controlling the Movement of Explosive Substances and Blasting Instruments shall be removed.
		Article 3. This law shall be enforced from the date of entry into force of the Law on Permits.
	June 17, 2022	Article 1. Term "on Business Licensing" specified in Article 2.1 of the Law on Controlling the Movement of Explosive Substances and Blasting Instruments shall be amended into "on Permits". Term "according to Article 11 of the Law on Business Licensing" specified in Article 11.1, 12.1, 12.3, 15.2 and 17.4 of the Law on Controlling the Movement of Explosive Substances and Blasting Instruments shall be amended into "according to Article 5.1.3 of the Law on Permits". Plus, the term "according to Articles 15.10.5, 15.10.6, 15.10.18, 15.10.20, 15.15.1, 15.18.5, 15.18.6 of the Law on Business Licensing" specified in Article 16.1.1 shall be amended into "according to Articles 8.1.5.1, 8.1.5.6, 8.8.7, 8.8.14, 8.8.15, 8.8.16, 8.8.19 of the Law on Permits"; the term "according to Article 15.15.4 of the Law on Business Licensing" specified in Article 16.1.2 shall be revised into "according to Article 8.1.5.2 of the Law on Permits"; and the term "according to Article 15.14.6 of the Law on Business

Key legislation	Date	Note
		<p>Licensing" specified in Article 16.1.3 shall be revised into " according to Articles 8.1.3.3.1, 8.1.3.3.3 and 8.1.3.3.5 of the Law on Permits".</p> <p>Article 2. The term "Articles 11.1.6 and 11.1.7 of the Law on Business Licensing" specified in Article 20.1.1 of the Law on Controlling the Movement of Explosive Substances and Blasting Instruments shall be removed.</p> <p>Article 3. This law shall be enforced from the date of entry into force of the Law on Permits.</p>
Petroleum Act	April 22, 2022	<p>Article 1. Article 10 of the Petroleum Law shall be amended as follows:</p> <p>"Article 10. Management rights of administrative and territorial units</p> <p>10.1. The province governor shall exercise the following rights in petroleum matters:</p> <p>10.1.1. implement petroleum legislation and decisions, concerning its implementation, delivered by the Government and higher-level, organize their implementation in the territory, hold responsibility over the results, and provide support;</p> <p>10.1.2. based on the Article 11.2.17 of this law, together with the Soum and District Governors and the license holder, supervise the implementation of the contract reflecting issues regarding environmental protection and provision of support to local development;</p> <p>10.1.3. through the central state administrative organization in charge of petroleum matters, annually present the implementation of the cooperation agreement specified in Article 10.1.2 of this law to the government;</p> <p>10.1.4. provide all kinds of support for activities in the oil prospects, exploration and exploitation areas in accordance with the intended purpose, except for cases that are subject to limitations or prohibition;</p> <p>10.1.5. annually inform the public about the decisions concerning petroleum industry that are being implemented in the territory;</p> <p>10.1.6. cooperate with the state central administrative organization and state administrative organizations in charge of petroleum issues and coordinate their activities when organizing the work of fulfilling the laws and petroleum regulations.</p> <p>10.2. Soum Governor shall exercise the following rights in relation to petroleum:</p> <p>10.2.1. monitor the exploitation and ownership of licensed areas that are under the territory of under their jurisdiction, and in case of breach, suspend and have the breach eliminated;</p> <p>10.2.2. monitor how the license holder fulfills one's obligations to protect and rehabilitate the environment, protect the health of the population;</p> <p>10.2.3. based on Article 11.2.17 of this law, in collaboration with the licensee, conclude and implement agreements reflecting environmental protection and contribution for local development, and report it to the relevant governor;</p> <p>10.2.4. annually inform the public about the decisions that are being implemented regarding the petroleum industry under their jurisdiction;</p> <p>10.2.5. implement laws and regulations on petroleum, the decisions of the Government and the affiliated Governor of the highest jurisdiction level.</p> <p>10.3. <i>Bagh</i> Governor shall exercise the following rights in relation to petroleum:</p> <p>10.3.1. hold responsibility for ensuring the implementation of laws and regulations on petroleum, the decisions of the Government and the affiliated Governor at the highest level;</p> <p>10.3.2. submit an opinion to the of the highest jurisdiction level regarding the licensee's fulfillment of one's legal obligations for</p>

Key legislation	Date	Note
		<p>environmental protection and rehabilitation, the protection of the population health;</p> <p>10.3.3. Submission of opinion on the contract specified in Article 11.2.17 of this law.</p> <p>10.4. Aimag Citizens' Representatives shall exercise the following rights on petroleum issues:</p> <p>10.4.1. discuss and develop a conclusion on the announcement of the petroleum exploration area submitted by the state administrative organization;</p> <p>10.4.2. when developing a conclusion specified in Article 10.4.1 of this law, dismiss only on the grounds specified in the law;</p> <p>10.4.3. participate and cooperate in actions of the commission in charge of receiving the liquidation results;</p> <p>10.4.4. take into account state interests when resolving local issues that are under the jurisdiction of petroleum and other legislation, and coordinate one's policies and decisions with the state policy.</p>
Law on Toxic and Hazardous Chemicals	November 11, 2022	<p>Article 1. In Article 18.1 of the Law on Toxic and Hazardous Chemicals, the term "state professional inspection agency" shall be revised into "the central state administrative body in charge of environmental matters and the authorized agency in charge of inspection."</p> <p>Article 2. This law shall be enforced from January 1, 2023.</p>
	June 17, 2022	<p>Article 1. In Articles 2.1 and 5.1 of the Law on Toxic and Hazardous Chemicals, the term "Law on Business Licensing" shall be revised into "Law on Permits".</p> <p>Article 2. This law shall be enforced from the date of entry into force of the Law on Permits.</p>
Law on Nuclear Energy	November 11, 2022	<p>Article 1. The title and the term "the state professional inspection agency" specified in Article 11¹.1 and Article 12.1 of the Law on Nuclear Energy shall be revised into "the central state administrative body in charge of education". Plus, the term "of professional inspection" specified in Article 14.1 of the law shall be revised into "the central state administrative organization in charge of education"; similarly, the term "professional inspection" specified in Articles 15.3, 18.8, 28.2.6, 28.2.7, 28.2.8, 32.2, 36.1.5, 43.4, 48.1, and 19.8 shall be revised into "the central state administrative organization in charge of education".</p> <p>Article 2. This law shall be enforced from January 1, 2023.</p>
	November 12, 2022	<p>Article 1. The title and the term "the state professional inspection agency" specified in Article 11¹.1 and Article 12.1 of the Law on Nuclear Energy shall be revised into "the central state administrative body in charge of education". Plus, the term "of professional inspection" specified in Article 14.1 of the law shall be revised into "the central state administrative organization in charge of education"; similarly, the term "professional inspection" specified in Articles 15.3, 18.8, 28.2.6, 28.2.7, 28.2.8, 32.2, 36.1.5, 43.4, 48.1, and 19.8 shall be revised into "the central state administrative organization in charge of education".</p> <p>Article 2. This law shall be enforced from January 1, 2023.</p>
	June 17, 2022	<p>Article 1. The term "according to Articles 11.1.1-11.1.3 of the Law on Business Licensing" specified in Article 19.1 of the Law on Nuclear Energy shall be revised into "according to Article 5.1.3 of the Law on Permits"; the term "according to Articles 13 of the Law on Business Licensing" specified in Article 23.1 of the same law shall be revised into "according Article 6.1 of the Law on Permits".</p> <p>Article 2. This law shall be enforced from the date of entry into force of the Law on Permits.</p>
	June 17, 2022	<p>Article 1. Article 18 of the Law on Subsoil shall be considered invalid.</p>

Key legislation	Date	Note
Law on Subsoil		Article 2. This law shall be enforced from the date of entry into force of the Law on Permits.
	April 22, 2022	Article 1. The following articles and clauses with the following content shall be introduced into the Law on Subsoil: 1/7.1.3: "3/ Provide support to all types of geological surveys being carried out with state budget funds."
		Article 2/8 ¹ . Rights of citizens' public meetings of <i>baghs</i> , <i>khoroos</i> and of the Governor "1. The citizens' public meeting of the <i>bagh</i> and <i>khoroos</i> shall exercise the following rights to explore, exploit and protect the subsoil: 1/ monitor the implementation of the government's policy on exploring, exploiting and protecting the subsoil, legislation on the subsoil, the Government's decisions and one's decisions; 2/ discuss the report and information of the governors of the <i>bagh</i> and <i>khoroos</i> on the issues specified in paragraph 1 of this Article. 2. The governor of the <i>bagh</i> and <i>khoroos</i> shall exercise the following rights to explore, exploit and protect the subsoil: 1/ implement the state policy on the exploration, exploitation and protection of the subsoil that is under their jurisdiction, organize and ensure the implementation of legislation on subsoil, the decisions of the Government, the highest level affiliated Governors, and the citizens' public meetings of the <i>bagh</i> and <i>khoroos</i> within the scope of their powers stipulated by the law; 2/ provide support to all types of geological surveys to be carried out with state funds in their jurisdiction, and exploration of mineral resources that are to be carried out with private funds in areas subject to mineral licenses; 3/other rights specified by law."
		Article 2. The term "subsoil" specified in Articles 7.1, 7.1.1, 7.2, 8.1, 8.2, 8.2.1 of the Law on Subsoil, shall be revised into "explore".
		Article 3. The following provisions of the Law on Subsoil should be amended as follows: Article 1/7.3.2: "3/ provide support to all types of geological surveys being carried out in their jurisdiction with state funds;" Articles 2/8.2 and 2/8.3: "2/ allocate tenure land in accordance with the Laws on Minerals and Land in connection with the exploitation of subsoil resources under their territory; 3/ provide support to the discovery of mineral resources that are to be conducted following all types of geological surveys and financed by state funds in their jurisdiction as well as the exploration work to be carried out with private funds in areas subject to mineral licenses;" Article 3/8.2.5: "5/ exercise the rights specified in Articles 59.1.17, 59.1.18, and 62.1.7 of the Law on the Administration and Territorial Units and their Management;"
		December 9, 2022
November 11, 2022	Article 1. The term "professional inspection" specified in Articles 6.2, 8.3.5, 11.2.4 of the Law on Petroleum Products shall be revised into "authorized to carry out relevant inspection". Plus, the term "professional inspection" specified in Article 14.1 shall be revised into "the central state administrative organization in charge of petroleum matters and authorized to carry out inspection".	
Law on Petroleum Products		

Key legislation	Date	Note
		Article 2. The term “in cooperation with the member of the Cabinet in charge of professional inspection” specified in Article 11.3 shall be removed.
		Article 3. This law will be enforced from January 1, 2023.
	June 17, 2022	Article 1. The term “according to Article 11 of the Law on Business Licensing” specified in Articles 8.3, 9.2 shall be revised into “according Article 5.1.3 of the Law on Permits.
		Article 2. This law shall be enforced from the date of entry into force of the Law on Permits.
the Law on the Procedure concerning the Prohibition of Mineral Exploration and Exploitation in Protected Areas and Forest Areas of Rivers, Watersheds, Water Basins	November 11, 2022	Article 1. The term “state administrative body in charge of professional inspection” specified in Article 2.2.2 of the Law on the Procedure concerning the Prohibition of Mineral Exploration and Exploitation in Protected Areas and Forest Areas of Rivers, Watersheds, Water Basins shall be removed.
		Article 2. This law will be enforced from January 1, 2023.

Source: Legalinfo.mn

5.1.1.3. Key regulations introduced to enhance the legal framework of extractive industries

The table shows the key regulations or Government decrees introduced to enhance the legal environment of extractive industries.

Table 22. Key regulations introduced to enhance the legal framework of extractive industries

Number	Date	Content and note	Type
110	2022.08.10	Regarding the approval of area coordinates for the exploration and exploitation of common minerals	Government Resolution
379	2022.05.11	Regarding the approval of area coordinates for the exploration and exploitation of common minerals, and granting rights	Government Resolution
296	2022.07.05	Regarding the approval of area coordinates for the exploration and exploitation of common minerals, and granting rights	Government Resolution
166	2022.04.20	Regarding the exploration of common minerals, and approval of area coordinates	Government Resolution
165	2022.04.20	Regarding the exploration of common minerals, and approval of area coordinates	Government Resolution
195	2022.08.03	Regarding the renewal of the procedure for artisanal mining exploitation	Government Resolution
270	2022.10.19	Regarding the approval of area coordinates for exploration and granting rights	Government Resolution
303	2022.03.09	Regarding the approval of area coordinates for exploration and granting rights	Government Resolution

Source: Legalinfo.mn

In 2021, there were no amendments introduced into laws such as "Law on Subsoil", "Law on the Prohibition of Mineral Exploration and Mining Operations at Headwaters of Rivers, Protected Zones of Water Reservoirs and Forested Areas " and "Law on Petroleum Products".

5.1.1.4. Other legislations regulating industry relations (summarized)

Other laws governing the extractive industry are presented by areas.

Table 23. Other sectoral laws

On environment	On budget and taxation
Law on Air Pollution Charges, 2010	Law on Corporate Income Tax, 2006
Law on Environment Protection, 1995	Law on Customs Unit Income Tax, 2008
Law on Environmental Impact Assessment, 2012	Law on the Exemption of Customs Duty, 2017
Law on Natural Resources Royalties, 2012	Law on the Exemption of Customs and Value Added Tax, 2012
Land Law, 2002	Law on Future Heritage Fund, 2016
Land Payment Act, 1997	Law on Value Added Tax, 2006,2015
Law on Forest, 2012	General Tax Code, 2008
Law on Water Pollution Charges, 2012	Law on Fiscal Stability, 2010
	Law on Immovable Property Tax, 2000
	Law on Stamp Duty, 2010
Area of accountability	Area of business relations and environment
Law on Audit, 1997,2015	Law on Business Operating Licenses, 2001
Law on Infringement, 2017	General Law on Administration, 2015
Law on Dispute Resolution, 2017	Law on Investment, 2013
Law on Accounting, 2015	Law on Development Policy Planning, 2015
Law on the Regulation of Public and Private Interests in Public Service and Prevention of Conflict of Interests, 2012	-

The following laws have been amended in 2022.

- Law on Environmental Protection
- Land Law
- Land Payment Act
- Forest Law
- Law on Future Heritage Fund
- Law on Value Added Tax
- General Tax Law
- Law on Immovable Property Tax
- Law on Stamp Duty
- Law of Infringement
- Law on Dispute Resolution
- Law on Accounting
- Law on Regulation of Public and Private Interests and Prevention of Conflict of Interest in Public Service
- Law on Business Operating Licenses
- General Law on Administration
- Investment Law

5.1.2. State policies concerning the mineral resources sector

5.1.2.1. State policy on radioactive minerals and nuclear energy

The State policy on radioactive minerals and nuclear energy was approved by the Resolution No. 45 of the Parliament on June 25, 2009.

The main purpose of the Resolution is to study its radioactive mineral resources in depth; to become one of the leading countries that mine, process and export mineral resources for peaceful purposes; to use nuclear energy on a wide scale in economic and social spheres and to produce nuclear energy with technology that is safe for human health, ecologically clean and environmentally friendly. No amendments have been introduced since 2009, and it consists of eight Chapters.

Section 1.1 of the Mongolian government's policy on radioactive minerals and nuclear energy states the following.

The objectives of the State policy on the radio-active minerals and nuclear energy are to commence extensive use of nuclear energy for economic and social benefits and produce nuclear energy based on non-toxic for human health, ecologically clean, environmentally friendly technologies through the deepening investigation of the reserves of these minerals and to becoming one of the leading countries which mine, process and export such minerals for peace intentions.

5.1.3. Legal documents issued within the framework of implementation of the EITI in Mongolia

With respect to the EITI, six laws such as Law on Minerals (2006), Law on Nuclear Energy (2009), Petroleum Act (2014), Law on Common Minerals (2014), Law on Infringement (2017), Law on Dispute Resolution (2017) had been previously amended, and in 2021, there have been no additional amendments related to the EITI.

The following state policy documents have been approved in connection with the introduction of the EITI, including:

- Supporting and developing international initiatives such as transparency and responsible mining, social and economic impact assessment in the Mineral Resources Sector Policy (2014) adopted by the Parliament,
- The National Anti-Corruption Program (2016) on ensuring transparency in the extractive industry,
- In the Action Plan for the Implementation of the National Anti-Corruption Program (2017) approved by the Government of Mongolia, 6 types of measures to ensure the transparency of the mining industry are planned to be implemented in 2 phases during 2017-2023.

The Order no.01 of 2006 issued by the GoM states the government commitments to join the the Extractive Industry Transparency Initiative (EITI) and other two orders (the Order no. 222 of 2012 and the Order no. 263 of 2017) of the GoM assigns the relevant stakeholders to implement the specific actions towards ensuring transparency in extractive industry. The GOM Orders no. 190 of 2010 assigned the governors of capital city, aimag, soum and districts to report on annual basis and inform public about taxes, fees, charges, and penalties transferred by minerals exploration and mining license holder to local budget, and cash or in-kind donations provided to

the Governor's secretariat office of capital city, aimag, soum and districts or any budget organization. The template for cooperation agreement between Minerals license holder and local community administration was approved by Order no. 179 of 2016 by GoM; and the template for Product Sharing Agreement was approved by Order no. 104 of 2015 by GoM, respectively.

5.1.4. Fiscal policy and legislation (Requirement 2.1)

5.1.4.1. Budget revenue collection and its allocation

Budget means the financial instrument to implement socio-economic objectives, which represents the balance of income and expenditure including the total revenue to be collected in treasury fund for the current year and its allocation activities.

Budget revenue consists of tax and non-tax revenues and grants. Equilibrated revenue refers to total budget revenue net of Stabilization Fund and Future Heritage Fund.

Tax revenues comprise of taxes, fees and payments as articulated by the General Tax Law. Non-tax revenues comprise of:

- dividends on shares of state and local-owned property of the legal entity that has state or local-ownership;
- fees for the use of state and local property;
- proceeds from privatization, sales and leasing of state and local-owned property;
- fines and penalties;
- operational revenue of budget entity;
- loans and assistance provided to the Government; and
- other revenues generated into the budget in accordance with respective laws.

Budget expenditures consist of recurrent and capital expenditures. Budget expenditures are consumed for implementing the state main functions such as education, health support services, national security,

Budget of the Social Insurance Fund. In accordance with the Social Insurance Law, social insurance premiums paid by employees and employers as well as the income generated by state budget funds are used to finance pensions, benefits, and payments that are mentioned in the Social Insurance Law.

Budget of the Health Insurance Fund. According to the Health Insurance Law, health insurance premiums paid by the government, citizens and organizations are used to finance the costs related to health care and services.

5.1.4.2. Budget laws

Budget Law. The general budget is regulated by the Budget law. The purpose of this law is to establish the principles, systems, composition, and classification of the budget; to implement specific provisions of the budget; to define the rights, duties and responsibilities of bodies that participate in the budget process; and to regulate the procedures applying to budget preparation, budget approval, spending, accounting, reporting and monitoring.

The Budget Law has been amended 7 times in 2021 and can be accessed through the following link. / <https://legalinfo.mn/mn/detail/12254/>

Fiscal Stability Law. The purpose of the Law is to determine and implement budget requirements and management principles to ensure fiscal stability; determine the rights and responsibilities of government organisations in monitoring fiscal stability; create renewable wealth; make investments that support economic development; and generate financial savings from mineral revenues.

The law was amended on July 7, 2021 and can be accessed through the following link. / <https://legalinfo.mn/mn/detail/503/>

Law on Special Government Funds. The purpose of this law is to determine the type of Government special funds and to regulate relations with respect to generating, expending, reporting of performance, and monitoring of such funds.

In 2021, this law was amended five times and can be accessed through the following link. / <https://legalinfo.mn/mn/detail/14848/>

Law on Future Heritage Fund. The Law on the Future Heritage Fund was approved by the Parliament in 2016 and became effective from January 1, 2017. The purpose of this law

- Establish the Future Heritage Fund to implement the principle of balanced distribution of revenues from non-renewable minerals to the present and future generations.
- Regulate relations may arise with respect to setting out the organizational system and structure
- which is responsible for revenue collection, wealth distribution and management, performance
- reporting and monitoring of the Fund.
- Build up sustainable and effective system for macro-economic governance.

This Law was amended on November 12, 2021. / <https://legalinfo.mn/mn/detail/11707/>

5.2. Mining

5.2.1. Overview of Mongolian minerals

Mongolia's consolidated budget revenue reached 18,593.1 billion MNT by the end of 2022, an increase of 4,337.9 billion MNT or 30.4% from the same period last year. The budget revenue mobilized by the mineral resources sector rose to 4,606.9 billion MNT, an increase of 492.5 billion MNT or 12.0% from the same period the previous year, and the details and share of budget revenue collected are shown by sector.

Table 24. Details of budget revenue collection

Mining and quarrying	4,390.2 billion MNT or 23.6%,
Oil	161.0 billion MNT or 0.9 %,
License fee	35.6 billion MNT or 0.2 %,
Other income	20.1 billion MNT or 0.1 %.

Total exports amounted to 12,540.4 million USD by the end of 2022, an increase of 3,299.3 million USD or 35.7% compared to the same period last year, and of which, the export of mineral products reached 11,754.3 million USD, which is 3,133.9 million USD or 36.4% of increase than the performance of the same period the past year.

Table 25. Key indicators of the mining sector

Indicator		2021	2022
All	Number of licenses	2,636	2,544
	Area size (thousand hectares)	6,151.5	5,950.6
	Share in the territory	3.90	3.80
Exploitation	Number of licenses	1,745	1,713
	Area size (thousand hectares)	1,770.8	1,836.5
	Share in the territory	1.10	1.20
Exploration	Number of licenses	891	831
	Area size (thousand hectares)	4,380.7	4,114.1
	Share in the territory	2.80	2.60

Source: Statistics of Mineral Resources, 2022, MRPAM

In 2022, 2,544 effective mineral licenses cover an area of 5,950,000 hectares, which is 3.8 percent of the country's total territory. This is a decrease of 0.1 points compared to the previous year of 2021. Furthermore, 67.3% or 1713 of the total licenses account for exploitation licenses, while 32.7% or 831 for exploration licenses.

Table 26. Extraction of the key mining products

Indicator	Unit of measurement	2020	2021	2022
Copper concentrate	thousand tons	1,276.7	1,326.3	1,189.8
Molybdenum concentrate	tons	6,038.3	6,326.0	5,914.2
Gold	kg	20,225.5	19,054.4	19,382.7
Fluorite ores and concentrates	thousand tons	212.3	178.6	120.1
Iron ore and concentrate	thousand tons	13,940.9	12,848.7	9,388.0
Zinc concentrate	thousand tons	76.3	75.2	199.3
Coal	thousand tons	40,486.1	30,124.3	37,282.0
Oil	thousand.barrels	4.105,8	4.667,3	2,566.0

Source: Statistics of Mineral Resources, 2022, MRPAM

Comparing the extraction of the key mining sector products to 2021, there has been a drop in extractions of concentrates of copper, molybdenum, fluorspar and fluorspar concentrate, and iron ore and concentrate, 136.5 thousand tons, 411.8 thousand tons, 58.5 thousand tons, 3,460.7 thousand tons, respectively, as well as in oil by 2,101.3 thousand barrels.

5.2.2. Overview of uranium

Following the approval of the Law on Nuclear Energy in 2009, 164 exploration and exploitation licenses of radioactive minerals were issued to 27 enterprises, which accounted for 2.6 percent of Mongolia's territory. Currently, 13 deposits of radioactive minerals, approximately 100 mineral occurrences, about 1000 mineralized points, and radioactive anomalies have been discovered in Mongolia. As per the MRPAM, as of June 2022, 192,241.02 tons of geological reserves have been recorded in 13 uranium deposits in the country. Sixty-seven percent of the total reserves are suitable for In Situ Recovery Technology (ISRT).

Table 27. Existing uranium licenses

No	List	Name of area	Area size	Province	Soum	Owner
1	MV-020631	Gurvansaikhan	2,810.44	Dundgovi	Gurvansaikhan	Gurvansaikhan
2	MV-018916	Dulaan-Uul	27,697.26	Dornogolvi	Ulaanbadrakh	Badrakh energy
3	MV-018915	ZuuvchU-Ovoo	18,213.58	Dornogolvi	Ulaanbadrakh	Badrakh energy
4	MV-018914	Umnut	2,464.93	Dornogolvi	Ulaanbadrakh	Badrakh energy
5	MV-020629	Khairkhan	4,628.42	Dundgovi	Ulziit	Gurvansaikhan
6	MV-020633	Choir	10,386.24	Dundgovi	Bayanjargalan, Udunshil	Gurvansaikhan

Eight exploitation licenses for radioactive minerals and five exploration licenses are valid and registered under the MRPAM, covering an area of 132.7 thousand hectares of ten soums of four provinces.

5.2.3. Deposits of strategic importance

Resolution No. 27 of 2007 of the Parliament of Mongolia determined that the some deposits that may have economic and social impact on national security, national and regional economic and social development, or may produce or is producing more than five percent of the GDP in the given year shall be classified as deposits of strategic importance.

Table 28. Mineral deposits of strategic importance

No	Deposits	Types of minerals	Location	Enterprises holding the license	Ownership share	
					STATE	Enterprise
1	Asgat	Silver	Nogoonuur, Bayan-Olgii,	Erdenes Mongol LLC	100	-
2	Baganuur	Coal	Baganuur, Ulaanbaatar	Baganuur LLC	75	25
3	Boroo	Gold	Bayangol, Selenge	Boroo Gold LLC	-	100
4	Burenkhaan	Phosphorite	Alag-Erdene, Khuvsgul	Sutaikhan Tso LLC	-	100
				Topruonkhentso LLC		
				Talst Margad LLC		
5	Gurvanbulag	Uranium	Dashbalbar, Dornod	-	-	-
6	Dornod	Uranium	Dashbalbar, Dornod	-	-	-
7	Mardai	Uranium	Dashbalbar, Dornod	Adamas Mining LLC	-	-
8 9	Nariin Sukhait	Coal	Gurvantes, Umnugobi	Mongolyn Alt MAK LLC	-	100
				Chinhua MAK-NS LLC		
				SouthGobi Sands LLC		
				Usukh Zoos LLC		
10	Oyu Tolgoi	Copper, Gold	Khanbogd, Umnugobi	Oyu Tolgoi LLC	34	66
				Entrée LLC		
11	Tavantolgoi	Coal	Tsogttsetsii, Umnugobi	Tavantolgoi JSC	51	49
				Energy Resources LLC	-	100
				Erdenes - Tavantolgoi JSC	100	-
	Tumurtei	Metal	Khuder, Selenge	Dharkhan Metallurgical Plant Co., Ltd	100	-
12	Tumurtein Ovoo	Zinc	Sukhbaatar, Sukhbaatar	Tsairt Mineral LLC	-	100
13	Shivee Ovoo	Coal	Sumber, Gobisumber	Shivee-Ovoo JSC	90	10
				Erdenes Mongol LLC		
				Eikusora LLC		
14	Tsagaan Suvarga	Copper, Molybdenum	Mandakh, Dornogobi	Erdenes Tsagaan Suvarga LLC	-	100
				Mongolyn Alt MAK LLC		
15	Erdenetiin Ovoo	Copper, Molybdenum	Bayan-Andur, Orkhon	Erdenet Mining Corporation SOE	100	-

According to Resolution No. 300 "On Demarcation of Certain Mineral Deposit Areas of Strategic Importance", seven deposits, including coal deposits such as Nariin Sukhait,

Tavantolgoi, Shivee-Ovoo, Baganuur, and copper and molybdenum deposits such as Tsagaan Suvarga, Burenkhaanii Phosphorite, Erdenet copper and molybdenum deposits, were demarcated by the Government in 2018.

5.2.4. Artisinal mining

Artisinal or small-scale mining

Article 4.1.23 of the Law on Minerals defines "artisinal mining" as the activity carried out, for the purpose of extracting minerals from economically non-profitable deposit or area created following operational and technological waste, by the people established, as a partnership which is not registered pursuant to Article 481.1 of the Civil Code, as a partnership indicated in Article 35 or as a cooperative mentioned in Article 36.4 of the Civil Code.

5.2.4.1. Legal framework

Years of human rights violations and persecution resulted by illegal mining have gone in Mongolia, and it has made a great progress where the artisinal miners have been engaged in the formal economy and securing their rights. Only a decade ago, artisinal mining faced public aggression, and led to illegal mining, human rights violations, illegal detention, physical violence, and exclusion from basic social welfare services.

In July 2010, amendments were introduced into the Law on Minerals and the Law on Land, and in December 2010, the legal framework concerning the artisinal mining was established following the approval of the "Regulation on Artisinal Mining". As a result of the cooperation of the MMHI and the other partner organizations affiliated with the artisinal mining industry, the GoM Resolution No. 151 dated May 24, 2017 newly approved the "Regulation on Artisinal Mining". In January 2014, the 18th resolution of the Parliament approved the "State Policy on tMineral Sector" (2014-2025). As reflected in this policy document, the GoM, through the relevant procedures, decided to promote the collective efforts of those who extract minerals through artisinal mining, providing a legal structure. The procedures for artisinal-mining consist of the following parts, including:

- Background
- Filing and processing applications for mining
- Roles and responsibilities of artisinal miners
- Site eligible for artisinal mining
- Rights and responsibilities of Soum and District Citizens' Representative Khurals
- Rights and responsibilities of Soum and District governors
- Rights and responsibilities of Aimag and Capital Citizens' Representative Khurals
- Rights and responsibilities of Aimag and Capital city Governors
- Rights and responsibilities of state administrative organization
- Rights and responsibilities of central state administrative organization
- Rights and responsibilities of professional association of artisinal mining
- Site handover
- Monitoring and accountability

The implementation of the regulation allows the artisinal miners to have access to public services and carry out rehabilitation.

5.2.4.2. Contribution of artisanal mining to the economy

Using a formal network to sell the mined gold through, not only the artisanal or small-scale miners make an important contribution to increasing the official foreign currency reserves of the Bank of Mongolia but also they directly and indirectly create jobs and contribute to national and local economic development. Although Mongolia's gold supply chain is still in the formalization process, the final stage of the gold chain or trading gold to the Bank of Mongolia can formalize this chain.

Table 29. Gold traded by individuals to the Bank of Mongolia

Date	Total traded gold (gr)	Number of individuals	Amount traded by individuals (gr)
2022/01	1,659,009.40	34	840,430.20
2022/02	795,308.10	32	260,404.40
2022/03	985,660.20	28	350,809.40
2022/04	358,900.50	15	41,208.60
2022/05	2,151,971.00	46	990,742.40
2022/06	1,962,605.60	53	817,767.00
2022/07	1,759,586.80	26	644,249.00
2022/08	2,915,481.30	34	1,028,306.80
2022/09	2,416,439.10	28	727,486.60
2022/10	2,196,840.40	19	880,752.80
2022/11	2,667,034.80	35	1,215,084.40
2022/12	3,032,223.80	42	1,128,884.40
Total	22,901,061.00	392	8,926,126.00

Source: Bank of Mongolia

Individuals account for 56% of the total gold traded to the Bank of Mongolia, which proves that the artisanal mining has a great impact on the economy.

