

MONGOLIA EIGHTEENTH EITI RECONCILIATION REPORT 2023

Mongolia Extractive Industries Transparency Initiative



MONGOLIA EIGHTEENTH EITI RECONCILIATION REPORT 2024

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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.

"SICA" LLC, "Growth Finance Audit" LLC

CONTENT

CONTENT	3
LIST OF TABLE	6
LIST OF FIGURE	8
LIST OF GRAPH	8
ABBREVIATION	9
CHAPTER 1. INTRODUCTION	11
1.1 Background	11
1.2 The role of the independent administrator.....	12
1.3 Participants.....	12
1.4 Limitations	13
1.5 Acknowledgments.....	13
CHAPTER 2. EXECUTIVE SUMMARY	14
2.1 Sector overview	14
2.2 Participation in EITI.....	15
2.3 Scope of the report	15
2.4 Total government revenue	16
2.4.1 Government revenue from the extractive industry in 2023	16
2.4.2 Scope of reconciliation.....	17
2.4.3 Adjustment of Government-Reported revenues	18
2.5 Summary of reconciliation results	19
2.5.1 Comparison of government and company financial flows following adjustments..	19
2.5.2 Summary of extractive sector revenue.....	20
2.6 Information accuracy	21
2.7 Quality of information and report verification.....	22
2.7.1 Report submission and response status	22
2.7.2 Requirements for transparency of state participation	24
CHAPTER 3. DETERMINING THE SCOPE OF RECONCILIATION METHODOLOGY AND INFORMATION	28
3.1 Introduction.....	28
3.2 Determining the scope of information.....	28
3.2.1 Introduction.....	28
3.2.2 Determining the scope of information and inception report	29
3.2.3 Actual payments and revenues (Materiality)	29
3.2.4 Selection of companies to be included in the report.....	30
3.3 Methodology	32
3.3.1 Data Collection	32
3.3.2 Forms used in the 2023 consolidation	33
3.3.3 Level of detail	33
3.4 Verification.....	33
3.4.1 Audit and verification environment in Mongolia	33

3.4.2	Verification process of the EITI report.....	34
CHAPTER 4. RESULTS OF ADJUSTMENT	35	
4.1	Summary of initially reported flows	35
4.2	Initial unadjusted discrepancies and non-reporting companies	36
4.3	Remaining unadjusted discrepancies.....	36
4.3.	Detailed results of the reconciliation	40
CHAPTER 5: OVERVIEW OF MONGOLIA’S EXTRACTIVE SECTOR.....	48	
5.1	Overview of legal changes in the extractive sector in 2023.....	48
5.1.1	Legal regulation of the extractive sector.....	48
5.1.2	Legal documents issued within the framework of implementing the Extractive Industries Transparency Initiative in Mongolia	54
5.1.3	Fiscal Policy and budget legislation (Requirement 2.1).....	56
5.2	Overview of the mining sector.....	57
5.2.1	Overview of Mongolia’s mineral resources.....	57
5.2.2	Overview of Uranium	59
5.2.3	Strategic deposits	61
5.2.4	Artisanal mining	61
5.2.5	Selection process for granting mineral licenses	64
5.2.6	Mineral licenses.....	64
5.3	Overview of production and export (Requirement 3.1).....	73
5.3.1	Mining product production.....	73
5.3.2	Export of mining products (Requirement 6.3).....	74
5.4	Oil and Natural gas	78
5.4.1	Overview of Oil	78
5.4.2	Overview of natural gas	80
5.4.3	Oil reserves	80
5.4.4	Oil exploration.....	80
5.4.5	Oil exploration permits.....	81
5.4.6	Process for issuing and transferring oil exploration permits (Requirement 2.2.a).....	81
5.4.7	Production sharing agreement.....	84
5.4.8	Transparency of PSAs (Requirement 2.4)	91
5.4.9	Petroleum production and export.....	91
5.4.10	Petroleum product prices.....	92
5.4.11	State involvement in the oil sector	94
5.5	Impact on the economic sector	94
5.5.1	Economic growth (Requirement 6.3.a).....	94
5.5.2	Production (Requirement 6.3.a).....	95
5.5.3	Total Government Revenue from the Extraction Sector (Requirement 6.3b).....	98
5.5.4	Export revenue from the extraction industry (Requirement 6.3.c).....	98
5.6	Government agencies.....	101
5.7	State participation in the extractive sector.....	104
5.7.1	Definition of State-owned enterprises	104
5.7.2	Legal framework regulating state participation in the extractive sector.....	104

5.7.3	Conditions for the transfer of ownership and changes in state ownership in extractive companies	105
5.7.4	Changes in state ownership.....	106
5.7.5	Role of SOEs in the extractive sector	106
5.7.6	SOEs included in the mining sector reconciliation.....	107
5.7.7	Financial relations between the government and SOEs.....	111
5.7.8	Transactions between SOEs (Requirement 4.5).....	113
5.7.9	Disclosure of financial statements by SOEs (Requirement 2.6.b)	114
5.7.10	Financial statements of SOEs.....	114
5.7.11	Audit report of the state-owned enterprises	115
5.7.12	SOE operational activities, capital expenditures, procurement, subcontractors, and company governance-related rules and practical operations (Requirement 2.6.c)	117
5.7.13	Rules and practical operations related to company governance	120
5.7.14	Payments similar to budget expenditures.....	121
5.8	Budget process and revenue allocation	121
5.8.1	Revenue allocation in the extractive sector.....	121
5.8.2	Cases of non-allocation of revenue from the extractive sector to the state budget (Requirement 5).....	122
5.8.3	Revenue management and expenditure	123
CHAPTER 6. OTHER ISSUES.....		129
6.1	Ultimate beneficial owner (Requirement 2.5)	129
6.1.1	Transparency of ultimate beneficial owners	129
6.2	Contract transparency	132
6.3	Infrastructure investment and barter exchange (Requirement 4.3).....	134
6.4	Transportation income (Requirement 4.4).....	134
6.5	Reclamation information	137
6.6	Electronic reporting system.....	144
6.7	Water usage information.....	146
6.8	Waste disposal information.....	146
6.9	Level and form of revenue breakdown in the EITI report (Requirement 4.7)	147
6.10	Coal theft case and its results.....	148
CHAPTER 7. THE IMPLEMENTATION OF RECOMMENDATIONS		153
7.1	The implementation of recommendations from the previous year's consolidated report 153	
7.2	Recommendations for EITI reporting and its implementation	157
APPENDIX		159

LIST OF TABLE

Table 1. Government revenue received by organization, in million MNT	16
Table 2. List of companies not registered in the electronic reporting system	17
Table 3. Adjustment of Government-reported revenues, in million MNT.....	18
Table 4. Adjusted government and company revenue flows, in million MNT	19
Table 5. Reconciliation report results for 2019-2023, in million MNT	19
Table 6. Top 20 company payments from the 125 reconciled companies, in million MNT, and their percentage share	20
Table 7. Tax payments of the 20 lowest-contributing companies from the 125 reconciled, in million MNT and percentage	20
Table 8. Companies added in the reconciliation based on stakeholder recommendations	21
Table 9. Information submitted by companies	22
Table 10. Participation rate of the selected 125 entities in filling out the forms	23
Table 11. Information about enterprises that refused to participate in the report.	26
Table 12. Government reported revenue and number of companies, in million MNT	29
Table 13. Revenue received from top taxpayers, by year	31
Table 14. Initially reported payments, revenue flows, and adjustments, in million MNT.....	35
Table 15. Initially reported payments, revenue flows, and adjustments, in million MNT.....	35
Table 16. Unadjusted discrepancies, in million MNT	36
Table 17. Remaining unadjusted discrepancies by revenue flow /in Million MNT/	36
Table 18. Remaining unadjusted discrepancies by company	37
Table 19. Key local revenue flows, in million MNT	40
Table 20. Key national revenue flows, in million MNT	41
Table 21. National reconciliation by revenue flow, in million MNT	42
Table 22. Major regulations made to improve the legal framework of the extractive industry	53
Table 23. Budget formation and allocation	56
Table 24. Budget legislation.....	56
Table 25. The Report on revenue collected in the budget, billion MNT	58
Table 26. Production of key industrial products.....	58
Table 27. Industrial sector production, billion MNT.....	59
Table 28. Currently valid uranium licenses.....	60
Table 29. Strategically significant mineral deposits	61
Table 30. Areas approved for artisanal mining, ha	63
Table 31. Number and area of valid mineral licenses by province and capital city	64
Table 32. Legal Regulations for the Licensing Process.....	65
Table 33. Process for granting exploration and mining licenses	66
Table 34. Process of converting an exploration license to a mining license	66
Table 35. Process for issuing mineral licenses through Open Selection.....	67
Table 36. Technical proposal evaluation sheet for granting exploration licenses.....	69
Table 37. Special license for radioactive minerals.....	69
Table 38. Exploration license for commonly distributed minerals	71
Table 39. Mining license for commonly distributed minerals.....	72
Table 40. Special permits transferred in 2023.....	72
Table 41. Transparency of special permits.....	73
Table 42. Mining product production, in billion MNT.....	74
Table 43. Major mining product extraction	74
Table 44. Average export prices of mineral products, in USD	74
Table 45. Export volumes of major products , in USD	75
Table 46. Production of major mining products over the last 10 years	76
Table 47. Oil Exports and oil product imports.....	79
Table 48. Oil product reserves over the last two years (tons).....	80
Table 49. Process for issuing oil exploration permits.....	82
Table 50. Process of extending an oil exploration license	82
Table 51. Process for granting an oil production license	82
Table 52. Process for extending the oil production license.....	83

Table 53. Technical and financial criteria used for granting special licenses	83
Table 54. Legislation related to production sharing agreements	85
Table 55. Companies that have established PSAs.....	87
Table 56. Transparent exploration work agreements	91
Table 57. 2023 oil exports.....	92
Table 58. Petroleum product prices by month for 2022 and 2023 (in MNT).....	92
Table 59. Average prices of petroleum products by country, province, and region (in MNT)	93
Table 60. Extraction volumes of companies covered in the consolidated report.....	95
Table 61. Revenue contributed to the budget, in billion MNT	98
Table 62. 2023 Sales volumes of companies covered in the consolidated report.....	98
Table 63. Shareholder information of SOEs	106
Table 64. Equity of Erdenes Mongol LLC in 2023	109
Table 65. Debt and loan amounts paid by SOEs in 2023, Million MNT	113
Table 66. Transactions between SOEs (Requirement 4.5)	113
Table 67. Transparency of SOEs' financial statements.....	114
Table 68. Financial transparency of SOEs	115
Table 69. Changes made to the law on state audit in 2023.....	115
Table 70. Transparency of SOE audit reports	116
Table 71. Transparency of SOE internal regulations.....	117
Table 72. Amendments and changes in laws and regulations related to the transparency of SOE procurement	118
Table 73. Transparency on Shilen dans portal	119
Table 74. Procurement transparency	120
Table 75. SOE Shilen Dans information.....	121
Table 76. Changes in loans for the extraction sector, in million MNT	121
Table 77. The approved allocation for regional development funds in the 2023 budget of Mongolia, in million MNT	122
Table 78. The total amount of financial support allocated to provinces in the 2023 budget of Mongolia, in million MNT.....	123
Table 79. Comparison of plan and performance	123
Table 80. Open information on the state budget and audit activities	128
Table 81. Measures implemented for ultimate beneficial ownership transparency	129
Table 82. Ultimate beneficial owner of the license-holding company.....	130
Table 83. Information on ultimate beneficial owner (legal entity)	130
Table 84. Contract transparency	132
Table 85. Contracts posted in the database.....	133
Table 86. Top 12 enterprises with high transportation income	135
Table 87. Summary of export cargo transported by road, cumulative data.....	135
Table 88. Summary of export cargo transported by railway, cumulative data.....	136
Table 89. Export cargo data, cumulative	137
Table 90. Summary of the 2023 environmental responsibility agreements reports from businesses authorized to conduct subsurface restoration as of January 10, 2024.....	138
Table 91. 2023 Water usage information	146
Table 92. Top 10 companies paying water usage fees in 2023 (in million MNT)	146
Table 93. Companies with the highest waste disposal fees	147
Table 94. Comparison of 2023 revenue plan and performance.....	148
Table 95. The implementation status of the action plans based on the recommendations from the EITI consolidated reports for 2018, 2019, 2020, 2021, and 2022	153

LIST OF FIGURE

Figure 1. Activities of the companies included in the consolidated report.....	31
Figure 2. Participation of parties in the electronic reporting system.....	32
Figure 3. Process for transferring a mineral exploration license	68
Figure 4. Location of oil and unconventional oil exploration and exploitation fields	81
Figure 5. Summary diagram of the work plan for 2023-2024.....	131
Figure 6. Laws and legal acts related to environmental protection in Mongolia	140
Figure 7. The process of conducting a detailed environmental impact assessment	141
Figure 8. The stages of an environmental management plan.....	142
Figure 9. Principles followed in developing the electronic reporting system	145
Figure 10. EITI electronic reporting system manual	145
Figure 11. Waste disposal information, m ³	147
Figure 12. Hearing on coal theft.....	149
Figure 13. Hearing on coal theft.....	149
Figure 14. Hearing on coal theft.....	150

LIST OF GRAPH

Graph 1. The achievement of coal export targets in 2023	14
Graph 2. Revenue generated from the mineral sector.....	14
Graph 3. Increase in coal exports	15
Graph 4. Payments and revenues received by government agencies, in million MNT.....	30
Graph 5. Revenue received from top taxpayers, by year	32
Graph 6. The revenue contributed by the mineral resources sector to the budget, in billion MNT	57
Graph 7. Amount of gold purchased by the Bank of Mongolia in 2023	62
Graph 8. Production of major mining products over the last 10 years	77
Graph 9. Crude oil exports in the last 10 years, thousand barrels	92
Graph 10. GDP of the mining sector over the last 5 years (at current prices) in million MNT.....	95
Graph 11. Export volume of copper concentrate and ore, in thousands, USD.....	126
Graph 12. Export volume of unrefined and semi-refined gold, in thousands, USD	126
Graph 13. Iron ore export volume, in thousands, USD	126
Graph 14. The volume of unrefined crude oil exports , in thousands, USD	127
Graph 15. Number of contracts posted in the database	133
Graph 16. Survey of Degraded Lands, Comparison of 2020 and 2023 Data.....	138
Graph 17. Information regarding the amounts deposited into the special account for environmental protection and reclamation guarantees from 2007 to September 2024	139
Graph 18. Approved detailed impact assessment reports, by assessment direction	143
Graph 19. Approved general impact assessment conclusions, by year.....	143
Graph 20. Approved detailed impact assessment reports, by year.....	143

ABBREVIATION

BO	Beneficial Owner
BOD	Board of Directors
CGA	Customs General Administration
CIT	Corporate Income Tax
EITI	Extractive Industry Transparency Initiative
ENT	Entity
ENV	Environment
EPP	Environmental Protection Plan
ERS	Electronic Reporting System
GAPCSP	Government Agency for Policy Coordination on State Property
GBG	General Budget Governor
GDP	Gross Domestic Product
GLMT	General Law of Mongolia on Taxation
GO	Governor's Office
GOV	Government
IAS	International Accounting Standards
ISA	International Standards on Auditing
ISFR	International Standards on Financial Reporting
JSC	Joint Stock Company
KT	Thousand Tonnes
LDCF	Local Development Consolidated Fund
LDF	Local Development Fund
LFEEMR	License Fee for Exploitation and Exploration of Mineral Resources
LLC	Limited Liability Company
MEGDT	Ministry of Environment, Green Development and Tourism
MEITI	Mongolia Extractive Industry Transparency Initiative
MET	Ministry of Environment and Tourism
MNAO	Mongolian National Audit Office
MN	Mongolia
MMHI	Ministry of Mining and Heavy Industry
MNMA	Mongolian National Mining Association
MOF	Ministry of Finance
MM	Micro Mining
MPC	Mineral Professional Council
MRPA	Mineral Resources and Petroleum Authority
MSG	Multi-Stakeholder Group
MSWG	Multi-Stakeholder Working Group
NAP	National Action Plan
NGO	Non-Governmental Organization
NSM	National Statistics of Mongolia
OSF	Open Society Forum
PA	Petroleum Authority

PM	Parliament of Mongolia
PSA	Product Sharing Agreement
PWYP	Publish What You Pay
ROK	Republic of Korea
ROC	Republic of China
RF	Russia Federation
SAM	Sustainable Artisanal Mining
SE	Stock Exchange
SIF	Social Insurance Fund
SOC	State-Owned Companies
SOE	State-Owned Entities
SOJSC	State-Owned Joint Stock Company
SPIA	State Professional Inspection Agency
TEFS	Technical and Economic Feasibility Study
TP	Thermal Power
USD	United States Dollars
USA	United States of America
VAT	Value Added Tax

CHAPTER 1. INTRODUCTION



THE EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE (EITI)

- By ensuring that the revenues from natural resources (such as minerals, oil, and natural gas) are transparent to the public, the goal is to increase the accountability of stakeholders in managing and using these resources for the benefit of society. This approach also aims to strengthen good governance through the equal participation of the government, private sector, and civil society in a global partnership.

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, natural 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 secretariat, comprised of representatives of the government, mining companies, and civil society, were established to implement EITI.

Since Mongolia's integration into the EITI, **a total of 17 reports have been prepared** and published. This 18th report marks the third occasion on which the joint team of **"SICA" LLC** and **"Growth Finance" LLC** has been appointed as the independent auditor-consolidator.

The EITI standards, including the principles and requirements for their implementation, were approved at the EITI International Meeting held in Lima on February 24-25, 2016. These standards have been **revised three times, in 2016, 2019, and 2023.**

This standard encourages the use of existing national reporting systems to gather EITI data and emphasizes the importance of transparency in the results. It mandates the disclosure of information about individuals who own and benefit from extractive activities. All countries must ensure that companies involved in, executing, and investing in extractive projects transparently disclose their ultimate or beneficial owners.

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 2023 transparent.

1.2 The role of the independent administrator

The role of the independent administrator-reconciler, as outlined in the terms of reference, includes the following responsibilities:

- ◆ Conduct a study to determine the scope of Mongolia's 2023 reconciliation report to support the decision-making process of the Multi-Stakeholder Group.
- ◆ Prepare the 2023 EITI Reconciliation Report for Mongolia in accordance with the EITI Standard and Section 2 of these terms of reference, verifying and reconciling the reports of at least 120 companies, while compiling non-revenue data in compliance with the EITI Standard.
- ◆ Provide valuable conclusions and recommendations to enhance sector governance and align sector management with international standards, recognizing its significance as a key sector in Mongolia's economy. Assist in implementing recommendations from previous reports, as well as those from the 2023 international validation.

1.3 Participants

The parties involved in the reconciliation report comprise of:

Government agencies at the state and local levels that generate significant revenue from extractive industry companies

State-owned enterprises involved in the extractive sector

Government ministries and agencies tasked with overseeing, regulating, and reporting on the extractive sector

Extractive sector companies that make significant payments to government agencies in compliance with applicable legal regulations

The government entities and enterprises involved are listed in Appendix 1.

1.4 Limitations

This is the third year the independent auditor has prepared this report. During the consolidation process, the same challenges as in previous years were encountered, including:

- ✓ A decrease in the number of enterprises and government agencies submitting information to the reporting system;
- ✓ Difficulty in contacting selected enterprises due to a **lack of contact information** and reluctance to provide data;
- ✓ Working with relevant government agencies **involves many steps**, making it **time-consuming** to gather the necessary information;
- ✓ **Incorrect data entry** by extractive industry enterprises and government agencies that submitted information for reporting purposes;

Compared to previous years, there was a decline in the number of reports submitted by enterprises and local entities. Of the 125 enterprises expected to be included in the consolidated report, 100 submitted their data. Similarly, only 15 out of 30 provincial, district, and municipal organizations provided their information. This required additional efforts to gather data from those who did not submit. Moreover, **there is no legal framework requiring mining sector organizations to be included in the EITI consolidated report, leading some organizations that should have participated in the eighteenth consolidated report to decline, further complicating the preparation process.**

1.5 Acknowledgments



To the MEITI Secretariat

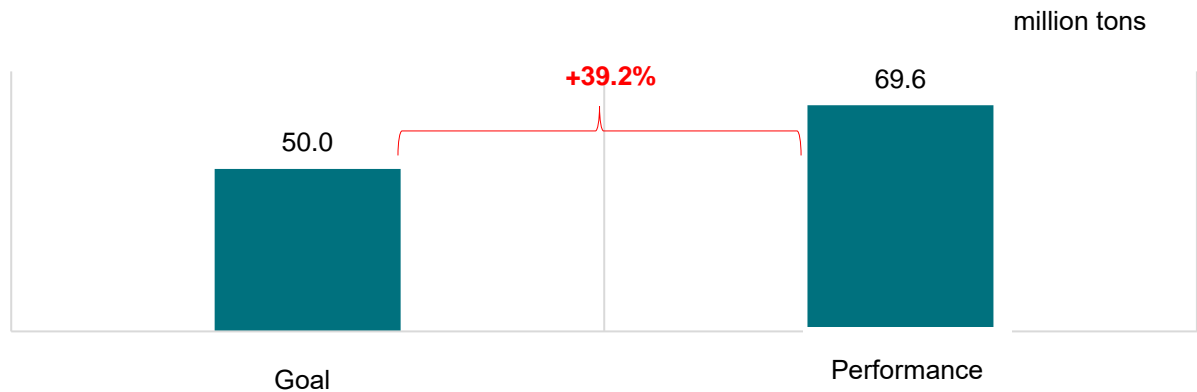
We, "SICA" LLC, extend our heartfelt **gratitude to the MEITI Secretariat** for their invaluable assistance in procuring and delivering permits, official documents, and letters from government agencies, institutions, and extractive sector companies. We are also **deeply appreciative** of their support in other essential tasks.

CHAPTER 2. EXECUTIVE SUMMARY

2.1 Sector overview

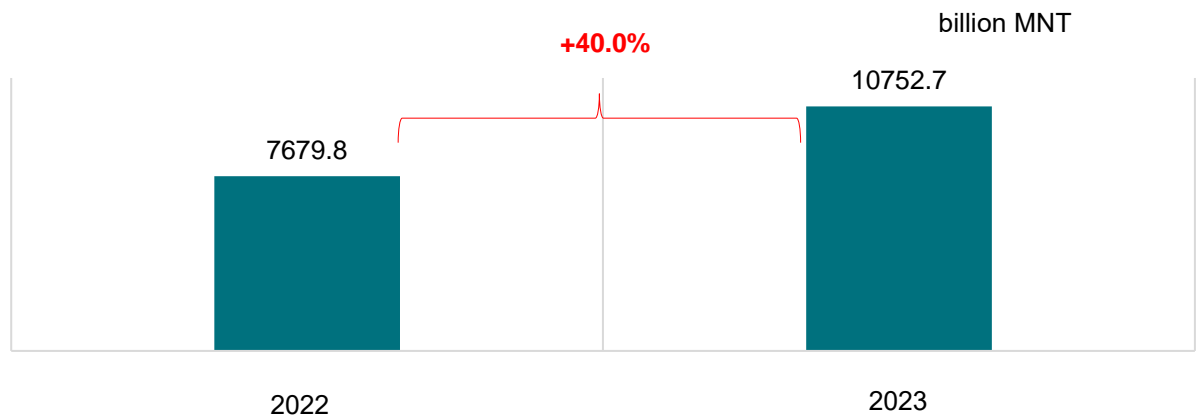
The extractive industry is a key sector of Mongolia’s economy and a major driver of economic growth. In the 2023 budget amendment, the government set a target to export 50 million tons of coal to the international market. By the end of the year, Mongolia surpassed this target, exporting a total of 69.6 million tons of coal, setting a historic record and exceeding the goal by 39.2 percent.

Graph 1. The achievement of coal export targets in 2023



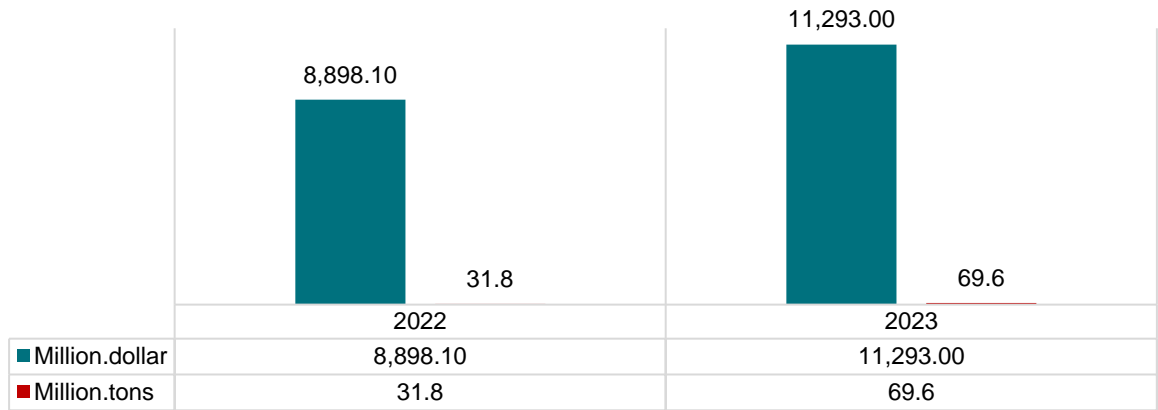
The mining sector contributed 29.9 percent to the state's consolidated budget revenue, with coal miners alone accounting for 56.2 percent of the sector's revenue. Revenue from the mineral resources sector reached 7,679.8 billion MNT, marking an increase of 3,072.9 billion MNT, or 40.0 percent, compared to the same period last year.

Graph 2. Revenue generated from the mineral sector



In 2023, coal exports totaled 69.6 million tons, generating 8,898.1 million USD. This marks an increase of 2,394.9 million USD, or 26.9 percent in value, and 37.8 million tons, or 2.1 times in volume, compared to the same period last year.

Graph 3. Increase in coal exports



As of the fourth quarter of 2023, the mining sector represented 28.7 percent of GDP, reflecting a 5.1% increase compared to the same period last year. It contributed 86.5 percent of export revenue, marking a 24.7 percent increase, and accounted for over 31.6 percent of total budget revenue.

2.2 Participation in EITI

In December 2005, the Government of Mongolia decided to implement the Extractive Industries Transparency Initiative and became a candidate country on September 27, 2007. After successfully passing validation, Mongolia was recognized as fully compliant on October 19, 2010. Since then, 17 reports have been published as part of the EITI implementation.

The goal of the 18th EITI report is to enhance transparency in line with EITI standards, evaluate the comprehensiveness and accuracy of disclosed information, and support the implementation of agreed recommendations to improve the government’s information systems and the governance of natural resources.

2.3 Scope of the report

This report covers the following topics within the extractive sector, including:

- 1 Payments and revenues generated from extractive industries
- 2 Legal framework and fiscal policy in the extractive sector
- 3 The contribution of the extractive industry to the economy
- 4 Mineral exploration, production, and export activities
- 5 Government involvement in the extractive industry
- 6 Transparency of licenses and contracts in the extractive sector
- 7 Overview of mineral and petroleum reserves
- 8 Social costs and environmental rehabilitation in the extractive sector
- 9 Beneficial owners and their true ownership in the extractive sector

Based on previous expert validation conclusions, which noted that the implementation of EITI requirements was unclear for state-owned enterprises, additional requirements were incorporated into the Standard. These stipulations require SOEs to make efforts to enhance and document gender equality and social participation. As a result, gender information was included in the workforce data for the mineral resources sector to highlight the participation of women.

Moreover, given the importance of environmental issues in natural resource governance, the report addresses the environmental impact of the extractive sector, along with the results of environmental impact monitoring and assessments.

For the EITI reconciliation, the payments made by 125 companies (including 12 SOEs) in the gold, copper, and coal sectors to state and local budgets were compared and reconciled with the revenues reported by 19 government agencies. Detailed results can be found in Chapter 4 and Appendices 12 and 13 of this report.

2.4 Total government revenue

2.4.1 Government revenue from the extractive industry in 2023

As of December 31, 2023, a total of 2,726 companies were granted licenses. The 8.3 trillion MNT received from the 125 companies included in the reconciliation is broken down by government agency in the table below.

Table 1. Government revenue received by organization, in million MNT

№	Government Agency	Government Revenue			
		All companies in the extractive sector		Companies included in the compilation	
		2022	2023	2022	2023
1	Mineral Resources and Petroleum Authority of Mongolia	174,656.7	529,420.0	147,348.0	449,495.4
2	General Department of Taxation	4,076,954.3	6,454,691.6	4,008,888.7	6,414,573.8
3	Social Insurance Authority	438,159.0	658,967.9	394,528.6	533,835.4
4	General Authority for Customs and Taxation	202,271.1	112,297.3	90,425.6	108,030.6
5	Ministry of Environment and Green Development	5,155.7	66,223.7	3505.4	65,452.1
6	Others	482,667.2	322,895.5	482,667.2	676,634.0
7	Local	187,545.5	18,690.7	177,471.8	57,451.0
	Total	5,567,409.5	8,163,186.9	5,304,835.1	8,305,472.4

According to the information provided by the Mineral Resources and Petroleum Authority, a total of 72 exploitation and exploration licenses were revoked in 2023. Detailed information about these licenses is provided in Appendices 15A-J.

2.4.2 Scope of reconciliation

During the scope determination stage, the flexibility of reporting was considered to reconcile the financial flows reported by the government and companies, focusing on those with a significant share of the total revenue received by the government, including license fees and mineral resource usage fees.

The reconciliation report primarily utilized information submitted through the EITI electronic reporting system. Among the selected 125 companies, 25 were not registered in the system and failed to submit their information. This omission affects the scope of information available, particularly for data other than tax and revenue information in the reporting system.

Table 2. List of companies not registered in the electronic reporting system

No	Company Name	Registration Number
1	Azargiin Gol Chonot LLC	5097517
2	Achit-Ikht LLC	2788705
3	Bayanteeg JSC	2014491
4	Gobi-Ereen LLC	5260833
5	Darkhan Metallurgical Plant LLC	2051303
6	Daching Petroleum (Mongolia) LLC	2766337
7	Euroasian Mining Contractor LLC	5810086
8	Zuunnaiman Oil LLC	5272378
9	King diamond LLC	5528089
10	Mongolian National Rear Earth Corp LLC	5401801
11	Naran Mandal Enterprises LLC	5295858
12	Ochir Undraa LLC	2659603
13	Petro Matad LLC	2867095
14	Sumeru LLC	5120365
15	Tavantolgoi JSC	2016656
16	Talst Molor LLC	5774047
17	Talstdol LLC	5105439
18	Khorikava Metal LLC	5364884
19	Khurgataikhairkhan LLC	5104424
20	Khuren Tolgoi Coal Mining LLC	2697947
21	Cement and Lime SOE	2641984
22	Shin-Shin LLC	2830213
23	Eikusora LLC	5586119
24	Erdenes Tsagaan Suvarga LLC	5824826
25	ESTO LLC	2861224

Chapter 3.2 explains the criteria and process used to select the 125 companies included in the reconciliation report. The following table presents the scope of reconciliation, comparing the revenue received by the government from these selected companies with the total sectoral flows after reconciliation.

2.4.3 Adjustment of Government-Reported revenues

During the reconciliation process, the government's first released numbers were adjusted to reflect the selected companies. The report then compared and presented these adjusted numbers.

Table 3. Adjustment of Government-reported revenues, in million MNT

Government Agencies:	Government revenue from companies included in the reconciliation								
	Before Adjustment			Adjustment			After Adjustment		
	2021	2022	2023	2021	2022	2023	2021	2022	2023
Mineral Resources and Petroleum Authority	1,529,689.4	140,872.8	520,915.4	-12,210.9	6,475.1	-71,420.0	1,517,478.5	147,348.0	449,495.4
General Department of Taxation	1,134,329.5	3,919,766.4	6,529,420.0	10,987.0	89,122.3	-114,846.3	1,145,316.5	4,008,888.7	6,414,573.8
General Department of Social Insurance	304,193.8	394,514.9	658,967.9	-4,102.9	13.7	-125,132.5	300,090.9	394,528.6	533,835.4
General Customs Administration	73,599.1	90,425.6	112,297.3	3,624.2	0.0	-4,266.7	77,223.3	90,425.6	108,030.6
Ministry of Environment and Tourism	981.6	3,505.4	66,223.8	-639.5	0.0	-771.7	342.1	3,505.4	65,452.1
Others	3,849.6	1,986.4	214,861.4	55,277.7	480,680.8	461,772.7	59,127.2	482,667.2	676,634.1
Local Government	99,911.9	136,791.5	60,501.1	53,084.2	40,680.3	-3,050.1	152,996.0	177,471.8	57,451.0
Total	3,146,554.8	4,687,862.9	8,163,186.9	106,019.7	616,972.2	142,285.5	3,252,574.5	5,304,835.1	8,307,495.4

Major corrections in the reconciliation report of the EITI are as follows:

- The income tax paid by “Erdenet Mining Corporation” SOE was adjusted from 449.7 billion MNT to 404.7 billion MNT, resulting in a difference of 44.9 billion MNT.
- The following corrections were made for “Erdenes Tavantolgoi” LLC: 5.7 billion MNT for tax withheld from income paid to legal entities; 1.8 billion MNT for customs fees; 2.9 billion MNT for local taxes; 0.6 billion MNT for the environmental protection and rehabilitation guarantee fund; 0.5 billion MNT for annual mineral license fees as outlined in Article 32.3 of the Minerals Law; and 17.6 billion MNT for personal income tax, which was not included in the discrepancy analysis due to incomplete data in Appendix 24 of the EITI electronic reporting system.
- The “Darkhan Metallurgical Plant” SOE had a discrepancy of 38.0 billion MNT because it did not submit its EITI report.
- Some companies had incomplete information recorded due to updates made to the reporting system.
- There were discrepancies in the accuracy of government data on local taxes and license fees paid to local budgets for certain companies.

The detailed adjustments are referenced in Section 4.2.

2.5 Summary of reconciliation results

2.5.1 Comparison of government and company financial flows following adjustments

The table below presents a summary of the results following the adjustments, consolidating the data provided by both the government and the companies.

Table 4. Adjusted government and company revenue flows, in million MNT

Indicators	Total		
	2021	2022	2023
Government total (after adjustments)	3,252,574.5	5,275,365.6	8,305,472.4
Company total (after adjustments)	3,252,593.8	5,282,472.2	8,439,143.5
Overall discrepancy	(19.3)	(7,106.6)	(133,671.1)
Companies that did not respond to adjustment requests	-	9	5
Unexplained net discrepancy	(19.3)	(7,106.6)	(133,671.1)
Government's report exceeded company reports	6,778.9	136,725.1	190,615.3
Government's report was lower than company reports	(6,798.2)	(129,618.5)	(324,286.3)

The difference between the government's reported revenue and the companies' reported payments was 605,184.2 million MNT in the first reconciliation report. The gap was reduced to 133,671.1 million MNT after adjustments were made throughout the reconciliation process, raising the government's reported revenue by 369,322.1 million MNT and the companies' reported payments by 1,108,177.5 million MNT.

The operations of the top five taxpayers have a direct impact on the extractive industry sector's overall revenue. These top five taxpayers have paid 17.1 trillion MNT in taxes to the government during the last five years.

Table 5. Reconciliation report results for 2019-2023, in million MNT

Top taxpayers	2019	2020	2021	2022	2023	Total
Erdenet Mining Corporation	922,713	984,198	965,261	1,785,363	1,985,520	6,643,056
Oyu Tolgoi	520,320	532,245	916,185	589,259	734,901	3,292,912
Erdenes Tavan Tolgoi	710,227	468,569	294,949	1,052,562	2,854,882	5,381,190
Energy Resources	221,988	182,244	50,975	308,384	414,198	1,177,790

Mongoliin Alt (MAK)	-	75,515	122,587	103,807	336,822	638,733
Total amount of top taxpayers	2,375,248	2,242,771	2,349,957	3,839,378	6,326,325	17,133,680
Growth rate	27%	-13%	7%	77%	65%	-
Total revenue from the extractive sector	3,722,505	3,211,790	3,466,680	4,841,234	7,286,000	-
Growth rate	24%	-16%	7%	39%	50%	-

2.5.2 Summary of extractive sector revenue

After reconciling the companies' reported payments with the government's reported revenue, it was found that the top 20 taxpayers contributed a total of 7,904,104.9 thousand MNT in 2023.

Table 6. Top 20 company payments from the 125 reconciled companies, in million MNT, and their percentage share

No	Registration Number	Company	Amount	Percentage share of total amount
1	5435528	Erdenes Tavan Tolgoi	2,854,882.5	36%
2	2074192	Erdenet Mining Corporation SOE	1,985,520.5	25%
3	2657457	Oyu Tolgoi	734,901.8	9%
4	2887746	Energy Resources	414,198.1	5%
5	2095025	Mongoliin Alt (MAK)	336,822.8	4%
6	2697947	Khuren Tolgoi Coal Mining LLC	289,720.3	4%
7	5084555	SouthGobi Sands	256,860.9	3%
8	5199077	Usukh Zoos	169,319.8	2%
9	5141583	MOENCO	123,348.0	2%
10	2016656	Tavantolgoi JSC	113,601.1	1%
11	5261198	COAL	112,081.6	1%
12	2548747	Tsairt Mineral	80,805.9	1%
13	2094533	Boroo Gold	68,886.2	1%
14	2830213	Shin-Shin LLC	66,308.5	1%
15	5671833	Khur Erdene Bayalag	60,235.9	1%
16	5124913	Erdenes Mongol	59,558.8	1%
17	2887134	Khangad-Exploration	59,293.5	1%
18	2855119	Boldtumur Eruu Gol	42,773.9	1%
19	2051303	Darkhan Metallurgical Plant LLC	37,978.1	0%
20	5830974	MAK Cement	37,006.2	0%
Total			7,904,104.9	100%

Moreover, the following table provides a detailed breakdown of the tax payments made by the 20 companies with the lowest tax contributions among the 125 companies included in the reconciliation report.

Table 7. Tax payments of the 20 lowest-contributing companies from the 125 reconciled, in million MNT and percentage

No	Registration Number	Company	Amount	Share of Total Amount
1	5586119	Eikusora	-	0%
2	5097517	Azargn Gol Jiguur	0.0	0%
3	5166667	Tserenbadam	0.6	0%
4	2867494	Genergo	25.2	0%
5	6636624	Tushee Gunii Buyan	26.1	0%
6	5133351	Altargana Khaikhan	31.5	0%
7	5118344	Altai Khar Azarga Group	65.8	1%
8	6896197	Erdenes Bayanbogd	127.6	1%
9	6414877	BT Development	140.4	1%
10	2061848	Datsan Trade	171.6	2%
11	5522935	Ikh Gobi Energy	781.1	8%
12	6172768	Arvijikh Energy	810.2	8%
13	2016931	Taliin Gal	819.5	8%

No	Registration Number	Company	Amount	Share of Total Amount
14	2011239	Aduunchuluun	872.3	9%
15	5137977	FVSP	903.1	9%
16	2784165	Altangol Exploration	994.0	10%
17	5513618	Takhi Resource	1,006.8	10%
18	5412153	Melange	1,006.9	10%
19	2868687	Uulsnoyon	1,041.3	11%
20	5722942	Burdel Mining LLC	1,042.3	11%

Detailed payment information submitted by the companies is shown in Appendix 10.

Based on recommendations from 12 relevant non-governmental organizations, such as the Open Society Forum, the Mongolian Nature Protection Fund, and the Administrative New Initiative the following 26 companies were added to the 2023 (18th) reconciliation report of the Mongolia EITI during the initial report meeting.

Table 8. Companies added in the reconciliation based on stakeholder recommendations

No	Company Name	Recommended NGO Name
1	Taliin Gal JSC	Administrative New Initiative NGO
2	Ikh Govi Energy LLC	Administrative New Initiative NGO
3	Khukh Bishrelt LLC	Administrative New Initiative NGO
4	COAL LLC	Administrative New Initiative NGO
5	Tserenbadam LLC	Mongolian Nature Protection Fund NGO
6	Datsan Trade LLC	Mongolian Nature Protection Fund NGO
7	Khorikavametall LLC	Mongolian Nature Protection Fund NGO
8	Erdene Mongol LLC	Open Society Forum
9	Altargana Khaikhhan LLC	Open Society Forum
10	Genergo LLC	Open Society Forum
11	Big Mogul Coal and Energy LLC	Open Society Forum
12	Mongol Uranium Resource LLC	Open Society Forum
13	Erdenes Ereg LLC	Open Society Forum
14	Erdenes Bayanbogd LLC	Open Society Forum
15	Talst Molor LLC	Open Society Forum
16	MCTT LLC	Open Society Forum
17	Eikusora LLC	Open Society Forum
18	Mongolian National Rare Earth Corp LLC	Open Society Forum
19	Arvijikh Energy LLC	Open Society Forum
20	Azargiin Gol Chonot LLC	Open Society Forum
21	BT Development LLC	Open Society Forum
22	Sumeru LLC	Open Society Forum
23	Talst Margad LLC	Open Society Forum
24	King diamond LLC	Open Society Forum
25	Altai Khar Azarga LLC	Open Society Forum
26	Tushee Gunii Buyan LLC	Open Society Forum

2.6 Information accuracy

An evaluation was conducted to determine whether the reports from government agencies, state-owned, and private companies included in the EITI report were certified and verified by independent auditors in accordance with international standards.

Of the 125 companies included in the reconciliation, 60 certified their transparency reports and submitted management responsibility letters, while 41 did not. Among the 24 companies not included in the reconciliation, 18 declined participation, and contact information was unavailable for 6. More details can be found in Section 2.7.2.

In past reconciliations, companies were required to submit audited financial statements. However, the current focus is on the information reported directly to the EITI, as these reports are prepared on a cash basis, compared to the accrual basis of financial statements. The table below summarizes the information submitted by 101 companies involved in the reconciliation: 21 submitted audit reports, 34 provided rehabilitation information, and 60 submitted management letters. For further details on these companies, please refer to Appendix 6.

Table 9. Information submitted by companies

Report submitted	Consolidation correction form		Rehabilitation information		Audit report		Management letter	
	2022	2023	2022	2023	2022	2023	2022	2023
Submitted	95	92	40	34	63	21	31	60
Not Submitted	9	9	64	67	41	80	73	41
Total	63	101	104	101	104	101	104	101

In the 2022 reconciliation report, the participation rate was 91.3 percent, but this year, 18 companies refused to participate, and 6 companies had incorrect official registered addresses, resulting in a participation rate of 80.8 percent with 101 companies included.

2.7 Quality of information and report verification

The EITI standard emphasizes the importance of high-quality data and encourages systematic reporting by governments and companies to minimize the need for adjustments by the Independent Administrator and to avoid follow-up checks, in accordance with international practices.

Despite government agencies, state-owned enterprises, and companies certifying the payment and revenue information reported in the electronic report and submitting management responsibility letters, the reconciliation reveals errors in the reports from both sides.

Therefore, it is crucial to enhance the accountability of stakeholders who inaccurately report EITI data and to prioritize the verification of transparency reports through state and independent audit organizations, as required by Requirement 4.9.

2.7.1 Report submission and response status

A total of 2,093 entities, including 1,096 companies, 4 agencies, 18 provinces, and 8 districts, submitted reports for the 2023 EITI report. During the reconciliation process, local government participation was weak when compiling the necessary information for the report. Six companies had incorrect registered addresses and contact information, so they were not contacted. Additionally, 18 companies refused to participate, and detailed information about these companies is included in the report. According to the EITI standard, official letters requesting necessary information were sent to 7 ministries and government agencies, and all but the Ministry of Mining and Heavy Industry responded and provided the relevant information. Information from the General Department of Taxation, General Customs Administration, National Statistics Office, and General Department of Social Insurance was also used in the document review

The EITI standard places great importance on the quality of data and aims for the government and companies to systematically report their information, reducing the need for adjustments by the Independent Administrator and avoiding follow-up checks, in line with international practices. Although recommendations are given in the annual reconciliation report to ensure that companies and government agencies regularly submit their EITI reports and verify the accuracy of the

submitted reports, there has been no improvement in this year's report results. The following recommendations have been developed in the process of preparing the report.

- **To reduce issues related to discrepancies between government revenue and company payments, it is important to improve the participation rate in the reporting system, especially ensuring that local government information is fully included.**
- **During the preparation of the reconciliation report, it was necessary to obtain additional information according to the EITI standard. However, the process of obtaining information from companies and government agencies was excessively slow and time-consuming, so impact measures should be taken.**
- **To ensure that the information uploaded to the electronic reporting system is complete and error-free, program settings should be adjusted in the electronic reporting system.**

The frequent errors and underreporting by the government and companies each year indicate a lack of attention to implementing recommendations.

The table below shows the participation rate of the selected 125 entities in filling out the forms. The data shows that information on production sharing agreements, infrastructure investments, and barter agreements were the least filled out, while information on exploitation and exploration licenses and the quality of financial statements were the most filled out. Additionally, forms 9, 14, and 23 include information on dividends paid to local and state budgets, oil extraction, and sales information, which were prepared using data reported by companies and the Mineral Resources and Petroleum Authority.

Table 10. Participation rate of the selected 125 entities in filling out the forms

№	Information	2023	
		Number of entities completed	Percent age
1	Information on exploitation and exploration licenses	99	79%
2	Employee information	65	52%
3	Water usage information	56	45%
4	Information on mineral product extraction, production, and sales	93	74%
5	Information on energy, fuel, food products, occupational safety, and hygiene products used	49	39%
6	Information on production sharing agreements	3	2%
7	Donations and support given by the organization	-	
8	Information on chemicals used by processing enterprises	67	54%
9	Information on oil extraction and sales	-	
10	Investment in infrastructure and barter agreements	10	8%
11	Resource information	37	30%
12	Impact zone information	47	38%
13	Information on reclaimed areas	47	38%
14	Taxes, fees, and dividends paid to local budgets	-	
15	Information on agreements with local government authorities	38	30%
16	Information on operators and subcontractors	27	22%
17	Quality of financial statements	96	77%
18	Dividend information of state and local government-owned enterprises	5	42%
19	Information on the members of the board of directors of state and local government-owned enterprises	9	75%

№	Information	2023	
		Number of entities completed	Percent age
20	Project-level information	51	41%
21	Loans and credit information of state and local government-owned enterprises	3	25%
22	Transportation fees of state and local government-owned enterprises	9	58%
23	Taxes, fees, and dividends paid to the state budget	-	
24	Waste information	42	34%
25	Ultimate beneficiary information	59	47%

2.7.2 Requirements for transparency of state participation

Within the framework of consolidating information on state participation in the extractive sector, payments made to or received from state-owned companies, and budgetary expenditures as per EITI requirements 2.6, 4.5, and 6.2, the following information was requested from SOE by the direction of the State Property Policy Department and Erdenes Mongol LLC. These include:

Information to be disclosed by state-owned enterprises in the EITI report	
1	Information on changes in state-owned enterprises in 2023 and the structure of state-owned enterprises
2	Information on loans obtained and guarantees issued through the development bank
3	Information on state-owned enterprise operators and subcontractor companies, and their agreements
4	Information on the calculation and distribution methods, rules, and implementation of company dividends
5	Information on the 2023 dividend distribution and payments
6	Information on the governance, structure, organization, ownership, and management of the enterprise
7	An overview of the changes in the ownership structure of the enterprise in 2023 and the related decisions
8	Information on the subsidies and investments received from the government in 2023
9	Information on whether there were any investments made in other companies through shares in 2023
10	Information on subsidies and investments received from third parties (both foreign and domestic enterprises) in 2023
11	Information on the process for appointing independent members to the Board of State-Owned Enterprises, the requirements for appointment, and the related regulations

Due to the mining companies being affiliated with Erdenes Mongol LLC, information on the board members and selection process of the 12 SOEs included in the consolidated report, relevant legislation, financial relations between the government and SOEs, subsidies and investment information provided by the state to state-owned enterprises in the extractive sector in 2023, was submitted by each company.

The Ministry of Digital Development and Communications, by Resolution No. 03/257 dated February 8, 2023, conducted monitoring, evaluation, and issued conclusions on the annual implementation of legislation and resolutions for 2023. The implementation of the Law on Public Information Transparency was successfully achieved with 100 percent performance. The process of opening information by state organizations has accelerated, and they have started publishing on the Shilen.gov.mn website, with a total of 970,355 units of information in 39 categories being chronologically posted since 2008, receiving a total of 8,889,892 visits. Detailed information on the implementation of the law can be viewed at <https://bitly.cx/Xf8BI9>.

Additionally, in accordance with the Law on Shilen Dans's, SOEs have posted their financial statements, detailed income statements, cash flow statements, statements of changes in equity, and audit conclusions on the Shilen Dans's electronic portal.

The following information from the audited financial statements of SOEs is published on the websites of the National Audit Office, the Shilen Dans's electronic portal, and the SOEs' websites:

- Financial statements,
- Detailed income statements,
- Cash flow statements,
- Statements of changes in equity,
- Audit conclusions.

Considering the payments, income, and materiality of the companies to be included in the EITI report, a list of 125 companies was discussed at the initial seminar, and 26 companies were finalized by the NGO. Out of the selected companies, 18 expressed their unwillingness to participate in the report, with some sending official letters. The official addresses and contact information of 6 companies could not be found, so a total of 101 companies were included in the consolidated report. For the 6 companies whose contact information was missing, letters were sent to the relevant provinces and soums based on the information registered with the General Authority for State Registration, but the letters were returned with the reason that such organizations did not exist at the given addresses. We also sent official letters to the General Department of Taxation and the General Authority for State Registration of the relevant aimags to clarify the addresses of the organizations, but some aimags refused to provide the address and contact information of the organizations over the phone. Therefore, the involvement of relevant officials from provinces and soums in this report was minimal.

Table 11. Information about enterprises that refused to participate in the report.

