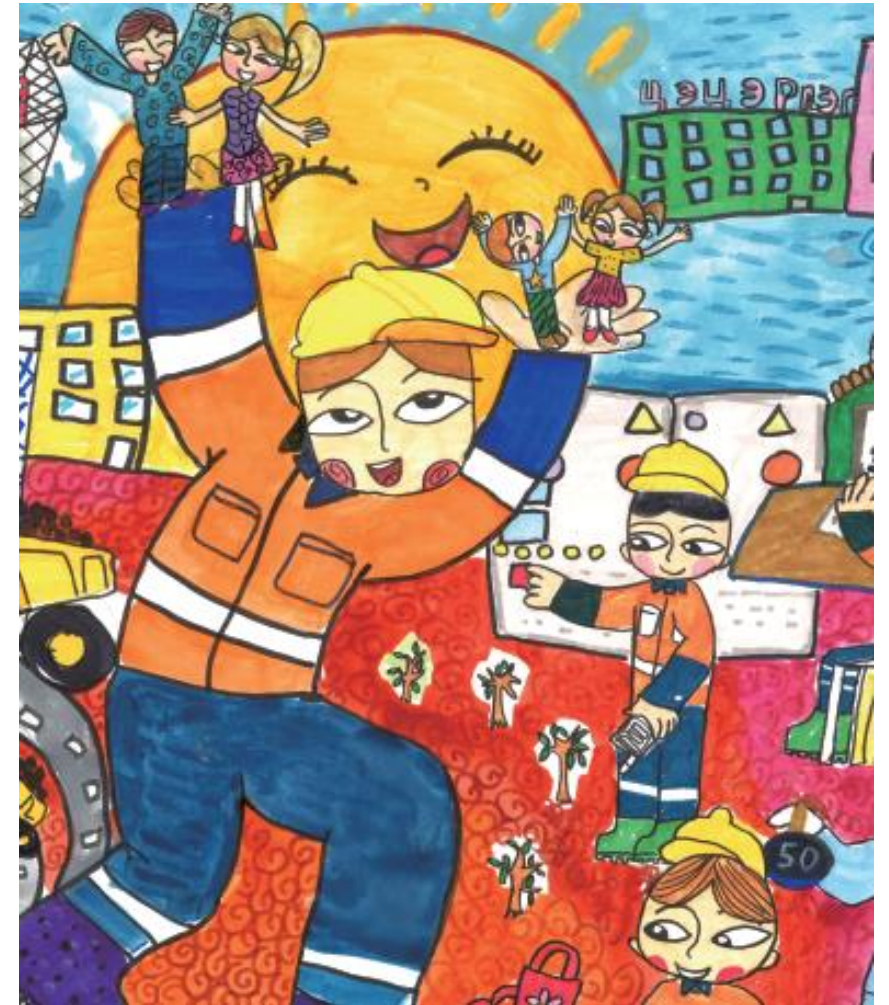


Mongolian Mining Industry

CECC Mining Series 2022

21 June 2022

Dr. Battsengel Gotov

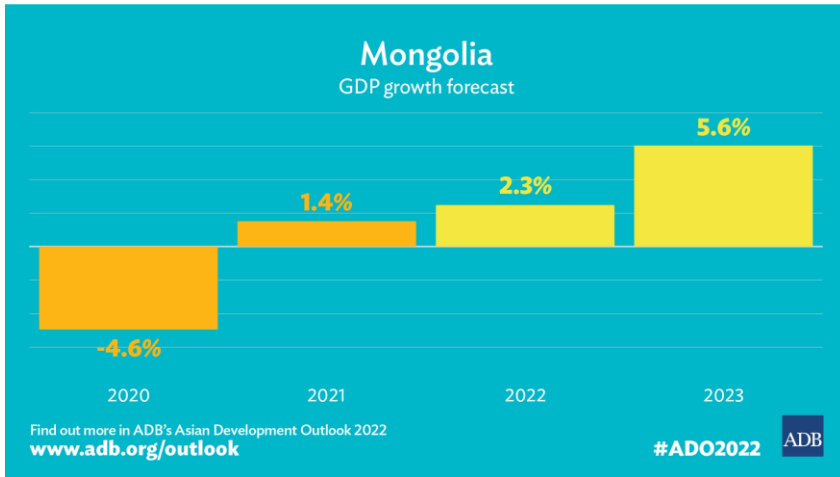




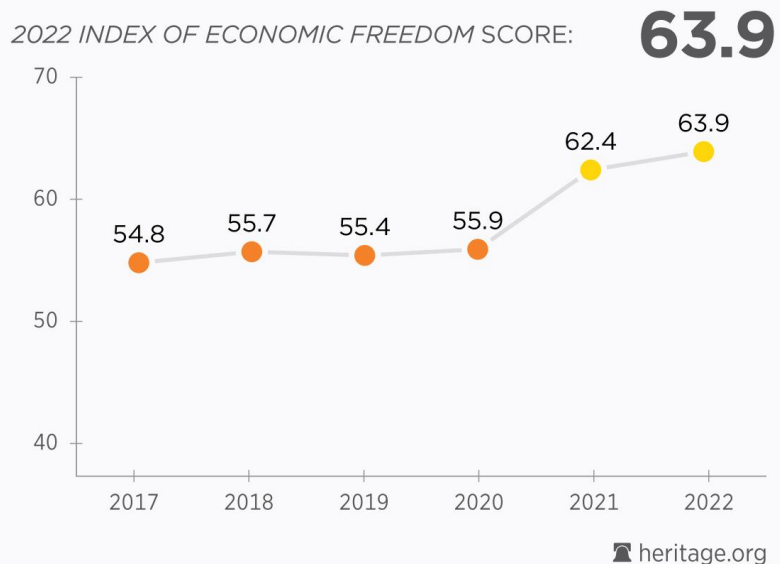
Mongolia



- North-Central Asian country bordering with Russia and China
- Transitioned to democratic multiparty political system in 1990
- Capital: Ulaanbaatar
- Total area: 1.564 million sq km
- Population: 3.388 million (2021 est.)
- Unitary republic with one legislative house (76-membered State Great Khural elected for 4-year term)
- Head Of State: President Ukhnaa Khurelsukh
- Head Of Government: Prime Minister Luvsannamsrai Oyun-Erdene



MONGOLIA



Economy

- GDP: 14.233 billion USD (nominal 2021 est.)
- GDP per capita: 4,172 USD
- Inflation (CPI): 15.1% (May 2022)
- BoM policy rate: 9.0%
- Currency: MNT (1 USD = 3,120.99 MNT on 20 June 2022)
- Exports: 9.2 billion USD (2021)
- Imports: 6.8 billion USD (2021)
- Economic Freedom Score: 63.9 (2022)
(Rule of Law, Government Size, Regulatory Efficiency, Open Markets)



Mining industry

- Budget income share: 30% (2021)
- GDP share: 24% (2021)
- Industrial output share: 69% (2021)
- Export share: 93% (2021)
- Top-5 export items by USD value (2021):
 - Copper concentrate 31%
 - Bituminous coal 30%
 - Iron ore 10%
 - Gold 11%
 - Crude oil 3%

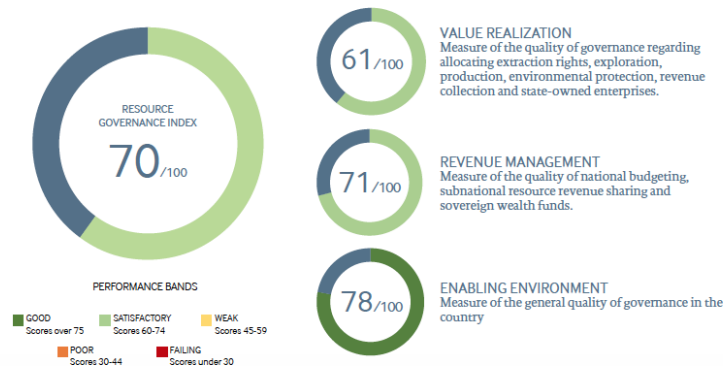
2021 Resource Governance Index Mongolia



Mongolia's mining sector scored 70 out of 100 points in the 2021 Resource Governance Index (RGI), an increase of 6 points since the 2017 index. Both the value realization and revenue management components now place firmly within the "satisfactory" performance band, while improvements in the enabling environment push the component into the "good" performance band. Nonetheless, Mongolia can attain better resource governance by targeting some key focus areas.