5.2.4.3. Dissemination and sources of information on artisanal mining

Detailed statistical information on Mongolian artisanal miners is available at the MMHI, the MRPAM, the MET, and the ASMNFM.

The Artisanal and Small-Scale Mining National Federation of Mongolia was established on May 2, 2013 at the first congress of small-scale miners and has been working steadily and successfully until today. The organization has active in cooperation with governmental and non-governmental organizations and international organizations in many areas, such as developing responsible artisanal mining industry in Mongolia, improving the legal environment of the industry, ensuring stability, protecting the interests of its members, and empowering them. The table shows the key regulations or Government decrees introduced to enhance the legal environment of extractive industries.

Table 30. Area eligible for artisanal and small-scale mining,

No	Provinces	Area eligible		Size	
		Number	Share	ha	Percentage
1	All	262	100	1063.7	100
2	Arkhangai	1	0.4	4.7	0.4
3	Bayan-Ulgii	2	0.8	53.7	5.1
4	Bayankhongor	57	21.8	152.2	14.3
5	Bulgan	29	11.1	126.	11.9
6	Govi-Altai	1	0.4	5.7	0.5

No	Provinces	Area eligible		Size	
		Number	Share	ha	Percentage
7	Darkhan-Uul	6	2.3	16.5	1.6
8	Dornogovi	2	0.8	9.5	0.9
9	Dornod	2	0.8	26.2	2.5
10	Dundgovi	13	5.0	104.5	9.8
11	Uvurkhangai	20	7.6	39.7	3.7
12	Umnugolvi	20	7.6	86.2	8.1
13	Selenge	52	19.8	220.0	20.7
14	Tuv	12	4.6	78.3	7.4
15	Ulaanbaatar	5	1.9	18.9	1.8
16	Khovd	4	1.5	11.2	1.1
17	Kentii	36	13.7	109.4	10.3

Source: Statistics of mineral resources 2022, MRPAM

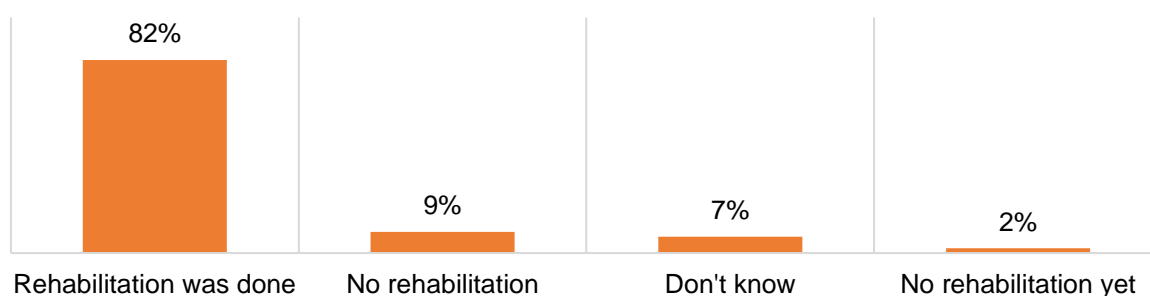
According to the 2022 statistics, the total area eligible for small-scale mining amounts to 1063.7 ha, and Selenge and Bayankhongor provinces account for the largest share, while Arkhangai and Gobi-Altai provinces account for the smallest.

5.2.4.4. Rehabilitation status

Prior to the start of mining, the artisanal miner places a rehabilitation security deposit (for example: 3,000,000 MNT or 1,052 USD) in the soum rehabilitation fund, which will be used in case the artisanal mining entity abandons the site without conducting the rehabilitation. However, it is not clear whether the local administration disburses the money for its intended purpose, or whether the money is issued in time to assist the small-scale mining entity to carry out the rehabilitation, and the disbursement of the funds accumulated under the fund is not reported or the information is not disclosed.

According to the 2022 policy report on the "Analysis of the Legal Environment of the Small-Scale Gold Mining Industry of Mongolia", 82% of the miners responded that they carry out the rehabilitation in the mining site where they had operated. Moreover, only nine percent reported that they had not done, two percent not yet, while the remaining seven percent mentioned that they were not sure. Two-thirds (69%) of miners who responded that they had participated in rehabilitation at their small-scale mining site reported that pits excavated were filled in closed as part of rehabilitation process.

Graph 2. Rehabilitation status



Source: Analysis of the legal framework of the small-scale gold mining industry of Mongolia

5.2.5. Selection process for mineral licensing

On April 12, 2022, following the order of the Minister of Mining and Heavy Industry of Mongolia, the Selection Procedure for Mineral Licensing ("**Licensing Procedure**") was revised and approved, and the Selection Procedure for Mineral Licensing adopted in 2018 was revoked.

Within the framework of Mongolia's long-term development policy, "Vision-2050", under the objectives to boost geological surveys, ensure economic growth in the medium and long term, and increase mineral resources, the Licensing Procedure was amended to digitize the selection procedure for mineral licensing and cultivate an environment where the process is carried out promptly and transparently.

Before adopting the Procedure, the authorized representative of the legal entity participating in the selection process must submit its application in the conventional form or individually print, sign, and seal the necessary documents.

Revising the Licensing Procedure eliminated such a conservative approach, allowing the entire tender selection process to be conducted electronically under public oversight per the principles of transparency and fairness.

5.2.6. Mineral licensing

The following table shows the number of mineral licenses for the end of the reporting year, analyzed by area, province, and capital.

Table 31. Number of valid mineral licenses, by area size, and by province and capital

No	Territory	All			Of which					
		Number of licenses	Area size (thous. ha)	Share in the territory	Exploitation			Exploration		
					Number of licenses	Area size (thous. ha)	Share in the territory	Number of licenses	Area size (thous. ha)	Share in the territory
1	All	2,544	5,950.6	3.9%	1,713	1,836.5	1.2%	831	4,114.1	2.6%
2	Arkhangai	30	29.9	0.5%	21	11.8	0.2%	9	18.0	0.3%
3	Bayan-Ulgii	68	214.7	4.7%	30	16.7	0.4%	38	198.0	4.3%
4	Bayankhongor	133	308.7	2.7%	100	167.3	1.4%	33	141.4	1.2%
5	Bulgan	110	187.9	3.9%	82	41.9	0.9%	28	145.9	3.0%
6	Gobi-Altai	123	527.7	3.7%	60	105.3	0.7%	63	422.4	3.0%
7	Gobisumber	16	44.6	8.1%	13	38.9	7.0%	3	5.8	1.0%
8	Darkhan-Uul	64	13.6	4.2%	61	8.3	2.6%	3	5.3	1.6%
9	Dornogobi	338	999.9	9.1%	213	268.1	2.5%	125	731.8	6.7%
10	Dornod	151	526.2	4.3%	73	68.2	0.6%	78	458.0	3.7%
11	Dundgobi	188	547.9	7.3%	122	182.8	2.4%	66	365.1	4.9%
12	Zavhan	41	154.3	1.9%	13	21.3	0.3%	28	133.0	1.6%
13	Orkhon	14	17.6	21.0%	9	10.7	12.7%	5	6.9	8.2%
14	Uvurkhanga	54	150.9	2.4%	30	18.1	0.3%	24	132.8	2.1%
15	Umnugobi	156	820.5	5.0%	107	486.1	2.9%	49	334.4	2.0%
16	Sukhbaatar	87	247.8	3.0%	68	56.1	0.7%	19	191.7	2.3%
17	Selenge	172	90.5	2.2%	139	47.0	1.1%	33	43.5	1.0%
18	Tuv	380	349.0	4.7%	304	160.7	2.2%	76	188.3	2.5%
19	Uvs	98	248.9	3.6%	46	21.2	0.3%	52	227.7	3.3%
20	Ulaanbaatar	96	10.0	2.1%	92	9.8	2.1%	4	0.2	0.05%
21	Khuvsgul	21	10.3	0.1%	21	10.3	0.1%	0	0.0	0.0%
22	Khovd	78	192.0	2.5%	36	29.5	0.4%	42	162.5	2.1%
23	Khentii	203	257.7	3.2%	128	56.5	0.7%	75	201.3	2.5%

Source: Statistics of mineral resources 2022, MRPAM

In terms of the number of licenses, Dornogobi, Tuv, Khentii and Dundgobi provinces are leading, while comparing the area eligible for mining and exploration licenses to the total territory, Dornogobi, Dundgob, and Umnogobi provinces are leading.

5.2.6.1. Regulations on the rights and duties of exploration and exploitation licenses included in the Law on Minerals

The following table shows the regulations related to licensing activities, which are reflected in the Law on Minerals.

Table 32. Legislations concerning the issuance of licences

Legal provision no	Competent authorities	Rights and responsibilities under the Law on Mineralsw
8.1.5.	Parliament	Limiting or prohibiting the prospecting, prospecting and use of minerals in a certain territory, or the granting of licenses for exploration and exploitation, upon the government's proposal or on its own initiative
9.1.11.	Government	Based on the proposal of the central state administrative organization in charge of geology and mining, determine the areas eligible exploration and exploitation licenses in cases other than those specified in Article 24.1 of this Law, and inform the public.
11.1.13.	Selection commission appointed by the order of the cabinet member in charge of state administration, geology and mining	Hold a selection process for licensing, land allocating for the purpose of small-scale mining and common minerals, and deliver a conclusion
11.1.16.	State administrative organization	Receive and register applications for participation in the selection process for mineral exploration and exploitation licenses
11.1.19	State administrative organization	Issue licenses for exploration and exploitation of minerals other than common minerals
11.1.25	State administrative organization	Determine and approve the selection areas for the issuance of licenses for mineral exploration and exploitation in accordance with this law
20.1	State administrative organization	The state administrative organization shall organize the selection process for the exploration license in accordance with the procedure specified in Article 10.1.2 of this law.
26.1	State administrative organization, MRPAM	Receive, review and process applications specified in Article 25.1 of this law

Source: Mineral Law

5.2.6.2. Process of license issuance for mineral exploration and exploitation

Table 33. Process of license issuance for mineral exploration and exploitation

Phase	State administrative organization	Process
1	MRPAM	A number will be issued to the person registered to apply, and the application will be received.
2	Cadastre Department, MRPAM	Determine whether the area mentioned in the application is eligible for mineral prospecting or exploration.
3	Local government	Application for exploration licenses shall be sent to the provincial or municipal government for a response within 30 days, and if no response is received within this period, the MRPAM shall consider the local government to have approved the proposal.
4	MRPAM	The fee for the first year of the license shall be paid by the applicant within 10 business days.
5	Cadastre Department, MRPAM	The MRPAM will issue a exploration license for a period of three years, and then the exploration license can be extended three times for a period of three years each.

Source: MRPAM

An applicant applying for an exploitation license at a location holding its own exploration license has priority over other applicant parties.

Table 34. Process of changing the mineral exploration license to an exploitation license

Phase	State administrative organization	Process
1	MRPAM	Applications will be received
2	Legal Department, MRPAM	Determine if there are any illegal items or outstanding payments.
3	Cadastre Department, MRPAM	Review whether the exploration license is registered in the cadastral system.
4	Cadastre Department, MRPAM	It is reviewed whether the area of use overlaps with other areas of special permission, water reserves, areas of special state needs and areas taken as reserves.
5	Department of Mining and Coal of MRPAM	The applicant shall verify that the ecological damage that may be caused by the extraction can be rehabilitated.
6	Legal Department, MRPAM	Review whether the applicant complies with the plans and other laws, rules and regulations issued by the Head of the Cadastre Department.
7	Cadastre Department, MRPAM	Approves the topography with coordinates. MRPAMM must issue appropriate resolution and respond to the applicant within 20 business days upon the registering the application. If denied, cause and legal precedence must be included as part of the denied response in writing.
8	MRPAM	The license fee for the first year shall be paid within 10 days from the date of notification.
9	Cadastre Department, MRPAM	Within three working days after making the first year's payment according to the law, a license for mineral exploitation will be issued for a period of 30 years, and then the special license for exploitation can be extended twice for a period of 20 years each.

Source: MRPAM

If one of the following criteria is met, exploration and exploitation licenses will be made available to the public and issued following a selection procedure. It includes:

- Company that completed the exploration work did not apply for an exploitation license for the area;
- In the area that had been explored with state budget funds;
- Revoked exploitation license due to violation of applicable law or court order;
- License expiration.

Table 35. Process of issuing mineral licenses under a selection procedure

Phase	State administrative organization	Process
1	MRPAM	Issue order to begin bidding process
2	MRPAM	Announce bid invitation to the public.
3	MRPAM	Receive bid offers. Publish bid invitation on national daily newspaper or other media, in not less than 30 days before tender selection.
4	Selection commission, MRPAM	Open technical bid offers.
5	Selection commission, MRPAM	Evaluate bidders on the basis of documents received from them
6	Selection commission, MRPAM	Open bid offers.
7	MRPAM	Announce the winner of the bid within 5 days after having the decision of selection committee.

Phase	State administrative organization	Process
8	MRPAM	Within 10 days, the notification will be sent to the winner about difference of price offer and threshold price, and about making payment for annual fee for the first year. Other bidders will be notified about the reason of failure to be selected.
9	Cadastre Department, MRPAM	A license will be issued according to the decision of the Head of the MRPAM and the selection commission.

Source: MRPAM

Transfer process of mineral licenses

Mineral licenses may be fully or partially transferred between enterprises under the following conditions. It includes:

- In case of restructuring, the license holder may transfer the license to the newly established enterprise.
- An associate or a subsidiary may transfer the license to its parent company.
- The license may be transferred if an entity purchased primary documents and reports related to exploration and paid relevant tax.
- The license may be transferred if an entity purchased the mining along with equipment and documents and paid relevant tax.

Table 36. Transfer process of mineral licenses

Phase	State administrative organization	Process
1	Cadastre Department, MRPAM	Relevant documents will be received.
2	Cadastre Department, MRPAM	Documents and other information will be reviewed.
3	Cadastre Department, MRPAM	A decision will be made within five days after the review.

Source: MRPAM

Technical and financial criteria applied for granting licenses (Requirement 2.2..a)

Licensing selection procedures remain unchanged in 2021, and the current licensing selection criteria are shown below.

The table below shows the assessment sheet for the technical proposal concerning the selection procedure for an exploration license, described under [the "Selection Procedure for Licensing", as amended by Order No. A/275 dated October 28, 2022.](#)

Table 37. Assessment sheet for the technical proposal concerning the selection procedure for an exploration license

No	Criteria	Assessment	The date
1	Assessment of project documentation	-	2-18
	Planning for geology fieldwork and exploration	12	-
1.1	Geological and exploration work are optimally and fully planned: The geological formation of the area is fully investigated, all potential types of minerals are evaluated, and the survey should be properly planned in conformity with the methodology.	10-12	-
	Geological exploration work is planned: The geological formation of the area has not been fully investigated, and the overall planning of the exploration phase is in place.	6-9	-
	Inadequate planning of geological and exploration work: The information on the exploration area has not been fully explored, the	2-5	-

No	Criteria	Assessment	The date
	objectives of the survey are ambiguous, and the prospects are not optimal.		
	Planning and information on environmental protection, rehabilitation, expenses and implementation period	0-6	-
	Environmental protection and rehabilitation are realistically planned (fully adequate): The planned expenses for the excavation and drilling for exploration purposes are adequately laid out.	5-6	-
1.2	Erroneous planning of environmental protection and rehabilitation works (planned): The planned expenses for the excavation and drilling for exploration purposes are inadequately laid out.	3-4	--
	Environmental protection and rehabilitation are realistically planned (fully inadequate): The planned expenses for the excavation and drilling for exploration purposes are inadequately laid out.	0-2	
2	Human resources and their competences		2-7
	Human resources	4	-
2.1	100% acquired permanent staff or technical engineer and geologists in charge of the project execution (social insurance contribution statement and other evidence).	4	-
	If the project is subject to outsourcing agreements (technical engineer and Geologists <99%).	0-3	-
2.2	Professional experience and competences	3	-
	Consulting-geologist of Mongolia is hired	3	-
	Specialized-geologist of Mongolia is hired	2	-
	Neither is available	1	-
3	Information and assessment of technical equipment applicable for the project (Verified by the contract and annexes.)		0-5
	In the case of fully equipped with one's drilling, geophysical, and other technical equipment to perform geological and exploration works (attachments of drilling evidences)	5	-
3.1	In the case of leasing drilling, geophysical, and other technical equipment for geological and exploration works or having contractual exploration works performed (Cooperation Agreement)	3-4	-
	Information on geological and prospecting equipment has not been submitted or is submitted erroneous information	0-2	-
	Total score	up to 30	

5.2.6.3. The process of issuance of licenses for the exploration, and the use of radioactive minerals

This process is regulated by the Nuclear Energy Law of Mongolia, and the following steps are required as per the article 18 "License granting procedure".

Table 38. Licenses for radioactive minerals

Phase	State administrative organization	Process
1	Nuclear Energy Commission	Provides a proposal/comments.
2	General Intelligence Agency	Provides a proposal/comments.
3	State administrative organization in charge of professional inspection	Provides a proposal/comments.
4	MRPAM	In accordance with the Law on Nuclear Energy, the documents to be submitted for the application will be reviewed, and determine if the applicant meets the requirements.
5	MRPAM	Make a decision on issuance of a license to conduct exploitation activities of this Law within 6-12 months and a license to conduct

Phase	State administrative organization	Process
		exploration activities within 1-3 months considering the specific characteristics of activities.
6	MRPAM	Provided the state administrative authority refuses to issue a special license, it shall give a written response specifying the justification of the decision.
7	MRPAM	If necessary, the state administrative authority shall have the right to have the documents of an applicant scrutinized and audited by a relevant organisation.

Requirements for applicants for radioactive minerals exploration licenses

- Full compliance with technical and safety requirements;
- Full compliance with occupational safety and hygiene requirements and standards;
- Active participation in addressing social problems such as regional development, health, and education;
- Adoption of globally recognized standards of corporate governance as well as social responsibility and ethics;
- Have a professional human resources in the operational field;
- Have experience in addressing employee training issues;
- Have the financial capacity to explore for radioactive minerals;
- Financial capacity for environmental and biological rehabilitation;
- Conducts responsible mining, and has relevant experience in this regard;
- Adhere to international standards and requirements for occupational safety and health in the mining industry.

Requirements for applicants for radioactive minerals exploitation licenses

- Fulfill all exploration requirements for the license applicants listed above;
- Fully financially independent, capable of selling radioactive minerals for peaceful purposes at world market prices;
- Have a sustainable and leading position in the world market of processing and sales of radioactive minerals;
- Have the financial capacity to extract radioactive minerals;
- Have extensive experience in extracting and processing radioactive minerals;
- Have advanced technology to fully exploit reserves of radioactive mineral deposit;
- Use more economical and advanced technologies in the processing and use of radioactive minerals;
- Capacity to introduce nuclear technology.

5.2.6.4. License issuance process for exploration and exploitation of common minerals

This process is regulated by the Law on Common Minerals, and the following steps are required in awarding the exploration license. The process is carried out under the following phases.

Table 39. Special licenses for exploration of common minerals

Phase	State administrative organization	Process
1	Governors of provinces and capitals	Receive and register applications.
2	Governors of provinces and capitals	Upon the registration, Governors shall undertake preliminary review of the application and attached documents to check if requirements for license applicant stated in this law is met and the completeness of application materials. If requirements are not met, refuse to accept the application and respond to the applicant in writing, informing the reason and justification of the rejection and enter notice in logbook of applications.
3	Governors of provinces and capitals	Identify if an area mentioned in the application does not overlap with areas restricted and prohibited for minerals exploration and exploitation, special purpose area, protected reserves, other licensed area or area requested prior by other applicants. Submit the application and related documents to state administrative body in electronic form.
4	State administrative organization	Review area requested in the application together with related documents and notify about decision to grant exploration license or not.
5	Governors of provinces and capitals	If state administrative body responded not to grant license, notify the applicant in writing and make entry to logbook of applications.
6	Governors of provinces and capitals	If state administrative body responded positively to grant license, resolve whether to grant an exploration license for common minerals within 10 working days considering the comments from the Council of soum, district, aimag or the capital city where the affected area is located.
7	Governors of provinces and capitals	If decided to grant exploration license, notify the applicant to pay annual fee for the 1 st year for the license within the period stated in this Law.
8	Governors of provinces and capitals	When the applicant fails to have its special license within 1 month upon decision to issue license or to pay annual fee for the first year within the period stated in this law, the Governor of aimag or the capital city shall remove the application from the registration and notify the applicant about it, then make entry to logbook of applications.
9	Governors of provinces and capitals	When the applicant successfully paid the annual fee for the first year within the period specified in this law, the license for common minerals shall be issued for 3 years within 5 working days upon payment.
10	Governors of provinces and capitals	Notify state central administrative body in-charge of construction and urban development, State administrative body, authority in charge of nature and environment matters for the aimag or the capital city where the affected area is located; and professional inspection agency on the issue of exploration license for common minerals.
11	State administrative organization	Enter the exploration license and the subject area into the database of licenses and topographies.

Source: Law on Common Minerals

In an area with a special license for mineral exploration, only the license holder has the right to apply for an exploitation license. The process of granting a license for the use of common minerals takes place in the following stages. It includes:

Table 40. Process of issuance of exploitation licenses for common minerals

Phase	State administrative organization	Process
1	Governors of provinces and capitals	Receive and register applications.
2	Governors of provinces and capitals	Upon the registration, undertake preliminary review of the application and attached documents to check if requirements for license applicant stated in this law is met
3	Governors of provinces and capitals	If requirements are not met, refuse to accept the application and respond to the applicant in writing, informing the reason and justification of the rejection and make entry to logbook of applications.
4	Governors of provinces and capitals	Make sure if the area requested by the application fits into the boundaries of exploration area if an existing exploration license holder applying for a mining license in the same area
5	Governors of provinces and capitals	Identify if an area requested in the application does not overlap with areas restricted and prohibited for minerals exploration and exploitation, special purpose area, protected reserves, other areas already covered by valid licenses.
6	Governors of provinces and capitals	Identify if mineral reserve estimated by the exploration activities and its valuation is sufficient enough to cover the cost of rehabilitation of any damages may cause to the nature and environment due to extraction activities
7	Governors of provinces and capitals	Within 15 working days upon the application registered, make one of the decisions mentioned below and notify the applicant about the decision.
8	Governors of provinces and capitals	Upon the registration, undertake preliminary review of the application and attached documents to check if requirements for license applicant stated in this law is met
9	Governors of provinces and capitals	If an existing exploration license holder applying for a mining license in the same area, the area will be granted for mining license as to the exclusive rights of such applicant, and have the applicant make payment of annual fee for the first year of the mining license within the period specified in the law.
10	Governors of provinces and capitals	if an area requested in the application does overlap with areas restricted and prohibited for minerals exploration and exploitation, special purpose area, protected reserves, other areas already covered by valid licenses; refuse to issue mining license and respond to the applicant in writing, informing the reason and justification of the rejection and make entry to logbook of applications.

Source: Law on Common Minerals

Statistics of license application

Information on the 114 licenses that were revoked in 2022 is shown in Appendix 15 of this report

5.2.6.5. Newly issued and transferred licenses in 2022 (Requirement 2.2.a)

The following table shows the information on the licenses transferred in 2022, submitted by the MRPAM.

Table 41. Transferred exploitation licenses in 2022

Number of license	Area name	Area size (ha)	Owner	Newly created T/Z	Registration	New owner
MV-021354	Buyant	177.41	GAAS	-	5878756	Khukh Bishrelt
MV-021088	The eastern terrace of Tuul Polygon	30.53	Golden Hammer	-	6047424	Bulgan mining
MV-018976	Dartsagt	1,304.81	Alishaa Khairkhan	-	6723535	W H Graphite Natural
MV-000203	khuder	21.74	Uulsnoyon	-	5614546	Khairkhan uuliin numur
MV-021972	Tuuliin Ikh tohoirol	31.75	Glimstar	-	6171346	Wind Mind
MV-021251	Munkhtiin Tsagaan durvuljin	239.68	Lithium mining	-	6836437	Blue Whale Resource
MV-000169	Dund ulunt	12.77	Ulz gol	-	4286596	Usukh Bileg Erdene
MV-007978	Tsagaan gorzgor	232.10	Khurai	-	5533538	Mongolian Express MH
MV-005484	Khuiten	149.56	Amuse	-	6159737	Mining and Operations
MV-021355	Bumbat-5	8.33	Zaamar Gold	-	6858422	Ikh Asur
MV-017512	Ikh bulag	388.62	IIGAA	-	5987652	Joo Bang Seok
MV-016852	Salkhit bor tolgoi	190.58	Reservoir Mongolia	-	6836437	Joo Bang Seok
MV-021203	Tokhoi-1	50.83	Olz gazar	-	5355141	Enkhzoo
MV-000436	Urtunt, Nariin jalga	40.64	Tsahirshonkhor	-	6862578	MS bel Mining
MV-001231	Ulaan-Ovoo	175.74	Redhill mongolia	MV-022059	5002265	YuGL Enterprises
MV-021068	Bumbat-5	175.78	Zaamar Gold	MV-022118	5835704	Tamsag Alt Traid

Source: MRPAM

There are 2,043 valid licenses in 2022 (Appendix 15a), and 52 exploration licenses have been transferred and 57 newly issued licenses are shown in Appendices 15 c and 15b, respectively

5.2.6.6. Transparency of licenses (Requirement 2.3)

As of 2022, information on 2,713 licenses has been disclosed on the cadastral page of the MRPAM (<https://cmcs.mrpam.gov.mn/cmcs>).

Table 42. License transparency

Organization name	Transparency of license information
MRPAM	No
EITI Secretariat	No

The EITI Secretariat discloses information on mineral licenses on its website. However, no information available on the website on mineral licenses since 2019.

5.3. Exploration, production and export of minerals (Requirement 3.1)

5.3.1. Minerals exploration

The following table shows enterprises that signed contracts to perform prospects in 2022.

Table 43. Enterprises that signed contracts to perform prospects in 2022

No	Name of the contracting company	Type	The date of signed contracts
1	Jade Gas Mongolia LLC	Coal Bed Methane Gas	2022.01.27
2	Baruun Naran Gas Mongolia LLC	Coal Bed Methane Gas	2022.07.22
3	Uuguganbulag LLC	Oil	2022.12.23

Works carried out in 2022 in the exploration fields subject to PSA:

- 550.9 km 2D seismic survey in Ergel XII field;
- 500 km 2D seismic survey in Tokhom X field;
- In the Nomgon IX field, a 341 km 2D seismic survey and 19 holes; a total of 11,133 m of drilling. Experimental extraction of methane gas;
- Drilling of 10 holes, totaling 7,262.5 m in Tavantolgoi XXXIII field;
- 20 km 2D seismic survey, drilling of five holes, totaling 2,321.8 km in Gurvantes XXXV field;
- 100 km 2D seismic survey in T1 area, one hole drilled for 163 km long, suspended due to local opposition;
- 66 km 2D seismic survey in Bogd IV field,
- In the Ongi V field, two holes totaling 1,271 m were drilled.

Six valid prospect contracts:

- One oil prospect contract
- Five coal bed methane prospect contracts

Privately funded exploration activities

Certain articles of the Minerals Law apply for plan, work report, review and approval of cost for privately funded exploration activities. For instance, annual exploration plan is submitted as per the article 48.1.1, annual reports of exploration activities are received and reviewed as per the article 48.1.2, the minimum cost is specified as per the article 33.1 and exploration cost is approved based on a legal person's financial report for the year as per the article 33.2, respectively.

In 2022, exploration license holders had disbursed 157,707.6 million MNT on exploration, and the following table shows the breakdown of activities compared to the previous year.

Table 44. Expenditure on geological and exploration, by work type, in million MNT

Type of work	2021		2022	
	Amount	Percentage	Amount	Percentage
All	102,519.5	100	157,707.6	100
Preparation work	2,827.9	2.8	2,041.2	1.3
Field mapping	1,581.6	1.5	1,266.7	0.8
Exploration route	1,325.4	1.3	761.0	0.5
Sampling	1,069.3	1.0	126.2	0.1
Geophysical work	3,625.7	3.5	4,685.4	3.0
Field sampling	1,219.2	1.2	1,214.0	0.8
Drilling	63,058.2	61.5	108,498.6	68.8
Sampling	3,247.7	3.2	5,831.3	3.7
Laboratories	6,811.3	6.6	9,227.7	5.9
Transportation	3,017.3	2.9	3,145.3	2.0
Topogeodesis research	885.6	0.9	898.8	0.6
Hydrogeological research	992.0	1.0	953.8	0.6
Geocological research	69.7	0.1	167.1	0.1
Archaeological and paleontological studies	354.5	0.3	201.1	0.1
Environmental rehabilitation	517.3	0.5	1,042.4	0.7
Basic processing	5,130.4	5.0	5,372.6	3.4
Contingencies	544.4	0.5	35.8	0.0
Others	6,241.9	6.1%	12,238.7	7.8%

Source: Statistics of Mineral Reserves 2022, MRPAM

When the 2022 breakdown of exploration costs compared to the previous year, it can be seen that total costs have increased by about 53.8%, and drilling, environmental rehabilitation costs, and other costs have increased the most.

5.3.2. Production of mining products

The mining sector is the main product of Mongolia and it accounts for 23.6% of the GDP as of 2022. This is an increase from the previous year as is demonstrated in the following table.

Table 45. Production of mining products (millions)

Meaning	2020	2021	2022
GDP	36,958.6	43,555.4	53,851.5
Mining and extraction (price)	7,994.0	10,753.7	12,402.4
Total industrial production	16,700.0	18,538.0	20,537.8

Meaning	2020	2021	2022
Share of mining industry in the GDP	21.6%	25.4%	23.6%
Share of industrial sector	56.5%	42.6%	38.1%

Source: NSO

Due to the extreme weather conditions in Mongolia, the amount of coal production and sales fluctuate. In October-December, coal production and sales are the highest, and in March-May, it is lowest.

Table 46. Coal production, sales and exports

Year	Extraction (thous.tn)	Sales (thous.tn)	Export (thous.tn)
2022	39,340.0	39,122.9	27,545.1
2022.I	2,163.5	1,636.2	443.1
2022.II	1,626.4	1,571.1	503.1
2022.III	2,046.8	1,949.1	981.6
2022.IV	2,344.6	1,427.2	680.0
2022.V	1,923.6	1,433.9	832.3
2022.VI	2,129.5	2,287.1	1,757.4
2022.VII	2,304.8	2,936.1	2,434.6
2022.VIII	3,601.9	3,821.1	3,083.2
2022.IX	4,249.4	4,941.4	3,849.9
2022.X	5,128.2	5,295.3	3,954.4
2022.XI	5,417.9	5,530.4	4,181.5
2022.XII	6,403.4	6,294.7	4,844.2

Source: Statistics of mineral resources 2022 MRPAM

In 2021, 43,079.3 thousand tons of coal, 1,326.3 thousand tons of copper concentrate, and 19.5 thousand tons of gold were mined.