No	Company Name	Registration Number	Ultimate Owner	Executive Officer	Special License	Reason for Exclusion from Consolidation
1	Horikawametal	5364884	Koichi Horikawa, Masayuki Horikawa	Myagmarsuren Shatarhuu	Valid	Refused to accept the official letter
2	Khuragtaikhairkhan	5104424	Tsedeedamba Tserenpuntsag	Achit-Erdene Darambazar	Valid	Refused
3	King Diamond LLC	5528089	Khayanhyarvaa Tsognoijamts	Odzaya Tsognoijamts	Valid	Currently under court consideration
4	Achit-Ikht LLC	2788705	Dayandorj Erdenetsetseg	Nomin Dovdon	-	Refused
5	Zhun Yuan LLC	2780518	Daiju Sun	Peng Ji	-	Has not conducted extraction operations.
6	ESTO LLC	2861224	Dashdorj Batjargal	Batjargal Dashdorj	Valid	Operates as a road construction company.
7	Euro Asian Mining Contractor LLC	5810086	Batdorj Jonon	Enkhbileg Ganbold	-	Refused
8	Taltstmolor LLC	5774047	Batmend Munkhtur	Tsoggerel Dashzeveg	Valid	Refused
9	Sumeru LLC	5120365	Xxx Morigen	Xxx Morigen	Valid	Has not started extraction operations.
10	Erdenesiin Ereg LLC	6141536	Uugankhuu Ganbaatar	Renchinbyamba Chuluunbaatar, Orgil Erdenesuren	Valid	Has not conducted extraction operations.
11	Monlaa	2045931	Enkhsaikhan Khishigjargal	Enkhsaikhan Khishigjargal, Kwangjy Ryu	Valid	Received the official letter but did not respond.
12	Zuunnaiman Oil LLC	5272378	Erdenetuya Dorjgchoo	Sainbileg Oyunbileg	Valid	Received the official letter but did not respond.
13	Max-Impex LLC	2057573	Ganbaatar Dagvadorj, Tserenjigmed Dagvadorj	Tserenjigmed Dagvadorj	-	Received the official letter but did not respond.
14	Altain Khuder LLC	5095549	Khulan Bazar	Khulan Bazar	Valid	Received the official letter but did not respond.
15	Mongol Uranium Resource LLC	5150884	Buren-Erdene Khuldorj	Buren-Erdene Khuldorj	-	Received the official letter but did not respond.
16	Mogoiingol LLC	2034859	Batbold Jigjidsuren	Batkhuu Bataa	Valid	Received the official letter but did not respond.
17	Mongolian National Rare Earth Corp LLC	5401801	Tulga Erdenebileg	Batchimeg Sainbayar	Valid	Received the official letter but did not respond.

18th EITI Reconciliation Report 2024

No	Company Name	Registration Number	Ultimate Owner	Executive Officer	Special License	Reason for Exclusion from Consolidation
18	Govi-Ereen LLC	5260833	Han Xingqin, Wu Yanjun	Altansukh Bat-Amgalan	Valid	Received the official letter but did not respond.

CHAPTER 3. DETERMINING THE SCOPE OF RECONCILIATION METHODOLOGY AND INFORMATION

3.1 Introduction

The joint team of SIC LLC and Growth Finance Audit JSC is responsible for preparing the consolidated report in accordance with the requirements specified in the contract assignment. This reconciliation involves matching the payments made by companies in the extractive sector with the revenues received by the government, and detailed information is included in this chapter. The reconciliation was performed based on the cash basis accounting principles.

If either the paying or receiving organizations have omitted material payments or revenues in the electronic reporting system, we are unable to address these omissions, and there is a risk that they will not be included in the report. However, if either the government or the company has reported, it is possible to obtain the missing information from the other party and include it in the consolidation. Otherwise, the omitted payment and revenue information will not be included in our report.

We performed the consolidation work based on the forms, information, and explanations provided by the reporting organizations. We did not audit the accuracy and completeness of the numerical data, and we rely on the accuracy of the explanations and information received from the reporting organizations during this process.

3.2 Determining the scope of information

3.2.1 Introduction

In determining the scope of the companies to be included in the 18th EITI report of Mongolia for 2023, the following issues were considered in collaboration with the MSG.

Determine the scope of key information in the mining sector to be included in the report,

Determine the additional information to be collected from the companies included in the report,

Identify the companies making significant payments to be included in the report,

Identify the government agencies receiving significant payments to be included in the report,

Specify the financial flows involving significant payments to be included in the report,

Ensure the accuracy of the reported data and information.

3.2.2 Determining the scope of information and inception report

We first examined the requirements specified in Table 1 of the work instructions, the content requirements for the 2023 EITI report, and the comprehensiveness of electronic reporting. We also coordinated efforts to elucidate the data, identify the companies and the government agencies that were part of the report, ascertain the revenue and payment flows, and confirm the systemic transparency of the parties that were involved.

Accurately defining the EITI reporting process's scope, including the reporting forms and data collection procedure, as well as guaranteeing the timeline for creating, completing, and releasing the EITI report, were the GOALS of the first phase.

At the inception report meeting held on July 4, 2024, with the participation of MSG members, the content and scope of the 2023 EITI report were determined, and the material payment and revenue indicators were discussed. During this seminar, the suggestions from the participants were incorporated, and the proposals of 12 enterprises that the NGO wished to include were considered. The scope of the 2023 EITI report was approved by the MSG members.

3.2.3 Actual payments and revenues (Materiality)

The materiality of payments and revenue flows received by the government from the extractive industry was determined using this information. The analysis of this data is as follows.

Table 12. Government reported revenue and number of companies, in million MNT

№	Category	Number of Companies		Government Reported Amount (Billion MNT)		Percentage of Total	
		2022	2023	2022	2023	2022	2023
1	Over 100 billion	9	11	3,947.6	6,975.6	81%	85%
2	1 billion-100 billion	85	101	794.2	1,072.5	16%	13%
3	500 million-1 billion	56	72	39.4	51.8	1%	1%
4	300 million-500 million	57	51	22.0	20.1	0%	0%
5	Up to 300 million	977	958	37.8	42.9	1%	1%
TOTAL		1,184	1,193	4,841.2	8,163.1	100%	100%

When calculating the materiality of payments and revenues, the principle of including payments and revenues that account for more than 98.0 percent of the total amount reported by the government was followed.

Payments and revenues from companies whose primary activities are not mining were excluded from the total reported by the government. According to the above methodology, companies with revenues exceeding 300 million MNT were selected, covering 98.8 percent of the total payments and revenues.

The materiality of payments and revenues to be included in the EITI report was discussed and approved at the initial seminar by the MSG, and 26 companies were added based on the NGO's proposal. Additionally, based on the total revenue received by the government, mineral resource usage fees, and special license fees, 99 companies engaged in gold, copper, and coal operations were prioritized, and a total of 125 companies were approved.

3.2.4 Selection of companies to be included in the report

TOTAL TAXPAYERS
AT THE STATE
LEVEL:

24

LOCAL LEVEL
TAXPAYER:

16

Companies paid a total of 24 different types of taxes and fees at the state level, and 16 types at the local level, which were received by the Government. For the 2023 consolidated report, it was decided to include all types of payments and revenue flows without any thresholds and to reconcile any discrepancies.

In relation to revenue concentration, EITI requirement 4.1 demands comprehensive transparency of taxes and revenues, 4.5 requires transparency of transactions related to state-owned enterprises, and 4.6 requires transparency of subnational payments.

In 2023, the organizations included in the consolidation paid a total of 8.3 trillion MNT to the government, with the largest portion, 77.2 percent, paid to the General Department of Taxation.

Graph 4. Payments and revenues received by government agencies, in million MNT

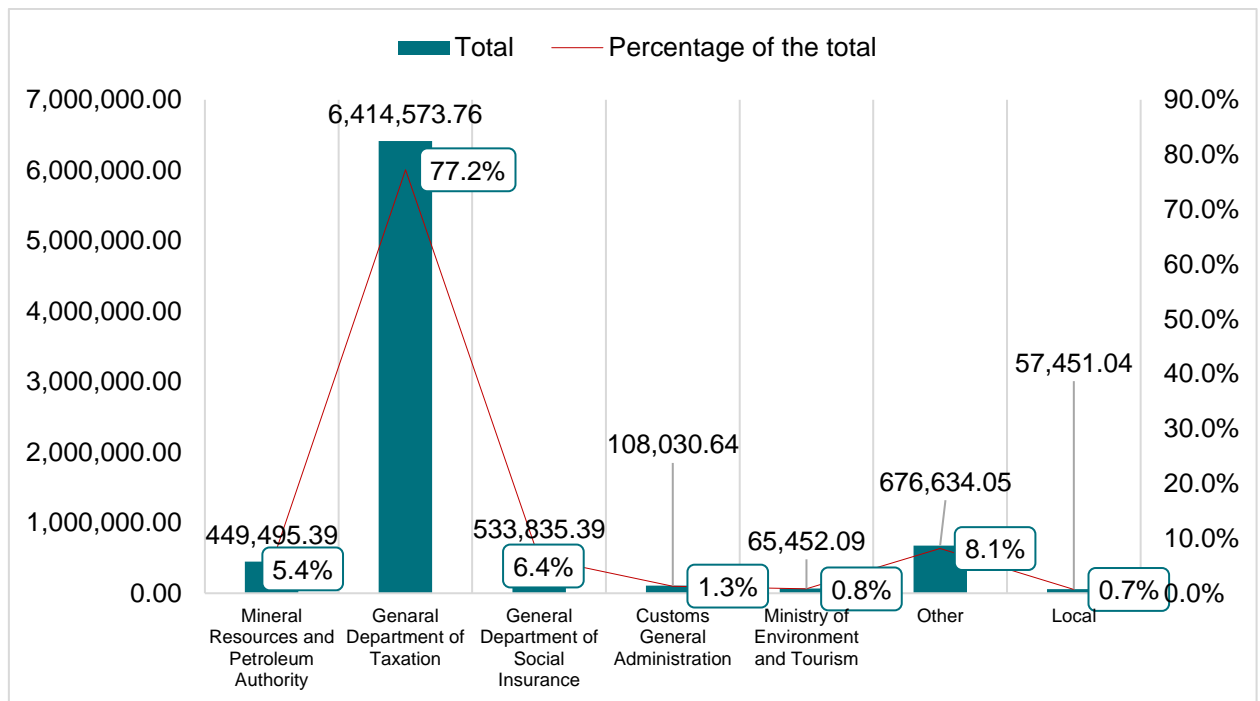


Figure 1. Activities of the companies included in the consolidated report



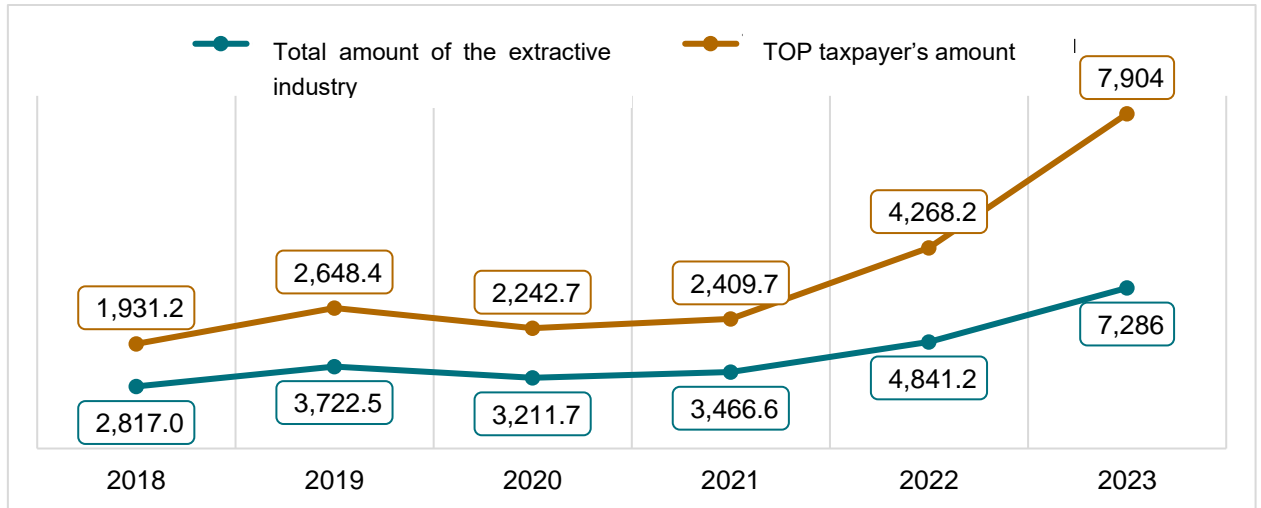
Additionally, the payments made to the government by the TOP 5 taxpayers included in the consolidation are detailed in the following table.

Table 13. Revenue received from top taxpayers, by year

Top Taxpayers	2019	2020	2021	2022	2023	Total
Erdenet Mining Corporation	922,713	984,198	965,261	1,785,363	1,985,520	6,643,056
Oyu Tolgoi	520,320	532,245	916,185	589,259	734,901	3,292,912
Erdenes Tavan Tolgoi	710,227	468,569	294,949	1,052,562	2,854,882	5,381,190
Energy Resources	221,988	182,244	50,975	308,384	414,198	1,177,790
Mongoliin Alt (MAK)	-	75,515	122,587	103,807	336,822	638,733
Total Amount of Top Taxpayers	2,375,248	2,242,771	2,349,957	3,839,378	6,326,325	17,133,680
Growth Rate	27%	-13%	7%	77%	65%	-
Total Revenue of the Extractive Sector	3,722,505	3,211,790	3,466,680	4,841,234	7,286,000	-
Growth Rate	24%	-16%	7%	39%	50%	-

The total revenue of the extractive industry sector is directly related to the activities of the top 20 taxpayers. Over the past 5 years, the top taxpayer companies have paid a total of 21.4 trillion MNT in taxes to the state.

Graph 5. Revenue received from top taxpayers, by year

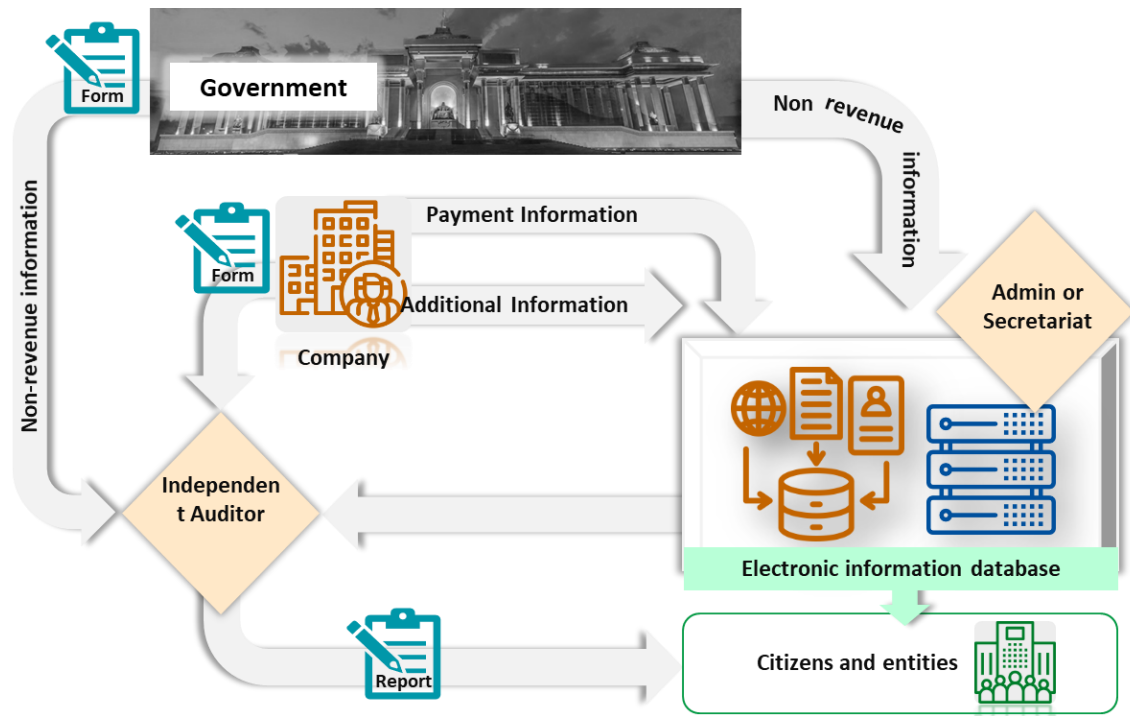


3.3 Methodology

3.3.1 Data Collection

The independent administrator collected payment and revenue information, as well as non-revenue information, using the EITI electronic reporting system and identified initial discrepancies. Additional information explaining the initial discrepancies, reclamation information, and materials from the 2023 audited financial statements were collected from the selected companies. A Management Responsibility Letter was obtained to certify the accuracy of this information. The participation of parties in the electronic reporting system is shown as follows.

Figure 2. Participation of parties in the electronic reporting system



3.3.2 Forms used in the 2023 consolidation

Following the decision from the 18th meeting of the National Council for EITI in December 2019, the Secretariat undertook the task of updating the EITI company reporting forms. With the National Statistical Office's approval, these new forms were officially sanctioned by Order A/37 of the Minister of Mining and Heavy Industry on March 5, 2020.

By Order No. A/123 of the Minister of Mining and Heavy Industry dated May 31, 2022, the forms and instructions for filling them out were updated. These include:

- Form for the annual report on the activities of enterprises and organizations engaged in mineral exploration, extraction, and production for the year 20... **(3-EITI-1)**;
- Form for the annual report on the activities of enterprises and organizations engaged in oil exploration and extraction for the year 20... **(3-EITI-2)**;
- Form for the annual report on the revenues from collateral, taxes, and fees collected by enterprises engaged in mineral and oil exploration and extraction for local budgets for the year 20... **(3-EITI-3)**;
- Form for the annual report on the taxes, fees, and other revenues collected by state administrative central bodies and other budgetary organizations from enterprises engaged in mineral and oil exploration and extraction for the year 20... **(3-EITI-4)**;
- Form for the consolidated annual report on production and sales of enterprises engaged in mineral and oil exploration and extraction for the year 20... **(3-EITI-5)**;
- Form for the annual consolidated report on taxes, fees, and other revenues collected from enterprises engaged in mineral and oil exploration and extraction for the state and local budgets for the year 20... **(3-EITI-6)**;

3.3.3 Level of detail

- EITI Standard 4.7 states that 'The multi-stakeholder group must agree on ***the level of disaggregation for the information to be published for the public.***
- The information in the EITI report should be presented in a way that allows for disaggregation by company, government entity, and revenue stream.

3.4 Verification

3.4.1 Audit and verification environment in Mongolia



The National Audit Office is the primary authority responsible for state audit activities in Mongolia.

As a **member of the International Organization of Supreme Audit Institutions (INTOSAI)**, it adheres to international standards.

The National Audit Office audits the ***financial statements of ministries, agencies, state-owned entities, and the Government's consolidated financial statements, which are subsequently approved by Parliament.***

Local government institutions (Provinces and Soums) prepare their financial statements annually and have them audited by local audit offices under the National Audit Office.

The National Audit Office is responsible for auditing the annual financial statements of state-owned companies. To conduct these audits, they are allowed to appoint independent audit firms with the necessary experience and skills through a selection process. These audit firms perform their work in accordance with the International Standards of Supreme Audit Institutions (ISSAI) and International Standards on Auditing (ISA).

3.4.2 Verification process of the EITI report



According to the procedure for auditing financial statements approved by the National Audit Office, it was the responsibility to “verify and conclude on the payments made by enterprises engaged in the extractive industry to the budget with the EITI Secretariat and the government agencies that received the revenue.’ However, these tasks have not been carried out in previous years. In previous years, the executive management of the companies preparing the reports agreed with the MSG to provide written certification of their reports and information with the signature of an authorized representative of the Board of Directors, and each company was to report the information from their audited financial statements through the electronic reporting system. This year, the same arrangement was organized.

CHAPTER 4. RESULTS OF ADJUSTMENT

This chapter provides a detailed breakdown and explanation of the results following the adjustments made to the summary

4.1 Summary of initially reported flows

In the initial summary of the report, the discrepancy between the government's received revenue and the company's reported payments was 605,184.2 million MNT. During the reconciliation process, adjustments of 369,322.1 million MNT on the government's side and 1,108,177.5 million MNT on the company's side were made, reducing the discrepancy to 133,671.0 million MNT.

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

Adjustment of Discrepancy	Government	Entity	Discrepancy
Before Adjustment	7,936,150.1	7,330,965.9	605,184.2
Adjustment Amount	369,322.1	1,108,177.5	738,855.3
Total After Adjustment	8,305,472.3	8,439,143.4	(133,671.1)

Nationwide, 99 percent of the 1,193 reporting companies are private companies. The initially reported payments, revenue, and reconciliation adjustments are summarized as follows.

Table 15. Initially reported payments, revenue flows, and adjustments, in million MNT

Reporting entity	Number of entities	National level	Local level	Total
Inception Report				
Government organizations	1193	8,102,685.7	60,501.1	8,163,186.8
Revenue Private companies	1182	3,390,100.8	11,784.8	3,401,885.7
Payments State-owned enterprises	12	4,712,584.8	48,716.2	4,761,301.1
Payments Initial reconciliation discrepancy		1,072,683.4	(303,137.2)	769,546.2
Consolidation				
Government adjustment	104	(19,364.6)	286,375.7	267,011.0
Company adjustment	104	8,083,321.1	346,876.8	8,430,197.9
Government total after adjustment		8,238,809.8	57,396.3	8,296,206.1
Company total after adjustment		8,083,321.1	346,876.8	8,430,197.9
Final unexplained net discrepancy		155,488.6	(289,480.4)	(133,671.1)

Please see Appendix 10 for the remaining discrepancies by each company.

4.2 Initial unadjusted discrepancies and non-reporting companies

The initial reconciliation discrepancies arise from the main reasons shown in the following table.

Table 16. Unadjusted discrepancies, in million MNT

№	Revenue stream	Government revenue		Reported payments	
		Number of enterprises	Total amount	Number of enterprises	Total amount
1	Underreported in the initial report	50	190,600.7	53	(324,286.3)
2	Overreported in the initial report	5	10.1	46	(95,434.3)
3	No information received from the government	46	256,297.3	-	-
4	VAT paid to customs not recorded in the VAT column	2	(7,897.0)	-	-
5	Discrepancy in withholding tax amount	2	826.2	-	-
6	Not recorded on a cash basis	-	-	52	9,824.4
7	Amount reported in thousands	-	-	1	400,550.9
Total amount		105	439,837.4	152	(9,345.3)

To clarify the major corrected discrepancies in the Extractive Industries Transparency Initiative reconciliation report:

- The discrepancy of 404.7 billion MNT was corrected for “Erdenet Mining Corporation” SOE, which had initially underreported its corporate income tax payment of 449.7 billion MNT by 44.9 billion MNT.
- For “Erdenes Tavan Tolgoi” LLC, the discrepancy included 5.7 billion MNT in taxes withheld from income paid to legal entities, 1.8 billion MNT in customs fees, 2.9 billion MNT in local budget taxes, 0.6 billion MNT in environmental protection and rehabilitation guarantee account deposits, and 0.5 billion MNT in annual mineral license fees as per Article 32.3 of the Minerals Law. Additionally, a discrepancy arose from the exclusion of 17.6 billion MNT in personal income tax reported in Appendix 24 of the EITI online reporting system.
- “Darkhan Metallurgical Plant” SOE had a discrepancy of 38.0 billion MNT due to not submitting its EITI report.
- Some companies had incomplete records due to updates in the reporting system.

4.3 Remaining unadjusted discrepancies

After the adjustments, a discrepancy of 133,671.1 million MNT remains, with significant amounts attributed to corporate income tax, mineral royalties, water usage fees, and employee social insurance contributions.

Table 17. Remaining unadjusted discrepancies by revenue flow /in Million MNT/

№	Revenue Stream	Overreported by the government	Underreported by the government
State Payment Flow			
1	Corporate income tax /Government	89,012.8	
2	Customs duty tax /Government	32,694.9	
3	Value added tax (VAT)	1,707,145.8	
4	Excise duty on automotive diesel fuel tax v	9,050.0	
5	Duty on automotive diesel fuel tax v	13,631.9	
6	Payment for mineral resource use /Government	140,705,186.9	
7	License fee /Government		(7,417,297.2)
8	Reimbursement for exploration done with government funds /Government	465,935.3	

No	Revenue Stream	Overreported by the government	Underreported by the government
9	Foreign workers' employment fee /Government		(8,284,479.1)
10	Air pollution fee /Government	7,004,142.9	
11	Workers' social insurance /Government	17,447,794.1	
12	Customs service fee /Government	8,856,068.6	
13	Advance payments to the government		379,545.0
14	Penalties /Government		4,662,816.0
15	Compensation /Government		447,678.7
16	Other /Government	74,123.8	
17	Training incentives provided under the product sharing agreement /Government	574,238.7	
18	Service fees for reservation of oil exploration sites /Government	138,537.4	
Level Payment Flow			
1	Corporate income tax / local		162,783,014.5
2	Excise duty on automotive diesel fuel tax / local	2,321,358.8	
3	Land fee / local		16,262,641.5
4	Water usage fee / local		68,026,105.0
5	Water pollution fee / local		351,707.9
6	Payment for mineral resource use / local		9,082,253.6
7	Foreign workers' employment fee / local		928,840.9
8	Dividends from local state-owned property / local		341,300.0
9	Penalties / local		154,826.7
10	Compensation / local		4,144,554.8
11	Other / local		1,558,887.1
12	Stamp duty collected for local budget / local	18,243.9	
13	Donation / local	1,697,690.4	

The unexplained discrepancies after adjustments, shown by company, are as follows.

Table 18. Remaining unadjusted discrepancies by company

No	Registration Number	Company Name	Difference After Correction
1	2011239	Aduunchuluun LLC	3,000,000.0
2	5097517	Azargiin Gol Chonot LLC	(49,094,350.0)
3	5809797	IBBI LLC	-
4	5118344	Altai Black Stallion Group LLC	(11,407,088.9)
5	5095549	Altainkhuder LLC	-
6	2784165	Altangol Exploration LLC	(126,448,967.8)
7	5133351	Altargana Khaikhan LLC	(107,821,387.0)
8	6172768	Arvijikh Energy LLC	724,319,656.6
9	2788705	Achit-Ikht LLC	-
10	5439183	Baatarvan Trans LLC	(17,600,857.5)
11	2008572	Baganuur JSC	(3,939,691,826.4)
12	5215919	Badmaarag Khash LLC	3,040,051,387.7
13	5502977	Badrakh Energy LLC	(1,332,674,149.0)
14	2708701	Bayan-Airag Exploration LLC	(996,321,809.4)
15	2014491	Bayanteeg JSC	(76,781,524.0)
16	6414877	BT Development LLC	(715,347.0)
17	5369223	Big Mogul Coal and Energy LLC	(39,025,314.0)
18	5294088	Bilegt Bayalag LLC	(146,730,180.7)
19	2855119	Boldtumur Eruu Gol LLC	(397,262,930.7)
20	2094533	Boroo Gold LLC	(2,629,236,342.3)
21	5722942	Burdel Mining LLC	113,811,140.9
22	2867494	Genergo LLC	19,361,811.8
23	6463932	Gobi Shandast Khuleg LLC	3,003,481,706.5
24	5260833	Gobi-Ereen LLC	-
25	2051303	Darkhan Metallurgical Plant LLC	5,769,249,338.7
26	2061848	Datsantrade LLC	(356,125,772.2)

No	Registration Number	Company Name	Difference After Correction
27	2766337	Donsheng Petroleum (Mongolia) LLC	-
28	5810086	EuroAsian Mining Contractor LLC	-
29	5217652	Javkhlant-Ord LLC	(4,242,581,356.9)
30	2780518	Zheng-Yuan LLC	-
31	5272378	Zuunnaiman Oil LLC	14,513,958.4
32	5467268	Infinite Space LLC	1,718,062,761.9
33	5522935	Ikh Gobi Energy LLC	142,177,715.3
34	5528089	King Diamond LLC	-
35	5396662	Lut Chuluu LLC	2,866,830,224.2
36	5830974	MAK Cement LLC	(367,964,363.6)
37	2057573	Max-Impex LLC	-
38	5699134	Mandal Resources LLC	(5,089,282.7)
39	5412153	Melange LLC	379,580,121.4
40	2034859	Mogoingol JSC	-
41	5253535	Mongol Mining and Exploration LLC	28,702,344.7
42	5150884	Mongol Uranium Resource LLC	-
43	5051304	Mongol Juyuanli LLC	3,791,173,559.1
44	5401801	Mongolian National Rare Earth Corp LLC	-
45	2550466	Mongolrostsvetmet SOE	(1,330,849,088.7)
46	5051134	Mongol Czech Metal LLC	1,321,407,606.7
47	2095025	Mongoliin Alt LLC	(5,493,718,953.8)
48	2045931	Monlaa LLC	11,282,940,653.6
49	2029278	Monpolymet LLC	(3,791,149,910.3)
50	5106567	Moncement Building Materials LLC	1,007,404,296.6
51	5141583	MONEKO LLC	105,644,100.5
52	5118115	Munkhiin Bayan Gal LLC	411,200.0
53	5106656	Nagaaranz LLC	-
54	2010895	Naingi LLC	122,872,759.1
55	5295858	Naran Mandal Enterprises LLC	800,800.0
56	6287727	Olon Ikht Bayan LLC	1,178,103,951.2
57	2659603	Ochir-Undraa LLC	1,549,949,380.2
58	2678187	Oyut-Ulaan LLC	(155,114,232.5)
59	2657457	Oyu Tolgoi LLC	(182,254,320,590.0)
60	3615243	Uguumur Gaviluud LLC	1,060,926,853.8
61	3623955	Umnu Goviin Bayalag LLC	232,624,347.5
62	5199077	Usukh zoos LLC	116,118,626,861.9
63	2075385	PetroChina Daching Tamsag LLC	148,661,791.2
64	2867095	Petro Matad LLC	370,015,447.6
65	5076285	Platinum Land LLC	2,201,260,229.3
66	5084555	SouthGobi Sands LLC	(7,840,607,580.0)
67	5261198	CUAEL LLC	(1,080,331,197.7)
68	5288703	CMKI LLC	(98,165,933.2)
69	6232485	Sora International LLC	(168,086,321.4)
70	6101615	Steppe Gold LLC	(1,598,013,150.6)
71	5120365	Sumeru LLC	-
72	2016656	Tavan Tolgoi JSC	6,948,906,420.0
73	5872006	Talst Discovery LLC	(18,998,825.0)
74	5774047	Talst Molor LLC	-
75	5105439	Talstdul LLC	567,269,655.3
76	2663813	Talst Marga LLC	-
77	2016931	Taliin Gal JSC	381,224,875.0
78	5513618	Takh Resource LLC	942,120,998.9
79	2807459	Tefismaining LLC	106,503,703.7
80	2872943	Tod-Undraga LLC	(385,397,680.6)
81	6268048	Top Gan Drilling LLC	(1,307,225,987.9)
82	5874963	Tumen Ail Invest LLC	40,807,253.1
83	6636624	Tushii Guniin Buyan LLC	26,113,050.0
84	2839717	Ten Khun LLC	(421,910,128.9)

No	Registration Number	Company Name	Difference After Correction
85	2344343	Ulzgol LLC	(97,286,133.7)
86	2819996	Uulszaamar LLC	(170,259,752.2)
87	2868687	Uulsnoyon LLC	589,857,612.9
88	5877288	Friendship Resources LLC	(494,354,375.5)
89	6195598	Khaan Bulag International LLC	35,442,417.2
90	6413811	Khan Altai Resource LLC	(253,682,015.9)
91	2887134	Khangad-Exploration LLC	(1,324,465,963.5)
92	2618176	Khanshashir LLC	(597,066,780.7)
93	5364884	Khorikawa Metal LLC	-
94	2100231	Khoskhas LLC	(297,977,337.4)
95	2661128	Khothor LLC	76,659,156.5
96	5878756	Khukhbishrelt LLC	50,036,511.5
97	2166631	Khunt-Uguuj LLC	757,841,737.7
98	5671833	Khur Erdene Bayalag LLC	(43,002,026,737.6)
99	5104424	Khurgataikhairkhan LLC	-
100	2668505	Khuuchin-Anduud LLC	(23,093,120.9)
101	2697947	Khuren Tolgoi Coal Mining LLC	8,900,042,296.6
102	5352827	Tsagaan-Uvuljuu LLC	(3,237,769,654.6)
103	2548747	Tsairt Mineral LLC	802,374,985.1
104	2641984	Cement Lime SOE	4,953,540,208.0
105	6342485	Tsuikhang Invest LLC	(5,700,919.9)
106	5166667	Tserenbadam LLC	(16,866,720.0)
107	5482046	Tsetsens Mining and Energy LLC	401,102,286.0
108	2050374	Shariin Gol	3,518,333,350.1
109	2004879	Shivee-Ovoo SOE	2,861,386,893.2
110	2830213	Shin Shin LLC	117,898,200.0
111	5320607	Shuvuunkhar Uul LLC	18,897,410.8
112	5586119	Eikusora LLC	-
113	5015243	MCTT LLC	(362,787,341.9)
114	5452503	ML Tsakhiurt Ovoo LLC	(22,047,364.5)
115	2887746	Energy Resource LLC	(12,294,574,636.0)
116	5618339	Enkhtunkh Orchlon LLC	-
117	2718243	Erdene Mongol LLC	(371,954,604.8)
118	6896197	Erdenes Bayanbogd LLC	(6,485,191.0)
119	5435528	Erdenes Tavan Tolgoi LLC	(5,248,634,138.9)
120	5824826	Erdenes Tsagaan Suvarga LLC	202,934,906.4
121	6141536	Erdenes Ereg LLC	-
122	5124913	Erdenes Mongol LLC	(1,748,440,417.7)
123	2074192	Erdenet Plant SOE	(33,815,627,101.5)
124	2861224	ESTO LLC	-
125	5137977	FVSP LLC	(108,789,050.3)

4.3. Detailed results of the reconciliation

The discrepancies and adjustments of payments in the initial reconciliation report, and the subsequent discrepancies, are shown for each local payment as follows. Of the 289.5 million MNT in local payments that remain unexplained, the largest discrepancies are in vehicle and self-propelled machinery taxes and donation amounts.

Table 19. Key local revenue flows, in million MNT

Main Local-Level Flows	Before Adjustment			Adjustment		After Adjustment		
	Government	Company	Difference	Government	Company	Government	Company	Difference
Property Tax	18,690.7	181,053.2	(162,362.5)	(670.3)	(249.8)	18,020.4	180,803.4	(162,783.0)
Vehicle and Self-Propelled Machinery Tax	3,477.8	1,243.7	2,234.1	(11.9)	(99.2)	3,465.9	1,144.5	2,321.4
Land Fee	27,322.4	45,203.2	(17,880.7)	(807.1)	(2,425.2)	26,515.4	42,778.0	(16,262.6)
Water Usage Fee	1,575.7	71,122.8	(69,547.1)	(179.0)	(1,700.0)	1,396.7	69,422.8	(68,026.1)
Water Pollution Fee	884.1	1,318.8	(434.7)	(0.1)	(83.1)	883.9	1,235.7	(351.7)
Common Mineral Resource Usage Fee	4,631.7	44,395.2	(39,763.5)	(226.5)	(907.7)	4,405.2	43,487.4	(39,082.2)
Foreign Expert and Worker Employment Fee	-	1,814.5	(1,814.5)	-	(885.7)	-	928.8	(928.8)
Dividends from Local State-Owned Property	-	342.8	(342.8)	-	(1.5)	-	341.3	(341.3)
Penalties	72.2	6,114.7	(6,042.5)	(0.2)	(5,887.9)	71.9	226.8	(154.8)
Compensation	0.0	4,186.7	(4,186.7)	(0.0)	(42.1)	-	4,144.5	(4,144.5)
Other	1,755.6	6,842.7	(5,087.1)	(779.9)	(4,308.2)	975.7	2,534.6	(1,558.9)
Stamp Duty Collected for Local Budget	18.4	-	18.4	(0.2)	-	18.2	-	18.2
Fee for Permission to Use Non-Mineral Natural Resources	16.0	-	16.0	(16.0)	-	-	-	-
Donation	2,056.4	-	2,056.4	(358.7)	-	1,697.6	-	1,697.7
Total	60,501.11	363,638.36	(303,137.24)	(3,050.08)	(16,590.48)	57,451.04	347,047.88	(289,596.84)

The unexplained discrepancies in key national revenue flows amount to 155.9 million MNT, with significant amounts attributed to mineral royalties, employee social insurance contributions, and customs service fees.

Table 20. Key national revenue flows, in million MNT

Main National-Level Flows	Before Adjustment			Adjustment		After Adjustment		
	Government	Company	Difference	Government	Company	Government	Company	Difference
Corporate Income Tax	2,048,360.9	1,471,015.7	577,345.3	(60,538.2)	516,718.1	1,987,822.8	1,987,733.8	89.0
Customs Duty Tax	81,177.3	119,534.9	(38,357.6)	(6,378.4)	(44,768.6)	74,798.9	74,766.2	32.7
Value Added Tax (VAT)	399,595.0	267,959.5	131,635.5	(47,675.8)	82,252.5	351,919.2	350,212.0	1,707.2
Excise Duty on Automotive Diesel Fuel Tax	56.7	0.4	56.4	(37.5)	9.8	19.3	10.2	9.0
Duty on Automotive Diesel Fuel Tax	230.0	1.5	228.5	(216.4)	(1.5)	13.6	-	13.6
Payment for Mineral Resource Use	4,448,336.4	3,973,539.3	474,797.2	(1,725.3)	332,366.7	4,446,611.1	4,305,905.9	140,705.2
License Fee	3,228.4	23,727.4	(20,498.9)	(1,699.9)	(14,781.6)	1,528.5	8,945.8	(7,417.3)
Reimbursement for Exploration Done with Government Funds	3,126.8	1,444.3	1,682.5	(1,771.0)	(554.4)	1,355.8	889.8	465.9
Foreign Workers' Employment Fee	-	10,401.2	(10,401.2)	-	(2,116.7)	-	8,284.5	(8,284.5)
Air Pollution Fee	66,223.8	59,695.5	6,528.2	(771.7)	(1,247.6)	65,452.1	58,447.9	7,004.1
Workers' Social Insurance	658,967.9	485,734.5	173,233.4	(125,132.5)	30,653.1	533,835.4	516,387.6	17,447.8
Customs Service Fee	112,297.3	98,724.4	13,572.9	(4,266.7)	450.1	108,030.6	99,174.6	8,856.1
Dividends from State-Owned Property	-	417,138.8	(417,138.8)	417,082.0	(56.8)	417,082.0	417,082.0	-
Advance Payments to the Government	-	385.3	(385.3)	-	(5.8)	-	379.5	(379.5)
Penalties	-	5,272.5	(5,272.5)	-	(609.7)	-	4,662.8	(4,662.8)
Compensation	-	11,901.8	(11,901.8)	-	(11,454.1)	-	447.7	(447.7)
Other	-	83,525.3	(83,525.3)	74.1	(83,525.3)	74.1	-	74.1
Training Incentives Provided Under the Product Sharing Agreement	2,664.0	-	2,664.0	(2,089.8)	-	574.2	-	574.2
Service Fees for Reservation of Oil Exploration Sites	208.2	-	208.2	(69.7)	-	138.5	-	138.5
Personal Income Tax	278,212.9	-	278,212.9	(19,447.8)	258,765.1	258,765.1	258,765.1	-

The discrepancies by company are as follows: “Usukh Zoos’ LLC, “Khuren Tolgoi Coal Mining” LLC, and “Tavantolgoi” JSC have higher discrepancies compared to other companies. Please refer to the table for detailed information.

Table 21. National reconciliation by revenue flow, in million MNT

№	Company Name	Initial Consolidation			Correction			Consolidation After Correction		
		Government	Company	Difference	Government	Company	Difference	Government	Company	Difference
1	Aduunchuluun LLC	869.3	115.8	753.	3.0	753.5	(750.5)	872.3	869.3	3.0
2	Azargiin Gol Chonot LLC	-	-	-	0.0	49.1	(49.1)	0.0	49.1	(49.1)
3	IBBI LLC	2,324.0	4,478.6	(2,154.5)	(2,324.0)	(4,478.6)	2,154.5	-	-	-
4	Altai Black Stallion Group LLC	65.8	78.9	(13.1)	-	(1.7)	1.7	65.8	77.2	(11.4)
5	Altainkhuder LLC	6,659.3	381.8	6,277.5	(6,659.3)	(381.8)	(6,277.5)	-	-	-
6	Altangol Exploration LLC	994.0	794.8	199.2	-	325.6	(325.6)	994.0	1,120.5	(126.4)
7	Altargana Khairkhan LLC	31.5	147.9	(116.5)	-	(8.7)	8.7	31.5	139.3	(107.8)
8	Arvijikh Energy LLC	810.	78.3	731.8	-	7.5	(7.5)	810.2	85.8	724.3
9	Achit-Ikht LLC	49,776.7	-	49,776.7	(49,776.7)	-	(49,776.7)	-	-	-
10	Baatarvan Trans LLC	2,307.5	1,396.3	911.2	-	928.8	(928.8)	2,307.5	2,325.1	(17.6)
11	Baganuur JSC	23,970.8	49,485.1	(25,514.3)	-	(21,574.6)	21,574.6	23,970.8	27,910.5	(3,939.7)
12	Badmaarag Khash LLC	3,498.9	1,569.2	1,929.7	-	(1,110.3)	1,110.4	3,498.9	458.8	3,040.0
13	Badrakh Energy LLC	2,477.6	3,067.3	(589.7)	-	742.9	(742.9)	2,477.6	3,810.2	(1,332.7)
14	Bayan-Airag Exploration LLC	12,593.0	11,119.3	1,473.7	-	2,470.1	(2,470.1)	12,593.0	13,589.3	(996.3)
15	Bayanteeg JSC	2,388.8	-	2,388.8	-	2,465.6	(2,465.6)	2,388.8	2,465.6	(76.8)
16	BT Development LLC	140.4	44.8	95.6	-	96.3	(96.3)	140.4	141.2	(0.7)
17	Big Mogul Coal and Energy LLC	2,892.9	2,765.4	127.5	-	166.5	(166.5)	2,892.9	2,931.9	(39.0)
18	Bilegt Bayalag LLC	2,753.2	2,871.2	(118.1)	-	28.6	(28.6)	2,753.2	2,899.8	(146.7)
19	Boldtumur Eruu Gol LLC	42,773.9	41,884.1	889.7	-	1,287.0	(1,287.0)	42,773.9	43,171.1	(397.3)
20	Boroo Gold LLC	46,032.4	71,199.8	(25,167.4)	22,853.8	315.6	22,538.2	68,886.2	71,515.5	(2,629.2)
21	Burdel Mining LLC	1,042.3	-	1,042.3	-	928.5	(928.5)	1,042.3	928.5	113.8
22	Genergo LLC	25.2	5.8	19.4	-	-	-	25.2	5.8	19.4
23	Gobi Shandast Khuleg LLC	4,682.9	1,503.9	3,179.0	-	175.5	(175.5)	4,682.9	1,679.4	3,003.5

18th EITI Reconciliation Report 2024

№	Company Name	Initial Consolidation			Correction			Consolidation After Correction		
		Government	Company	Difference	Government	Company	Difference	Government	Company	Difference
24	Gobi-Ereen LLC	3.7	-	3.7	(3.7)	-	(3.7)	-	-	-
25	Darkhan Metallurgical Plant LLC	37,978.1	-	37,978.1	-	32,208.8	(32,208.8)	37,978.1	32,208.8	5,769.2
26	Datsantrade LLC	171.6	203.3	(31.7)	-	324.4	(324.4)	171.6	527.7	(356.1)
27	Donsheng Petroleum (Mongolia) LLC	1,604.4	-	1,604.4	(1,604.4)	-	(1,604.4)	-	-	-
28	EuroAsian Mining Contractor LLC	1,266.7	-	1,266.7	(1,266.7)	-	(1,266.7)	-	-	-
29	Javkhlant-Ordh LLC	16,138.8	27,834.1	(11,695.4)	-	(7,452.8)	7,452.8	16,138.8	20,381.4	(4,242.6)
30	Zheng-Yuan LLC	1,052.9	1,285.0	(232.2)	(1,052.9)	(1,285.0)	232.2	-	-	-
31	Zuunnaman Oil LLC	3,281.7	-	3,281.7	-	3,267.2	(3,267.2)	3,281.7	3,267.2	14.5
32	Infinite Space LLC	17,865.9	15,657.9	2,208.0	-	489.9	(489.9)	17,865.9	16,147.9	1,718.1
33	Ikh Gobi Energy LLC	781.1	592.9	188.2	-	46.0	(46.0)	781.1	638.9	142.2
34	King Diamond LLC	-	-	-	-	-	-	-	-	-
35	Lut Chuluu LLC	4,938.8	1,743.3	3,195.4	-	328.6	(328.6)	4,938.7	2,071.9	2,866.8
36	MAK Cement LLC	37,006.2	70,757.2	(33,750.9)	-	(33,382.9)	33,382.9	37,006.2	37,374.2	(367.9)
37	Max-Impex LLC	1,128.3	926.0	202.2	(1,128.3)	(926.0)	(202.2)	-	-	-
38	Mandal Resources LLC	2,364.9	1,958.2	406.7	16.7	428.5	(411.8)	2,381.6	2,386.7	(5.1)
39	Melange LLC	1,006.9	1,307.1	(300.2)	-	(679.8)	679.8	1,006.9	627.3	379.6
40	Mogoingol JSC	990.3	948.4	41.9	(990.4)	(948.4)	(41.9)	-	-	-
41	Mongol Mining and Exploration LLC	6,781.9	2,109.	4,672.6	-	4,643.9	(4,643.9)	6,781.9	6,753.3	28.7
42	Mongol Uranium Resource LLC	72.7	60.7	12.0	(72.7)	(60.7)	(12.0)	-	-	-
43	Mongol Juyuanli LLC	4,977.8	3,352.4	1,625.4	-	(2,165.7)	2,165.7	4,977.8	1,186.7	3,791.2
44	Mongolian National Rare Earth Corp LLC	1,404.3	-	1,404.3	(1,404.3)	-	(1,404.3)	-	-	-
45	Mongolrostsvetmet SOE	31,780.6	29,047.4	2,733.2	1,500.0	5,564.1	(4,064.1)	33,280.6	34,611.5	(1,330.9)
46	Mongol Czech Metal LLC	1,845.9	233.6	1,612.3	-	290.9	(290.9)	1,845.9	524.6	1,321.4
47	Mongoliin Alt LLC	336,822.8	310,530.0	26,292.8	-	31,786.5	(31,786.5)	336,822.8	342,316.5	(5,493.7)
48	Monlaa LLC	16,922.5	15,246.7	1,675.8	-	(9,607.1)	9,607.1	16,922.5	5,639.6	11,282.9

18th EITI Reconciliation Report 2024

№	Company Name	Initial Consolidation			Correction			Consolidation After Correction		
		Government	Company	Difference	Government	Company	Difference	Government	Company	Difference
49	Monpolymet LLC	4,213.3	6,101.1	(1,887.8)	-	1,903.4	(1,903.4)	4,213.3	8,004.5	(3,791.1)
50	Moncement Building Materials LLC	14,530.6	8,530.9	5,999.7	-	4,992.3	(4,992.3)	14,530.6	13,523.2	1,007.4
51	MOENCO LLC	123,348.0	122,088.1	1,259.8	-	1,154.2	(1,154.2)	123,348.0	123,242.4	105.6
52	Munkhiin Bayan Gal LLC	10,659.6	-	10,659.6	-	10,659.1	(10,659.1)	10,659.6	10,659.2	0.4
53	Nagaaranz LLC	1,089.7	-	1,089.7	(1,089.7)	-	(1,089.7)	-	-	-
54	Naingi LLC	1,147.8	1,064.9	82.9	0.0	(39.9)	39.9	1,147.8	1,024.9	122.8
55	Naran Mandal Enterprises LLC	4,008.3	-	4,008.3	-	4,007.5	(4,007.5)	4,008.3	4,007.5	0.8
56	Olon Ikht Bayan LLC	2,410.4	1,219.4	1,191.0	13.4	26.3	(12.9)	2,423.8	1,245.7	1,178.1
57	Ochir-Undraa LLC	11,017.6	-	11,017.6	-	9,467.6	(9,467.6)	11,017.6	9,467.6	1,549.9
58	Oyut-Ulaan LLC	2,656.3	4,499.3	(1,843.0)	-	(1,687.9)	1,687.9	2,656.3	2,811.4	(155.1)
59	Oyu Tolgoi LLC	734,901.9	864,994.9	(130,092.9)	-	52,161.3	(52,161.3)	734,901.9	917,156.2	(182,254.3)
60	Uguumur Gaviluud LLC	1,880.1	63.1	1,816.9	-	756.0	(756.0)	1,880.0	819.1	1,060.9
61	Umnu Goviin Bayalag LLC	1,138.2	793.7	344.5	-	111.9	(111.9)	1,138.2	905.6	232.6
62	Usukzoos LLC	169,319.2	52,904.0	116,415.2	0.6	297.2	(296.6)	169,319.8	53,201.2	116,118.6
63	PetroChina Daching Tamsag LLC	7,493.2	-	7,493.2	-	7,344.6	(7,344.6)	7,493.2	7,344.6	148.7
64	Petro Matad LLC	1,968.5	-	1,968.5	-	1,598.5	(1,598.5)	1,968.5	1,598.5	370.0
65	Platinum Land LLC	12,534.9	6,011.0	6,523.8	-	4,322.6	(4,322.6)	12,534.9	10,333.6	2,201.3
66	SouthGobi Sands LLC	256,860.8	273,689.1	(16,828.3)	-	(8,987.7)	8,987.7	256,860.9	264,701.5	(7,840.6)
67	COAL LLC	112,081.6	103,981.4	8,100.2	-	9,180.5	(9,180.5)	112,081.6	113,161.9	(1,080.3)
68	CMKI LLC	2,034.5	406.5	1,627.9	-	1,726.1	(1,726.1)	2,034.5	2,132.6	(98.2)
69	Sora International LLC	6,361.4	6,423.1	(61.7)	-	106.4	(106.4)	6,361.4	6,529.5	(168.1)
70	Step Gold LLC	13,142.2	10,326.5	2,815.7	-	4,413.8	(4,413.8)	13,142.2	14,740.2	(1,598.0)
71	Sumeru LLC	-	-	-	-	-	-	-	-	-
72	Tavan Tolgoi JSC	113,601.1	-	113,601.1	-	106,652.2	(106,652.2)	113,601.1	106,652.2	6,948.9
73	Talst Discovery LLC	2,352.3	36.7	2,315.6	-	2,334.6	(2,334.6)	2,352.3	2,371.3	(19.0)
74	Talst Molor LLC	33.9	-	33.9	(33.9)	-	(33.9)	-	-	-
75	Talstdul LLC	1,063.9	-	1,063.9	-	496.6	(496.6)	1,063.9	496.6	567.3