- Governance of local impacts deteriorated by 14 points since the 2017 RGI, with backsliding in areas related to both the legal framework and disclosure of relevant information.
- Mongolia has granted relatively few exploration licenses since 2017, but issues remain in the laws and disclosures governing the post-licensing period. There are no legal requirements for publication of contracts or information about the beneficial owners of extractive companies.
- Mongolia's high score in the index's open data subcomponent, stemming from digitization improvements by the Mongolian government, masks an absence of key data and information disclosures in the mining sector.
- The mining sector in Mongolia is characterized by a gap between enacted laws and enforcement, especially in the governance of local impacts and subnational resource revenue sharing.
- State-owned enterprise (SOE) governance remains "poor," which is worrying given the heavy financial reliance of the Mongolian government on multiple SOEs operating in the extractive sector.

Mongolia mining: 2021 Resource Governance Index and component scores



Mining regulations

- Tax Laws (CIT, VAT etc.), Labor Law, Land Law, Environmental Protection Law
- Minerals Law:
 - Exploration special permit (license) issued for up to 9 years with escalating fees and minimum spending commitment
 - Mining special permit (license) issued for 30 years, extendable twice by 20 years
 - Processing special permit (license)
 - Royalty: base royalty 5% plus progressive royalty linked to price, differs by each commodity and processing level
 - Community cooperation agreement as per template adopted by Government