Table 47. Extraction of the key mining products

No	Mineral type	Unit of measurement	2021	2022
1	Coal	thousand.tons	43,079.3	37,294.7
2	Copper concentrate	thousand.tons	1,326.3	1,189.8
3	Gold	tons	19.1	19.4
4	Molybdenum concentrate	thousand.tons	6,326.0	5914.2
5	Iron ore	thousand.tons	9,171.9	7659.9
6	Iron ore concentrate	thousand.tons	3,676.8	1728.1
7	Fluorspar ore	thousand.tons	118.3	122.9
8	Fluorspar concentrate	thousand.tons	60.3	24.5
9	Zinc concentrate	thousand.tons	75.2	399.6

Source: MMHI

Compared to last year, the decrease in the production of key mining products: coal 5,784.6 thousand tons or 13.4%, gold 1,171.1 kg or 5.8 percent, iron ore 52.5 thousand tons or 0.6 percent, iron ore concentrate 136.5 tons or 10.3%, fluoride ore 9.0 thousand tons or 7.1 percent, fluoride concentrate decreased by 24.7 thousand tons or 29.1%, zinc concentrate by 1.1 thousand tons or 1.5 percent.

5.3.3. Export of mining products (Requirement 6.3)

The table below shows the average export price of mineral products.

Table 48. The average export price of mineral products /USD/

Product type	Unit of measurement	December (In an increased amount)		Change	
		2021	2022	Difference	Percentage
Coal	tons/usd	175.8	205.0	29.1	16.6
Copper concentrate	tons/usd	2,261.1	1,881.8	-379.2	-16.8
Iron ore and concentrate	tons/usd	134.0	82.6	-51.4	-38.3
Zinc ore and concentrate	tons/usd	1,566.6	2,006.5	440.0	28.1
Juniper ore and concentrate	tons/usd	223.4	285.0	61.5	27.5
Gold	tons/usd	58,234.4	57,345.0	-889.4	1.5

Source: Ministry of Mining

The export of mineral products increased by 3,026.0 million USD or 40.3% from the same period last year.

Table 49. Export revenue of major products / million.USD /

Product type	December (In an increased amount)		From the same period last year	
	2021	2022	Difference	Percentage
Copper concentrate	2,899.9	2,734.8	-165.0	-5.7
Coal	2,763.9	6,495.1	3,731.1	135.0
Iron ore	952.2	391.0	-561.2	-58.9
Zinc concentrate	176.4	283.3	106.9	60.6
Gold	1,004.5	1,127.4	122.9	12.2
Crude oil	273.4	241.8	-31.5	-11.5
Cathode copper	88.5	82.5	-6.0	-6.8
Jonsh concentrate	144.1	110.5	33.6	-23.3

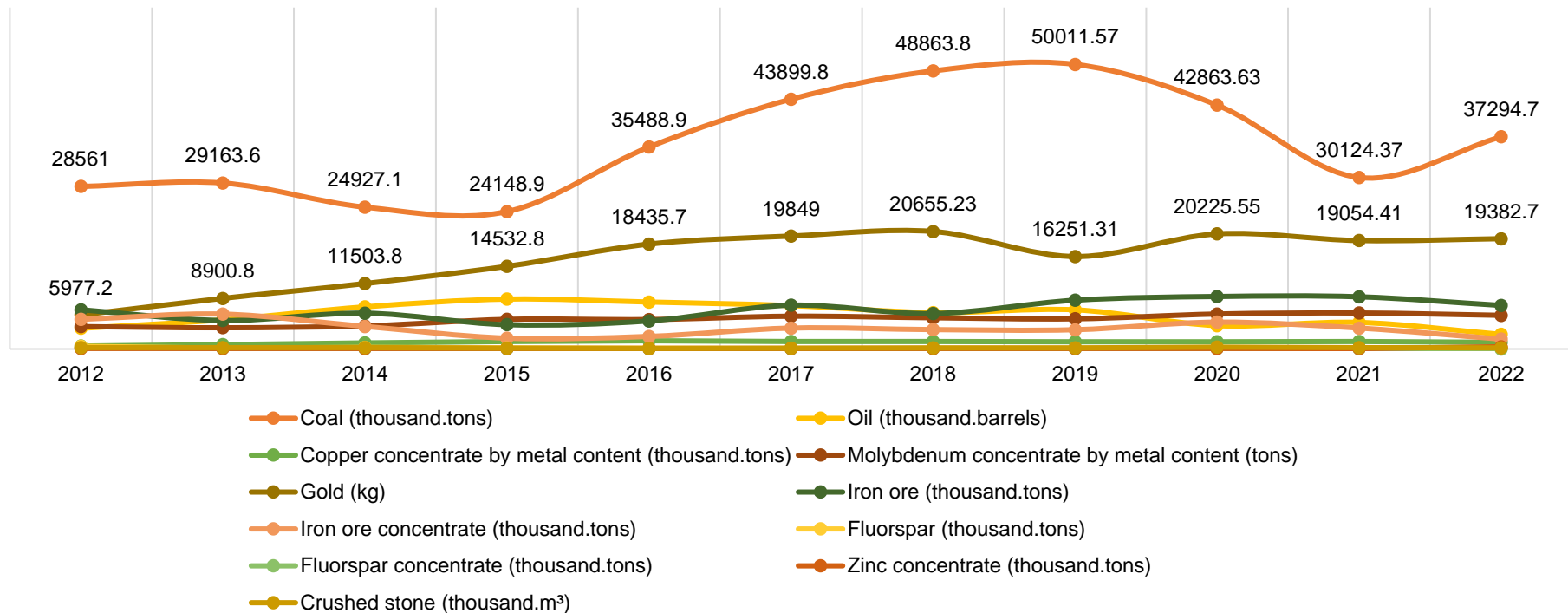
Source: General Department of Customs

Table 50. Production of key mining products in the last 10 years

Key products	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Coal (thousand.tons)	28561	29163.6	24927.1	24148.9	35488.9	43899.8	48863.8	50011.57	42863.63	30124.37	37294.7
Oil (thousand.barrels)	3635.9	5129	7405.3	8769.1	8249.8	7624.3	6388.5	6876.06	4105.88	4667.13	2565.4
Copper concentrate by metal content (thousand.tons)	517.9	803	1080.4	1334.7	1445.1	1317.6	1310.8	1262.4	1276.75	1326.31	1183.8
Molybdenum concentrate by metal content (tons)	3933.9	3732.1	4054	5207	5174.4	5759.6	5486.1	5302.8	6147.7	6326.06	5914.2
Gold (kg)	5977.2	8900.8	11503.8	14532.8	18435.7	19849	20655.23	16251.31	20225.55	19054.41	19382.7
Iron ore (thousand.tons)	6898	5011.9	6293.1	4273.6	4936.2	7694.7	6225.37	8572.2	9224.44	9171.93	7659.9
Iron ore concentrate (thousand.tons)	5214.1	6124	3967.4	1899.8	2209.9	3675	3405.6	3386.36	4716.44	3676.78	1734.7
Fluorspar (thousand.tons)	484.4	161.7	303	183.5	167.7	108.9	101.2	156.15	127.28	118.28	122.9
Fluorspar concentrate (thousand.tons)	157.2	76.4	71.9	47.3	34.1	55.2	80.7	47.5	84.98	60.25	24.5
Zinc concentrate (thousand.tons)	119.1	104.1	93.2	89.6	100.2	82.7	87.9	83.08	76.29	75.2	400.1
Crushed stone (thousand.m ³)	232.5	230.4	249	141	101.4	151	177.2	213.53	324.34	247.17	181.5

Source: NSO

Graph 3. Production of major mining products over the past 10 years



Source: MMHI

The total foreign trade turnover reached 21,244.8 million USD by the end of 2022, an increase of 5,158.2 million USD or 32.1% from the same period last year. Export prevailed over imports, reaching an increase of 3,836.0 million USD. Of the total product sales of the industrial sector, 18.9 trillion MNT, or 62.2%, were sold in the foreign market. Of this, 18.0 trillion MNT, or 95.4% were products of the mining and extractive industries.

Mining products such as coal, copper concentrate, iron ore, zinc concentrate, fluorite, crude oil, and crude or semi-processed gold accounted for 84.1% of the total exports.

The table shows the top four products of the mining and extraction industry in terms of export quantity and value.

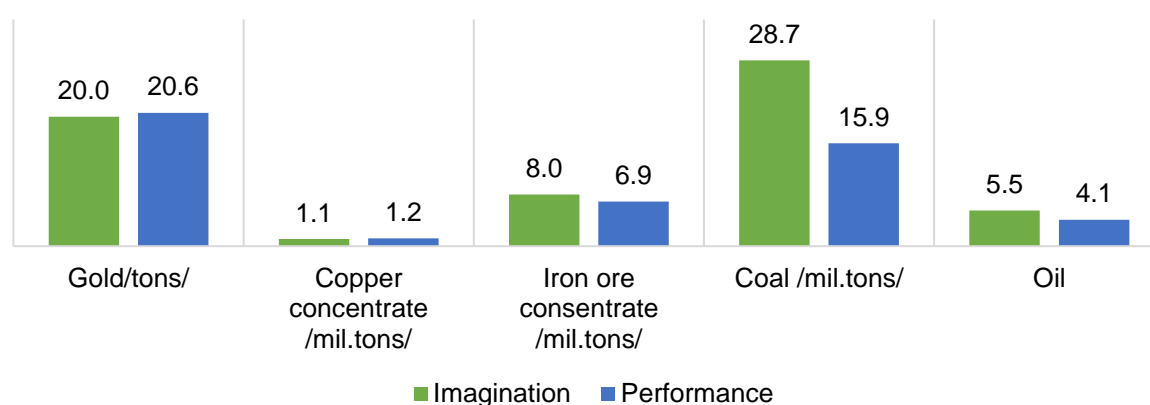
Table 51. Export volume and value of leading export products in 2022

Product type	Unit of measurement	December (in increments)		From the same period last year	
		2021	2022	Difference	Percentage
Copper concentrate	thousand.tons	1,282.5	1,453.3	170.8	13.3
Coal	million.tons	15.7	31.7	16.0	101.7
Iron ore and concentrate	million.tons	7.1	4.7	-2.4	-33.4
Zinc ore and concentrate	thouand.tons	112.6	141.2	28.6	25.4
Gold	tons	17.2	19.7	2.4	14.0
Crude oil	million.barrels	4.3	2.6	-1.7	-40.1
Cathode copper	tons	9.8	10.0	0.2	1.6
Parsley concentrate	thousand.tons	644.7	387.7	-256.9	-39.9

Source: GDC

Four products such as coal, brown coal, refined copper and alloys, and fluorspar were exported in the largest amount.

Graph 4. Export performance of the mining sector in 2022



According to the MMHI, the export performance of the country's mining industry has shown unsatisfactory results for products other than gold and copper concentrate, in comparison to the preliminary projections. The amount of coal exports was lower than the projections. In mining exports, the export volume of the key products and the coal reached +176.7% of the expected performance.

5.4. Oil and natural gas

5.4.1. Petroleum overview

Petroleum products account for 84.5% of the import value of mineral products. By the end of 2021, 1,764.1 thousand tons of oil products worth 1,131.8 million USD were imported, a decrease of 98.6 thousand tons or 5.3 percent compared to the same period last year. However, it shows an increase of 314.9 million USD or 38.6% in terms of value. Gasoline and

diesel fuel account for 86.7% of the total value of import of oil products, and of which 34.6% is gasoline and 52.1% is diesel fuel.

Import of gasoline: 572.7 thousand tons of gasoline worth 391.1 million USD was imported by the end of 2021, a decrease of 13.4 thousand tons or 2.3 percent from the same period last year, yet increase of 146.4 million dollars or 59.8% in terms of value. The average import price of 1 ton of gasoline reached 682.8 USD, an increase of 265.3 USD or 63.6%.

Import of diesel fuel : By the end of 2021, 988.9 thousand tons of diesel fuel worth 590.1 million USD was imported, which increased by 157.7 million USD or 36.5% from the same period last year, yet a decrease of 37.9 thousand tons or 3.7 percent in physical volume. The average import price of 1 ton of diesel fuel was 596.7 USD, an increase of 175.6 USD or 41.7%.

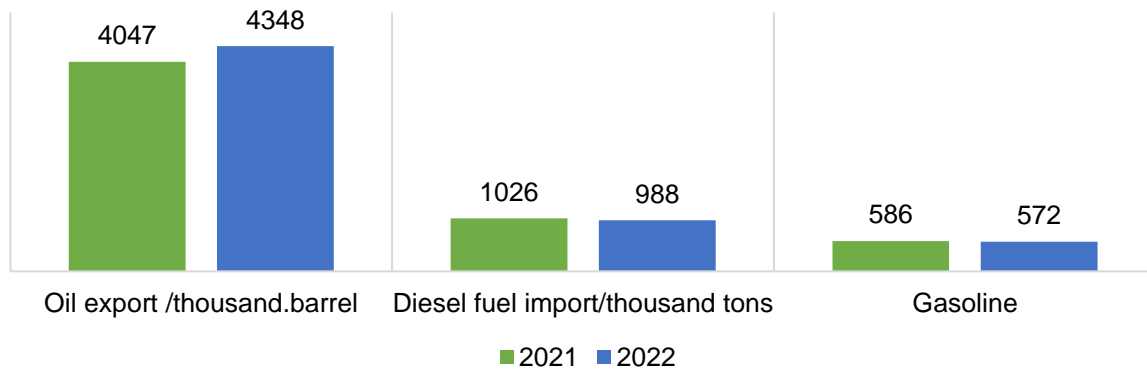
Oil reserves : The Minerals Professional Council affiliated with the Ministry of Mineral Resources and Energy reviewed the oil reserve estimation report of Toson Uul XIX, Tamsag-XXI and the 1997 PSA, for the period between 2010 and 2012. As a result, the oil reserves of these areas were transferred to the General Mineral Reserve Fund of Mongolia. In 2021, Matad XX area reserve was additionally transferred. A total of 333.789 million tons of oil are registered under the General Mineral Reserve Fund of Mongolia, of which 43.4 million tons are considered subject to exploitation guarantee.

Oil exploitation : 31 contractors are working in 28 areas out of 33 prospective oil exploration fields in Mongolia, under to the PSA agreement approved by the government. Of these, the "Petrochaina Dachin Tamsag" LLC operates in the Toson-Uul XIX and Tamsag XXI areas; the "Donshen Oil (Mongolia)" LLC in the PSC-97 area, and the "Petromatad" LLC in the Matad XX area for oil exploitation and extraction activities.

Oil production and export: The representatives and experts of the local branch organizations of GDC, General Authority for Special Inspection, General Authority for Border Protection, General Authority for Citizenship and Migration and the relevant departments of the MRPAM conduct regular on-site monitoring in oil export activities. Amber LLC, which has the right of cross inspection, has been conducting quantitative and qualitative analysis of oil extracted and exported from the 1997 PSA area since 2009, and quantitative and qualitative analysis of oil extracted and exported from Toson-Uul XIX and Tamsag XXI areas since 2011. In addition, in 2013, the construction of the customs control area was completed and put into use from December 16.

Between 1996 and 2021, a total of 73.4 million barrels or 9.93 million tons of oil were produced in Mongolia, and 70.1 million barrels or 9.50 million tons of oil were exported to China, and a total of 2 trillion MNT from oil revenue was collected in the budget of Mongolia.

Mongolia does not import oil, yet only imports petroleum and oil products. The following graph shows the comparison of oil exports and imports of petroleum and oil products in the last two years.

Graph 5. Year-over-year comparison of oil exports and oil product imports

5.4.2. Overview of natural gas

Three companies listed on the Australian Stock Exchange have been exploring methane gas in Mongolia since 2019 and have started drilling test boreholes, which allows for identifying the country's methane gas reserves and its exploitation potential.

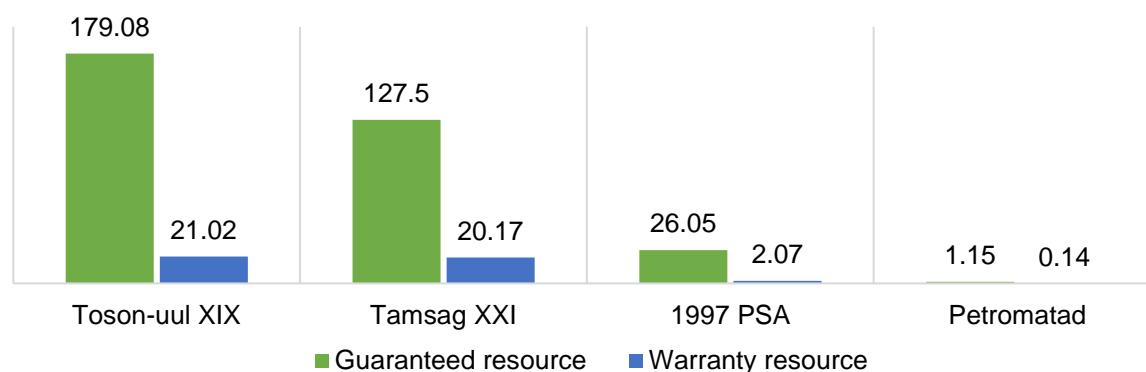
Countries worldwide continue to exploit and benefit from methane gas in the energy, heat, and chemical sectors. Major cities have managed to eliminate air pollution by exploiting natural gas as an energy source. Since Mongolia has abundant coal resources, experts believe extracting methane gas from coal beds is feasible.

Methane gas borehole drilling is being carried out by three well-known companies based in Umnogov province, namely, "G O H," "Methane Gas Resource," and "Telmen Resource". As part of the Australian Government's technical assistance, a prospective study of coal bed methane gas in Mongolia was conducted by internationally recognized domestic and foreign experts on methane gas, and 7.4 trillion cubic meters of methane gas resources were determined.

5.4.3. Oil reserves

Regarding oil reserves: MPC affiliated with the Ministry of Mineral Resources and Energy (MRM) between 2010 and 2012 reviewed and discussed the oil reserve reports of the PSA of Toson-Uul XIX, Tamsag-XXI and the 1997 PSA, and the oil reserves of these areas were transferred to the Mineral Resources Reserve Fund following the Order of the Minister of Mineral Resources and Energy. In 2021, Matad XX area reserve was additionally transferred to the Fund.

A total of 333.789 million tons of oil are registered in the Mineral Resources Reserve Fund, of which 43.4 million tons of oil are subject to use-guaranteed reserve. This information still needs to be updated on the MRPAM website as of 2022.

Graph 6. Oil reserves of deposits transferred for use in Mongolia, million tons

Source: MRPAM

Comparing the reserves of petroleum products in the last two years, Comparing the reserves of petroleum products in the last two years, the reserves of A-80, AI-95, and Diesel fuel have decreased, while the reserves of other products have risen.

Table 52. Reserves of oil products for the last two years (tons)

Type	2021	2022
Gasoline A-80	10,142	6,333
Gasoline AI-92	40,355	43,209
Gasoline AI-95	5,207	3,903
Diesel fuel	54,028	43,157
Airplane fuel TC-1	1,706	4,718

Source: MRPAM

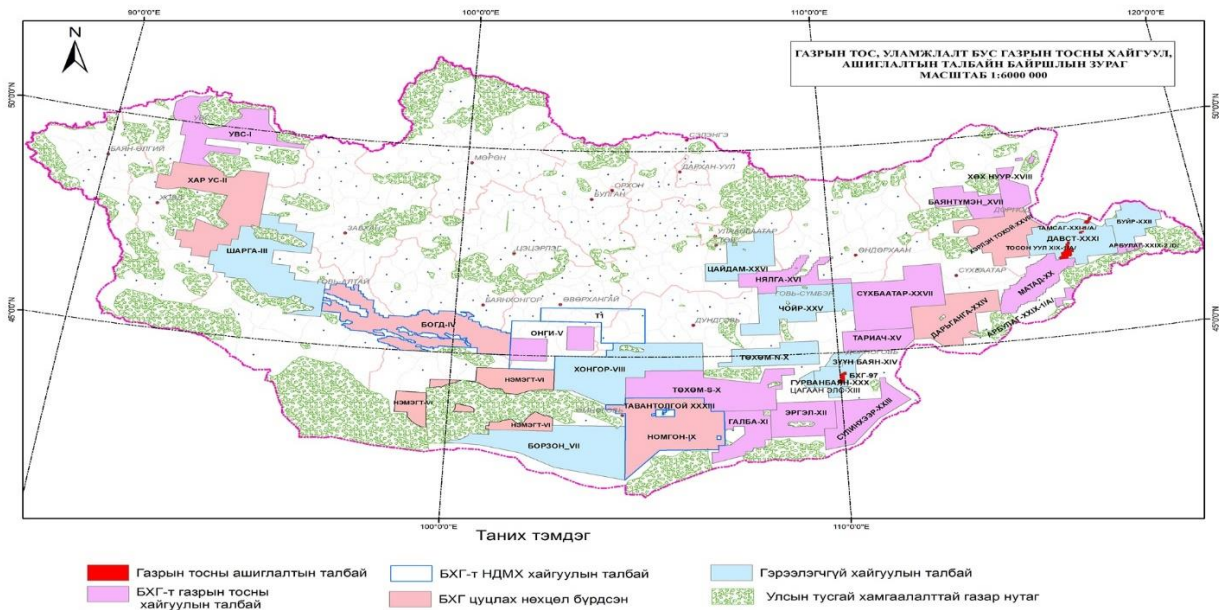
Nationally, in 2022, enterprises with special licenses imported 1,875,343.0 tons of fuel and gasoline, which is an increase of 68,469 tons or 3.7 percent from the previous year.

On December 28, 2021, the price of AI-92 fuel was sold at 2,370 MNT per liter, yet a year later, on December 27, 2022, the cost of AI-92 fuel increased by 162 MNT to 2,532 MNT.

5.4.4. Oil exploration

The image below shows details concerning oil exploitation areas in Mongolia, oil exploration areas in PSC, PSC-NDMK exploration areas, exploration areas without contractors, and specially protected areas of the State.

Figure 3. Location of oil and unconventional oil exploration and exploitation areas



Source: MRPAM

Currently, 31 contractors are working in 28 fields out of 33 prospective oil exploration fields in Mongolia under the PSA approved by the government.

5.4.5. Petroleum licensing

Matters related to oil prospecting, exploration and production are regulated by the Mongolian Law on Petroleum.

Petroleum prospecting means geological, geochemical, and geophysical survey work to be performed for the purpose of determining the prospects of petroleum and unconventional petroleum in a certain region.

Petroleum exploration means geological, geochemical, geophysical, drilling, and extraction testing work to be performed for the purpose of finding an oilfield and establishing an amount of the reserves.

Petroleum exploitation includes development and extraction of petroleum and unconventional petroleum deposit.

In November 2015, the Government approved (GOM decree no.430) 'Model agreement to support environmental protection and local development' to be concluded between local governments and petroleum license holders.

In March 2016, the Government approved (GOM decree no.179) 'Model Agreement on Issues of environmental protection, mine exploitation, and infrastructure development in relation to mine site development and jobs creation' as a model cooperation agreement between local governments and minerals exploration and exploitation license holders.

The Petroleum Authority of Mongolia, the Government implementing agency for licensing, registration and monitoring merged with the Mineral Resources Authority of Mongolia in 2016 and became Mineral Resources and Petroleum Authority of Mongolia (MRPAM)

5.4.6. Process of transferring and issuing oil license (Requirement 2.2.a)

Table 53. Process of awarding petroleum exploration license

Phase	Process
Submit a request to the Central State Administration Organization	A copy of the PSA
	Environmental impact assessment
	Work plan for the given year
	A proof of deposit of cash amount equal to 3% of investment to the exploration work of the relevant year, or to 1% of its profit-bearing oil during an exploitation phase for that year respectively into an escrow account annually in a bank operating in Mongolia within 60 days from the approval of its plan and budget as a guarantee of contractor's full performance of its obligation for environmental rehabilitation and demobilization of exploration or exploitation buildings and facilities
Issuance of a license by the State Central Administrative Body (MMHI)	After reviewing the documents, the exploration license shall be issued to the following subjects by the exploration term:
	As a result of the prospecting, a production sharing agreement was established
	Won the open competitive tender and concluded a contract
	The period of petroleum exploration shall be up to eight years, which may be extended twice by the State Administrative body for up to two years.
	Non-conventional oil exploration period shall be up to ten years, which can be extended by the state administrative body once for up to five years.
	The exploration period shall be calculated from the date of concluding the production sharing agreement.
Approve the exploration work plan and budget by the the State Central Administrative Body (MMHI).	A state-owned oil refinery will be granted a license to conduct oil exploration in fields privileged by the government.
	The State Central Administrative Body shall approve the exploration work plan and budget for the first year within 120 days from the date of concluding the production sharing agreement, and the exploration work plan and budget within the first quarter of the following year.

Source: MRPAM

The oil exploration license is issued according to these stages, and the oil exploration license is awarded in a following manner.

Table 54. Extension process oil exploration license

Phase	Process
Request to the State Central Administrative Body (MMHI).	Report on work performed during the term of exploration license
	Report on works of environmental protection and rehabilitation
	Work plan to be performed during the extension period and draft budget
Extension of the license by the the State Central Administrative Body (MMHI)	After reviewing the documents, the license of the subject that concluded the production sharing agreement directly as a result of the exploration work and won the open competitive tender shall be extended twice for up to two years if it is considered that there is a ground.
	The State Administrative body shall notify the local administration of the issuance and renewal of the exploration license.

Phase	Process
The State Central Administrative Body (MMHI) rejects to extension	The exploration period shall not be extended in case of failure to fulfill its obligation of performing the minimum amount of exploration work for two or more times

There are fewer stages in the issuance of oil extraction licensing than in the exploration licensing, and the details are displayed in the following table.

Table 55. Process of issuance of oil exploitation licences

Phase	Process
Request to the State Central Administrative Body (MMHI)	Within 30 days from the date of the decision by the State Central Administrative Body to accept the oil reserves, the contractor shall submit a request to conduct exploitation operations.
Submit documents to the State Central Administrative Body (MMHI).	Decision by the State Central Administrative Body on registration of oil reserves.
	Work plan to be performed for the year and draft budget.
	Operation plan on exploitation of the deposit.
	Detailed environmental impact assessment in the course of exploitation.
	Topographic map showing coordinates of the corner points of the field for exploitation.
Approve the exploration work plan and budget by the State Central Administrative Body (MMHI).	A proof of depositing three percent of the annual exploration investment and one percent of the contractor's profit oil in the escrow account of a bank operating in Mongolia as a guarantee to fulfill its environmental rehabilitation obligations and to dismantle the exploration and production facilities.
	The State Central Administrative Body shall notify the local administrative body of the issuance and renewal of the exploitation license.
	Within 90 days after the issuance of the exploitation license, the coordinates of the corner points of the mining area shall be determined in degrees and seconds on the topographic map of the model, the boundaries of the mining area shall be measured and the marking shall be done by the relevant professional organization.

Please refer to the table below for details on the process of renewing the oil exploitation license.

Table 56. Process for renewal of oil exploitation licenses

Phase	Activity
Request to the State Central Administrative Body (MMHI)	The following documents shall be submitted to the State Central Administrative Body through the State Administrative Body.
	Request and grounds for extension of exploitation license;
	Report on work performed during the term of exploitation license;
	Report on works for environmental protection and rehabilitation;
	Action plan for the year and draft budget.
Approve the exploration work plan and budget by the State Central Administrative Body (MMHI)	The State Central Administrative Body shall notify the local administrative body of the issuance and renewal of the exploitation license
	Within 90 days after the issuance of the exploitation license, the coordinates of the corner points of the mining area shall be determined in degrees and seconds on the topographic map of the model, the boundaries of the mining area shall be measured and the marking shall be done by the relevant professional organization.

Table 57. Technical and financial criteria for licensing

State administrative organization	Process
MRPAM	The MRPAM shall announce that an exploration area has been declared for open tender on its webpage and through the daily press and mass media not less than three times.
MRPAM	<p>The period for accepting bids to participate in an open shall be up to 60 days, and the MRPAM shall arrange and announce the end of the period to accept exploration area bids within five days of acceptance of a first bid for the exploration area. A bidder shall provide the following documents:</p> <ul style="list-style-type: none"> - Documents evidencing a bidder's legal status; (<i>registration certificate</i>) - A prospectus for the bidder and its investment; - Full name, position, address, phone number, fax number, and email address of a person representing the bidder, evidence proving that the right of representation has been granted to that person; - Documents evidencing the bidder's technical, equipment, and professional capabilities; - Security of the funds to be spent on exploration work; - A work plan and budget to be performed during the exploration term; - Proof that the service fee for the exploration area bid in tugriks equal to an amount of USD20 thousand has been paid; - If a bidder is a consortium, the obligations of each party in exploration and exploitation operations and the percentage and amount of their participation;
MRPAM	The bidder shall be notified in writing within five business days as to whether or not its bid has been accepted.
MMHI, MRPAM	The MMHI and the MRPAM shall not disclose information on the bidders to a third party until such time as a contract has been concluded.
Ministry of Education and Culture and Science	<p>Quotations shall be made in accordance with the form approved by the State Administration and shall not differ in numbers or letters and an original and a copy shall be put and sealed separately in envelopes</p> <p>-The threshold price of the tender area shall be 2240 MNT / ha, and if the area with mineral accumulation is 4500 MNT / ha, the monetary amount equivalent to the declared area shall be called the "threshold price".</p>
MRPAM	<p>The members of the selection committee evaluate the technical proposal of the tender in consideration of the following:</p> <ul style="list-style-type: none"> - Optimal methods, methodology and planning of geological and exploration work, status of study of previous research materials - Environmental protection and rehabilitation planning, type of work, amount of expenses, implementation period, - Local development and cooperation plan, - Sufficiency of professional staff, and their experience and skills, - Experience in geology and exploration, - Supply and sufficiency of machinery and equipment to work on the project
MRPAM	<p>The MRPAM shall define the bidder that submitted the most profitable proposal to the Government and the following terms shall be agreed:</p> <ul style="list-style-type: none"> - the percentage of profit oil allotted to the Government - the percentage of royalties; - the limit of the percentage of cost oil; - the amount of exploration investment; - the amount of funds spent on environmental restoration; - the amount of the premium for instruction/training; - the amount of a bonus for signing the contract; - the amount of bonus for commencing the extraction; - the amount of a bonus for increasing the extraction; - the amount of a bonus for local development; - operational support of the representative office;

State administrative organization	Process
	- other profitable conditions proposed to the Government;

5.4.7. Production Sharing Agreement (PSA)

The laws and regulations related to production sharing agreements in Mongolia are shown in the following table.

