

## **CHAPTER ONE**

### **GENERAL PROVISIONS**

#### **Article 1. Purpose of the law**

1.1. The purpose of this law is to regulate prospecting, exploration and mining of minerals within the territory of Mongolia.

#### **Article 2. Legislation on minerals**

2.1.

Mineral related legislation consists of the Constitution of Mongolia, Land Law, the Subsoil Law, Environmental Protection Law, National Security Law, this law and other relevant legislative acts.

2.2.

If an international treaty to which Mongolia is a party provides otherwise, the provisions of the international treaty shall prevail.

#### **Article 3. Scope of application**

3.1

This law shall be applicable for exploration and mining of all types of mineral resources except water, petroleum and natural gas.

3.2

Relations with respect to the artisan mining and exploitation of minerals from artisanal and small scale mines shall be regulated by a specific law.

#### **Article 4. Definitions of terms**

4.1 In this law the following terms shall have the following meaning:

4.1.1

"mineral" means any usable naturally occurring mineral concentration that was formed on the surface or in the subsoil as the result of geological evolutionary processes;

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4.1.2

"reconnaissance" means an investigation identifying mineral concentrations through rock sampling, airborne surveys and reviewing related geological and minerals information without actually disturbing the subsoil;

4.1.3

"geological survey to be conducted at expense of the state budget" means geological mapping, thematic survey, geological prospecting and exploration of minerals financed from the State budget;

4.1.4

"mineral prospecting" means a geological survey whose purpose is identifying the existence of mineral concentration in area with prospects of mineral resources;

4.1.5

"mineral exploration" means geological and exploration survey conducted on and under the earth's surface for the purpose of identifying in detail the location and quantity of mineral concentration and determining the technical and commercial feasibility of mining thereof;

4.1.6

"mineral mining" means the entire range of activities that include separating and extracting minerals from land surface and subsoil, ore stockpile, waste or tailings, increasing the concentration of its usable contents, producing products, marketing those products and other activities related therewith;

4.1.7

"minimum cost of exploration" means an obligatory minimum expenditure per annum to be spent for exploration work;

4.1.8

"mineral deposit" means mineral concentration that has been formed on the surface or in the subsoil resulting from geological evolutionary processes, where the quality and proven reserve is economically feasible to mine by production methods;

4.1.9

"hard rock mineral deposit" means any mineral concentration that has been formed as a result of geological evolutionary processes and exists in the same space with its host rock;

4.1.10

"placer mineral deposit" means mineral concentration that has been separated from its first subsoil location as a result of erosion and mechanic processes and that are located as layers after reformation;

4.1.11 "mineral deposit of strategic importance" means a deposit [with size]<sub>1</sub> that may have a potential impact on national security, economic and social development of the country at the national and regional levels or that is producing or has a potential of producing more than five (5) percent of total Gross Domestic Product in a given year.

4.1.12

"special purpose territory" means land taken at the national and local levels by an authorized government entities pursuant to Articles 17, 18 and 20 of the Land Law for special public needs where exploration and mining are either restricted or prohibited;

4.1.13

"reserve area" means an area previously granted under exploration or mining license which is now taken under State control by decision of competent authority

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suspending any reconnaissance, exploration or mining activities;

4.1.14

"exploration license" means a document granting the right to prospect or conduct exploration as set forth in this law;

4.1.15

"mining license" means a document granting the right to conduct mining as set forth in this law;

4.1.16

"exploration area" means the area granted under an exploration license of

Article 4.1.14;

4.1.17

"mining area" means the area granted under a mining license of Article 4.1.15;

4.1.18

"mining claim" means part of geological formation overlapping with mining area and where mining is to be conducted;

4.1.19

"license fee" means the payment that a license holder makes as set forth in this law in order to maintain the license effective;

4.1.20

"license holder" means a legal person to whom prospecting, exploration or mining license has been granted or transferred as set forth in this law;

4.1.21

"legal person" means a company or partnership set forth in Article 33.1 of the Civil Code of Mongolia.

## **Article 5. Ownership of minerals**

5.1.

Mineral resources naturally occurring on and under the earth's surface in Mongolia are the property of the State.

5.2.

The State, as the owner, has the right to grant exploration and mining rights as set forth in the terms and conditions of this law.

5.3.

The percentage of the State share in a minerals deposit shall be established by an agreement on exploitation of the deposit where State funded exploration was used to determine reserves.

5.4.

The State may participate up to 50% jointly with a private legal person in the exploitation of a minerals deposit of strategic importance where State funded exploration was used to determine proven reserves. The percentage of the State share shall be determined by an agreement on exploitation of the deposit considering the amount of investment made by the State.

5.5.

The State may own up to 34% of the shares of the investment made by a license holder in a mineral deposit of strategic importance where proven reserves were determined through funding sources other than the State budget. The percentage of the State share shall be determined by an

agreement on exploitation of the deposit considering the amount of investment made by the State.

5.6.

A legal person holding a mining license for a mineral deposit of strategic importance  
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shall trade no less than 10% of its shares on the Mongolian Stock Exchange.

## **Article 6. Classification of mineral deposits**

6.1 Mineral deposits are classified as following:

6.1.1

deposits of strategic importance;

6.1.2

deposits of common minerals;

6.1.3

deposits of conventional minerals.

6.2

Mineral deposits set forth in Article 6.1.1 of this law shall refer to a deposit which meets the requirements of Article 4.1.1 1 of this law.

6.3

Abundant sediments and rock concentration that might be used as construction material are considered common mineral deposits.

6.4

All mineral concentrations except as set forth in Articles 6.2 and 6.3 of this law shall refer to conventional mineral deposits.

## **Article 7. General requirements with respect to license holder and to conducting mineral exploration and mining operation.**

7.1

Mineral exploration and mining license shall be granted to a legal person, taxpayer in Mongolia, duly formed and operating under the laws of Mongolia.

7.2

A license holder shall meet the requirements set forth in Article 7.1 of this law for the entire duration of a valid license.

7.3

Conducting exploration or mining without a valid license is prohibited.

7.4

One license may be granted to one legal person only.

7.5

Landowners or land-possessors may use common minerals from their land for private and noncommercial purposes. A list of common minerals that can be mined without a license shall be approved by the Government. ([Government resolution # 81.2007](#))

## **CHAPTER TWO**

## STATE REGULATION IN MINERAL SECTOR

### Article 8. Competence of State Great Hural

8.1 Competence of the State Great Hural with respect to mineral issues is as follows:

8.1.1

determine State policy with respect to development of geology and mining sector;

8.1.2

oversee the Government's implementation of legislation on minerals exploration and mining;

8.1.3

have competence over reconnaissance, exploration and mining of minerals in areas with State special protection;

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8.1.4

approve a mineral deposit as a mineral deposit of strategic importance by proposal of the Government or on its own initiative; ([Government resolution # 27.2007](#))

8.1.5

restrict or prohibit exploration and mining activities on or grants of exploration and mining licenses for certain territories by proposal of the Government or on its own initiative;

8.1.6 establish a special regulatory regime for mining, storage and transport of radioactive minerals;

8.1.7 determine the State's share percentage of mineral deposits of strategic importance as set forth in 5.5 and 5.6 of this law by proposal of the Government or by its own initiative based on the size of the minerals deposit registered in the State's integrated registry.

### Article 9. Competence of the Government

9.1. Competence of the Government with respect to mineral issues are as follows:

9.1.1

enforce implementation of legislations on reconnaissance and exploration of minerals and mining;

9.1.2

implement State policy with respect to the development of geology and mining sector;

9.1.3

have competence over reconnaissance and exploration of minerals and mining on State special needs territory, exclusive of areas with State special protection;

9.1.4

submit proposals to the State Great Khural for approval of a minerals deposit of strategic importance;

9.1.5

submit proposals to the State Great Khural for determining the State share percentage in a minerals deposit of strategic importance;

9.1.6

determine sources of investment of Mongolia in a joint venture to develop a mineral deposit of strategic importance;

9.1.7

have competence or submit proposals to the State Great Khural with regard to setting aside specific areas for reserve or special purpose territory;

9.1.8

participate in mineral exploration and mining through a legal entity having State ownership.