18th EITI Reconciliation Report 2024

№	Company Name	Initial Consolidation			Correction			Consolidation After Correction		
		Government	Company	Difference	Government	Company	Difference	Government	Company	Difference
76	Talst Margad LLC	0.2	14.9	(14.7)	(0.2)	(14.9)	14.7	-	-	-
77	Taliin Gal JSC	819.5	-	819.5	-	438.3	(438.3)	819.5	438.3	381.2
78	Takhi Resource LLC	1,006.8	3.2	1,003.6	-	61.5	(61.5)	1,006.8	64.7	942.1
79	Tethysmaining LLC	6,694.6	464.1	6,230.5	-	6,123.9	(6,123.9)	6,694.6	6,588.1	106.5
80	Tod-Undraga LLC	2,687.1	4,474.9	(1,787.8)	-	(1,402.4)	1,402.4	2,687.1	3,072.5	(385.4)
81	Top Gan Drilling LLC	1,408.4	2,399.9	(991.6)	-	315.6	(315.6)	1,408.4	2,715.6	(1,307.2)
82	Tumen Ail Invest LLC	2,082.2	1,671.6	410.6	-	369.8	(369.8)	2,082.2	2,041.4	40.8
83	Tushii Guniin Buyan LLC	-	-	-	26.1	-	26.1	26.1	-	26.1
84	Ten Khun LLC	4,392.8	4,509.1	(116.3)	-	305.6	(305.6)	4,392.8	4,814.8	(421.9)
85	Ulzgol LLC	1,324.7	1,248.6	76.1	-	173.4	(173.4)	1,324.7	1,422.0	(97.3)
86	Uulsaamar LLC	3,871.3	3,455.2	416.1	-	586.3	(586.3)	3,871.3	4,041.5	(170.3)
87	Uulsnoyon LLC	1,041.3	24.1	1,017.2	-	427.3	(427.3)	1,041.3	451.5	589.9
88	Friendship Resources LLC	6,541.6	6,972.6	(431.1)	-	63.3	(63.3)	6,541.6	7,035.9	(494.3)
89	Khaan Bulag International LLC	2,007.3	0.0	2,007.3	11.5	1,983.4	(1,971.9)	2,018.9	1,983.4	35.4
90	Khan Altai Resource LLC	11,316.0	37,826.8	(26,510.8)	2.8	(26,254.4)	26,257.1	11,318.8	11,572.5	(253.7)
91	Khangad-Exploration LLC	59,293.5	60,618.0	(1,324.5)	-	0.0	(0.0)	59,293.5	60,618.0	(1,324.5)
92	Khanshashir LLC	2,358.8	2,619.7	(260.9)	-	336.1	(336.1)	2,358.8	2,955.8	(597.1)
93	Khorikawa Metal LLC	-	-	-	-	-	-	-	-	-
94	Khoskhas LLC	1,809.9	3,964.5	(2,154.5)	0.0	(1,856.5)	1,856.5	1,809.9	2,107.9	(297.9)
95	Khothor LLC	1,058.2	845.1	213.1	-	136.4	(136.4)	1,058.2	981.5	76.7
96	Khukhbishreit LLC	1,482.6	-	1,482.6	-	1,432.5	(1,432.5)	1,482.6	1,432.5	50.0
97	Khunt-Uguuj LLC	2,381.0	-	2,381.0	-	1,623.2	(1,623.2)	2,381.0	1,623.2	757.8
98	Khur Erdene Bayalag LLC	60,235.9	77,330.3	(17,094.4)	-	25,907.6	(25,907.6)	60,235.9	103,237.9	(43,002.0)
99	Khurgataikhairkhan LLC	1,103.0	-	1,103.0	(1,103.0)	-	(1,103.0)	-	-	-
100	Khuuchin-Anduud LLC	3,057.3	580.3	2,476.9	-	2,500.1	(2,500.1)	3,057.3	3,080.4	(23.1)

18th EITI Reconciliation Report 2024

№	Company Name	Initial Consolidation			Correction			Consolidation After Correction		
		Government	Company	Difference	Government	Company	Difference	Government	Company	Difference
101	Khuren Tolgoi Coal Mining LLC	289,720.3	-	289,720.3	-	280,820.3	(280,820.3)	289,720.3	280,820.3	8,900.0
102	Tsagaan-Uvuljuu LLC	30,862.4	33,517.9	(2,655.5)	-	582.2	(582.2)	30,862.4	34,100.2	(3,237.8)
103	Tsairt Mineral LLC	80,805.9	59,286.0	21,519.9	-	20,717.6	(20,717.6)	80,805.9	80,003.6	802.4
104	Cement Lime SOE	8,389.8	-	8,389.8	-	3,436.3	(3,436.3)	8,389.8	3,436.3	4,953.5
105	Tsui Khang Invest LLC	1,694.9	1,697.6	(2.7)	-	3.0	(3.0)	1,694.9	1,700.6	(5.7)
106	Tserenbadam LLC	0.6	17.4	(16.8)	-	0.0	(0.0)	0.6	17.4	(16.9)
107	Tsetsens Mining and Energy LLC	1,791.8	1,047.7	744.2	-	343.1	(343.1)	1,791.8	1,390.7	401.1
108	Shariin Gol	14,670.9	9,985.1	4,685.8	-	1,167.5	(1,167.5)	14,670.9	11,152.6	3,518.3
109	Shivee-Ovoo SOE	5,560.2	-	5,560.2	-	2,698.8	(2,698.8)	5,560.2	2,698.8	2,861.4
110	Shin Shin LLC	66,308.5	-	66,308.5	-	66,190.6	(66,190.6)	66,308.5	66,190.6	117.9
111	Shuvuunkhar Uul LLC	1,218.8	973.4	245.4	-	226.5	(226.5)	1,218.8	1,199.9	18.9
112	Eikusora LLC	-	-	-	-	-	-	-	-	-
113	MCTT LLC	1,046.7	1,798.6	(751.9)	-	(389.1)	389.1	1,046.7	1,409.5	(362.8)
114	ML Tsakhiurt Ovoo LLC	1,337.5	478.4	859.1	-	881.2	(881.2)	1,337.5	1,359.5	(22.0)
115	Energy Resource LLC	414,198.2	379,398.7	34,799.5	-	47,094.0	(47,094.0)	414,198.2	426,492.8	(12,294.6)
116	Enkhtunkh Orchlon LLC	962.6	925.8	36.8	(962.6)	(925.8)	(36.8)	-	-	-
117	Erdene Mongol LLC	2,057.9	1,658.0	399.9	-	771.9	(771.9)	2,057.9	2,429.9	(371.9)
118	Erdenes Bayanbogd LLC	127.6	113.5	14.1	0.0	20.6	(20.6)	127.6	134.1	(6.5)
119	Erdenes Tavan Tolgoi LLC	2,854,882.6	2,848,496.4	6,386.1	-	11,634.8	(11,634.8)	2,854,882.6	2,860,131.2	(5,248.)
120	Erdenes tsagaan suwarga LLC	1,773.9	-	1,773.9	-	1,570.9	(1,570.9)	1,773.9	1,570.9	202.9
121	Erdenesiin Ereg LLC	15.5	-	15.5	(15.5)	-	(15.5)	-	--	
122	Erdenes Mongol LLC	59,558.8	62,801.9	(3,243.1)	-	(1,494.6)	1,494.6	59,558.8	61,307.2	(1,748.4)
123	Erdenet Plant SOE	1,569,938.5	1,579,446.4	(9,507.9)	415,582.0	439,889.8	(24,307.8)	1,985,520.6	2,019,336.2	(33,815.6)
124	ESTO LLC	1,199.4	-	1,199.4	(1,199.4)	-	(1,199.4)	-	-	-

18th EITI Reconciliation Report 2024

№	Company Name	Initial Consolidation			Correction			Consolidation After Correction		
		Government	Company	Difference	Government	Company	Difference	Government	Company	Difference
125	FVSP LLC	903.1	383.6	519.5	-	628.3	(628.3)	903.1	1,011.9	(108.8)

CHAPTER 5: OVERVIEW OF MONGOLIA'S EXTRACTIVE SECTOR

5.1 Overview of legal changes in the extractive sector in 2023

5.1.1 Legal regulation of the extractive sector

5.1.1.1 Current state of the legal framework in the mining, petroleum, and nuclear energy sectors

Despite being regulated by over 30 laws and 40 regulations, the extractive industry requires more detailed governance in areas such as public services, a stable investment environment, and interactions with local communities. This need arises from the global mining trends that emphasize sustainable, mutually beneficial, and green development. In 2023, the laws related to extractive activities in Mongolia are being implemented with the following objectives:

Law on minerals

- The purpose of this law is to regulate relations related to the exploration, prospecting, and utilization of mineral resources, as well as the protection of exploration areas and mining sites within the territory of Mongolia. <https://legalinfo.mn/mn/detail/63>

Law on commonly distributed minerals

- The purpose of this law is to regulate relations concerning the acquisition of licenses for the exploration and utilization of common mineral resources within the territory of Mongolia, the responsibilities of license holders, and the protection and rehabilitation of exploration areas and mining sites. <https://legalinfo.mn/mn/detail/9750>

Law of subsoil

- The purpose of the Law on Subsoil of Mongolia is to regulate social relations related to the use and protection of subsoil resources in accordance with the interests of present and future generations. <https://legalinfo.mn/mn/detail/218>

Law on prohibiting mineral exploration and utilization in the headwaters of rivers, water reservoir protection zones, and forested areas

- The purpose of this law is to regulate relations concerning the prohibition of mineral exploration and utilization in the headwaters of rivers, water reservoir protection zones, and forested areas, as well as the restoration of the environment in these areas. <https://legalinfo.mn/mn/detail?lawId=223>

Law on control of the circulation of explosive substances and blasting devices

- The purpose of this law is to regulate relations concerning the control of the circulation of industrial explosives and blasting devices, to prevent their harmful effects, ensure safety, and prohibit illegal use. <https://legalinfo.mn/mn/detail/9057>

Law on petroleum

- The purpose of this law is to regulate relations concerning the exploration, prospecting, and utilization of petroleum and unconventional oil within the territory of Mongolia. <https://legalinfo.mn/mn/detail/10484>

Law on petroleum products

•The purpose of this law is to regulate relations concerning the import, production, sale, transportation, and storage of petroleum products, as well as ensuring the safety of these activities. <https://legalinfo.mn/mn/detail?lawId=214>

Law on toxic and hazardous chemicals

•The purpose of this law is to regulate relations concerning the export, import, transit, production, storage, sale, transportation, use, disposal, and control of toxic and hazardous chemicals. <https://legalinfo.mn/mn/detail/526>

Law on nuclear energy

•The purpose of this law is to regulate relations concerning the peaceful use of radioactive minerals and nuclear energy within the territory of Mongolia, ensuring nuclear and radiation safety, and protecting the population, society, and the environment from the harmful effects of ionizing radiation. <https://legalinfo.mn/mn/detail/97>

5.1.1.2 Key sector laws and their amendments

This section presents the key amendments made to the main laws of the sector by year.

These include:

Law on minerals, (2006)	<ul style="list-style-type: none"> • Twice in 2017 • Once in 2018 • Four times in 2019 • Twice in 2021 • Once in 2022
Law on control of the circulation of explosive substances and blasting devices, (2013)	<ul style="list-style-type: none"> • Once in 2015 • Once in 2017 • Once in 2020 • Once in 2021 • Twice in 2011
Law on subsoil, (1988)	<ul style="list-style-type: none"> • Once in 1994 • Once in 1995 • Once in 2015
Law on commonly distributed minerals, (2014)	<ul style="list-style-type: none"> • Once in 2015 • Once in 2016 • Once in 2017 • Twice in 2021 • Twice in 2022

Law on nuclear energy, (2009)

- Twice in 2012
- Twice in 2013
- Twice in 2015
- Twice in 2016
- Four times in 2021
- Three times in 2022

Law on petroleum, (2014)

- Once in 2017
- Once in 2020
- Twice in 2021
- Once in 2022

Law on petroleum products, (2005)

- Once in 2013
- Once in 2015
- Once in 2016
- Once in 2017
- Once in 2019
- Once in 2022

Law on prohibiting mineral exploration and mining in the headwaters of rivers, water reservoir protection zones, and forest areas, (2009)

- Once in 2015
- Once in 2022

Law on the procedures for implementing the law on prohibiting mineral exploration and mining in the headwaters of rivers, water reservoir protection zones, and forest areas, (2009)

- Once in 2015

Additionally, the amendments made to these laws in 2023 are shown below.

November 10, 2023

Law on the commodity exchange of mining products

- Article 1. To amend Article 10 of the Law on the Commodity Exchange of Mining Products by adding sections 10.3 and 10.4 as follows:
- Article 2. This law shall come into effect on November 20, 2023.

January 6, 2023

Law on commonly distributed minerals

- Article 1. To revise Section 14.2 of Article 14 of the Law on Commonly Distributed Minerals as follows:
- Article 2. To revise Section 14.1 of Article 14 of the Law on Commonly Distributed Minerals by changing the phrase "immediately carry out the following activities" to "implement the following measures, in addition to those specified in Article 5.2.2 of the Law on Permits." Additionally, change the word "notification" in Section 14.4 of the same article to "conclusion."
- Article 3. This law shall come into effect on January 6, 2023.

January 6, 2023

Law on minerals

- Article 1. To amend the Law on Minerals by adding the following sections and provisions:
- Article 2. In Section 2.1 of Article 2 of the Law on Minerals, after the phrase "National Security Law," add ", Law on Permits," and in Section 4.1.28 of Article 4, after the phrase "other activities," add "to be carried out on the basis of a contract," and in the title of Article 17, after the word "grant," add "by selection."
- Article 3. To revise the following sections, provisions of the Law on Minerals as follows:
- Article 4. In Section 11.2 of Article 11, replace "11.1.23" with "11.1.26," and in Section 20.5 of Article 20, change the number to "20.6," and in Section 20.6, change the number to "20.7," and in Section 20.7, change the number to "20.8."
- Article 5. In Section 7.1 of Article 7, delete the phrase "unless otherwise specified in this law, by selection procedure," and in Section 18.1.2 of Article 18, delete "notarized," and in Section 21.1.5 of Article 21, delete "except for radioactive minerals."
- Article 6. Repeal Section 9.1.14 of Article 9, and Section 26.11 of Article 26.
- Article 7. This law shall come into effect on January 6, 2023.

January 6, 2023

Law on subsoil

- Article 1: Add the following sections to the Law on Subsoil:
- Article 2: Amend the third part of Article 42 of the Law on Subsoil as follows:
- Article 3: Amend the sixth part of Article 15 of the Law on Subsoil, changing "the issue will be decided by the Government" to "the permit will be issued by the Government in accordance with Article 8.3 of the Law on Permissions."
- Article 4: This law shall come into effect on January 6, 2023.

January 6, 2023

Law on control over circulation of explosives and blasting devices

- Article 1: Add the word "restore," after "suspend," in Section 6.1.2 of Article 6 and Section 7.1.2 of Article 7 of the Law on Control over Circulation of Explosives and Blasting Devices, and add the word "expert" after "determine" in Section 23.3 of Article 23.
- Article 2: Amend Section 19.1 of Article 19 of the Law on Control over Circulation of Explosives and Blasting Devices as follows:
- Article 3: Amend Section 6.1.1 of Article 6 of the Law on Control over Circulation of Explosives and Blasting Devices, changing "determined by calculation" to "determined once a month," and Section 6.1.2, changing "based on the conclusion of the Professional Council" to "in accordance with the Law on Permissions," and Section 11.1.4 of Article 11, changing "of a professional accredited organization" to "expert," and in Section 11.4, changing "professional accredited organization," to "expert and," and in Section 21.1 of Article 21, changing "professional accredited organization" to "expert."
- Article 4: Delete the phrase "and risk" from Section 11.1.7 of Article 11, and the phrase "The report shall include every instance of blasting operations." from Section 15.3 of Article 15.
- Article 5: Invalidate Section 4.1.8 of Article 4, Section 6.3 of Article 6, Section 13.2 of Article 13, Sections 15.5 and 15.6 of Article 15, Section 17.4.2 of Article 17, Section 17.6, and Sections 23.7 and 23.8 of Article 23 of the Law on Control over Circulation of Explosives and Blasting Devices.
- Article 6: This law shall come into effect on January 6, 2023.

January 6, 2023

Law on petroleum products

- Article 1: Add the following sections and provisions with the specified content to the Law on Petroleum Products:
- Article 2: Amend and restate the following sections and provisions of the Law on Petroleum Products as follows:
- Article 3: This law shall come into effect on January 6, 2023.

January 6, 2023

Law on hazardous and toxic chemicals

- Article 1: Add the following sections and provisions with the specified content to the Law on Hazardous and Toxic Chemicals:
- Article 2: Amend Section 5.1 of Article 5 of the Law on Hazardous and Toxic Chemicals as follows:
- Article 3: Remove the phrase "in cooperation with the central state administrative body responsible for industry and trade" from Section 6.1.1 of Article 6 of the Law on Hazardous and Toxic Chemicals, and remove the word "transport" from Section 6.1.2.
- Article 4: This law shall come into effect on January 6, 2023.

January 6, 2023

Law on nuclear energy

- Article 1: Add the following sections and provisions with the specified content to the Law on Nuclear Energy:
- Article 2: Amend and restate the following sections and provisions of the Law on Nuclear Energy as follows:
- Article 3: Amend the numbering of Section 11.1.9 of Article 11 to "11.1.10," change "Law on Administrative Responsibility" to "Law on Violations" in Section 12.4 of Article 12, change "other necessary" to "meeting requirements" in Section 16.2 of Article 16, change "state administrative body responsible for minerals" to "state administrative body responsible for geology and mining" in Section 19.7 of Article 19, and change the title of Article 23 from "Suspending Special Permit" to "Suspending and Restoring Special Permit."
- Article 4: Remove the phrase "best" from Sections 18.2, 18.3, and 18.4 of Article 18.
- Article 5: Invalidate Section 19.3.2 of Article 19, Sections 20.5 and 20.6 of Article 20, and Section 22.5.1 of Article 22 of the Law on Nuclear Energy.
- Article 6: This law shall come into effect on January 6, 2023.

5.1.1.3 Major regulations made to improve the legal framework of the extractive industry

The table below illustrates the key regulations and government decrees aimed at improving the legal framework of the extractive industry.

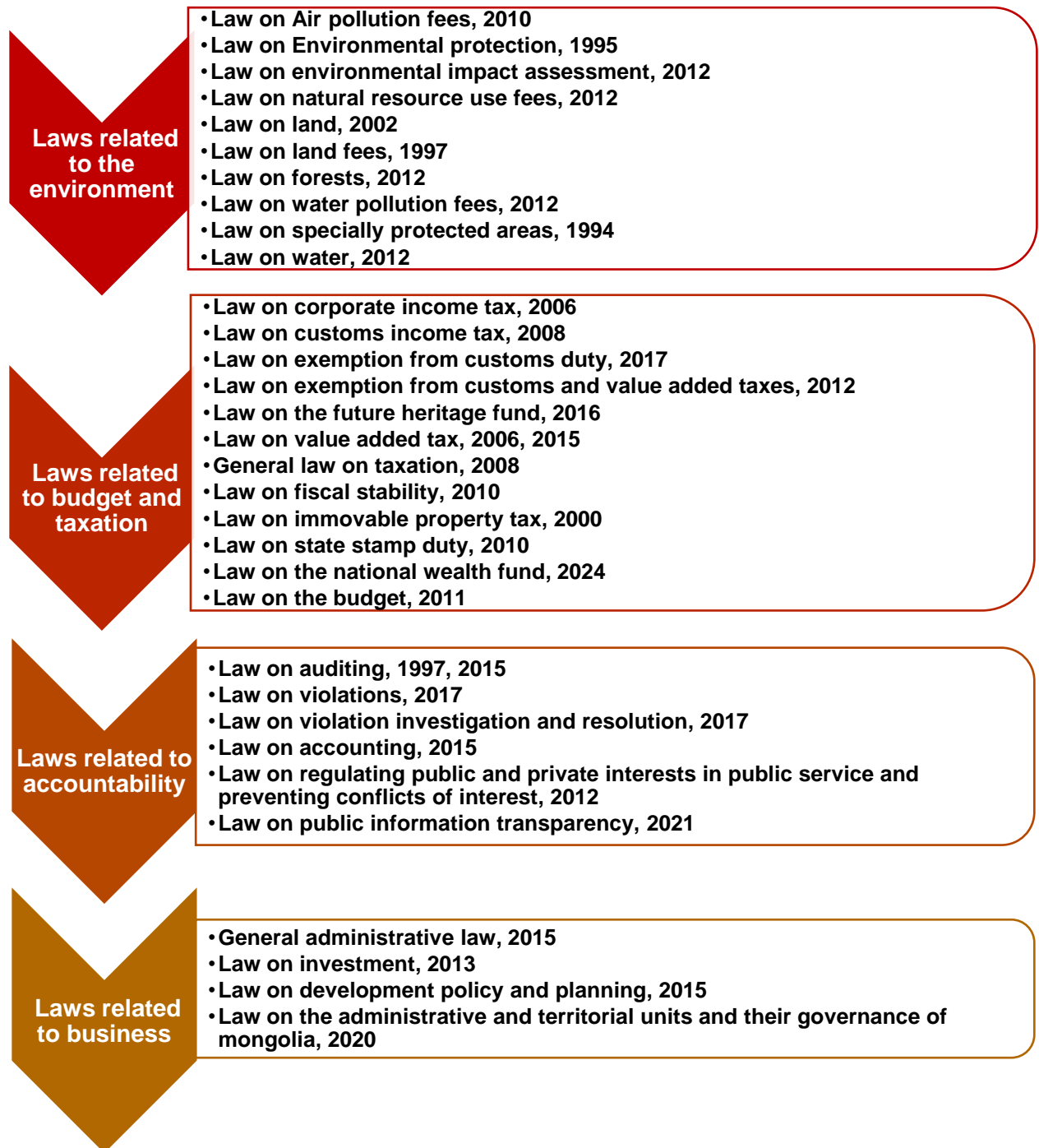
Table 22. Major regulations made to improve the legal framework of the extractive industry

Number	Date	Main Content, explanation	Type
424	2023.11.29	Regarding some measures concerning "Erdenes Tavan Tolgoi" JSC	Government Decree
351	2023.09.20	On approving the coordinates of areas for exploration and exploitation of commonly spread minerals	Government Decree
216	2023.06.07	On approving the coordinates of areas for exploration and exploitation of commonly spread minerals	Government Decree
187	2023.05.17	On approving the coordinates of areas for exploration and exploitation of commonly spread minerals	Government Decree
129	2023.04.12	On approving the coordinates of areas for exploration and exploitation of commonly spread minerals	Government Decree

Source: <https://legalinfo.mn/mn/detail/9750>

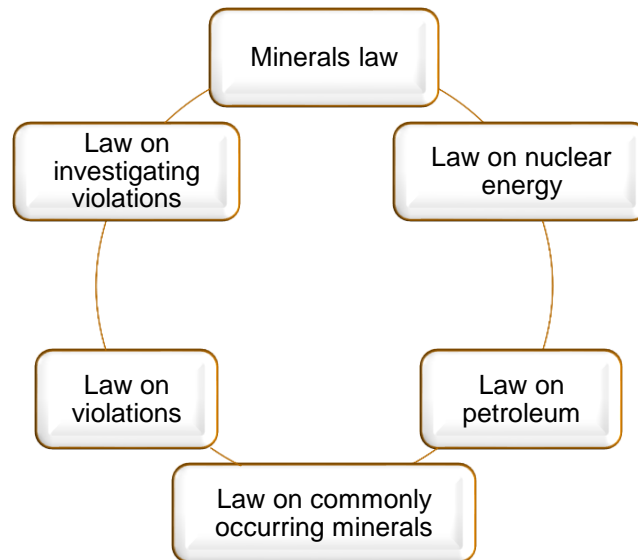
5.1.1.4 Other laws regulating industrial relations (presented collectively)

Other laws regulating the extractive sector have been categorized by relevant areas, with specific emphasis on those amended in 2023.



5.1.2 Legal documents issued within the framework of implementing the Extractive Industries Transparency Initiative in Mongolia

The laws related to the EITI were previously included in the six laws listed below. However, there were no additional amendments related to EITI in 2023.



In connection with the implementation of the EITI, the following state policy documents have been approved. These include:

- State Policy on the Minerals Sector (2014): Approved by a resolution of the State Great Khural, this policy supports the development of international initiatives such as transparency, responsible mining, and the assessment of social and economic impacts.
- National Program for Combating Corruption (2016): This program includes provisions to ensure transparency in the extractive industries.
- Action Plan for Implementing the National Program for Combating Corruption (2017): Approved by a resolution of the Government of Mongolia, this plan outlines six measures to ensure transparency in the extractive industries, to be implemented in two phases from 2017 to 2023.

The Government of Mongolia, through Resolution No. 1 of 2006, endorsed the Extractive Industries Transparency Initiative. Subsequent resolutions, No. 222 of 2012 and No. 263 of 2017, mandated the implementation of certain measures to ensure transparency in the extractive industries.

Resolution No. 190 of 2010 required provincial, capital city, district, and municipal governors to annually report and publicly disclose the taxes, fees, charges, fines, and other revenues paid to local budgets by holders of mineral exploitation and exploration licenses. Additionally, they were to report on monetary and non-monetary contributions made to the offices of provincial, capital city, district, and municipal governors, as well as to budgetary organizations.

Resolution No. 179 of 2016 approved a model cooperation agreement to be established between mineral license holders and local administrative bodies. Furthermore, Resolution No. 104 of 2015 approved the model for production sharing agreements

5.1.3 Fiscal Policy and budget legislation (Requirement 2.1)

5.1.3.1. Budget formation and allocation

Definitions Related to Budget Formation are presented in the following table.:

Table 23. Budget formation and allocation

No	Types	Definitions
1	Budget	The budget serves as a tool for implementing the economic and social objectives of Mongolia. It represents the balance of revenues and expenditures, encompassing the total income accumulated in the state treasury and the measures for its allocation within a given year.
2	Budget Revenues	Budget revenues consist of tax and non-tax revenues, as well as aid. The balanced revenue of the consolidated budget of Mongolia is the total revenue accumulated in the state treasury, minus the portions allocated to the Fiscal Stability Fund and the Future Heritage Fund. Tax Revenues include taxes and fees established under the General Tax Law. Non-Tax Revenues include the following: <ul style="list-style-type: none"> - Dividends from shares of state and local government-owned, state-involved legal entities. - Fees for the use of state and local government property. - Income from the privatization, sale, and leasing of state and local government property. - Fines. - Income from the activities of budgetary organizations. - Loans and aid provided to the government. - Other revenues centralized in the budget according to legislation.
3	Budget Expenditures	Budget expenditures consist of current and capital expenses. These expenditures are allocated to implement the government's primary functions, including: Providing education to citizens, delivering healthcare services, ensuring national security, developing infrastructure, offering social protection services, etc.
4	Health Insurance Fund Budget	Under the Health Insurance Law, the health insurance premiums paid by the government, individuals, and organizations are used to finance the costs of healthcare services and assistance.

5.1.3.2. Budget legislation

Objectives of Budget-Related Laws and the Number of Amendments in 2023.

Table 24. Budget legislation

No	Types	Definitions	Amendments
1	Budget law	The consolidated state budget is regulated by the Budget Law. The objectives of this law are to establish the principles, system, composition, and classification of the budget, implement specific budgetary requirements, define the rights, duties, and responsibilities of participants in budgetary relations, and regulate the processes of budget formulation, approval, expenditure, accounting, reporting, and oversight.	In 2023, the Budget Law was amended six times and can be reviewed these amendments by accessing the following link. /https://legalinfo.mn/mn/detail/12254
2	Fiscal stability law	The Fiscal Stability Law aims to ensure the stability of the consolidated budget by establishing and implementing principles of budget management and specific budgetary requirements. It defines the rights, duties, and responsibilities of state institutions in overseeing these processes. The law also regulates the use of mineral resource revenues to create renewable wealth, support economic development through investments, and build financial reserves.	In 2023, the Fiscal Stability Law was amended once and can be reviewed this amendment by accessing the following link. /https://legalinfo.mn/mn/detail/503

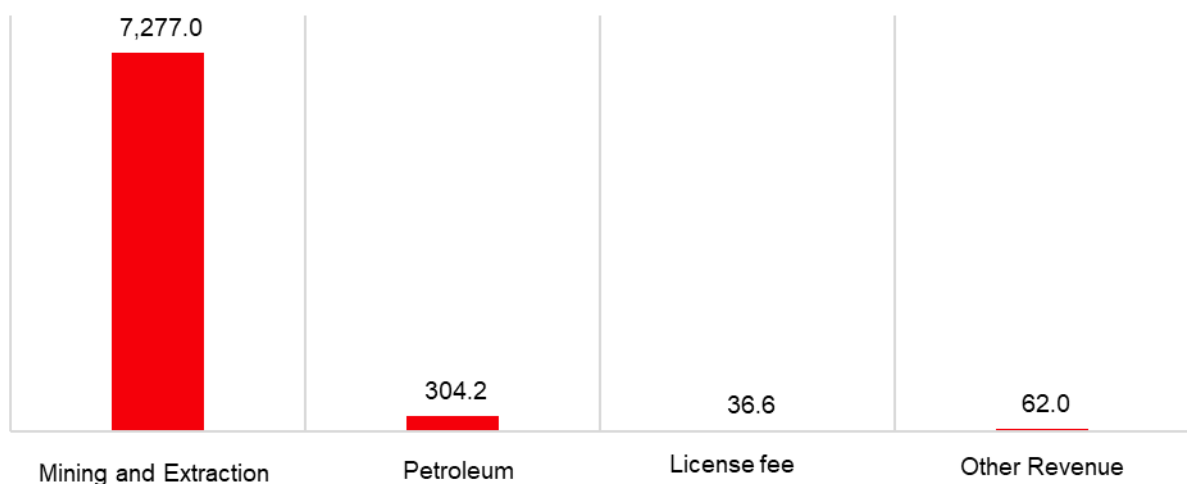
No	Types	Definitions	Amendments
3	Law on Government special fund	The objective of this law is to define the types of Government Special Funds, and to regulate the relationships involved in their formation, allocation, performance reporting, and oversight.	In 2023, this law was amended three times and can be reviewed these amendments by accessing the following link. https://legalinfo.mn/mn/detail?lawId=14848
4	Law on the future heritage fund	The Law on the Future Heritage Fund was enacted by the Parliament in 2016 and came into effect on January 1, 2017. The objectives of this law are to: <ul style="list-style-type: none"> - Establish the Future Heritage Fund to implement the principle of equitably distributing revenues from non-renewable mineral resources to both current and future generations. - Accumulate assets in the fund, allocate its returns, and define the structure and organization for managing the fund's assets, including reporting and oversight mechanisms. - Create a stable and efficient macroeconomic management system. 	In 2023, this law was amended once. https://legalinfo.mn/mn/detail/11707
5	The law on the national wealth fund	The purpose of this law is to establish the National Wealth Fund with the aim of ensuring that the benefits derived from the country's mineral resources are distributed equitably and fairly to all current and future citizens of Mongolia. It seeks to define the types, purposes, and sources of the fund, ensure the stability of its assets, and regulate the relationships related to the reporting and oversight of its operations.	This law has been enacted and in effect since April 19, 2024. https://legalinfo.mn/mn/detail?lawId=17140188869101

5.2 Overview of the mining sector

5.2.1 Overview of Mongolia's mineral resources

In 2023, Mongolia's consolidated budget revenue amounted to 24,310.1 billion MNT, an increase of 5,717.0 billion MNT or 30.7% compared to the same period last year. Revenue from the mineral resources sector contributed 7,679.8 billion MNT to the budget, which is an increase of 3,072.9 billion MNT or 66.7% compared to the same period last year. The report shows the revenue contributions and their proportions by sector.

Graph 6. The revenue contributed by the mineral resources sector to the budget, in billion MNT



The mineral resources sector accounts for 31.6% of Mongolia's consolidated budget revenue.

Table 25. The Report on revenue collected in the budget, billion MNT

Indicators	Plan		Performance		Performance	
	2022	2023	2022	2023	+/-	Percentage
Total revenue amount	4,358.3	6,563.1	4,606.9	7,679.8	3,072.9	67%
Mining and extraction sector						
Gold	247.4	287.6	258.0	311.5	53.5	21%
Copper	1,966.7	2,547.3	1,717.2	2,232.1	514.9	30%
Coal	1,346.5	2,649.0	2,062.4	4,314.6	2,252.2	210%
Iron	145.7	270.4	41.6	97.0	55.4	230%
Zinc	77.9	96.2	168.9	143.3	-34.6	-20%
Fluorspar	153.7	65.6	26.4	23.8	-2.6	-10%
Others	128.4	161.2	115.7	163.8	48.1	42%
Oil Sector						
Oil	215.4	425.0	161.0	304.2	143.2	89%
Licenses and other revenue						
License fees	31.4	29.7	35.6	36.6	1.0	3%
Compensation for deposits explored by the state	17.5	3.0	2.0	3.2	1.2	62%
Revenue of budgetary organizations (SFS)	25.0	25.0	14.5	53.7	39.2	370%
Other revenue	2.7	3.1	3.6	5.1	1.4	39%

In the mining and extraction sector, the preliminary performance for 2023 is as follows: 81,191.9 thousand tons of coal, 1,395.3 thousand tons of copper concentrate, 5,643.7 tons of molybdenum concentrate, 14,854.8 kg of gold, 5,332.3 thousand tons of iron ore, 2,304.4 thousand tons of iron ore concentrate, 204.6 thousand tons of fluorspar ore, 108.4 thousand tons of fluorspar concentrate, 402.9 thousand tons of zinc concentrate, and 16,454.0 tons of silver concentrate. Compared to the same period last year, coal increased by 43,984.2 thousand tons (2.2 times), copper concentrate by 205.5 thousand tons (17.3%), iron ore concentrate by 569.6 thousand tons (32.8%), fluorspar ore by 68.8 thousand tons (50.6%), fluorspar concentrate by 80.8 thousand tons (3.9 times), zinc concentrate by 2.8 thousand tons (0.7%), and silver concentrate by 10,330.1 tons (2.7 times). However, molybdenum concentrate decreased by 270.5 tons (4.6%), gold by 4,528.0 kg (23.4%), and iron ore by 2,327.6 thousand tons (30.4%).

In the processing industry, the preliminary performance for 2023 is as follows: 6,979.4 thousand tons of enriched coal, 414.5 thousand tons of coal briquettes, 9,661.3 tons of cathode copper, 37,680.5 tons of metal billets, 36,117.9 tons of rolled metal, and 3,729.4 tons of steel structures were produced. Compared to the same period last year, enriched coal increased by 3,573.9 thousand tons (2.0 times), metal billets by 12,692.4 tons (50.8%), rolled metal by 9,977.0 tons (38.2%), and steel structures by 38.3 tons (1.0%). However, coal briquettes decreased by 177.9 thousand tons (30.0%) and cathode copper by 74.7 tons (0.8%).

Table 26. Production of key industrial products

No	Product Type	Unit of Measurement	2022	2023
1. Mining and Extraction				
1.1	Coal	thousand tons	37,207.7	81,191.9
1.2	Oil	thousand barrels	2,565.4	4,888.9
1.3	Copper Concentrate	thousand tons	1,189.8	1,395.3
1.4	Molybdenum Concentrate	tons	5,914.2	5,643.7
1.5	Unrefined Gold	kilograms	19,382.7	14,854.8
1.6	Iron Ore	thousand tons	7,659.9	5,332.3
1.7	Iron Ore Concentrate	thousand tons	1,734.8	2,304.4

No	Product Type	Unit of Measurement	2022	2023
1.8	Fluorspar Ore	thousand tons	135.8	204.6
1.9	Fluorspar Concentrate	thousand tons	27.6	108.4
1.10	Zinc Concentrate	thousand tons	400.1	402.9
1.11	Silver Concentrate	tons	6,123.9	16,454.0
2. Processing industry				
2.1	Enriched Coal	thousand tons	3,405.4	6,979.4
2.2	Coal Briquettes	thousand tons	592.4	414.5
2.3	Cathode Copper 99%	tons	9,736.0	9,661.3
2.4	Metal Billets	tons	24,988.1	37,680.5
2.5	Rolled Metal	tons	26,140.9	36,117.9
2.6	Steel Structures	tons	3,691.1	3,729.4

The preliminary performance for 2023 indicates that the total industrial production reached MNT 30.5 trillion, an increase of MNT 9.5 trillion (45.2%) compared to the same period last year. The total production in the mining and extraction industry amounted to MNT 21.5 trillion, an increase of MNT 7.2 trillion (50.2%) from the previous year. This growth was driven by coal extraction, which increased by MNT 5.7 trillion (2.5 times), crude oil extraction, which rose by MNT 530.4 billion (68.3%), and metal ore extraction, which grew by MNT 864.6 billion (9.0%). The mining and extraction sector accounted for 70.7% of the total industrial production.

Table 27. Industrial sector production, billion MNT

No	Sector	2022	2023
1	Mining extraction	14,331.0	21,531.2
2	Coal extraction	3,715.1	9,449.1
3	Crude oil	776.1	1,306.5
4	Metal ore extraction	9,568.8	10,433.5
5	Other mineral extraction	199.2	285.6
6	Auxiliary mining activities	71.8	56.6
7	Manufacturing industry	4,983.3	6,826.9
8	Production of coke and refined petroleum products	92.8	64.5
9	Production of chemicals and chemical products	7.0	5.2
10	Production of rubber and plastic products	6.9	10.8
11	Production of non-metallic mineral products	436.7	642.2
12	Metal processing industry	319.9	417.5
13	Production of metal products (excluding machinery and equipment)	16.7	28.6
14	Production of other transport equipment	4.5	6.1
15	Other manufacturing industries	198.7	390.2
16	Total	20,985.0	30,459.8

Source: Ministry of Industry and mineral resources

5.2.2 Overview of Uranium

The Nuclear Energy Law was enacted in 2009, granting 164 exploration and exploitation licenses for radioactive minerals to 27 enterprises, covering 2.6% of Mongolia's territory. Currently, Mongolia has identified 13 deposits, approximately 100 occurrences, over 1,000 mineralized points, and several radioactive anomalies. Additionally, the following amendments were made to the Nuclear Energy Law in 2023:

Amendments to the nuclear energy law

Article 1. The following sections and provisions with the content specified below shall be added to the Nuclear Energy Law:

Article 2. The following sections and provisions of the Nuclear Energy Law shall be revised as specified below:

Article 3. The Nuclear Energy Law, enacted in 2009, granted 164 licenses for radioactive mineral exploration and exploitation, covering 2.6% of Mongolia's territory. Currently, Mongolia has 13 deposits, around 100 occurrences, over 1,000 mineralized points, and several radioactive anomalies. In 2023, amendments included renumbering provisions, updating legal references, and revising terms related to administrative bodies and license suspension and reinstatement.

Article 4. The phrase "best" shall be removed from sections 18.2, 18.3, and 18.4 of Article 18 of the Nuclear Energy Law.

The following provisions of the Nuclear Energy Law shall be repealed: provision 19.3.2 of Article 19, sections 20.5 and 20.6 of Article 20, and provision 22.5.1 of Article 22.

Article 6. This law shall come into effect on January 6, 2023.

Based on provisions 106.1, 106.3, and 106.3.12 of article 106 of the law on administrative case proceedings, it is hereby resolved:

Based on provisions 17.3, 18.8, 19.1.4, 19.1.5, 19.7, 21.2, 29.1, and 29.4 of the Nuclear Energy Law, the claim of the NGO I***** is fully satisfied. The decisions No. 5 and 511 of the Head of the Cadastre Department of the Mineral Resources Authority dated July 22, 2023, and the special licenses MV-0, MV-, and MV-0 for the use of radioactive minerals are hereby annulled.

Based on the decision No. 308 of the administrative court of first instance in the capital city dated March 30, 2023, the legality of the following decisions by the head of the cadastre department of the mineral resources authority, dated July 22, 2023, was reviewed: Decision No. 5, granting special license MV-0 for the exploitation of radioactive minerals on a 4628.42-hectare area named "X" in a district of Dundgovi Province; decision No. [number], granting special license MV- for the exploitation of radioactive minerals on a 2810.44-hectare area named "G" in a district of Dundgovi province; and decision No. 511, granting special license MV-0 for the exploitation of radioactive minerals on a 10386.24-hectare area named "Ch" in districts B and U of Dundgovi Province. The court examined whether these decisions were in compliance with the law..

The decision annulled the special licenses of three companies holding uranium licenses in the districts of Gurvansaikhan, Ulziit, Bayanjargalan, and Undurshil in Dundgovi province.

Table 28. Currently valid uranium licenses

No	List	Field Name	Field Size (ha)	Province	Soum	Owner
1	MV-018916	Dulaan Uul	27,697.3	Dornogovi	Ulaanbadrakh	Badrakh Energy
2	MV-018915	Zuuvch Ovoo	18,213.6	Dornogovi	Ulaanbadrakh	Badrakh Energy
3	MV-018914	Umnut	2,464.9	Dornogovi	Ulaanbadrakh	Badrakh Energy

The Mineral resources and petroleum authority has validly registered a special license for radioactive minerals covering a total area of 48.3 thousand hectares in the Ulaanbadrakh soum of Dornogovi province.

5.2.3 Strategic deposits

According to Resolution No. 27 of 2007 by the State Great Khural of Mongolia, the following deposits have been classified as strategic mineral deposits. These deposits are considered to have potential impacts on national security, economic and social development at the national and regional levels, or have the capacity to produce more than 5% of the annual GDP.

Table 29. Strategically significant mineral deposits

№	Deposits	Types of Minerals	Location	Business entities holding special licenses	Ownership percentage	
					Government	Entities
1	Asgat	Silver	Bayan-Ulgii, Nogoonnuur	Erdenes Mongol LLC	100	-
2	Baganuur	Coal	Ulaanbaatar, Baganuur	Baganuur LLC	75	25
3	Boroo	Gold	Selenge, Bayangol	Boroo Gold	-	100
4	Burenkhaan	Phosphorite	Khuvsugul, Alag-Erdene	Sutaikhan TSO LLC Topruonkhentso LLC Talst Margad LLC	-	100
5	Gurvanbulag	Uranium	Dornod, Dashbalbar	-	-	-
6	Dornod	Uranium	Dornod, Dashbalbar	-	-	-
7	Mardai	Uranium	Dornod, Dashbalbar	Adamas Mining LLC	-	-
8	Nariin Sukhait	Coal	Umnugovi, Gurvantes	Mongoliin Alt (MAK) LLC Chinhua MAK NS LLC SouthGobi Sands LLC Usukh Zoos LLC	-	100
9	Oyu Tolgoi	Copper, Gold	Umnugovi, Khanbogd	Oyu Tolgoi LLC Ontre LLC	34	66
10	Tavan Tolgoi	Coal	Umnugovi, Tsogttsetsii	Tavantolgoi Energy resource Erdenes-Tavan tolgoi	51 - 100	49 100 -
11	Tumurtei	Metal	Selenge, Khuder	Darkhan Metallurgical Plant JSC	100	-
12	Tumurtein owoo	Tsair	Sukhbaatar, Sukhbaatar	Tsairt mineral LLC	-	100
13	Shivee Owoo	Coal	Govisumber, Sumber	Shivee Owoo Erdenes Mongol LLC Eqsora LLC	90	100
14	Tsagaan Suwarga	Copper, Molybden	Dornogovi, Mandakh	Erdenes tsagaan Suwarga LLC Mongoliin Alt MAK LLC	-	100
15	Erdenetiin owoo	Copper, Molybden	Orkhon, Bayan-Undur	Erdenet Industrial	100	-

In 2018, the Government delineated the boundaries of seven strategically significant mineral deposits through Resolution No. 300. These deposits include the coal mines of Nariin Sukhait, Tavan Tolgoi, Shivee-Ovoo, and Baganuur; the copper and molybdenum deposit of Tsagaan Suwarga; the Burkhan phosphorite deposit; and the copper and molybdenum deposit of Erdenet.

5.2.4 Artisanal mining

Artisanal mining or small-scale mining

According to Article 4.1.23 of the Minerals Law, “artisanal mining” refers to the activities of citizens organized in the form of unregistered partnerships as specified in Article 481.1 of the Civil Code, partnerships as specified in Article 35, and cooperatives as specified in Article 36.4, who extract minerals from deposits that are economically unviable for industrial exploitation or from areas created by operational and technological waste.

5.2.4.1. Legal and regulatory environment

In Mongolia, the years of human rights violations and oppression stemming from illegal mining have passed, and significant progress has been made in integrating artisanal miners into the formal economy and securing their rights. Over a decade ago, artisanal mining faced public opposition, illegal operations, human rights abuses, unlawful detentions, physical violence, and exclusion from basic social services.

- In July 2010, amendments were made to the Minerals Law and the Land Law, and in December 2010, the “Regulation on Artisanal Mining of Minerals” was approved, establishing a legal framework for artisanal mining.
- Through the collaboration of the Ministry of Mining and Heavy Industry and other stakeholders in the artisanal mining sector, the Government of Mongolia revised the “Regulation on Artisanal Mining of Minerals” with Resolution No. 151 on May 24, 2017.
- In January 2014, the State Great Khural approved Resolution No. 18, “State Policy on the Minerals Sector” (2014-2025). According to this policy document, the Government of Mongolia supports artisanal miners in forming legal entities through relevant legal regulations. The regulation on artisanal mining consists of the following sections.

With the implementation of this regulation, artisanal miners have gained access to government services and have started conducting rehabilitation activities.

5.2.4.2. Contribution of artisanal mining to the economy

Artisanal miners, by selling their extracted gold through official channels, significantly contribute to the foreign exchange reserves of the Bank of Mongolia. Additionally, they create both direct and indirect employment opportunities, thereby contributing to national and local economic development. Although the gold supply chain in Mongolia is not yet fully formalized, it becomes official when gold is delivered to the Bank of Mongolia, which is the final stage of the supply chain.

Graph 7. Amount of gold purchased by the Bank of Mongolia in 2023



5.2.4.3. Dissemination of information and sources on artisanal mining

Detailed information and statistics on Mongolian artisanal miners can be obtained from the Ministry of Mining and Heavy Industry, the Mineral Resources and Petroleum Authority, the Ministry of Environment and Tourism, and the Mongolian National Federation of Artisanal Miners (MNFA).

The MNFA was established on May 2, 2013, during the first congress of artisanal miners and has been operating successfully and sustainably since then. This organization actively collaborates with government and non-governmental organizations, as well as international bodies, to develop a responsible artisanal mining sector in Mongolia, improve the legal environment of the sector, ensure sustainability, protect the rights and interests of its members, and enhance their capacities. Currently, the MNFA has 70 member organizations in 45 soums across 15 aimags, organized into 429 partnerships, with a total membership of over 6,500 individuals.

Table 30. Areas approved for artisanal mining, ha

No	Provinces	Number of areas	Area size
1	Total	29	90.4
2	Arkhangai	-	-
3	Bayan-Ulgii	1	4.8
4	Bayankhongor	5	18.3
5	Bulgan	2	5.2
6	Govi-Altai	-	-
7	Darkhan-Uul	-	-
8	Dornogovi	4	19.2
9	Dornod	-	-
10	Dundgovi	2	1.5
11	Uvurkhangai	-	-
12	Umnugovi	1	1
13	Selenge	5	16.4
14	Tuv	3	6.2
15	Ulaanbaatar	-	-
16	Khovd	1	4
17	Khentii	-	-

Source: Mineral Resources Statistical Report 2023, Mineral Resources and Petroleum Authority

According to the 2023 statistics from the Mineral Resources and Petroleum Authority, the total area approved for artisanal mining is 1063.7 hectares. The provinces with the largest share are Selenge and Bayankhongor, while the smallest shares are in Arkhangai and Govi-Altai.

5.2.4.4. Status of rehabilitation

Before commencing extraction, artisanal miners are required to deposit a rehabilitation bond (e.g., 3,000,000 MNT or 1,052 USD) into the soum's rehabilitation fund. This bond is used if the artisanal mining organization abandons the site without conducting rehabilitation. However, it is unclear whether local authorities use these funds for their intended purpose or provide timely financial support to assist artisanal mining organizations with rehabilitation work. The expenditure of the accumulated funds in the rehabilitation fund is not reported, and the information is not transparent.

5.2.5 Selection process for granting mineral licenses

On April 12, 2022, the Minister of Mining and Heavy Industry of Mongolia issued a revised regulation for the selection process for granting mineral licenses (“License Granting Regulation”), replacing the 2018 regulation.

In line with Mongolia’s long-term development policy, “Vision-2050,” which aims to accelerate geological surveys, ensure economic growth in the medium and long term, and increase mineral reserves, the selection process for granting mineral licenses has been digitized. This aims to create a swift and transparent tender selection process.

Before the approval of this regulation, authorized representatives of legal entities participating in the selection process had to submit their applications in the traditional manner, printing and signing each required document and sealing them for submission. The new regulation eliminates this conservative method, organizing the entire tender selection process electronically under public scrutiny, adhering to principles of transparency and fairness.

5.2.6 Mineral licenses

As of the end of the reporting year, the number and area of valid mineral licenses, categorized by province and capital city, are shown in the following table.

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

№	Map	Total		From this			
		Number of special licenses	Area size /ha/	Exploitation		Exploration	
Number of special licenses	Area size /ha/			Number of special licenses	Area size /ha/	Number of special licenses	Area size /ha/
1	Total	2,857.00	7,157,279.90	1,775.00	1,869,087.20	1,031.00	5,255,409.90
2	Arkhangai	353	1,031,009.30	214	267,777.20	142	763,232.10
3	Bayan-Ulgii	162	901,160.50	108	484,235.60	54	416,924.90
4	Bayankhongor	168	703,659.70	72	63,937.80	96	639,721.90
5	Bulgan	196	581,385.40	127	200,114.60	70	381,270.80
6	Govi-Altai	137	571,074.80	63	82,618.60	74	488,456.20
7	Govisumber	104	411,322.30	69	56,801.30	35	354,521.00
8	Darkhan-Uul	382	385,153.70	304	170,951.10	83	214,202.60
9	Dornogovi	136	375,339.50	99	168,900.40	39	206,439.10
10	Dornod	85	335,291.80	30	16,529.20	55	285,979.80
11	Dundgovi	95	295,560.90	38	32,443.20	60	263,117.70
12	Zavkhan	220	295,416.20	129	58,828.60	91	236,587.60
13	Orkhon	104	252,351.20	46	21,161.90	58	231,189.30
14	Uvurkhangai	112	224,575.30	79	49,868.90	33	174,706.40
15	Umnugovi	73	218,631.80	29	20,895.10	34	197,736.70
16	Sukhbaatar	110	214,292.60	13	21,337.30	37	192,955.30
17	Selenge	14	121,440.80	9	24,898.70	5	96,542.10
18	Tuv	175	102,551.20	141	41,392.70	39	61,158.50
19	Uvs	16	64,031.20	13	41,888.60	3	22,142.60
20	Ulaanbaatar	28	32,782.80	18	14,302.40	10	18,480.40
21	Khuvsgul	69	17,411.30	62	9,043.80	7	8,367.50
22	Khovd	23	11,605.80	21	10,282.30	2	1,323.50
23	Khentii	95	11,231.80	91	10,877.90	4	353.9

Source: Mineral Resources and Petroleum Authority

In terms of the number of licenses, Dornogovi, Umnugovi, Dornod, and Dundgovi provinces lead. When comparing the area of exploration and mining licenses to the total territory, Dornogovi, Dundgovi, and Orkhon provinces are the leaders.