Table 58. Legislation concerning PSA

Name of legislation	Clauses related to the agreement, and its disclosure
Constitution of Mongolia	Article 6.1: The land, its subsoil, forests, water, fauna, and flora and other natural resources are subject to national sovereignty and state protection.
	Article 6.2: The land except that in citizen's private ownership, as well as the subsoil with its mineral wealth, forests, water resources, and game is the property of the State.
	Article 16.17: The right to seek and receive information except that which the state and its bodies are legally bound to protect as secret. In order to protect human rights, dignity, and reputation of persons and to ensure national defense, security, and public order, the information which is not subject to disclosure must be classified and protected by law.
Law on Minerals	Article 5.3: The percentage of the State share in a minerals deposit shall be established by an agreement on the exploitation of the mineral deposit where State-funded prospecting exploration was used to determine reserves. The percentage of the State share determined by the agreement may be replaced by royalty for mineral deposits of strategic importance
	Article 5.4: The State may participate up to 50% jointly with a private legal person in the exploitation of a minerals deposit of strategic importance where State-funded exploration was used to determine proven reserves. The percentage of the State share shall be determined by an agreement on exploitation of the deposit, considering the amount of investment made by the State. The percentage of the State share determined by the agreement may be replaced by royalty for mineral deposits of strategic importance.
	Article 5.5: The State may own up to 34% of the shares of an investment to be made by a license-holder in a mineral deposit of strategic importance where proven reserves were determined through funding sources other than the State budget. The percentage of the State share shall be determined by an agreement on exploitation of the deposit considering the amount of investment made by the State. The percentage of the State share determined by the agreement may be replaced by royalty for mineral deposits of strategic importance.
	Article 42.1: A license-holder shall work in cooperation with the local administrative bodies and conclude agreements on issues of environmental protection, mine exploitation, infrastructure development and job creation in relation to the mine-site development.
Law on Common Minerals	Article 40: The license holder who conducts exploration with state budget funds, and conducts mining in common mineral deposits that were registered under the State Integrated Registration of Minerals after having determined the reserves, according to Article 60 of the Law on Minerals, the expenses incurred by the state budget for the exploration work shall be reimbursed to the state budget on the basis of the agreement from the start of the exploitation.
Law on Petroleum	Article 12. Termination of the contract
	12.1. The PSA shall be terminated by the decision of the Government on following grounds:

Name of legislation	Clauses related to the agreement, and its disclosure
	<p>12.2. Contractor may propose to the Petroleum Authority to terminate the agreement in case the contractor considers its petroleum or unconventional petroleum exploitation to be economically not profitable, or if the event of emergency or force majeure circumstance that the contractor incurred continue for one or more years.</p> <p>12.3. The Petroleum Authority shall review the request specified in clause 12.2 of this law within 30 days of receipt, make an assessment and submit its opinion to the Ministry of Mining.</p> <p>12.4. The Ministry of Mining shall review the assessment specified in clause 12.3 of this law within 30 days of receipt and submit a respective proposal to the Cabinet.</p> <p>12.5. In the event an exploration or exploitation license has been terminated on grounds provided in clause 12.1 of this law, the exploration or exploitation operation costs incurred shall not be reimbursed and the money deposited in the escrow account as specified in clause 11.2.9 of this law shall be used for complete environmental rehabilitation and, if required, for demobilization of buildings and facilities used for exploration and exploitation operations, and a remaining balance of the cash shall be returned to the contractor.</p> <p>Article 13. Evaluation of the fulfillment of the contract</p> <p>13.1. Upon expiry of a contract, or else in the event an exploration or exploitation license has been terminated on the grounds specified in Article 12 of this law, the Petroleum Authority shall evaluate the performance of the contract on the following criteria:</p> <p>13.2. The Petroleum Authority shall include representatives from respective state bodies when evaluating the fulfillment of the contract.</p> <p>13.3. The rights specified in clause 11.1.4 shall be established upon evaluation that the fulfillment of the contract was satisfactory.</p> <p>Article 14. Transfer of contractual rights and obligations to others</p> <p>14.1. A contractor shall have no right to transfer whole or one third or more percentage of its rights and obligations under a production sharing agreement to others without permission from the Cabinet.</p> <p>14.2. A contractor shall submit its request to transfer one third or more percentage of its rights and obligations to the Petroleum Authority.</p>
Law on Petroleum (continued)	<p>14.3. The Petroleum Authority shall review the request specified in clause 14.1 of this law within 30 days of receipt and prepare its proposal and submit to the Ministry of Mining.</p> <p>14.4. The Ministry of Mining shall review the proposal specified in clause 14.2 of this law within 30 days of receipt and submit its proposal to the Cabinet for its decision.</p> <p>14.5. In the event the Cabinet approves the transfer of rights and obligations under a production sharing agreement, the contractor, the Petroleum Authority, and the third party to whom the contractual rights and obligations are being transferred, shall make a trilateral agreement.</p> <p>14.6. The contractor shall pay the fees specified in clause 34.7 and 34.8 of this law within 90 days of the issuance of a Cabinet decision approving the transfer of a third or more percentage of the rights and obligations.</p> <p>14.7. The contractor and the third party receiving the contractual rights and obligations shall honestly report the amount of payments paid for transferring those rights and obligations.</p> <p>14.8. When issuing the proposal specified in clause 14.2 of this law, the Petroleum Authority shall take into account a reference of the Ministry of the Environment and the respective local administrative body as to whether or not it the contractor fully met its obligation to protect and restore the environment during the period that exploration was carried out.</p>
Law on Information Transparency and Right to Information	The Law, in its entirety, is applicable.

Name of legislation	Clauses related to the agreement, and its disclosure
State Policy on Minerals Sectors	<p>3.1.7. Support and develop international initiatives such as transparency and responsible mining, social and economic impact assessment;</p> <p>3.5.2. In order to support social development during the mining period, establish a local development agreement between the investing company and the local self-governing organization, based on the principles of transparency and participation.</p>
Law on Glass Accounts	<p>Article 6: Information pertinent to Glass Account</p> <p>6.4.8. bonds, loans, notes payable, warrants and other similar financial instruments, public-private partnership contracts, concessions, budget, properties and decisions to disburse assets and money, and decision to generate debt and receivables;</p> <p>6.5.9. Concession agreement and amendments thereto within a week after conclusion of the agreement;</p> <p>6.5.10. Whenever concession agreement is concluded, information other than the concession owner and its institutional secrets, or information on concession item, work to be executed and service to be provided within a week;</p>
Procedures concerning the conclusion of investment contracts	The Procedure, in its entirety, is applicable.
Regarding the investment agreement of exploitation of Oyu Tolgoi deposits	The Resolution, in its entirety, is applicable.
Regarding some issues concerning the exploitation of Tavantolgoi coal deposit	The Resolution, in its entirety, is applicable.
Regarding amendments to be introduced into the Resolution "Regarding some issues concerning the exploitation of Tavantolgoi coal deposit".	The Resolution, in its entirety, is applicable.
Regarding the determination of the of state ownership share of Gatsuurt deposit	The Resolution, in its entirety, is applicable.
Regarding some measures to ensure transparency in the extractive industry	<p>7. Continue to implement the policies and activities implemented in Mongolia within the framework of EITI; grant new mineral exploration and exploitation licenses; acquire and transfer these licenses, and use strategic mineral deposits, production sharing agreements concluded in oil fields and their implementation; pre-exploitation agreements; environmental impact assessment; the progress and results of environmental protection work, and the costs spent on it should be included in the initiative.</p> <p>8. From 2012, D. Zorigt, Minister of Mineral Resources and Energy shall be responsible for piloting the disclosure of issuance, possession and transfer of licenses for mineral exploration and exploitation (this also applies to the sales of licenses together with the company's name and documents); investment agreements for the exploitation of strategic mineral deposits; oil PSA; mining product sales and export volumes. The outcome of this pilot shall be discussed at the meeting of Working Group and National Council, and have them disclosed:</p>

Name of legislation	Clauses related to the agreement, and its disclosure
Regarding some measures to be taken with respect to Tavantolgoi deposit	The Resolution, in its entirety, is applicable.

Source: *legalinfo.mn*

In 2022, there were no new PSA, and as of 2020, the companies that have established the PSA are as follows. It includes:

Table 59. Companies concluded PSA

No	PSA area	PSA approval date, Government decree number	Contractor	Operator	Contractor's country of origin	Area size, km. sq
1	Toson-Uul XIX	26.04.1993	Daqing Oil Field Ltd	Petrochina Dachin Tamsag LLC	China	650
2	1997 PSA	19.02.1997 - Government Resolution No. 47	Dongshen Jinggun Development Group	Donshe Oil (Mongolia) LLC	China	239.5
3	Mathad XX	19.07.2006 - Government Resolution No. 170	Petromatad Invest Limited	PetroMatad Ltd	Isle of Man, Great Britain	10343,2
4	Nyalga XVI	20.06.2007 - Government Resolution No. 148	Panasian Energy Ltd	Sheiman LLC	The Canadian island of Nevis	9239,4
5	Tsagaan-Els XIII	20.05.2009 - Government Resolution No. 148	DWM Petroleum AG	Gobi Energy Partners Ltd	Switzerland	1980
6	Zuunbayan XIV					1030
7	Galba XI	20.05.2009 - Government Resolution No. 147	Zong Heng You Tian Ltd	Zon Heng Yu Tian Co., Ltd	China	9769,2
8	Sulinkheer XXIII	22.07.2009 - Government Resolution No. 224	Shunkhlai Energy LLC	Shunkhlai Energy LLC	Mongolia	13576
9	Borzon VII	29.07.2009 - Government Resolution No. 236	Empire Gas Mongolia LLC	Empire Gas Mongolia LLC	My island	31432
10	Khukhnuur XVIII	29.07.2009 - Government Resolution No. 238	En Pi Ai LLC	En Pi Ai LLC	China	5276
11	Tukhum X (North)	29.07.2009 - Government Resolution No. 237	Space Geological Exploration LLC	Space Geological Exploration LLC	Mongolia	9813
12	Tsaidam XXVI					11175

No	PSA area	PSA approval date, Government decree number	Contractor	Operator	Contractor's country of origin	Area size, km. sq
13	Bogd IV	29.07.2009 - Government Resolution No. 235	Central Asian Petroleum Corporation Limited	Capcorp Mongolia LLC	British Cayman Islands	28998,6
14	Ongi V					21148
15	Bayantumen XVII	08.12.2010 - Government Resolution No. 316	Magnai Trade LLC	Magnai Trade LLC	Mongolia	7832
16	Darganga XXIV	09.02.2011- Government Resolution No. 39	Apexpro Investment Limited	EP EXP PE Er Oo LLC	British Virgin Islands	17178
17	Tukhum X (south)	25.07.2012- Government Resolution No. 253	Mongolian Gold (MAK) LLC	Mongolian Gold (MAK) LLC	Mongolia	24706,2
18	Sukhbaatar XXVII	05.01.2013- Government Resolution No. 39	Wulf Petroleum LLC	Wulf Petroleum LLC	Australia	23047,5
19	Nomgon IX	2014.02.09 - Government Resolution №39	Umnud Mongoliin Gazar Nutgiin Tos LLC			29886
20	Uvs I	20.04.2015, Government Resolution No. 162	Mongolia Gladville Uvs Petroleum LLC	Mongolia Gladville Uvs Petroleum LLC	Hong Kong	19720
21	Kherlentokhoi XXVIII	20.04.2015- Government Resolution No. 162	Hongkong Wellpack Industrial Co., Ltd	Hongkong Wellpack Industrial Co., Ltd	Hong Kong	14280
22	Khar-Uvs II	15.06.2015- Government Resolution No. 246	Renova Rev. LLC	Renova Rev. LLC	China	27409,3
23	Ergel-XII	20.06.2016- Government Resolution No. 337,	Max oil LLC	Max oil LLC	Mongolia	/875+894.416/ 1769.416
24	Ar Bulag-XXIX	24.08.2016- Government Resolution No. 53	Smart Oil Investment Limited	Smart Oil Investment LLC	China	11035

Source: *iltodgere.mn*

5.4.8. Transparency of PSA (Requirement 2.4)

The government has no objection towards the information disclosure of PSA, and on July 4, 2012, Government Resolution No. 222 mandated and approved the public disclosure of the PSA.

Table 60. List of PSAs disclosed as of 2022

No	Agreement	Year	Mineral type	Whether it was valid in 2022
1	PSA between the Petroleum Authority and "Shunkhlai Energy" LLC on Sulinkheer XXIII oil exploration area	2009	Oil	Yes
2	PSA between the Petroleum Authority on behalf of the Government of Mongolia and Nescor Energy LLC	1997	Oil	Yes
3	PSA between Mongolian Petroleum company and Medallion Mongol Oil LLC on Toson Uul XIX area	1993	Oil	Yes
4	PSA between the MPRAM and "Smart Oil Investment LLC" to conduct oil exploration and exploitation activities in "Ergel XII" area	2016	Oil	Yes
5	PSA between the Petroleum Authority and "Max Oil" LLC to conduct oil exploration and exploitation activities in "Ar Bulag-XXIX" area	2017	Oil	Yes
6	PSA between the Petroleum Authority and "Sansaryn Geology Exploration" LLC on Petroleum Exploration Nomgon - IX area	2014	Oil	Yes
7	PSA between the Petroleum Authority and "Sansaryn geology exploration" LLC on Tukhum North - X oil exploration area	2009	Oil	Yes
8	PSA between the Petroleum Authority of Mongolia and N P I LLC of China on Khukh Nuur - XVIII oil exploration area	2009	Oil	Yes
9	DWM Petroleum AG, Tsagaan Els XIII Area, PSA, 2009	2009	Oil	Yes
10	PSA agreement model for concluding an agreement between the state administrative organization and the contractor for oil exploration and exploitation activities	2015	Oil	Yes
11	PSA between the Petroleum Authority of Mongolia and N P I LLC of China on Khukh Nuur - XVIII oil exploration area	2017	Oil	Yes
12	PSA between the Petroleum Authority and Zong Heng You Tian LLC on Galba-XI oil exploration area	2009	Oil	Yes
13	PSA between the Petroleum Authority and "Shunkhlai Energy" LLC on Sulinkheer XXIII oil exploration area	2009	Oil	Yes
14	PSA between the MPRAM and Petro Matad LLC on Matad-XX area	2006	Oil	Yes
15	BSA between the Petroleum Authority and "Sansaryn Geology Exploration" LLC on Tsaidam - XXVI oil exploration area	2009	Oil	Yes
16	Renewed PSA between the MPRAM and Wolf Petroleum LLC on conducting oil exploration and exploitation activities in Sukhbaatar-XXVII area	2017	Oil	Yes
17	Renewed PSA between the MPRAM and Empire Gas Mongolia LLC to conduct oil exploration and exploitation activities in Borzon VII area	2017	Oil	Yes
18	PSA between the Petroleum Authority and Magnai Trade LLC on Bayantumen-XVII oil exploration area	2009	Oil	Yes
19	PSA between the MPRAM and Shaman Resources Ltd. of Canada on the Nyalga-XVI contract area	2007	Oil	Yes
20	PSA signed between the Petroleum Authority of Mongolia and "Renova-Ilch" LLC regarding oil exploration and exploitation activities in the "Khar Us - II" area	2015	Oil	Yes
21	PSA between the Petroleum Authority of Mongolia and Hong Kong Welpeck Industrial Company to conduct oil exploration and exploitation activities in Kherlen Tokhoi XXVIII area	2015	Oil	Yes

No	Agreement	Year	Mineral type	Whether it was valid in 2022
22	Renewed PSA between the Petroleum Authority and Mongolyn Alt LLC regarding oil exploration and exploitation activities in Tukhum X South area	2017	Oil	Yes
23	PSA between the Petroleum Authority and Central Asian Petroleum Corporation Limited for the Ongi-V area	2009	Oil	Yes
24	PSA between the Petroleum Authority of Mongolia and DWM Petroleum AG on Tsagaan Els XIII Area	1995	Oil	Yes
25	PSA between the Petroleum Authority and Apexpro Investment Limit for Dariganga-XXIV oil exploration area	2010	Oil	Yes
26	Petroleum Ongi-V area PSA to be established between MRPAM and the Central Asian Petroleum Corporation Limited LLCd liability com	2009	Oil	Yes
27	Petroleum Exploration PSA for Tsagaan Els - XIII area, established between MRPAM and "DWM Petroleum AG"	2009	Oil	Yes

Source: *iltodgeree.mn*

The table shows the list of prospecting contracts disclosed on the website of *il tod geree* website.

Table 61. Disclosed prospecting contract

No	Contracting parties	Date of signature	Type of minerals
1	Prospecting contract, National Gas Oil Energy LLC	2018-12-20	Petroleum
2	Prospecting contract, Erdenes Methan LLC	2017-02-24	Coalbed methane gas
3	Prospecting contract, The Chestnut Fund Mongolia LLC	2019-01-18	Coalbed methane gas
4	Prospecting contract, U G S LLC	2018-08-16	Oil Shale
5	Prospecting contract, The Chestnut Fund Mongolia LLC	2019-01-18	Coalbed methane gas
6	Prospecting contract, U G S LLC	2018-06-19	Coalbed methane gas
7	Prospecting contract, Bigstone	2019-01-25	Petroleum
8	Prospecting contract, Sarnii suvdan chuluu LLC	2018-09-13	Petroleum
9	Prospecting contract, S B Petroleum LLC	2018-08-08	Oil Shale
10	Prospecting contract, Common Max LLC	2018-12-17	Oil Shale
11	Prospecting contract, Aztec Mongolia Exploration	2019-01-28	Coalbed methane gas
12	Prospecting contract, S B Petroleum LLC	2018-08-18	Oil Shale
13	Prospecting contract, Telmen resource	2019-01-21	Coalbed methane gas
14	Prospecting contract, Frontier Petroleum LLC	2018-06-07	Petroleum
15	Prospecting contract, Temujin Metals LLC	2018-10-29	Coalbed methane gas
16	Prospecting contract, Softrock LLC	2018-09-17	Petroleum

Source: *iltodgeree.mn*

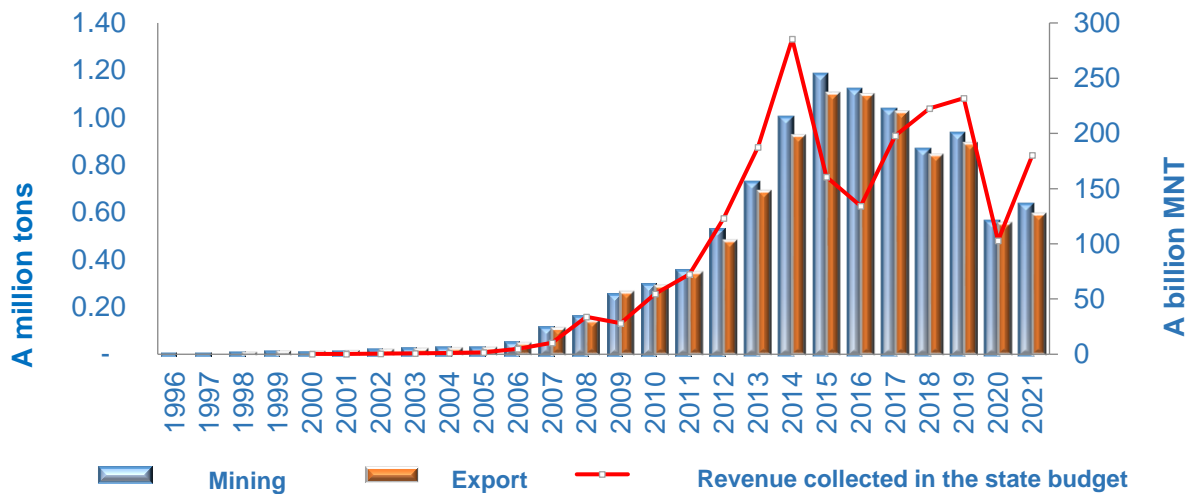
5.4.9. Revenue from petroleum products

The representatives and experts of the local branch organizations of GDC, General Authority for Special Inspection, General Authority for Border Protection, General Authority for Citizenship and Migration and the relevant departments of the MRPAM conduct regular on-

site monitoring in oil export activities. Amber LLC, which has the right of cross inspection, has been conducting quantitative and qualitative analysis of oil extracted and exported from the 1997 PSA area since 2009, and quantitative and qualitative analysis of oil extracted and exported from Toson-Uul XIX and Tamsag XXI areas since 2011. In addition, in 2013, the construction of the customs control area was completed and put into use from December 16.

Between 1996 and 2021, a total of 73.4 million barrels or 9.93 million tons of oil were produced in Mongolia, and 70.1 million barrels or 9.50 million tons of oil were exported to China, and a total of 2 trillion MNT from oil revenue was collected in the budget of Mongolia.

Figure 4. Oil production, export, budget revenue



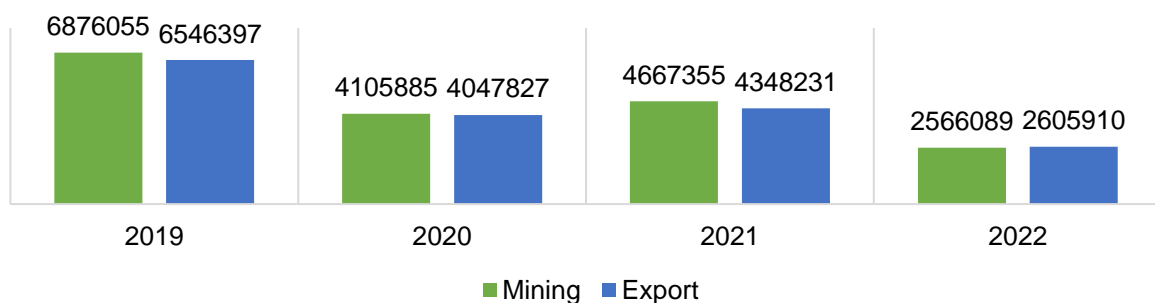
Source: Department of Petroleum Exploitation

5.4.10. Petroleum production and export

By the end of 2022, 2,565.4 thousand barrel of oil was produced. Compared to the same period last year, it decreased by 2,101.7 thousand bar or 45.0%.

Oil export: by the end of 2022, 2,305.7 thousand barrels of oil worth 241.8 million USD were exported. . Compared to the same period last year, the physical amount decreased by 1,743.2 thousand bar or 40.1%, and the value decreased by 31.5 million USD or 11.5%. 100% of the oil produced was exported to China.

Graph 7. Oil production and export in the last four years



Source: Statistics of mineral resources 2022, MRPAM

Compared to the past four years, although oil production increased slightly in 2021 compared to exports, it has significantly declined in 2022.

The breakdown of oil production and export in 2021 is shown by month.

Table 62. Oil production and export in 2021

Date	Mining		Export	
	Barrel	Percentage	Barrel	Percentage
2022	2,566,089	100%	2,605,910	100%
January	17,544	0.68%	-	-
February	9,921	0.39%	-	-
March	9,257	0.36%	-	-
April	1,001	0.04%	-	-
May	1,290	0.05%	-	-
June	38,184	1.49%	114,102	4.38%
July	351,008	13.68%	359,232	13.79%
August	457,301	17.82%	492,619	18.90%
September	424,986	16.56%	428,311	16.44%
October	417,283	16.26%	364,645	13.99%
November	410,196	15.99%	432,823	16.61%
December	428,119	16.68%	414,179	15.89%

Source: MRPAM

5.4.11. Price of petroleum products

Article 5.1.2 of the Law on Petroleum Products states that the Government shall exercise the right to "approve procedures concerning the formulation of state reserves of petroleum products", and Article 13.1 of the Law states that the "Reserves of petroleum products shall consist of state and company reserves", while Article 13.2 mentions that the "State reserves shall be established in accordance with the procedure approved by the Government". The price of petroleum products sold in Mongolia is shown in the table.

Table 63. Prices of petroleum products, by each month of 2020 and 2021 (MNT)

Month	Gasoline A-80	Gasoline AI-92	Gasoline AI-95	Diesel fuel
2021				
January	1483	1559	2083	2025
February	1492	1560	2174	2112
March	1505	1563	2183	2123
April	1508	1563	2183	2123
May	1513	1545	2163	2233
June	1513	1545	2313	2262
July	1812	1846	2418	2352
August	2112	2144	2513	2545
September	2129	2161	2702	2545
October	2150	2181	2608	2541
November	2256	2303	2759	2778
December	2370	2397	2864	2883
2022				
January	2370	2416	2855	2836
February	2419	2464	2954	2924
March	2516	2560	3144	3117
April	2517	2561	3353	3369
May	2517	2561	3351	3425

Month	Gasoline A-80	Gasoline AI-92	Gasoline AI-95	Diesel fuel
June	2994	2559	4000	3736
July	2996	2559	4341	4045
August	2525	2558	4025	3736
September	2525	2554	4030	3587
October	2532	2552	4037	3771
November	2532	2552	4029	3962
December	2532	2552	4029	4004

Source: MRPAM

The prices of petroleum products vary greatly in remote provinces due to transportation issues, and the average price in Mongolia and the regional sales prices in 2022 are shown in the following table.

Table 64. Prices of petroleum products by aimag and region

Area	Gasoline A-80	Gasoline AI-92	Gasoline AI-95	Diesel fuel
National average	2532	2552	4029	4004
Ulaanbaatar	2370	2390	3910	3850
Western region	2802	2818	4150	4180
Bayan-Olgii	2680	2700	4000	4140
Gobi-Altai	2780	2800	4150	4270
Zavhan	2870	2890	4200	4200
Uvs	2880	2900	4200	4140
Khovd	2800	2800	4200	4150
Khangai region	2492	2512	4047	3985
Arkhangai	2480	2500	4040	3970
Bayankhongor	2510	2530	4050	4130
Bulgan	2470	2490	4040	3910
Uvurkhangai	2450	2470	4030	4020
Orkhon	2470	2490	4040	3910
Khuvsgul	2570	2590	4080	3970
Central region	2479	2499	4010	3947
Tuv	2420	2440	3980	3940
Darkhan	2450	2470	4020	3910
Selenge	2480	2500	4030	3910
Gobisumber	2460	2480	4010	3940
Dundgobi	2510	2530	4010	3960
Dornogobi	2510	2520	4030	3980
Umnugobi	2530	2550	3990	3990
Eastern region	2520	2540	4030	4057
Dornod	2510	2530	4030	4100
Sukhbaatar	2550	2570	4070	4110
Khentii	2500	2520	3990	3960

Source: MRPAM

Please refer to the following sources for the average sales price of oil in the world's major exchanges (in USD, per ton).

www.wtrg.com, www.bloomberg.com, www.reuters.com, www.topoilnews.com, www.oil.in-en.com, www.nymex.com, www.finmarket.ru, www.ineng.org, www.quandl.com.

5.4.12. State participation in the petroleum sector

State policy on petroleum sector development until 2027

Purpose: intensify the oil prospecting and exploration works in Mongolia, increase the volume of the identified reserve and increase the extraction and building the oil refinery, and as a result to be able to sustainably supply the petroleum product domestic demand. Objectives of the State Policy following the Resolution No. 169 of 2018:

- Intensify the petroleum (oil) and unconventional oil prospecting, exploration and production,
- Build an oil-refinery plant, and develop manufacturing sector of petroleum products,
- Establish sustainable supply system of the petroleum product to meet the consumer demand and improve the quality monitoring structure,
- Prepare the human resource for the sector, have them specialized and increase the number of workplaces,
- During the oil sector operations, ensure the environment protection, rehabilitation, and support the green and domestic development; and
- Establish and develop state-owned and/or state associated companies in the oil sector.

Our country is implementing a complex development project in the Altanshreee soum area of Dornogovi province, which aims to build an oil refinery based on domestic raw material resources, meet its fuel needs, and create a new petrochemical sector in the economy. This is a project of "Mongolian Oil Refinery" (MOR), a state-owned LLC. The detailed feasibility study of the "Mongolian oil refinery", which is planned to be fully operational in 2025 and will be implemented in stages with the financing of a concessional loan from the Government of the Republic of India started in 2017, was approved by the Mongolian Oil Refinery and Heavy Industry and discussed and approved at the meeting on November 15, 2018. Also, "Procedures for government support to oil refineries" were developed and approved by the conferencing on August 11, 2021.

5.5. Contribution of the extractive sector to the economy

5.5.1. Economic growth (Requirement 6.3.a)

The extractive industry accounted for 28.9% of the state budget in 2021, and it has a direct relation to the country's economy as well as the export of the extractive industry.

Graph 8. Comparison of GDP and income of the mining and extraction industry in the last 7 years (in trillions of MNT)

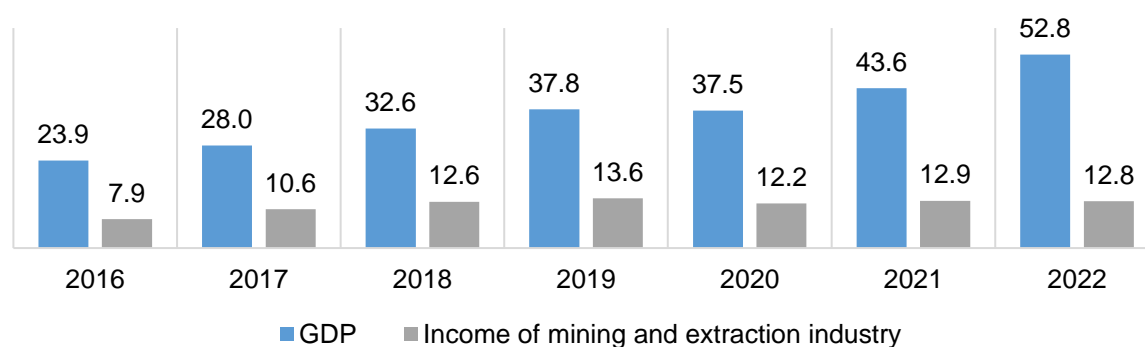
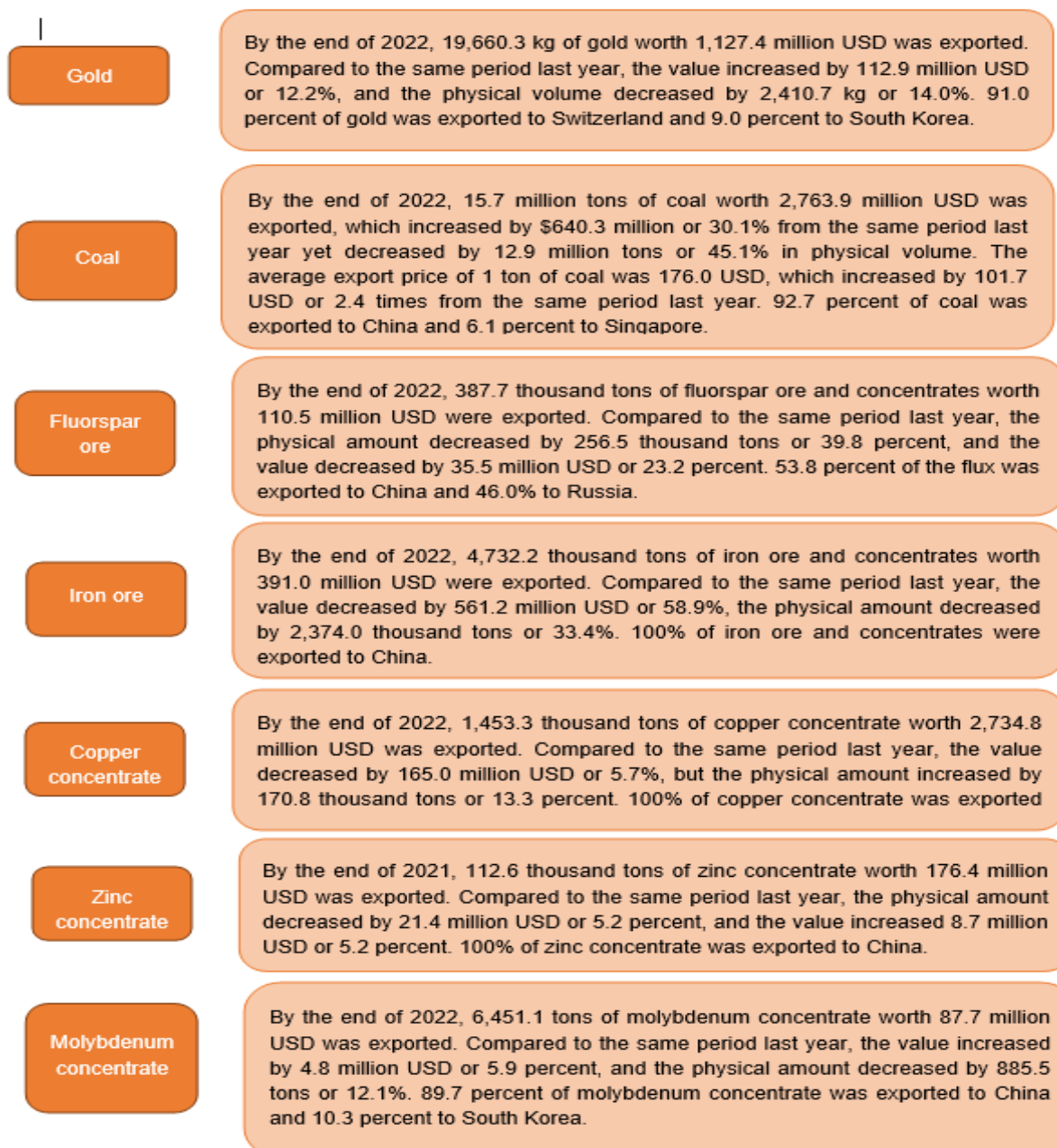


Table 65. GDP growth and extractive sector exports

GDP, projections	2020	2021	2022
GDP, Annual value (billion MNT)	37,453.3	43,555.5	53,851.5
GDP, growth (%)	-1.01	16.3	23.63

Exports of the key products of the extractive industry in 2022 are shown:

Figure 5. Exports of the key products of the extractive industry in 2022



5.5.2. Production (Requirement 6.3a)

Export trade reached 12,540.0 million USD at the end of 2022, which is an increase of 4,920.0 million USD or 64.6% compared to 2019, before the coronavirus outbreak (Covid-19) or an increase of 5,158.2 million USD or 32.1% from 2021.