## **Article 10. Competence of Government agency**

10.1. Competence of the State Central Administrative agency in charge of geology and mining are as follows:

10.1.1

develop and implement State policy with respect to the development of the geology and mining sectors;

10.1.2

upon authorization by the Government, approve the selection procedures set forth in Article 19.12, 20.1, 24.2 and 26.9 of this law;

10.1.3

ensure enforcement of the legislation on minerals and resolutions of the Government with regard to implementation of such legislations;

10.1.4

determine service fee rates for issuance, transfer, extension of the term of a license and for surrendering all or part of a licensed area, resolving boundary disputes and reviewing of exploration work plan, information and report;

10.1.5

approve the annual integrated plan of geological studies to be funded by the State budget;

10.1.6

approve regulatory procedures for funding, implementing and assessing results of  
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geological studies to be funded by the State budget;

10.1.7

regulate exploration and mining activities, develop and approve product's standard;

10.1.8

oversee operations with respect to development of strategic deposits;

10.1.9

approve charter of ([MIT order # 214.2006. attachment #3](#)) and establish a Minerals Council () in charge of making evaluation and issuing recommendations on reports of geological studies conducted within the territory of Mongolia.

## **Article 11. Responsibilities of government agency**

11.1. Government agency in charge of geology and mining issues shall have the following duties:

11.1.1

conduct regional geological, geochemical, hydro-geological cartographic and geophysical surveys within the territory of Mongolia;

11.1.2

research patterns of distribution and types of occurrences of mineral resources within the territory of Mongolia and the evaluation of such resources;

11.1.3

provide geo-ecological research and recommendations with respect to natural and human factors that may have an impact on the social and economic development;

11.1.4

provide interested individuals with all available geological and mining related information, including information provided by license holders as set forth in this law, except for information classified as confidential;

11.1.5

maintain and update the information database with respect to national geological and related resources;

11.1.6

monitor the plan, reports and the minimum cost of exploration of the exploration license holder provided in this law;

11.1.7 register and resolve requests regarding mineral reconnaissance;

11.1.8

provide evaluations and recommendations with respect to technology and equipment used in the mining industry and implementation of mining technology policy;

11.1.9

create a favorable investment environment for the mining sector and provide evaluations with respect to the existing investment environment;

11.1.10

conduct research, evaluation and provide recommendations regarding the impact the mining industry has on the social and economic development of Mongolia;

11.1.11

conduct research on supply and demand and the prices of mining products and forecast long-term trends;

11.1.12

submit proposals regarding State policies on particular mining projects and the implementation of those policies;

11.1.13

organize a tender to issue a license for an area of mineral concentration determined by the State budget;

11.1.14

monitor activities related to exploration and mining licenses;

11.1.15

provide the public with access to the processes of issuing and reissuing of licenses, license revocation, transfer, pledge and surrender of for the entire or a part of the licensed area;

11.1.16

receive, register and make decisions with respect to applications for licenses;

11.1.17

maintain the registry of licenses;

11.1.18

maintain the cartographic registry of licenses;

11.1.19

issue exploration and mining licenses;

11.1.20

collect service and license fees;

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11.1.21

resolve boundary disputes between and among license holders;

11.1.22

provide interested persons with access to the registry and the cartographic registry of licenses and to notify relevant government agencies as well as the public about any changes made in the registry.

11.2. Government agency's unit in charge of geology shall be responsible for issues set forth in Articles 11.1.1-11.1.7, a unit in charge of mining Articles 11.1.8-11.1.12 and a unit in charge of cadastre Articles 11.1.13-11.1.22.s

11.3 Professional inspection agency shall implement State inspection over mineral exploration, mining activities and implementation of Mineral Law of Mongolia and other relevant legislation.

## **Article 12. Competence of local administrative and self governing bodies**

12.1 Local administrative and self governing bodies shall implement the following with regard to mineral issues:

12.1.1

ensure implementation of this law and regulations of higher administrative bodies in its respective territories;

12.1.2

permit use of the licensed area for the purposes set forth in the license and prevent, oppose any violations;

12.1.3

monitor compliance with respect to environmental reclamation, health and safety regulations for workers and local residents and payments to the treasuries of local administrative bodies by license holders as part of their obligations;

12.1.4

adopt resolutions establishing a local special purpose territory as set forth and grounded in regulations provided by the Land Law.

## **Article 13. Reserved areas**

13.1 Establishment of reserve areas in exploration and mining license areas shall be resolved by a decision of the Government for the following purposes:

13.1.1

improve the quality of the registry of licenses;

13.1.2

resolve boundary disputes among license holders;

13.1.3

conduct geological mapping, reconnaissance and exploration of minerals through State budget funding.

13.2 Decision to establish a reserve area as set forth in Article 13.1 of this law shall be made with an official public notice and contain the following information:

13.2.1

the name of the aimag or capital city and soum or district where reserve area is located;

13.2.2

coordinates of the reserve area;

13.2.3

purpose for reserving the area;

13.2.4

time period the area shall be reserved for.

13.3

The Government agency shall record the reserve area as set forth in Article 13.1 of this law in the licensing and cartographic registries.

13.4

A reserve area shall be released for the following reasons:

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13.4.1

By the decision of the Government to release the reserve area prior to expiration of the original term;

13.4.2

expiration of the term for which the reserve area had been reserved;

13.4.3

after settlement of the circumstances set forth in Articles 13.1.1-13.1.3.

13.5 If a licensed area is located within the boundary of a reserve area established as set forth in Article 13.1.3 of this law, the rights and liabilities of the license holder shall remain in effect the period of reservation.

**Article 14. Special purpose territory with restrictions and prohibitions on exploration and mining activities**

14.1 In the event that a competent agency issues a resolution to establish a special purpose territory, a written notice containing the following information shall be delivered to Government agency within ten (10) business days:

14.1.1.

name of the aimag, soum and bag where the territory is located;

14.1.2.

coordinates of the land where the special purpose territory is established;

14.1.3.

purpose for which the land has been taken for special purpose;

14.1.4.

time period for which the land shall be used for special purpose.

14.2

Land set aside for special purposes shall not be for a less than five (5) years.

14.3

The Government agency shall record the coordinates of special purpose territory in the exploration license, mining license and cartographic registries.

14.4

If a special purpose territory overlaps entirely or in part with a territory covered by a valid license, prohibiting further exploration or mining in the overlapping area the authority whose decision it was to establish the special purpose territory shall be obligated to compensate the license holder.

14.5

The amount of the compensation and time for payment shall be negotiated and agreed by the authority that decided to establish the special purpose territory and the affected license holder. If the parties fail to reach an agreement, the amount of compensation and time for payment shall be determined by the Government agency based on conclusion of an authorized independent body.

14.6

The license holder shall have the right to resume its activities if the compensation is not paid in the time set forth in Article 14.5.

14.7

Disputes related to compensation shall be decided by a court.

14.8

Within one (1) month after the Government agency gives public notice of the expiration for special purpose territory, the legal person that previously held the specific area under the license shall, after submitting a request, have an exclusive right to reacquire the exploration or mining license.

## **CHAPTER THREE**

### **MINERAL**

### **EXPLORATION**

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## **Article 15. Reconnaissance**

15.1

A legal person may conduct reconnaissance for minerals, without a license, in territories already under exploration or mining license, except for reserved areas and special purpose territories, provided that the legal person notifies the State and local administrative bodies in advance, registers its name and address and provides a description and location of the area on which it proposes to conduct reconnaissance.

15.2

Disturbing the subsoil while conducting reconnaissance is prohibited and any person proposing to conduct reconnaissance shall obtain permission to enter the land from the landowners, land-possessors or land-users.

## **Article 16. Geological survey and research work to be conducted by State budget funding**

16.1

State funded geological survey and research work shall be conducted without a license.

16.2

Geological surveys whose purpose is to identify geological setting, mineral distribution and areas with prospects of mineral concentration shall be based upon scientific methods and methodologies according to a set schedule.

16.3

Prospecting of minerals funded by State shall be conducted in a comprehensive manner.

16.4

Information regarding State funded exploration shall be maintained in a State information database and publicly available.

16.5

State funded research work and geological survey may be conducted in special purpose territory and no fee shall be paid.

16.6

The Government Ministry in charge of geology and mining shall approve regulations on financing, implementing, monitoring and receiving results of State funded geological survey as set forth in this law.

## **Article 17. Requirements for obtaining an exploration license**

17.1 An applicant for an exploration license must be eligible to hold the license as set forth in Article 7.1 of this law. Location and coordinates of all corners of a requested exploration area shall be marked in degrees, minutes and seconds on a standard map prepared by the Government agency and the map shall be attached to the application.

17.2 The requested exploration area shall meet the following requirements:

17.2.1

it shall be tetragon in shape and its borders shall be straight lines overlapping with directions along longitude and latitude;

17.2.2

no part of the requested exploration area may overlap with a reserve area or a special purpose territory;

17.2.3

no part of the requested exploration area may overlap with an existing licensed area or the licensed area covered by a pending application.