5.2.6.1. Regulations on the Rights and Obligations for Granting Exploration and Mining Licenses as Stipulated in the Minerals Law

The following table presents the regulations related to the licensing process as stipulated in the Minerals Law.

Table 32. Legal Regulations for the Licensing Process

Regulation number	Parties with Rights and Obligations	Rights and Obligations Granted by the Minerals Law
8.1.5.	State Great Khural	Upon the proposal of the Government or on its own initiative, the Parliament may restrict or prohibit the exploration, prospecting, and utilization of minerals, or the granting of exploration and mining licenses in specific territories.
9.1.11.	Government	Based on the proposal of the central administrative body in charge of geology and mining, and except for the cases specified in Article 24.1 of this law, to determine and publicly announce the coordinates of areas for granting exploration and mining licenses.
11.1.13.	State administrative body, selection committee appointed by the minister in charge of geology and mining	To organize the selection process for granting licenses, allocate areas for artisanal and common mineral extraction, and issue conclusions.
11.1.16.	State administrative body	To receive and register applications for participation in the selection process for granting exploration and mining licenses.
11.1.19	State administrative body	To grant exploration and mining licenses for minerals other than common minerals.
11.1.25	State administrative body	To determine and approve the coordinates of areas eligible for exploration and mining licenses in accordance with this law.
20.1	State administrative body	To organize the selection process for granting exploration licenses by the state administrative body in accordance with the procedures specified in Article 10.1.2 of this law.
26.1	State administrative body, mineral resources and petroleum authority	To receive, review, and decide on applications specified in Article 25.1 of this law.

Source: The Minerals law of Mongolia

5.2.6.2. Process for granting exploration and mining licenses

Table 33. Process for granting exploration and mining licenses

1. Mineral resources and petroleum authority of Mongolia	• Assign a number to the registered applicant and receive the application.
2. The cadastre division of the mineral resources and petroleum authority of Mongolia	• Determine whether the area specified in the application is suitable for mineral exploration and prospecting.
3. Local authorities	• The application for granting an exploration license shall be forwarded to the provincial or city administration for a response within 30 days. If no response is received within this period, the Mineral Resources and Petroleum Authority will consider the local administration to have approved the proposal.
4. Mineral resources and petroleum authority of Mongolia	• The applicant must pay the first year's license fee within 10 working days of the approval.
5. The cadastre division of the mineral resources and petroleum authority of Mongolia	• The Mineral Resources Authority (MRA) issues exploration licenses for a period of three years, which can subsequently be extended three times, each for an additional three-year period.

Source: Mineral Resources and Petroleum Authority

An applicant who holds an exploration license for a specific location has a preferential right over other applicants when applying for a mining license for the same location.

Table 34. Process of converting an exploration license to a mining license

1. Mineral resources and petroleum authority of Mongolia	• Receive the requests
2. The legal division of the mineral resources and petroleum authority of Mongolia	• Determining legal prohibitions and outstanding payments
3. The Cadastre Division of the Mineral Resources and Petroleum Authority of Mongolia	• Verifying registration of exploration license in the cadastre system
4. The cadastre division of the mineral resources and petroleum authority of Mongolia	• Verifying overlap of mining area with other special zones. This ensures that the mining activities do not conflict with other important land uses and comply with relevant regulations.
5. The mining and coal division of the mineral resources and petroleum authority of Mongolia	• Assessing the applicant's capability for environmental restoration
6. The legal division of the mineral resources and petroleum authority of Mongolia	• Verifying compliance with cadastre division's plans and regulations.

<p>7. The cadastre division of the mineral resources and petroleum authority of Mongolia</p>	<ul style="list-style-type: none"> • Approval of area map by coordinates. the mineral resources and petroleum authority of Mongolia will make a decision within 20 working days after registering the application and notify the applicant accordingly. If the application is denied, the applicant will be informed in writing, including the reasons and legal basis for the denial.
<p>8. Mineral resources and petroleum authority of Mongolia</p>	<ul style="list-style-type: none"> • The applicant must pay the first year's license fee within 10 working days from the date of receiving the notification.
<p>9. The cadastre division of the mineral resources and petroleum authority of Mongolia</p>	<ul style="list-style-type: none"> • Upon payment of the first year's fee in accordance with the law, the mining license will be issued within 3 working days for a period of 30 years. Subsequently, the mining license can be extended twice, each time for an additional 20 years.

Source: Mineral resources and petroleum authority of Mongolia

Exploration and mining licenses will be made available to the public through an open selection process if any of the following criteria are met:

- The entity that conducted the exploration did not apply for a mining license for the area.
- The exploration was conducted with state budget funds.
- The mining license was revoked due to violations of relevant laws, regulations, or court decisions.
- The term of the mining license has expired.

Table 35. Process for issuing mineral licenses through Open Selection

<p>1. Mineral resources and petroleum authority of Mongolia</p>	<ul style="list-style-type: none"> • Starting the selection process
<p>2. Mineral resources and petroleum authority of Mongolia</p>	<ul style="list-style-type: none"> • Announcing the selection process to the public.
<p>3. Mineral resources and petroleum authority of Mongolia</p>	<ul style="list-style-type: none"> • The selection proposals will be received. The invitation for the selection process will be publicly announced in national daily newspapers and other media outlets at least 30 days before the selection process begins.
<p>4. The selection committee of the mineral resources and petroleum authority of Mongolia</p>	<ul style="list-style-type: none"> • Opening of selection proposals
<p>5. The selection committee of the mineral resources and petroleum authority of Mongolia</p>	<ul style="list-style-type: none"> • Evaluating participants based on submitted documents
<p>6. The selection committee of the mineral resources and petroleum authority of Mongolia</p>	<ul style="list-style-type: none"> • Opening of price proposals for the selection process.

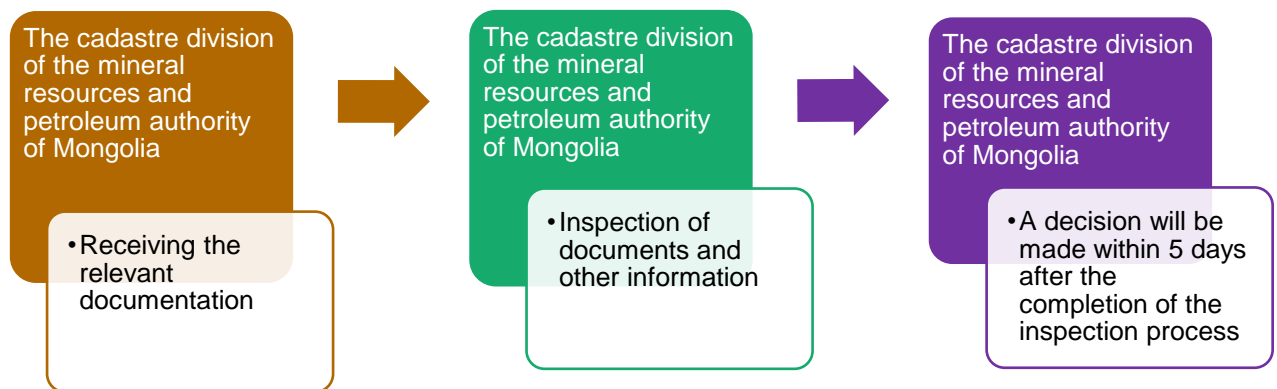
7. Mineral resources and petroleum authority of Mongolia	•The winner will be announced within 5 working days after the evaluation of the selection proposals is completed..
8. Mineral resources and petroleum authority of Mongolia	•The selected participant will be notified to pay the difference between their bid and the base price, as well as the first year’s license fee, within 10 days. Non-selected participants will receive a written notification explaining the reasons for their non-selection.
9. The cadastre division of the mineral resources and petroleum authority of Mongolia	•Based on the decision of the director of the mineral resources and petroleum authority and the selection committee, the special permit will be granted.

Source: Mineral resources and petroleum authority

A mineral exploration license may be fully or partially transferred between business entities under the following conditions:

- If the license holder undergoes reorganization through merger or consolidation, the newly established entity may receive the license.
- A subsidiary company may transfer the license to its parent company.
- A business entity may transfer the exploration license if it purchases primary data and reports related to exploration and pays the appropriate official taxes.
- A business entity may transfer the license if it purchases the mine along with the necessary equipment, machinery, and documentation, and pays the appropriate taxes.

Figure 3. Process for transferring a mineral exploration license



Source: Mineral resources and petroleum authority of Mongolia

Technical criteria for granting exploration licenses (Requirement 2.2.a)

According to the government resolution No. 243 dated August 8, 2018, and the Minister of Mining And Heavy Industry’s order No. A/67 dated April 12, 2022, amended by Order No. A/275 dated October 28, 2022, the procedure for granting exploration licenses through selection was approved. Based on this procedure, a selection process was announced from November 23, 2022, to January 13, 2023, for granting exploration licenses for 100 areas covering 514,601.83 hectares in 4 packages. Out of these, 50 areas (64-1, 64-2) have undergone evaluation of both financial and technical proposals. For 25 areas (64-3), financial proposals have been opened and technical evaluations are ongoing. Preparations are underway to open the selection process for the remaining areas (64-4) on January 13, 2023.

Table 36. Technical proposal evaluation sheet for granting exploration licenses

No	Evaluation criteria	Evaluation	Score
1	Project document evaluation	-	2-18
	Geological and exploration work planning for the site	12	-
	Optimal and complete planning of geological and exploration work: The geological structure of the site is fully studied, with evaluations of all possible types of mineral resources. The research methods and approaches are appropriately and correctly planned.	10-12	-
1.1	Planned geological exploration work: The geological structure of the site is not fully studied, and the exploration stage works are generally planned.	6-9	-
	Inadequate planning of geological and exploration work: The information about the exploration site is not fully known, the research objectives are unclear, and the search for mineral resources is not properly planned.	2-5	-
	Environmental protection, rehabilitation work, cost, and implementation time calculation and planning information	0-6	-
	Realistic planning of environmental protection and rehabilitation work (Fully Satisfactory): The costs planned for the mining and drilling works to be carried out for exploration are adequately planned.	5-6	-
1.2	Erroneous planning of environmental protection and rehabilitation work (Planned): The costs planned for the mining and drilling works to be carried out for exploration are insufficient and inadequately planned.	3-4	--
	Realistic planning of environmental protection and rehabilitation work (Fully unsatisfactory): The costs planned for the mining and drilling works to be carried out for exploration are incorrectly planned and insufficient.	0-2	-
2	Staffing and their experience and skills		2-7
	Staffing	4	-
2.1	Whether the project is to be carried out with its own permanent staff, including engineers and geologists (100% coverage, with proof of social insurance payments and other evidence).	4	-
	If the project is to be carried out by contract (coverage of engineers and geologists less than 99%).	0-3	-
2.2	Experience and skills of professional staff	3	-
	A consultant geologist licensed in Mongolia is working.	3	-
	A professional geologist certified in Mongolia is working.	2	-
	Neither are present.	1	-
3	Information evaluation on equipment for the project (confirmed by contract and attachment)		0-5
	If the geological and exploration work is to be carried out with its own drilling, geophysical, and other equipment (proof attachments for drilling).	5	-
3.1	If the geological and exploration work is to be carried out with rented drilling, geophysical, and other equipment or by contract (cooperation agreement).	3-4	-
	If no information or incorrect information on equipment for geological and exploration work is provided.	0-2	-
	Total Score		Up to 30

5.2.6.3. Process of issuing exploration and mining licenses for radioactive minerals

The process is regulated by the Nuclear Energy Law of Mongolia and is detailed in Article 18, "Procedure for issuing special licenses." It involves the following stages:

Table 37. Special license for radioactive minerals

1. Nuclear energy commission	• Proposal submission.
2. Central intelligence agency	• Proposal submission.

3. State administrative authority responsible for professional inspection	• Proposal submission
4. Mineral resources and petroleum authority of Mongolia	• The documents required for submitting an application as stipulated by the Nuclear Energy Law will be reviewed to determine whether the applicant for the special permit meets the necessary requirements.
5. Mineral resources and petroleum authority of Mongolia	• For exploration license applications, the decision on whether to grant a special permit will be made within 1 to 3 months. For mining license applications, the decision will be made within 6 to 12 months.
6. Mineral resources and petroleum authority of Mongolia	• If a special permit is denied, a written response outlining the reasons for the refusal will be provided.
7. Mineral resources and petroleum authority of Mongolia	• If necessary, the applicant's documents will be reviewed and verified by the relevant organizations to conduct an audit and evaluation.

Requirements for applicants for radioactive mineral exploration licenses:

- Must fully meet technical and safety requirements;
- Must fully comply with occupational safety, health requirements, and standards;
- Must actively participate in addressing social issues such as regional development, health, and education;
- Must adhere to globally recognized standards of corporate governance, social responsibility, and ethics;
- Must have a sufficient pool of professional personnel for the operations;
- Must have experience in addressing training and internship issues for employees;
- Must have the financial capacity to conduct radioactive mineral exploration;
- Must have the financial capacity to perform environmental and biological rehabilitation;
- Must lead responsible mining practices and have relevant experience in this area;
- Must comply with international labor protection and safety standards for mining operations.

Requirements for applicants for radioactive mineral mining licenses:

- Must meet all the requirements mentioned for exploration license applicants;
- Must be capable of marketing radioactive minerals for peaceful purposes at global market prices and be financially independent;
- Must hold a stable and leading position in the global market for the processing and sale of radioactive minerals;
- Must have the financial capacity to carry out radioactive mineral extraction;
- Must have many years of experience in the extraction and processing of radioactive minerals;
- Must have advanced technology to fully utilize the resources of radioactive mineral deposits;
- Must use economically efficient and advanced technology in the processing and utilization of radioactive minerals;
- Must have the capability to introduce nuclear technology.

5.2.6.4. Process of issuing exploration and mining licenses for commonly distributed minerals

The process of issuing exploration licenses for commonly distributed minerals is regulated by the law on commonly distributed minerals of Mongolia. The procedure for issuing these exploration licenses involves the following stages:

Table 38. Exploration license for commonly distributed minerals

Stages	State administrative authority	Process
1	Governor of the province and city	Accept and register the applications.
2	Governor of the province and city	Once the application and its relevant documents are registered, an initial review is conducted to ensure they meet the requirements set forth in this law for applicants and the completeness of the application materials. If the requirements are not met, the application is rejected, and a written response is provided to the applicant detailing the reasons for the rejection. This information is also recorded in the application register.
3	Governor of the province and city	The application, along with relevant documents, is electronically submitted to the state administrative authority to determine whether the area mentioned in the application overlaps with areas where mineral exploration and usage are restricted or prohibited, designated for special needs or reserves, or already granted an exploration license, or whether it overlaps with areas mentioned in previously submitted applications.
4	State administrative authority	The application and the related documents are reviewed to determine whether it is possible to issue an exploration license or not.
5	Governor of the province and city	If the state administrative authority responds that the special permit cannot be issued, the applicant is notified in writing, and this is recorded in the application register.
6	Governor of the province and city	If the state administrative authority responds that the special permit can be issued, the opinions of the Citizens' Representatives Khural of the relevant soum and province or city are sought. Within 10 working days, a decision is made on whether to issue the exploration license for commonly distributed minerals.
7	Governor of the province and city	If it is decided to issue the special permit, the applicant is notified to pay the first year's fee within the period specified by the law.
8	Governor of the province and city	If the applicant does not collect the special permit or pay the first year's fee within one month after the decision to issue the permit, the governor of the province or city removes the application from the register, notifies the applicant in writing, and records this in the application register.
9	Governor of the province and city	If the applicant pays the first year's fee within the period specified by law, the exploration license for commonly distributed minerals will be issued for a period of three years within five working days.
10	Governor of the province and city	The central state administrative body responsible for construction and urban development, the state administrative authority, and the environmental authority of the province or city where the exploration license area is located are notified about the issuance of the exploration license for commonly distributed minerals.
11	State administrative authority	The exploration license and the granted area will be recorded in the license and cadastral register.

Source: Law on commonly distributed minerals

Only the holder of an exploration license for commonly distributed minerals has the right to apply for a mining license in the same area. The process of issuing a mining license for commonly distributed minerals involves the following stages:

Table 39. Mining license for commonly distributed minerals

Stages	State administrative authority	Process
1	Governor of the province and city	Accept and register the applications.
2	Governor of the province and city	Each page of the application and its accompanying documents is marked with the registration date, time, and registration number. A description of this information is provided to the applicant.
3	Governor of the province and city	As soon as the application and its accompanying documents are registered, an initial review is conducted to ensure they meet the requirements specified by the law.
4	Governor of the province and city	If the application and its accompanying documents do not meet the legal requirements, the application is rejected. The applicant is notified in writing, with the reasons for the rejection clearly stated. This information is also recorded in the application register.
5	Governor of the province and city	If the holder of the exploration license applies for a mining license within the granted area, it is verified whether the applied area fully falls within the boundaries of the exploration area.
6	Governor of the province and city	It is verified whether the applied area overlaps in any way with areas designated for special needs or reserves, areas where mineral exploration and usage are prohibited, or areas already granted a valid exploration license.
7	Governor of the province and city	It is verified whether the quantity and evaluation of mineral reserves identified during exploration are sufficient to cover potential environmental damage caused by extraction.
8	Governor of the province and city	Within 15 working days of registering the application, one of the following decisions is made and notified to the applicant.
9	Governor of the province and city	If the holder of the exploration license applies for a mining license within the granted area, the mining site is allocated based on their exclusive rights. The applicant is then required to pay the first year's fee within the period specified by law.
10	Governor of the province and city	If the applied area overlaps with areas where mineral exploration and usage are restricted or prohibited, areas designated for special needs or reserves, or areas already granted a valid license, the application for the mining license is rejected. The applicant is notified in writing, with the reasons for the rejection clearly stated, and this information is recorded in the application register.

Source: Law on commonly distributed minerals

Permit application statistics

In 2023, information about the 74 special permits that were invalidated is shown in Appendix 15 of this report.

5.2.6.5. New and transferred special permits in 2023 (Requirement 2.2.a)

The following table presents the information on the special permits transferred by the mineral resources and petroleum authority in 2023.

Table 40. Special permits transferred in 2023

No	License number	Area name	Area size (ha)	Current holder	New holder	New holder's registration	Transfer type
1	MV-012439	Tsagaan Chuluut	25.1	Zaamar Gold	Khavchigii n Am	5958989	Partially
2	MV-021093	Bor Tolgoi	1,980.0	Argold	OADH	6169309	Completely
3	MV-012439	Tsagaan Chuluut	25.2	Zaamar Gold	New Tilt Progress	6922031	Partially
4	MV-013421	Ulaan Am-1	23.5	Netent	Shinest-Urguu	4009037	Completely

No	License number	Area name	Area size (ha)	Current holder	New holder	New holder's registration	Transfer type
5	MV-020868	Khailaast	81.5	Ubiksolution	Irmuunbo sgo	5396786	Completely
6	MV-020483	Bumbat-3	612.7	Ubiksolution	Gurvanta mga	2091798	Completely
7	MV-013759	Gurvan Tolgoi	99.6	Teeliin Shonhor	Nomin Star Trade	6378781	Completely
8	MV-006098	Burged Tolgoi	995.6	Shanlung	Shin Shin	2830213	Completely
9	MV-022118	Bumbat-5	175.8	Tamsag Alt Trade	Ganbat Urnuh	5748933	Completely
10	MV-011029	Salbartai	268.0	Di Zet and I	Selenge Metal	6171028	Completely
11	MV-021981	Altan Tsugts	267.4	Ungutmarga d	Mongol Bao Jie Zi Yuan	6952305	Completely
12	MV-000005	Bayangol iin Denj	108.6	Khosbogd	Zaamar Uguumur Khaikhan	3863689	Completely
13	MV-021483	Salkhit	2,887.8	Erdenes Silver Resource	Erdenes Alt Resource	6289754	Completely
14	MV-015041	Tsagaan Tolgoi	10,541.0	Goldland	Goldland Holding	8399123	Completely
15	MV-021580	Doitin Bulag	527.1	Durvunkhum uun	Van Rui Zi Yuan	8413908	Completely
16	MV-019647	Zuunden zh	133.8	RUNA Mining	Tumen Ail Resource	6995071	Completely
17	MV-020224	Zuunden zh-2	171.8	RUNA Mining	Tumen Ail Resource	6995071	Completely
18	MV-018775	Tuhum-4	4,629.9	Ikh Gobi Energy	Duluan Eastern Coal	8337098	Completely

5.2.6.6. Transparency of special permits (Requirement 2.3)

As of 2023, the Mineral Resources and Petroleum Authority's cadastre online portal has made information on 2,733 special permits publicly accessible. For more details, please visit the following website. <https://cmcs.mrpam.gov.mn/cmcs>

Table 41. Transparency of special permits

Organization name	Whether the special permit information transparent or not
Mineral resources and petroleum authority of Mongolia	No
Mongolia Extractive Industry Transparency Initiative Secretariat	No

Mongolia Extractive Industry Transparency Initiative secretariat is responsible for making information about mining licenses transparent on their website. However, since 2019, no information about mining licenses has been uploaded.

5.3 Overview of production and export (Requirement 3.1)

5.3.1 Mining product production

When looking at the growth of GDP at current prices by sector in 2023 compared to the previous year, the value added in the industrial sector increased by 46.5%, the value added in

the service sector increased by 31.0%, and the net product tax amount increased by 16.3%. However, the value added in the agricultural sector decreased by 0.4%.

Table 42. Mining product production, in billion MNT

Indicators	2020	2021	2022	2023
GDP	36,958.6	43,555.4	53,851.5	70,441.5
Mining and extraction sector (at current prices)	7,994.0	10,753.7	12,402.4	19,814.1
Percentage of mining and extraction sector in GDP	22%	25%	24%	28%

Source: NSO

In 2023, nine main types of minerals were extracted from the mining sector. Compared to the previous year, coal production increased by 47,967.6 thousand tons. However, gold production decreased by 4.6 tons, and iron ore production decreased by 2,325.1 thousand tons.

Table 43. Major mining product extraction

No	Types of Minerals	Measurement units	2021	2022	2023
1	Coal	thousand tons	43,079.3	37,294.7	85,262.3
2	Copper concentrate	thousand tons	1,326.3	1,189.8	1,395.3
3	Gold	tons	19.1	19.4	14.8
4	Molybdenum concentrate	thousand tons	6,326.0	5,914.2	5,643.7
5	Iron ore	thousand tons	9,171.9	7,659.9	5,334.8
6	Iron ore concentrate	thousand tons	3,676.8	1,728.1	5,334.8
7	Fluorspar ore	thousand tons	118.3	122.9	222.4
8	Fluorspar concentrate	thousand tons	60.3	24.5	109.0
9	Zinc concentrate	thousand tons	75.2	399.6	402.9

Source: NSO

5.3.2 Export of mining products (Requirement 6.3)

In 2023, the total foreign trade turnover reached USD 24,437.0 million, an increase of USD 3,194.0 million or 15.0% compared to the previous year. Exports exceeded imports, showing an increase of USD 5,932.0 million. The table below presents the average export prices of mineral products.

Table 44. Average export prices of mineral products, in USD

Product type	Measurement units	December (Cumulative)		Change	
		2022	2023	Change	Percentage
Coal	tons/USD	204.9	131.4	-73.6	-36%
Copper Concentrate	tons/USD	1,881.8	1,721.8	-160.1	-8%
Iron Ore and Concentrates	tons/USD	82.6	77.9	-4.8	-6%
Zinc Ore and Concentrates	tons/USD	2,006.5	1,462.2	-544.3	-27%
Fluorspar Ore and Concentrates	tons/USD	285.0	250.4	-34.6	-12%
Molybdenum Concentrate	tons/USD	13,520.6	18,939.0	5,418.4	40%
Gold	tons/USD	57,345.0	62,897.7	5,552.7	10%

Source: Ministry of mining and heavy industry

The export volumes of unprocessed and semi-processed gold, copper concentrate, and zinc concentrate have decreased compared to the same period last year. However, the export volumes of other products have shown an increase.

Table 45. Export volumes of major products , in USD

№	Major types of products	2022		2023	
		Quantity	Value	Quantity	Value
1	Unprocessed and semi-processed gold (tons)	19.7	1,127,419	11.7	738,016
2	Copper ore and concentrates (thousand tons)	1,453.3	2,734,846	1,525	2,625,686
3	Molybdenum ore and concentrates (thousand tons)	6.5	87,223	6.4	120,533
4	Fluorspar ore and concentrates (thousand tons)	387.7	110,497	1,087.8	272,369
5	Tungsten ore and concentrates (tons)	458.6	5,364	628.8	7,075
6	Iron ore and concentrates (thousand tons)	4,732.2	391,047	5,713	444,744
7	Zinc concentrate (thousand tons)	141.2	283,314	150.5	219,991
8	Refined copper and alloys (tons)	10,014.1	82,584	12,548.3	102,538
9	Scrap iron (tons)	176	144	44	36
10	Lead scrap and waste (tons)	0	0	0	0
11	Coal (thousand tons)	31,821.6	6,503,248	69,612.5	8,898,452
12	Unprocessed petroleum (thousand barrels)	2,605.7	241,806	4,730.4	364,742

Source: NSO

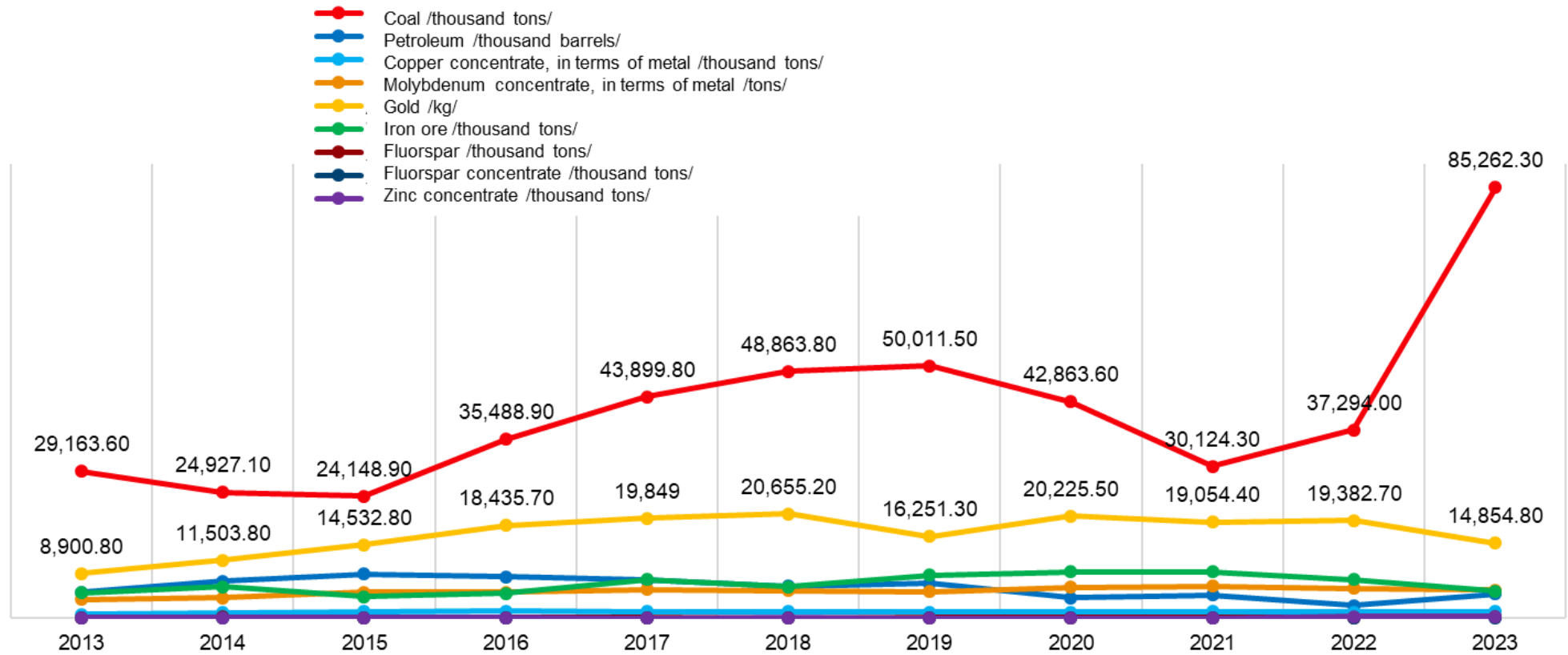
In 2023, the total export value reached USD 15,184.5 million, an increase of USD 2,645.9 million or 21.1% compared to the previous year. The export value of mineral products reached USD 13,989.2 million, a rise of USD 2,233.6 million or 19.0% from the previous year's performance. Coal, copper concentrate, iron ore and concentrates, zinc concentrate, fluorspar ore and concentrates, molybdenum concentrate, petroleum, gold, silver, and cathode copper accounted for 92.1% of the total exports.

Table 46. Production of major mining products over the last 10 years

Major types of products	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Coal /thousand tons/	29,163.6	24,927.1	24,148.9	35,488.9	43,899.8	48,863.8	50,011.5	42,863.6	30,124.3	37,294.	85,262.3
Crude oil /thousand barrels/	5,129.0	7,405.3	8,769.1	8,249.8	7,624.3	6,388.5	6,876.06	4,105.88	4,667.1	2,565.4	4,888.9
Copper concentrate (by metal content) /thousand tons /	803.0	1,080.4	1,334.7	1,445.1	1,317.6	1,310.8	1,262.4	1,276.75	1,326.3	1,183.8	1,395.6
Molybdenum concentrate (by metal content) /tons/	3,732.1	4,054.0	5207.0	5,174.4	5,759.6	5,486.1	5,302.8	6,147.7	6,326.1	5,914.2	5,643.7
Gold /kg/	8,900.8	11,503.8	14,532.8	18,435.7	19,849	20,655.2	16,251.3	20,225.5	19,054.4	19,382.7	14,854.8
Iron ore /thousand tons/	5,011.9	6,293.1	4,273.6	4,936.2	7,694.7	6,225.4	8,572.2	9,224.4	9,171.9	7,659.9	5,334.8
Fluorspar ore /thousand tons /	161.7	303	183.5	167.7	108.9	101.2	156.1	127.3	118.3	122.9	222.4
Fluorspar concentrate /thousand tons /	76.4	71.9	47.3	34.1	55.2	80.7	47.5	84.98	60.2	24.5	109.0
Zinc concentrate /thousand tons /	104.1	93.2	89.6	100.2	82.7	87.9	83.08	76.29	75.2	400.1	402.9

Source: NSO

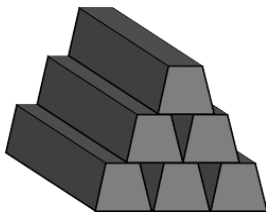
Graph 8. Production of major mining products over the last 10 years





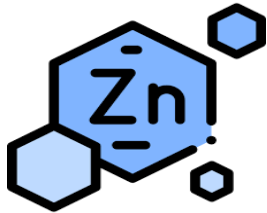
Coal export: In 2023, Mongolia exported 69,608.5 thousand tons of coal worth USD 8,898.1 million. This represents an increase of USD 2,394.9 million (36.8%) in value and 37,786.9 thousand tons (2.2 times) in quantity compared to the previous year. A significant portion (99.3%) of the coal was exported to China.

Copper concentrate export: Mongolia exported 1,524.8 thousand tons of copper concentrate worth USD 2,625.4 million in 2023. Although the value decreased by USD 109.5 million (4.0%), the quantity increased by 71.5 thousand tons (4.9%) compared to the previous year. Almost all (99.9%) of the copper concentrate was exported to China..



Iron ore and concentrates export: In 2023, 5,712.9 thousand tons of iron ore and concentrates worth USD 444.8 million were exported. This marks an increase of USD 53.7 million (13.7%) in value and 980.7 thousand tons (20.7%) in quantity compared to the previous year. All iron ore and concentrates were exported to China.

Fluorspar ore and concentrates export: Mongolia exported 1,087.8 thousand tons of fluorspar ore and concentrates worth USD 272.4 million in 2023. The quantity increased by 700.1 thousand tons (2.8 times) and the value by USD 161.9 million (2.5 times) compared to the previous year. Fluorspar exports were primarily to China (82.4%) and Russia (17.4%).



Zinc concentrate export: In 2023, 150.5 thousand tons of zinc concentrate worth USD 220.0 million were exported. The quantity increased by 9.3 thousand tons (6.6%) while the value decreased by USD 63.3 million (22.4%) compared to the previous year. All zinc concentrate was exported to China.

Molybdenum concentrate export: Mongolia exported 6,364.3 tons of molybdenum concentrate worth USD 120.5 million in 2023. The value increased by USD 33.3 million (38.2%) despite a slight decrease in quantity by 86.9 tons (1.3%) compared to the previous year. Molybdenum exports were mainly to China (75.7%) and South Korea (19.7%).

Gold export: In 2023, Mongolia exported 11,733.6 kg of gold worth USD 738.0 million. This represents a decrease of USD 389.4 million (34.5%) in value and 7,926.7 kg (40.3%) in quantity compared to the previous year. Most gold exports went to Switzerland (89.8%) and South Korea (10.2%).

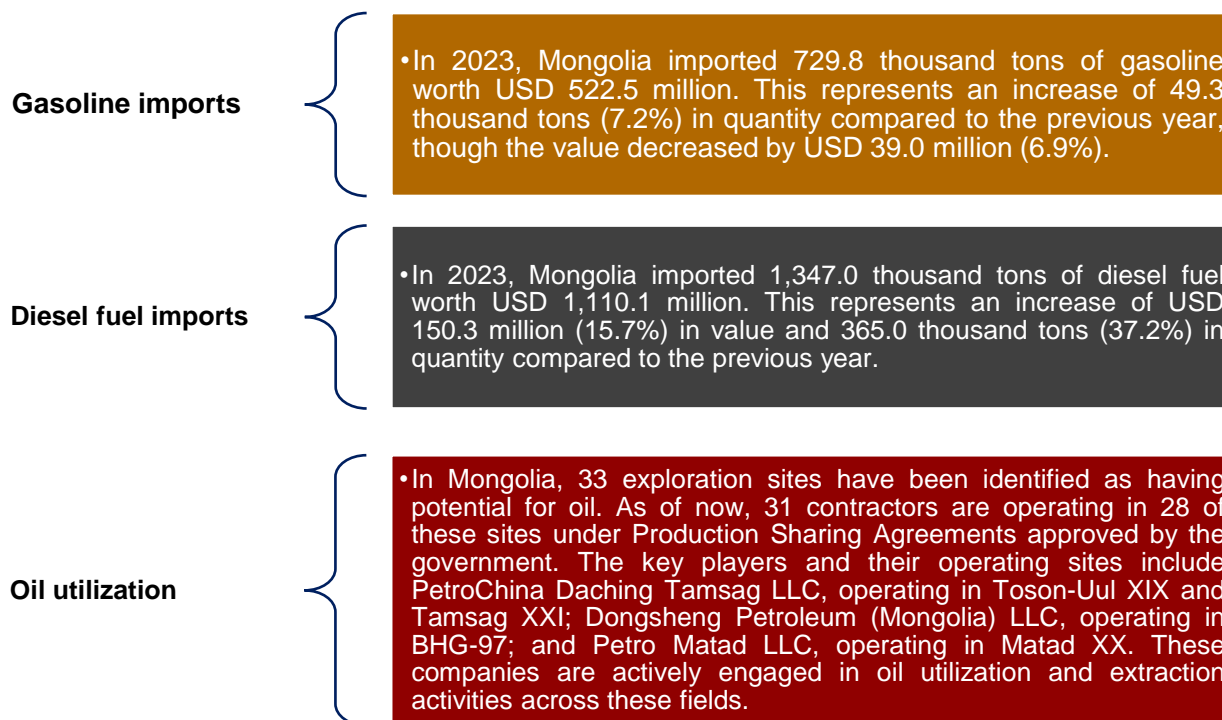


5.4 Oil and Natural gas

5.4.1 Overview of Oil

Oil products constitute 87.3% of the value of imported mineral products. In 2023, Mongolia imported 2,302.3 thousand tons of oil products worth USD 1,868.6 million. This represents an increase of 469.5 thousand tons (25.6%) in volume and USD 145.1 million (8.4%) in value compared to the previous year.

The import of oil products is dominated by gasoline and diesel fuel, which together account for 87.4% of the total import value of oil products. Specifically, gasoline constitutes 28.0% and diesel fuel 59.4%.



Oil extraction and export: Representatives and specialists from local branches of the General Customs Authority, Specialized Inspection Agency, Border Protection Agency, and Mineral Resources and Petroleum Authority regularly monitor oil export activities on-site. Since 2009, Amber LLC, authorized for independent monitoring, has conducted quality and quantity inspections of oil extracted and exported from the BHG-97 site, and since 2011, from the Toson-Uul XIX and Tamsag XXI sites. Additionally, a customs inspection area was completed and operational from December 16, 2013.

Between 1996 and 2022, Mongolia extracted a total of 75.98 million barrels (10.28 million tons) of oil, exporting 72.81 million barrels (9.85 million tons) to China, contributing MNT 2.18 trillion in oil revenue to the state budget. In 2023, Mongolia exported 4,730.4 thousand barrels of oil worth USD 364.7 million, which is an increase of 2,124.7 thousand barrels (1.8 times) and USD 122.9 million (50.8%) compared to the previous year. All the exported oil went to China.

Mongolia does not import crude oil; it only imports oil products. Below is a comparison of oil exports and oil product imports over the past two years..

Table 47. Oil Exports and oil product imports

Product name	Unit	2022	2023	Increase/Decrease	Percentage
Gasoline	Tons/USD	825.0	715.9	-109.1	-13%
Diesel fuel	Tons/USD	977.3	824.1	-153.2	-16%

Source: Ministry of mining and heavy industry

5.4.2 Overview of natural gas

Since 2019, three companies listed on the Australian Stock Exchange have begun methane gas exploration and test drilling in Mongolia. This initiative aims to identify and utilize Mongolia's methane gas reserves.

Globally, methane gas is widely used in energy, heating, and chemical industries, with significant benefits. The use of gas fuel in energy sectors has helped major cities reduce air pollution. Experts highlight Mongolia's substantial coal reserves, which provide a strong basis for extracting coal seam methane gas.

Drilling operations for methane gas are being carried out by three companies—"JOUH," "Methane gas resource," and "Telmen resource"—in the basins of Umnugovi province. Supported by technical assistance from the Australian government, an assessment of Mongolia's coal seam methane potential was conducted by internationally recognized experts, revealing a reserve of 7.4 trillion cubic meters of methane gas.

5.4.3 Oil reserves

Regarding oil reserves, the Mineral Resources Professional Council under the Ministry of Mineral Resources and Energy (MMRE) reviewed the reserve calculation reports for Toson-Uul XIX, Tamsag XXI, and the 1997 Production Sharing Agreement (PSA) sites between 2010 and 2012. These reserves were officially recorded in Mongolia's Unified Mineral Resources Register by the Minister of Mineral Resources and Energy. In 2021, the reserves of Matad XX were added to this registry.

Mongolia's Unified Mineral Resources Register includes a total of 333.789 million tons of oil, with proven exploitable reserves of 43.4 million tons. As of 2023, this information has not yet been updated on the MRPA's website.

A comparison of the oil product reserves over the past two years shows a decrease in the reserves of A-80 and AI-95 gasoline.

Table 48. Oil product reserves over the last two years (tons)

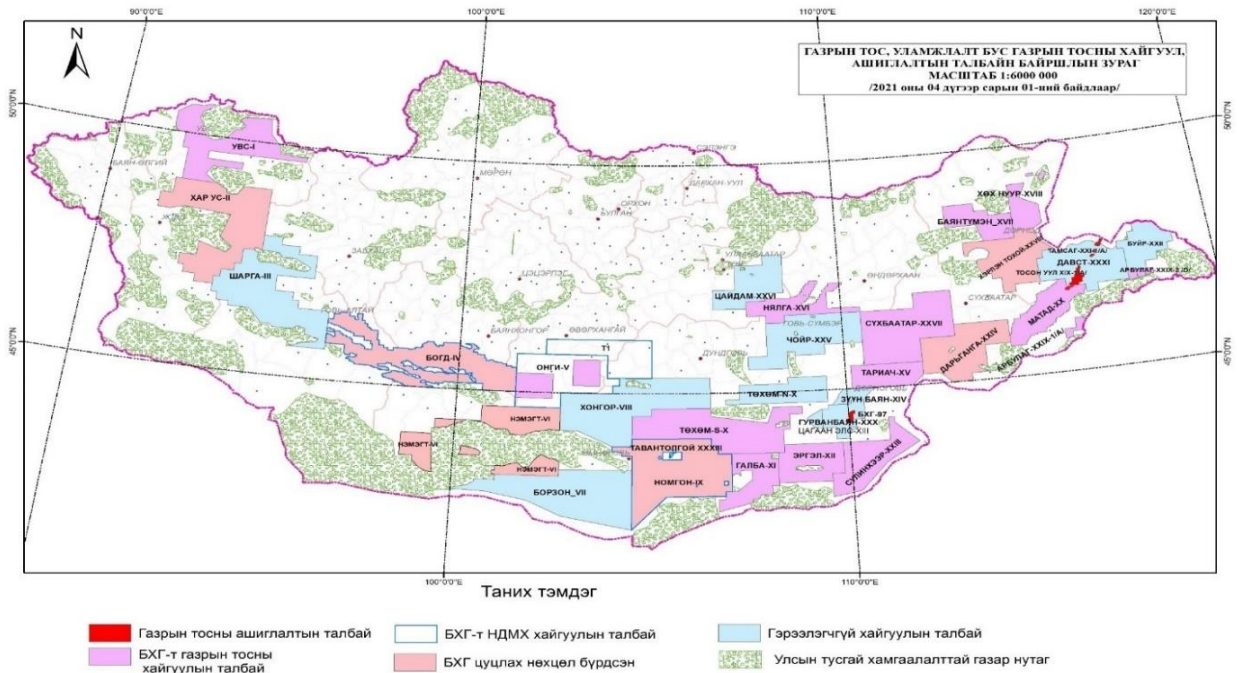
Type	2022	2023
Gasoline A-80	32,943	21,563
Gasoline AI-92	626,345	686,296
Gasoline AI-95	22,118	20,671
Diesel Fuel	987,873	1,341,693
TS-1 Jet Fuel	38,492	61,719
Total	1,707,771	2,131,942

Source: Mineral resources and petroleum authority

5.4.4 Oil exploration

From the image below, you can see information about oil exploitation fields, oil exploration fields under Production Sharing Agreements (PSA), exploration fields for unconventional oil under PSA, fields where PSA conditions for cancellation are met, exploration fields without contractors, and areas under state special protection in Mongolia.

Figure 4. Location of oil and unconventional oil exploration and exploitation fields



Source: Mineral Resources and Petroleum Authority

In Mongolia, out of the 33 identified potential oil exploration sites, 31 contractors are currently operating in 28 sites under government-approved Production Sharing Agreements.

5.4.5 Oil exploration permits

The relations associated with oil exploration, extraction, and production processes are governed by the Law on Petroleum. Oil exploration activities include geological, geochemical, and geophysical surveys aimed at identifying oil and unconventional oil prospects in specific territories. Oil exploration involves geological, geochemical, geophysical, drilling, and trial extraction works aimed at discovering oil deposits and determining their reserves. Oil utilization encompasses the development of oil and unconventional oil fields, as well as extraction activities.

In November 2015, the government approved a model cooperation agreement titled "On Environmental Protection and Support for Local Development" for signing between local authorities and holders of oil exploration permits. In March 2016, another model cooperation agreement titled "On Environmental Protection, Mine Operation, Establishment of Industries, and Development of Related Infrastructure to Increase Employment" was approved for signing between local authorities and holders of mineral exploration and extraction permits.

The authority responsible for issuing and registering oil permits was the Petroleum Authority of the Government of Mongolia until 2016, when it was merged with the Mineral Resources Authority to form the Mineral Resources and Petroleum Authority

5.4.6 Process for issuing and transferring oil exploration permits (Requirement 2.2.a)

The process for issuing oil exploration permits is outlined in the following table:

Table 49. Process for issuing oil exploration permits

Stage	Activity
Submitting request to the central administrative body	Copy of the production sharing agreement
	Environmental impact assessment
	Annual work plan
	Proof of depositing 3% of the annual exploration investment and 1% of the exploitable oil value in an escrow account in a bank operating in Mongolia within 60 days after the plan approval to guarantee full compliance with environmental restoration obligations
Issuance of permit by the central administrative body	Reviewing documents and issuing an exploration permit for the exploration period to the following entities:
	Those who have directly entered into a PSA following successful exploratory work.
	Those who have successfully bid in an open tender and signed a PSA.
	The oil exploration period is up to 8 years, extendable twice for up to 2 years each time by the administrative body.
	The unconventional oil exploration period is up to 10 years, extendable once for up to 5 years by the administrative body.
	The exploration period starts from the date of signing the production sharing agreement.
	Special permits for oil exploration in areas granted preferential rights by the government are issued to state-owned oil refining enterprises.
The central administrative body (Ministry of Mining and Heavy Industry) approves the exploration work plan and budget.	The administrative body will approve the exploration work plan and budget for the first year within 120 days after the date of signing the Production Sharing Agreement. For subsequent years, the exploration work plan and budget must be approved within the first quarter of each year.

Source: Mineral Resources and Petroleum Authority

These are the stages through which an oil exploration license is granted, and the following is how an oil exploration license is extended.

Table 50. Process of extending an oil exploration license

Stage	Activity
Submitting a request to the central administrative body of the Ministry of Mining and Heavy Industry	Report on the work completed during the exploration license period
	Report on environmental protection and rehabilitation work
	Plan and budget project for work to be carried out during the extended period
The central administrative body extends the special license	If, upon reviewing the documents, it is determined that the special license should be extended based on the results of the exploration work, a product sharing agreement directly made, or success in an open tender, the license may be extended twice for up to two years each time.
	The state administrative body shall notify the local administrative body about the issuance and extension of exploration licenses.
The central administrative body decides not to extend the special license	The administrative body will notify the local government authority about the issuance and extension of the exploration license.

The stages for granting an oil production license are fewer than the stages for granting an exploration license, and the detailed process is shown in the following table.

Table 51. Process for granting an oil production license

Stage	Activity
Submit a request to the central administrative body of the	Within 30 days from the date of the central administrative body's decision to accept the oil reserves, the contractor must submit a request to commence production activities.

Stage	Activity
Ministry of Mining and Heavy Industry	Decision by the central administrative body regarding the registration of oil reserves
Submit documents to the central administrative body of the Ministry of Mining and Heavy Industry	Work plan and budget project for the year
	Operation plan for utilizing the deposit
	Detailed environmental impact assessment during the exploitation phase.
	Topographic map marked with the coordinates of the corner points of the exploitation area
The central administrative body of the Ministry of Mining and Heavy Industry approves the exploration work plan and budget.	Proof of compliance with environmental rehabilitation obligations, including the dismantling of exploration and exploitation facilities, by depositing an amount equal to 3% of the year's exploration investment and 1% of the contractor's share of produced oil during the exploitation phase into an escrow account with a bank operating in Mongolia.
	The central administrative body notifies the local government authority about the issuance and extension of the exploitation license.
	Within 90 days after granting the exploitation license, the relevant professional organization must determine the coordinates of the corner points of the exploitation area in degrees and seconds on a topographic model map, conduct boundary measurements of the exploitation area, and place boundary markers.

Please see the following table for a detailed process of extending the oil production license

Table 52. Process for extending the oil production license

Stage	Activity
Submit a request to the central administrative body of the Ministry of Mining and Heavy Industry	Submit the following documents to the central administrative body via the relevant administrative authority:
	Request and justification for extending the production license duration;
	Report on the work completed during the production license period;
	Report on environmental protection and rehabilitation work;
The central administrative body of the Ministry of Mining and Heavy Industry approves the exploration work plan and budget	Work plan and budget project for the current year.
	The central administrative body notifies the local government authority about the issuance and extension of the production license.
	Within 90 days after granting the production license, the relevant professional organization must determine the coordinates of the corner points of the exploitation area in degrees and seconds on a topographic model map, conduct boundary measurements of the exploitation area, and place boundary markers.

Table 53. Technical and financial criteria used for granting special licenses

Administrative body	Process
Mineral Resources and Petroleum Authority	The General Authority for State Registration will announce information about the open tender at least three times on its website and in daily media outlets.
Mineral Resources and Petroleum Authority	The General Authority for State Registration will keep the tender documents available for up to 60 days and will announce the final deadline for receiving applications within five days from the date of the first application received. Participants must submit the following documents:
	- Proof of legal status (Registration certificate)
	- Investor profile
	- Representative's name, position, address, phone number, fax number, email address, and proof of authorization
	- Proof of technical and professional capability
	- Guarantee of funds to be used for the work

Administrative body	Process
	<ul style="list-style-type: none"> - Work plan and budget - Proof of payment of a service fee for the exploration area order of \$20,000 as required by law - If the participant is in a business partnership, details of their role, share, and participation in exploration and production activities;
Mineral Resources and Petroleum Authority	The General Authority for State Registration will notify the applicant in writing within five working days whether the application has been accepted.
Ministry of Mining and Heavy Industry and Mineral Resources and Petroleum Authority	Information about the participant will not be disclosed to third parties until a contract is concluded.
Ministry of Mining and Heavy Industry and Mineral Resources and Petroleum Authority	<p>The price proposal must be prepared in both numbers and words according to the approved form by the administrative body, sealed separately in original and copy from the main project documents.</p> <p>The base price for the tender area is 2240 MNT/ha, and if it is an area with mineral deposits, it is calculated as 4500 MNT/ha. The monetary amount equivalent to the announced area is called the 'base price.</p>
Mineral Resources and Petroleum Authority	<p>Criteria used by the selection committee to evaluate the technical proposals:</p> <ul style="list-style-type: none"> - Adequacy of the geology exploration methods, techniques, and planning; review of previous research materials. - Planning of environmental protection and rehabilitation activities, types of work, cost estimates, and implementation timeline. - Plan for local development and cooperation. - Availability and experience of professional staff. - Experience in geological exploration activities. - Availability of technical equipment necessary to carry out the project activities.
Mineral Resources and Petroleum Authority	<p>General Authority for State Registration (GASR) to select the most advantageous offer for the government:</p> <ul style="list-style-type: none"> - The share of oil profits allocated to the government. - The percentage of royalties paid for resource use. - The cap on the cost of oil. - The amount of investment in exploration. - The funds allocated for environmental rehabilitation. - The amount of training incentives. - The number of bonuses for signing the contract. - The number of bonuses for starting production. - The number of bonuses for increasing production. - The number of bonuses for local development. - Support for the operations of the representative office. - Other beneficial conditions offered to the government.