The export of mineral products reached 10,542.0 million USD, an increase of 3,031.6 million USD or 40.4% from the previous year. Meanwhile, the export of non-mineral products reached 1,998.4 million USD, an increase of 267.7 million USD or 15.5% from the prior year. According to the 2022 forecast, the share of mineral products in total exports is 91.9%, an increase of 10.6 percentage points from the preceding year. This is due to the rise in the export of mineral products.

Table 66. Exports of mineral and non-mineral products

Indicator	Year					Change		Percent of total export
	2018	2019	2020	2021	2022	Amount	Percent	
Export of Mineral products	6,070.3	6,377.5	5,256.0	7,510.4	10,542.0	3,031.6	40.4	91.9
Export of non-mineral products	941.4	1,242.3	2,320.3	1,730.7	1,988.4	267.7	15.5	8.1
Total export	7,011.8	7,619.8	7,576.3	9,241.1	12,540.4	3,299.3	35.7	100

Source: National Statistics Office

As per the preliminary performance for the end of 2022, 51.8% of the export revenue accounts for coal, 21.8% for copper concentrate, and 8.9 percent for crude and semi-processed gold.

Table 67. Export revenue of the key products, in USD million

Product type	Year						Change (Million USD)
	2020		2021		2022		
	Million USD	Percent	Million USD	Percent	Million USD	Percent	2022/2021
Crude and semi-processed gold	432.0	8.0	590.0	9.0	960.0	11.0	370.0
AI-92 and 95	222.0	4.0	353.0	5.0	535.0	6.0	182.0
A80 and other	163.0	3.0	189.0	3.0	228.0	3.0	40.0
Total	817.0	15.0	1,132.0	17	1,724.0	20.0	592.0

Source: National Statistics Office

Import

According to the preliminary performance for the end of 2022, the total import reached 8,704.4 million USD, an increase of 27.2% or 1,859.0 million USD from last year.

Table 68. Import of mineral products

Indicator	Year					Change		Percent of total export
	2018	2019	2020	2021	2022	Point	Percent	
Mineral products export	6,070.3	6,377.5	5,256.0	7,510.4	10,542.0	3,031.6	40.4	91.9
Other type of products (than minerals) export	941.4	1,242.3	2,320.3	1,730.7	1,988.4	267.7	15.5	8.1
Total export	7,011.8	7,619.8	7,576.3	9,241.1	12,540.4	3,299.3	35.7	100

Source: National Statistics Office

22.5 percent of the total imports are mineral products, and 77.5% are for non-mineral products. The import of mineral products reached 1,960.3 million USD, an increase of 621.7 million USD or 46.4% from the past year. Moreover, the import of products other than minerals amounted to 6,744.1 million USD, an increase of 1,237.2 million USD or 22.5% from last year.

Mineral products accounted for 22.5% of the total imported goods, mechanical equipment and parts, electrical appliances, and spare parts for 14.5 percent; ready-made food products for 9.0 percent; automobiles and aircraft and spare parts for 19.5%; plastics and plastic products and goods made from them. articles accounted for 4.0 percent, basic metal and products made from it 9.3 percent, chemical and related industrial products accounted for 6.9 percent, and these products accounted for 85.7 percent of the total amount.

As of 2022, consumption products accounted for 31.0% of imports, investment products for 38.0%, industrial inputs for 11.0%, and petroleum products for 20.0%.

Table 69. Import performance of petroleum products (in USD million)

Product type	Date						Change (Million USD)
	2020		2021		2022		
	Million USD	Percent	Million USD	Percent	Million USD	Percent	2022/2021
Crude and semi-processed gold	432.0	8.0	590.0	9.0	960.0	11.0	370.0
AI-92 and 95	222.0	4.0	353.0	5.0	535.0	6.0	182.0
A80 and other	163.0	3.0	189.0	3.0	228.0	3.0	40.0
Total	817.0	15.0	1,132.0	17	1,724.0	20.0	592.0

Source: National Statistics Committee

The import of petroleum products increased by 592.0 million USD from last year. This was due to the increase in the market price of petroleum products. The import of diesel fuel increased by 370.0 million USD and gasoline by 282.0 million USD. By the end of 2022, the

average border price of oil products was 131.9 USD/barrel. This is a 46.7 percent increase from the end of 2021.

The following table shows the production of the leading mining products and the main products of the heavy processing industry in the last two years.

Table 70. Production of the main types of products in the industrial sector

No	Product type	Unit of measurement	2021	2022
1. Mining and extraction				
1.1	Coal	thousand tons	30,124.3	37,282.0
1.2	Oil	thousand barrel	4,667.1	2,565.4
1.3	Copper concentrate	thousand tons	1,326.3	1,189.8
1.4	Molybdenum concentrate	tons	6,326.0	5,914.2
1.5	Unrefined gold	kg	19,054.4	19,382.7
1.6	Iron ore	thousand tons	9,171.9	7,659.9
1.7	Iron ore concentrate	thousand tons	3,676.8	1,728.1
1.8	Fluorite ore	thousand tons	118.3	95.6
1.9	Fluorite concentrate	thousand tons	60.3	24.5
1.10	Zinc concentrate	thousand tons	75.2	199.3
2. Processing plant, Heavy industry				
2.1	Concentrated coal	thousand tons	3,815.0	3,169.1
2.2	Coal briquettes	thousand tons	729.8	592.4
2.3	Cathode copper	tons	9,689.9	9,736.0
2.4	Metal blanks	tons	35,917.1	24,988.1
2.5	Metal rolling	tons	35,574.7	26,140.9
2.6	Steel construction	tons	4,101.9	3,691.1

Source: Ministry of Mining and Heavy Industry

Compared to the same period last year, coal grew by 7,157.6 thousand tons or 23.8%, gold by 328.3 kg or 1.7 percent, zinc concentrate by 124.1 thousand tons or 2.7 times, and cathode copper by 46.2 tons or 0.5 percent. Meanwhile, oil decreased by 2,101.7 thousand tons or 45.0%, copper concentrate by 136.5 thousand tons or 10.3%, molybdenum concentrate by 411.9 tons or 6.5 percent, iron ore by 1,512.0 thousand tons or 16.5%, iron ore by concentrate 1,948.7 thousand tons or 53.0%, fluorite by 22.7 thousand tons or 19.2%, fluorite concentrate by 35.7 thousand tons or 59.3%, coking coal by 645.9 thousand tons or 16.9%, coal briquettes by 137.4 thousand tons or 18.8%, metal billets by 10,937.6 tons or 30.4%, rolled metal decreased by 9,433.8 tons or 26.5%, and steel and metal structures by 410.8 tons or 10.0%.

5.5.3. Total Government revenue from the extractive sector (requirement 6.3b)

By the end of 2022, the mining sector collected 4,606.9 billion MNT in the state budget, and the revenue collected from the mining and extraction sectors in the state budget increased by 544.7 billion MNT, or 14.2%, and the oil sector increased by 95,4 billion MNT, or 92.8%, respectively.

Table 71. Revenue collected in the budget, in billion MNT

Indicator	Plan		Performance /1-12/		Performance	
	2021 Clarification	2022 Definition	2021	2022	Growth and decline	Percentage
Amount of gross income	4,795.9	4,358.3	4,114.4	4,606.9	492.5	12.0%
Mining and quarrying industry						
Total	4,530.5	4,066.3	3,845.5	4,390.2	544.7	14.2%
Gold	183.8	247.4	227.3	258.0	30.7	13.5%
Copper	2,684.2	1,966.7	2,421.8	1,717.2	-704.7	-29.1%
Coal	1,287.8	1,346.5	756.9	2,062.4	1,305.5	172.5%
Others	374.7	128.4	439.4	115.7	62.8	118.7%
Oil industry						
Oil	213.2	215.4	198.1	161.0	-37.1%	-18.7%
Licenses and other income						
Total	52.2	76.6	70.7	55.7	-15.0	-21.2%
License fee	31.2	31.4	32.8	35.6	2.8	8.6%
Compensation for deposits explored with UT funds	2.5	17.5	4.4	2.0	-2.4	-55.4%
Budget organization's own income	16.0	25.0	29.6	14.5	-15.1	-50.9%
Other income	2.5	2.7	3.9	3.6	-0.3	-7.2%

Source: Ministry of Mining and Heavy Industry

5.6. Government agencies

Ministry of Mining and Heavy Industry (MMHI)



Ministry of Mining and Heavy Industry

The mission of the Ministry of Mining and Heavy Industry is to establish a balanced economy with multi pillar structure and increase the mineral resource treasures by means of development of a transparent and responsible mining and heavy Industry.

The main duties of this ministry are to develop and formulate laws, regulations, policies, medium and long-term strategy, programs and project development concerning the mining sector, fuel and oil sector, heavy industry sector and geological sector; to make policy analysis and exercise internal control and monitoring on the implementation thereof; to do financial review of budget financing, programmes, projects and capital expenditures; and to undertake internal audit and provide with risk management.

According to the monitoring and evaluation concerning the fulfillment of transparency criteria of the Ministry of Mining and Heavy Industry for the end of 2022, it was concluded that the total criteria were fulfilled by 95.51%.

Mineral Resources and Petroleum Authority of Mongolia (MRPAM)



The implementing agency of Mongolian Government
MINERAL RESOURCES AND PETROLEUM AUTHORITY

Mission of Mineral Resources and Petroleum Authority is to support formulation of state developmental policymaking for the geology, mining and petroleum sector; to provide prompt and unbiased services to consumers and investors; and to strengthen role of minerals and petroleum sector in the development of national economy in a way of implementing the state policy towards the sector.

The Petroleum Extraction and the Petroleum Products divisions of MRPAM are organised to ensure, monitor and support the implementation of Product Sharing Agreements in accordance with the Petroleum Law of Mongolia and relevant government resolutions.

In 2022, the MRPAM planned to collect a total of 291.9 billion MNT in revenue for the state budget, and as of December 9, 2022, its performance was 182.8 billion MNT or 62.63%.

Ministry of Environment and Tourism (MET)



MINISTRY OF ENVIRONMENT AND TOURISM

The primary functions of MET are to organise the implementation of national policy and legislation on environmental protection and the proper use and rehabilitation of natural resources; and to preserve sustainable environment through developing environment friendly, sustainable tourism. In addition, MET is also responsible for making decisions and approving regulations and policies to be followed by local administrative bodies and capital city administrations in regard to specific issues relating to environmental protection.

License holders are required to submit their environmental protection plan to MET within 30 days of receiving their license, and the Ministry is responsible for receiving and reviewing such plan. Furthermore, the Ministry is responsible for holding the amount equal to 50% of companies' environmental protection budgets for each particular year. These funds may be used for its intended purpose by the MET in case that a company did not fully execute their environmental protection plans.

Ministry of Labor and Social Protection (MLSP)



MINISTRY OF LABOUR AND SOCIAL PROTECTION

The main function of MLSP is to develop employment policies and implement the policies to promote employment, facilitate decent working conditions, and develop human resources through the improvement of professional skills. MLSP is also responsible for labour engagement and poverty reduction, the improvement of working conditions and living cost issues, and to regulate issues of the employment of foreign nationals within the territory of Mongolia, and issues of Mongolian nationals working abroad. Its mission is to create equal opportunities in the labour market and favorable conditions of work.

In 2022, one of the highlights of the Ministry of Labor and Social Protection was the establishment of the Working Group responsible for ensuring the preparation of the "Participation" project to train young people for employment, following Order No. A/47 of 2022

of the Minister of Labor and Social Protection. The action plan for the implementation of the project was jointly approved by the Minister of Labor and Social Protection and the Minister of Defense on March 22, 2022, and its implementation was secured. Within the project's framework, 1,231 youth participated in the project in four rounds. Of these, 740 were women and 491 were men; 725 (61%) of all participants were 18-25 years old, 321 (27%) were 25-30 years old, and 158 (12%) were aged 30-34 years.

General Department of Taxation (GDT)



MONGOLIAN TAX ADMINISTRATION

As stipulated in the General Law of Taxation, the National Tax Administration comprises of state administrative body in-charge of taxes (MTA), tax offices of the aimags, the capital city, and the districts, and the state tax inspectors or tax units in soums. The MTA operates under the direct oversight of the Ministry of Finance which is the state administrative body in charge of financial matters of the Government of Mongolia.

Main functions of MTA are to organise the implementation of tax legislations; to provide taxpayers with information and advice, to conduct training and outreach to oversee implementation of tax legislations and to collect revenue for state and local budgets.

General Department of Customs (GDC)



The Mongolian Customs is presided over by Mongolian Customs Office, which is the central administrative body in charge of customs and comprises of its affiliated customs offices in the capital city and aimags. Customs Office is a state administrative authority responsible for implementing customs legislation nationwide and it operates under the supervision of the Ministry of Finance.

The main functions of CO are to enforce the customs law and regulations at a national level and ensure its compliance; to determine customs control strategies; to regulate the activities of customs houses and customs branch offices; and to formulate and implement the Customs Development Programme.

In 2022, the operating income of the Customs General Administration reached 108,590.3 million MNT, an increase of 37,469.09 million MNT compared to the preceding year.

National Audit Office (NAO)



The National Audit Office is the supreme audit institution of Mongolia that functions under the Mongolian legislation, other laws, and resolutions of Mongolian Parliament.

It is not permitted to monitor the actions of National Audit Office and the General Auditor of Mongolia and assign any assignment to them except the officials and organisations as the Head of National Security Council and Mongolian Parliament.

National Audit Office has the full authority to conduct audit on the functions of the governmental organisations regardless of their funding sources except Mongolian Parliament.

The MNAO is comprised of five departments, namely performance audit office; financial audit office, compliance audit office; policy and planning department, and legal department.

In 2022, the State Audit Organization conducted 4,284 audits. Of these, 4,069 independent opinions were concluded on the budget performance and financial reports of budget governors of all levels. At the same time, 4,957 organizations and legal entities were subject to 215 performance and compliance audits. Following the audits performed by state auditing entities in 2022, 13,479.9 billion MNT errors and violations were discovered.

Nuclear Energy Commission (NEC)



The Nuclear Energy Commission is responsible for utilization of radioactive minerals and nuclear energy on the territory of Mongolia for peaceful purposes, developing research to deploy nuclear technology, ensuring nuclear and radioactivity safety and security, and building up the foundations to prepare related human resource.

The primary functions of Nuclear Energy Commission are to organize the implementation of Government policy to coordinate exploitation of radioactive minerals and nuclear energy; granting and suspension of licenses pertaining to nuclear facilities, materials and radioactive minerals; coordinating and monitoring the activities of scientific research on the nuclear energy sector of Mongolia; and to ensure nuclear and radiation safety.

The Commission functions with four Departments as Administration Department, Nuclear Technology Regulatory Department, Nuclear Safety Regulatory Department and Foreign relations department.

State Agency for Policy and Coordination on State Property



**State Agency for Policy and
Coordination on State
Property**

Mission of the State Agency for PCSP is to formulate, implement policy for and improve management of state property, to increase ownership returns by developing good governance

in state-owned or with participation of state ownership, and to enable transparent and fair competition in procurement activities to the level which meets international standards.

By the end of 2022, state-owned and state-owned legal entities owned assets worth 59,237.2 billion MNT, earned 14,552.6 billion MNT in revenue and made a net profit of 2,075.1 billion MNT. Compared to the end of 2021, the revenue increased by 36.7% or 3,903.7 billion MNT, and the net profit increased by 100.4% or 1,040.0 billion MNT.

5.7. State participation in extractive sector

5.7.1. Definition of state-owned enterprises

The EITI Standard concerning the purposes of EITI reporting defines a state-owned enterprise as “a wholly or majority government owned company that is engaged in extractive

activities on behalf of the government”. Based on this, the multi-stakeholder group is encouraged to discuss and document its definition of SOEs, taking into account national laws and government structures. Definition of SOEs is not discussed and agreed by MSG.

As per law on State and Local property, state owned enterprises (SOEs) are classified as follows:

- State-owned,
- Partially state-owned,
- State-owned enterprise,
- State-owned self-sustained enterprise,
- Local-owned enterprise,
- Local-owned self-sustained enterprise etc.

Article 13 of the Law on State and Local Property states that “a state-owned legal entity is a legal entity established by the state solely with its own property with purpose of implementing state policy and to meet social needs”, and article 21.1 “A business entity with the state-owned shares or state investment is called a business entity with partial state-ownership”.

In accordance with the Article 15 of the Law on State and Local Property, enterprises solely state owned, invested and funded from the state budget are classified as state-owned enterprise and these enterprises are classified by its property rights as self-sustained enterprise and state-funded enterprise. A self-sustained enterprise is a self-financing legal entity that operates on the property provided and enters civil transactions independently. A state-funded enterprise is a legal entity that is funded from the state budget on the property allocated to it and carries out production, works and services exclusively for state needs.

Article 12.5 of the Company Law of Mongolia states that State and its agencies can be a founder and a shareholder in the following cases:

- a company founded through privatization of a state or local-owned enterprise;
- a state-owned company that is established following restructuring of a state-owned enterprise;
- a company that is deemed to be bankrupt in accordance with applicable laws, and whose shares had been acquired by the state in exchange for debts owed to the state (In such case the State shall sell the acquired shares within period of three years);
- a company that is created jointly with a foreign legal entity;
- other companies permitted by the laws.

5.7.2. Legislation governing the state participation in the extractive sector

In Mongolia, SOEs are regulated by the laws "On State and Local Property" and "On Companies". The Law on State and Local Property regulates the process of establishing state-owned companies and their state representation. This Law also covers issues concerning the state and local property, including ownership rights of SOEs.

The following laws governing state involvement in the extractive sector are in force.

Laws:

- State and local property laws
- Law on Company
- Law on Investment
- Law on Future Heritage Fund

Resolutions of Parliament:

- Regarding the inclusion of certain deposits into strategically important mineral deposits
- Regarding the investment contract for the use of Oyutolgoi deposits
- Regarding certain problems concerning the exploitation of Tavan Tolgoi coal deposit
- Regarding the approval of the state policy on mineral resources

Government Resolution

- Regarding the establishment of Erdenes-Tavan tolgoi JSC
- Regarding the establishment of Erdenes-Oyu Tolgoi LLC
- Regarding the measures to be taken to intensify the commercialization of mineral deposits of strategic importance
- Regarding measures to be taken with respect to the activities of "Erdenes Mongolia" LLC.

In the current legal environment, Mongolia owns and participates in strategic deposits through "Erdenes Mongolia" LLC and its subsidiaries. There is no legal framework that defines in detail the functions of Erdenes Mongolia, or the role of the government in the mining sector in a broad sense.

"Erdenes Mongolia" LLC was founded on February 22, 2007 to introduce state representation in relation to the use of strategically important mineral deposits. "Erdenes Mongolia" LLC is focused on providing strategy and management to the operations of legal entities which hold licenses for strategic mineral deposits and to the infrastructure development, projects, and programs affiliated with these entities. Moreover, it aims to improve their value and operations. It has been focused on providing unified strategy and management by expanding and improving profitability, attracting foreign and domestic investment, raising capital, implementing value-added processing plant projects, enhancing production capacity, and aligning government policies in the operations of companies.

As of today, the company is "Erdenes Tavantolgoi" LLC, "Erdenes Oyutolgoi" LLC, "Baganuur" LLC, "Shivee-Ovoo" LLC, "Mon-Atom" LLC, "Erdenes Shivee Energy" LLC, "Erdenes Methane" LLC, " Erdenes Asset Management owns 50% or more shares of LLC. It also owns 34 percent of the Mongolian side of "Oyu Tologi" LLC through its subsidiary company, and operates "Gashuun Suhait Auto Zam" LLC, which is responsible for the operation and maintenance of the Tavan Tolgoi-Gashuunsukhait road, on the basis of public-private partnership.

5.7.3. Terms of transfer of ownership and changes in the ownership of the government and SOEs in the extractive industry

The EITI standard section 2.6.a.ii states that the government and SOE(s) must disclose their level of ownership in mining, oil and gas companies operating within the country's oil, gas, and mining sector. It also includes subsidiaries and joint ventures with level of ownership held by the SOEs. Any changes in the level of ownership during the reporting period must be disclosed.

In accordance with the Company Law, clause 2.6, the owners of SOEs are Parliament on behalf of the GoM, and the local Citizens Representatives are the owners for local property-based companies, also the person or legal entity to represent the shareholders can be appointed by the Government and local Citizens Representatives Meeting.

In 2021, there has been no changes in the ownership of the SOEs included in the reconciliation report.

Table 72. Information on shareholders of SOEs

No	SOEs	Number of licenses	Minerals	Name of shareholders	Share of ownership
1	Tavan Tolgoi	1	Coal	Shandas Impex LLC	16.31%
				Ajnai Corporation LLC	19.73%
				Local property	51%
				Other minority shareholders	12.96%
2	Mongolrostsvetmet	26	Coal, copper, gold, fluorspar, tungsten, iron, limestone	Government	100.00%
3	Erdenes Mongolia	1	Coal, silver	Government	100.00%
4	Erdenes Tavan Tolgoi	8	Coal	Government	85.20%
				Enterprise	0.50%
				public	14.70%
5	Erdenet	10	Copper, iron	Government	100.00%
6	Baganuur	3	Coal, gravel, sand	Government	75.00%
				Mongolian National Coal Corporation	21.06%
				Other minority shareholders	3.94%
7	Shivee-Ovoo	1	Coal	Erdenes MGL LLC	90.00%
				Other minority shareholders	10.00%
8	Oyu Tolgoi	3	Gravel, Gold, Copper, Mixed Metals, Clay Sand	Government	34.00%
				Turquoise Hill Resources Rio Tinto	66.00%

5.7.4. Changes in state ownership

In 2022, there has been no changes in the ownership of the SOEs included in the reconciliation, and the details on the SOE ownership is available on section 5.7.3.

5.7.5. Role of SOEs in the extractive sector

One form of non-market involvement of the state in the economy is the establishment of SOEs which enable the delivery of public services to citizens, the production and delivery of products to the market, and the roles the SOEs play in the economy, their share and participation in the market vary depending on the countries. In recent years, while supporting the establishment of SOEs in sectors that are strategic for the country and that require high investment in technological innovation and research and development, focus is also on improving governance, addressing the challenges and problems of owner-agent relations, and enhancing transparency. For Mongolia, when determining the roles of SOEs in the economy, firstly, the methodologies that were employed aimed at promoting economic growth, determining the impact on the overall market supply and productivity; secondly, estimating their role in the formation of budget revenue, and thirdly, restricting their role in stabilizing the labor market balance. Plus, in order to determine the role of the state in the economy, it was necessary to study the legal framework that regulates the conditions for the participation of SOEs in economic relations.

Despite the high impact of the SOE on the budget revenue generation, considering the structure of taxes and fees collected in the budget, a relatively small amount of dividends of SOEs leads to a direct conclusion that the return on equity or the profit for shareholders is inadequate. Therefore, especially for enterprises operating in a regulated market or whose product prices depend on external markets, the goal of increasing profits by improving cost monitoring, introducing technological innovations that support productivity, optimizing the structure, and controlling labor costs should be strictly set. In addition, it is desirable to transition into principles where the rational transfer of powers should be rested with the executive management and the economic objectives are considered while the performance is monitored. In this way, profits will increase or the revenue amount collectable under the budget in the forms of state property dividends and corporate profit tax will increase.

5.7.6. SOEs involved in extractive industry consolidation

"Erdenet Mining Corporation" SOE



Erdenet Mining Corporation LLC is one of the largest copper mining and processing plants in the world. Established in 1978 by an intergovernmental agreement between Mongolia and Russia.

In 2016, the 49% of shares held by Russian government were transferred to a Mongolian private entity, the agreement is under dispute in court. As of 2017, the mine has excavated approximately 657.3Mt of ore and processed it into copper concentrate. Resolution of Mongolian Government dated March 21, 2019 has resolved that Erdenet Mining Corporation LLC to be re-organized to SOE and its charter approved.

The Erdenet Industry had a sales revenue of 3.7 trillion MNT in 2022, an increase of approximately 700 billion MNT from the previous year.

"Mongolrostsvetmet" SOE



Mongolrostsvetmet is a fluorspar mining and production company with three underground and two open pit mines and a mineral processing facility. The company produces both acid and metallurgical grade fluorspar and gold concentrates.

At the present, company's operations are administration office located in Ulaanbaatar, "Bor-Undur" concentrator in Bor-Undur soum, Khentii aimag, Shijir Alt LLC in Zaamar soum, Tuv aimag, and "Zeregtsee" gold mines. In 2016 company's 49 percent shares owned by Russian government was transferred to Mongolia Mongolian government now owns 100%.

Production:

- Mining and beneficiation of fluorite ore;
- Mining and beneficiation of iron ore;
- Gold mining and beneficiation;
- Stone, gravel, sand production,
- Geological exploration. These operations provided regular jobs to more than 1550 people by annually mining 550-600 thousand tons of fluorite ore and 2.4 million tons of iron ore, processing 320-400 thousand tons of iron ore concentrate, producing 110-120 thousand tons of fluorite concentrate, and sluicing 2.0 million tons of gold-containing sand.

"Erdenes Tavantolgoi" JSC



The Erdenes Tavan Tolgoi project was launched on 27 August 2010 and mining operations have officially commenced. Accordingly, Erdenes Tavan Tolgoi JSC, which is responsible for mining operations at the Tavan Tolgoi coal deposit, was established on 23 December 2010 in accordance with the decision by the Parliament and the Government.

The Erdenes Tavan Tolgoi JSC obtained the State Registration Certificate No.9010001097 on 23 December 2010 and was officially registered with the State Registration Authority under the Registration Number 5435528 in the field of mineral exploration and mining operations. The Erdenes Tavan Tolgoi JSC operates in accordance with the Minerals Law of Mongolia in the main areas of economic circulation of strategically important coal deposits, mining operations and implementation of infrastructure projects.

The company alone produced 28.7% of Mongolia's coal extraction, and during the last five years, the amount of coal mined by "Erdenes Tavantolgoi" reached 60.4 million tons.

"Tavantolgoi" JSC



the China-Mongolian border.

The mine was transformed into a state-property dominant Tavantolgoi JSC by Resolution No. 42 of the Government Privatization Commission meeting on December 5, 1994. Since 1995, Tavan Tolgoi JSC has been operating as a locally owned joint company. The Tavan Tolgoi coal deposit is located in Umnugovi Aimag, approximately 270 km from

In its 2022 business plan, Tavan Tolgoi Company envisioned mining 3.3 million tons of coal and has achieved 76% of its business plan by extracting 2.52 million tons of coal.

"Baganuur" JSC



Baganuur JSC was established in 1978 with goal of supplying coal to Power plants within central power grid, and now operational for the 39th year. On February 9, 2015 it has reached production milestone of 100 million tonne of coal. In 1995 it was re-organised into Baganuur JSC with majority ownership by the state. Currently 75% of its shares is owned by Erdenes Mongol LLC on behalf of the Government of Mongolia and the remaining 25% by individual shareholders.

The annual production capacity is 4.0 million tons, and depending on the coal demands of domestic consumers, 3.6-3.8 million tons of coal is mined, 16.0-18.0 million cubic meters of soil are removed, and the extraction is carried out using a mining system combining both truckless and truck for a mode of transportation. It has met 60% of Mongolia's coal demands and more than 70% of the coal demands of the central region. The company supplies 0-200 mm coal to consumers by wagons and other small vehicles.

"Ulaanbaatar Railway" SOE



industry.

"Mongolian Railways" state-owned JVC, a national company that determines the development of the railway industry in Mongolia, was established by Resolution No. 82 of the GoM dated March 5, 2008, and the decision of the State Property Committee dated March 20, 2008 with purposes to own and use the property created by the state budget and foreign loans and assistance in the railway industry, establish fair competition, and form a national company in the railway

UBTZ holds the advantage of being the shortest railway bridge connecting Asia and Europe, which is the world's largest market, and carries out more than 70% of Mongolia's import and export cargo transportation. The length of the main rail stretches out to 1,111 km, and the total length of the railway is 1,815 km.

"Shivee-Ovoo" JSC



Shivee Ovoo coal mine is located in Shiveegobi soum of Gobisumber aimag, around 265 km to the south-east of Ulaanbaatar, next to the Ulaanbaatar-Beeijing international railway route, at 1,180-1230 meters above sea-level. The deposit is 35 km long and 15 km wide, stretching from northeast to southwest. The mine covers 29,500 hectares of area and has total of 2,708.7 million tonnes coal reserves consisting of the following three sections, namely, Shini-Uu, Uukhiin Tsagaan and Nagoon Toirom. In 1986, the Council of Ministers of the People's Republic of Mongolia decided to carry out the geological exploration in the Shivee Ovoo coal deposit in a short-period of time. In accordance with the decision, the Central Geological Expedition of the then Ministry of Industry conducted a detailed geological

exploration in Shivee Ovoo coal deposit between 1986 and 1988 with state budget investment. The geological reserves of the deposit was determined by the Resolution No. 33 of the "State Reserves Commission" dated December 22, 1989, which was the beginning of the opening of the "Shivee Owoo" coal mine. As per statistical data for 2022, the company mined 2,170 thousand tons of coal, with its performance reaching 108%.

"Erdenes Mongolia" LLC



"Erdenes Mongolia" LLC was founded on February 22, 2007 to introduce state representation in relation to the use of strategically important mineral deposits. "Erdenes Mongolia" LLC is focused on providing strategy and management to the operations of legal entities which hold licenses for strategic mineral deposits and to the infrastructure development, projects, and programs affiliated with these entities. Moreover, it aims to improve their value and operations. It has been focused on providing unified strategy and management by expanding and improving profitability, attracting foreign and domestic investment, raising capital, implementing value-added processing plant projects, enhancing production capacity, and aligning government policies in the operations of companies.