17.3 In order to avoid overlapping of license areas as set forth in Article 17.2.2 and 17.2.3 of this law, the borders of an exploration area may deviate from straight lines if the area borders with the following:

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17.3.1

national borders;

17.3.2

a reserve area;

17.3.3

a special purpose territory;

17.3.4

an exploration or mining license area granted before this law became effective having a shape and position other than as provided under this law;

17.3.5

lakes, ponds and other natural formations that are impossible to include in the exploration area.

17.4 The size of an exploration area shall not be less than twenty-five (25) hectares and shall not exceed four hundred thousand (400 000) hectares.

17.5 There is no limit on the number of exploration licenses a legal person may hold.

### **Article 18. Procedure for submitting application requesting exploration license**

18.1

An exploration license shall be granted to the first applicant who registers and files an application that meets the requirements of Articles 7.1 and 17.2.

18.2

A person set forth in Article 18.1 of this law shall submit an application to the Government agency on the approved form. The following documents shall be attached to the application:

18.2.1

the applicant's name, mailing address, phone and fax numbers;

18.2.2

certified copy of the applicant's State registration certificate;

18.2.3

an area map prepared as set forth in the requirements of Article 17.1 of this law and the name of the aimag, soum or district where the exploration area is located;

18.2.4

a document showing that the applicant has paid the service fee set forth in Article 10.1.4 of this law;

18.2.5 information about the qualifications of the staff conducting the exploration works;

18.2.6

a document proving that the applicant meets the requirements of Article 7.1;

18.2.7

a preliminary plan that includes the type, scope and cost of exploration work to be conducted by the applicant set forth in Article 20 of this law.

## **Article 19. Registering and processing of application**

19.1 After review of the application set forth in Article 18.2 of this law the Government agency shall carry out the following:

19.1.1

register the application in the application registry, record the number, date, hour and minute of registration on each page attached to the application and issue the applicant a receipt acknowledging the filing of the application;

19.1.2

record with a specific note the first and last registered applications of that day;

19.1.3

immediately following the registration it shall be determined by preliminary screening whether the application and the attached documents meet the requirements specified under Articles 17.1, 17.2 and 18.2 of this law;

19.1.4

following the preliminary screening set forth in Article 19.1.3 of this law, it shall be determined whether the requested exploration area overlaps with an area with restrictions or prohibitions on mineral exploration or mining, reserve area, special purpose territory, or any area subject to an existing valid license or previously filed pending application for a license.

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19.2 After completing the actions set forth in Article 19.1, within twenty (20) business days after registration of the application, the Government agency shall make one of the following decisions:

19.2.1

refuse the request and give a written notice to the applicant containing the grounds for refusal if the application and attached documents fail to meet the requirements of Articles 17.1, 17.2 and 18.2 of this law and record it in the application registration book;

19.2.2

notify the applicant that the requested area is available for issue under an exploration license, if the requested area does not overlap with any part of the areas set forth in Article 19.1.4;

19.2.3

notify the applicant in writing that the application is rejected, if the requested area overlaps completely or partially with an area with restrictions or prohibitions on mineral exploration or mining, special purpose territory, reserve area, or an area subject to an existing valid license and record the decision in the application registration book;

19.2.4

notify the applicant in writing that the application is rejected, if the requested area overlaps completely with an area already requested in a pending application and record the decision in the application registration book;

19.2.5

notify the applicant that the exploration license may be granted for the part of the requested area which does not overlap, if the requested area partially overlaps with an area already requested in

a pending application. Another application shall be submitted if the applicant wishes to obtain an exploration license for the area.

### 19.3

The Government agency shall give a written notice to the Governor of an aimag or the capital city if it contemplates granting a license as set forth in Articles 19.2.2 and 19.2.5 of this law. An area map prepared as set forth in Article 17.1 of this law shall be attached to the written notice.

### 19.4

Within thirty (30) days from receiving the notice set forth in Article 19.3 the Governor of the aimag or the capital city shall respond to the Government agency with prior consultation with the Citizens Representatives Hural of the soum or district where the area is located and the Presidium of Citizens Representatives Hural of the aimag or capital city. Failure to respond as set forth in this Article shall be deemed as approval.

### 19.5

The Governor of the aimag or district may refuse the granting of an exploration license only on grounds provided in the laws of Mongolia.

### 19.6

If the Governor of the aimag or capital city supports the decisions set forth in Articles 19.2.2 and 19.2.5 of this law the government agency shall make a decision to grant the area under an exploration license and notify the applicant that the license fee for the first year shall be paid within the period set forth in Article 34.1 of this law.

### 19.7

If the applicant fails to obtain the license within one (1) month of the decision set forth in Article 19.6 of this law or fails to pay the first year's license fee within the period set forth in Article 34.1 of this law, the Government agency shall remove the application from the registry and notify the applicant of this action recording its action in the application registration book.

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### 19.8

Within three (3) business days after the payment is made for the first year's license fee the Government agency shall issue an exploration license for a three (3) year period and record the exploration license, the area in the license and license cartographic registries.

### 19.9

An exploration license shall contain the date of issuance, the license holder's name, the coordinates of the area covered by the license and an attachment where all subsequent changes regarding the license shall be recorded.

### 19.10

Immediately following the grant of an exploration license, the Government agency shall notify the Government Ministry in charge of the environment, governors of the aimag, soum or district where the licensed area is located, State professional inspection agency and give an official notice in a daily newspaper.

### 19.11

The Government agency shall return the application and attached documents to the applicant if the decisions set forth in Articles 19.2.1, 19.2.3, 19.2.4, and 19.7 of this law are made.

### 19.12

An exploration license for an area with mineral concentration determined through State funded geological survey work shall be granted by tender.

## Article 20. Reissuing of an exploration license for the area where the license is revoked

20.1 If a license is revoked on the grounds set forth in Article 56 of this law, the Government agency shall reissue the license through a tender as set forth in the following procedure:

### 20.1.1

select areas set forth in Article 20.1 of this law announcing to the public in a daily newspaper within 30 days of the date it will accept applications for tender bids.

### 20.1.2

applicants shall be evaluated as set forth in the procedures set forth in Article 10.1.2 of this law considering the skills of the applicant's professional staff and an applicant with highest rating shall be granted the license.

### 20.1.3

if evaluation of 2 or more applicants has same rating, the license shall be granted to the first applicant. The first applicant shall be determined as set forth in the Article 19.1.2 of this law.

## 20.2

If an application and attached documents fail to meet the requirements of Article 18.2 of this law, the application shall be refused and written notice containing grounds of such refusal shall be issued to the applicant. This shall be recorded in the application registration book; the application and documents attached to it shall be returned.

## 20.3

If no bid is submitted for the tender called as set forth in Article 20.1 of this law, the exploration license for this area shall be granted in compliance with the Article 18 and 19 of this law.

## Article 21. Rights of exploration license holder

21.1 An exploration license holder shall have the following rights:

### 21.1.1

conduct exploration for minerals within the boundaries of an exploration area as set forth in this law;

### 21.1.2

obtain a mining license according to its exclusive right for any part of an exploration area upon fulfilling the terms and conditions of this law;

### 21.1.3

transfer the exploration license under the terms and conditions of this law or surrender all or part of the exploration license area with permission and under supervision of respective authority;

### 21.1.4

obtain two extensions of the term of an exploration license for three (3) years each upon fulfilling the terms and conditions of this law;

### 21.1.5

access the exploration area and construct temporary structures with the purpose of  
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conducting exploration work;

### 21.1.6

pass through the land surrounding the exploration area for the purpose of entering the exploration area;

### 21.1.7

exercise the rights provided by this law by entering and passing through the land owned or possessed by other persons as approved by the owner or possessor of the land.

## **Article 22. Extension of the term of an exploration license**

22.1 One (1) month prior to the expiration of an exploration license, the license holder may apply for an extension of the license by submitting an application to the Government agency.

The following documents shall be attached to the application:

22.1.1

certified copy of the exploration license certificate;

22.1.2

receipts for payments of annual license fees and service fees and a document proving that the expenditures for exploration work conducted is no less than the minimum cost of exploration;

22.1.3

document proving the renewed approval of environmental protection plan as set forth in Article 40 of this law;

22.1.4

a report on completion of exploration work up to the time of application and document on its acceptance.