5.4.7 Production sharing agreement

A study conducted by the Open Society Forum on the financial reporting, monitoring, and inspection of companies with oil production sharing agreements has shown that financial reporting and state supervision are insufficient. For instance:

- Based on the date of enactment of the revised Petroleum Law, the financial monitoring and inspection planning for the oil exploration phase is delayed by 1-3 years compared to the calendar year, and the verification is delayed by 1 year. For example, financial monitoring and inspection for 2022, along with the verification audit, were not completed by the end of 2023.

- Based on the date of enactment of the revised Petroleum Law, the planning for auditing the “PSA-97” field of Donshen Oil (Mongolia) LLC for the years 2019-2022 is delayed by four years compared to the calendar year. Due to the lack of conclusions and reports on the inspection of Petro Matad LLC’s (Matad LLC) field from the Mineral Resources and Petroleum Authority, financial monitoring and verification audit for 2022 are delayed by one year. For PetroChina Daching Tamsag LLC's Toson-Uul (XIX) and Tamsag (XXI) fields, financial monitoring and verification audit for 2022 are delayed by one year compared to the calendar year. Additionally, PetroChina Daching Tamsag LLC did not comprehensively and accurately reflect the activities and transactions related to petroleum operations for 2019-2021 in their financial reports, and the Mineral Resources and Petroleum Authority did not review or audit these reports. As a result, the State Audit Office refused to certify the reimbursable costs due to violations of the Production Sharing Agreement, Petroleum Law, Accounting Law, and accounting standards.¹

Financial reporting, monitoring, and inspection of companies with Production Sharing Agreements ensure transparency and accuracy of financial information in the oil sector, which is crucial for accurately determining the revenue to be allocated to the state budget from this sector.

Below is a table listing the legislation and regulations related to production sharing agreements in Mongolia.

Table 54. Legislation related to production sharing agreements

Name of legislation	Clauses related to the contract and its transparency
The constitution of Mongolia	Article 6.1: In Mongolia, land, its subsoil, forests, water, animals, plants, and other natural resources are under the authority of the people and protected by the state.
	Article 6.2: Except for land granted to citizens for ownership, the subsoil, its resources, forests, water resources, and wildlife are state property.
	Article 16.17: Citizens have the right to seek and receive information that is not classified as a state secret to be specially protected by law. The law shall protect personal, organizational, and state secrets that cannot be disclosed to ensure human rights, dignity, national defense, national security, and public order.
Law on minerals	Article 5.3: The percentage and extent of state ownership of mineral deposits, whose reserves have been identified through exploration funded by the state budget, shall be determined by the contract for the use of such deposits. The percentage and extent of state ownership specified in the contract may be substituted with the royalty payment for the use of the mineral resources of a strategically important mineral deposit.
	Article 5.4: If a strategically important mineral deposit, whose reserves have been identified through exploration funded by the state budget, is jointly exploited with a privately owned legal entity, the state's participation may be up to 50%. This percentage is determined by the contract for the use of the deposit, considering the state's investment. The percentage of state ownership specified in the contract may be substituted with the royalty payment for the use of the mineral resources of a strategically important mineral deposit.
	Article 5.5: If a strategically important mineral deposit, whose reserves have been identified through exploration without state funding, is exploited in partnership with a privately owned entity, the state may own shares equivalent

¹ NNF, “Financial control and audit in the oil sector and its effectiveness” research report, <https://forum.mn/product/389443>

Name of legislation	Clauses related to the contract and its transparency
	<p>to up to 34% of the investment made in that deposit. The specific percentage is determined by the contract for the use of the deposit, considering the state's investment. The percentage of state ownership specified in the contract may be substituted with the royalty payment for the use of the mineral resources of a strategically important mineral deposit.</p> <p>Article 42.1: The license holder must enter into an agreement with the local administrative authority on issues related to environmental protection, mine operation, infrastructure development associated with industrial construction, and job creation.</p>
<p>Law on commonly distributed minerals</p>	<p>Article 40: The holder of a special license for mining common mineral deposits, whose reserves have been identified and registered in the national unified registry of mineral resources through exploration funded by the state budget, must reimburse the state budget for the exploration costs from the start of mining operations, in accordance with the contract based on Article 60 of the Minerals Law.</p>
<p>Law on Petroleum</p>	<p>Article 12: Termination of the Contract</p> <p>12.1. A production sharing agreement may be terminated by a decision of the Government based on the following grounds:</p> <p>12.2. The contractor may submit a request to the administrative body to terminate the contract if oil or unconventional oil production is deemed economically unviable, or if a state of emergency or force majeure continues for one year or more.</p> <p>12.3. Within 30 days of receiving the request specified in Article 12.2, the administrative body shall prepare a conclusion and submit it to the central administrative body.</p> <p>12.4. The central administrative body shall review the conclusion specified in Article 12.3 within 30 days and submit relevant proposals to the Government.</p> <p>12.5. If a production sharing agreement is terminated on the grounds specified in Article 12.1, expenses incurred for exploration and production activities will not be reimbursed. The funds deposited in the escrow account pursuant to Article 11.2.9 shall be used for full environmental rehabilitation and, if necessary, for the dismantling of exploration and production facilities, with any remaining funds returned to the contractor.</p> <p>Article 13: Evaluation of Contract Performance</p> <p>13.1. Upon the expiration of the contract term, or if the contract is terminated based on the grounds specified in Article 12 of this law, the administrative body shall evaluate the contract performance based on the following criteria:</p> <p>13.2. When evaluating the contract performance, the administrative body shall involve representatives from relevant state bodies.</p> <p>13.3. If the contract is evaluated as satisfactorily performed, the rights specified in Article 11.1.4 of this law will be established.</p> <p>Article 14: Transfer of Contractor's Rights and Obligations</p> <p>14.1. The contractor does not have the right to transfer all or more than one-third of the rights and obligations under the production sharing agreement without the government's approval.</p> <p>14.2. If the contractor intends to transfer one-third or more of the rights and obligations under the production sharing agreement to another party, they must submit a request to the administrative body.</p>
<p>Law on Petroleum (continue)</p>	<p>14.3. The administrative body shall prepare a conclusion within 30 days of receiving the request specified in Article 14.2 and submit it to the central administrative body.</p> <p>14.4. The central administrative body shall review the conclusion specified in Article 14.3 within 30 days and submit relevant proposals to the government for a decision.</p> <p>14.5. In the case of the transfer of rights and obligations under the production sharing agreement, a tripartite agreement shall be concluded between the contractor, the administrative body, and the party receiving the rights and obligations.</p> <p>14.6. Within 30 days of the government's decision to allow the transfer of one-third or more of the rights and obligations under the production sharing</p>

Name of legislation	Clauses related to the contract and its transparency
	<p>agreement, the contractor shall pay the fees specified in Articles 34.7 and 34.8 of this law.</p> <p>14.7. The contractor and the party receiving the rights and obligations shall fairly report the amount of the payment made for the transfer of rights and obligations.</p> <p>14.8. When preparing the conclusion specified in Article 14.3, the administrative body shall consider the environmental protection and rehabilitation compliance of the contractor during the exploration period, based on the relevant certificates from the central administrative body responsible for environmental issues and the local administrative body.</p>
Law on public information transparency	The entire law applies.
Law on transparent accounts	<p>Article 6: Transparency in public accounts</p> <p>6.4.8. Decisions related to bonds, loans, debt securities, guarantees, other similar financial instruments, public-private partnership agreements, budgets, property, assets, expenditure, debts, and receivables;</p> <p>6.5.9. Public-private partnership agreements and any amendments or changes to these agreements must be published within a week of their conclusion;</p> <p>6.5.10. Within one week of entering into a public-private partnership agreement, all information except the private partner's confidential information, including details about the public-private partnership, the work to be performed, and the services to be provided, must be disclosed;</p>
On some measures to ensure transparency in the extractive industry	<p>7. It is resolved to continue and implement policies and activities within the framework of the EITI in Mongolia. This includes granting new exploration and mining licenses for minerals, transferring them, and utilizing investment agreements for strategic mineral deposits. It also covers production sharing agreements for oil fields, their implementation, pre-operation agreements, environmental impact assessments, progress and outcomes of environmental protection work, and associated costs.</p> <p>8. From 2012, a pilot implementation to ensure transparency in granting, holding, and transferring mineral exploration and mining licenses (including the sale of licenses with company names and documents), investment agreements for strategic mineral deposits, production sharing agreements for oil fields and their implementation, and sales and export volumes of mining products, will be carried out. The results are to be discussed by the working group and the National Council meetings and publicly disclosed annually. The Minister of Mineral Resources and Energy, Zorig D, is responsible for these measures.</p>

Source: legalinfo.mn

No new production sharing agreements were made in 2023. The current PSAs listed on the iltodgeree.mn website are shown in the table below.

Table 55. Companies that have established PSAs

№	Agreement name	Province / Soum	Agreement date	Government agency	Company name	Transparency posting link
1	A renewed production sharing agreement between the Mineral Resources and Petroleum Authority and Mongolian Gold LLC for oil exploration and exploitation activities in the Tuhum X southern field.	Umnugovi, Tsogttsetsi	2017-06-16	Mineral resources and petroleum authority	Mongolian Gold LLC	-

No	Agreement name	Province / Soum	Agreement date	Government agency	Company name	Transparent posting link
2	A PSA to be established between the Petroleum Authority and Central Asian Petroleum Corporation Limited for oil exploration in the Bogd-IV field.	Govi-Altai, Biger	2009-07-08	Petroleum authority	Central asian petroleum corporation limited	https://www.iltodgeree.mn/contract/338/view#/pdf
3	A PSA between the Mongolian Petroleum Bureau and Command Petroleum Limited, Tsagaan Shonhor Oil Corporation, and Soko Tamsag Mongolia Inc. (the contractors).	Dornod, Matad	1995-12-11	Mongolian petroleum bureau	Tsagaan Shonhor oil corporation; command petroleum limited (Australia); Soko Tamsag Mongolia Inc.	https://www.iltodgeree.mn/contract/333/view#/pdf
4	A production sharing agreement between the Petroleum Authority and Apexpro Investment Limited for oil exploration in the Dariganga-XXIV field.	Sukhbaatar, Naran	2010-12-17	Petroleum authority	Apexpro investment limited	https://www.iltodgeree.mn/contract/340/view#/pdf
5	A PSA to be established between the Petroleum Authority and Central Asian Petroleum Corporation Limited for oil exploration in the Ongi-V field.	Dundgovi, Saikhan-Ovoo	2009-07-08	Petroleum authority	Central asian petroleum corporation limited	https://www.iltodgeree.mn/contract/345/view#/pdf
6	A PSA between the Petroleum Authority and DWM Petroleum AG for oil exploration in the Tsagaan Els-XIII field.	Dornogovi, Ulaanbadra kh	2009-04-21	Petroleum authority	DWM Petroleum AG	-
7	A model production sharing agreement for conducting oil exploration and exploitation activities between the government administrative body and the contractors.	Ulaanbaatar, Sukhbaatar		Government of Mongolia	Model	-
8	A model PSA for conducting oil exploration and exploitation activities between the government administrative body and the contractors.	Dornod, Gurvanzagal	2017	Mineral Resources and Petroleum Authority	NPI	https://www.iltodgeree.mn/contract/334/view
9	A production sharing agreement between the Petroleum Authority and "Zon Hen Yu Tian" LLC for oil exploration in the Galba-XI field.	Umnugovi, Khanbogd	2009-04-27	Petroleum Authority	Zon Hen Yu Tian LLC	https://www.iltodgeree.mn/contract/339/view
10	A PSA between the Petroleum Authority and "Shunkhlai Energy" LLC	Dornogovi, Khatanbulag	2009-07-22	Petroleum Authority	Shunkhlai Energy LLC	https://www.iltodgeree.mn/contract/346/view

No	Agreement name	Province / Soum	Agreement date	Government agency	Company name	Transparent posting link
	for oil exploration in the Sulinkheer-XXIII field.					
11	A production sharing agreement (PSA) between Petro Matad LLC and the Petroleum Authority for oil exploration in the Matad-XX field.	Sukhbaatar, Erdenetsagaan	2006-05-16	Mineral Resources and Petroleum Authority	Petro Matad LLC	https://www.iltodgeree.mn/contract/341/view
12	A production sharing agreement between the Petroleum Authority and "Sansariin Geology Exploration" LLC for oil exploration in the Tsaidam-XXVI field.	Khentii, Delgerkhayan	2009-07-10	Petroleum authority	Sansariin geology exploration LLC	https://www.iltodgeree.mn/contract/353/view
13	A PSA between the Petroleum Authority and "Shunkhlai Energy" LLC for oil exploration in the Sulinkheer-XXIII field.	Sukhbaatar, Naran	2009-07-22	Petroleum authority	Shunkhlai energy LLC	https://www.iltodgeree.mn/contract/346/view
14	A PSA between the Petroleum Administration, representing the Government of Mongolia, and Nescor Energy Company.	Dornogovi, Zuunbayan	1997-01-24	Petroleum administration	Nescor energy LLC	https://www.iltodgeree.mn/contract/342/view
15	A PSA between the Mongolian Oil Company and Medallion Mongolia Oil Company for the Toson Uul-XIX contract field.	Dornod, Matad	1993-04-26	Mongolian petroleum company	Medallion Mongolia Oil	https://www.iltodgeree.mn/contract/347/view
16	A PSA between the Mineral Resources and Petroleum Authority and "Smart Oil Investment Ltd" for oil exploration and exploitation activities in the "Ergel-XII" field.	Dornogovi, Mandakh	2016-09-09	Mineral resources and petroleum authority	Smart oil investment Ltd	https://www.iltodgeree.mn/contract/354/view
17	A PSA between the Petroleum Authority and "Max Oil" LLC for oil exploration and exploitation activities in the "Ar Bulag-XXIX" field.	Dornod, Khalkh gol	2017-07-06	Petroleum authority	Max oil LLC	https://www.iltodgeree.mn/contract/336/view
18	A production sharing agreement (PSA) between the Petroleum Authority and "Sansariin Geology Exploration" LLC for oil exploration in the Nomgon-IX field.	Umnugovi, Khanbogd	2014-01-26	Petroleum authority	Sansariin geology exploration LLC	https://www.iltodgeree.mn/contract/343/view
19	A PSA between the Petroleum Authority and "Sansariin Geology Exploration" LLC for oil exploration in the Tukhum North-X field.	Dundgovi, Undurshil	2009-07-10	Petroleum authority	Sansariin geology Exploration LLC	https://www.iltodgeree.mn/contract/348/view

No	Agreement name	Province / Soum	Agreement date	Government agency	Company name	Transparent posting link
20	A production sharing agreement between the Petroleum Authority and "NPI" LLC (China) for oil exploration in the Khukh Nuur-XVIII field.	Dornod, Choibalsan	2009-07-06	Petroleum authority	NPI LLC	https://www.iltodgeree.mn/contract/350/view
21	DWM Petroleum AG, Tsagaan Els-XIII Area, PSA, 2009	Dornogovi, Sainshand	2009-05-20	Petroleum authority	DWM Petroleum AG	https://www.iltodgeree.mn/contract/64/view
22	A renewed PSA between the Mineral Resources and Petroleum Authority and "Wolf Petroleum" LLC for oil exploration and exploitation activities in the Sukhbaatar-XXVII field.	Sukhbaatar, Tuvshinshiree	2017	Mineral resources and petroleum authority	Wolf Petroleum	https://www.iltodgeree.mn/contract/332/view
23	A renewed PSA between the Mineral Resources and Petroleum Authority and "Empire Gas Mongolia" LLC for oil exploration and exploitation activities in the Borzon-VII field.	Umnugovi, Noyon	2017-06-16	Mineral resources and petroleum authority	Empire gas Mongolia	-
24	A PSA between the Petroleum Authority and "Magnai Trade" LLC for oil exploration in the Bayantumen-XVII field.	Dornod, Bayantumen	2009-12-23	Petroleum authority	Magnai trade LLC	https://www.iltodgeree.mn/contract/337/view
25	A PSA between the Mineral Resources and Petroleum Administration, representing the Government of Mongolia, and "Shaman Resources Ltd" (Canada) for the Nyalga-XVI contract field.	Khentii, Galshir	2007-04-18	Mineral resources and petroleum authority	Shaman resources Ltd	https://www.iltodgeree.mn/contract/344/view
26	" A production sharing agreement between the Petroleum Authority and "Renova-Ilch" LLC for oil exploration and exploitation activities in the Khar Us-II field.	Khovd, Myangad	2015-04-17	Petroleum authority	Renova Ilch LLC	https://www.iltodgeree.mn/contract/349/view
27	A production sharing agreement between the Petroleum Authority and "Hong Kong Welpec Industrial" Company for oil exploration and exploitation activities in the Kherlen Tokhoi-XXVIII field.	Dornod, Bayantumen	2015-04-16		Hong Kong Welpec industrial	https://www.iltodgeree.mn/contract/351/view

Source: iltodgeree.mn

Upon examining the PSAs listed in the contract information system, it becomes evident that the key terms mutually agreed upon by the government and the contractors are concealed. This concealment is based on the ministry's recommendation and results in the lack of full compliance with transparency requirements for such agreements. Therefore, the EITI has repeatedly provided conclusions and recommendations indicating the lack of transparency in the PSAs in Mongolia.

5.4.8 Transparency of PSAs (Requirement 2.4)

The Government of Mongolia does not object to making PSA information transparent, and a Government Resolution No. 222, mandating the public disclosure of PSAs, was adopted on July 4, 2012.

The list of exploration work agreements newly made in 2023 and the transparent contracts posted on the website are shown in the table below.

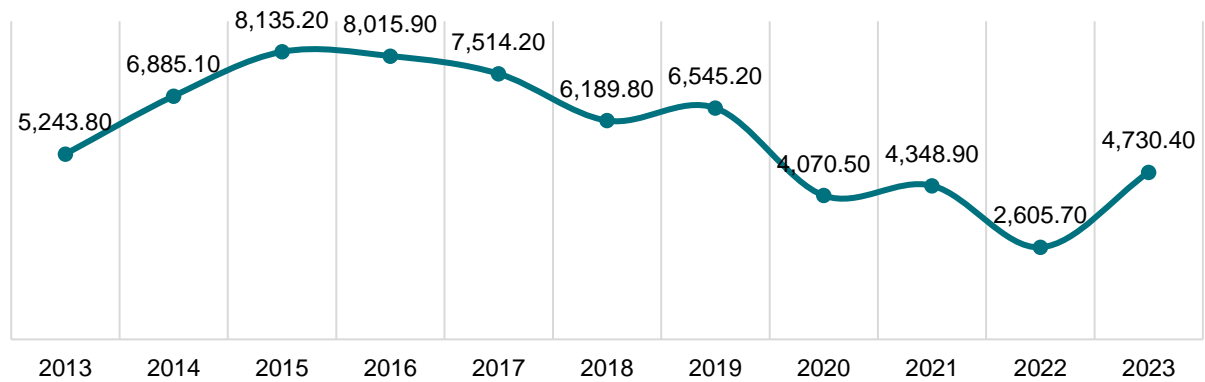
Table 56. Transparent exploration work agreements

No	Contractor Parties	Signed Date	Mineral Type
1	Exploration Work Agreement, National Gas Oil Energy LLC	2018-12-20	Oil
2	Exploration Work Agreement, Erdenes Methane LLC	2017-02-24	Coal Layer Methane
3	Exploration Work Agreement, The Chestnut Fund Mongolia LLC	2019-01-18	Coal Layer Methane
4	Exploration Work Agreement, UGS LLC	2018-08-16	Oil Shale
5	Exploration Work Agreement, The Chestnut Fund Mongolia LLC, Matad	2019-01-18	Coal Layer Methane
6	Exploration Work Agreement, UGS LLC	2018-06-19	Coal Layer Methane
7	Exploration Work Agreement, Bigstone	2019-01-25	Oil
8	Exploration Work Agreement, Sarnii Suvdan Chuluu LLC	2018-09-13	Oil
9	Exploration Work Agreement, SB Petroleum LLC	2018-08-08	Oil Shale
10	Exploration Work Agreement, Common Max LLC	2018-12-17	Oil Shale
11	Exploration Work Agreement, Aztec Mongolia Exploration	2019-01-28	Coal Layer Methane
12	Exploration Work Agreement, SB Petroleum LLC	2018-08-18	Oil Shale
13	Exploration Work Agreement, Telmen Resource	2019-01-21	Coal Layer Methane
14	Exploration Work Agreement, Frontier Petroleum LLC	2018-06-07	Oil
15	Exploration Work Agreement, Temuujin Metals LLC	2018-10-29	Coal Layer Methane
16	Exploration Work Agreement, Softrock LLC	2018-09-17	Oil
17	Common Max LLC	2023-05-17	Oil Shale
18	CHBTT LLC	2023-09-23	Oil

Source: *iltodgeree.mn*

5.4.9 Petroleum production and export

As of 2023, 4,730.4 thousand barrels of crude oil worth \$364.7 million were exported. Compared to the same period last year, the volume increased by 2,124.7 thousand barrels, or 1.8 times, and the value increased by \$122.9 million, or 50.8%. The oil was 100% exported to China.

Graph 9. Crude oil exports in the last 10 years, thousand barrels

Source: NSO

When comparing crude oil exports over the last 10 years, the highest peak was in 2015, reaching 8,135.20 thousand barrels. Since then, the volume significantly decreased, reaching 2,605.70 thousand barrels in 2022, but it increased to 4,730.40 thousand barrels in 2023.

If we break down the 2023 oil production and exports by month, we see that the majority, or 54%, of exports occurred between September and December, while the remaining 46% was exported during the other months.

Table 57. 2023 oil exports

Year/Month	Export	
	Thousand Barrels	Percentage
2023	30,775.1	100%
January	380.2	1%
February	747.0	2%
March	1,159.7	4%
April	1,574.3	5%
May	1,988.7	7%
June	2,373	8%
July	2,776.1	9%
August	3,161.4	10%
September	3,557.3	12%
October	3,983.4	13%
November	4,343.6	14%
December	4,730.4	15%

Source: NSO

5.4.10 Petroleum product prices

According to Article 5.1.2 of the Petroleum Products Law, the Government has the authority to "approve regulations for forming the state reserve of petroleum products." Additionally, Article 13.1 states that "the reserve of petroleum products consists of state and company reserves," and Article 13.2 states that "the state reserve is formed according to the regulations approved by the Government." The table shows the prices of petroleum products sold in Mongolia for each month of 2022 and 2023.

Table 58. Petroleum product prices by month for 2022 and 2023 (in MNT)

Month	Gasoline A-80	Gasoline AI-92	Diesel Fuel
January	2,370	2,416	2,836
February	2,419	2,464	2,924

Month	Gasoline A-80	Gasoline AI-92	Diesel Fuel
March	2,516	2,560	3,117
April	2,517	2,561	3,369
May	2,517	2,561	3,425
June	2,994	2,559	3,736
July	2,996	2,559	4,045
August	2,525	2,558	3,736
September	2,525	2,554	3,587
October	2,532	2,552	3,771
November	2,532	2,552	3,962
December	2,532	2,552	4,004
2023			
January	2,347	2,390	3,850
February	2,347	2,390	3,850
March	2,347	2,390	3,850
April	2,345	2,390	3,700
May	2,345	2,390	3,490
June	2,345	2,390	3,490
July	2,345	2,390	3,490
August	2,345	2,390	3,490
September	2,345	2,390	3,490
October	2,345	2,390	3,690
November	2,345	2,390	3,890
December	2,345	2,390	3,890

Source: NSO

Petroleum product prices vary significantly in remote provinces due to transportation issues. The following table shows the average prices of petroleum products sold nationwide, by province and region, in 2023.

Table 59. Average prices of petroleum products by country, province, and region (in MNT)

Region	Gasoline A-80	Gasoline AI-92	Gasoline AI-95	Diesel Fuel
Bayan-Ulgii	2,680	2,733	3,833	3,828
Govi-Altai	2,780	2,800	3,983	3,973
Zavkhan	2,873	2,894	4,027	3,956
Uvs	2,869	2,899	4,031	3,881
Khovd	2,800	2,800	4,031	3,867
Western region average	2,800	2,825	3,981	3,901
Arkhangai	2,480	2,500	3,873	3,806
Bayankhongor	2,510	2,530	3,883	3,938
Bulgan	2,470	2,498	3,883	3,747
Uvurkhangai	2,450	2,470	3,863	3,851
Orkhon	2,470	2,490	3,873	3,724
Khuvsgul	2,570	2,590	3,913	3,801
Khangaï region average price	2,492	2,513	3,882	3,811
Tuv	2,437	2,445	3,813	3,728
Darkhan	2,448	2,470	3,853	3,741
Selenge	2,480	2,503	3,863	3,731
Govisumber	2,457	2,480	3,843	3,771
Dundgovi	2,510	2,530	3,841	3,789
Domogovi	2,503	2,521	3,862	3,811
Umnugovi	2,530	2,550	3,823	3,821
Central region average price	2,481	2,500	3,843	3,770
Domod	2,512	2,530	3,863	3,849
Sukhbaatar	2,543	2,570	3,903	3,903
Khentii	2,500	2,520	3,823	3,757
Eastern region average price	2,518	2,540	3,863	3,836
Ulaanbaatar	2,370	2,390	3,727	3,677

Region	Gasoline A-80	Gasoline AI-92	Gasoline AI-95	Diesel Fuel
National average price	2,532	2,554	3,859	3,799

Source: NSO

Please check the current average price of crude oil in the largest global market (in USD per ton) from the following source.

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.

5.4.11 State involvement in the oil sector

Government policy on the development of the oil industry up to 2027.

Goal: To intensify exploration and research activities in Mongolia's oil sector, increase reserves, boost extraction rates, establish an oil refinery, and ensure the stable supply of petroleum products.

According to Government Resolution No. 169 of 2018:

- Accelerate exploration, research, and utilization of oil and unconventional oil;
- Establish an oil refinery and develop the production of petroleum products;
- Ensure a stable supply of petroleum products to consumers and improve quality control systems;
- Prepare, train, and increase the workforce in the sector, creating more jobs;
- Protect the environment during oil production operations, promote green development, and support local development;
- Establish and develop state-owned and state-participated oil companies.

Our country is implementing a comprehensive development project aimed at establishing an oil refinery based on domestic raw materials to meet fuel and gasoline needs and create a new petrochemical sector in the economy. This project is being implemented in the Altanshiree soum of Dornogovi aimag and is known as the "Mongol Oil Refinery" state-owned company project. It is planned to be fully operational by 2025. The project, which began in 2017, is being financed in phases with concessional loans from the Government of India. The detailed feasibility study for the MOR project was approved at the meeting of the Mineral Resources Professional Council of the Ministry of Mining and Heavy Industry on November 15, 2018.

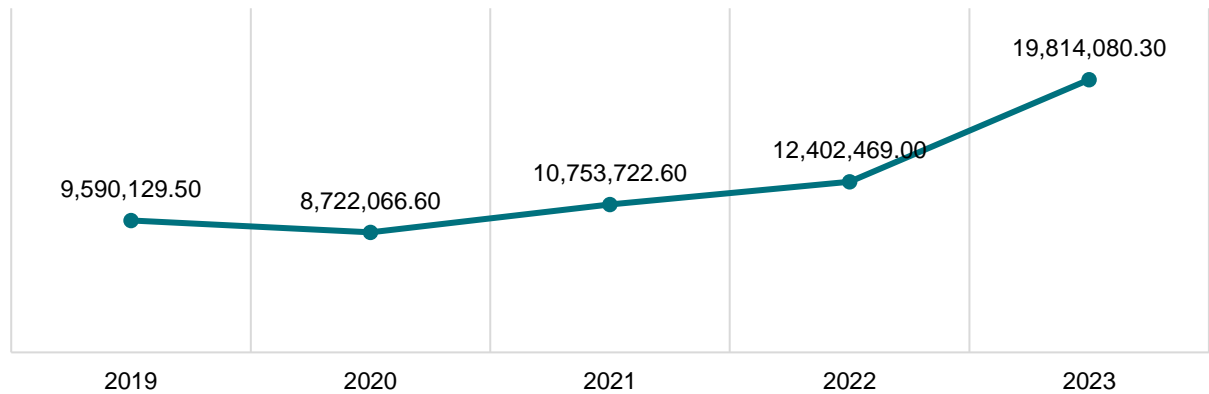
A draft law "On Supporting the Oil Refinery" was prepared by a working group consisting of representatives from the Ministry of Justice and Home Affairs, Ministry of Finance, Ministry of Mining and Heavy Industry, Mineral Resources and Petroleum Authority, and Mongol Oil Refinery SOE. This draft law was discussed and approved by the Parliament at the plenary session on January 29, 2021. Additionally, the "Regulation on State Support for the Oil Refinery" was developed and approved by the Government at the meeting on August 11, 2021.

5.5 Impact on the economic sector

5.5.1 Economic growth (Requirement 6.3.a)

As of 2023, the mineral resources sector accounts for 31.6% of Mongolia's consolidated budget revenue, and the GDP of the mining sector has consistently grown over recent years.

Graph 10. GDP of the mining sector over the last 5 years (at current prices) in million MNT



5.5.2 Production (Requirement 6.3.a)

As of the preliminary performance of 2023, the total production in the industrial sector reached MNT 30.5 trillion, increasing by MNT 9.5 trillion (45.2%) compared to the same period of the previous year. This growth is attributed to the mining and extraction industry's total production, which reached MNT 21.5 trillion, an increase of MNT 7.2 trillion (50.2%) compared to the same period of the previous year. The increase was driven by coal extraction, which grew by MNT 5.7 trillion (2.5 times), crude oil extraction by MNT 530.4 billion (68.3%), and metal ore extraction by MNT 864.6 billion (9.0%). The mining and extraction sector accounted for 70.7% of the total production in the industrial sector.

Table 60. Extraction volumes of companies covered in the consolidated report

No	Company	Product name	Unit of measurement	Quantity	Extraction value (in thousand MNT)
1	IBBI LLC	Gold	g	217,670.0	47,426,500.0
		Silver	g	19,080.2	48,196.2
2	Altai Khuder LLC	Iron ore concentrate	tons	127,233.0	22,796,600.0
3	Baatarvan Trans LLC	Red agate	tons	261.2	18,287,000
4	Baganuur JSC	Lignite coal	tons	4,648.5	43,310,000.0
5	Badrakh Energy LLC	Uranium and iron ore, and their concentrates	tons	0.1	2,790,000.0
6	Bayan-Airag Exploration LLC	Gold	g	1,438,558.8	215,532,600.0
7	BT Development LLC	Fluorspar	tons	2,400.0	594,000.0
		Ore	tons	4,200.0	100.0
8	Big Mogul Coal and Energy LLC	Unprocessed coal	tons	428,828.0	34,908,100.0
9	Bilegt Bayalag LLC	Bituminous, non-caking coal	tons	271,484.0	4,038,680.0
10	Boldtumur Eruu Gol LLC	Iron ore	tons	2,359,780.0	84,480,000.0
11	Boroo Gold LLC	Silver	g	429,230.0	1,075,110.0
		Gold	g	2,093,730.0	456,002,000.0
12	Datsan Trade LLC	Gold	g	9,258.2	1,995,330.0
		Silver	g	1,072.7	2,676.7
13	Javkhlant-Ord LLC	Coal	tons	486,903.0	35,177,000,000.0
14	Infinite Space	Iron ore	tons	1,560,630.0	238,861,000.0

No	Company	Product name	Unit of measurement	Quantity	Extraction value (in thousand MNT)
15	Ikh Gobi Energy LLC	Coal	thousand tons	153.5	21,251.3
		Limestone	tons	1,154,020.0	-
16	MAK Cement LLC	Clay	tons	275,899.0	-
		Gypsum	tons	46,944.0	-
17	Mogoiingol JSC	Coal	tons	90,000.0	3,990,030.0
		Flotation concentrate FF-95	tons	547.0	437,975,000.0
		Metallurgical concentrate FC-75	tons	302.2	4,604.0
18	Mongolrostsevetmet SOE	Iron concentrate Fe-65	tons	215,823.0	474,241,000.0
		Iron concentrate Fe-52	tons	444,849.0	36,695,900.0
		Iron ore Fe-32	tons	115,191.0	2,378,350.0
		Zinc concentrate Zn-50	tons	1,414.0	2,334,450.0
		Gold	tons	9.8	8,557,440.0
19	Mongol Czech Metal LLC	Fluorspar concentrate	tons	3,341.7	-
		Fluorite	tons	38,795.0	-
		Fluorspar ore	tons	153,763.0	-
20	Monpolymet LLC	Gold	g	230,463.0	-
21	Moncement Building Materials LLC	Limestone	tons	1,125,860.0	263,686,000.0
22	Mongolenko LLC	Coking (raw) Thermal coal	thousand tons	2,744.8	245,280,000.0
		Coking (processed)	thousand tons	292.4	4,160,980.0
		Coking (processed)	thousand tons	1433.8	19,323,800.0
23	Nayngi LLC	Lignite coal	tons	470,290.0	9,096,080.0
24	Naranmandal Enterprises LLC	Ore	tons	85,042.0	28,829,984.0
		Gold	kg	304.9	61,093,088.0
25	Olon Ikht Bayan LLC	Ore	tons	105,900.0	22,213,700.0
26	Oyu Tolgoi LLC	Copper concentrate	tons	795,674.0	3,226,870.0
		Construction stone	cubic meters	27,940.0	559,275,000.0
		0-5 aggregate	cubic meters	12075.0	241,705,000.0
		5-10 aggregate	cubic meters	2153.0	43,096,600.0
27	Uguumurgaviluud LLC	10-20 aggregate	cubic meters	3,535.0	70,759,100.0
		20-32 aggregate	cubic meters	983.2	19,680,700.0
		20-42 aggregate	cubic meters	5239.7	104,883,000.0
28	Umnun Goviin Bayalag LLC	Unprocessed coal	tons	-	-
29	Usukzoos LLC	Gold	kg	3,003,130.0	289,555,000.0
30	Platinumland LLC	Coking coal	tons	144.5	-
31	SouthGobi Sands LLC	Non-coking coal	tons	1,892,770.0	109,144,000.0

No	Company	Product name	Unit of measurement	Quantity	Extraction value (in thousand MNT)
		Processed coal	tons	1,353,690.0	108,905,000.0
		Coal	tons	264,817.0	34,675,900.0
32	COEL LLC	Fluorite concentrate	tons	753572.0	6,815,630.0
33	CMKI LLC	Coal	tons	46000.0	-
34	Tephis Mining LLC	Gold	g	34150.0	-
35	Tod-Undraga LLC	Silver	g	138,020.0	29,972,500.0
		Gold	kg	11702.5	29,404.8
36	Top Gun Drilling LLC	Long flame coal	tons	141.3	30,864,800.0
37	Tumen Ail Invest LLC	Gold	g	859,911.0	38,366,800.0
38	Ten Khun LLC	Silver	g	37,157,100.0	79,765,000.0
		Coal	tons	159,062.7	399,116.0
39	Friendship Resources LLC	Gold	g	471,302.0	63,125,500.0
40	Khan Altai Resources LLC	Stone coal	g	1,227,890.0	265,389,000.0
		Processed non-coking coal	tons	2,471,080.0	107,913,000.0
41	Khangad-Exploration LLC	Processed weakly coking coal	tons	227635.0	515,460.0
		Processed coking coal	tons	652650.0	77,968,900.0
		Ore	tons	433828.0	80,012,200.0
42	Khanshashir LLC	Gold (placer)	tons	50,000.0	-
43	Khoskhas LLC	Coking coal	kg	218.6	44,309,200.0
44	Khur Erdene Bayalag LLC	Coal	tons	680,429.0	-
45	Khuuchin-Anduud LLC	Gold	tons	209,233.0	4,836,700.0
46	Tsagaan-Uvuljuu LLC	Coal	thousand tons	853,464.0	107,493,000.0
47	Tsairt Mineral LLC	Zinc concentrate	kg	316.9	-
48	Tsui Khang Invest LLC	Silver	kg	0.2	466.0
		Gold	kg	16.6	3,412,880.0
		Ore	tons	30,000.0	8,487,880.0
49	Shariin Gol	Coal	kg	1,700,320.0	77,952,900.0
		Gold	kg	26.7	5,805,590.0
		Silver	kg	2.6	6,087.0
50	Shuvuun khar Uul LLC	Gold	thousand tons	-	-
		Hard coal	thousand tons	12,119.1	783,600,000.0
		Thermal coal	thousand tons	1784.4	3,624,650.0
51	Energy Resources LLC	Processed medium ash semi-soft coking coal	thousand tons	540.7	34,332,900.0
		Processed coking coal	tons	5,110.98	949,291,000.0
52	Enkhtunh Orchlön LLC	Coking coal	tons	494,017.0	157,483.0
53	Erdenes Tavan Tolgoi LLC	Coking coal	tons	27,034,500.0	1,976,490.0
		Oxidized coal	tons	1,191,500.0	148,780,000.0

No	Company	Product name	Unit of measurement	Quantity	Extraction value (in thousand MNT)
54	Erdenes Mongolia LLC	Lignite coal	tons	7,127.6	330,525.0
55	Erdenet Mining Corporation SOE	Copper concentrate	tons	599,607.0	3,501,140,00.0
		Molybdenum concentrate	g	5,643.8	399,286,000.0

5.5.3 Total Government Revenue from the Extraction Sector (Requirement 6.3b)

As of 2023, Mongolia's consolidated budget revenue reached MNT 24,310.1 billion, an increase of MNT 5,717.0 billion or 30.7% compared to the same period last year. Revenue from the mineral resources sector contributed MNT 7,679.8 billion to the budget, an increase of MNT 3,072.9 billion or 66.7% compared to the same period last year.

The mineral resources sector accounts for 31.6% of Mongolia's consolidated budget revenue.

Table 61. Revenue contributed to the budget, in billion MNT

Indicator	Plan		Performance		Performance	
	2022	2023	2022	2023	+/-	Хувь
Total revenue	4,358.3	6,563.1	4,606.9	7,679.8	3,072.9	67%
Mining and extraction sector						
Gold	247.4	287.6	258.0	311.5	53.5	21%
Copper	1,966.7	2,547.3	1,717.2	2,232.1	514.9	30%
Coal	1,346.5	2,649.0	2,062.4	4,314.6	2,252.2	210%
Iron	145.7	270.4	41.6	97.0	55.4	230%
Zinc	77.9	96.2	168.9	143.3	-34.6	-21%
Fluorite	153.7	65.6	26.4	23.8	-2.6	-10%
Others	128.4	161.2	115.7	163.8	48.1	42%
Oil sector						
Oil	215.4	425	161	304.2	143.2	89%
Licensing and other revenue						
License Fees	31.4	29.7	35.6	36.6	1.0	3%
Rehabilitation Fees for Deposits Explored by State Budget Budget	17.5	3.0	2.0	3.2	1.2	62%
Organization's Own Revenue	25.0	25.0	14.5	53.7	39.2	370%
Other Revenue	2.7	3.1	3.6	5.1	1.4	40%

5.5.4 Export revenue from the extraction industry (Requirement 6.3.c)

As of 2023, total exports reached USD 15,184.5 million, an increase of USD 2,645.9 million or 21.1% compared to the same period last year. Exports of mineral products reached USD 13,989.2 million, an increase of USD 2,233.6 million or 19.0% compared to the same period last year. Mining products such as coal, copper concentrate, iron ore and concentrate, zinc concentrate, fluorite ore and concentrate, molybdenum concentrate, crude oil, gold, silver, and cathode copper accounted for 92.1% of total exports.

Table 62. 2023 Sales volumes of companies covered in the consolidated report

No	Company	Product name	Unit of measurement	Sales volume	Sales revenue (thousand MNT)
1	IBBI LLC	Gold	g	217,670.0	47,426,500.0
		Silver	G	19,080.2	48,196.2
2	Baatarvan Trans LLC	Red agate	tons	271.0	18,973,100.0
3	Baganuur JSC	Lignite coal	tons	4,648.5	43,310,000.0

No	Company	Product name	Unit of measurement	Sales volume	Sales revenue (thousand MNT)
4	Bayan-Airag Exploration LLC	Gold	g	1,438,558.8	215,532,600.0
5	BT Development LLC	Fluorspar	tons	1,816.5	594,000.0
		Ore	tons	7,936.7	100.0
6	Big Mogul Coal and Energy LLC	Unprocessed coal	tons	428,408.0	33,254,200.0
7	Bilegtbayalag LLC	Bituminous, non-coking coal	tons	236,547.0	13,959,300.0
8	Bold Tumur Eruu Gol LLC	Iron ore	tons	1,345,770.0	185,852,000.0
9	Boroo Gold LLC	Silver	g	429,230.0	1,075,110.0
		Gold	g	2,093,730.0	456,002,000.0
10	Datsantrade LLC	Gold	g	9,258.2	1,995,330.0
		Silver	g	1,072.7	2,676.7
11	Javkhlant-Ord LLC	Coal	tons	594,491.0	115,448,000.0
12	Infinitospace	Iron ore	tons	1,745,560.0	242,823,000.0
13	Ikh Gobi Energy LLC	Coal	thousand tons	153.5	21,251.3
		Gypsum	tons	7,213.6	-
14	Mogoiingol JSC	Coal	tons	146,598.0	5,464,550.0
		FF-95 flotation concentrate	tons	391.0	396,688.0
		FK-75 metallurgical concentrate	tons	210.1	91,213.0
		Fe-65 iron concentrate	tons	222,229.0	67,201,700.0
15	Mongolroostsvetmet SOE	Fe-52 iron concentrate	tons	514,125.0	80,268,600.0
		Fe-32 iron ore	tons	115,191.0	4,093,230.0
		Zn-50 zinc concentrate	tons	5,629.6	7,345,540.0
		Gold	tons	9.8	8,949,600.0
		Fluorspar concentrate	tons	3,341.7	1,719,030.0
16	Mongol-Czech Metal LLC	Fluorite	tons	38,795.0	17,326,400.0
		Fluorspar ore	tons	153,763.0	20,302,700.0
		Gold	g	230,463.0	47,182,100.0
17	Monpolymet LLC	Gold	g	230,463.0	47,182,100.0
18	Moncement Building Materials LLC	Limestone	tons	-	-
19	MOENCO LLC	Coking (raw)	thousand tons	1,081.5	307,564,000.0
		Thermal coal	thousand tons	83.8	1,097,560.0
		Coking (processed)	thousand tons	1485.5	508,788,000.0
20	Naingi LLC	Lignite coal	tons	440,680.0	9,096,080.0
		Gold	kg	304.9	65,244,625.0
21	Olon Ikht Bayan LLC	Ore	tons	68,963.2	16,873,700.0
22	Oyu Tolgoi LLC	Copper concentrate	tons	823,185.0	5,632,300.0
23	Uguumurgaviluud LLC	Construction stone	cubic meters	14,411.0	456,655,000.0
		0-5 aggregate	cubic meters	6276.0	203,164,000.0
		5-10 aggregate	cubic meters	1805.0	75,810,000.0
		10-20 aggregate	cubic meters	2379.0	90,432,000.0
24	Usuh Zoos LLC	Unprocessed coal	tons	3,495,970.0	911,502,000.0

No	Company	Product name	Unit of measurement	Sales volume	Sales revenue (thousand MNT)
25	Platinumland LLC	Gold	kg	145.7	28,923,000.0
		Coking coal	tons	2,082,120.0	116,234,000.0
26	SouthGobi Sands LLC	Non-coking coal	tons	1,229,480.0	64,855,600.0
		Processed coal	tons	234,421.0	29,085,700.0
27	COAL LLC	Coal	tons	708020.0	337,238,000.0
28	CMKI LLC	Fluorspar concentrate	tons	46573.4	-
29	Tethys Mining LLC	Coal	tons	147,323.9	46,253,900.9
30	Tod-Undraga LLC	Gold	g	138,020.0	29,972,500.0
		Silver	g	11702.5	29,404.8
31	Top Gun Drilling LLC	Gold	kg	141.3	30,864,800.0
32	Tumen Ail Invest LLC	Long-flame coal	tons	450,932.0	66,506,400.0
33	Ten Khun LLC	Gold	g	371,571.0	79,765,000.0
		Silver	g	159,062.7	399,116.0
34	Friendship Resources LLC	Coal	tons	474,831.0	63,021,700.0
35	Khan Altai Resources LLC	Gold	g	1,227,890.0	265,389,000.0
		Hard coal	tons	19,089.9	954,498.0
		Processed non-coking coal	tons	1,071.3	107,135.0
36	Khangad-Exploration LLC	Processed weakly coking coal	tons	686,272.0	293,886,000.0
		Processed coking coal	tons	420,796.0	248,255,000.0
37	Khanshashir LLC	Ore	tons	17,138.1	-
38	Khoskhas LLC	Gold (placer)	kg	218.6	44,309,200.0
39	Khur Erdene Bayalag LLC	Coking coal	-	700,130.0	-
40	Khuuchin-Anduud LLC	Coal	tons	245,527.0	38,731,700.0
41	Tsagaan-Uvuljoo LLC	Coal	tons	822,329.0	260,265,000.0
42	Tsairt Mineral LLC	Zinc concentrate	thousand tons	85.8	-
		Silver	kg	0.2	466.0
43	Tsui Khang Invest LLC	Gold	kg	16.6	3,412,880.0
		Ore	kg	30,000.0	8,487,880.0
		Coal	tons	1,700,000.0	95,080,700.0
44	Shariin Gol	Gold	kg	26.7	5,805,590.0
		Silver	kg	2.6	6,087.0
45	Shuvuunkhar Uul LLC	Gold	kg	60.1	14,286,500.0
		Hard coal	thousand tons	113.0	10,016,600.0
		Thermal coal	thousand tons	3,479.5	128,339,000.0
46	Energy Resources LLC	Processed medium ash semi-soft coking coal	thousand tons	472.9	98,322,000.0
		Processed coking coal	thousand tons	5,106.4	2,789,780.0
47	Enkhtunh Orchlon LLC	Coking coal	tons	494,020.0	88,272,200.0
48		Coking coal	tons	28,052,200.0	9,336,710.0

No	Company	Product name	Unit of measurement	Sales volume	Sales revenue (thousand MNT)
	Erdenes Tavan Tolgoi LLC	Oxidized coal	tons	1,251,020.0	211,195,000.0
49	Erdenes Mongolia LLC	Lignite coal	tons	7,127.6	308,884.3
50	Erdenet Mining Corporation SOE	Copper concentrate	tons	6,404,670.0	3,531,380,000.0
		Molybdenum concentrate	tons	5,730.5	407,535,000.0

5.6 Government agencies

Ministry of Industry and Mineral Resources (MIMR)



**АЖ ҮЙЛДВЭР,
ЭРДЭС БАЯЛГИЙН ЯАМ**

The mission of the Ministry of Industry and Mineral Resources is to create a balanced and diversified economic structure by developing a transparent and responsible mining and heavy industry sector, thereby enhancing the nation's mineral wealth.

The ministry's goals include drafting laws, policies, medium and long-term strategies, programs, and projects related to the mining, fuel, petroleum, heavy industry, and geological sectors; conducting policy analysis; monitoring internal compliance; overseeing budget financing, programs, projects, and measures; performing financial inspections and internal audits; and ensuring risk management.

In 2023, the overall performance of each planned measure of the Ministry of Industry and Mineral Resources was evaluated against the expected results, resulting in a general rating of 87.4% or 4.4 points.

Mineral Resources and Petroleum Authority (MRPA)



The mission of the MRPA is to support the development of state policy in the geology, mining, and petroleum sectors, to provide prompt and fair services to investors and consumers, and to increase the role of the mineral and petroleum sectors in national economic development by implementing state policy.

The Petroleum Exploitation and Petroleum Products Divisions of the MRPA are responsible for overseeing the implementation of Product sharing agreements in accordance with the law on petroleum and relevant regulations and procedures.

Mongolia's consolidated budget revenue for 2023 totaled MNT 24,310.1 billion, an increase of MNT 5,717.0 billion or 30.7% from the same period last year. Revenue from the mineral resources sector contributed MNT 7,679.8 billion to the budget, up MNT 3,072.9 billion or 66.7% from the same period last year. The following projects and programs are currently being implemented.

- Joint project with the Geological Sciences and Mineral Resources Institute of South Korea on "Geological mapping and mineral research at a scale of 1:50000 in Eastern and Southern Mongolia"
- "Geological survey of the Khasagt area"
- International joint project "Deep processes and Metallogeny of north-central-east Asia"
- Joint project with the Federal Institute for Geosciences and Natural Resources of Germany on "Enhancing the economic potential of the mineral resources of the MRAM"

- "Mongol Altai-50" 1:50000-scale geological mapping and general exploration project funded by the Geological survey of the Czech Republic
- "Sustainable Artisanal Mining Project" funded by the Swiss development Agency

Ministry of Environment and Climate Change (MECC)



БАЙГАЛЬ ОРЧИН, УУР АМЬСГАЛЫН
ӨӨРЧЛӨЛТИЙН ЯАМ

The core function of MECC is to ensure the implementation of national policies and laws related to environmental protection, to organize the rational use of natural resources, to create conditions for natural restoration, and to develop eco-friendly sustainable tourism to maintain environmental stability. Additionally, MECC is responsible for drafting and approving policies and regulations that local administrative bodies must follow in special issues related to environmental protection.

Permit holders must submit an environmental protection plan to MECC within 30 days of receiving their permit, and the ministry is responsible for reviewing and monitoring these reports. The ministry collects 50% of the budget allocated for companies' environmental protection and restoration activities into a special account. If a company fails to fully implement its environmental protection plan, MECC has the right to use the 50% for the intended purpose.

Ministry of Labor and Social Protection (MLSP)



ХӨДӨЛМӨР, НИЙГМИЙН
ХАМГААЛЛЫН ЯАМ

The primary role of MLSP is to develop employment policies, implement these policies by promoting employment, create favorable working conditions, and enhance human resources through skills development. MLSP is tasked with reducing unemployment and poverty, improving working conditions and living standards, regulating the employment of foreign nationals within Mongolia, and addressing the issues of Mongolian nationals working abroad. The mission of MLSP is to create a favorable working environment and ensure equal opportunities in the labor market.

Results of Major Activities of the Ministry of Labor and Social Protection in 2023:

- The coefficient was renewed at the Government meeting on June 21, 2023.
- An adjustment was made to the 2023 budget of the State Budget and Social Insurance Fund, allocating MNT 200.0 billion for the implementation of the coefficient.
- Citizens receiving pensions now have the opportunity to calculate their pensions based on the present value of their social insurance contributions.
- The pensions of a total of 164.6 thousand pensioners increased, narrowing the pension gap.
- The pensions of 37.0 thousand pensioners who were receiving the minimum pension increased.
- 11,942 citizens participated in skills acquisition services, with a total expenditure of MNT 285 million, resulting in 1,186 citizens finding jobs. Additionally, 120 students from vocational education and training institutions participated in on-the-job training programs with employers, with a total expenditure of MNT 23.7 million, creating 60 jobs.
- 393 teams and 1,412 citizens participated in startup business support measures, with a total expenditure of MNT 284.3 million.
- 107 citizens from 45 teams participated in financial support measures for startups, with a total expenditure of MNT 489 million, creating 110 jobs.