As of today, the company is "Erdenes Tavantolgoi" LLC, "Erdenes Oyutolgoi" LLC, "Baganuur" LLC, "Shivee-Ovoo" LLC, "Mon-Atom" LLC, "Erdenes Shivee Energy" LLC, "Erdenes Methane" LLC, " Erdenes Asset Management owns 50% or more shares of LLC. It also owns 34 percent of the Mongolian side of "Oyu Tologoi" LLC through its subsidiary company, and operates "Gashuun Suhait Auto Zam" LLC, which is responsible for the operation and maintenance of the Tavan Tolgoi-Gashuunsukhait road, on the basis of public-private partnership.

5.7.7. Financial relations between the government and the SOEs

5.7.7.1. General procedures governing the financial relations between the Government and the SOEs

Relations between the Government and SOEs are regulated by the Law on State and Local Property and associated regulations on state properties. If not specifically stated and covered by the law, the relationship between the Government and the SOEs are regulated by the Company Law and a company charter of the relevant SOE.

According to Article 21.15 of the Law on State and Local Property, the Parliament member in charge of finance and budget shall monitor the financial performance of all state-owned and partly state-owned legal entities, their financial impact and cash flow impact to budgetary entities, and their work performance.

According to Article 21.16 of the Law, state owned, or state-dominated legal entity shall obtain a loan and issue securities upon obtaining approval from the state's central administrative body in charge of finance and budget. /This part was added according to the Law dated February 18, 2015/ However, it does not apply to loans and securities with short repayment terms (within that financial year).

According to Article 21, paragraph 13 of the Law on State and Local Property, state's representative shall submit a written proposal on dividend rate and amount to be paid out by the state-owned or partially state-owned legal entity to the Board of Director for approval. regards the. If not otherwise stated, on Article 46.1 of the Company Law and Company charter, the Board of Directors (or the Shareholders' Meeting on behalf of the Board of Directors) shall determine whether to pay dividends, the amount of dividends per share, list of shareholders eligible to receive dividends with the date and the date of distribution of dividends.

Article 9 of the Law on State and Local Property stipulates that the Government is responsible for the integrity of state property on behalf of the Parliament and holds following powers. It includes:

- 1) Organizing the implementation of the state policy, law and regulations on the state property;
- 2) Establishing the size and limits of ownership, use, disposal of items as share of the state property of the legal persons;
- 3) Making decisions selling, transferring state immovable property not included in the privatization;
- 4) Adopting list of legal persons, items to be privatized;
- 5) Making decisions on establishing, changing, abolition of legal persons with state property, confirm their charters, if not indicated in the law in other way;
- 6) Consideration and making decisions on suggestions from legal persons other kind of property about jointly establishing legal persons with full or partly ownership of state property, making investment to them, returning back the invested share;
- 7) Making decisions on requisition of other's ownership items to the state ownership, if indicated in the law, submitting proposal and draft decision on socializing to the State Ih Hural;
- 8) Submitting the report to the State Ih Hural on the results of taking inventory of the state property, performance of budget, fulfilling its decisions;
- 9) Determine and change legal persons with state property ownership's co-relation to the state and local budget;
- 10) Program to privatize part of the state property of the state-owned portion of state-owned and state-owned banks, the procedure for evaluating state-owned property in banks shall be approved in consultation with the Bank of Mongolia.
- 11) Other kind of power indicated in the law

Based on the provisions of the above law, the Government regulates the financial relations of State-owned Enterprises by issuing a resolution.

5.7.7.2. Retained earnings and dividends

The dividend policy of the SOE is governed by different laws depending on its status.

According to Article 11.3 of the Law on State and Local Property, PCSP with consultation with relevant authorities shall determine the plan and distribution of profits from the state-owned legal entities. If not stated otherwise Article 46.1 of the Company Law, Board of Directors /in absence the shareholders' meeting/ shall determine whether to pay dividends, specify the amount of dividend to be paid for each share, determine the date of issue of the list of shareholders eligible to receive dividends and the dividends payment date.

According to Company Law, company post dividend payments must be solvent, its capital amount must be greater than the sum of its share capital, unpaid dividends on preferred shares and its liquidation value, also all their required security payments paid in full. When these conditions are met, dividends shall be paid on common shares.

5.7.7.3. Loans, and loan guarantees

Article 7.2 of the Banking Law stipulates that Shareholders, Chairman and members of the Board of Directors, the Executive Director and officers of a bank shall not release and disclose to others or use any information which is considered by the bank, its customers, and/or third parties as confidential, except the cases specified in Article 7.2.1-7.2.11. In these cases, there is no regulation on disclosure for EITI reporting purposes.

The audited 2022 financial reports of Ulaanbaatar Railway and Tavantolgoi JSCs are not available on the glass account, and the credit details of other SOEs were filtered from the audited reports uploaded on the glass accounts and presented in the table.

Table 73. Liabilities and loans paid by the SOEs in 2022

SOE	Type of loan	December 31, in 2021	December 31, in 2022
Baganuur	Short-term Liabilities	139,353.3	164,935.2
	Long-term Liabilities	45,614.1	56,666.6
	Total Liabilities	184,967.4	221,601.9
Mongolroostsvetmet	Short-term Liabilities	70,859.2	163,686.0
	Long-term Liabilities	202.0	-
	Total Liabilities	71,061.2	163,686.0
Erdenes Mongol	Short-term Liabilities	42,860.0	12,039.8
	Long-term Liabilities	1,006,061.2	977,610.5
	Total Liabilities	1,048,921.2	989,650.4
Erdenes Tavantolgoi	Short-term Liabilities	1,415,927.4	2,523,300.5
	Long-term Liabilities	1,644,971.9	1,402,982.1
	Total Liabilities	3,060,899.3	3,926,282.6
Erdenet	Short-term Liabilities	752,533.3	681,079.5
	Long-term Liabilities	237,927.9	352,973.4
	Total Liabilities	990,461.2	1,034,052.9
Shivee-Ovoo	Short-term Liabilities	49,455.5	57,998.7
	Long-term Liabilities	84,470.8	95,730.0
	Total Liabilities	133,926.3	153,728.8

Source: old.shilendans.gov.mn

5.7.8. Transactions between the SOEs (Requirement 4.5)

As per the requirements of the EITI Standard 4.5, payments made by extractive companies to SOEs, material payments made from SOEs to government agencies and vice versa must be disclosed.

Pursuant to Article 6.4.5 of the Law on Glass Account, revenue receipts and expenditures exceeding MNT 5 million must be disclosed with except to salary payments.

Table 74. Transparency of transactions between the SOEs

Company name	Disclosed transactions between the SOEs	Link of the disclosed transactions
Baganuur	Yes	https://old.shilendans.gov.mn/org/5244?group=0&year=2022
Mongolroostsvetmet	Yes	https://old.shilendans.gov.mn/org/5240?group=0&year=2022
Ulaanbaatar railway	Yes	https://old.shilendans.gov.mn/org/5241?group=1&year=2022
Shivee-Ovoo	Yes	https://old.shilendans.gov.mn/org/5229?group=0&year=2022
Erdenes Mongol	Yes	https://old.shilendans.gov.mn/org/5231?group=0&year=2022
Erdenes Tavantolgoi	Yes	https://old.shilendans.gov.mn/org/5232?group=0&year=2022
Erdenet	Yes	https://old.shilendans.gov.mn/org/5239?group=0&year=2022
Tavantolgoi	Yes	https://old.shilendans.gov.mn/org/7174?group=0&year=2022

Source: *shilendans.gov.mn*

5.7.9. Disclosure of SOE financial statements (requirement 2.6.b)

According to EITI requirement 2.6b, companies must disclose their financial statements, and please refer to the following table whether the financial statements of the SOEs included in the reconciliation report have been audited and disclosed.

Table 75. Transparency of SOE financial statements

Company name	Preparation of financial statements	Audited financial statements	Statements are prepared according to the international accounting standards	Audited according to international standards	Statements are publicly disclosed
Baganuur	Yes	Yes	Yes	Yes	Yes
Mongolroostsvetmet	Yes	Yes	Yes	Yes	Yes
Ulaanbaatar railway	Yes	Yes	Yes	Yes	Yes
Shivee-Ovoo	Yes	Yes	Yes	Yes	Yes
Erdenes Mongol	Yes	Yes	Yes	Yes	Yes
Erdenes Tavantolgoi	Yes	Yes	Yes	Yes	Yes
Erdenet	Yes	Yes	Yes	Yes	Yes
Tavantolgoi	Yes	Yes	Yes	Yes	Yes

Source: SOE

5.7.10. Financial statement of the SOEs

According to the requirements of the EITTS Standard, SOEs take measures to publicly disclose their financial statements, and if financial statements are not available, they disclose

the key financial indicators. The following table shows the disclosure status of eight SOEs included in the reconciliation.

Table 76. Financial transparency of state-owned enterprises

Company name	Disclosure of financial statement on the glass account	Link to disclosure of financial statements	Disclosure on the company's website	Link disclosure of financial statements
Baganuur	Yes	https://old.shilendans.gov.mn/org/5244?form=6357715&year=2022&month=12&group=0&task=725	Yes	https://baganuurmine.mn/category/санхүүгийн-тайлан/
Mongolrostsve tmet	Yes	https://old.shilendans.gov.mn/org/5240?form=6361790&year=2022&month=12&group=0&task=728	No	
Ulaanbaatar railway	No		Yes	https://www.ubtz.mn/details/35fd2ed5273a9ba908a8da028ae58dfb8be5f9821fc58e1d7da160695a4cf2b
Shivee-Ovoo	Yes	https://old.shilendans.gov.mn/org/5229?form=6360798&year=2022&month=12&group=0&task=632	Yes	https://shivee-ovoo.mn/news/tailan/360-2022-ony-sanhgyin-taylan.html
Erdenes Mongol	Yes	https://old.shilendans.gov.mn/org/5231?form=6364030&year=2022&month=12&group=0&task=695	No	
Erdenes Tavantolgoi	Yes	https://old.shilendans.gov.mn/org/5232?form=6365509&year=2022&month=12&group=0&task=697	Yes	https://ett.mn/mn/files-by-category/109
Erdenet	Yes	https://old.shilendans.gov.mn/org/5239?form=6364776&year=2022&month=12&group=0&task=731	No	
Tavantolgoi	Yes		Yes	http://mse.mn/mn/company/458?type=5#idd=9975

Source: shilendans.gov.mn

5.7.11. Audit report of the SOEs

5.7.11.1. Laws and regulations concerning the disclosure of audit reports of the SOEs

The Law on State Audit requires that audit reports shall be public disclosed on the website, and the purpose of this Law is to establish the legal grounds of organisation of auditing activities and regulate relations with respect to the conducting auditing activities, issuing of licences, implementing and monitoring auditing activities. In 2022, the Law on State Audit has not been amended.

5.7.11.2. Practical implementation of laws and regulations concerning the disclosure of audit reports of the SOEs

Since 2019, the website of the NAO has not included the audit reports of the SOEs. Eight of the reconciled SOEs have submitted their audit reports to the web page of the glass account, while the remaining two have not.

Table 77. Disclosure of audit reports of the SOEs

Company name	Disclosed on the NAO website	Disclosed on the glass account website	Link to disclosed reports
Baganuur	No	Yes	https://old.shilendans.gov.mn/org/5244?group=0&year=2022
Mongolroostsvetmet	No	Yes	https://old.shilendans.gov.mn/org/5240?group=0&year=2022
Ulaanbaatar railway	No	Yes	https://old.shilendans.gov.mn/org/5241?group=1&year=2022
Shivee-Ovoo	No	Yes	https://old.shilendans.gov.mn/org/5229?group=0&year=2022
Erdenes Mongol	No	Yes	https://old.shilendans.gov.mn/org/5231?group=0&year=2022
Erdenes Tavantolgoi	No	Yes	https://old.shilendans.gov.mn/org/5232?group=0&year=2022
Erdenet	No	Yes	https://old.shilendans.gov.mn/org/5239?group=0&year=2022
Tavantolgoi	No	Yes	https://old.shilendans.gov.mn/org/7174?group=0&year=2022

Source: *audit.mn, shilendans.gov.mn*

5.7.12. Operation, capital expenditure, procurement, contractors of the SOEs, and regulations and practice on corporate governance (Requirement 2.6.c)

5.7.12.1. Operations of the SOEs

Company Charter is the key document governing the operations of the SOEs.

Table 78. Disclosure of the Charter of the SOEs

Company name	Disclosure of the company charter	Link to disclosed charter
Baganuur	Yes	http://baganuurmine.mn/ёс-зүйн-дүрэм/
Mongolroostsvetmet	Yes	http://www.mongolros.mn/a/11
Ulaanbaatar railway	No	https://www.ubtz.mn/content/71e5ea7239f61bff4444e2c8c37fabcf8f
Shivee-Ovoo	Yes	https://shivee-ovoo.mn/duramjoram
Erdenes Mongol	Yes	http://www.erdenesmongol.mn/index.php?view=article&type=item&val=197
Erdenes Tavantolgoi	Yes	https://ett.mn/mn/files-by-category/10
Erdenet	Yes	https://www.erdenetmc.mn/transparency/code-of-ethics
Tavantolgoi	No	https://www.tavantolgoi.mn/rules-and-regulations

Six of the eight SOEs included in the reconciliation have disclosed their charters on their website.

5.7.12.2. Procedures related to the SOE (operations/flows/ and investments) expenditure management

The management of the expenditure of the SOE is regulated by the Law on Glass Accounts.

Table 79. Amendments introduced into the Law on Glass Accounts in 2022

Amendment	Date	Content
Law on Amendments into Glass Accounts	December 9, 2022	Article 1. The term "concession agreement" specified in Articles 6.5.9 and 6.5.10 of the Law on Glass Accounts shall be revised into "public-private partnership agreement"; and the term "list of concession items" specified in Articles 6.2.4 and 6.5.8 shall be revised into "a list of public-private partnership", and the terms "concession holder" and "concession item" specified in Article 6.5.10 shall be revised into "private sector partner" and the "public and private partnership item".
		Article 2. The term "concession" specified in Articles 3.2.7, 6.4.8, and 7.1.1 of Article 7 of the Law on Glass Accounts shall be removed.
		Article 3. This law shall be enforced from the date of entry into force of the Law on Public-Private Partnership.

Source: *legalinfo.mn*

5.7.12.3. Expenditure management practice of the SOEs

The capital expenditures of eight SOEs included in the RR were posted on the Glass Accounts website and made accessible to the public.

Table 80. Disclosure on the glass account

Company name	Disclosed on the glass account	Link to disclosure of financial statements
Baganuur	Yes	https://old.shilendans.gov.mn/org/5244?group=0&year=2022
Mongolroostsvetmet	Yes	https://old.shilendans.gov.mn/org/5240?group=0&year=2022
Ulaanbaatar railway	Yes	https://old.shilendans.gov.mn/org/5241?group=1&year=2022
Shivee-Ovoo	Yes	https://old.shilendans.gov.mn/org/5229?group=0&year=2022
Erdenes Mongol	Yes	https://old.shilendans.gov.mn/org/5231?group=0&year=2022
Erdenes Tavantolgoi	Yes	https://old.shilendans.gov.mn/org/5232?group=0&year=2022
Erdenet	Yes	https://old.shilendans.gov.mn/org/5239?group=0&year=2022
Tavantolgoi	Yes	https://old.shilendans.gov.mn/org/7174?group=0&year=2022

Source: *shilendans.gov.mn*

5.7.12.4. Procedures related to the procurement process of the SOEs

The SOE shall carry out procurement activities in accordance with the Law on Procurement of Goods and Services with the State or Local Budget. SOEs adopt rules for domestic procurement that is in line with the law.

As per the Law on Glass Account, the following activities are subject to disclosure:

- Procurement plan (under the Article 6.1.1),
- Procurement report (under the Article 6.1.1,6.1.2)
- Procurement audit reports and other monitoring results /if available/
- General tender information of activities reflected in capital or current expenditures (under the Articles 6.3.6, 6.4.3, 6.8.2).

Table 81. Procurement transparency

Company name	Disclosed on the glass account				Link to disclosed procurement
	1	2	3	4	
Baganuur	-	+	-	+	https://old.shilendans.gov.mn/org/5244?group=0&year=2022
Mongolroostsvetmet	-	+	-	+	https://old.shilendans.gov.mn/org/5240?group=0&year=2022
Ulaanbaatar railway	-	+	-	+	https://old.shilendans.gov.mn/org/5241?group=1&year=2022
Shivee-Ovoo	-	+	-	+	https://old.shilendans.gov.mn/org/5229?group=0&year=2022
Erdenes Mongol	+	+	-	+	https://old.shilendans.gov.mn/org/5231?group=0&year=2022
Erdenes Tavantolgoi	-	+	-	+	https://old.shilendans.gov.mn/org/5232?group=0&year=2022
Erdenet	-	+	-	+	https://old.shilendans.gov.mn/org/5239?group=0&year=2022
Tavantolgoi	-	+	-	-	https://old.shilendans.gov.mn/org/7174?group=0&year=2022

Source: *shilendans.gov.mn*

5.7.12.5. Regulations and practices related to the agreement between SOEs and contractors

There is no specific regulation on agreements between SOEs and subcontractors. Among the SOEs, "Erdenes Tavantolgoi" JSC disclosed the information of the contract signed with the contractor, and the details concerning the contractors of all the companies is shown in Appendix 28 of this report.

5.7.13. Rules and practices related to corporate governance

5.7.13.1. Rules and practices for appointing members of the board of directors

According to Article 75 of the Company Law, the number of board members is determined in the Company's Charter and Board of Directors of a joint stock company or a state-owned company shall have nine or more members, and at least one third shall be independent members. Article 77 of the Company Law addresses matters related to the election of the board of directors and the expiration of its term. The Board members are elected at the Shareholders' meeting. The Chairman of the Board shall be one of the elected Board members and decided by a majority vote involving all members. Chairman of the Board shall propose Secretary of the Board and the Secretary shall be appointed by the Board.

In the case of LLCs, the Board of Directors may, if deemed necessary, establish permanent or temporary committees in charge of specific matters. The Board of Directors of

a joint stock company shall have committees for audit, salary, bonuses, and nomination. Of the nine SOEs included in the reconciliation, Baganuur, Shivee-Ovoo, Erdenes Mongolia, Erdenes Tavantolgoi, and Tavantolgoi, sent information on the members of the board of directors, which is shown in Appendix 19.

5.7.14. Quasi-fiscal expenditures

Pursuant to the EITI standards, quasi-fiscal expenditures are defined as arrangements whereby SOE(s) undertake public social expenditures that are outside of the national budget, such as payments for social services, public infrastructure, heating subsidies and national debt servicing. These expenditures can be found on the glass account website, and the corresponding link is included in the table below.

Table 82. Glass account information of the SOEs

Company name	Related links
Baganuur	https://shilendans.gov.mn/org/5244
Mongolrostsvetmet	https://shilendans.gov.mn/org/5240
Ulaanbaatar railway	https://shilendans.gov.mn/org/5241
Shivee-Ovoo	https://shilendans.gov.mn/org/5229
Erdenes Mongol	https://shilendans.gov.mn/org/5231
Erdenes Tavantolgoi	https://shilendans.gov.mn/org/5232
Erdenet	https://shilendans.gov.mn/org/5239
Tavantolgoi	https://shilendans.gov.mn/org/7174

5.8. Budget process and revenue Allocation

5.8.1. Revenue allocation of the extractive industry

According to the information submitted by the Ministry of Finance, the legislation governing the budget policy of Mongolia for 2022, under Article 60.2.9 of the Law on Budget, additionally introduced rules “to promote mining activities in the rural areas and create jobs, register donations and assistance provided by enterprises operating in the mining sector in the rural area, and fund for transparency and openness, make the donations and assistance given by the license holder to the local administrative organization a source of local development funds”. As for fund expenditures, in conformity with Articles 15.3.1, 15.3.2, and 15.3.3 of the Law on Government Special Funds, in 2022, 751.7 billion MNT was disbursed to cover the State budget deficit.

The revenues from the extractive industries in the financial statements of the state budget are recorded in the following manner, adhering to international standards of public accounting. It includes:

- Debit Cash asset
 - Credit AMNAT Revenue
- Revenue of AMNAT in transit
 - Debit Cash asset in transit
 - Credit AMNAT Revenue

5.8.2. Cases where revenue of the extractive sector was not mobilized and registered under the state budget (Requirement 5)

5.8.2.1. Local transfer

The Local Development Fund is a budget that is governed by the citizens. The fund has the advantage of providing administrative units with their own investment options and programs and to finance their self-sustaining activities.

Funding sources of the General Local Development Fund is formed by centralizing the certain percentage of budget revenues such as domestic VAT, mineral royalty payments, mineral exploration and exploitation license fees.

Table 83. Income transfer information of the United Local Development Fund for 2021

Province		Transfer of revenue from the Integrated LDF to LDF		Revenue transfer from the state budget to LDF		Incentives to be provided by the international organizations to soum LDFs	Total amount of revenue transfers to provincial and capital LDFs
		Oil royalties-70%	Mineral royalties-10%	Metal prospecting license-100%	Mineral exploitation license-50%		TOTAL
1	Arkhangai	161.0	5,935.5	6.3	104.8	608.2	6,815.9
2	Bayan-Ulgii	156.0	5,751.7	268.0	158.8	79.8	6,414.3
3	Bayankhongor	214.6	7,911.2	229.6	1,080.8	704.2	10,140.5
4	Bulgan	140.7	5,185.5	100.3	414.6	225.5	6,066.6
5	Gobi-Altai	223.6	8,241.3	856.6	610.0	211.2	10,142.7
6	Dornogobi	1,135.5	12,483.3	1,547.2	1,926.2	289.8	17,382.5
7	Dornod	1,146.4	12,307.8	632.1	563.3	302.5	14,952.2
8	Dundgobi	157.8	5,817.0	624.4	1,038.7	237.4	7,875.3
9	Zavhan	174.9	6,446.9	233.3	201.5	128.0	7,184.6
10	Uvurkhangai	173.7	6,402.9	143.3	162.3	903.0	7,785.1
11	Umnugobi	273.3	15,078.0	552.6	2,675.2	282.4	18,861.4
12	Sukhbaatar	173.5	10,883.1	262.7	538.4	201.0	12,058.7
13	Selenge	155.2	11,069.4	70.1	434.8	390.0	12,119.5
14	Tuv	177.9	10,484.2	329.2	1,106.9	426.1	12,524.3
15	Uvs	170.5	6,2866.2	463.2	175.9	115.2	7,211.0
16	Khovd	173.2	9,911.6	274.3	136.4	299.0	10,794.5
17	Khuvsgul	217.1	8,001.5	-	61.8	542.5	8,823.0
18	Khentii	173.6	6,398.3	419.6	430.6	434.1	7,856.3
19	Darkhan-Uul	123.8	7,979.4	2.1	59.2	302.6	8,467.2
20	Ulaanbaatar	686.7	25,311.8	-	49.5	-	26,048.1
21	Orkhon	120.7	9,454.2	-	108.3	232.3	9,915.5
22	Gobisumber	78.5	2,893.4	6.9	141.2	85.1	3,205.1
Total		6,208.3	200,235.2	7,021.6	12,179.3	6,999.9	232,644.3

Source: Ministry of Finance

Table 84. 2022 Planned and actual financial support transferred to communities

№	Jurisdiction	Financial support
1	Arkhangai	15,390.5
2	Bayan-Ulgii	8,776.3
3	Bayankhongor	17,678.0

No	Jurisdiction	Financial support
4	Bulgan	5,751.2
5	Gobi-Altai	15,103.7
6	Dornogobi	-
7	Dornod	-
8	Dundgobi	11,936.1
9	Zavhan	14,834.7
10	Uvurkhangai	18,581.1
11	Umnugobi	-
12	Sukhbaatar	6,690.8
13	Selenge	-
14	Tuv	9,202.6
15	Uvs	14,755.3
16	Khovd	6,890.4
17	Khuvsgul	21,748.7
18	Khentii	11,865.4
19	Darkhan-Uul	-
20	Ulaanbaatar	-
21	Orkhon	-
22	Gobisumber	1,376.5
Total		180,581.3

Source: Ministry of Finance

5.8.3. Revenue management and disbursement

5.8.3.1. Participation of the extractive industry in budget revenue generation

By the end of 2022, 4,390.2 billion MNT has been collected in the state budget through taxes and fees. Of which:

- Coal 2,062.4 billion MNT,
- Copper 1,717.2 billion MNT,
- Gold 258.0 billion MNT,
- Zinc 168.9 billion MNT,
- Iron 41.6 billion MNT,
- Fluorspar ore 26.4 billion MNT,
- Other minerals 115.7 billion MNT.

The revenue collected in the state budget from the mining and extraction sectors increased by 544.7 billion MNT or 14.2% compared to the same period last year.

It includes:

- Copper 704.7 (29.1%) billion MNT,
- Iron 131.7 (76.0%) billion MNT,
- Zinc 64.5 (61.8%) billion MNT,
- Fluorite 82.3 (75.7%) billion MNT,
- Gold 30.7 (13.5%) billion MNT.

However, the state budget contribution of following minerals has decreased compared to the same period of the previous year.

It includes:

- Coal 1,305.5 (172.5%) billion MNT,
- Other 62.8 (118.7%) billion MNT.

5.8.3.2. Revenue stability and dependence on natural resources (Requirement 5.3)

Revenue projections and performance of the mining sector are shown in MNT thousands.

Table 85. 2022 revenue projections and performance of the mining sector

Type of revenue	Unit of measurement	Approved plan for 2022	Performance in 2022	Difference
Oil revenue	billion MNT	215.4	115.7	-99.7
Royalty	billion MNT	31.4	35.6	4.2
Compensation for deposits explored with state budget funds	billion MNT	17.5	2.0	-15.5
Other revenue	billion MNT	2.7	3.6	0.9
Own income	billion MNT	25.0	14.5	10.5

Source: Ministry of Finance

5.8.3.3. Development trends of the mining sector

As per the study of the International Council on Mining and Metals (ICMM), it is believed that for most low- and middle-income countries, 60-90% of foreign direct investment (FDI), 30-60% of exports, and 20% of taxes and up to 10% of the total national revenue is generated alone by the mining sector.

Mongolia's mining industry has increased since the beginning of 2000, and by 2014, it produced a quarter of the total GDP.

According to the World Economic Forum, Mongolia is considered one of the countries with the highest potential to significantly contribute to its social and economic development, and the wealth that comes from mining development has prospects of accelerating national development. However, it has warned of negative environmental and societal impacts without proper management. Moreover, it also highlighted that it is a pressing issue for Mongolia to manage these negative impacts properly and lay a solid foundation for development with a focus on its citizens' livelihood, health, and social well-being. (Source: World Bank, IMF)

Positions of leading mineral sector nations:

United States of America

US President Joe Biden announced on February 23, 2022, that he would increase investment in critical minerals. During his statement at the White House, he announced the Defense Department would make 35 million USD in funding to support the construction of a commercial-scale processing facility for heavy rare earth elements (HREEs) at the Mountain Pass mine owned by MP Materials in California and in addition to the funding for MP Materials Corporation, the White House announced its plans to invest in the new facility to investigate the potential of extracting sustainable geothermal in Imperial, California. It will be part of a multibillion-dollar project investment to ensure sustainable lithium production over the next five

years. If successful, the project could produce and sell battery-grade lithium hydroxide and lithium carbonate by 2026. The valley contains the largest lithium deposits, and BHE Renewables' plants can produce 90,000 tons of lithium annually.

Canada

Canada's key strategic minerals are critical to its economic development. Because these key minerals are essential in transitioning to a low-carbon and digital economy. Canada is ready to contribute to meeting the growing world's demands. Moreover, minerals are mainly used in renewable energy, clean technology (batteries, magnets, solar panels, wind turbines), defense and security technology, consumer electronics, agriculture, medical equipment, and advanced technology. Swiftly securing its position in this supply chain, Canada's economy can be sustainable and prosper over the long term.

Russian Federation

Russian President Vladimir Putin stated that new standards and high technologies would be introduced in the mining and extraction industries, impacting the economy.

Key strategic minerals of Russia in 2022:

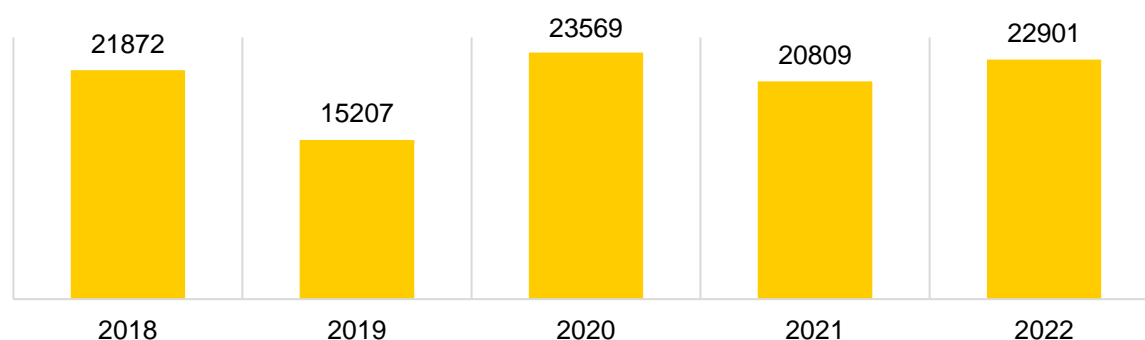
1. Minerals used in lithium-rechargeable batteries
2. Rare earth elements
3. Tantalum is often used in capacitors and superalloys in electronic components
4. Niobium-often used in steel and superalloys
5. Iron ore-all types of metalwork

5.8.3.4. Market trends of key mineral products

Copper: For Mongolia, the price of copper concentrate in 2021 was 2,261.1 USD, and during that time, 1,282.5 thousand tons of copper concentrate was exported, and 2,421.8 billion MNT was collected in the state budget. Unfortunately, in 2022, the price of copper concentrate decreased to 1,881.8 USD, and 1,453.3 thousand tons of copper concentrate were exported, collecting 1,717.2 billion MNT in the state budget. The export of copper concentrate has increased by 13.3% or 170.8 thousand tons compared to the previous year, yet it has decreased by 704.6 billion MNT in the revenue collected in the state budget.

Gold: The Bank of Mongolia purchased 3,032.2 kg of precious metals in December 2022, an increase of 22.9 tons from the beginning of the year. This is a 10% increase compared to the same period last year. The Bank of Mongolia branch in Darkhan-Uul Province purchased 3,264.9 kg of precious metals, an increase from the beginning of the year, and the Bank of Mongolia branch in Bayankhongor Province purchased 1,436.0 kilograms of precious metals.

The Bank of Mongolia sets the purchase price of precious metals at the global market price, and last December, the average price was MNT 207,625.

Graph 9. Data on precious metals purchased by the Bank of Mongolia from 2018 to 2022 (kg)

Source: Bank of Mongolia

Iron ore: By the end of 2022, 4,732.2 thousand tons of iron ore and concentrates worth 391.0 million USD were exported. The value decreased by 561.2 million USD or 58.9% compared to last year's same period, and the physical amount decreased by 2,374.0 thousand tons or 33.4%. 100% of iron ore and concentrates were exported to China.