22.2 Within ten (10) business days following the receipt of an application for extension set forth in the Article 22.1 of this law, the Government agency shall review the license holder's compliance with the conditions and requirements of Articles 7.2 and 31. If there are no violations, the license term shall be extended for the period set forth in Article 21.1.4 of this law and recorded in the license registry book.

22.3

Immediately following the extension of an exploration license, the Government agency shall notify the professional inspection agency and publicize the extension through a daily newspaper.

22.4

The Government agency shall refuse the extension of the license if a license holder fails to meet the requirements of Article 7.2 and 31 of this law, notify the applicant accordingly and record it in the license registry.

## **Article 23. Pre-mining operation**

23.1

Pre-mining operation is the period after completion of the exploration and registration of the mineral deposit reserve with State registration office when the design package, feasibility study, mine development and commencement of production occurs.

23.2

The commencement period for the mining of the mineral deposit or mine development period shall be no more than 3 years after expiration of the exploration license.

23.3

Pre-mining operations shall be regulated by a pre-mining agreement concluded between the exploration license holder and the Government agency.

23.4

The license holder shall pay exploration license fees for the seventh to ninth years of the term as set forth in Article 32.2 of this law and within the period set forth in Article 23.2 of this law.

## **CHAPTER FOUR MINERAL MINING**

### **Article 24. Requirements for obtaining a mining license**

24.1

Only the exploration license holder is entitled to apply for a mining license in the exploration licensed area.

24.2

If the exploration license is expired as set forth in the Article 53.1.1 of this law and the exploration license holder fails to submit an application for a mining license, the mining license for the area shall be granted through a tender.

24.3

The application for a mining license set forth in Articles 24.1 and 24.2 shall contain coordinates of all corners of the requested mining area in degrees, minutes and seconds on a standard map approved by the Government agency and attach the map to the application.

24.4

The requested mining area shall meet the following requirements:

24.4.1

shall have the shape of a polygon with borders that are straight lines, not less than 500 meters in length, oriented north-south and east-west;

24.4.2

shall not overlap with a reserve area, special purpose territory or an area under existing valid license;

24.4.3

in the case of salt and common minerals, each side of the area shall be not less than 100 meters.

24.5 The borders of a mining license area may deviate from straight lines in order to avoid overlapping set forth in Articles 24.4.2 where it is a:

24.5.1

national border;

24.5.2

reserve area;

24.5.3

special purpose territory;

24.5.4

mining license area granted under the prior minerals law having a shape and location that do not conform with the requirements of this law;

24.5.5

natural formations, such as lakes and ponds that may be excluded from the mining area.

### **Article 25. Procedure for submitting application requesting mining license**

25.1. Using the approved form, an applicant for a mining license shall submit an application set forth in Articles 24.1 and 24.2 of this law to the Government agency. The following documents shall be attached to the application:

25.1.1.

the applicant's name, mailing address, phone and fax numbers and a certificate containing the name of an authorized officer to make decisions;

25.1.2.

a document certifying that the applicant meets the requirements of Article 7.1 of this law;

25.1.3.

a map of the area prepared as set forth in the requirements of Article 24.3 of this law. The map shall contain the name of the aimag or capital city and soum or district in

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which the area is located;

25.1.4.

a document showing that the applicant has paid the service fee set forth in Article 10.1.4;

25.1.5.

the Minerals Council's minutes on discussion of the exploration work results, and a decision of the Government agency;

25.1.6.

a verification of full performance of the duties with regard to environment protection plan during exploration work;

25.1.7.

an evaluation of the effect on the environment;

25.1.8.

a decision by official or the organization that conducted the tender as set forth in Article 24.2 of this law for the license areas explored with State budget funding.

## **Article 26. Registering and processing of application**

26.1. Upon receiving the application set forth in Article 25.1 of this law the Government agency shall carry out the following:

26.1.1

register the application in the application registry and record the number, date, hour and minute of registration on each page attached and issue a receipt to the applicant acknowledging the registration of the application;

26.1.2

immediately following the registration it shall be determined by preliminary screening whether the application and the attached documents meet the requirements set forth in Articles 24.3, 24.4 and 25.1 of this law.

26.2

Following the preliminary screening set forth in Article 26.1.2 of this law, the following shall be clarified:

26.2.1. whether the mining area requested by the exploration license holder's is within the boundaries of its exploration licensed area;

- 26.2.2 whether the requested mining area overlaps with any reserve area, special purpose territory or an area already subject to an existing valid license;
- 26.2.3. whether the size and evaluation of the mineral reserve estimated by exploration would be sufficient for reclamation of environmental damages that might result from mining activities.

26.3. Within twenty (20) business days following the registration of an application for a mining license, the Government agency shall make one of the following decisions based on the clarifications set forth in Articles 26.1 and 26.2 and notify the applicant accordingly:

26.3.1. refuse the request and give written notice to the applicant containing grounds for refusal if the application and attached documents fail to meet the requirements of Articles 24.3, 24.4 and 25.1 of this law and record it in the application registration book.

26.3.2

grant the mining license according to the exclusive rights of the applicant where the existing exploration license holder submits an application for a mining license in the exploration area and pays the first year's license fee set forth in Article 34.1 of this law;

26.3.3

grant the mining license if it does not overlap with any part of an area with restrictions or prohibitions on exploration or mining, reserve area, special purpose territory or any area subject to a valid license and the applicant pays the first year's license fee set forth in Article 34.1 of this law;

26.3.4 if the requested area overlaps in any way with an area set forth in Article 26.3.3 of this law the application for the mining license shall be refused and written notice containing grounds of such refusal shall be issued to the applicant. This shall be

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recorded in the application registration book

26.4 If the applicant who has received a mining license approval notice as set forth in Articles 26.3.2 and 26.3.3 of this law fails to pay the first year's license fee within the period set forth in Article 34.1 of the law, the Government agency shall remove the application from the application registry and notify the applicant in writing and record it in the application registration book.

26.5.

Within three (3) business days following the payment of the license fee for the first year made by applicant as set forth in Articles 26.3.2 and 26.3.3 of this law, the Government agency shall issue a mining license to the applicant for a term of thirty (30) years and shall register the license and mining area in the license and license cartographic registries.

26.6.

A mining license shall contain the date of issuance, license holder's name, address and the coordinates of the corners of the mine area covered by the license and an attachment in which all subsequent changes with respect to the license shall be recorded.

26.7.

Within seven (7) business days following the issuance of a mining license, the Government agency shall notify the Government Ministry in charge of the environment, the Government agency in charge of taxation and fiscal issues, the aimag, soum and district Governors where the licensed area is located and professional inspection agency and publish an official notice informing the public of the granting of the license.

26.8.

The Government agency shall return the application and attached documents to the applicant if the decisions set forth in Articles 26.3.1, 26.3.4, 19.2.4, and 26.4 of this law are made.

26.9.

A mining license for the area explored and the reserve determined through State budget funding shall be granted through a tender.

## **Article 27. Rights and obligations of mining license holders**

27.1 A mining license holder shall have the following rights and obligations:

27.1.1

engage in mining of minerals within the mining claim as set forth in the provisions of this law;

27.1.2

fulfill obligations set forth in Chapter 6 of this law;

27.1.3

sell mineral products from the mining claim at international market prices:

27.1.4

conduct exploration for minerals within the mining area;

27.1.5

transfer and surrender all or part of the mining license as set forth in provisions of this law;

27.1.6

extend the term of the mining license two times for a period of twenty (20) years each depending on the reserve of the mineral;

27.1.7

enter and pass through the mining area, construct necessary structures and use the

mining area in order to carry out mining activities;

27.1.8

pass through the land adjacent to the mining area;

27.1.9

enter and pass through the land owned or possessed by other persons as approved

by the owner or possessor of the land in order to exercise the rights provided by this law;

27.1.10 use land and water in compliance with applicable laws.

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## **Article 28. Extension of the term of a mining license**

28.1. No less than two (2) years prior to the expiration of a mining license, the license holder may submit an application on the form approved by the Government agency for an

extension of the mining license. The following documents shall be attached to the application:

28.1.1.

certified copy of the mining license;

28.1.2.

receipts for payments of license and service fees;

28.1.3.

documentation evidencing the inspection of the implementation of the environmental plan carried out as set forth in Article 39 of this law.

28.2.

Within fifteen (15) business days following the receipt of an application set forth in Article 28.1 of this law, the Government agency shall verify whether the license holder is eligible to keep the license. If there no violations, the license term shall be extended for the period set forth in Article 27.1.6 of this law. The extension shall be recorded in the license registry book and the applicant shall be notified.

28.3.