- 1,851 citizens participated in training at the Youth Employment Service Center, with a total expenditure of MNT 117.4 million.
- A total of 8,921 citizens participated in job placement services for part-time work, with a total expenditure of MNT 47.7 million, resulting in 7,300 citizens finding jobs.
- 481 citizens participated in the national startup competition, creating 110 jobs and with a total expenditure of MNT 148.9 million.

General Department of Taxation (GDT)



According to the General Law on Taxation, the National Tax Authority consists of the state administrative body responsible for taxation provincial and capital city tax departments, district tax offices, and state tax inspectors. GDT operates under the Ministry of Finance, which is responsible for financial matters of the Government.

The main responsibilities of GDT include organizing the implementation of tax laws, providing information and advice to taxpayers, conducting training and outreach, monitoring compliance with tax laws, and collecting state and local budget revenues.

General Customs Administration (GCA)



The General Customs Administration (GCA) oversees the customs activities of Mongolia and supervises provincial and capital city customs offices. GCA is the central state administrative body responsible for implementing customs laws nationwide and operates under the oversight of the Ministry of Finance.

The primary functions of GCA include implementing and monitoring compliance with customs laws at the national level, determining customs control strategies, coordinating the activities of customs offices, and developing and implementing the Customs Development Program.

National Audit Office (NAO)

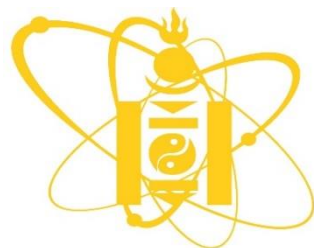


The National Audit Office is the supreme audit institution of Mongolia and is governed by Mongolian law and decisions of the State Great Khural (Parliament).

The operations of the National Audit Office and the General Auditor of Mongolia are not subject to oversight or instruction by any entity other than the National Security Council and the State Great Khural.

The NAO has full authority to audit the activities of state institutions, regardless of their funding sources. NAO consists of five departments: Performance Audit, Financial Audit, Compliance Audit, Policy and Planning, and Legal Affairs.

Nuclear Energy Commission (NEC)



The goal of the Nuclear Energy Commission in Mongolia is to use radioactive minerals and nuclear energy for peaceful purposes, develop research for the introduction of nuclear technology, ensure nuclear and radiation protection and safety, and create the conditions and opportunities to train human resources.

The core activities of the NEC include implementing the Government's policy on the use of radioactive minerals and nuclear energy; issuing or revoking special permits related to nuclear facilities, materials, and radioactive minerals; overseeing and regulating scientific research activities in the nuclear energy sector of Mongolia; and ensuring nuclear and radiation safety.

The NEC consists of four departments: the Secretariat, the Nuclear Technology Policy Department, the Nuclear Safety Policy Department, and the International Cooperation Division.

Agency for Policy Coordination on State Property (APCSP)



Засгийн газрын хэрэгжүүлэгч агентлаг
ТӨРИЙН ӨМЧИЙН БОДЛОГО,
ЗОХИЦУУЛАЛТЫН ГАЗАР

The APCSP is responsible for ensuring the implementation of the Law on State and Local Property and the Law on Procurement of Goods, Works, and Services with State and Local Property, developing and implementing policies related to state property, improving management, and enhancing the efficiency of state-owned and state-participated entities through good governance. It works to align procurement activities with international standards, ensuring transparency and equal competitive opportunities.

5.7 State participation in the extractive sector

5.7.1 Definition of State-owned enterprises

For reporting purposes under the EITI Standard, SOEs are defined as companies that are wholly or majority-owned by the government and engaged in extractive activities. The EITI Standard encourages documenting the definition of SOEs in line with national laws and the structure and organization of the government.

The law on state and local property classifies state-owned enterprises as follows:

- State-owned
- State-participated
- State-owned industrial enterprise
- State-owned economic enterprise
- Locally-owned industrial enterprise
- Locally-owned economic enterprise

Article 13 of the Law on State and Local Property

“An entity established solely with state property for the purpose of fulfilling state functions and meeting social needs is referred to as a state-owned legal entity.”

Article 21.1 of the Law on State and Local Property

“It is stipulated that a legal entity with state-owned shares or in which the state has invested capital is referred to as a state-participated legal entity.”

5.7.2 Legal framework regulating state participation in the extractive sector

Mongolia, state-owned enterprises are regulated by the Law on State and Local Property and the Law on Companies. The Law on State and Local Property governs the process of establishing state-owned companies and the representation of the state in these companies. It also addresses the ownership rights of state and local property, including those of state-owned enterprises.

With amendments to the Law on Development Policy, Planning, and its Management, the state policy on the mineral resources sector has been invalidated and replaced by "Vision-2050," Mongolia's long-term development policy, and the New Revival Policy approved within its framework.

The following legislations governing state participation in the extractive sector are currently in effect

Laws:

- Law on state and local property
- Law on companies
- Law on investment
- Law on future heritage fund
- Law on national wealth fund
- Law on minerals

Parliament resolutions:

- On classifying certain deposits as strategic mineral deposits
- On the investment agreement for the Oyu Tolgoi deposit
- On certain issues related to the utilization of the Tavan Tolgoi coal deposit
- On approving the state policy on the mineral resources sector

Government Decrees:

- On the establishment of Erdenes Tavantolgoi JSC
- On the establishment of Erdenes Oyu Tolgoi LLC
- On measures to accelerate the economic circulation of strategic mineral deposits
- On some measures regarding the activities of Erdenes Mongol LLC

In the current legal environment, Mongolia participates in strategic deposits through Erdenes Mongol LLC and its subsidiaries.

Erdenes Mongol LLC was established on February 22, 2007, to represent the state in matters related to the utilization of strategically important mineral deposits and strategic mineral resources. As of today, the company holds 50% or more shares in Erdenes Tavantolgoi JSC, Erdenes Oyu Tolgoi LLC, Baganuur JSC, Shivee-Ovoo JSC, Mon-Atom LLC, Erdenes Shivee Energy LLC, Erdenes Methane LLC, and Erdenes Asset Management LLC. Additionally, through its subsidiary, it holds a 34% stake in Oyu Tolgoi LLC and operates the Tavantolgoi - Gashuunsukhait road under a public-private partnership with Gashuun Sukhait Auto Road LLC.

5.7.3 Conditions for the transfer of ownership and changes in state ownership in extractive companies

According to Article 2.6 of the Law on Companies, for state-owned companies, the owner representing the state is the State Great Khural (Parliament) for state-owned companies and the Citizens' Representatives Khural for locally owned companies. The shareholder representing them can be an entity authorized by the Government or the Citizens' Representatives Khural.

EITI Standard 2.6.a.ii requires that the Government and SOEs disclose their ownership levels in mining, petroleum, and natural gas companies operating in the country. This applies to both the subsidiaries and joint ventures of SOEs, and information about changes in ownership during the reporting period must be disclosed. Of the 12 SOEs included in the reconciliation report, 6

provided information for transparency, while Tavantolgoi JSC, Darkhan Metallurgical Plant LLC, Baganuur JSC, Oyu Tolgoi LLC, Erdenes Tavantolgoi JSC, and Mogoingol JSC did not provide information.

Table 63. Shareholder information of SOEs

No	SOE	Number of licenses	Mineral	Names of shareholders	Ownership percentage
1	Tavantolgoi JSC	1	Coal	Shandas impex LLC	16%
				Ajnai corporation LLC	20%
				Local ownership	51%
				Other minor shareholders	13%
2	Mongolroostsvetmet SOE	26	Coal, Copper, Gold, Fluorite, Tungsten, Iron, Limestone Coal	Government	100%
3	Erdenes Mongol LLC	1	Coal, Silver	Government	100%
4	Erdenes Tavantolgoi LLC	8	Coal	Government	85%
				Enterprises	1%
				Citizens	15%
5	Erdenet Mining Corporation SOE	10	Copper, Stone, Crushed	Government	100%
6	Baganuur JSC	3	Coal, Gravel, Sand	Government	75%
				Mongolian national coal corporation	21%
				Other minor shareholders	4%
7	Shivee-Ovoo JSC	1	Coal	Government	90%
				Other minor shareholders	10%
8	Oyu Tolgoi LLC	3	Crushed Stone, Gold, Copper, Mixed Metals, Clay Sand	Government	34%
				Turquoise hill resources, Rio Tinto	66%
9	Darkhan Metallurgical Plant LLC	3	Iron ore	Government	100%
10	Bayanteeg JSC	1	-	-	-
11	Badrakh energy LLC	3	Uranium	Government	34%
				Areva Mongol LLC	66%
12	Mogoingol JSC	2	Coal	Government	51%
				Other minor shareholders	49%

5.7.4 Changes in state ownership

In 2023, there were no changes in the ownership of SOEs included in the reconciliation. For details on the ownership of SOEs, please refer to Section 5.7.3.

5.7.5 Role of SOEs in the extractive sector

In determining the role of SOEs in our country's economy, we first consider their impact on economic growth, total market supply, and productivity. Secondly, we assess their contribution to budget revenue. Thirdly, we examine their role in stabilizing the labor market. We developed a methodology to analyze these roles and studied the legal environment regulating the participation of state-owned enterprises in economic relations to define their economic functions accurately.

Although SOEs have a significant impact on budget revenue, the structure of taxes and fees they contribute reveals that the dividend yield from state-owned companies is relatively low. This leads to the conclusion that the return on state-owned assets or shareholder benefits is insufficient. Therefore, especially for enterprises operating in regulated markets or whose product prices depend on international markets, it is crucial to improve cost control, adopt productivity-enhancing technological upgrades, optimize structures, and control labor costs to increase profits. The management should be granted full authority to achieve economic targets, and their performance should be monitored. This approach will help increase profits and, consequently, boost the income from dividends and corporate taxes that state-owned companies contribute to the budget.

5.7.6 SOEs included in the mining sector reconciliation

“Erdenet Mining Corporation” SOE



Erdenet Mining Corporation is one of the world's largest copper mines and processing plants. It was initially established in 1978 under an intergovernmental agreement between Mongolia and Russia.

On March 21, 2019, the Mongolian government issued a decree transforming Erdenet into a state-owned enterprise and approved its charter. Additionally, the 2022 decree No. 225 integrated Erdenet and Mongolrostsvetmet SOE under the Erdenes Mongol group. In 2023, Erdenet declared and contributed MNT 415,582,045,950 in dividends to the state budget.

“Mongolrostsvetmet” SOE



Mongolrostsvetmet is involved in fluorspar mining and operates three underground mines, two open-pit mines, and processing facilities. The company processes acid and metallurgical fluorspar as well as gold.

Currently, the enterprise operates with an administrative office in Ulaanbaatar, the Bor-Undur mining and processing plant in Bor-Undur soum, Khentii province, and includes Shijir Gold LLC and Zeregtsee Gold Plant in Zaamar soum, Tuv province. The 49% stake previously owned by the Russian government was transferred to private ownership in Mongolia in 2016, and the Mongolian government now holds 100% ownership.

The Enterprise's Operations Include:

- Fluorspar ore extraction and processing
- Iron ore extraction and processing
- Gold extraction and processing
- Production of gravel, crushed stone, and sand
- Conducting geological exploration activities

Annually, the enterprise extracts 550-600 thousand tons of fluorspar ore, 2.4 million tons of iron ore, processes 320-400 thousand tons of iron ore concentrate, produces 110-120 thousand tons of fluorspar concentrate, washes 2.0 million tons of gold-bearing sand, and consistently provides jobs for over 1,550 people.

According to the Government of Mongolia's decree No. 179 dated May 1, 2024, the dividend payment for 2023 amounting to MNT 8,657.2 million was fully paid on May 8, 2024.

“Erdenes Tavantolgoi” JSC

The Erdenes Tavan Tolgoi project commenced on August 27, 2010, with the official start of mining operations. Subsequently, "Erdenes Tavan Tolgoi" JSC was established on December 23, 2010, under resolutions of the State Great Khural and the Government to conduct operational activities at the Tavan Tolgoi coal deposit.

Erdenes Tavan Tolgoi JSC Starting from 2023, Erdenes Tavan Tolgoi successfully introduced stock exchange trading and has been regularly selling the extracted coal at high prices at the border, thereby increasing the company's revenue. As a result, in 2022, the company achieved a net profit of MNT 1.3 trillion and distributed MNT 345 billion in dividends to 3.4 million shareholders of Mongolia, holding 1,072 shares each. In 2023, the company reported a net profit of MNT 3.5 trillion and distributed MNT 844 billion in dividends to the 3.4 million shareholders.

The company is implementing major infrastructure projects under the "Mining - Infrastructure - Industrial" development model, which includes railways, paved roads, a coal washing plant, projects to supply energy and water to the region, and coal loading and unloading facilities for the railway.

“Tavan Tolgoi” JSC

The mine adapted to market conditions and, by resolution No. 42 of the Government's Privatization Commission meeting on December 5, 1994, became a state-dominated joint-stock company, Tavan Tolgoi JSC. Since 1995, Tavan Tolgoi JSC has been operating as a locally owned company. The Tavan Tolgoi coal deposit is located in the Umnugovi province, approximately 270 km from the China-Mongolia border.

By the resolution No. 25 of the Board of Directors on December 26, 2022, the company's structure and organization were revised, approving 407 positions and a business plan for 2023 to extract 3 million tons of coal. By the end of the year, the company had extracted 3,573.3 thousand tons, achieving 119.1% of the planned target. Additionally, in 2023, the company sold 3.1 million tons of coal, of which 2.5 million tons were exported. Consequently, sales revenue reached MNT 1.1 trillion, and the company contributed MNT 283.5 billion in profits to the state budget.

“Baganuur” JSC

The company was founded in 1978 and became a joint-stock company in 1995. In 2012, it became a subsidiary of Erdenes Mongol LLC. Since 1999, reclamation work has been carried out on 190.5 hectares of land.

The annual production capacity is 4.0 million tons, with 3.6-3.8 million tons of coal being extracted and 16.0-18.0 million cubic meters of overburden removed annually, depending on domestic consumer demand. The extraction is conducted using a combined system with and without transportation. The company has supplied 60% of Mongolia's coal demand and over 70% of the central region's coal demand. Crushed coal (0-200 mm) is delivered to consumers by rail and other small vehicles.

Baganuur JSC's sales revenue has grown by an average of 14.7% over the past three years. In 2023, the company generated revenue of MNT 212.6 billion, incurred expenses of MNT 222.1 billion, resulting in a loss of MNT 9.5 billion. However, the planned loss was reduced by MNT

249.0 million, compared to a reduction of MNT 24.1 billion from the previous year. Additionally, 29 out of 69 tenders were successful in 2022, whereas 124 out of 156 tenders were successful in 2023.

“Darkhan Metallurgical Plant” SOE



A "Darkhan" industrial and technology park is planned to be established in Darkhan-Uul aimag, covering the areas of Darkhan and Khongor soums, focusing on metallurgical production, casting, and manufacturing of steel products. The park aims to produce pig iron, steel billets, construction rebar, angle iron, metal articles, metal structures, and spare parts for agricultural equipment. At this location, Darkhan Metallurgical Plant LLC, a subsidiary of Erdenes Mongol LLC, operates in the metallurgical sector based on the strategic iron ore deposit at Tumurtein.

In the first half of 2023, the company produced 18,589 tons of steel products, achieving 103% of its steel production plan, and produced 601,552 tons of iron ore concentrate, achieving 93.6% of its mining production plan. Additionally, savings of MNT 1.9 billion were achieved in the billet production department through raw material efficiency, resulting in a post-tax net profit of MNT 12.2 billion for the first half of the year.

In the second half of the year, the company plans to remove over 1.5 million tons of overburden and extract 940,000 tons of ore in its mining operations. In terms of steel production, the company aims to produce 14,400 tons of rolled products, process 15,408 tons of scrap metal, and produce over 15,500 billets.

“Erdenes Mongol” LLC



“Erdenes Mongol” LLC was established on February 22, 2007, to represent the state in matters related to the utilization of strategically important mineral deposits and resources in Mongolia.

As of today, the company holds 50% or more shares in the following entities: "Erdenes Tavantolgoi" JSC, "Erdenes Oyu Tolgoi" LLC, "Baganuur" JSC, "Shivee Ovoo" JSC, "Mon-Atom" LLC, "Erdenes Shivee Energy" LLC, "Erdenes Methane" LLC, and "Erdenes Asset Management" LLC. Additionally, it owns 34% of "Oyu Tolgoi" LLC's Mongolian share through its subsidiary and manages the operation and maintenance of the Tavantolgoi-Gashuunsukhait road through a public-private partnership with "Gashuun Sukhait Auto Road" LLC.

In 2023, the total equity of Erdenes Mongol Group's owners amounts to MNT 9,174,872,726,043.16.

Table 64. Equity of Erdenes Mongol LLC in 2023

Company Name	Equity
Erdenes Tavantolgoi JSC	9,125,403,455,367.0
Baganuur JSC	1,573,077,000.0
Shivee Ovoo JSC	1,207,719,100.0
Mon-Atom LLC	100,000,000.0
Darkhan Metallurgical Plant SOE	21,353,312,476.1
Khutul Cement and Lime SOE	11,945,269,000.0
Erdenes LLC	10,000,000.0
Erdenet Plant SOE	2,658,321,900.0
Mongolroostsvetmet SOE	1,226,788,000.0
Mongolian Oil Refinery SOE	9,394,783,200.0
Total	9,174,872,726,043.2

Source: “Erdenes Mongol” LLC

“Badrakh Energy” LLC

Badrakh Energy LLC is conducting detailed studies on the Zuunbayan Uranium deposit in Dornogovi province, which is considered one of the largest uranium deposits in the world by reserves. The Zuunbayan project is the most advanced project in Mongolia's uranium sector. The company employs a total of 86 employees, 96% of whom are Mongolian nationals.

In 2023, there were no changes in Badrakh Energy LLC's ownership structure. According to the Shareholder Agreement established in October 2013, 34% of the shares are owned by the state-owned Mon-Atom LLC, and 66% are held by Areva Mongolia LLC, a subsidiary of France's Orano Group.

“Bayanteeg” JSC

The Bayanteeg coal deposit is located in Narinteel soum, in the southwestern part of Uvurkhangai province, 130 km from the provincial center and 560 km from Ulaanbaatar. In September 1995, it was reorganized as "Bayanteeg" JSC according to the "Law on Enterprises" of Mongolia, with 70% of its ownership held by the local government and 30% by shareholders.

The Bayanteeg mine, established in 1962, has an annual coal production capacity of 25,000 tons. In 1978, detailed exploration upgraded the reserve to a commercial level, confirming a reserve of 29.6 million tons. The mine operates with three main departments: Administration and Economy, Primary Production, and Auxiliary Production.

“Shivee-Ovoo” JSC

The Shivee-Ovoo lignite coal deposit is located 260 km southeast of Ulaanbaatar, in the territory of Shiveegovi soum, Govi-Sumber province, near the Ulaanbaatar-Beijing international railway, at an altitude of 1180-1230 meters above sea level.

The Shivee-Ovoo coal deposit covers a total area of 29,500 hectares and has coal reserves of 2,708.7 million tons, consisting of three sections: Shine-Us, Oekhiin Tsagaan, and Nagoon Toirom. According to the Environmental Impact Assessment Law (articles 3.1.11 and 9.6) included in the 2022 Environmental Management Plan, as part of the biodiversity offset activities, the mining company contributed to the survival and reproduction of wildlife by distributing salt at five points in the Choir Bogd Mountain Special Protected Area in Govi-Sumber province. This initiative, carried out on January 6, 2023, was the fourth round of such efforts by the company's employees, showcasing their commitment to environmental conservation.

“Oyu Tolgoi” LLC

Oyu Tolgoi consists of several deposits containing copper, gold, and silver. These deposits stretch over 12 km from the northern Hugo Dummett North deposit, through the adjacent Hugo Dummett South deposit, to the Oyut deposit, and further south to the Heruga deposit. The open pit mine is located at the Southern Oyu deposit.

Oyu Tolgoi discovered three deposits and began extracting its first ore from the open pit mine in April 2012. Approximately 560 employees work in 12-hour shifts, enabling the mine to process 100,000 tons of ore daily. The Oyu Tolgoi concentrator is the largest industrial facility in Mongolia, with a capacity to process 100,000 tons of ore daily across a 255-meter-long and 144-meter-wide

area. Over 80% of Oyu Tolgoi's total assets are located underground, making it one of the world's premier copper-gold ore bodies. The average copper grade during the mine's lifespan is expected to be 1.66%.

Oyu Tolgoi plans to produce an average of 480,000 tons of copper annually during the peak period of open-pit and underground mining from 2028 to 2036. By 2030, it is projected to become the world's fourth-largest copper mine.

“Mogoiingol” JSC



The “Mogoiingol” coal deposit, located about 20 km south of the center of Tsetserleg soum in Khuvsgul province, was discovered as a result of extensive geological exploration carried out by the provincial geological survey team in 1967 and 1970. In 1967, topographical geodetic mapping at a scale of 1:5000 was conducted at Burkheertolgoi and Mogoiindymb, and detailed exploration work began in 1968. The Mogoiingol mine covers 174 hectares and is estimated to have a coal reserve of 11.4 million tons. In 2012, exploration on 85 hectares of this area confirmed a reserve of 10.2 million tons, and a mining license was obtained.

The mine's technical and economic feasibility study (TEFS) is approved for removing 2.5-3 million cubic meters of overburden and producing 250,000 tons of coal annually. In 2022, the mine removed 1.2 million cubic meters of overburden and produced 115,000 tons of thermal and coking coal for the market. For 2023, the plan includes removing 2.9 million cubic meters of overburden and producing 250,000 tons of coal.

5.7.7 Financial relations between the government and SOEs

5.7.7.1 Main regulations governing financial relations between the government and SOEs

The relations between the government and SOEs are regulated by the Law on State and Local Property and the regulations for implementing state property attached to the law. Unless specifically provided otherwise in this law, the relations between the government and SOEs are regulated by the Company Law and the respective company charters of these state-owned enterprises.

According to Article 21.15 of the Law on State and Local Property, the government member responsible for finance and budget matters supervises the financial performance of all state-owned and state-involved legal entities, their impact on the financial and cash flow operations of budgetary institutions, and their work results.

Article 21.16 states that state-owned and state-dominated legal entities may borrow and issue securities based on permission from the central government administrative body responsible for finance and budget matters. However, this does not apply to short-term loans and securities that must be repaid within the financial year.

Article 21.13 of the Law on State and Local Property specifies that the shareholder of state-owned shares will submit a proposal in writing to the board of directors to determine the percentage of dividends to be distributed by state-owned and state-involved legal entities. Meanwhile, Article 46.1 of the Company Law states that unless otherwise provided in the company charter, the board of directors will decide whether to distribute dividends and specify the amount of dividends per share, the record date for shareholders entitled to receive dividends, and the dividend distribution date.

Article 9 of the Law on State and Local Property states that the government is responsible for the integrity of state property before the State Great Khural (Parliament) and has the following powers:

- 1/ Organize the implementation of state policy and legislation regarding state property;
- 2/ Determine the extent and limitations of possessing, using, and disposing of state property allocated to state-owned legal entities, in compliance with this law;
- 3/ Make decisions on selling or transferring state-owned immovable property outside of privatization;
- 4/ Approve the list of entities and properties to be privatized;
- 5/ Make decisions on establishing, changing, or dissolving state-owned legal entities and approving their charters, unless otherwise provided by law;
- 6/ Review and decide on proposals from state-owned and state-involved legal entities regarding the establishment of legal entities, investment, and withdrawal of investments made from state-owned assets, in collaboration with other property entities;
- 7/ Issue decisions on expropriating private property for state ownership, prepare proposals and projects for nationalization, and submit them to the State Great Khural for approval, as required by law;
- 8/ Submit the results of the unified inventory of state property and the budget execution report to the State Great Khural and implement the resulting decisions;
- 9/ Determine and amend the allocation of state-owned legal entities' interactions with the state and local budgets;
- 10/ Approve the privatization program of the state-owned portion of state-owned and state-involved banks and the methodology for evaluating state-owned assets in banks, in consultation with the Bank of Mongolia;
- 11/ Additional functions as mandated by law.

Based on these legal provisions, the government enacts resolutions to oversee the financial interactions of SOEs.

5.7.7.2 Accumulated profits and dividends

The dividend policy of SOEs is regulated by various legal frameworks depending on their relevant status.

According to Article 11.3 of the Law on State and Local Property, the Agency for State Property Policy Coordination establishes the plans and profit distributions that SOEs must follow in agreement with the relevant organizations.

Article 46.1 of the Company Law states that unless otherwise specified in the company's charter, the board of directors (or the shareholders' meeting, if there is no board) will decide whether to distribute dividends. This decision includes the amount of profit per share, the record date for shareholders entitled to dividends, and the payment date for dividends.

According to the Company Law, after paying dividends, a company must remain solvent and its total assets must exceed the sum of its paid-in capital, unpaid dividends on preferred shares, and the redemption price of any securities it is obligated to repurchase. Only when these conditions are met can dividends be distributed to common shareholders.

5.7.7.3 Loans and loan guarantees

According to Article 7.2 of the Banking Law, bank shareholders, the chairman and members of the board of directors, executive management, the audit committee, and employees are

prohibited from disclosing, providing, or using any information deemed confidential by the bank, its customers, or third parties, except as provided in Articles 7.2.1-7.2.11. There is no provision for making such information transparent for the purpose of EITI reporting.

The audited financial reports for 2023 of Oyu Tolgoi LLC, Badrakh Energy LLC, and Tavantolgoi JSC are not available on the transparent accounts system. However, loan information for other SOEs is taken from the audited reports on the transparent accounts system and presented in the table.

Table 65. Debt and loan amounts paid by SOEs in 2023, Million MNT

SOEs	Loan Type	December 31, 2022	December 31, 2023
Baganuur	Short-term debt	164,935.2	130,379.9
	Long-term	56,666.6	112,540.6
	Total debt	221,601.9	242,920.5
Mongolrostsvetmet	Short-term debt	163,686.0	262,857.3
	Long-term	-	364,603.6
	Total debt	163,686.0	263,221.9
Erdenes Mongol	Short-term debt	12,039.8	114,623.1
	Long-term	977,610.5	921,303.4
	Total debt	989,650.4	1,035,926.6
Erdenes Tavantolgoi	Short-term debt	2,523,300.5	2,868,935.7
	Long-term	1,402,982.1	943,499.2
	Total debt	3,926,282.6	3,812,434.9
Erdenet Uildwer	Short-term debt	681,079.5	710,269.9
	Long-term	352,973.4	337,415.2
	Total debt	1,034,052.9	1,047,685.1
Shivee-Ovoo	Short-term debt	57,998.7	77,401.1
	Long-term	95,730.0	91,350.0
	Total debt	153,728.8	168,751.2
Bayanteeg	Short-term debt	356,233.6	1,605,565.3
	Long-term	771,440.9	771,440.9
	Total debt	1,217,674.5	2,377,006.2
Mogoingol	Short-term debt	940,661.5	5,179,369.9
	Long-term	793,230.9	789,830.9
	Total debt	1,733,892.5	5,969,200.8
Darkhan Metallurgical Plant	Short-term debt	624,120.5	655,736.7
	Long-term	181,681.5	192,694.2
	Total debt	805,802.1	848,430.9

Source: <https://bitly.cx/sbl0d>

5.7.8 Transactions between SOEs (Requirement 4.5)

According to Requirement 4.5 of the EITI Standard, material payments made by extractive companies to SOEs, payments from SOEs to government agencies, and payments between government agencies and SOEs must be disclosed.

Additionally, under Article 6.4.5 of the Law on Shilen dans, income and expenditure transactions above 5 million MNT, excluding salary expenses, must be made transparent. The following table includes the links to the disclosed transactions. Information on Badrakh Energy LLC, Tavantolgoi JSC, and Oyu Tolgoi LLC is not available.

Table 66. Transactions between SOEs (Requirement 4.5)

No	Enterprise name	Whether transactions between SOEs have	Link to the transparent transactions between SOEs
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		been made transparent	
1	Baganuur	Yes	https://shilendans.gov.mn/organization/24450?ry=2023&group=5
2	Mongolrostsvetmet	Yes	https://shilendans.gov.mn/organization/27094?ry=2023
3	Shivee-Ovoo	Yes	https://shilendans.gov.mn/organization/32262?ry=2023
4	Erdenes Mongol	Yes	https://shilendans.gov.mn/organization/25597?ry=2023
5	Erdenes Tavantolgoi	Yes	https://shilendans.gov.mn/organization/53339?ry=2023
6	Erdenet Plant	Yes	https://shilendans.gov.mn/organization/38753?ry=2023
7	Tavantolgoi	No	https://shilendans.gov.mn/organization/61990?ry=2023
8	Mogoiingol	Yes	https://shilendans.gov.mn/organization/33592?ry=2023
9	Darkhan Metallurgical Plant	Yes	https://shilendans.gov.mn/organization/27756?ry=2023
10	Bayanteeg	Yes	https://shilendans.gov.mn/organization/27756?ry=2023

Source: <https://shilendans.gov.mn/organization>

5.7.9 Disclosure of financial statements by SOEs (Requirement 2.6.b)

According to EITI requirement 2.6 b, enterprises must disclose their financial statements. The following table shows whether the SOEs included in the consolidation report have had their financial statements audited and made transparent.

Table 67. Transparency of SOEs' financial statements

Name of SOEs	Whether the SOEs prepared their financial statements or not	Financial statements audited	Prepared according to international accounting standards	Audited according to international standards	Publicly disclosed financial statements
Baganuur	Yes	Yes	Yes	Yes	Yes
Mongolrostsvetmet	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 Plant	Yes	Yes	Yes	Yes	Yes
Tavantolgoi	-	-	-	-	-
Darkhan Metallurgical Plant	Yes	-	-	-	Yes
Oyu Tolgoi	Yes	Yes	Yes	Yes	-
Badrakh Energy	Yes	Yes	Yes	Yes	-
Bayanteeg	Yes	-	-	-	Yes
Mogoiingol	Yes	Yes	Yes	Yes	Yes

Source: SOEs

5.7.10 Financial statements of SOEs

State auditing adheres to principles such as the rule of law, independence, impartiality, fairness, full access to information, transparency, and conformity with international standards for state auditing. According to EITI Standard Requirement 2.6b, SOEs are required to publicly disclose their audited financial statements or, if unavailable, key financial indicators.

Out of the 12 SOEs included in the consolidation, 9 have made their financial statements transparent on the “Shilen Dans” system and their own websites. The following table lists these enterprises.

Table 68. Financial transparency of SOEs

Enterprise name	Disclosed on "Shilen Dans"	Link to disclosed financial statements	Disclosed on company website	Link to disclosed financial statements on website
Baganuur	Yes	https://bitly.cx/SwTsu	Yes	https://bitly.cx/27WV
Mongolrostsvetmet	Yes	https://bitly.cx/m9AME	No	-
Shivee-Ovoo	Yes	https://bitly.cx/sZWDs	Yes	https://bitly.cx/zqAN
Erdenes Mongol	Yes	https://bitly.cx/Om5Mg	Yes	https://bitly.cx/aJGA
Erdenes Tavantolgoi	Yes	https://bitly.cx/MuW4y	Yes	https://bitly.cx/5T6S7
Erdenet Plant	Yes	https://bitly.cx/9KWt	Yes	https://bitly.cx/hTIX4
Bayanteeg	Yes	https://bitly.cx/Enfh	No	-
Mogoingol	Yes	https://bitly.cx/FZaM	Yes	https://bitly.cx/AgS
Darkhan Metallurgical plant	Yes	https://bitly.cx/oneZn	Yes	https://bitly.cx/SGKF

Source: <https://shilendans.gov.mn/organization>

5.7.11 Audit report of the state-owned enterprises

5.7.11.1 Laws, Regulations, and Procedures for making the audit reports of state-owned enterprises transparent

The Law on State Audit requires that audit reports be made transparent through their website. The main goal is to ensure that the planning, allocation, use, and expenditure of state finances, budgets, and public property are legal, economical, efficient, and effective. Additionally, it aims to improve public financial management and support sustainable economic development. The following changes were made to the Law on State Audit in 2023.

Table 69. Changes made to the law on state audit in 2023

Additional change	Date	Contents
Amendments to the Law on State Audit	June 16, 2023	Article 1. Amend the word "appointed" in Section 17.1 of Article 17 of the Law on State Audit to "selected through a competitive process."
	July 7, 2023	Article 2. Amend the phrase "disabled" in Clause 41.2.2 of Article 41 of the Law on State Audit to "lost working capacity." Article 3. Add the following sections and clauses with the content specified below to the Law on State Audit: "8.8. The audit report on the execution of the unified budget shall include the audit results on the implementation of the National Development Plan for the year, compared with the performance indicators set by the Chief Budget Manager." "11.3.4. Suggestions received from citizens and the public during the period of public consultation on the audit topics of the state audit organization." ""20.5. The audited entity and other related officials shall submit an action plan for the implementation of the recommendations specified in Article 20.2 of this law to the state audit organization within 30 days of receiving the audit report." "37.6. The basis and explanation for whether the suggestions specified in Article 11.3.4 of this law were incorporated into the audit topics shall be made publicly available on the website of the state audit organization."

Additional change	Date	Contents
		Article 2. In Clause 6.3.2 of Article 6 of the Law on State Audit, add ", Government" after "State Great Khural," add ", failure to submit the plan specified in Article 20.5 of this law" after "rejected" in Section 42.2, and add ", dismissal from office" after "imposed" in Section 42.3.
		Article 3. In Clause 6.3.2 of Article 6 of the Law on State Audit, change "submitted" before "annual budget project of Mongolia" to "submitted and to be submitted," change "audit report" to "audit report and implementation of recommendations" in Section 37.2 of Article 37, and change "impose" to "impose and dismiss from office" in Section 42.4 of Article 42.

Source: <https://legalinfo.mn/mn>

5.7.11.2 Practical implementation of laws, rules, and regulations for making SOEs' reports transparent

The National Audit Office's website has not featured any SOE audit reports since 2019. Out of the 12 SOEs included in the summary, 9 have uploaded their audit reports on the "Shilen Dans" e-portal.

Table 70. Transparency of SOE audit reports

Enterprise Name	Transparency on national audit office website	Transparency on "Shilen Dans" portal	Transparency link
Baganuur	No	Yes	https://shilendans.gov.mn/organization/24450?ry=2023&rfor=179115&rf=1825&rm=12
Mongolrostsve tmet	No	Yes	https://shilendans.gov.mn/organization/27094?ry=2023&rfor=63241&rf=1825&rm=12
Shivee-Ovoo	No	Yes	https://shilendans.gov.mn/organization/32262?ry=2023&rfor=21851&rf=1825&rm=12
Erdenes Mongol	No	Yes	https://shilendans.gov.mn/organization/25597?ry=2023&rfor=148915&rf=1825&rm=12
Erdenes Tavan Tolgoi	No	Yes	https://shilendans.gov.mn/organization/53339?ry=2023&rfor=103468&rf=1825&rm=12
Erdenet Mining Corporation	No	Yes	https://shilendans.gov.mn/organization/38753?ry=2023&rfor=69414&rf=1825&rm=12
Bayanteeg	No	Yes	https://shilendans.gov.mn/organization/65653?ry=2023&rfor=184721&rf=1825&rm=12
Mogoingol	No	Yes	https://shilendans.gov.mn/organization/33592?ry=2023&rfor=243124&rf=1825&rm=12
Darkhan Metallurgical Plant	No	Yes	https://shilendans.gov.mn/organization/27756?ry=2023&rfor=81516&rf=1825&rm=12

Source: <https://audit.mn/>, <https://shilendans.gov.mn/organization>

5.7.12 SOE operational activities, capital expenditures, procurement, subcontractors, and company governance-related rules and practical operations (Requirement 2.6.c)

5.7.12.1 Operations of SOEs

Article 16.1 of the Company Law states that the company charter is the fundamental document for establishing a company. The charter must include the following:

- The full and abbreviated name of the company and its form, including its distinguishing marks;
- The number of authorized and issued shares, their types, par value, and the amount of contributed capital;
- The number of preferred shares if declared by the charter, and the rights of the preferred shareholders;
- The number of board members, if the establishment of a board of directors is decided;
- Additional powers of the shareholders' meeting and the board of directors as determined by this law;
- The company's operational directions;
- Other provisions required by this law to be included in the charter.

Additionally, a clause regarding the establishment of a "Senior Citizens' Fund" and determining its monetary amount was added by the law dated June 5, 2024, and it will come into effect on January 1, 2025.

Out of the 12 SOEs included in the reconciliation, 6 have made their internal regulations publicly available on their websites.

Table 71. Transparency of SOE internal regulations

Enterprise name	Transparency of enterprise charter	Transparency link
Baganuur	Yes	http://baganuurmine.mn/%D1%91%D1%81-%D0%B7%D2%AF%D0%B9%D0%BD-%D0%B4%D2%AF%D1%80%D1%8D%D0%BC/
Mongolrostsvetmet	Yes	https://www.mongolros.mn/a/11
Shivee-Ovoo	Yes	https://shivee-ovoo.mn/kompaniindurem/476-kompaniyn-drem.html
Erdenes Tavan Tolgoi	Yes	https://ett.mn/mn/file-viewer/5867
Erdenet Mining Corporation	Yes	https://www.erdenetmc.mn/transparency/code-of-ethics
Tavan Tolgoi	Yes	https://www.tavantolgoi.mn/rules-and-regulations

5.7.12.2 Rules and practical operations related to the management of SOE expenditure (operational/running and investment costs)

The management of SOE expenditure is governed by the Glass Accounts Law, the regulation on the content and general standards of information to be posted on the Glass Accounts e-portal, and the Law on Public Information Transparency. Article 4 of the regulation on the content and general standards of information to be posted on the Glass Accounts e-portal specifies the information that state-owned legal entities, enterprises, and companies with a controlling interest owned by the state, local authorities, or entities with shared interests must provide. This regulation was updated by Resolution No. 29 in 2016.

Table 72. Amendments and changes in laws and regulations related to the transparency of SOE procurement

Additional change	Date	Content
Amendments to the "Shilen Dans" Law	July 7, 2023	<p>Clause 3.1.6 of Article 1.3: "3.1.6. Political parties and coalitions receiving state funding."</p> <p>Article 2.6, Clause 6.11: According to Article 27 of the Law on Political Parties, political parties and coalitions receiving state funding must annually prepare and publish their budget costs, expenses, funding information, and reports on their websites and the unified Glass Accounts e-portal, following the procedures established by the central election authority, unless otherwise specified by law.</p>
Regulation on the Content and General Standards of Information to Be Posted on the "Shilen Dans" E-Portal	January 11, 2016	<p>1. The regulation "On Establishing the Content and General Standards of Information to Be Posted on the Shilen Dans's E-Portal" shall be revised as per the attached document.</p> <p>2. The implementation of this regulation shall be the responsibility of the chief budget governors, budgetary organizations, state and local government-owned companies, state-owned enterprises, companies with a controlling interest owned by the state, local authorities, or entities with shared interests, as well as enterprises and organizations carrying out investments, projects, programs, activities, work, and services funded by state and local budgets, and contractors performing public functions based on laws and contracts.</p>
The Law on Public Information Transparency	<p>July 7, 2023</p> <p>January 12, 2024</p>	<p>Article 1. To add the following after the word "project" in Article 8.4.1 of the Law on Public Information Transparency: ", the annual budget proposal of the chief budget governor stipulated in Article 8.4.3 of the Budget Law, the information specified in Article 54.5.4 of the Budget Law"; To add the following after the word "investment" in Article 8.4.15: "the code for each investment program and measure"; To add the following after the phrase "This Law" in Article 8.7: "to the chief budget governors as stipulated in Article 8.4.1".</p> <p>Article 1. To add the phrase "studied and" before "studying" in Article 8.6.21 of the Law on Public Information Transparency; To add ", or electronically" after the phrase "in writing" in Article 13.2; Similarly, in Article 9.9, Article 13.4 of the same law.</p> <p>Article 2. To amend Article 8.6.11 of the Law on Public Information Transparency as follows: 8.6.11. The composition and conclusions of the commission for the acceptance of buildings and structures into operation.</p> <p>Article 3. To amend the phrase "on their websites" in Article 8.9 to: Ensuring completeness and accuracy on their websites and in the open information system"; Similarly, to amend the phrase "on their websites" in Article 8.10 to: "on their websites and in the open information system"; To amend the phrase "orally or in writing" in Article 13.2 to: "orally, in writing, or electronically"; To amend the phrase "shall identify" in Article 19.1 to: Shall identify and verify. Information verified through this system shall not be required in paper form from individuals or legal entities, and the information manager shall collect it electronically if necessary.</p> <p>Article 4. To consider Article 13.3 of the Law on Public Information Transparency null and void.</p>
	June 5, 2024	<p>Article 1. To add the following sections, with the content below, to the Law on Public Information Transparency: "29.4. Before creating a public information system, the information manager must prepare and submit a technical and economic feasibility study for systems that fall under the classification specified in Article 29.5 of this law.</p>

Additional change	Date	Content
		29.5. The classification of public information systems that require a technical and economic feasibility study shall be jointly determined by the members of the Government responsible for digital development, communications, finance, and budget issues.” Article 2. To add the following phrase before "creating a public information system" in Article 29.1 of the Law on Public Information Transparency: "except as specified in Article 29.4 of this law”.

Source: <https://legalinfo.mn/mn>

5.7.12.3 Practical operations of SOE expenditure management

Out of the 12 State-Owned Enterprises included in the reconciliation report, 9 have transparently disclosed their expenditure on the “Shilen Dans” e-portal for public access.

Table 73. Transparency on Shilen dans portal

Enterprise Name	Transparency on Shilen Dans portal	Financial report transparency link
Baganuur	Yes	https://shilendans.gov.mn/organization/24450?ry=2023&rfor=207931&rf=1310&rm=1
Mongolrostsvetmet	Yes	https://shilendans.gov.mn/organization/27094?ry=2023&rfor=63286&rf=1310&rm=1
Shivee-Ovoo	Yes	https://shilendans.gov.mn/organization/32262?ry=2023&rfor=23716&rf=1310&rm=1
Erdenes Mongol	Yes	https://shilendans.gov.mn/organization/25597?ry=2023&rfor=149052&rf=1310&rm=1
Erdenes Tavan Tolgoi	Yes	https://shilendans.gov.mn/organization/53339?ry=2023&rfor=103478&rf=1310&rm=1
Erdenet Mining Corporation	Yes	https://shilendans.gov.mn/organization/38753?ry=2023&rfor=74596&rf=1310&rm=1
MogoinGol	Yes	https://shilendans.gov.mn/organization/33592?ry=2023&rfor=243133&rf=1310&rm=1
Darkhan Metallurgical Plant	Yes	https://shilendans.gov.mn/organization/27756?ry=2023&rfor=83248&rf=1310&rm=1
Bayanteeg	Yes	https://shilendans.gov.mn/organization/65653?ry=2023&rfor=242163&rf=1310&rm=1

Source: <https://shilendans.gov.mn/organization>

5.7.12.4 Rules and practical operations related to SOE procurement

SOEs conduct procurement in accordance with the law governing the procurement of goods, works, and services using state and local government funds. In compliance with this law, SOEs establish and enforce internal procurement regulations. According to the Shilen dans law, the following information must be made publicly available:

- Procurement plans (as per Article 6.1.1 of the law)
- Procurement reports (as per Articles 6.1.1 and 6.1.2 of the law)
- Audit reports, conclusions, and other inspection results related to procurement activities (whenever available)
- General information about tenders included in capital and operational expenditure measures (as per Articles 6.3.6, 6.4.3, and 6.8.2 of the law)

Table 74. Procurement transparency

Enterprise name	Transparency on Shilen Dans portal				Transparency link
	1	2	3	4	
Baganuur	+	+	+	+	https://shilendans.gov.mn/organization/24450?ry=2023&rfo r=207931&rf=1310&rm=1
Mongolrostsvetmet	+	+	+	+	https://shilendans.gov.mn/organization/27094?ry=2023&rfo r=63286&rf=1310&rm=1
Shivee-Ovoo	+	+	+	+	https://shilendans.gov.mn/organization/32262?ry=2023&rfo r=23716&rf=1310&rm=1
Erdenes Mongol	+	+	+	+	https://shilendans.gov.mn/organization/25597?ry=2023&rfo r=149052&rf=1310&rm=1
Erdenes Tavan Tolgoi	+	+	+	+	https://shilendans.gov.mn/organization/53339?ry=2023&rfo r=103478&rf=1310&rm=1
Erdenet Mining Corporation	+	+	+	+	https://shilendans.gov.mn/organization/38753?ry=2023&rfo r=74596&rf=1310&rm=1
Tavantolgoi	+	+	-	+	https://shilendans.gov.mn/organization/61990?ry=2023
Darkhan Metallurgical Plant	+	+	+	+	https://shilendans.gov.mn/organization/27756?ry=2023&rfo r=83248&rf=1310&rm=1
Mogoiingol	+	+	+	+	https://shilendans.gov.mn/organization/33592?ry=2023&rfo r=243133&rf=1310&rm=1
Bayanteeg	+	+	+	+	https://shilendans.gov.mn/organization/65653?ry=2023&rfo r=242163&rf=1310&rm=1

Source: <https://shilendans.gov.mn/organization>

5.7.12.5 Rules and practical operations related to SOE subcontractor agreements

There is no specific legal regulation for agreements with subcontractors in SOEs. In 2023, Erdenes Tavan Tolgoi JSC transparently reported its subcontractor agreements, and information about subcontractors for all companies can be found in Appendix 27 of the report.

5.7.13 Rules and practical operations related to company governance

5.7.13.1 Rules and practical operations for appointing the composition of the board of directors

Article 75 of the Company Law stipulates that the number of board members shall be determined by the company's charter. Joint-stock companies and state-owned companies must have a Board of Directors with nine or more members, with at least one-third of them being independent members. Article 77 of the Company Law addresses issues related to the election of the board, and the termination of their powers before the end of their term. The board members are elected at the shareholders' meeting. The chairperson of the Board of Directors is elected by a majority vote from among the board members. The secretary of the Board of Directors is appointed by the board based on the recommendation of the chairperson.

For limited liability companies, the Board of Directors can establish permanent or temporary committees focused on specific issues if deemed necessary. The Board of Directors of a joint-stock company includes audit, compensation, and nomination committees. Out of the 12 SOEs included in the consolidation, six companies—such as Baganuur JSC, Badrakh Energy LLC, Mogoiingol JSC, Erdenes Tavantolgoi LLC, Oyu Tolgoi LLC, and Erdenes Mongol LLC—have reported their board members' information through the electronic reporting system, as shown in Appendix 18.

5.7.14 Payments similar to budget expenditures

According to the requirements of the EITI standard, payments similar to budget expenditures by state-owned enterprises include recognized social investments such as social services, public infrastructure, fuel subsidies, government debt repayments, and other expenditures outside the state budget. These expenses can be viewed on the Shilen Dans website, with the relevant link included in the table below.

Table 75. SOE Shilen Dans information

Enterprise Name	Relevant Link
Baganuur	https://shilendans.gov.mn/organization/24450?ry=2023&rfor=207931&rf=1310&rm=1
Mongolrostsvetmet	https://shilendans.gov.mn/organization/27094?ry=2023&rfor=63286&rf=1310&rm=1
Shivee-Ovoo	https://shilendans.gov.mn/organization/32262?ry=2023&rfor=23716&rf=1310&rm=1
Erdenes Mongol	https://shilendans.gov.mn/organization/25597?ry=2023&rfor=149052&rf=1310&rm=1
Erdenes Tavantolgoi	https://shilendans.gov.mn/organization/53339?ry=2023&rfor=103478&rf=1310&rm=1
Erdenet Factory	https://shilendans.gov.mn/organization/38753?ry=2023&rfor=74596&rf=1310&rm=1
Darkhan Metallurgical Plant	https://shilendans.gov.mn/organization/27756?ry=2023&rfor=83248&rf=1310&rm=1
Bayanteeg	https://shilendans.gov.mn/organization/65653?ry=2023&rfor=242163&rf=1310&rm=1
Mogoingol	https://shilendans.gov.mn/organization/33592?ry=2023&rfor=243133&rf=1310&rm=1

5.8 Budget process and revenue allocation

5.8.1 Revenue allocation in the extractive sector

According to the Ministry of Finance, there were no legislative changes in the extractive sector within the accompanying laws submitted alongside the 2023 State Budget Law and the amendments and additions to this law. In 2023, 675.9 billion MNT of revenue was accumulated in the stabilization fund as stipulated in Article 16.2 of the Fiscal Stability Law. (Requirement 5.2)

In 2023, the total loans granted in the extractive sector amounted to 84,662.7 million MNT for public institutions and 4,295,429.8 million MNT for private institutions. This represents a 44.1% decrease in loans for public institutions and a 39.1% increase in loans for private institutions compared to the previous year.

Table 76. Changes in loans for the extraction sector, in million MNT

Indicator	Public Institution		Private Institution	
	2022	2023	2022	2023
Total New Loans Granted				
Mining and Extraction	133,458.4	54,483.4	970,009.6	1,701,045.0
Manufacturing Industry	525.6	1,924.9	1,541,736.2	2,442,236.0
Electricity, Gas, Steam, and Air Conditioning Supply	13,728.4	25,107.4	87,553.6	144,849.6
Water Supply; Sewerage, Waste Management, and Remediation Activities	3,778.8	3,147.0	15,289.7	7,299.2
Total	151,491.2	84,662.7	2,614,589.1	4,295,429.8

New loans granted in MNT				
Mining and Extraction	99,261.7	33,408.2	880,521.8	1,446,294.0
Manufacturing Industry	525.6	1,924.9	1,425,696.5	2,295,270.1
Electricity, Gas, Steam, and Air Conditioning Supply	13,728.4	25,107.4	86,099.0	88,991.2
Water Supply; Sewerage, Waste Management, and Remediation Activities	3,778.8	3,147.0	12,837.2	5,665.4
Total	117,294.5	63,587.5	2,405,154.5	3,836,220.7

Source: Statistics from the Bank of Mongolia

When recording revenue from the extractive sector in the state budget financial report, the Ministry of Finance adheres to international public sector accounting standards as follows:

- Debit: Cash Credit: Revenue from Mineral Resources Royalty;
- For revenue in transit: Debit: Cash in Transit Credit: Revenue from Mineral Resources Royalty;

5.8.2 Cases of non-allocation of revenue from the extractive sector to the state budget (Requirement 5)

5.8.2.1 Local transfers

The Local Development Fund is a budget that is allocated based on the citizens' decisions. This fund has the advantage of enabling administrative units to finance their investment programs and independent functions based on their own needs.