Oil: In 2021, the lifting of economic sanctions and the easing of COVID-19 restrictions led to increased air, sea, and land transport, which was one of the main reasons for the rapid increase in oil prices. For example, the closing price of Brent oil rose from \$79.61 on December 27, 2021, to \$84.98 on December 27, 2022.

5.8.3.5. Systematic disclosure

Disclosure of information on revenues, expenditures, and operations of funds generated from extractive sector (Requirement 5.3.a).

The public can access information and explanation on the state budget and audit activities, as well as on audit reports on budget preparation, spending, projects performance, through the following channels (Requirement 5.3.a).

Table 86. Information disclosed on state budget and audit activities

Website	Note
www.mof.gov.mn	Ministry of Finance's official website and provides information on the structure, policies, directions, and budget of the Ministry
www.iltod.gov.mn	Current budget information, annual budget information, budget-related laws, decrees and regulations
www.shilendans.gov.mn	Information on budgets and expenditures of all budgetary organizations and state-owned enterprises
www.tusuv-oronnutag.mof.gov.mn	Information on projects and programs funded by the Local Development Fund
https://publicinvestment.gov.mn "Budget investment" application	An online website for public investment financing activities and a mobile application "Budget Investment"
www.e-balance.mof.gov.mn	Integrated business reporting system, accounting instructions, decree, and advice
www.audit.mn	Audit plans, reports and recommendations
www.tender.gov.mn	State procurement online system
www.1212.mn	National Statistical Office's Integrated Database
www.worldbank.org/mn/country/mongolia	Webpage of Mongolia, World Bank
www.imf.org/en/Countries/ResRep/MNG	Webpage of Mongolia, IMF
www.adb.org/countries/mongolia/main	Webpage of Mongolia, ADB
www.internationalbudget.org	Webpage of International Budget Partnership NGO

6. OTHER ISSUES

6.1. Beneficial Ownership (Requirement 2.5)

A beneficial owner is the natural person(s) who ultimately owns, controls, or benefits from a company and is not the person(s) who is legal shareholder or the person(s) who work for or on behalf of the company. A beneficial owner is not necessarily a shareholder but is involved in and influences decision making, hides behind a complicated structure and directly or indirectly benefits from a company.

The EITI global Standard requires that by January 1, 2020, all implementing countries have to ensure that all corporate entity(ies) that apply for bid, operate or invest in extractive assets or hold a participating interest in an exploration or production oil, gas or mining license or contract should include the identity(ies) of their beneficial owner(s).

Table 87. Actions taken to disclose beneficial owners

Date	Measures taken
May 2013	Agreed that the EITI to require disclosure of BO.
October 2013	11 EITI countries have implemented the pilot project of BO.
January 2016	29 EITI implementing countries are implementing to certain degree. Nine countries are including BO information in the EITI report.
February 2016	According to the new EITI standard, it is required to make the BO transparent by January 1, 2020.
2023	EITI initiated revising the (Beneficial Ownership) questionnaire form and developed the template

In 2016, the Working Group appointed a sub-working group to investigate how the beneficial ownership requirements of the EITI Standard can be met in Mongolia. The sub-working group drafted a roadmap, which was approved by the National Council meeting on 20 January 2016, and further amended on 21 December 2017.

A national anti-corruption programme was approved by the GoM Resolution No. 114 dated April 12, 2017. Per 4.1.6.5 of the attachment to this Resolution, it was planned to disclose beneficial owners within the framework of EITI standards, to implement compliance with this requirement for the period between 2020-2022 and that the MEITI Working group shall oversee it.

National Council of OGP Mongolia have developed and presented “National Action Plan II 2016-2018 of Mongolia” at the Cabinet meeting. At the meeting, the NAP had positive support and reflected comments from the Ministers; and final draft of NAP making 13 commitments was discussed and approved at the meeting of National Council dated June 7, 2016. Commitment number 12 of the plan is related to transparency of information on beneficial ownership in mining sector; and the responsible ministries and agencies are state administrative body in charge of budget and finance, and state administrative body in charge of mining related issues.

6.1.1. Definition of beneficial ownership

With respect to objective of disclosing the beneficial ownership, definition of terms, scope, materiality threshold and data for collection were finally approved at the meeting of

EITI Working Group dated November 15, 2017. Before such approval, over 260 participants representing government, companies and civil society have involved in the series of discussion and then the final version was developed considering those comments received. The following definitions were agreed:

“Final beneficial owner” means the individual person(s) who directly or indirectly holds, owns, benefits 5% or more of company shares or any identical securities, 20% or more of voting rights and ...% or more of dividends of legal entity who is license holder, investor, bidder and the contractor in the extractive industry, and exercises management and controls of the company directly or indirectly, or exercise shareholder rights in other means.

“Indirect holding and ownership” mean indirectly to hold shares, any identical securities, and exercise voting rights through related parties with common interest using contract, power of attorney or other types of representation; OR to establish 1 or more legal entities referred to as the custody chain.

“Direct management and control right” means right of making decisions to appoint governing persons of company according to Article 84 of Company law and the Company Charter; and, individually or collectively with the party who has a common interest, to decide whether to enter into significant transactions.

“Indirect management and control” refer to situation where the one exercises management and controls of the company through related parties with common interests using contract, power of attorney or other types of representation.

If the ultimate beneficial owner is a **politically exposed person**, then materiality threshold shall not be applied (0%) for the ownership percentages of the beneficial owner and his/her related parties with common interests; public disclosure is mandatory.

Politically influential person means officials defined in Article 20.2 of the Law on the Prevention of Conflict of Interests and the Regulation of Public and Private Interests in the Public Services.

Transparency of beneficial owners

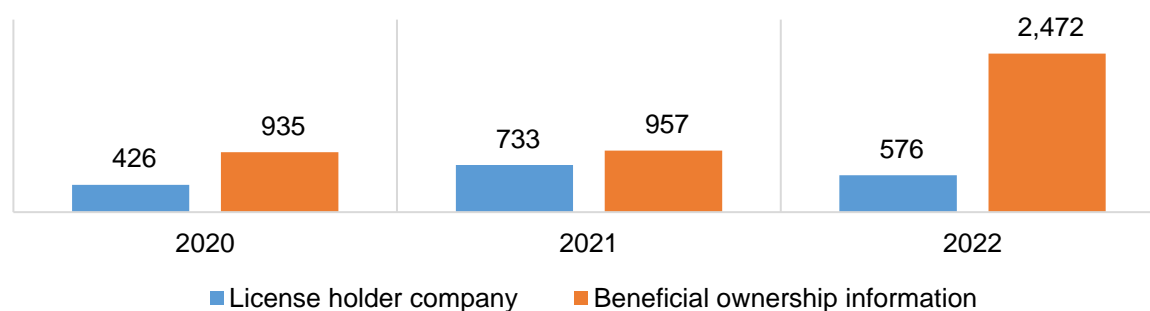
For the 2020 EITI report, a template was developed to identify beneficial ownership in a single inquiry and was uploaded onto the MEITI e-reporting system. In 2022, relevant information was collected in accordance with the requirements of EITI, but this year, in order to provide more detailed disclosure, EITI has preliminarily approved a model form to update the final owner form and collected related information. It includes:

- Basic information
- Form of ownership of the company
- Legal ownership of the company
- Publicly listed company or not
- Full name
- Nationality
- Last and first name of the BO

- Citizenship, dual citizenship if applicable
- Country of residence
- Whether politically influential person
- Whether holding executive management role in the company
- Address of current employer
- Number of shares
- Percentage of ownership
- Percentage of direct voting rights
- Percentage of direct voting Rights
- Percentage of indirect voting Rights
- Whether the company oversight is exercised by other means.

The fact that information on 957 beneficiary owners of 733 licensed companies has been submitted shows an increase of 2.3 percent compared to the previous year.

Graph 10. 2020-2022, beneficial ownership information



Detailed information on the beneficial owners of extractive companies is shown in Appendix 20(b,c). The following table shows the final BO by citizenship.

Table 88. BO of licensed companies

No	Nationality	Citizenship	Politically influential person	Holds an executive position in the company
1	Mongolia	2021	12	12
2	Australia	21	19	0
3	Canada	6	0	0
4	Thailand	36	0	0
5	USA	19	0	0
6	China	245	0	0
7	Bulgaria	2	0	0
8	Spain	10	0	0
9	Kazakh	21	0	0
10	Netherlands	4	0	0
11	Russia	8	0	0
12	Korea	5	5	0
13	Philippines	1	0	0
14	Hong Kong	20	0	0
15	Switzerland	19	0	0
16	Japan	32	0	0
Total		2472	36	12

Also, since March 2019, the State General Registration Department has started to collect selected information on BO on the <http://opendata.burtgel.gov.mn>. As November, 2023 the site contains information on total of 223,695 legal entity, including names, registration numbers, registration dates, and company forms (LLC), type of company (profit, non-profit), area of activity, number of founders, shareholders, members, names of management team, official address and details on founders and shareholders.

6.2. Contract transparency

In Mongolia, several measures have been taken to reflect the transparency, accountability principles in the main documents concerning the extractive industry as well as to ensure contract transparency and remove the confidentiality provisions of PSA.

Open Society Forum (OSF) "Transparency of contracts in the mineral resources sector" multi-stakeholder discussion was organized by the Ministry of Education, Culture, Sports, Science and Technology in cooperation with the Tölsian Avsanaa Niteel (TAN) civil society coalition and the Mongolian National Mining Association (MNMA). It was organized in Ulaanbaatar on December 18, 2014 with the support of the Economic Standing Committee and the Ministry of Mining.

This multi-faceted discussion marked the beginning of cooperation by bringing together the understandings and positions of stakeholders, including the government, extractive companies, and civil society, on the issues of ensuring transparency of contracts and creating a legal environment in the mineral resources sector. The parties involved in the discussion expressed their willingness to create a unified database of mineral resource contracts in order to ensure the transparency of contracts, access to information and organization, and to upload all contracts signed by the government and its related organizations with investors and licensees in the mineral and oil sector. For more information about the discussion, please visit http://forum.mn/index.php?sel=project&menu_id=29&obj_id=5007.

Open Society Forum, MMHI and the Working Group Extractive Industries Transparency Initiative (EITI) jointly established the website www.iltodgeree.mn. The database is where the original texts of contracts that are established in mineral sector of Mongolia, namely, Investment and Production Sharing Agreements, Concession Agreements, and Local Agreements signed by license holders with local administrations related to the exploitation of natural resources such as minerals, oil, natural gas, radioactive and commonly distributed minerals are upload. Below is a list of key legal provisions that are disclosed and relevant to the extractive industry.

Table 89. Contract transparency

No	Name of legislation	Provisions related to the contract and its transparency	Link
Law			
1	Constitution of Mongolia	Articles 6.1 and 6.2, Article 16.17	https://legalinfo.mn/mn/detail/367
2	Law on Minerals	Articles 5.3-5.5, Article 42	http://legalinfo.mn/law/details/63?lawid=63

№	Name of legislation	Provisions related to the contract and its transparency	Link
3	Law on Privacy of Organizations'	Articles 4 and 6	http://legalinfo.mn/law/details/102?lawid=102
4	Law on Petroleum	Articles 12, 13, 14 and 17	http://legalinfo.mn/law/details/10484?lawid=10484
5	Regulation concerning the enforcement of Law on Prohibition of Mineral Exploration and Mining Operations at River Headwaters, Protected Zones of Water Reservoirs and Forested Areas	Article 2.2, Articles 3 and 4.	http://legalinfo.mn/law/details/224?lawid=224
6	General Administrative Law	Articles 11, 26-28	http://legalinfo.mn/law/details/11259?lawid=11259
7	Law on concession	Entirely	http://legalinfo.mn/law/details/312?lawid=312
8	Law on Information Transparency and Right to Information	Entirely	http://legalinfo.mn/law/details/374?lawid=374
9	Law on Common Minerals	Article 40	http://legalinfo.mn/law/details/9750?lawid=9750
10	Law on Investment	Article 20	http://legalinfo.mn/law/details/9491?lawid=9491
11	Law on Nuclear Energy	Chapter 4, Article 2931	http://legalinfo.mn/law/details/97?lawid=97
12	Law on Glass Accounts	Articles 6.4.8, 6.5.9-6.5.10 and 7.1.1	https://legalinfo.mn/mn/detail/10497
State policy			
13	State Policy on the Mineral Sector	Articles 3.1.7 and 3.5.2	http://legalinfo.mn/law/details/9756?lawid=9756
Rules and Regulations			
14	Procedures Investment Contracts		
Resolution of the State Great Khural			
15	About determining the percentage of state ownership of Gatsuurt deposit	Entirely	https://legalinfo.mn/mn/detail/11651
16	About the investment contract for the use of Oyu Tolgoi deposits	Entirely	http://legalinfo.mn/law/details/6405?lawid=6405
17	About some problems of use of Tavan head coal deposit	Entirely	http://legalinfo.mn/law/details/6631?lawid=6631
18	Amendments to the resolution "On some issues of the use of Tavan Gogol coal deposits".	Entirely	http://legalinfo.mn/law/details/10318?lawid=10318
Government Resolution			
19	Measures to ensure transparency in the extractive industry	Articles 7 and 8	http://legalinfo.mn/law/details/8791?lawid=8791

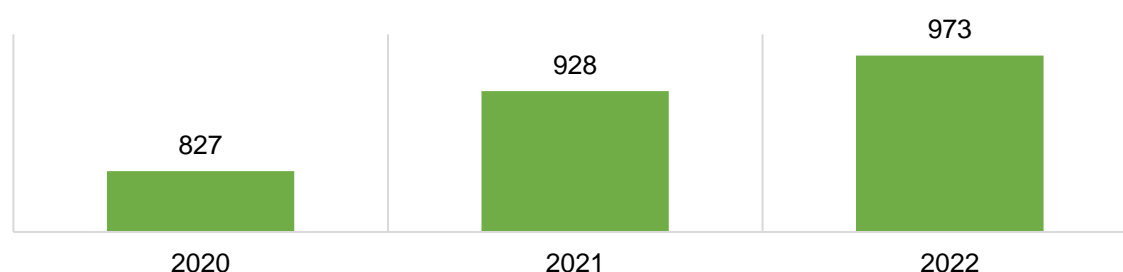
No	Name of legislation	Provisions related to the contract and its transparency	Link
20	Measures to be taken regarding the Tavantolgoi deposit	Entirely	http://legalinfo.mn/law/details/10568?lawid=10568

Source: Mineral Contracts Database

On June 22, 2017, the Open Society Forum, EITI and the MMHI jointly established an Electronic Database for Mineral Contracts to meet the requirements of EITI standard requirement 2.4 to improve the transparency of contracts. This online database publicly discloses the full texts of mineral contracts and other relevant documents to journalists and academics.

The number of contracts posted to the EITI's database has increased by an average of 8.5 percent over the past three years.

Graph 11. The number of contracts uploaded to the database



As of November 24, 2023, this database contains 973 contracts, explanations on 162 contract provisions, and detailed information on eight legislative acts.

Table 90. Agreement uploaded on the database

No	Type of contract	Number
1	Local cooperation agreement	276
2	Artisanal and small-scale mining agreement	97
3	Land use agreement	130
4	Reimbursement agreement for exploration work funded by the state budget	67
5	Agreement on water use	64
6	Pre-mining agreement	41
7	PSA	27
8	Contract under the Law on Prohibiting minerals exploration and exploitation in water heads and protected zone of rivers and forested areas	23
9	Agreement on relevant measures and rehabilitation activities in the licensed area	29
10	Oil prospecting contract	16
11	Stability agreement	11
12	Others	112
13	Agreement on taking relevant measures and rehabilitation activities to be conducted in the licensed area where mining operations have begun	29
14	Concession Agreement	4
15	Investment Agreement	4
16	Agreement on taking relevant measures and rehabilitation activities to be conducted in the licensed area where mining operations have begun in water reservoir area with simple protection	29
17	Agreement on water pollution charges	2

No	Type of contract	Number
18	Agreement on cooperation in environmental protection, development of infrastructure related to the use of mines and establishment of factories, and in increase of employment	1
19	Contract appendices	3
20	Social responsibility contract	1
21	2022 cooperation plan of "ERDMIN" LLC and Orkhon province	1
22	Plan	4
23	Service Agreement	1
24	Memorandum of Understanding on Cooperation	1
Total		973

Source: <http://www.iltodgeree.mn/search>

Appendix 38 provides details for a list of all contracts uploaded to the database.

6.3. Infrastructure investment and barter arrangements (Requirement 4.3)

In some cases, in order to obtain license for mineral resources of a country the extractive companies enter into agreement with government entities to provide in-kind services and goods (infrastructure investment). Examples of investment may include road, railway, power station, school, and hospital.

The benefits obtained by these companies represented by use of petroleum oil, gas, mineral resources, land, energy and water and other elements. This kind of agreement is called barter agreement or 'resource-for- infrastructure swap agreement'.

Regarding infrastructure investment and barter arrangements in 2022, a total of 33 companies reported that they had made 45 infrastructure investments worth more than MNT 100 million. See Appendix 34 for details.

6.4. Revenue from transportation (Requirement 4.4)

Where revenues from the transportation of oil, gas and minerals are material, the government, and state-owned enterprises (SOEs) are expected to disclose the revenues received.

The following Table reports the transportation revenue information of enterprises, the type of product transported, the unit of measurement of the transported product, and the names of government agencies that received the transportation revenue.

The published information shall have the same breakdown as of other revenue, payment streams (4.7). The multi-stakeholder group is responsible for developing and implementing procedures related to the quality of transportation revenue information and the verification of the above information in accordance with Requirement 4.9. EITI implementing countries shall disclose the following information:

- Information on the organization of transportation, including the products being transported, the transportation route, the company involved in the transportation and the government organization (including state-owned enterprises);
- Description of transportation taxes, tariffs and other charges, and methods of calculating them;

- Disclosure of tariff rate and quantity, size of transported products;
- Disclosure of revenues received by government agencies and state-owned enterprises from the transportation of oil, gas and minerals.

6.5. Information on rehabilitation

In Mongolia, the mining sector's environment and social issues are regulated by three main government organizations: The Ministry of Mining and Heavy Industry (MMHI) and its agency Mineral Resources and Petroleum Authority (MRPAM), the Ministry of Environment and Tourism (MNET) and General Agency for Specialized Inspection (GASI).

The mining sector has its biggest negative impact on environment, utilizes nondepletable natural resources, and adversely effects on the Mongolian traditional nomadic herding practices. Therefore, the state central administrative body in-charge of environmental issues has been focusing on development, approval and implementation of laws, regulations and standards for environmental protection and rehabilitation.

In 2021, in accordance with EITI Standard Requirement 6.1, and a total of 234 companies submitted report on rehabilitation. According to the rehabilitation information provided by the companies, 7,198.4 million MNT was mobilized to the cash fund, and 4,385.4 million MNT was at the special account or non-cash fund. Please refer to Appendix 23 of the report for the information on these contributions and on the rehabilitated area by each province, soum and area.

Foundation of legislations which regulate environment and mining rehabilitation were created from 1988 and the relevant laws have been approved and amended since. Below are the laws that apply in the area of environmental protection and restoration during mining operations.

Figure 6. Legislation on environmental protection and rehabilitation applicable for mining operations

1988	Law on Subsoil
2006	Law on Minerals, 1998
2009	Law on Prohibiting minerals exploration and exploitation in water heads and protected zone of rivers and forested areas
2012	Environment Impact Assessment Law
Other legal acts on environment	

As part of the implementation of these laws, more than 30 procedures and methodologies have been adopted, and the following ones have been highlighted.

Figure 7. Procedures in force within the framework of legislation on environmental protection and rehabilitation applicable for mining operations

2014	Regulation for monitoring of special account for environmental protection and rehabilitation <i>Order A/04 of the Minister of Environment and Green Development</i>
2015	Methodology for technical and biological rehabilitation in degraded land due to mining activities <i>Order No. A/138 of the Minister of Environment, Green Development and Tourism</i>
2018	Procedure “Obtaining the results of environmental rehabilitation activities affected by oil and unconventional oil exploration and production activities” <i>Joint Order No. A / 50 and A / 31 of 2018 of the Minister of Mining and Heavy Industry and the Minister of Environment and Tourism</i>
2019	Regulation on rehabilitation and closure of mines, quarries and concentrators <i>Order No. A / 181 and A / 458 of 2019 of the Minister of Mining and Heavy Industry and the Minister of Environment and Tourism</i>
2019	Procedure for developing, reviewing and reporting on environmental management plan <i>Order No. A / 618 of the Minister of Environment and Tourism</i>
Other legal acts on environment	

As of 2022, within the framework of environmental rehabilitation, a total of 93 enterprises in 46 soums of 19 provinces have completed rehabilitation in an area of 727.57 hectares. More information is available at https://eic.mn/box/box13.php?count=100&page=2&search_report_year=2020.

6.5.1. Environmental impact assessment and management plan

The purpose of an environmental impact assessment is to define any impacts which might arise in connection with determining the policies for use of natural resources, engaging in industrial and service activities and to avoid any threats to people’s health and security, pollution in environment ecological imbalance.

Accordingly, the extractive sector is heavily dependent on the Law on Environmental Impact Assessment (2012). The law requires an environmental impact assessment (EIA) to be conducted before implementation of any mining project, and this process is illustrated as follows.

Figure 8. EIA process

- 1 The Project Implementer shall engage and conduct the Environmental Impact Assessment (EIA) by an authorized professional organization prior to the commencement of the Project
- 2 Based on the EIA, the Ministry of Environment and Tourism, including the Environmental Offices of aimag and capital city will issue a General EIA (GEIA) conclusion within 14
- 3 In the event of conclusion that detailed EIA is required, a contract shall be signed with the competent professional body, which will conduct a detailed EIA (DEIA) along with five-year Environmental Management Plan (EMP), and submit it to the Ministry of Environment and Tourism
- 4 The expert who received the detailed EIA report shall conduct an evaluation analysis and issue a conclusion within 18 working days
- 5 The EIA Professional Council of the Ministry of Environment and Tourism shall make a final decision on whether the project can be implemented based on the detailed EIA report, including expert and professional council's conclusions

Environmental Management Plan and monitoring programs shall be developed from the detailed EIA, which are aimed at implementing the recommendations and conclusions stated in the EIA. In case of mining operations commencement, an EMP needs to be developed in the following steps.

Figure 9. EMP**1**

The Project Implementer shall update the EMP for each year in compliance with the environmental legislation, the results of the DEIA, and the approved EMP

2

The EMP performance report must be submitted to the environmental departments of aimag and the capital city by November 1 of the same year, the implementation of the plan shall be inspected on site, and the working group's conclusion shall be issued by December 1

3

The Project Implementer exploiting the mineral deposit shall submit the relevant information in accordance with the annual report on rehabilitation of the damaged land due to mining in accordance with Environmental Form-3 and submit it to the Governor's Office of the soum or district by November 25 of each year. The form must be attached to the Environmental Management Plan.

4

The Project Implementer shall prepare the next year's EMP and submit it to the Ministry of Environment and Tourism by December 20, together with the EMP implementation report and the relevant conclusion of the working group.

5

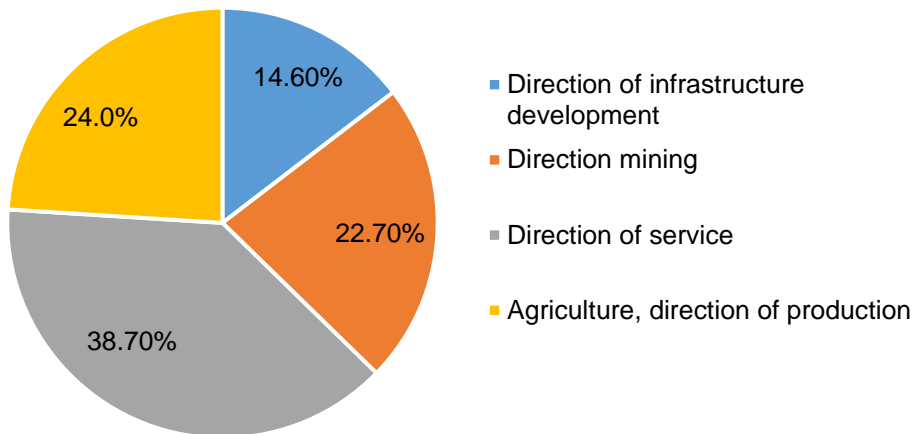
The Project Implementer shall submit to the Ministry of Environment and Tourism a DEIA report and an environmental audit report on the implementation of the EMP every two years in accordance with Article 101 of the Law on Environmental Protection, together with the annual environmental management plan

6

The Ministry of Environment and Tourism shall receive a report on the implementation of the current year's environmental management plan, and review its implementation based on its findings, and review and approve the next year's environmental management plan.

According to the Ministry of Nature, Environment and Tourism, the environmental impact assessment report for the mining project is gathered in in the environmental database in the information section of the environmental impact assessment report according to Article 7 of the Law on Environmental Protection. It is available at <https://eic.mn/eia/eiareport.php>. As of December 05, 2023, there are 180 mining environmental assessment organizations in the database, and 7,381 DEIA reports and 2,598 EIA reports for mining projects.

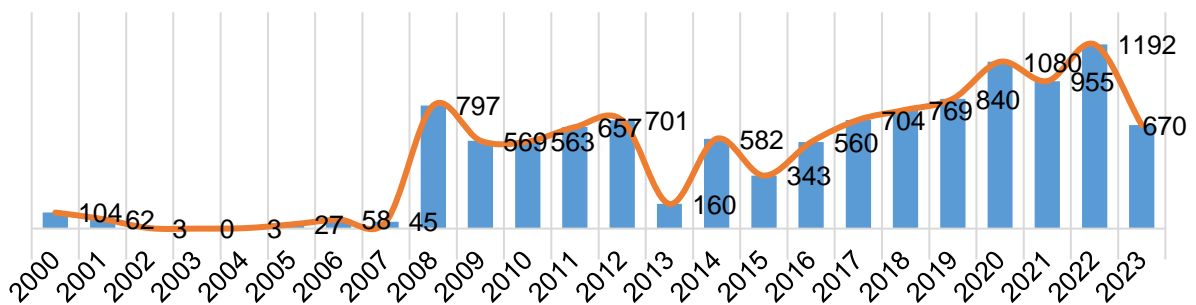
Graph 12. Approved DEIA reports, by evaluation area



Source: Database for EIA

The decline in the number of DEIA reports approved in the last two years may be due to the economic downturn induced by Covid-19 pandemic.

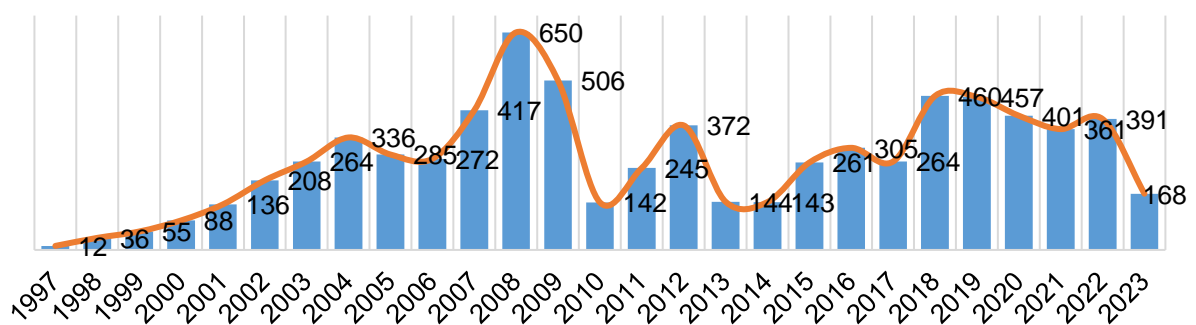
Graph 13. Conclusions of approved DEIA, by year



Source: Database for EIA

The same variation is observed in the approved DEIA reports.

Graph 14. Approved DEIA reports, by year



Source: Database for EIA

6.5.2. Special account for environmental protection

The license holders for mining exploration and exploitation are required to comply with the Environmental Protection Law and Minerals Law, Article 38 and 39 for environmental rehabilitation. Particularly, the Minerals Law Article 38 specifies obligations for the exploration license holders for environmental protection, while the Article 39 specifies obligations for the mining license holders.

Funds for guaranteeing the fulfillment of obligations regarding environmental protection and rehabilitation shall be collected in accordance with Article 9, 9.9 and 9.10 of the Law on Environmental Impact Assessment, and Article 38.1.8 of the Law on Minerals. The exploration license holders and mining license holders are required to deposit an amount equal to 50% of their environmental protection budget of the year in a special bank account established by the Governor of the relevant soum or district to ensure the discharge of their responsibilities with respect to environmental protection

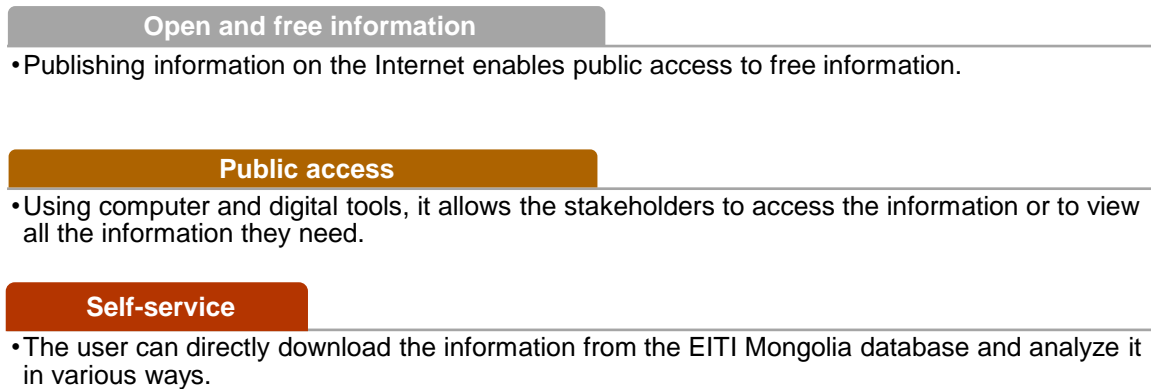
The deposit mentioned above shall be returned to the license holder's account upon compliance of all obligations specified in an Environmental protection plan (EPP) in accordance with the Minerals Law. The deposit shall be returned to the mining license holder during the closure stage if all the obligations set in an Environmental Impact Assessment (EPA) and the EPP are complied. In case if the obligations are not fully complied, the relevant soum or district governor shall assign a professional body to execute necessary rehabilitation with the deposit. In this case, the license holder shall provide any additional funds required for rehabilitation without any dispute.