Within seven (7) business days following the decision to extend the mining license, the Government agency shall notify the authorities set forth in Article 26.7 of this law and publicize the extension through a daily newspaper.

## **Article 29. Investment agreement**

29.1. If the mining license holder undertakes to invest no less than fifty (50) million US Dollars during the first five (5) years of its mining project in the territory of Mongolia, an investment agreement with the purpose to provide a stable operational environment may be concluded with a mining license holder at latter's request.

The Agreement shall contain the following:

29.1.1.

stable tax environment clause;

29.1.2.

clause on the right of the license holder to sell its products at international market

prices;

29.1.3.

clause on guaranteed rights of the license holder to manage the income derived from its sales at own discretion;

29.1.4.

clause on amount and term of the license holder's investment;

29.1.5.

clause on mining of the minerals with minimum damage to environment and public

health;

29.1.6.

clause on protection and reclamation of the environment;

29.1.7.

no-negative effect clause on other industries and operations;

29.1.8.

clause on development of the region and creation of more employment;

29.1.9.

compensation clause for caused damages.

29.2.

The agreement set forth in Article 29.1 of this law shall be concluded between the investor and the Cabinet members in charge of finance, geology, mining and environment upon authorization of the Government of Mongolia;

29.3.

If the amount of the investment over the first five (5) years is no less than fifty (50) million US Dollars, the term of the agreement shall be ten (10) years, if the investment is more than a hundred (100) million US Dollars, the term of the agreement shall be fifteen (15) years or if more than three hundred (300) million US Dollars, the term shall be 30 years.

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### **Article 30. Procedures for conclusion of an investment agreement**

30.1. The license holder interested in concluding an agreement set forth in Article 29.1 of this law shall submit its request and a draft agreement to the Government Ministries set forth in Article 29.2 of this law. The following shall be attached to the request:

30.1.1. feasibility study and information describing the period and amount of investment in the first 5 years of the mining activities, mining production capacity, types of mining products, mining methods and technology;

30.1.2. a note of the Minerals Council that the reserve of the deposit is registered in the national registry of reserves.

30.2.

The Government Ministries set forth in Article 30.1 of this law shall review the draft agreement and the attached documents deciding whether they meet the requirements set forth in Article 29.3 and 30.1 of this law and within ten (10) business days shall notify the license holder.

30.3.

The Government Ministries in charge of finance, geology, mining and environmental shall conclude an agreement with the investor as set forth in the Article 29.1 allowing for three (3) months after receipt of the of the request, draft agreement and attached documents to review issues and if necessary and based on comments and expert opinions of the respective organizations and specialists an additional three (3) month extension for further clarification.

30.4.

Upon signing of the investment agreement as set forth in the Article 30.3 of this law, notice of the terms and conditions of the agreement shall be delivered to the Mongolbank (Central Bank of Mongolia) and other relevant authorities.

## **CHAPTER FIVE**

### **CONDITIONS FOR MAINTAINING A LICENSE**

#### **Article 31. Maintaining a license**

31.1. A license holder is obliged to comply with the conditions and requirements set forth in Article 32 and 33 of this law and failure to comply shall result in revocation of the license pursuant to Article 56 of this law.

### **Article 32. License fees**

32.1.

The license holder shall pay license fees annually as set forth in this law.

32.2.

Exploration license fees shall be payable for each hectare within the exploration area at the following rates: US\$ 0.1 for the first year, US\$ 0.2 for the second and US\$ 0.3 for the third year of the term of the exploration license; US\$ 1.00 for each of the fourth to sixth years of the term of the exploration license; US\$ 1.50 for each of the seventh to ninth years of the term of the exploration license.

32.3.

Mining license fee shall be payable for each hectare within the mining area and amount US\$ 15.00. For coal and other common mineral resources the fee shall be US\$ 5.00 for each hectare.

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### **Article 33. The minimum amount of exploration expenses and its verification**

33.1. Each year an exploration license holder shall undertake reconnaissance and exploration work with expenses not less than the amounts specified below per hectare of the license area:

33.1.1.

US\$ 0.5 for each of the second to third years of the term of the exploration license;

33.1.2.

US\$ 1.00 for each of the fourth to sixth years of the term of the exploration license;

33.1.3.

US\$ 1.50 for each of the seventh to ninth years of the term of the exploration license;

33.2. Exploration work expenditures shall be verified by the Government agency based on an annual exploration work report and the financial balance sheets of the license holder.

33.3. If necessary, the Government agency may conduct worksite inspections to verify actual expenditures.

### **Article 34. Payment of license fees**

34.1.

License fees for the first year shall be paid within ten (10) business days after the license holder receives the notice set forth in Articles 19.6, 26.3.2 and 26.3.3 of this law.

34.2.

License fees for subsequent years shall be payable annually in advance before the anniversary date of the issuance of the license.

34.3.

The amount of the license fee shall be calculated on the basis of the measurements of the license area as registered in the registry of licenses and the amount of the fee shall not change for that particular year.

34.4.

The license fee shall be deemed as paid upon receipt by the Government agency of a document certifying the payment of the fees and the payment date shall be the date of the bank transaction.  
34.5.

MongolBank's official rate for that day shall be applied when estimating payments and expenses expressed by US dollars in this law.

## **CHAPTER SIX. OBLIGATIONS OF A LICENSE HOLDER**

### **Article 35. General obligations of a license holder.**

35.1.

While carrying out its activities a license holder shall comply with the general obligations set forth in this Article. Failure to comply with the general obligations by license holder is subject to the penalties set forth by Article 66.1.4 of this law.

35.2.

An exploration license holder shall keep the following documents at the actual site of the exploration work:

35.2.1 certified copy of the exploration license;

35.2.2

environmental protection plan and report;

35.2.3

exploration work plan reviewed by the Government agency and professional inspection agency.

35.3. A mining license holder shall keep the following documents at the mine:

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35.3.1.

certified copy of the mining license;

35.3.2.

feasibility study on mineral mining and a mining plan reviewed by the relevant organization;

35.3.3.

environmental impact assessment;

35.3.4.

environmental protection plan;

35.3.5.

property leases and product sales agreements;

35.3.6.

records establishing and marking the boundary of the mining area;

35.3.7.

agreements on land and water use.

35.4

A mining license holder shall commence its mining activities after a commission appointed by the Government Ministry in charge of geology and mining accepts the mine.

35.5

The mining license holder shall exhaust all the mineral reserves. It is prohibited to mine selecting the high-grade areas.

### **Article 36. Establishing boundaries and marking the mining licensed area**

36.1.

Within three (3) months following the registration of the mining license in the registry of licenses in accordance with Article 26.5 of this law, the mining license holder shall have the boundaries defined and mark the approved mining area by permanent markers as set forth in technical requirements specified by the professional inspection agency. A person duly authorized by the Government agency shall carry out measurements to define boundaries of the mining area and file a report with the agency upon completion.

36.2.

A mining license holder shall preserve the boundary markers in good condition. License holder is obliged to adjust and remove the markers in case of rearrangement of the boundaries following the decisions of the Government agency.

### **Article 37. Environmental protection**

37.1.

Exploration and mining license holders shall comply with the laws and regulations on environmental protection and Articles 38 and 39 of this law.

37.2.

A license holder may not commence exploration operations without first obtaining written approval from relevant environmental agency or commence mining operations without a commissioning act set forth in Article 35.4 of this law. In case of a dispute arising out of these matters, a complain may be lodged with the professional inspection agency.

### **Article 38. Environmental protection obligations of an exploration license holder**

38.1. An exploration license holder shall have the following obligations regarding environmental protection:

38.1.1

Within thirty (30) days following the receipt of an exploration license, the exploration license holder shall prepare an environmental protection plan with consultation of the environmental inspection agency and Governor of the soum or district where the exploration area is located;

38.1.2

The environmental protection plan as stated in Article 38.1.1 shall ensure the level of the environment pollution does not exceed the accepted limits and that the measures to be taken for reclamation of the area by means of backfilling, leveling

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and cultivation allowing therewith future public use;

38.1.3

The environmental protection plan shall be delivered to and approved by the Governor of the relevant soum or district where the exploration area is located.