The source of the Integrated Local Development Fund (ILDF) consists of a certain percentage of budget revenues such as domestic VAT, revenue from oil reserves utilization fees, revenue from mineral resources utilization fees, fees for mineral exploration licenses, and fees for mineral exploitation licenses.

Table 77. The approved allocation for regional development funds in the 2023 budget of Mongolia, in million MNT

Province	Revenue transfer from ildf to ldf		Revenue transfer from state budget to ldf		Incentives from international organizations to soums' ldf	Total revenue transfers to the province and capital city ldf
	70% of general social responsibility revenue	10% mineral resources royalty	100% of mineral exploration license	50% of mineral exploitation license		Total
1 Arkhangai	498.5	9,604.8	8.5	124.6	504.1	10,740.4
2 Bayan-Ulgii	472.0	9,095.1	168.8	162.0	175.8	10,073.8
3 Bayankhongor	647.2	12,469.8	194.7	1,136.4	957.2	15,405.3
4 Bulgan	425.4	8,197.2	74.0	417.3	255.1	9,369.0
5 Govi-Altai	676.1	13,027	525.8	706.5	187.4	15,122.9
6 Dornogovi	3,456.1	19,192.6	1,229.2	1,973.5	1,018.8	26,870.3
7 Dornod	3,479.5	15,387.6	410.0	570.4	1,652.0	21,499.5
8 Dundgovi	475.4	9,159.2	527.7	1,067.7	645.4	11,875.4
9 Zavkhan	530.0	13,539.4	126.4	231.9	615.3	15,043.1
10 Uvurkhangai	544.3	10,487.8	44.7	182.0	907.5	12,166.4

11	Umnugovi	836.2	24,056.8	424.5	2,691.8	676.0	28,685.2
12	Sukhbaatar	523.3	15,245.8	193.1	385.0	806.6	17,153.8
13	Selenge	463.2	18,290.1	41.6	431.2	1,102.7	20,328.8
14	Tuv	541.7	17,776.5	80.1	1,112.9	1,160.1	20,671.3
15	Uvs	514.2	9,907.8	331.8	177.6	392.7	11,324.0
16	Khovd	528.5	17,685.0	252.7	136.5	652.8	19,255.4
17	Khuvsgul	659.4	12,704.4	0.0	62.2	977.4	14,403.3
18	Khentii	539.8	10,401.7	319.1	454.1	736.4	12,451.2
19	Darkhan-Uul	372.6	12,243.7	1.7	67.0	788.3	13,473.2
20	Ulaanbaatar	2,037.1	39,250.4	0.0	37.6	0.0	41,325.1
21	Orkhon	376.7	15,203.3	0.0	107.4	1,283.0	16,970.4
22	Govisumber	253.7	4,888.2	12.4	141.5	435.7	5,731.5
Total		18,850.7	317,814.3	4,966.7	12,377.1	15,930.5	369,939.3

Source: Ministry of Finance

According to the Ministry of Finance, the budget for 2023 was approved for the following 15 provinces, and financial support was provided.

Table 78. The total amount of financial support allocated to provinces in the 2023 budget of Mongolia, in million MNT

No	Jurisdiction	Financial Support
1	Arkhangai	21,098.6
2	Bayan-Ulgii	12,789.5
3	Bayankhongor	23,195.8
4	Bulgan	10,922.9
5	Govi-Altai	18,485.8
6	Dundgovi	16,965.5
7	Zavkhan	23,254.7
8	Uvurkhangai	21,597.4
9	Sukhbaatar	9,769.4
10	Tuv	12,069.1
11	Uvs	20,498.1
12	Khovd	12,290.4
13	Khuvsgul	26,775.5
14	Khentii	25,201.7
15	Govisumber	2,378.2
Total		257,292.6

Source: Ministry of Finance

5.8.3 Revenue management and expenditure

5.8.3.1 Contribution of the extractive sector to budget revenue

In accordance with the requirements of the Extractive Industries Transparency Initiative standards 4.1 and 4.7, which mandate comprehensive transparency in the taxes and revenues received from the extractive industries and their disaggregation by project, the General Department of Taxation has provided a comparison of the state budget's planned and actual revenues for the reporting year. According to the budget plan for the reporting year, the total state budget revenue was projected at 7,327,043.5 million MNT. However, the actual revenue collected was 69.4% of the plan, amounting to 5,087,876.7 million MNT.

Table 79. Comparison of plan and performance

State Budget	Budget plan for the reporting year	Actual performance
Corporate income tax	2,253,436,728,626.2	3,006,668,660,731.1
Vat withheld on domestic goods and services	1,805,410,000,000.0	2,011,385,392,466.1
Mineral resources royalty	3,217,796,816,748.1	4,448,336,403,739.9

Air pollution fee	50,400,000,000.0	69,822,697,216.7
Total	7,327,043,545,374.3	5,087,876,750,413.8

Source: Ministry of Finance

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

According to information from the Ministry of Finance, the budget approved for 2023 accounted for the price of refined copper on the international market at \$8,670 per ton and the price of coal at an average of \$140.0 per ton. The balanced price of copper was estimated at \$8,386.7, and the balanced price of coal was estimated at \$110.8. Additionally, no subsidies were provided to the state-owned companies operating in the extractive sector. Information on changes in sectoral loans can be accessed on the Bank of Mongolia’s website, <https://stat.mongolbank.mn/>

Furthermore, no expenditures were made from the Future Heritage Fund during the reporting year.

5.8.3.3 Development trends in the mining sector

According to GlobalData analytics, a total of 511 transactions valued at \$29,393 million were conducted in the mining sector between January 1, 2023, and December 15, 2023. Of these transactions, 235 were for gold, 163 for copper, 67 for silver, and 46 for other deals.

The 2023 evaluation of mining sector trends indicated that as the world transitions away from coal and towards renewable energy, supply costs have increased, and the sector is grappling with changes in demand.

Inflation has driven up the prices of essential goods and services, such as fuel, energy, maintenance, and explosives. Meanwhile, metals used in batteries are part of a growing market, with the clean energy transition bringing new technology and sustainability expectations.

One example of the shifting priorities within the sector was the highest-valued deal of 2023, in which Coolabah Metal acquired full ownership of the Cannington project in Australia. Coolabah Metal, an Australia-based mineral exploration company focusing on copper, gold, and base metal assets, purchased the project from Thomson Resources for \$19,994.7 million on March 15.

In the first half of 2023, Mongolia’s gross domestic product (GDP) reached 30.5 trillion MNT, an increase of 7.1 trillion MNT (30.6%) compared to the same period last year. The main drivers of this growth were the mining sector, whose value added reached 3.7 trillion MNT, an increase of 69.4%, and the services sector, which increased by 2.3 trillion MNT, an increase of 24.0%.

The Government of Mongolia is actively seeking foreign investment to maximize the exploitation of its abundant natural resources and mineral reserves. As shown in the diagram below, 79.4% of foreign direct investment is allocated to the mining sector, with the remaining investment distributed across trade, food, banking, financial institutions, and other sectors.

The revised strategy for the mining sector maintains the core elements of the previous strategy (such as its focus on sustainability and EHS standards) while also addressing the need to develop a wider range of minerals, particularly supporting early-stage exploration, further promoting decarbonization and digitalization of the sector, and emphasizing the creation of a more resilient supply chain and a diverse, skilled workforce.

Strategic priorities for 2024-2028

- Selectively support the exploration and production of metals and minerals (both primary and secondary) necessary for the green energy transition, digital economy, and overall economic development.
- Support decarbonization of mining operations through cleaner energy sources, innovation, digitalization, skill development, and resource efficiency.
- Assist mining companies in improving their environmental, social, inclusivity, and governance practices.
- Provide governments with assistance to improve legislation and the business environment to promote the implementation of best practices in the sector.

Positions of leading countries in the mineral resources sector

Countries with significant influence in the global mining sector typically have rich geological deposits and mining-friendly governments. Leading countries in mining include Australia, Chile, China, Russia, Canada, Brazil, the Democratic Republic of the Congo (DRC), South Africa, and the United States. However, many countries face challenges such as political instability, corruption, excessive taxation, inadequate infrastructure, and environmental damage, which hinder responsible development of their resources.

Australia remains one of the most important countries in the mining sector, with significant mineral reserves and a key role in the production of many raw materials. The country is a major producer of iron ore, lithium, gold, zinc, nickel, and cobalt. In 2023, Australia continued to lead as the top producer of lithium, with an output equivalent to 468.1 million tons of lithium carbonate.

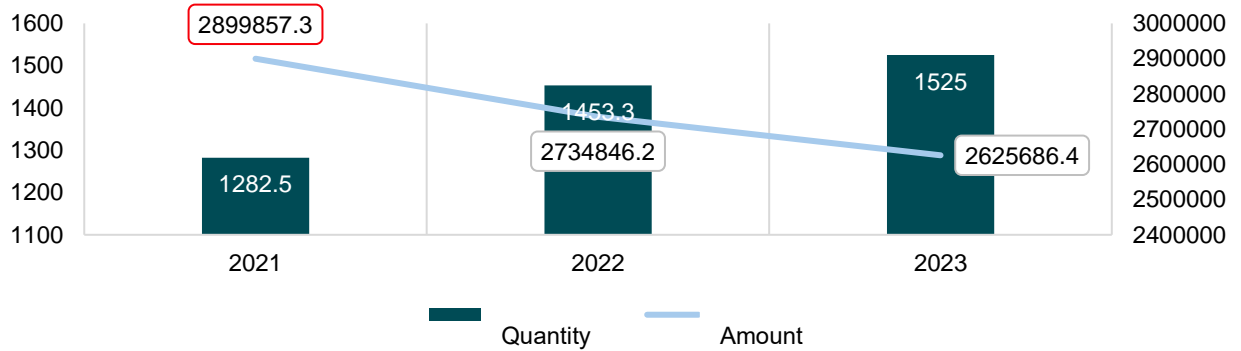
Chile- Internationally, Chile's production is among the top for various metals such as molybdenum, silver, and gold, but copper is the most critical metal for Chile's economy. Besides copper, Chile has recently become known for having the world's largest proven lithium reserves, making it a key country for this alkali metal. Although Chile's lithium production still lags far behind the world leader, Australia, annual production has doubled over the past decade. The further development of lithium reserves is anticipated as international mining corporations have started investing in the country after the government granted long-term exclusive exploration rights to the Chilean mining company SQM and the US-based Albemarle.

China- According to Benchmark Mineral Intelligence, China controls approximately 60% of the world's lithium processing capacity and 23% of the battery raw materials supply, while accounting for up to 80% of the global battery materials production. By 2025, it is expected that the revenue from China's mining industry will reach around 32.56 billion USD, with coal mining and coal washing generating approximately 639.21 billion USD in revenue

5.8.3.4 Key mineral product market trends

Copper: In Mongolia, the price of copper concentrate was \$2,261.1 per ton in 2021, with 1,282.5 thousand tons exported. In 2022, the price decreased to \$1,881.8 per ton, but the export volume increased to 1,453.3 thousand tons. However, in 2023, the price of copper concentrate significantly rose to \$8,173.48 per ton, with 1,525 thousand tons exported.

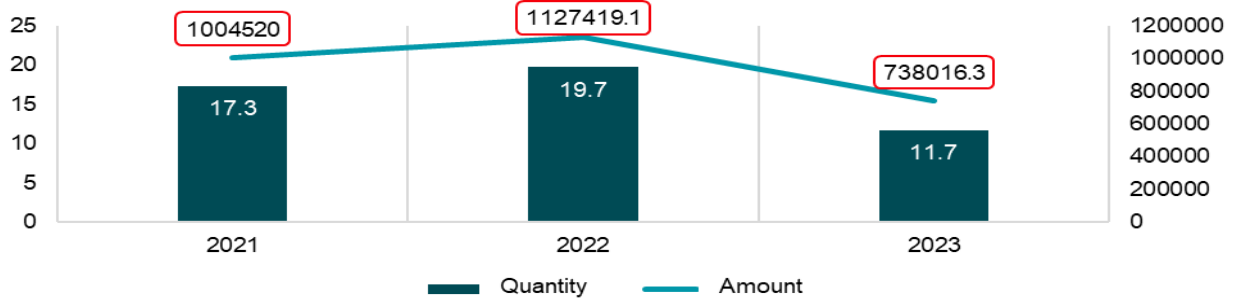
Graph 11. Export volume of copper concentrate and ore, in thousands, USD



Source: NSO

Gold: By the end of 2023, 11.7 tons of unrefined and semi-refined gold were exported at a value of \$738,016.3 thousand. This represents a 40.6% decrease in export volume compared to the same period last year..

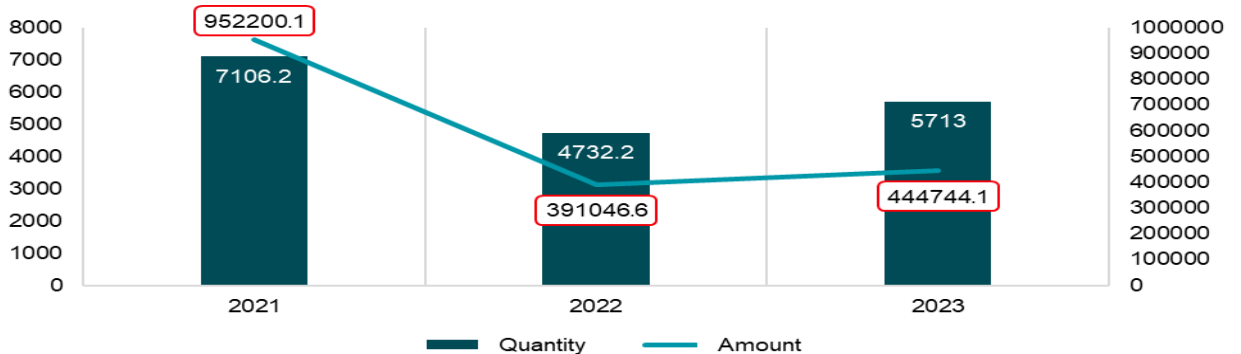
Graph 12. Export volume of unrefined and semi-refined gold, in thousands, USD



Source: NSO

Iron Ore: The export of iron ore was 4,732.2 thousand tons in 2022, but in the reporting year, it increased by 17.1%, reaching 5,713 thousand tons.

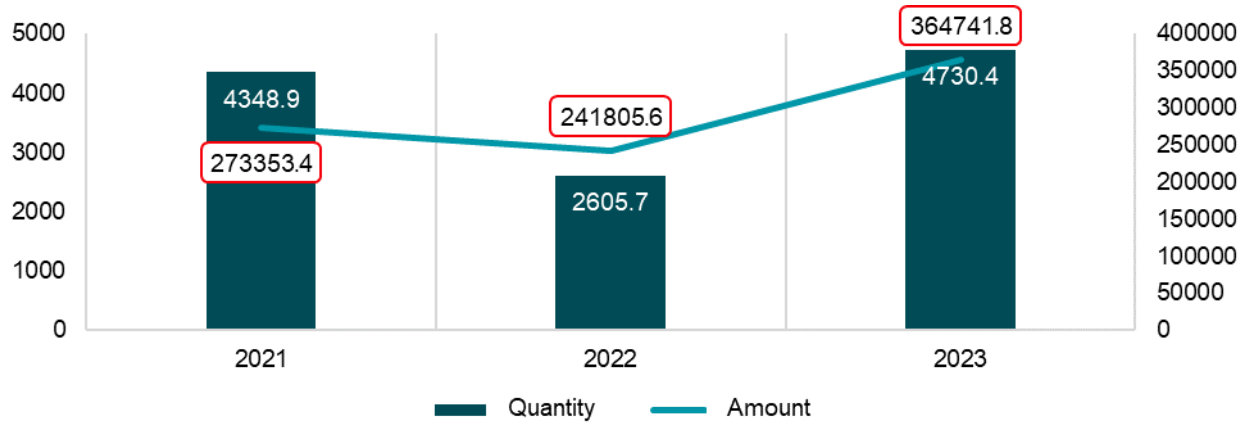
Graph 13. Iron ore export volume, in thousands, USD



Source: NSO

Oil: The volume of unrefined crude oil exports for the reporting year was 4,730.4 thousand barrels, showing a 44.9% increase compared to the previous year. Additionally, by the end of 2023, the price of Brent crude oil was \$86.64 per barrel, while the price of WTI crude oil was \$82.67 per barrel, reflecting a 1.9% increase compared to the same period last year.

Graph 14. The volume of unrefined crude oil exports , in thousands, USD



Source: NSO

5.8.3.5 Systematic transparency

In accordance with Requirement 5.3.a to disclose information on the income, expenses, and activities of funds that centralize revenue from the extractive sector, the public can access open information on the state budget, explanations of audit activities, budget preparation and expenditure, and audit reports on project performance through the following channels.

Table 80. Open information on the state budget and audit activities

www.mof.gov.mn

- The main webpage of the Ministry of Finance, containing information on the ministry's structure, policy, direction, and budget news.

www.iltod.gov.mn

- Current news and information about the budget, annual budget information, and budget-related laws, resolutions, and regulations.

www.shilendans.gov.mn

- Information on the budgets and expenditures of all budgetary organizations and state-owned enterprises.

www.tusuv-oronnutag.mof.gov.mn

- Information on projects and programs implemented with local development fund resources.

<https://publicinvestment.gov.mn> “Төсвийн хөрөнгө оруулалт” аппликэйшн

- Online website and mobile application "Budget Investment" for the financial activities of budget investment.

www.e-balance.mof.gov.mn

- Unified system for business reports, including guidelines, orders, and advice related to accounting.

www.audit.mn

- Audit plans, reports, and recommendations.

www.tender.gov.mn

- The Electronic System of State Procurement.

www.1212.mn

- The National Statistics Office's Integrated Data Repository.

www.worldbank.org/mn/country/mongolia

- A webpage with information about Mongolia from the World Bank.

www.imf.org/en/Countries/ResRep/MNG

- A webpage with information about Mongolia from the International Monetary Fund.

www.adb.org/countries/mongolia/main

- A webpage with information about Mongolia from the Asian Development Bank.

www.internationalbudget.org

- The International Budget Partnership website

https://forum.mn/sudalgaa?category_id=14227

- The Economic, Budget, and Financial Policy Information Database from the Open Society Forum's Digital Library.

<https://budgetwatch.mn/>

- The Citizens' Budget Oversight Civil Society Coalition website.

CHAPTER 6. OTHER ISSUES

6.1 Ultimate beneficial owner (Requirement 2.5)

Ultimate beneficial owners are individuals who truly own, control, or benefit from a company, distinct from legal shareholders and officers acting on behalf of the company. An ultimate beneficial owner does not necessarily need to hold shares in the company but can influence decisions, hide behind complex ownership structures, and benefit directly or indirectly.

According to the international standards of the Extractive Industries Transparency Initiative (EITI), by January 1, 2020, implementing countries were required to make the ultimate beneficial owners of companies investing in the mineral sector, holding licenses, or participating in tenders publicly accessible and maintain relevant registries. Consequently, the EITI International Board has implemented the following measures regarding ultimate beneficial ownership:

Table 81. Measures implemented for ultimate beneficial ownership transparency

Year/Month	Taken measures
May 2013	Reporting of ultimate beneficial ownership registration has been mandated.
October 2013	11 EITI countries have implemented UBO pilot projects.
January 2016	29 EITI implementing countries are applying UBO measures to some extent, with 9 countries including this information in their reports.
February 2016	The new EITI standard requires UBO transparency by January 1, 2020.
2023	The EITI has initiated the revision of the UBO questionnaire and developed a template form.

In 2016, the Working Group on Transparency and Accountability (WGT) appointed a subcommittee to study the concept of beneficial owners, their legal environment, opportunities, challenges, issues, and possible systems. This subcommittee developed a roadmap project to make beneficial ownership information transparent, which was discussed and approved at the National Council meeting on December 20, 2016, and amended on December 21, 2017. .

On April 12, 2017, the Government of Mongolia approved the National Anti-Corruption Program by Resolution No. 114. According to the action plan attached to this resolution, item 4.1.6.5 requires the disclosure of beneficial owners under the EITI standards, to be implemented from 2020 to 2022, with the Mongolian EITI Secretariat responsible for this task.

The National Council of the Open Government Partnership presented the “National Action Plan (NAP) of Mongolia’s Open Government Partnership 2016-2018” to the Government meeting. The meeting supported the NAP project, incorporating the suggestions of government members. The National Council discussed and approved the NAP project, which includes 13 target activities, on June 7, 2016. The 12th target activity of this plan is to disclose the beneficial owners of entities exploiting natural resources, with the Ministry of Finance and the Ministry of Mining responsible for this task.

6.1.1 Transparency of ultimate beneficial owners

In previous years, information related to the transparency of ultimate beneficial owners was collected through a single-stage questionnaire as per EITI requirements. This year, the information was collected through an electronic reporting system.

In 2022, a total of 576 entities reported their UBO information. This year, the number increased by 38%. In the reporting year, a total of 795 entities registered their UBO information in the EITI electronic reporting system, of which 48.6% (387 entities) reported at the individual level. Among

these individuals, there are 5 politically exposed persons and 218 individuals holding executive positions. Detailed information about the UBOs of companies operating in the extractive sector is shown in Annex 19(b, c).

Table 82. Ultimate beneficial owner of the license-holding company

No	Country	Citizenship	Whether a politically exposed person	Whether holds a managerial position in this company
1	Australia	4	0	2
2	Mongolia	275	4	179
3	Singapore	2	0	1
4	Hong Kong	4	0	1
5	China	38	0	17
6	Netherlands	4	0	0
7	Spain	3	0	2
8	Japan	3	0	0
9	Others	54	1	16
Total		387	5	218

4.5% of the ultimate beneficial ownership information registered in the EITI electronic reporting system was reported by legal entities, which amounts to 36 businesses.

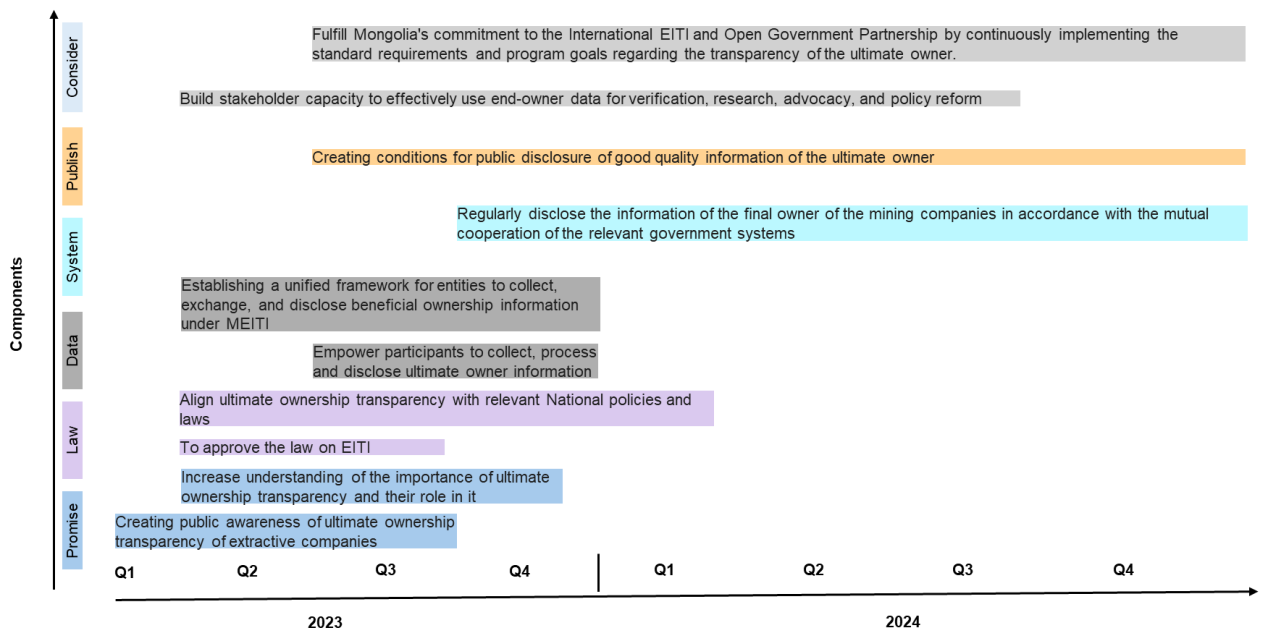
Table 83. Information on ultimate beneficial owner (legal entity)

No	Name of the organization	Name of the management	Registered stock exchange	Registered country
1	Anyan Resources	Peter Covert	Toronto Stock Exchange	Canada
2	Huabei Kuane	Teo Bee Cheng	Hong Kong	Hong Kong
3	CMKI	Alimusi	South Korea	South Korea
4	Bold Ford	Hong		China
5	Blake Mount Mining	Mitsuharu	GM Trust LLC	Mongolia
6	Khukh Talst Mining	Xinwei	-	Mongolia
7	Erdene Mongol	Bilguun	Toronto Stock Exchange	Canada
8	Khanshashir	Zhihui	Weidu / Hong Kong / HK	China
9	Modun Resources	Teo Bee Cheng	Singapore	Singapore
10	Khanbogd Exploration	Zolbayar	Kerry Group Limited	Cook Islands and Cayman Islands
11	Bumbat	Khangai	Mandal Resource LLC	Mongolia
12	Khung Yuun	Junyan		China
13	Ikh Gobi Energy	Selenge	Mongolian Stock Exchange	Mongolia
14	Irmuun Zeerd	Chenghua	None	
15	Kainar Wolfram	Jiang Lixin	Hong Kong	British Virgin Islands
16	Tefis Mining	Chantsal	Mongolia	Mongolia
17	Agitkhanga	Demberel	NA	Mongolia
18	SouthGobi Sands	Jinsheng	Toronto Stock Exchange	Canada
			Hong Kong Stock Exchange	China
19	Oyu Tolgoi	Deirdre	London Stock Exchange	United Kingdom
			Australian Securities Exchange	Australia
			NYSE	USA
20	Gurvan Tamga	Lkhagvasuren	Gurvan Tamga LLC	Mongolia
21	Altai gold	Narankhuu		Mongolia
22	AUM gold	Javzanpagma		Mongolia

No	Name of the organization	Name of the management	Registered stock exchange	Registered country
23	Ege Mining	Erdenesaihan	Monkon Group LLC	Mongolia
24	Junhao Weiye	Mingxin		China
25	Western Mongolian Development	Zolbayar	Kerry Group Limited	Cook Islands and Cayman Islands
26	Ganga Khash	Dolgorsaihan		Mongolia
27	Top Gan Drilling	Ganbold		Mongolia
28	Tsui Khang Invest	Song Zicheng	Hong Kong	People's Republic of China (Hong Kong)
29	Tumen Yeroolt	Ganzorig	Tumen And Mining FDI LLC	Mongolia
30	Badrakh Energy LLC	Marc Pierre	Erdenes Mongol LLC	Mongolia
			Orano SA	France
			Areva Mongol LLC	Mongolia
			Mon-Atom LLC	Mongolia
31	Mindotidy	Zeng Yangwei	Mongolian Tungsten Industry Group Co., Ltd	China
32	Lovonko	Enkhbaatar	Bailitu	Mongolia
33	MOENKO	Lin Shing Simon	The Stock Exchange of Hong Kong	Bermuda
34	FVSP	Lin Shing Simon	The Stock Exchange of Hong Kong Limited	Hong Kong
35	Baganuur	Tuvshinjaral	Mongolia	Mongolia
36	Shariin Gol	Mendsaikhan	Mongolian Stock Exchange	Mongolia

Within the framework of the EITI, a work plan is developed to ensure the transparency of ultimate beneficial ownership information. For 2023-2024, the following plan has been developed and implemented. Detailed information on ultimate beneficial owners can be found on the website <https://www.beneficialowner.mn/>.

Figure 5. Summary diagram of the work plan for 2023-2024



Since March 2019, the General Authority for State Registration has been centralizing some information about ultimate beneficial owners on the opendata.burtgel.gov.mn website. As of October 2024, the site contains information on a total of 247,623 legal entities, including their names, registration numbers, registration dates, company types (LLC), company categories (for-

profit, non-profit), business activities, founders, shareholders, number of members, names of executives, official addresses, and details about founders and shareholders.

6.2 Contract transparency

In Mongolia, key policy documents for the extractive industry sector include principles of transparency and accountability. Measures have been taken to ensure contract transparency and to remove confidentiality clauses from production sharing agreements.

The Open Society Forum, the Ministry of Industry and Mineral Resources (MIMR), and the EITI Secretariat have jointly established the website www.iltodgeree.mn. This repository hosts the original texts of various contracts related to the use of natural resources, such as investment and production sharing agreements, concession agreements, and local agreements between license holders and local authorities, covering minerals, oil, natural gas, radioactive and common minerals. Below is a list of the main legal provisions related to transparency in the extractive sector.

Table 84. Contract transparency

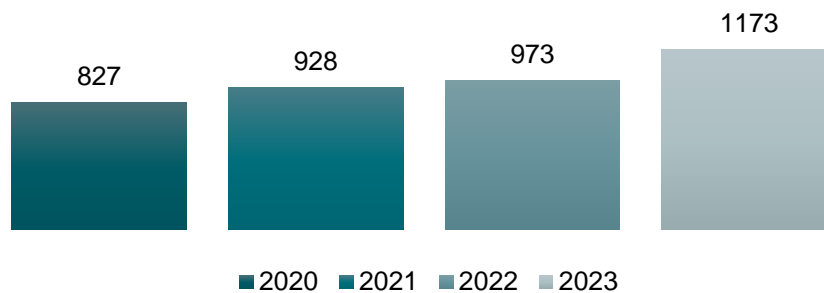
No	Name of the legislation	Clauses related to contract transparency	Link
Law			
1	The Constitution of Mongolia	Sections 6.1 and 6.2 of Article 6, Section 16.17 of Article 16	https://legalinfo.mn/mn/detail/367
2	Law on Minerals	Sections 5.3-5.5 of Article 5, Article 42	http://legalinfo.mn/law/details/63?lawid=63
3	Law on the Protection of Organizational Secrets	Articles 4 and 6	http://legalinfo.mn/law/details/102?lawid=102
4	Law on Petroleum	Articles 12, 13, 14, 17	http://legalinfo.mn/law/details/10484?lawid=10484
5	Law on Compliance with the Law Prohibiting the Exploration and Utilization of Mineral Resources in the Source Areas of Rivers, Water Reservoirs, and Forest Areas	Clause 2.2 of Article 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 Concessions	In Full	http://legalinfo.mn/law/details/312?lawid=312
8	Law on the State Budget	Clause 8.4.3 of Article 2/8, Clause 8.4.4 of Article 3/8, Section 28.2 of Article 4/28	https://legalinfo.mn/mn/detail/12254
9	Law on the Transparency of Public Information	In Full	https://legalinfo.mn/mn/detail?lawid=16390263044601
10	Law on Commonly Spread Minerals	Article 40	http://legalinfo.mn/law/details/9750?lawid=9750
11	Law on Investment	Article 20	http://legalinfo.mn/law/details/9491?lawid=9491
12	Law on Nuclear Energy	Chapter 4, Article 2931	http://legalinfo.mn/law/details/97?lawid=97
13	Law on Transparent Accounts	Articles 4 and 6	https://legalinfo.mn/mn/detail/10497
State Policy			
14	State Policy on Mineral Resources	Clauses 3.1.7 and 3.5.2	http://legalinfo.mn/law/details/9756?lawid=9756
Rules and Regulations			
15	Procedure for Concluding Investment Agreements	In Full	https://nda.gov.mn/backupd/f/YvefVW2tL5.pdf
Resolution of the State Great Khural			

16	Determining the State Ownership Percentage of the Gatsuurt Deposit	In Full	https://legalinfo.mn/mn/detail/11651
17	Investment Agreement for the Utilization of the Oyu Tolgoi Deposit	In Full	http://legalinfo.mn/law/details/6405?lawid=6405
18	On Some Issues Regarding the Utilization of the Tavan Tolgoi Coal Deposit	In Full	http://legalinfo.mn/law/details/6631?lawid=6631
19	Amendments to the Resolution on Some Issues Regarding the Utilization of the Tavan Tolgoi Coal Deposit	In Full	http://legalinfo.mn/law/details/10318?lawid=10318
Government Resolution			
20	On Some Measures to Ensure Transparency in the Extractive Industries	Clauses 7 and 8	http://legalinfo.mn/law/details/8791?lawid=8791
21	On Some Measures to be Taken Regarding the Tavan Tolgoi Deposit	In Full	http://legalinfo.mn/law/details/10568?lawid=10568

On June 22, 2017, the Open Society Forum, the EITI, and the Ministry of Industry and Mineral Resources jointly established the Mineral Resources Agreement Information Database to fulfill the requirements of the EITI Standard 2.4 and improve contract transparency. According to the information provided by the Open Society Forum, the state does not register contracts made in the mineral resources sector in this electronic database, so they cannot provide a list of all contracts specified in the EITI Standard or indicate how many of them are not transparent. Moreover, the duties and responsibilities of government agencies related to the transparency of these contracts have not been legalized.

Over the past four years, the number of contracts posted in the transparency initiative's information database has increased by an average of 17%.

Graph 15. Number of contracts posted in the database



As of October 1, 2024, this database has registered 1,173 contracts, provided explanations for 162 contract clauses, and posted detailed information on 8 legislative acts. For the complete list of all contracts posted in the database, see Appendix 36.

Table 85. Contracts posted in the database

No	Contract type	Number
1	Cooperation Agreement with Local Authorities	309
2	Micro Mining Mineral Extraction Agreement	112
3	Land Use Agreement	130
4	Reimbursement Agreement for Exploration Expenses Funded by the State Budget	67
5	Water Use Agreement	77
6	Pre-Operation Agreement	46

7	Product Sharing Agreement	27
8	Agreement in Accordance with the Law Prohibiting the Exploration and Utilization of Mineral Resources in the Source Areas of Rivers, Water Reservoirs, and Forest Areas	23
9	Agreement on Taking Appropriate Measures and Performing Restoration Activities in the Licensed Area	29
10	Petroleum Exploration Agreement	16
11	Stability Agreement	11
12	Agreement on Taking Appropriate Measures and Performing Restoration Activities in the Licensed Area for Operations Commenced	29
13	Concession Agreement	4
14	Investment Agreement	5
15	Agreement on Taking Appropriate Measures and Performing Restoration Activities in the Simple Protection Zone of the Water Reservoir Area for Commenced Operations	29
16	Water Pollution Fee Agreement	2
17	Environmental Protection, Mine Use, and Infrastructure Development Agreement, Increasing Job Opportunities	1
18	Agreement Appendix	6
19	Corporate Social Responsibility Agreement	1
20	2022 Cooperation Plan of Erdenet, Erdenet Mining Corporation LLC in Orkhon Province	1
21	Plan	4
22	Service Agreement	1
23	State-Owned Enterprise Procurement Agreement	2
24	Construction Agreement	4
25	Land Use Agreement	11
26	Cooperation Agreement	3
27	Memorandum of Understanding	2
28	Others	221
Нийт		1173

6.3 Infrastructure investment and barter exchange (Requirement 4.3)

In some cases, extractive companies enter into agreements with government agencies to provide goods and services (infrastructure investment) in non-monetary form in order to obtain the rights to use the country's natural resources. Examples of these infrastructure investments include roads, railways, power plants, schools, and hospitals

The benefits for these companies include resources such as oil, natural gas, or mineral reserves, as well as other elements such as the right to use land, energy, and water resources. Such agreements are referred to as barter exchange agreements or “infrastructure-for-mineral exchange agreements.

In 2023, among the 125 selected enterprises and organizations, 36 companies made a total of 39 infrastructure investments exceeding 100 million tugriks each, in terms of infrastructure investment and barter exchange. For more detailed information on infrastructure investment and barter exchange, refer to Appendix 33.

6.4 Transportation income (Requirement 4.4)

When revenue from the transportation of oil, natural gas, and natural resources is material, the government and state-owned enterprises are required to disclose the income they have received

The transportation income data of enterprises is shown in the following table by the enterprise that received the income. Out of the 125 selected enterprises, 10 companies reported their transportation income in the electronic reporting system, with a total transportation income of

439,454,460,162 tugriks. Detailed information on the transportation fees paid by state-owned and locally owned enterprises can be found in Appendix 35.

Table 86. Top 12 enterprises with high transportation income

No	Enterprises that are received transportation income	Type of mineral	Transported volume /thousand tons/	Received transportation income /million MNT/
1	Mandal Nomuun Khaan LLC	1	37.5	52,473.6
2	Bayan Undraga Logistic LLC	3	479.4	31,399.5
3	Bayan Ugi Zegst LLC	1	525.3	24,794.6
4	Eelin Tsagaan Khargui LLC	2	442.6	21,402.7
5	Tenger And Tengis LLC	2	736.1	16,764.9
6	Mungun Khuleg Service LLC	1	331.9	15,677.2
7	Ikh Davaa Uul LLC	3	485.3	14,186.7
8	Khongorbees Trans LLC	2	506.4	13,537.2
9	Minjit Bulgan Trans LLC	2	311.1	10,396.7
10	Menkai Trans LLC	1	209.5	8,668.8
11	East Forest LLC	3	157.8	8,467.6
12	Ulaanbaatar Railway	8	11,944.8	8,072.3

Source: Information obtained from the electronic reporting system of the Ministry of road and transport development

According to the information provided by the Ministry of Road and Transport Development, the volume of export cargo transported by road increased by 46% in 2023 compared to the previous year, reaching 68,244,854 tons.

Table 87. Summary of export cargo transported by road, cumulative data

Port name	Cargo type	2022		2023		2024.07	
		Number of vehicles	Weight /thousand tons/	Number of vehicles	Weight /thousand tons/	Number of vehicles	Weight /thousand tons/
Gashuun-Sukhait	Total Export Cargo	150,485.	19,491,012.	266,259.	36,750,482.	199,044.	24,106,608.
	Coal	0	7	0	0	0	6
	Copper Concentrate	137,897.	18,989,732.	250,564.	36,122,682.	191,232.	23,473,089.
		0	7	0	0	0	0
Shiveekhuren	Total Export Cargo	35,810.0	5,368,736.3	151,021.	19,107,076.	107,045.	13,921,426.
	Coal	35,810.0	5,368,736.3	151,021.	19,107,076.	107,045.	13,720,458.
				0	0	0	0
Zamiin-Uud	Total Export Cargo	30,364.0	550,138.0	6,829.0	696,202.0	49,832.0	1,163,810.0
	Coal	1,303.0	90,327.0	1,789.0	125,137.0	4,592.0	329,929.0
	Ore	65.0	1,385.0	-	-	1,224.0	86,951.0
	Fluorspar	-	-	-	-	544.0	34,722.0
Hangi	Total Export Cargo	41,529.0	3,050,832.2	65,713.0	5,006,070.0	50,078.0	4,574,684.0
	Coal	40,842.0	3,000,286.3	65,604.0	4,997,802.0	49,775.0	4,552,304.0
	Iron Ore	604.0	44,494.5	0.0	0.0	0.0	0.0
	Fluorspar	83.0	6,051.4	109.0	8,268.0	303.0	22,380.0
Bichigt	Total Export Cargo	1,788.0	111,677.0	38,159.0	2,766,018.0	20,634.0	1,517,309.0
	Coal	1,788.0	111,677.0	38,159.0	2,766,018.0	20,634.0	1,517,309.0
Burgastai	Total Export Cargo	15,494.0	866,282.0	4,807.0	206,339.0	9,435.0	309,362.0
	Iron Ore	15,494.0	866,282.0	4,807.0	206,339.0	9,435.0	309,362.0
Bayankhoshuu	Total Export Cargo	9,608.0	346,013.7	16,232.0	528,186.0	8,027.0	257,628.0
	Petroleum	9,608.0	346,013.7	16,165.0	524,587.0	8,027.0	257,628.0
	Coal	-	-	67.0	3,599.0	0.0	0.0

Port name	Cargo type	2022		2023		2024.07	
		Number of vehicles	Weight /thousand tons/	Number of vehicles	Weight /thousand tons/	Number of vehicles	Weight /thousand tons/
Borshoo	Total Export Cargo	1,345.0	1,063.2	1,387.0	0.0	1,300.0	0.0
	Other Cargo	1,345.0	1,063.2	1,387.0	0.0	1,300.0	0.0
Bulgan	Total Export Cargo	30,360.0	2,210,694.7	34,526.0	2,714,082.0	26,265.0	1,901,844.0
	Coal	30,360.0	2,210,694.7	34,526.0	2,714,082.0	26,265.0	1,901,844.0
Altanbulag	Total Export Cargo	11,718.0	8,474.9	11,277.0	54,228.0	9,119.0	24,043.1
	Other Cargo	11,718.0	8,474.9	11,277.0	54,228.0	9,119.0	24,043.1
Tsagaannuur	Total Export Cargo	8,022.0	41.2	12,769.0	90,399.0	11,873.0	0.0
	Other Cargo	8,022.0	41.2	12,769.0	90,399.0	11,873.0	0.0
Khavirga	Total Export Cargo	0.0	0.0	3,069.0	320,245.0	435.0	15,780.0
	Coal	-	-	3,069.0	320,245.0	381.0	13,081.0
	Zinc Concentrate	-	-	-	-	54.0	2,699.0
Sumber	Total Export Cargo	0.0	0.0	76	5527	0.0	0.0
	Iron Ore	-	-	76	5527	-	-
Road transport export cargo		336,523	32,004,965	612,124	68,244,854	493,087	47,792,494

Source: Ministry of road and transport development

The volume of export cargo transported by railway increased by 77% in 2023 compared to the previous year, reaching 11,129,210 tons

Table 88. Summary of export cargo transported by railway, cumulative data

Indicator	2022		2023		2024.06	
	Number of Railways	Weight /thousand tons/	Number of Railways	Weight /thousand tons/	Number of Railways	Weight /thousand tons/
Railway Export Cargo	462,465.0	8,642.5	592,837.0	11,129.2	303,785.0	6,423.2
To Russia						
Via Altanbulag Port	114,108.0	220.3	161,017.0	212.1	84,649.0	92.1
Via Zamiin-Uud Port	348,357.0	8,422.2	431,820.0	10,917.1	219,136.0	5,373.8
Coal	25,810.0	505.2	18,187.0	1,207.0	19,221.0	238.4
Iron ore and its concentrate	55,710.0	3,925.9	73,868.0	5,200.9	34,898.0	2,433.5
Copper and molybdenum concentrate	10,698.0	711.5	4,135.0	275.4	275.4	302.2
To China						
Petroleum and petroleum products	5,630.0	342.2	7,594.0	454.3	4,697.0	285.2
Fluorspar and its concentrate	5,834.0	391.9	2,644.0	177.3	4.0	0.3
Silver ore	1,641.0	104.5	131.0	5.8	153.0	8.8
Zinc	2,271.0	141.4	1,044.0	67.1	467.0	30.2

Source: Ministry of road and transport development

In 2023, a total of 79,374.06 thousand tons of export cargo was transported using 1,204,961 vehicles, which represents a 51.2% increase compared to the previous year. As of July 2024, 54,215.69 thousand tons of export cargo have been transported.

Table 89. Export cargo data, cumulative

Indicator	2022		2023		2024.07	
	Number of Vehicles	Weight /thousand tons/	Number of Vehicles	Weight /thousand tons/	Number of Vehicles	Weight /thousand tons/
Total Export Cargo	798,988.0	40,647.4	1,204,961.0	79,374.1	796,872.0	54,215.7

Source: Ministry of road and transport development

Published information must be broken down at the same level as other income and payment streams (4.7). The multi-stakeholder group is responsible for establishing and implementing procedures related to the quality and verification of transportation revenue information as per Requirement 4.9. Implementing countries will disclose the following information:

- Details about transportation arrangements, including the transported products, transportation routes, companies, and government entities (including state-owned enterprises) involved;
- An explanation of transportation taxes, tariffs, other payments, and the methods for calculating them;
- Transparency in the tariff rates and the quantities of transported products;
- Disclosure of revenues received by government entities and state-owned enterprises from the transportation of oil, natural gas, and minerals

6.5 Reclamation information

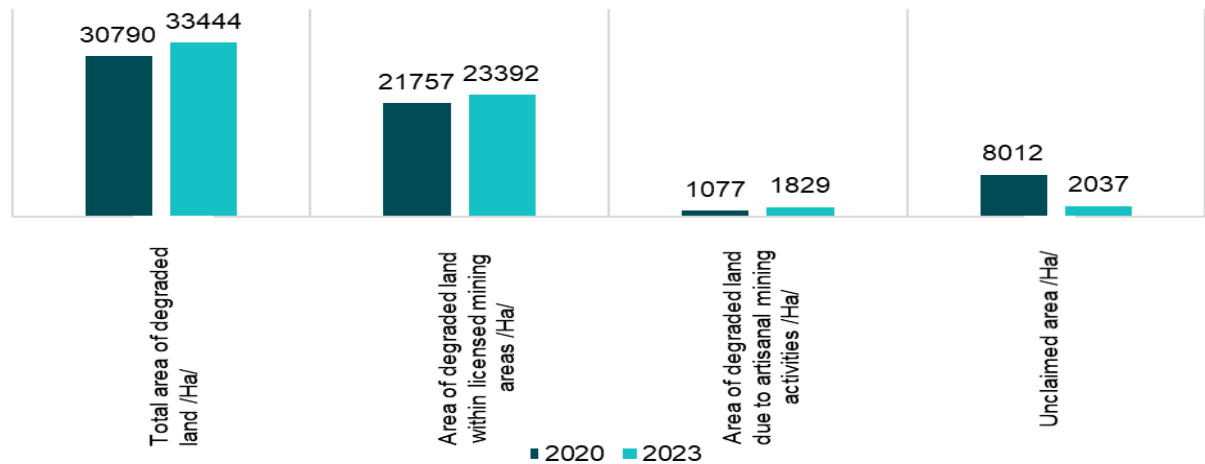
In Mongolia, the environmental and social regulation of the mining sector is managed by three main organizations: the Ministry of Industry and Mineral Resources, the Mineral Resources and Petroleum Authority under this ministry, and the Ministry of Environment and Climate Change, as well as the General Authority for Professional Inspection.

The mining sector causes the most environmental degradation, utilizes non-renewable natural resources, and negatively impacts the traditional nomadic livestock herding of the Mongolian people. Therefore, the central state administrative body responsible for environmental issues has continuously focused on developing, implementing, validating, and ensuring the enforcement of laws, regulations, and standards for environmental protection and rehabilitation in mining.

As of September 10, 2024, there are a total of 2730 mineral exploration and exploitation licenses, including 1002 exploration licenses and 1728 exploitation licenses, covering 4.5% of the total land area. Over 300 businesses engaged in mineral extraction performed technical reclamation on 3488 hectares and biological reclamation on 572 hectares in 2023.

According to the results of the 2023 nationwide survey on degraded lands, a total of 34.1 thousand hectares were found to be degraded. This includes 24.6 thousand hectares within licensed mineral areas, over 2.5 thousand hectares due to road and construction activities, and more than 3.5 thousand hectares of abandoned land degraded by the activities of small-scale and illegal miners, and operations by state-owned enterprises.

Graph 16. Survey of Degraded Lands, Comparison of 2020 and 2023 Data



Source: EMAP

The Ministry of Environment and Climate Change grants special licenses to professional organizations for subsurface restoration in accordance with the Law on Licenses. In 2022, businesses authorized for subsurface restoration completed technical reclamation on 98.6 hectares and biological reclamation on 75.8 hectares. By mid-2024, licenses for subsurface restoration had been granted to a total of 90 businesses. In 2023, nine authorized professional organizations carried out technical reclamation on 1174.19 hectares and biological reclamation on 92.34 hectares.

Table 90. Summary of the 2023 environmental responsibility agreements reports from businesses authorized to conduct subsurface restoration as of January 10, 2024

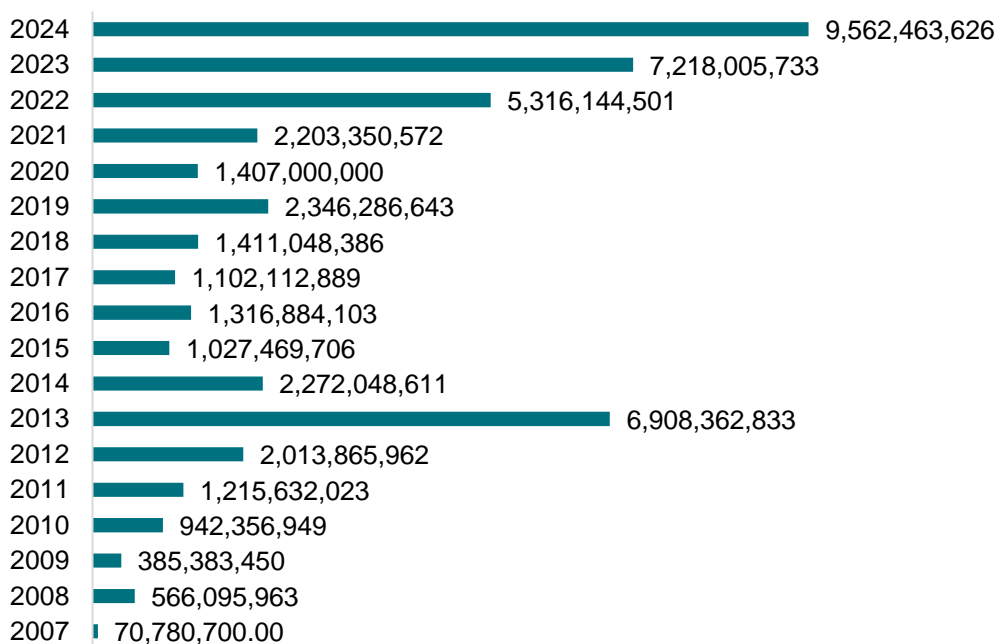
No	Company Name	Report	Contract Extension	Remarks
1	Bugant Nandin LLC	Participated in the reclamation work tender announced by Oyu Tolgoi LLC and carried out technical reclamation on 156 hectares in Yalbag Valley, Yeruu soum, Selenge province, and handed it over by act.	Extend the contract for 1 year	The report was submitted within the contract period.
2	MDU LLC	Conducted technical reclamation on 3.5 damaged sites in Kherlen soum, Dornod province, and 5 hectares of abandoned land in Khoolt bag, Sevrei soum, Umnugovi province. Entered the geographic information of the reclaimed sites into the information database for monitoring.	Extend the contract for 1 year	The report was submitted on December 27. The report was submitted in 2022, and the period was extended according to the contract.
3	Prirada LLC	Carried out technical reclamation and vegetation planting on 3.9 hectares of the third overburden dump of Erdenet-Industry SOE mine. In collaboration with Rio Tinto Mongolia LLC, carried out biological reclamation and vegetation planting on 1.8 hectares of topsoil removed and used land in Narangiin Enger.	Extend the contract for 1 year	The report was submitted within the contract period.
4	Uzget Delger LLC	Participated in the reclamation work tender announced by Oyu Tolgoi LLC and carried out technical reclamation on 191.89 hectares in Yalbag Valley, Yeruu soum, Selenge province, and handed it over by act.	Extend the contract for 1 year	The report for work performed in 2022 was not submitted. It was

No	Company Name	Report	Contract Extension	Remarks
				submitted in 2023.
5	Reclamation Service LLC	Planted 15,410 poplar, elm, willow, and acacia trees and shrubs on 90.54 hectares of the area operated by Uuls Zaamar LLC.	Extend the contract for 1 year	The report was submitted within the contract period.
6	Jinji Mining LLC	Won the tender for reclamation work of Erdenet-Industry SOE and carried out technical reclamation on 807 hectares in Yeruu soum, Selenge province, and handed it over to the local authorities by act.	Extend the contract for 1 year	The report was submitted within the contract period.
7	Ev Energy LLC	As part of the compensatory protection measures included in the 2023 plan of the Darkhan Metallurgical Plant, technical reclamation was carried out on 5 hectares in the territory of Khuder soum, Selenge province.	Extend the contract for 1 year	The report was submitted within the contract period. The act of handing over the reclamation was not submitted.
8	Eco Plants LLC	Participated in the tender to clean up oil-contaminated soil in the "Toson-Uul" 19th field of PetroChina Daching Tamsag LLC, and is currently operating a portable plant.	Extend the contract for 1 year	The report was submitted within the contract period.
9	Devjin Delgereh Erkhel LLC	Signed a contract with Energy Resource LLC and completed technical reclamation work on 1.8 hectares.	-	The report was submitted within the contract period.