6.6. Electronic reporting system

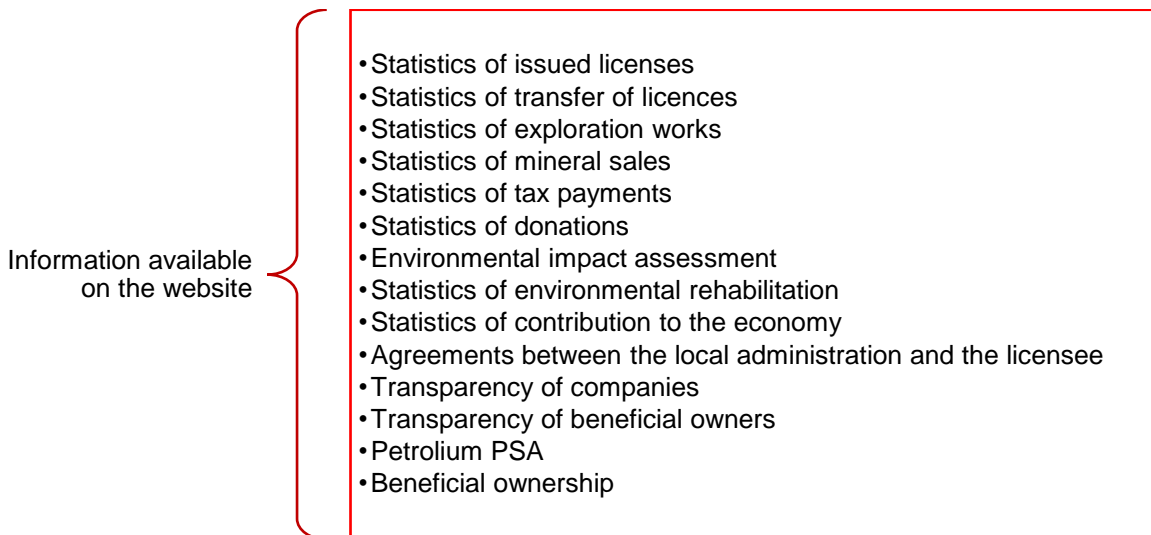
The purpose of the MEITI E-Reporting system is to provide accurate information to the public on governance of the natural resources of petroleum, gas and minerals and raise awareness and knowledge regarding these activities. As a result, of this awareness and cooperation the trust between the government, the extractive companies and the public will be strengthened. Therefore, the E-Reporting system has nationwide importance. For example:

- Increased information transparency and accessibility;
- Prompt access to information;
- Retrieve information from different sources in one spot;
- View license location and comparative information on cadastral maps;
- Search and filter information on mining exploration, production, oil production sales and testing from the integrated database.

Figure 10. Principles applied in the development of the E-reporting system

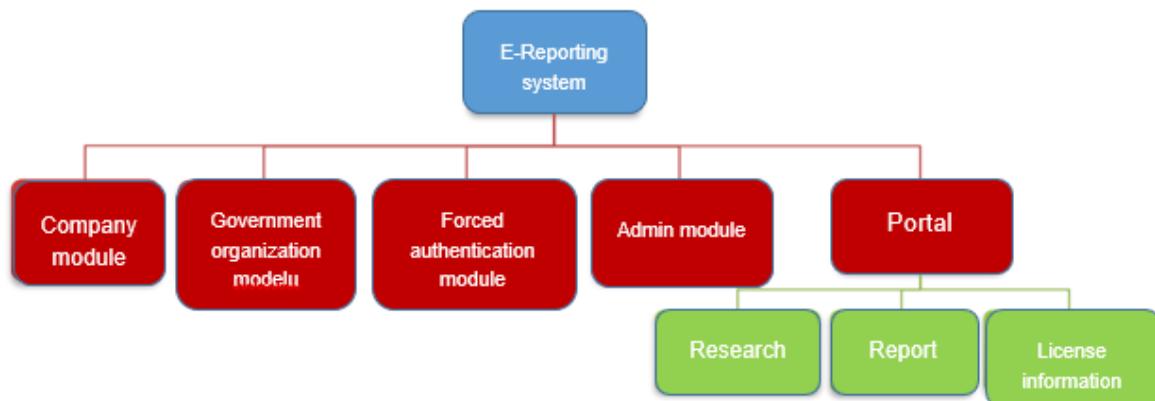


Currently , the website <http://eitimongolia.mn/> provides the general public and citizens not only with the reconciliation reports of Mongolia's EITI along with their appendices, as well as the following key statistical overviews on mining sector activities. It includes:



Source: www.eitimongolia.mn, 2021

Figure 11. EITI E-Reporting system manual



Source: EITTS E-Reporting system manual

6.7. Information on water consumption

Information on water use is compiled using an electronic report form, and in 2022, 99,275,009.3 cubic meters of water use contract was established, of which 58,832,521.1 cubic meters or 59.2% of the contracted amount has been used. In addition, 41.3 billion MNT and 1.6 billion MNT have been collected for water use and pollution purposes, respectively.

Table 91. Information on water consumption in 2021

Details	Amount
Amount of water use (cubic meters) specified in the contract	99,275,009.3
Total amount of water used (cubic meters)	58,832,521.1
Amount of surface water used (cubic meters)	29,164,437.1
Amount of groundwater used (cubic meters)	29,668,084.0
Amount of water used less than the amount specified in the contract (m3)	44,660,319.4
Water usage charges (MNT million)	41,333.2
Water pollution charges (MNT million)	1,612.9

Source: Information provided by companies

In 2022, 41,333.2 million MNT was received for in the form of water charges, and the following 10 companies paid 37,116.5 million MNT, or 89.7% of the total amount. See Appendix 25a and b for more information on water charges.

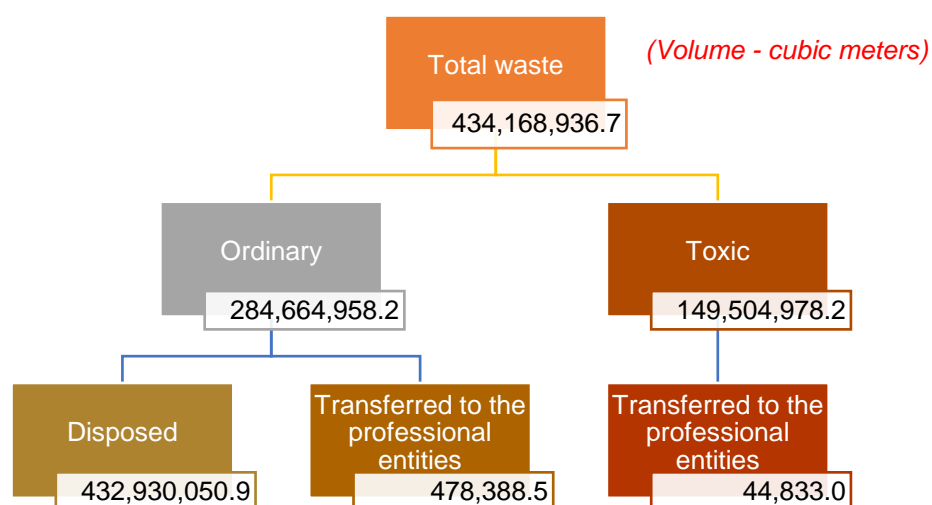
Table 92. TOP 10 companies that paid for water in 2021

Company	Water usage fee (MNT million)	Percentage	Water pollution charges (MNT million)	Percentage
Erdenet	17,395.5	46.8	1,401.3	95.2
Oyu Tolgoi	14800.7	39.8	-	0.0
Petrochina Dachin Tamsag	1091.8	2.9	2.2	0.1
Energy Resources	946.0	2.5	35.0	2.3
Boroo Gold	793.1	2.1	-	0.0
Baganuur	675.1	1.8	-	0.0
Tsairt Mineral	421.9	1.1	8.0	0.5
Erdenes Alt Resources	376.7	0.01	17.1	1.0
Enkh Tunkh Orchlön	315.4	0.08	-	0.7
Batbrothers Mining	300.0	0.08	8.0	0.5
TOP 10	37,116.5	89.7	1,471.9	91.2
Total company	41,333.2	100	1,612.9	100

Source: Information provided by companies

6.8. Information on waste

In 2022, 1,347.2 million MNT of 185 companies was collected for garbage and waste payments. This payment is mobilized in the city of Ulaanbaatar and 19 provinces. Please refer to Appendix 26 for the details concerning the amount of waste and payment.

Figure 12. information on waste, m³

Source: Information provided by companies

Using the information submitted to the electronic reporting system, the following table displays the 10 companies that paid the highest fees.

Table 93. 10 companies that paid high fees for waste

Company	Province / Capital	Amount paid (MNT million)
Erdenet	Orkhon	431.1
Erdenes Tavan Tolgoi	Umnugovi	287.7
Energy Resources	Umnugovi	206.8
Khos-Khas	Bulgan	60.0
Burdel Mining	Tuv	34.8
Ten Khun	Tuv	23.8
Step Gold	Dornod	23.1
Boroo Gold	Selenge	14.4
AUM alt	Uvurkhangai	13.4

Source: Information provided by companies

6.9. Disaggregation level and form of EITI report (Requirement 4.7)

The payments information in this report is disaggregated for each company, government agencies, revenue stream and project levels. Details for each project levels can be found in Appendix 22.

An amendment to the EITI Standard in 2019 approved by EITI Board in 2017, defines what a project is, and the reason for the change is to disclose how much revenue the government receives from each project, as well the mandatory disclosure requirements for each project, with a breakdown of revenues for 2018 and beyond.

The MSG of Mongolia EITI defines “project” and “substantially interconnected” in a following manner.

Project “A “project” means the operational activities that are governed by a single contract, license, lease, concession or similar legal agreement and form the basis for payment liabilities with a government.

Substantially interconnected means forming a set of operationally and geographically integrated contracts, licenses, leases or concessions or related agreements with substantially similar terms that are signed with a government, giving rise to payment liabilities. Such agreements can be governed by a single contract, joint venture, production sharing agreement, or other overarching legal agreement.

Project-level information collected through EITI form

When filling out the EITI electronic report form, the following basic information about the project that is being implemented is required. It includes:

- Company name
- Registration number
- Project name
- Project Contract Date
- Date of Minerals Professional Council's opinion on the review of the Feasibility Study
- Reference number of Minerals Professional Council's opinion on the review of the Feasibility Study
- Exploitation duration
- Total investment reflected in the feasibility study
- Overall investment performance
- Planned investment for the current year
- Investment performance for the current year
- Annual capacity reflected in the feasibility study
- Amount of output since the start of the project
- Amount of output for the current year
- Amount of output expected in the following year

7. RECOMMENDATIONS

7.1. Implementation of the recommendations offered in the previous reconciliation reports

Actions to be carried out per the recommendations of 2018, 2019, 2020, and 2021 RR and the 2022 EITI Validation Report.

Table 94. Actions to be carried out per the recommendations of 2018, 2019, 2020, and 2021 RR and the 2022 EITI Validation Report.

	Recommendation	Note	Organization in charge
Objective 19 . Implement the recommendations issued under the reconciliation reports of 2018 and 2019;	19.1. All data related to extractive sector should be collected at MMHI, and disseminate to other Government institutions;	Article 13.2 of the EITI draft law ¹ stipulates that the state administrative organization in charge of geology and mining shall be in charge of the Information "Database of the Mineral Resource Extraction Industry"	MMHI
	19.2. Local administration will place all received donations at own website, Aimag audit office should include in 2021 Work plan to audit special funds.	According to the 2023 State Budget Law, donations will be received, registered, and disbursed by the LDF.	Aimag Audit department, MMHI
	19.3. Audited financial statements of companies will be placed at EITI website separately;	Move to 2024	MMHI
	19.4. Disclose members of Board of SoEs, procedure of election of independent members and make publicly available;	The recommendation of the 2021 report, "Disclose members of Board of SoEs, procedure of election of independent members and make publicly available," is reflected in Article 8.6.6 of the Law on Public Information Transparency, and is effective from May 5, 2022.	MMHI
	19.5. Disclose minutes of meeting of Board of SoEs;	Move to 2024	MMHI
	19.6. Place Companies' plan and report of Environment impact assessment and management at EITI website separately;	Relevant provisions are introduced into 7.1.10c and 7.1.15a of the EITI draft law. ²	MMHI
	19.7. MSG should study major extractive companies and	Move to 2024	MMHI

¹ Draft Law on EITI - <https://mojha.gov.mn/contentList/62dfcd0a3982fa3c90f2a7da>

² Draft Law on EITI- <https://mojha.gov.mn/contentList/62dfcd0a3982fa3c90f2a7da>

	Recommendation	Note	Organization in charge
	contractors in order to preselect those companies that make significant contribution to the state budget, and give official notification to such companies before entering their general information on the e-reporting system as well as enable the condition for them to submit reports and finally include them in the reconciliation.		
	19.8 Annual reconciliation reports provide recommendations for companies and government agencies on how to submit EITI reports and ensure the accuracy of the reports submitted, but no significant progress has been made so far. This shows the importance of adopting and enforcing the law on Transparency of Minerals Standard.	Comments are collected on the website of the Ministry of Justice and Internal Affairs, which drafted the EITI draft law. ³	MMHI
	19.9. Changes to the law has affected the procedure of GTD to impose royalty and payment from companies, however, it did not affect controls over accurate EITI reporting, imposing royalty and its payment. For this reason, GTD should improve their information system and expected to continue focusing accurate reporting to the EITI.	Move to 2024	MMHI
	19.10. Differences in information between the MRPAM cadastre system and the EITI electronic system need to be resolved, and an electronic reporting system needs to be run on a single source. Information on common mineral licenses issued in rural areas should be entered into the cadastral system without delay and made available to the public.	Move to 2024	MMHI
	19.11 Stakeholders must verify the information they receive electronically and make it available to the public, or information on selected companies should be evaluated and improved by an independent administrator and made public.	Move to 2024	MMHI
	19.12. MSG should pay attention to the fact that as the involvement of independent administrator decreases, the	Move to 2024	MMHI

³ Draft Law on EITI- <https://mojha.gov.mn/contentList/62dfcd0a3982fa3c90f2a7da>

	Recommendation	Note	Organization in charge
	<p>quality and accuracy of the data will be more crucial when taking actions below:</p> <p>1. Provide training and consulting to entities not reporting the information with most discrepancies or not taking responsibility to report.</p> <p>2. Official letter of Mongolia EITI 2019 reconciliation report should be delivered and be advised on cooperation. Official letter of Mongolia EITI 2019 reconciliation report should be delivered and be advised on cooperation.</p>		
Objective 20. Implement recommendations from the 2020 Flexible Integration Report;	20.1 It is required that transparency reports produced by Government should be verified by National Audit organization, and streamline framework where Companies reports to be verified by independent audit.	Relevant provisions are introduced into 17.3 and 18.4 of the EITI draft law ⁴ .	MMHI
Objective 21. Implement the recommendations of the 2021 Flexible Consolidation Report;	21.1 Improve the quality of information, taking into account that problems related to the inconsistencies between the government revenue and company payments are common every year.	EITI's electronic reporting system is being improved to reduce erroneous submissions.	Ministry of Finance, relevant enterprises
	21.2 Introduce system configuration to ensure that the information uploaded to the E-system is accurate and complete.	EITI electronic reporting system is being improved to reduce erroneous submissions.	Ministry of Finance
	21.3 The next year should cover more companies, resolve the issue of the funding accordingly.	The reconciliation report for 2022 is being prepared using the traditional approach. This time, 104 companies are included.	MMHI, EITI
	21.4 Consider and pay attention to have reported more data and make them user friendly and specific.	The EITI electronic reporting system is being improved to make it easier for users to understand and report.	EITI

⁴ Draft Law on EITI- <https://mojha.gov.mn/contentList/62dfcd0a3982fa3c90f2a7da>

	Recommendation	Note	Organization in charge
	21.5 Improve Contract disclosure, specifically make disclosed contract for utilization of the deposit, admit Open contract web site.	Relevant provisions are introduced into Article 7.1.3 of the draft law on EITI. ⁵	MMHI, relevant enterprises
Objective 22 . Implementation of measures to be taken in accordance with the recommendations given by the 2022 EITI Certification Report ;	22.1 Develop the 2023 action plan of EITI in accordance with international standards, review, review and make relevant amendments in the first half of the year.	The 2023 Action Plan has been developed and approved in accordance with the requirements of EITI standards. ⁶	EITI
	22.2 Provide capacity building training for members of local CSOs.	Cooperation with civil society organizations is in place for improved capacity.	Offices of governors of provinces, NGOs
	22.3 Coding of EITI and other data and information to make it open and provide the possibility to compare with other data and information available to the public.	The EITI electronic reporting system is being improved, allowing for the foundation for open data.	Ministry of Finance
	22.4 To monitor the implementation of the recommendations given in the annual EITI Report, to conduct self-evaluation, to establish working sub-groups, and to regulate the presentation of results to the working group and the National Council.	All recommendations have been received and incorporated into the action plan and the draft law of the EITI.	MMHI, EITI
	22.5 To make a statement by senior government officials about the Government of Mongolia's commitment to the implementation of EITI in Mongolia.	Move to 2024	MMHI, EITI
	22.6 Improving and regularizing the participation of representatives and management of companies participating in EITI activities.	Move to 2024.	MMHI, EITI
	22.7 Organize a national discussion on the results and recommendations of the validation.	It was discussed by the working group and incorporated into 2023 Action Plan.	MMHI, EITI
	22.8 To update the regulations of the National Council of Education and Training of Mongolia and the Working Group to increase gender representation and add additional requirements in the field of code of conduct	Move to 2024	EITI

⁵Draft Law on EITI- <https://mojha.gov.mn/contentList/62dfcd0a3982fa3c90f2a7da>

⁶<https://www.EITImongolia.mn/p/10>

	Recommendation	Note	Organization in charge
	22.9 To develop and exchange information with the National Geological Service in the field of systematic disclosure of ongoing and planned exploration operations and geological information.	Relevant provisions are introduced into 7.1.5 of the EITI draft law. ⁷	MRPAM
	22.10 Disclosure of employment in the mining sector by gender, company, workplace, and breakdown of informal mining activities.	Relevant provisions are introduced into Article 7.1.14 of the draft law on EITI. ⁸	MMHI, EITI
	22.11 Systematic disclosure and participation of citizens in monitoring by public institutions and regulations	Move to 2024	Government institutions
	22.12 Regularly update the contract transparency website and fully disclose all contracts, amendments, amendments, special licenses and annexes established after January 1, 2021.	Move to 2024	Ministry of Finance
	22.13 Disclosure of legal provisions and administrative acts related to environmental management and investment monitoring in the extractive industry.	Relevant provisions are introduced into 7.1.1, 8.1.1, 9.1.1, and 10.1.1 of the draft law on EITI. ⁹	MET, Ministry of Justice and Internal Affairs
	22.14 Disclosure of information on how each mining and oil license and contract was awarded or transferred on an annual basis, including an assessment by the MSWG on whether there was any deviations from the legal and regulatory procedures for awarding and transferring mining and oil licenses..	Relevant provisions are introduced into Article 7.1.2 of the draft law on EITI. ¹⁰	MRPAM
	22.15 Disclosure of application, issuance and expiration date of each license.	Relevant provisions are introduced into Article 7.1.2 of the draft law on EITI. ¹¹	MRPAM
	22.16 Disclosure of the beneficial owners information, level of ownership, and detailed information on how ownership or control is exercised (name, country of affiliation, citizenship, country of residence, and whether they are politically influential persons).	In accordance with Article 8.6.19 of the Law on Public Information Transparency, which came into effect in 2022, the beneficial owner of a legal entity has started to be disclosed.	MMHI, Ministry of Justice and Internal Affairs

⁷Draft Law on EITI- <https://mojha.gov.mn/contentList/62dfcd0a3982fa3c90f2a7da>

⁸Draft Law on EITI- <https://mojha.gov.mn/contentList/62dfcd0a3982fa3c90f2a7da>

⁹Draft Law on EITI- <https://mojha.gov.mn/contentList/62dfcd0a3982fa3c90f2a7da>

¹⁰Draft Law on EITI- <https://mojha.gov.mn/contentList/62dfcd0a3982fa3c90f2a7da>

¹¹Draft Law on EITI- <https://mojha.gov.mn/contentList/62dfcd0a3982fa3c90f2a7da>

	Recommendation	Note	Organization in charge
		Relevant provisions are introduced into Article 7.1.11 of the draft law on EITI. ¹²	
	22.17 Disclosure of applicable rules and regulations governing financial relations between the Government and SOEs, including annual disclosures explaining reinvestment and third party financing.	Relevant provisions are introduced into Article 7.1.12 of the draft law on EITI. ¹³	MMHI, EITI
	22.18 Reporting the companies delivering and selling state-owned oil to the market and making the process of selecting the buyer company transparent.	Relevant provisions are introduced into Article 7.1.12j of the draft law on EITI. ¹⁴	MRPAM
	22.19 Disclosure of complete and accurate information on transfers made by companies above the material level to SOEs, by SOEs to government organizations, and by the Government to SOEs.	Relevant provisions are introduced into Article 7.1.12e of the draft law on EITI. ¹⁵	MMHI, EITI
	22.20 Develop an EITI process to disclose quasi-budgetary expenditures of SOEs with material level payments and make them transparent to the same extent as other payments and revenue streams, including subsidiaries and branches of SOEs.	Relevant provisions are introduced into Article 7.1.12e of the draft law on EITI. ¹⁶	MMHI, EITI
	22.21 Timely collection and public disclosure of production volumes and prices of all manufactured mineral products for each product.	Relevant Relevant provisions are introduced into Article 7.1.6 of the draft law on EITI. ¹⁷	MMHI, EITI
	22.22 Systematically disclose information on export products, break down this information in detail by region and company alliance, and disclose the methodology for calculating export volumes and prices.	Relevant provisions are introduced into Article 7.1.6 of the draft law on EITI. ¹⁸	Customs General Administration
	22.23 All material payments paid by mining, oil, and natural gas companies to the government and all material income received by the government from mining, oil, and	Relevant provisions are introduced into Article 7.1.7 of the draft law on EITI. ¹⁹	MRPAM

¹²Draft Law on EITI- <https://mojha.gov.mn/contentList/62dfcd0a3982fa3c90f2a7da>

¹³Draft Law on EITI- <https://mojha.gov.mn/contentList/62dfcd0a3982fa3c90f2a7da>

¹⁴Draft Law on EITI- <https://mojha.gov.mn/contentList/62dfcd0a3982fa3c90f2a7da>

¹⁵Draft Law on EITI- <https://mojha.gov.mn/contentList/62dfcd0a3982fa3c90f2a7da>

¹⁶Draft Law on EITI- <https://mojha.gov.mn/contentList/62dfcd0a3982fa3c90f2a7da>

¹⁷Draft Law on EITI- <https://mojha.gov.mn/contentList/62dfcd0a3982fa3c90f2a7da>

¹⁸Draft Law on EITI- <https://mojha.gov.mn/contentList/62dfcd0a3982fa3c90f2a7da>

¹⁹Draft Law on EITI- <https://mojha.gov.mn/contentList/62dfcd0a3982fa3c90f2a7da>

	Recommendation	Note	Organization in charge
	natural gas companies shall be made fully available to the public, and accessible and comprehensive openness provide.		
	22.24 Barter agreements, resource backed loans: It is necessary to take into account whether there is an agreement to receive goods or services (including loans, guarantees, infrastructure development) or to obtain the mineral resources in whole or in part for the granting of the right to extract minerals, oil, or natural gas. This includes collateral-backed loans that meet the definition of barter-type transactions in Requirement 4.3.	Relevant provisions are introduced into Article 7.1.13 of the draft law on EITI. ²⁰	MRPAM
	22.25 Taking measures to disclose additional information about transportation contracts in the extractive industry, including the types of products being transported, transportation routes, and enterprises and organizations involved in transportation.	Relevant provisions are introduced into Article 7.1.6 of the draft law on EITI. ²¹	MRPAM
	22.26 Disclosure of all revenues from the government's mineral resources sector and all taxes and fees paid by extractive companies on a project-by-project basis.	Move to 2024	MMHI, EITI
	22.27 Search for innovative methods of reporting on EITI, and based on the government portals that are currently operating, provide timely and timely disclosure of information that meets the needs of the government, industry and civil society parties.	Move to 2024	MMHI, EITI
	22.28 Verify information reported annually by companies claiming to have been paid and received by government agencies is true, verified by an independent audit, and conforms to international auditing standards.	Relevant provisions are introduced into Article 18.4 of the draft law on EITI. ²²	MMHI, EITI
	22.29 Public disclosure of the income collected from the extractive sector, whether cash or non-cash, recorded in the state budget.	Move to 2024	MMHI, EITI
	22.30 Further use of EITI as a method of quick and	Move to 2024	MMHI, EITI

²⁰Draft Law on EITI- <https://mojha.gov.mn/contentList/62dfcd0a3982fa3c90f2a7da>

²¹Draft Law on EITI- <https://mojha.gov.mn/contentList/62dfcd0a3982fa3c90f2a7da>

²² Draft Law on EITI- <https://mojha.gov.mn/contentList/62dfcd0a3982fa3c90f2a7da>

	Recommendation	Note	Organization in charge
	transparent information with the aim of improving public understanding of income stability and dependence on mineral resources.		
	22.31 Full disclosure of taxes paid by companies above the material level and revenues received by the state at the local level, by province and sub-districts	Relevant provisions are introduced into Article 7.1.7 of the draft law on EITI. ²³	MMHI, EITI
	22.32 Disclosure of all payments transferred to local communities (provinces and sums) from the government's income from the extractive industry sector.	Relevant provisions are introduced into Article 7.1.8 of the draft law on EITI. ²⁴	MMHI, EITI
	22.33 Disclosure of social material expenditures required by law for companies, including amounts specified in the Local Development Agreement or investment-related agreements.	Relevant provisions are introduced into Article 7.1.3d of the draft law on EITI. ²⁵	MMHI, EITI

²³ Draft Law on EITI- <https://mojha.gov.mn/contentList/62dfcd0a3982fa3c90f2a7da>

²⁴ Draft Law on EITI- <https://mojha.gov.mn/contentList/62dfcd0a3982fa3c90f2a7da>

²⁵ Draft Law on EITI- <https://mojha.gov.mn/contentList/62dfcd0a3982fa3c90f2a7da>

7.2. EITI reporting and recommendations for its implementation

A joint team of the "SICA" LLC for research and consulting services and "Growth Finance Audit" LLC was selected as the Independent Administrator for the 17th EITI Reconciliation Report 2022. Recommendations were developed after summarizing the common limitations faced during the preparation of the 17th EITI Reconciliation Report, the difficulties encountered by the independent administrator, and the comments to ensure more effective and non-erroneous execution work in the future.

Data quality issues are considered of utmost importance under EITI standards. Hence, adhering to international standards, we strived to ensure the government and businesses systematically report data, reduce the need for reconciliation, and avoid background checks in the future.

The previous 16th report noted that, despite recommendations that had been developed in every annual reconciliation report that the companies and government institutions should aim to ensure timely submission and accuracy of the reports, the progress had been minimal. Similarly, the progress has been negligible for this year. Misreporting and underreporting are still common both for the government and businesses, indicating that attempts to ensure the implementation of recommendations could be improved.

For instance, this year, we share the same opinion with recommendations concerning **"Obtaining approval on the Law on Transparency of Mineral Resources"**, **"Issues regarding the difference between government revenue and business contributions"**, **"Receiving information allowing reports segregated by projects"**, **"Improving the information quality by addressing the common problems that occur annually concerning the gaps between government receipts and corporate contributions"**, **"Introducing system configuration to ensure the information uploaded to the E- system is accurate and intact"**. On the other hand, the poor implementation of previous years' recommendations reduces the report's significance.

Having also worked as the Independent Administrator last year, the Independent Administrator observed common concerns despite specific improvements during the reconciliation process. Particularly:

Because problems related to the gaps between government receipts and corporate contributions are common every year, recommendations were issued to undertake definite actions to enhance information quality. However, this year, the problems were still persistent. Moreover, no changes occurred with regard to obtaining clarifications for the reconciliation report from the public and private sectors.

Therefore, it is crucial to further focus on implementing the recommendations given in the past years, increase awareness of the importance and impact of EITI to the public and appropriate stakeholders, and work proactively to promote the initiative. The following recommendations have been developed by prioritizing the critical issues to distinguish them from the previous recommendations.

- ❖ The Ministry of Mining and Heavy Industry, Ministry of Finance, and other relevant institutions should pay special attention to ensuring that all SOEs that participated in the Reconciliation Report adopt the practice of submitting accurate and complete reports.
- ❖ Companies and government organizations should introduce quality improvements to the process of submitting EITI reports, standardize them, and make progress in ensuring the accuracy of reports.
- ❖ Since obtaining comprehensive information on the implementation of EITI requirements from SOEs is ambiguous, efforts should be made to ensure the implementation of standards and requirements.

8. APPENDICES

Appendix	Information
Appendix 1	General information of companies covered in the Mongolia EITI Report 2022
Appendix 2	Government officials who provided information in the Reconciliation report
Appendix 3	Local government officials who provided information in the Reconciliation report
Appendix 4	Structure of reporting templates sent to companies
Appendix 5	Structure of reporting templates sent to government organizations
Appendix 6	Information provided by companies
Appendix 7	Information provided by government organizations
Appendix 8	Appendix 8: By type of adjustment and payment made in favor of the company
Appendix 9	Appendix 9- Unexplained Difference (by company)
Appendix 10	Initial reconciliation, adjustments and reconciliation after adjustments (by companies)
Appendix 11	Unexplained difference, by company
Appendix 12	National key revenue streams reported by the governments, after reconciliation
Appendix 13	Subnational key revenue streams reported by the governments, after reconciliation
Appendix 14	Employee information
Appendix 15.a	List of exploration licenses as of December 31, 2022
Appendix 15.b	List of newly granted exploration licenses
Appendix 15.c	List of transferred exploration licenses
Appendix 15.d	List of transferred exploration licenses
Appendix 15.e	Appendix 15.d: Special permits (licenses) suspended in 2022
Appendix 15.f	Licenses for common minerals
Appendix 15.g	List of unselected entities
Appendix 16.a	Coal mining
Appendix 16.b	Domestic and export sales in 2022 and its average
Appendix 17	Financial report auditing progress
Appendix 18.a	Execution of mining work plan (excluding coal sector)
Appendix 18.b	Performance of mining work plan - Coal
Appendix 19	Composition of the board of directors
Appendix 20.a	Shareholders information
Appendix 20.b	Beneficial owners (individuals)
Appendix 20.c	Beneficial ownership (legal entities)
Appendix 20.d	Dividends
Appendix 21	Information of contracts made with local administration organizations
Appendix 22	Project level information
Appendix 23	Rehabilitation information provided by companies
Appendix 24.a	Assessment of EITI participation on companies
Appendix 24.b	Assessment of EITI participation on the Government and government organizations
Appendix 25.a	Information of used water
Appendix 25.b	Water use fee paid to the government (by companies)
Appendix 26	Information of waste
Appendix 27	Used energy, fuel and products
Appendix 28	Information on sub-contractors
Appendix 29	Information on transparency of State Owned Entities (SOE)
Appendix 30	Information on loans of State Owned Entities (SOE)
Appendix 31	Impact area information
Appendix 32	Information of chemicals used by concentrators
Appendix 33	Infrastructure investment and barter agreement
Appendix 34	Information on mining, production and sales of minerals
Appendix 35	Information on mining, production and sales of minerals (procurement of mineral resources)
Appendix 36	Information on mining, production and sales of mineral products (Sales)
Appendix 37	Transport fees for state and private enterprises
Appendix 38	List of publicly disclosed contracts
Appendix 39	List of contracts disclosed after the reporting period
Appendix 40	Funding provided to aimags and soums from provincial development funds sources