38.1.4

Upon approval of the environmental protection plan as set forth in the Article 38.1.3 of this law, a copy of this plan shall be delivered to the local environmental inspection agency;

38.1.5

The license holder shall record all instances of adverse environmental impact resulting from the exploration activity in its annual environmental protection plan report and deliver this report to the Governor of the relevant soum or district and the environmental inspection agency:

38.1.6

The report set forth in Article 38.1.5 shall contain information on measures taken to protect the environment, utilized new exploration machinery and technology as well as proposed amendments to the environmental protection plan directed at preventing the possible adverse impact on the environment. All amendments to the environmental protection plan shall be approved by the Governor of the relevant soum or district;

38.1.7

Provide the State and local administrative agency official in charge of monitoring implementation of the laws on environmental protection with an access to the exploration area to conduct monitoring activities on the site;

38.1.8

To ensure the discharge of its responsibilities with respect to environmental protection, an exploration license holder shall deposit funds equal to 50% of its environmental protection budget for that particular year in a special bank account established by the Governor of the relevant soum or district.

38.2. Within ten (10) days of receiving the environmental protection plan and its proposed amendments, the Governor of soum or district shall review and approve the plan and deliver it to the license holder.

38.3

If a license holder fails to fully implement the measures provided in the environmental protection plan, the Governor of the relevant soum or district shall use the deposit set forth in Article 38.1.8 of this law to implement these measures and the license holder shall provide any additional funds required in line with the undisputable principle.

38.4

If the license holder complies with all the obligations of the environmental protection plan, the deposited funds set forth in Article 38.1.8 of this law shall be returned to the license holder.

### **Article 39. Environmental protection obligations of mining license holders**

39.1 A mining license holder shall have the following obligations with regard to environmental protection:

39.1.1

an environmental impact assessment and an environmental protection plan shall be prepared by a person set forth in Article 24.1 of this law before obtaining a mining license and by a person who obtained a mining license through tender;

39.1.2

the environmental impact assessment shall identify the possible adverse environmental impacts from the proposed mining operations regarding public health and environment and shall include preventive measures that avoid and minimize such adverse impacts;

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39.1.3.

the environmental protection plan shall contain measures to ensure that mining operations are conducted in the least damaging way to the environment. The plan shall also identify preventive, comprehensive measures to protect air and water, humans, animals and plants from the adverse effects of mining operations;

39.1.4.

apart from Article 39.1.3 of this law, an environmental protection plan must include the following:

39.1.4.1.

storage and control of toxic and potentially toxic substances and materials;

39.1.4.2.

protection, utilization and conservation of the surface and underground

water;

39.1.4.3.

construction of tailings dams and ensuring the mine area safety;

39.1.4.4.

reclamation measures set forth in Article 38.1.2 of this law;

35.1.4.3.

other measures as may be appropriate for the particular type of a mining operation.

39.1.5. The environmental impact assessment and environmental protection plan shall be submitted to the Government Ministry in charge of the environment.

39.1.6. Immediately following the approval of the environmental impact assessment and environmental protection plan the license holder shall deliver a copy of the documents to the Governor of the aimag, soum or district and local environmental inspection agency of the area where the mineral deposit is located.

39.1.7. Mining license holders shall record all instances of adverse environmental impact resulting from mining activity, prepare and send a copy of its annual reports on the implementation of the environment protection plan to the Government Ministry in charge of environment, the Governor of relevant aimag, soum or district and the professional inspection agency. The report shall contain the following:

39.1.7.1.

information on measures taken to protect the environment;

39.1.7.2.

new machinery and technology utilized;

39.1.7.3.

proposed amendments to the environmental impact assessment and environmental protection plan with regard to possible adverse impacts on environment due to expansion of mining operations.

39.1.8.

A mining license holder shall provide officials of local and State administrative bodies in charge of monitoring implementation of legislation on environmental protection with an access to the mining claim area to conduct monitoring activities on site.

39.1.9.

To ensure the discharge of its responsibilities with respect to environmental protection, a mining license holder shall deposit funds equal to 50 % of its environmental protection budget for the particular year into a special bank account established by the Government Ministry in charge of the environment.

39.2.

The Government Ministry in charge of the environment shall review the documents set forth in Articles 39.1.5 and 39.1.7.3 and notify the license holder of its decision within thirty (30) days after receiving the documents.

39.3.

If a mining license holder fails to fully implement the measures of environmental reclamation, the Government Ministry in charge of the environment shall use the deposited funds set forth in Article 39.1.9 of this law to implement reclamation work and the license holder shall provide any additional funds required in line with the undisputable

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principle.

39.4.

If the license holder complies with all the obligations of the environmental protection plan, the deposited funds set forth in Article 38.1.8 of this law shall be returned to the license holder.

39.5.

Within one (1) month following the commencement of mining activities of that year, the deposited funds set forth in Article 39.3 of this law shall be transferred and the Government Ministry in charge of the environment shall notify the Governor of the relevant soum or district of the transfer.

39.6.

If license holder fails to transfer the deposited funds set forth in Article 39.1.9 of this law within the period required by Article 39.5 of this law, the soum or district Governor shall have the right to halt the annual mining activity.

39.7.

In case of a failure to complete annual reclamation, the Governor of the relevant soum or district and the professional inspection agency jointly hold the right to prevent the commencement of mining activities for the next year.

39.8.

The procedures of monitoring the transactions of special accounts set forth in Articles 38.1.8 and 39.1.9 shall be approved by the member of the cabinet in charge of the environment.

39.9.

The Government Ministry in charge of the environment shall require the license holder to provide amendments to the environmental protection plan and environmental impact assessment if new circumstances arise which have adverse impacts on environment due to introduction of new equipment and technology during the valid license term.

#### **Article 40. Review of environmental protection plan in connection with extensions of licenses**

40.1.

Exploration license holders applying for a license extension shall submit its revised environmental protection plan to the Governor of the relevant soum or district for approval prior to the expiration of the exploration license.

40.2.

Mining license holders applying for a license extension shall submit its revised environmental impact assessment and environmental protection plan to the Government Ministry in charge of the environment for approval.

40.3.

The assessment and plan set forth in Articles 40.1 and 40.2 of this law shall be approved as set forth in the Articles 38.2 and 39.2 of the law.

#### **Article 41. Compensation for damages to property**

41.1. License holders shall fully compensate owners and users of private and public residential dwellings, wells, winter animal shelters, other structures, and historic and cultural landmarks for the damages caused by exploration or mining operations, including, if necessary, relocation costs.

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#### **Article 42. Relations with local administrative bodies**

42.1.

A license holder shall work in cooperation with the local administrative bodies and conclude agreements on issues of environmental protection, mine exploitation, infrastructure development in relation to the mine-site development and job creation.

42.2.

A license holder in cooperation with the local administrative agency may organize a public forum in relation to issues set forth in Article 42.1.

42.3.

The Citizens may elect a representative whose obligation is to provide public monitoring on the license holder's activities.

#### **Article 43. Employment requirements**

43.1.

A license holder is obliged to employ the citizens of Mongolia and up to ten (10) per cent of the employees may be foreign citizens.

43.2.

If the number of foreign citizens employed exceeds the percentage set forth in Article 43.1, the license holder shall pay 10 times the minimum monthly salary for each foreign citizen every month.

43.3.

The payment set forth in Article 43.2 of this law shall be submitted to the budget of the relevant soum or district and shall be disbursed to the educational and health sectors; relevant procedures shall be approved by Citizens Representatives Hural of the relevant soum or district.

#### **Article 44. Ensuring health and safety standards**

44.1. The license holder shall carry out activities ensuring safety for citizens of the relevant soum or district, labor safety and hygiene for employees as set forth in the applicable laws and regulations.

#### **Article 45. Requirements for closure of a mine**

45.1. Mining license holder shall take preparatory measures pursuant to regulations of the professional inspection agency prior to closure of a mine. At least one year prior to a mine closure, the license holder shall inform the professional inspection agency by an official letter that the mine shall be closed in whole or in part and shall implement the following measures:

45.1.1. take all necessary measures to ensure safe use of the mine area for public purposes and reclamation of the environment;

45.1.2.

take preventive measures if the mine claim is dangerous for public use;

45.1.3.

remove all machinery, equipment and other property from the mining area except as permitted by local administrative bodies or the professional inspection agency.

45.2. Mining license holders shall prepare a detailed map of an appropriate scale showing dangerous or potentially dangerous areas created by mining operations by placing necessary warnings and markings in the vicinity of the mining claim and shall submit the map to the professional inspection agency and the local Governor.

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#### **Article 46. Registration and sale of precious stones and metals**

46.1.

All precious stones and metals extracted by mining license holders shall be assayed and registered by the State Assaying Agency.

46.2.

Regulations on assaying and registration of precious stones and metals and a list of minerals and precious stones subject to assaying and registration shall be approved by the Government.

46.3.

Mongolbank shall pay international market prices when purchasing precious stones and metals.

46.4.