Source: Ministry of environment and tourism

Since 2007, approximately 390 businesses and organizations have deposited a total of 40.2 billion MNT into the State Treasury's special account for environmental protection and rehabilitation guarantees.

Graph 17. Information regarding the amounts deposited into the special account for environmental protection and reclamation guarantees from 2007 to September 2024



Source: Ministry of environment and tourism

In 2023, in accordance with EITI Standard Requirement 6.1, reclamation information was consolidated using an electronic reporting form. A total of 58 companies submitted reclamation information in detail. Based on the reclamation information provided by the companies, MNT 4,315,763,981 was deposited into a special account. For details on these payments and the areas where reclamation has been carried out, please refer to Annex 22 of the report, which includes information by province, district, and site name.

The legal framework regulating environmental protection and mining reclamation activities has been developing since 1988, with relevant laws being enacted and updated. Below are the laws currently in force regarding environmental protection and reclamation during mining operations.

Figure 6. Laws and legal acts related to environmental protection in Mongolia

1988	The Law on Subsoil in Mongolia
2006	The Minerals Law of Mongolia (1988)
2009	The 1988 law prohibiting the exploration and exploitation of minerals in the headwaters of rivers, water reservoir protection zones, and forest areas.
2012	Law on Environmental Impact Assessment
Other important environmental laws and legal acts in Mongolia	

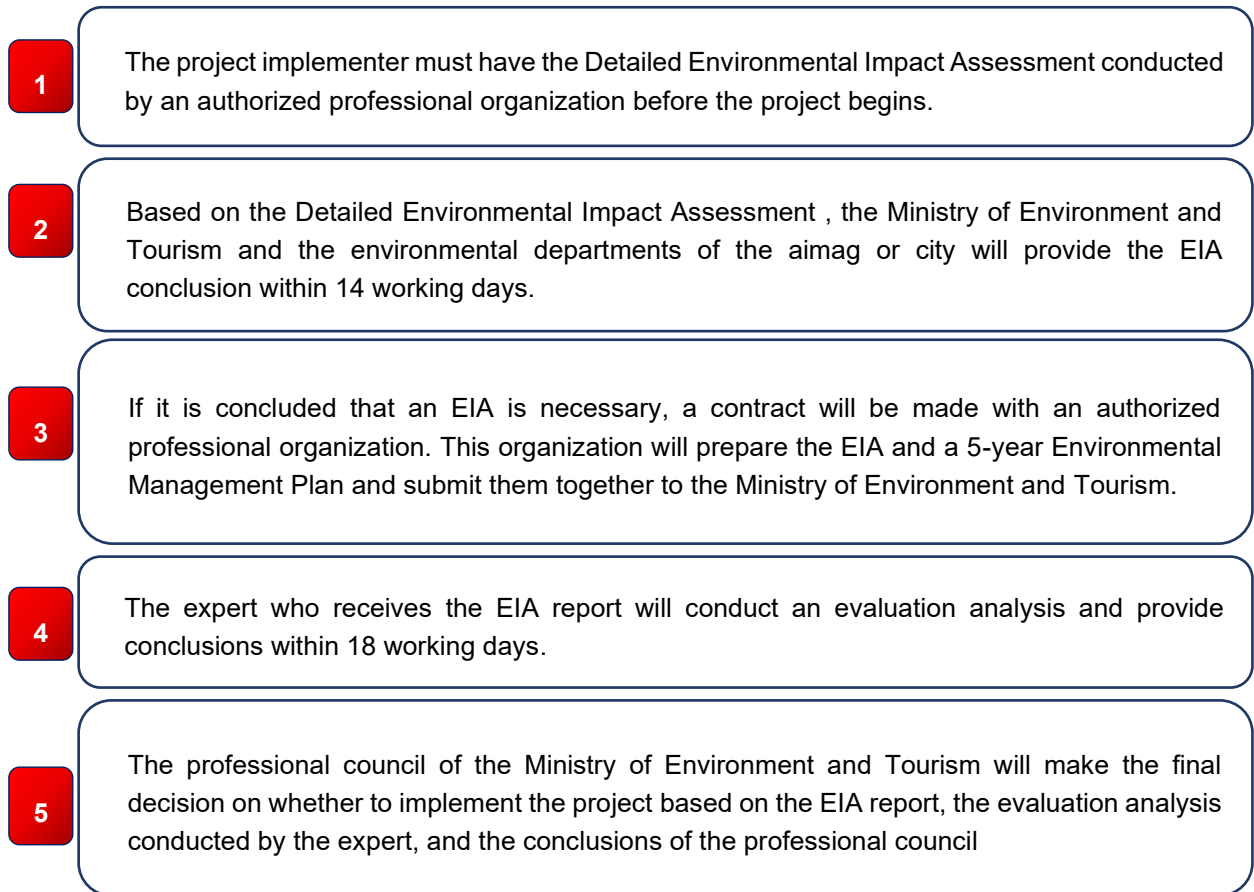
As of 2023, the Ministry of Environment and Tourism has reported that 114 enterprises across 60 soums in 20 aimags have utilized 816.98 hectares of land and completed rehabilitation work on 1869.41 hectares. Detailed information can be accessed through the Environmental Statistics Information System (eic.mn).

Environmental impact assessment and management plan

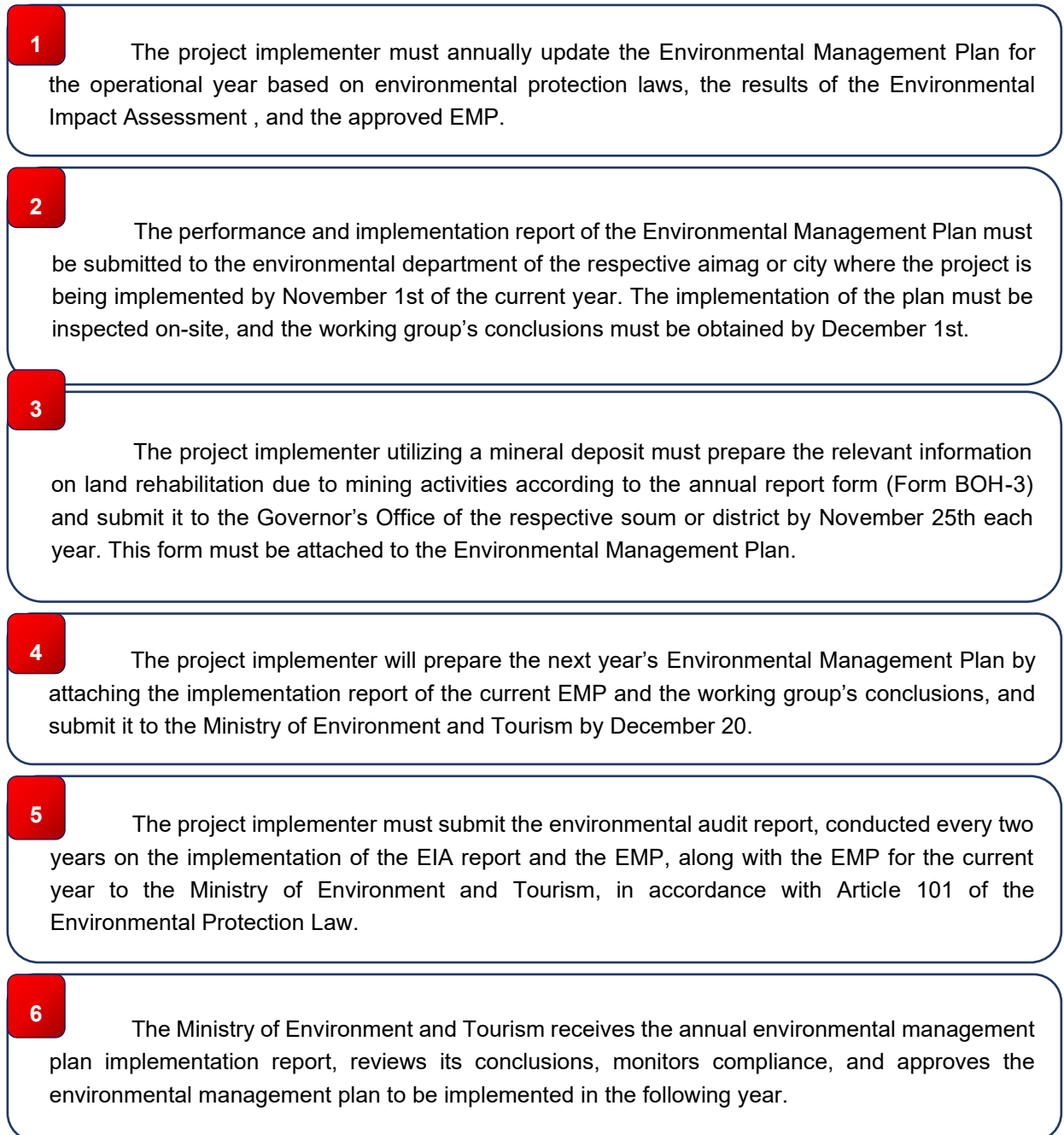
The Environmental Impact Assessment aims to ensure the right to live in a healthy and safe environment, protect against environmental pollution, and maintain natural balance. It seeks to use natural resources and conduct industrial and service activities without adverse effects on the environment and human health. The EIA also aims to establish policies within the sector and determine the environmental impact of any project in advance.

The mining sector is significantly influenced by the Law on Environmental Impact Assessment (2012). According to this law, any mining project must conduct a Detailed Environmental Impact Assessment (DEIA) before implementation. The process is illustrated in the diagram below.

Figure 7. The process of conducting a detailed environmental impact assessment

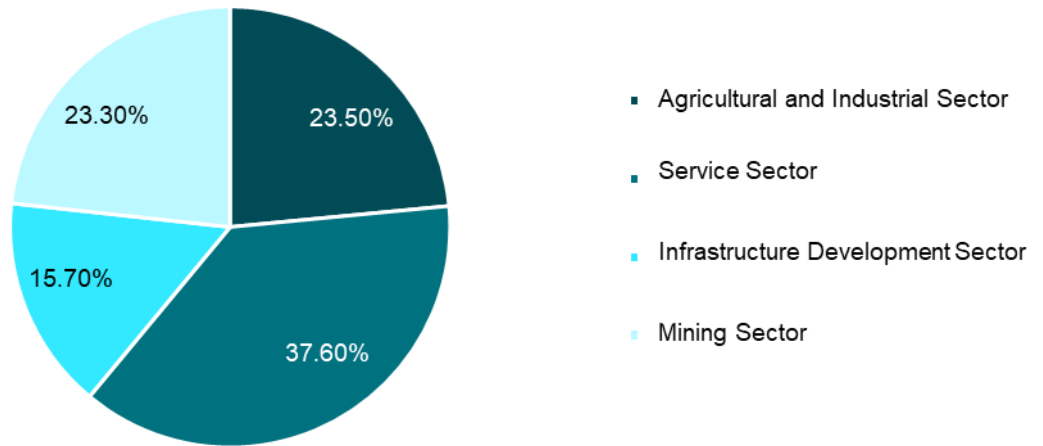


Based on the Environmental Impact Assessment , the Environmental Management Plan and monitoring program are developed, which are aimed at implementing the recommendations and conclusions included in the EIA. When mining operations commence, the Environmental Management Plan must be developed in the following stages:

Figure 8. The stages of an environmental management plan

According to the Ministry of Environment and Tourism, the environmental impact assessment reports for mining projects are accumulated in the detailed environmental impact assessment report section of the environmental information database, as specified in Chapter 7 of the Environmental Protection Law. You can view this at <https://www.eic.mn/eia/>. As of October 2024, there are a total of 7,680 approved detailed impact assessment reports, of which 1,789 are related to mining. Last year, 243 detailed environmental impact assessment reports were completed, while 184 reports have been completed so far in 2024.

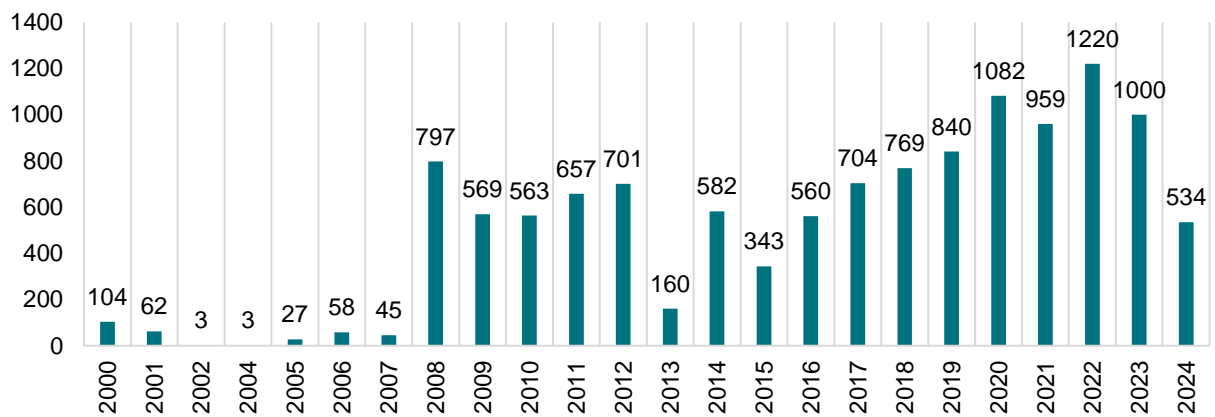
Graph 18. Approved detailed impact assessment reports, by assessment direction



Source: Environmental impact assessment information database

The decrease in the number of approved detailed impact assessment conclusions over the past two years may be related to the economic downturn caused by the COVID-19 pandemic.

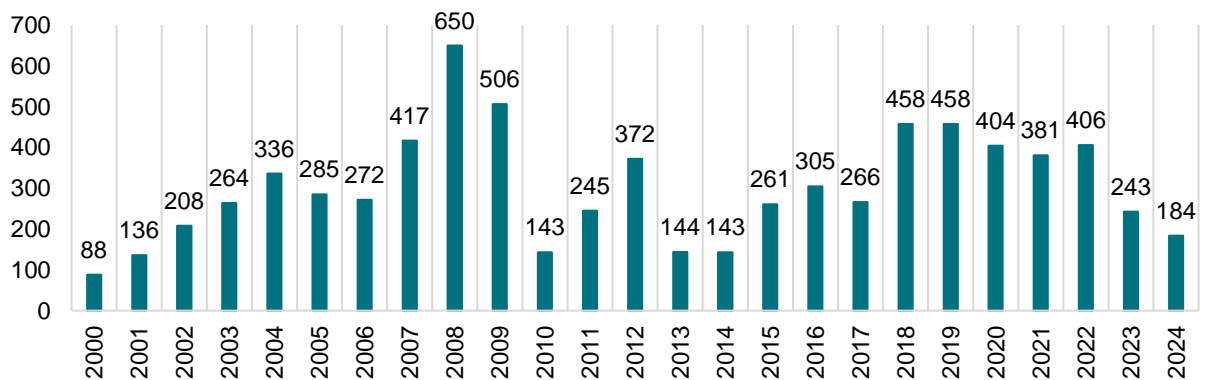
Graph 19. Approved general impact assessment conclusions, by year



Source: Environmental impact assessment information database

Similar fluctuations are also observed in the approved detailed impact assessment reports.

Graph 20. Approved detailed impact assessment reports, by year



Source: Environmental impact assessment information database

Special account for environmental protection

Holders of exploration and exploitation licenses must follow the provisions of the Environmental Protection Law and the Minerals Law, specifically Articles 38 and 39, when rehabilitating used areas. Article 38 of the Minerals Law outlines the environmental protection responsibilities of exploration license holders, while Article 39 specifies the obligations of exploitation license holders.

Funds guaranteeing the fulfillment of environmental protection and rehabilitation obligations are collected in accordance with Articles 9.9 and 9.10 of the Law on Environmental Impact Assessment and Article 38.1.8 of the Minerals Law. Both exploration and exploitation license holders are required to transfer an amount equivalent to 50% of their annual budget for environmental protection plans to a special account opened by the relevant soum or district governor.

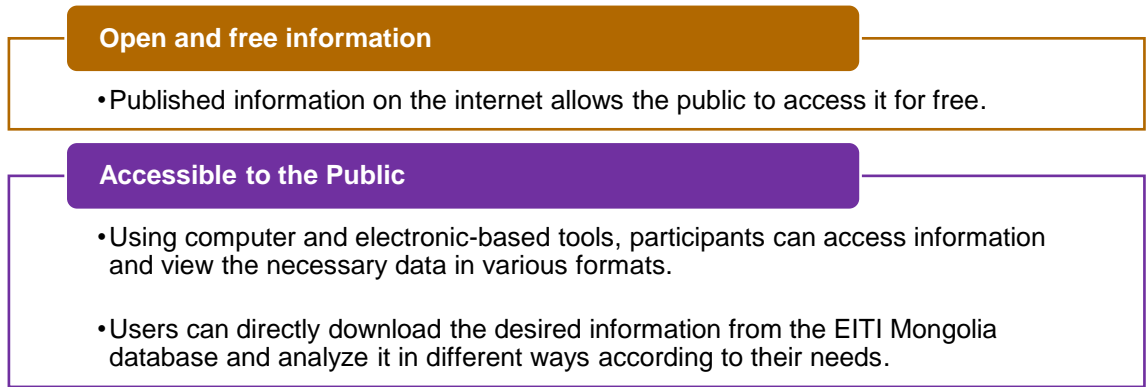
According to the Minerals Law, if an exploration license holder fulfills the obligations outlined in their Environmental Protection Plan, the deposited funds will be returned. For exploitation license holders, the funds will be returned at the mine closure stage if they fully comply with the obligations specified in the Environmental Impact Assessment and EPP. If the license holder fails to fully implement the measures outlined in the EPP, the soum or district governor will use the deposited funds to hire a professional organization with a rehabilitation permit to carry out the necessary measures.

6.6 Electronic reporting system

The electronic reporting system aims to make information about taxes, fees, and donations paid by mining and oil companies to the national and local budgets, as well as the taxes, fees, and charges received by the Government of Mongolia, accessible and transparent to the public. Additionally, it serves as a key tool for informing civil society organizations and interested users about the amount of natural resources used during the licensing and extraction processes. As a result, it strengthens cooperation and trust between the government, companies, and citizens. Therefore, this electronic reporting system is of great importance at the national level. Specifically, it:

- Increases transparency and accessibility of information;
- Provides timely and prompt access to information;
- Allows access to information from different sources in one place;
- Enables viewing of license locations and comparative indicators on cadastral maps;
- Facilitates searching and filtering of information from a unified database on mining exploration, extraction, oil production, and sales.

Figure 9. Principles followed in developing the electronic reporting system

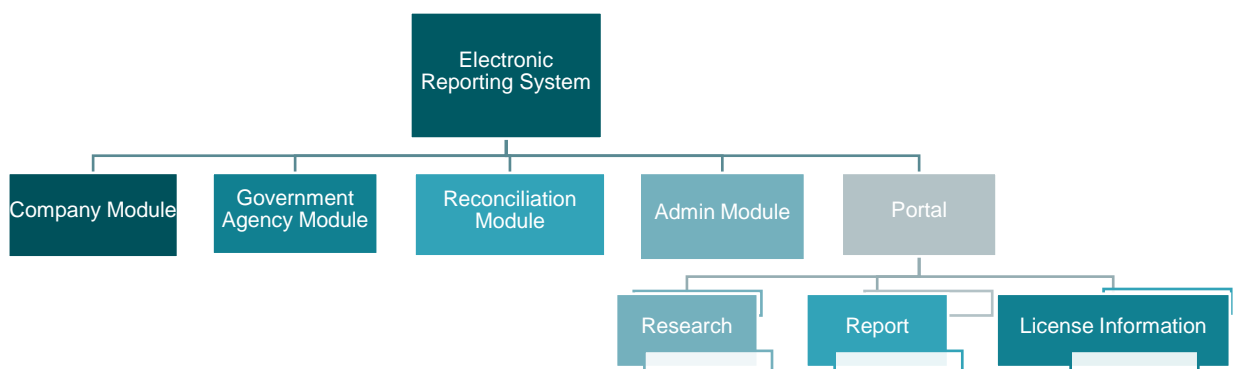


Currently, the website <http://eitimongolia.mn/> provides the public with free access to Mongolia’s EITI consolidated reports along with their appendices. Additionally, it presents the following key statistical overview information regarding activities in the mining sector. These include:



Source: www.eitimongolia.mn, 2024

Figure 10. EITI electronic reporting system manual



Source: EITI Electronic reporting system manual

6.7 Water usage information

Water usage information is compiled using an electronic reporting form. In 2023, out of the contracted 43,832,851 cubic meters of water, 29,957,917 cubic meters, or 68.3% of the contracted amount, was used. Additionally, the water usage fee collected from 125 selected companies amounted to 69.4 billion MNT.

Table 91. 2023 Water usage information

Meaning	Amount
Contractual water usage amount (cubic meters)	43,832,851.0
Total water used (cubic meters)	29,957,917.0
Surface water used (cubic meters)	5,993,123.0
Groundwater used (cubic meters)	23,574,956.0
Water usage shortfall from contract (cubic meters)	15,907,227.0
Water usage fee (million MNT)	69,422,765,868.5
Water pollution fee (million MNT)	1,021,394,594.0

Source: Information reported in the EITI electronic reporting system

In 2023, out of the 125 companies included in the report, the top 10 companies paying the highest water usage fees contributed a total of 66,202.6 million MNT, accounting for 95% of the total fees. For detailed information on water usage fees, please refer to Appendix 24a and 24b.

Table 92. Top 10 companies paying water usage fees in 2023 (in million MNT)

No	Companies	Water Usage Fee	Percentage of Total
1	Erdenet Mining Corporation SOE	29,242.5	44.1%
2	Oyu Tolgoi LLC	27,507.7	41.5%
3	Energy Resources LLC	4,180.5	6.0%
4	Boroo Gold LLC	1,589.9	2.4%
5	Baganuur JSC	896.3	1.3%
6	Tsairt Mineral LLC	670.1	1.0%
7	Mongolrostsvetmet SOE	605.6	0.9%
8	Shariin Gol JSC	583.6	0.8%
9	Mongoliin Alt LLC	560.3	0.8%
10	Khan-Altai Resources LLC	366.1	0.5%
Total		66,202.6	95%

6.8 Waste disposal information

In 2023, 48 companies contributed a total of 747.2 million MNT in waste disposal fees. These payments were concentrated in Ulaanbaatar and 18 provinces. For detailed information on the amount of waste and payment details, please refer to Appendix 25

Figure 11. Waste disposal information, m³

Waste Disposal Information	Waste Generated by the Factory- 60,807	General - 54,689
		Hazardous - 6,119
	Disposed Waste- 16,389	Landfill - 16,013
		Burned - 106
		By Chemical and Physical Methods- 1
		Other - 12
	Waste Transferred to Professional Organizations- 84,794	General - 81,511
		Hazardous - 3,277

Source: Information reported in the EITI electronic reporting system

The following table shows the information of the top 10 companies with the highest payments, based on the data submitted to the electronic reporting system

Table 93. Companies with the highest waste disposal fees

No	Company Name	Province and Soum	Payment made
1	Erdenet Mining Corporation LLC	Orkhon	495,261.3
2	Ten Khun LLC	Tuv	59,926.7
3	Steppe Gold LLC	Dornod	38,050.0
4	Erdenes Tavan Tolgoi LLC	Umnugovi	36,230.0
5	Boroo gold LLC	Umnugovi	18,945.4
6	Khur Erdene Bayalag LLC	Umnugovi	12,000.0
7	Olon Ikht Bayan LLC	Dornogovi	6,000.0
8	COAL LLC	Dornogovi	6,000.0
9	Sora International LLC	Dornogovi	6,000.0
10	Tod-Undarga LLC	Selenge	4,668.9

Source: Information reported in the EITI electronic reporting system

6.9 Level and form of revenue breakdown in the EITI report (Requirement 4.7)

This report includes detailed information on payments and revenues by companies, government agencies, and each revenue stream and project. Detailed project-level information can be found in Appendix 21.

The EITI standard defines what constitutes a project and the reason for changes in the standard is to ensure transparency regarding the revenue the government receives from each project. The EITI Council approved the requirement in 2017 to disclose revenues by project starting from 2018.

The Mongolia EITI defines a project and related agreements as follows:

A project is understood as an operation governed by a single contract, license, concession, or similar legal agreement that establishes the basis for payment obligations to the government.

Related agreements are those that are operationally and geographically linked, including contracts, licenses, concessions, or similar legal agreements with the government that have similar terms and payment obligations. These agreements are generally governed by a single contract, joint venture, production sharing agreement, or other common regulatory legal agreements.

In 2023, the actual revenue received compared to the annual plan showed the following performance: Corporate Income Tax amounted to 3,006,668.66 million MNT, VAT Withheld on Domestic Goods and Services was 2,011,385.39 million MNT, Mineral Royalty reached 444,833,640.37 million MNT, and Air Pollution Fee totaled 69,822.69 million MNT. Additionally, the 2023 approved budget estimated the price of refined copper on the international market at \$8,670 per ton and the average price of coal at \$140.0 per ton. The balanced price for copper was estimated at \$8,386.7 per ton and for coal at \$110.8 per ton.

Table 94. Comparison of 2023 revenue plan and performance

State Budget	Annual Plan	Performance /Revenue Received/
Corporate income tax	2,253,436,728,626.2	3,006,668,660,731.1
VAT Withheld on domestic goods and services	1,805,410,000,000.0	2,011,385,392,466.1
Mineral resource usage fee		
Mineral royalty	3,217,796,816,748.1	4,448,336,403,739.9
Air pollution fee	50,400,000,000.0	69,822,697,216.7

Source: General department of taxation

In 2023, 56 companies reported project-level information in the electronic reporting system. A total of 66 types of projects are being implemented with an investment performance of 60,335,269,722.00 thousand MNT. For detailed information on the project level, please refer to Appendix 21.

6.10 Coal theft case and its results

From 2008 to 2022, comparing the export and import data of the General Customs Administrations of Mongolia and China, there is a discrepancy of 6.9 million tons. Within the scope of the Temporary Committee’s inspection from 2018 to 2022, a discrepancy of 3.2 million tons was found when comparing the export and import data of the General Customs Administrations of Mongolia and China. To verify this information, the Temporary Committee of the State Great Khural of Mongolia requested the Director of the General Customs Administration to inspect the coal loading and unloading areas at the Gashuunsukhait border checkpoint for coal exported between 2018 and 2022. As a result, a working group was appointed to organize the inspection, and they examined 381 contracts for the sale and purchase of coal by Erdenes Tavan Tolgoi and Tavan Tolgoi companies, totaling 121.6 million tons of coal, by cross-checking each contract at the customs area.



Erdenes Tavan Tolgoi company signed 36 contracts and Tavan Tolgoi company signed 10 contracts, totaling 46 contracts to purchase 31.8 million tons of coal. From these, 16 million tons of coal have been delivered from the mine. At the customs control area of Enguun Bolor Khuyag

company, 4.1 million tons of coal were delivered, of which 3.5 million tons were cleared and exported, leaving 0.6 million tons (600,000 tons) uncleared. At the customs control area of Khanbogd Engineering company, 1.9 million tons of coal were delivered, of which 1.4 million tons were cleared, leaving 0.5 million tons (500,000 tons) uncleared. In other areas, 8.5 million tons of coal were delivered, 10.5 million tons were cleared, and 2 million tons of coal were exported without a source.

Figure 12. Hearing on coal theft



Source: Notes of the 2023 spring session

During the 2022 customs inspection, it was found that 22,664 entries, representing 12,189 vehicles, were not registered in the customs records when crossing the border at the Gashuunsukhait checkpoint. Among these, the license plates of 517 vehicles belonging to a subsidiary of Kachflow Energy Company were checked. This information suggests that under the guise of foreign investment, one company with a coal loading and unloading site and 517 vehicles made large coal contracts with state-owned companies and colluded with customs officers to facilitate the passage of empty trucks.

Figure 13. Hearing on coal theft

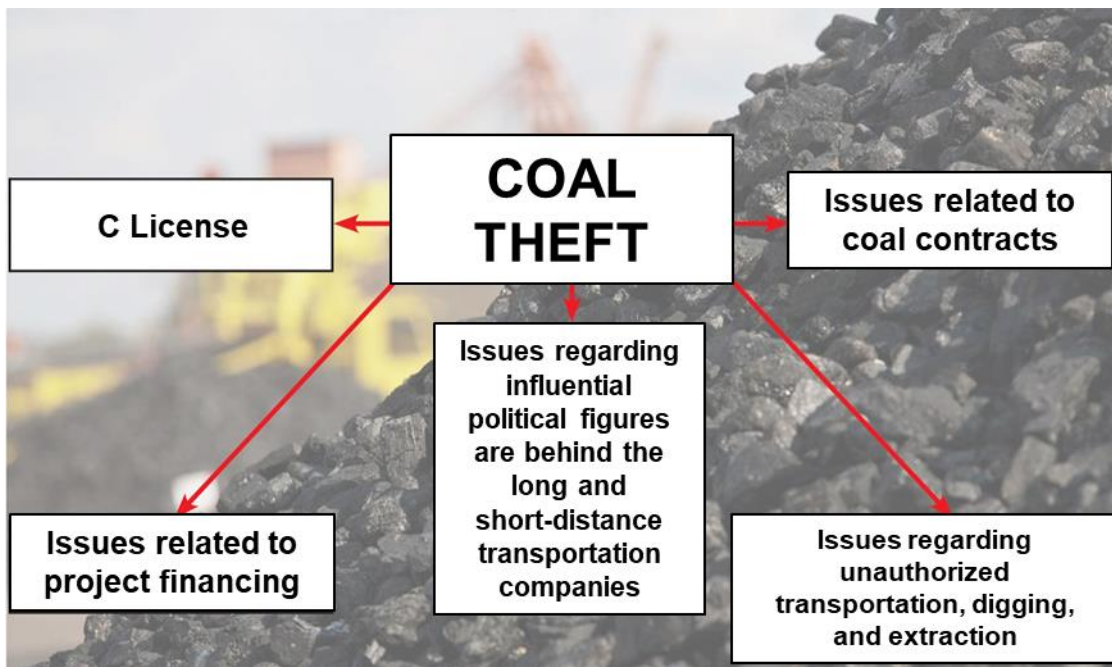


Regarding the \$276.4 million execution:

During the implementation of the project by Energy Resources Rail Company, the Government of Mongolia temporarily transferred the right to build the railway, along with the work already done, to Mongolian Railway Company. Compensation of \$76.4 million was provided for the work done by Energy Resources Rail Company, and Mongolian Railway State-Owned Company continued the project with \$200 million in financing from the Development Bank.

Based on Government Resolution No. 242 of 2018, Tavantolgoi Railway Company was established, and the special permit was transferred. Subsequently, Government Resolution No. 304 of 2019 transferred 34% of Tavantolgoi Railway Company’s shares to Mongolian Railway Company. The authorized bodies of these companies and relevant government organizations decided to transfer the \$276.4 million investment made by Mongolian Railway State-Owned Company from April 1, 2013, to January 31, 2019, to the balance sheet. Grant Thornton Audit Company verified this amount through audits conducted from 2017 to 2019.

Figure 14. Hearing on coal theft



Identified Violations:

During the transfer of assets from Mongolian Railway Company to Tavantolgoi Railway Company, errors were made in the valuation and registration of assets. On October 30, 2019, Tavantolgoi Railway Company sent an official letter to Mongolian Railway JSC, noting delays in the asset transfer process and providing information on missing assets identified during the inventory. In official letters dated August 12 and November 8, 2021, Tavantolgoi Railway Company informed Mongolian Railway Company that the National Audit Office had conducted an audit of the 2020 financial statements and recommended detailed registration of the unfinished production. Some of the transferred assets became unusable, and some were underutilized as the project continued. The asset transfer act confirmed that Mongolian Railway Company did not hand over reports and results of seven consulting services worth a total of \$11 million and 746.6 million MNT to Tavantolgoi Railway Company. The project initially planned to spend \$1 million on consulting services according to the feasibility study, but \$11 million was spent under the guise of financial and legal consulting services without clear documentation of the services received. Based on a report by Grand Thornton, the cost of the 206 km embankment work, previously discussed, was valued at \$276.4 million or 1 trillion MNT at current prices, with an 80% completion rate. This means the embankment work alone was valued at approximately 5 billion MNT per km, indicating the project incurred higher costs and risks.

During the autumn session of the State Great Khural, a resolution was passed to take the following 10 measures in connection with the oversight of coal mining, sales, transportation, export, and other procurement activities of “Erdenes Tavantolgoi” JSC and “Tavantolgoi” JSC.

1	<ul style="list-style-type: none"> Promptly investigate the issue of granting land to foreign-invested enterprises in violation of the Constitution of Mongolia and the Land Law, take measures to nullify the relevant decisions, and hold the officials who made illegal decisions accountable;
2	<ul style="list-style-type: none"> Take measures to prevent and limit political influence in the composition of the boards of directors of locally owned or locally participated entities, and to stop political parties and politicians from interfering in their business activities;
3	<ul style="list-style-type: none"> Implement measures to prohibit “Erdenes Tavantolgoi” JSC, “Tavantolgoi” JSC, and other state-owned or state-participated entities from financing budgetary investments and projects unrelated to their business operations;
4	<ul style="list-style-type: none"> Develop a legal draft to restrict any form of intervention by the National Security Council in the economic and business activities of state-owned and local government-owned entities, as well as entities with state and local government participation; improve their corporate governance, risk management, and internal control systems; and create a legal environment for conducting activities transparently and openly to citizens and the public, and submit it to the State Great Khural by the first quarter of 2024.
5	<ul style="list-style-type: none"> Develop and submit a draft law to the State Great Khural by the first quarter of 2024 to limit the involvement of the National Security Council in the business activities of state-owned or state-participated entities, improve their corporate governance, risk management, and internal control systems, and ensure their operations are transparent and open to the public;
6	<ul style="list-style-type: none"> Take measures to align the relevant provisions of the State Great Khural’s Resolution No. 29 of May 13, 1999, on transferring 51% of the state-owned shares of “Tavantolgoi” JSC to local ownership, with the Constitution of Mongolia and other laws, as the Constitution states that land, subsoil, forests, water, animals, plants, and natural resources are under the ownership of the people and protection of the state;
7	<ul style="list-style-type: none"> Due to violations of the Law on Procurement of Goods, Works, and Services with State and Local Funds in the selection of the contractor for the Borteeg mine of the Tavantolgoi coal deposit group located in Tsogtsetsii soum, Umnugovi aimag, measures should be

	<p>taken to nullify the contract for overburden removal, drilling, blasting, coal mining, and coal processing work at the Borteeg mine, which was signed between “Erdenes Tavantolgoi” JSC and the “MTAS” partnership on November 17, 2021, in accordance with the relevant legal procedures;</p>
8	<ul style="list-style-type: none"> • Due to the failure to conduct tax audits in accordance with the law, some coal mining entities have been able to evade taxes, resulting in missed opportunities for tax reassessments, penalties, and fines. It is necessary to hold the responsible officials accountable according to the law and to develop a draft law to improve tax legislation to prevent recurrence, to be submitted to the State Great Khural by the first quarter of 2024;
9	<ul style="list-style-type: none"> • Hold the officials accountable who facilitated the transportation and export of coal across the Mongolian border without customs clearance, enabling tax evasion, according to the law. Organize measures to prevent recurrence and develop a draft law to improve customs and border control legislation, to be submitted to the State Great Khural by the first quarter of 2024;
10	<ul style="list-style-type: none"> • Address the violations and deficiencies identified by the temporary oversight committee of the State Great Khural in the coal mining, sales, transportation, and export activities of “Erdenes Tavantolgoi” JSC and “Tavantolgoi” JSC, and take measures to rectify them. Hold accountable the officials who failed to fulfill their legal obligations and obstructed the committee’s activities, and resolve these issues within the framework of relevant legislation by the first quarter of 2024.

CHAPTER 7. THE IMPLEMENTATION OF RECOMMENDATIONS

7.1 The implementation of recommendations from the previous year's consolidated report

Table 95. The implementation status of the action plans based on the recommendations from the EITI consolidated reports for 2018, 2019, 2020, 2021, and 2022

Objectives	Recommendations	Implementation Status
Objective 1: Implement the recommendations provided in the 2018 and 2019 consolidated reports;	19.1. Centralize information related to the extractive sector at the Ministry of Mining and Heavy Industry review and verify the information, and then distribute it to other government agencies;	The relevant provision in Article 13.2 of the EITI draft law states that the database of mineral extraction industry information will be managed by the relevant regulatory organization under the Ministry of Mining and Heavy Industry ²
	19.2. Publish the information on donations received by relevant local government agencies in full on the electronic website; the provincial audit office should audit the funds and donations;	In 2023, the "Law on the State Budget" regulated that donations are to be received, recorded, utilized, and reported by the Local Development Fund.
	19.3. Publish audited financial statements separately on the EITI website;	According to the Law on Public Information Transparency, relevant organizations are responsible for publishing their own information.
	19.4. Disclose the members of the boards of directors of state-owned enterprises and inform the public about the methods and procedures for selecting independent members;	The recommendation from the 2021 report to disclose the members of the boards of directors of state-owned enterprises and to inform the public about the methods and procedures for selecting independent members has been reflected in Article 8.6.6 of the Law on Public Information Transparency and has been implemented since May 2022.
	19.5. Make the minutes of the SOEs' board meetings public;	Proposals to be resolved within the framework of the EITI law.
	19.6. Publish the Environmental Impact Assessments (EIA), management plans, and reports of companies on the EITI website;	The relevant provisions have been included in Articles 7.1.10(b) and 7.1.15(a) of the EITI draft law. ³

² The draft law on EITI- <https://mojha.gov.mn/contentList/62dfcd0a3982fa3c90f2a7da>

³ The draft law on EITI - <https://mojha.gov.mn/contentList/62dfcd0a3982fa3c90f2a7da>

Objectives	Recommendations	Implementation Status
	19.7. Identify major producers and subcontractors in the processing sector that significantly contribute to the state budget, notify them officially, and include their basic information in the electronic reporting system to facilitate the submission of transparency reports and include them in the EITI consolidation;	Proposals to be resolved within the framework of the EITI law.
	19.8 Although annual consolidated reports provide recommendations for companies and government agencies to institutionalize the submission of EITI reports and ensure their accuracy, significant progress has not been observed. This highlights the importance of enacting and enforcing the Law on Mineral Resources Transparency.	The EITI draft law, developed by the Ministry of Justice and Home Affairs (MOJHA), is currently open for public comments on their website. ⁴
	19.9. While the legal changes have affected the procedures for calculating and paying royalties by gold companies under the General Department of Taxation (GDT), they do not impact the accurate reporting of EITI reports or the monitoring of royalty calculations and payments. Therefore, the GDT should improve its information system and focus on accurate EITI reporting;	Pending
	19.10. Eliminate discrepancies between the information in the Mineral Resources and Petroleum Authority's cadastral system and the EITI electronic system, and operate the electronic reporting system based on a single source of information. Ensure that information on common mineral licenses granted in rural areas is promptly entered into the cadastral system and made public;	Pending
	19.11. Ensure that the information received electronically is verified by the stakeholders and made fully transparent to the public, or have the information from selected companies evaluated and improved by an independent monitor-consolidator before making it public;	Proposals to be resolved within the framework of the EITI law.

⁴ The draft law on EITI - <https://mojha.gov.mn/contentList/62dfcd0a3982fa3c90f2a7da>

Objectives	Recommendations	Implementation Status
	<p>19.12. As the involvement of the independent monitor-consolidator decreases in the future, it is recommended to focus on maintaining the quality and accuracy of the data. This includes:</p> <ol style="list-style-type: none"> 1. Providing training and guidance to organizations that have the most discrepancies, do not disclose their information transparently, or do not take responsibility for reporting, and taking influence measures. 2. Sending the 2019 consolidated report of Mongolia's EITI along with an official letter, and advising on how to collaborate in the future. 	<p>Pending The 2019 report has been posted on the website.</p>
<p>Objective 2: Implement the recommendations provided in the flexible 2020 consolidated report.</p>	<p>20.1 It is necessary to establish a system where transparency reports mandated by the government are verified by the State Audit Office, and company reports are verified by independent audit organizations;</p>	<p>The relevant provisions have been included in Articles 17.3 and 18.4 of the EITI draft law.⁵</p>
<p>Objective 3: Implement the recommendations provided in the flexible 2021 consolidated report.</p>	<p>21.1 Focus on improving the quality of information due to the recurring issues related to discrepancies between government revenues and company payments each year;</p> <hr/> <p>21.2 Adjust the software settings in the electronic reporting system to ensure that the information uploaded is complete and error-free;</p> <hr/> <p>21.3 In the coming years, make the EITI consolidated reports more comprehensive by including more enterprises, and allocate the necessary budget for this purpose.</p> <hr/> <p>21.4 Focus on improving the reports further by making more types of information transparent and presenting them in a clear and understandable manner for users;</p>	<p>The EITI's electronic reporting system is being improved to reduce the incidence of error.</p> <hr/> <p>The EITI electronic reporting system is being improved to reduce errors.</p> <hr/> <p>The 2022 consolidated report was prepared using traditional methods, with 104 companies participating.</p> <hr/> <p>The EITI electronic reporting system is being enhanced to make it more user-friendly and easier to report.</p>

⁵ The draft law on EITI - <https://mojha.gov.mn/contentList/62dfcd0a3982fa3c90f2a7da>

Objectives	Recommendations	Implementation Status
	21.5 Enhance the transparency of contracts, specifically by disclosing non-confidential information and regulations in mining contracts. Regularize the operation of the contract information database to ensure it is received by the government;	The relevant provision has been included in Article 7.1.3 of the EITI draft law.
Objective 4: Implement the recommendations provided in the 2022 consolidated report;	The Ministry of Mining and Heavy Industry the Ministry of Finance , and other relevant organizations should pay special attention to ensuring that all state-owned enterprises participating in the consolidation submit their transparency reports accurately and completely;	The official directive from the Secretary of the Ministry of Mining and Heavy Industry has been prepared to be sent to the state-owned enterprises.
	23.2 Companies and government agencies should work towards improving and institutionalizing the process of submitting Extractive Industries Transparency Initiative reports, ensuring the accuracy and reliability of these reports;	The official directive from the Secretary of the MMHI has been prepared to be sent to the SOEs, and an official letter has also been prepared to be sent to the relevant government agencies.
	22.3 Since the process of obtaining full compliance information from SOEs regarding EITI requirements is unclear, efforts should be made to meet the standards and requirements;	The official directive from the Secretary of the MMHI has been prepared to be sent to the SOEs.

Source: EITI Secretariat

7.2 Recommendations for EITI reporting and its implementation

The joint team of "SICA" LLC, which provides research and consulting services, and "Growth Finance" LLC, which specializes in auditing, has been selected as the independent consolidator for the 18th consolidated report of the Extractive Industries Transparency Initiative for the third consecutive year. We have developed recommendations based on the difficulties encountered during the preparation of the consolidated report and suggestions for improving the effectiveness and accuracy of this work in the future.

The EITI standards emphasize the importance of data quality, and moving forward, it is essential for the government and companies to report their information systematically, reduce the need for adjustments by independent auditors, and avoid the international practice of verifying data post-reporting. **However, the government, particularly local administrative bodies, continues to struggle with transparency in reporting.**

Furthermore, we maintain the same recommendation as in previous years regarding the endorsement of the "Law on Transparency in Mineral Resources" this year.

Each year, recommendations are provided in the consolidated reports regarding the submission of EITI reports by companies and government institutions, as well as ensuring the accuracy of submitted reports. However, there has been no progress in this year's report. The frequent occurrence of reporting errors, such as inaccurate or incomplete submissions by the government and companies, indicates a lack of attention to the implementation of these recommendations.

As an independent consolidator for the past three years, we have observed some progress in certain areas, but common issues remain:

- **Improving the reporting system to reduce discrepancies related to government revenue and company payments, particularly ensuring that local organizations fully submit their information.**

Errors related to payment discrepancies continue to be common every year from the relevant government agencies and companies. Although specific recommendations were made and some measures were taken in previous years, these errors persist annually. On the company side, errors such as monetary inaccuracies, underreporting, and overreporting were common, while on the government side, local administrations repeatedly failed to report their information each year. Therefore, to prevent these errors and improve the quality of information annually, it is advisable to focus on the following points:

- Issue specific recommendations and appeals to companies that do not publish their information transparently or do not fully enter their information into the reporting system.
- Remind provincial and district governors' offices to fully enter their information into the reporting system each year within the specified timeframe and assign them tasks with deadlines.
- Organize capacity-building training and promotional activities for employees responsible for entering information to ensure they accurately and fully enter data into the EITI electronic reporting system.
- Ensure that transparency reports entered into the electronic reporting system are monitored and reviewed by civil society and research organizations.

- **In the process of compiling the reconciliation report, it was necessary to obtain additional information according to the EITI standard. However, the process of obtaining information from companies and government agencies was excessively slow and time-consuming.**

There were issues with retrieving information from provinces and districts that did not enter their data into the electronic reporting system. This caused delays in compiling the reconciliation report as tax and payment information had to be collected and consolidated from each district. Additionally, provincial and district tax offices often refused to provide company-related tax information, citing confidentiality. To avoid repeating these errors, the following measures should be taken

- Take action against employees and officials who fail to clarify incomplete or incorrect information, do not respond to official requests for additional information, or refuse to provide information during the reconciliation report clarification process.
 - Extend the deadline for obtaining information from entities that did not submit their reports on time in the electronic reporting system, ensuring that the information is eventually received.
 - Organize impact measures to improve the accountability of employees, as the frequent errors and bureaucratic delays in the clarification process are related to the responsibility of the staff.
 - Conduct training and impact measures for the responsible employees of provincial and district governors' offices on entering information into the electronic reporting system.
- **To ensure that the information uploaded to the electronic reporting system is complete and error-free, program settings should be adjusted in the electronic reporting system.**

Although the electronic reporting system has been updated and improved, there were several issues to consider during the compilation of the reconciliation report. For example, it was not possible to download the information entered by companies and organizations in Excel format, and it was not possible to see how many companies had entered their information for each form indicator. These issues should be addressed to improve the system.

APPENDIX

Appendix	Information
Appendix 1	General information of companies covered in the Mongolia EITI Report 2023
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 report forms sent to government agencies
Appendix 6	Information provided by companies
Appendix 7	Information provided by government organizations
Appendix 8	Unexplained discrepancies in the initial reconciliation (by company)
Appendix 9	Be type of adjustment and payment made in favor the company /in million MNT/
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 15A	List of exploitation licenses (as of December 31, 2023)
Appendix 15B	List of exploration licenses (as of December 31, 2023)
Appendix 15C	List of newly granted licenses in 2023
Appendix 15D	List of exploration and exploitation licenses revoked in 2023
Appendix 15E	List of transferred exploitation licenses 2023
Appendix 15F	List of transferred exploration licenses 2023
Appendix 15G	Special licenses for minerals with widespread distribution 2023
Appendix 15H	List of unselected entities
Appendix 16A	The coal mining in 2023
Appendix 16B	The volume of domestic and export sales in 2023 and its average
Appendix 17	Financial report auditing progress
Appendix 18	Composition of the board of directors
Appendix 19A	Shareholder information
Appendix 19B	Beneficial owners (individuals)
Appendix 19C	Beneficial owners (legal entities)
Appendix 19D	Dividends
Appendix 20	Information on contracts made with local administration organizations
Appendix 21	Project-level information
Appendix 22	Recovery information submitted by companies
Appendix 23A	Evaluation of participation in EITI of the companies included in the reconciliation
Appendix 23B	Evaluation of the participation of the government and public institutions in EITI
Appendix 24A	Information on water usage
Appendix 24B	Water usage fees paid to the government (by company)
Appendix 25	Waste information
Appendix 26A	Energy and steel ball usage
Appendix 26B	Purchases of mineral raw materials and fuel consumption
Appendix 26C	Information on food products used (meat, milk, dairy products)
Appendix 26D	Information on vegetables, fruits, and other food products used
Appendix 26E	Information on occupational safety and health products used
Appendix 27	Information on subcontractors
Appendix 28	Information on the transparency accounts of state-owned enterprises

Appendix	Information
Appendix 29	Information on loans of State-Owned Enterprises
Appendix 30	Resource information
Appendix 31	Information on Impact Zones
Appendix 32	Information on Chemicals Used by Processing Plant Operators
Appendix 33	Investments in infrastructure and barter agreements
Appendix 34	Information on mineral extraction, production, and sales (Sales information)
Appendix 35	Transportation fees of state-owned and private enterprises
Appendix 36	List of contracts disclosed to the public
Appendix 37	List of contracts disclosed since 2023
Appendix 38	2023 revenue transfer information of the Local Development Unified Fund (thousand MNT)