A mining license holder may export through Mongolbank precious stones and extracted metals.

46.5.

If a nugget weighing more than 400 grams or which has a peculiar shape though weighing less or a precious stone with rare color and shape, the license holder is obliged to sell it to the treasury fund of Mongolbank at premium rate.

#### **Article 47. Royalties**

47.1.

A mining license holder shall pay royalties to the treasuries of the central and local administrative bodies on the sales value of all products extracted from the mining claim that are sold, shipped for sale, or used.

47.2.

The sales value shall be determined as follows:

47.2.1. for exported products the sales value shall be the average monthly prices of the products, or similar products, based on regularly published international market prices or determined through recognized principles of international trade;

47.2.2.

for products sold or used on the domestic market, the sales value shall be based on the domestic market price for the particular or similar product;

47.2.3.

for products sold on international or domestic markets, where it is impossible to determine market prices, the sales value shall be based on the revenue derived from the sale of the product as declared by the license holder.

47.3. The royalty rates shall be as follows:

47.3.1.

royalties for domestically sold coal for energy and common mineral recourses shall be two and one-half (2.5) per cent of the sales value of all products extracted from the mining claim that are sold, shipped for sale, or used;

47.3.2.

royalties for extracted products other than those set forth in Article 47.3.1 shall be five (5.0) per cent of the sales value of all products extracted from the mining claim that are sold, shipped for sale, or used.

47.4.

An exploration license holders shall register the type and quantity of the minerals extracted during the exploration for surveying purposes with the professional inspection agency. In case minerals are sold after such a registration, the exploration license holder shall pay royalties similarly as the mining license holder.

47.5.

A mining license holder shall pay royalties on all extracted products that are sold, shipped for sale or used in one particular quarter before the end of the next quarter of the year.

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47.6.

A mining license holder shall submit a quarterly report to the professional inspection agency that indicates the quantity of products extracted, sold, shipped for sale or used, the total value report of the sales and the basis of the evaluation for that quarter. The mining license holder shall use a form approved by the professional inspection agency and that shall be verified by notary.

47.7. The Government shall prepare and periodically publish a list of commodity exchange prices and related information, which shall be used for the purpose of calculating the sales value of exported products. ([Government resolution # 88.2007](#))

## **Article 48. Submission of information and reports**

48.1. A license holder shall accurately prepare the following information and reports on a timely basis and submit copies to the professional inspection agency and Government agency, respectively:

48.1.1.

exploration action plan shall be submitted within thirty (30) days after the grant of the exploration license;

48.1.2.

annual exploration action report in a form approved by the Government agency, and thereafter within thirty (30) days a classified report that detail separately prospecting and exploration activities for the previous year; ([MRPAM Chairman` order # 74.2007 annex #2](#))

48.1.3.

annual report on safety set forth in Article 44 of this law shall be submitted by the 20<sup>th</sup> of January.

48.2.

The report set forth in Article 48.1.2 shall contain information on the work completed and expenses incurred in reconnaissance, geophysical and geochemical work, drilling and other activities, information on the labor force, and the results of the exploration work. A map indicating the locations where the work was done shall be attached to the report. This map shall match with the State geodesy system.

48.3.

The exploration license holder shall submit, on the approved forms, to the Government agency an integrated report on deposit reserves, the results of prospecting and exploration work as required along with the original materials before the expiration of the license.

48.4.

The Government agency, based on qualified expert opinion with respect to mentioned reserves set forth in Article 48.3, shall include the reserves into the national registry of reserves.

48.5.

The Government agency shall also have the right to demand additional information and reports from the license holder if the information or reports are incomplete.

48.6.

A mining license holder shall submit the following information and reports to the Government agency:

48.6.1.

a feasibility study on the development of the deposit within sixty (60) days of obtaining a mining license;

48.6.2.

estimates on the next year's production prepared on approved forms not later than September of every year;

48.6.3.

action plan annual report, basic indicators of the mining work approved by surveyors of mines, mining and geometry graphical drawings shall be submitted

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on approved forms by February 15 of the following year.

48.7. The report set forth in Article 48.6.3 of this law shall contain the following:

48.7.1. the number of work days, number of employees, and all agreements and contracts affecting the license holder's property;

48.7.2. information on implementation of the mining plan, an estimate of changes in reserves, operation time of the mine, a general overview of production facilities and any expansion or renovation of such facilities;

48.7.3.

information on the quantity of ore mined, the quantity of products produced, shipped and sold, the price of the products sold, information with respect to the purchasers, information on investments made during the year, operating expenses, royalty payments and information with respect to the equipment and technology used in mining operations and information on other related properties;

48.7.4.

a report on safety set forth in Article 44 of this law.

48.8.

A license holder shall prepare a report on the implementation of the environmental protection plan as set forth in Article 38 and 39 of this law and submit it to the relevant authorities.

48.9.

A license holder shall submit a report on royalties as set forth in Article 48.7.3 to the tax office, using its approved form, by 20<sup>th</sup> calendar day of the next month following the end of the quarter and an annual report by January 20<sup>th</sup> of the following year.

48.10.

A license holder shall report to the public the amount of its product sales for the year and the amount of taxes and payments paid to the State and local budget during the first (1<sup>st</sup>) quarter of the following year.

48.11.

The forms set forth in Articles 48.6.2 and 48.6.3 of this law shall be approved by the head of the Government agency.

## **CHAPTER SEVEN TRANSFER AND PLEDGE OF LICENSES**

### **Article 49. Transfer of licenses**

49.1.

A license holder may transfer the license in case of a merger pursuant to Civil Law, Company Law and the Partnership Laws and legislations as well a subsidiary and a daughter company may transfer the license to its parent company.

49.2.

An exploration license holder may transfer its license to another person eligible to hold the license provided there is an evidentiary proof that original materials and reports on prospecting and exploration work were sold as well as taxes were paid in accordance with the applicable laws and regulations.

49.3.

A mining license holder may transfer its license provided there is an evidentiary proof that the mine together with its machinery, equipment and documents are sold and taxes are paid in accordance with the applicable laws and regulations.

49.4.

The transferor of a license shall submit an application on an approved form as set forth  
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in the Articles 49.1-49.3 of this law. The following documents shall be attached to the application:

49.4.1.

the license to be transferred;

49.4.2.

a document evidencing that the transferee meets all the requirements set forth in Article 7.1 of this law;

49.4.3.

acknowledgement that the transferee shall accept all the rights and duties that arise pursuant to the license transfer;

49.4.4.

reference by the environmental office on reclamation of the area affected by mining, if transferring a mining license;

49.4.5.

documentary evidence that the deposited funds set forth in Articles 38.1.8 and 38.1.9 of this law are established;

49.4.6.

documentary evidence of submission of exploration work plan and reports to the Government agency;

49.4.7.

a document showing that the applicant has paid the service fees.

49.5. Immediately following the receipt of an application set forth in Article 49.4 of this law, the Government agency shall record the application and verify the following:

49.5.1 the application complies with the requirements of this Article;

49.5.2.

the license to be transferred is valid;

49.5.3.

the license transferee is eligible to hold the license.

49.5.4.

the license fees are paid in timely manner;

49.5.5.

the exploration expenses have met the minimum cost of exploration set forth in Article 33 of this law.

49.6. Within five (5) business days following the receipt of an application for recording the transfer of a license, the Government agency shall take one of the following decisions:

49.6.1.

record the transfer of the license and make appropriate notations on the license certificate; or,  
49.6.2.

if the application does not comply with Article 49 of this Law, inform the applicant to submit the necessary additional information; or,

49.6.3. if the transferee is not eligible to hold a license, or the license to be transferred is invalid, then the application shall be returned and the applicant shall be notified accordingly.

49.7.

In the event the license holder is subdivided or segregated according to Civil Law, Company Law and Partnership Law, the license shall be returned to the Government agency. This license shall be reissued according to the tender procedure as set forth in Article 10.1.2 of this law.

49.8.

If the subdivided or segregated legal person has maintained its status to hold the license set forth in Article 7.1 of this law, the legal person shall have an exclusive right to reacquire the license.

49.9.

A person obtaining a license through transfer shall pay fees and costs set forth in Article 32.2, 32.3 and 33.1 of this law at the beginning the next year.

49.10.

In the case a license dispute is under review by the court, the license shall not be

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transferred until there is a latter's decision.

49.11.

The Government agency shall notify the professional inspection agency and the Government agency in charge of taxation of the license transfer and it shall be published in a daily newspaper.

## **Article 50. Transfer of parts of licensed areas**

50.1

Exploration and Mining license holders may transfer a part of the licensed area to persons eligible to hold a license inline with conditions, requirements and procedures set forth in Article 49 of this law. In this case the shape, size and position of the transferred and remained parts of the licensed area shall both comply with the conditions and requirements

50.2

Any transfer a part of a licensed area made as stated in Article 50.1 shall be registered with the Government Agency as set forth in the Article 49.6.1 of this law.

50.3

The registration application of the part of a licensed area, which is to be transferred, shall indicate information about compliance to the requirements set forth in Article 17 and 24 of this law and shall be attached with the receipt of the application processing fee.

50.4

The Government Agency shall verify and confirm if the area, which is being transferred, lies within the boundaries of the licensed area possessed by the transferor.

50.5

The Government Agency shall execute the registration set forth in Article 50.2 of this law by the following procedure:

50.5.1

register the location and coordinates of the transferred and remained parts of the licensed area in the licenses and cartographic license registry;

50.5.2

make the appropriate notation to the transferor's license certificate;

50.5.3

issue the transferee a separate exploration and mining license for the area acquired through the transfer.

50.6 The Government agency shall notify the professional inspection agency and the Government agency in charge of taxation of the transfer of a part of the licensed area as set forth in Article 50.5 of this law.

### **Article 51. Pledges of licenses**

**51.1.**

To provide security for the financing of its investments and operations of a particular project, license holder may pledge its licenses to a bank or non-banking financial organization with the related documents, such as, the exploration work results, geological information, feasibility study report and properties which are permitted to pledge by law. A license alone shall not be a pledge item.

51.2.

The license holder shall submit a copy of the pledge agreement, together with the license certificate and application, to the Government agency.

51.3.

Provided the pledge agreement complies with the terms and conditions set forth in this law, the Government agency shall register it and return the license certificate to the pledgee. The record entry includes the registration number of the license, names and

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addresses of the holder and pledgee of the license.

51.4.

Upon termination of the pledge agreement, the license holder shall submit an application for removal of a record in the registry to the Government agency together with the following documents:

51.4.1.

a statement signed by the pledgee that the license holder has fulfilled its obligations under the pledge agreement;

51.4.2.

the pledged license certificate.

51.5.

Upon receipt of the documents set forth in Article 51.4 of this law, the Government agency shall record the termination of the pledge.

51.6.

The pledgee shall not assume any obligations under the license.

51.7.

If the license holder fails to fulfill its obligations under the pledge agreement and there are grounds for termination of the license as set forth in Articles 22 and 28 of this law, the Government agency shall notify the pledgee who has a privileged right to propose a transfer of the license to a person eligible to hold the license under the Article 7.1 of this Law.

51.8.

The Governmente agency shall notify the pledgee of the license about the expiration of the license fourteen (14) days prior of the expiration date. Within ten (10) days of receiving the notice, the pledgee shall deliver its proposal to transfer the license as set forth in the Article 51.7 of this law.

## **Article 52. Transfer of a license pursuant to a pledge agreement**

52.1. In the event the license holder fails to fulfill its obligations under the pledge agreement and the pledgee wishes to transfer the pledged mining and exploration license to a person eligible to hold the license, the pledgee as set forth in Article 49 of this law, shall submit an application to the Government agency. The following documents shall be attached to the application:

52.1.1.

proposal of the pledgee submitted according to Article 51.7 of this law;

52.1.2.

confirmation by the transferee of the license that it has agreed to accept the documents and properties to be pledged with the license set forth in Article 51.1 of this law;

52.1.3.

pledged license certificate;

52.1.4.

documentation proving the eligibility of the transferee to hold a license as set forth in Article 7.1 of this law.

52.1.5.

confirmation by the transferee of its acceptance of rights and obligations that raise upon transfer of the license.

52.2.

The Government agency shall review the document as set forth in Article 52.1 of this law, and make a decision on registering the transfer of the license.

## **CHAPTER EIGHT**

### **TERMINATION OF EXPLORATION AND MINING LICENSES**

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#### **Article 53. Grounds of termination of license**

53.1. A license shall be terminated in the following cases:

53.1.1

expiration of the license term;

53.1.2

surrender by the license holder of the entire licensed area as set forth in Article 54;

53.1.3

revocation of the license by the Government agency.

53.2

A license shall be terminated as to each and every part of a licensed area being surrendered by the license holder.

53.3

Upon termination of the license, the rights and obligations of the license holder under the license shall cease, except the license holder's obligations with respect to environmental protection, reclamation and mine closure as set forth in Articles 38, 39 and 45 of this law and other obligations pursuant to laws and legislations on environmental protection.

53.4

Upon termination of the license, the license holder shall return the license certificate to the Government agency and a new license may be issued for the area as set forth in this law.

53.5

The ownership of buildings and structures, equipment and other property allowed to remain on the exploration or mining area as set forth in Article 45.1.3 of this law shall be determined according to the provisions of the Civil Law.

#### **Article 54. Surrender the entire licensed area**

54.1.

A license holder may voluntarily submit an application on an approved form to the Government agency to surrender the entire license area.

54.2.

Any evidence that the license holder has met the obligations under the laws such as environmental protection and reporting and the requirements for mine closure shall be attached to the application.

54.3.

Upon receipt of an application, the Government agency shall make the appropriate changes to the license and cartographic license registries after verifying that the license holder has met the requirements as set forth in Article 54.2 of this law.

54.4.

Upon surrender of the entire licensed area, the license certificate shall be returned to the Government agency.

54.5.

The Government agency shall notify the relevant authorities of the surrender of the entire licensed area and it shall be published in a daily newspaper.

54.6.

A license holder that surrenders the particular licensed area shall not have the right to submit a new application for the same area for a period of two (2) years following the surrender.

#### **Article 55. Surrender of part of the licensed area**

55.1.

A license holder may surrender part of the licensed area as set forth in the following Articles.  
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55.2.

A license holder shall submit an application for surrender of part of the licensed area together with the description of the surrendered part in the form approved by the Government agency. In the case of surrender of part of an exploration area, the description of the surrendered area shall meet the requirements of Article 17.2 of this law and in the case of surrender of part of a mining area the description of the surrendered area shall meet the requirements of Article 24.4 of this law.

55.3.

The following documents shall be attached to an application for surrender of part of a licensed area:

55.3.1.

the license certificate;

55.3.2.

documentation from the Governor and environmental inspection agency of the relevant soum or district stating that the license holder has fulfilled the obligations of environmental protection plan for the surrendered area;

55.3.3.

the report as set forth in Article 48.1.2 and 48.6.3 of this law.

55.4.

The area retained by the license holder after surrender of part of the licensed area shall meet the requirements of Article 17.2 and 24.4 of this law.

55.5.

If the application for surrender of part of a licensed area meets the requirements of Articles 55.2-55.4 of this law the Government agency shall register the application and enter appropriate amendments on the license certificate and it shall be considered surrendered.

55.6.

The Government agency shall notify the relevant bodies of the surrender of a part of a licensed area and it shall be published in a daily newspaper.

55.7.

The surrender of a part of a licensed area shall not entitle the license holder to a refund or discount of the license fees it already paid.

55.8.

The license holder shall not have the right to resubmit an application on the same area for two (2) years after surrendering the licensed area.

## **Article 56. Revocation of licenses**

56.1. The Government agency shall revoke a license on the following grounds:

56.1.1.

the license holder has failed to meet the requirements of Articles 7.2 and 31 of this law;

56.1.2.

the license holder has failed to pay the license fees within the specified period;

56.1.3.

an exploration **or** a mining area has been designated as special purpose territory and the license holder has been fully compensated;

56.1.4.

the exploration expenditures of the particular year are lower than the minimum cost of exploration set forth in Article 33 of this law;

56.1.5.

the Government agency in charge of the environment has decided, based on a report of the local administrative bodies that the license holder had failed to fulfill its environmental reclamation duties.

56.2. Within five (5) business days following the determination that grounds for license revocation exist, the Government agency shall notify the license holder. The notice shall specifically indicate the grounds for the revocation of the license.

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56.3.

If the license holder disagrees with the grounds indicated in the notice as set forth in Article 56.2 of this law the license holder shall submit documentary evidence to the Government agency.

56.4.

The Government agency shall review the documents as set forth in article 56.3 of this law and if it determines that the documentary evidence submitted by the license holder does not ground revocation of the license, it shall terminate its decision for revocation. Whereas the Government agency establishes sufficient grounds for revocation, the license shall be revoked and the license holder shall be notified accordingly.

56.5.

As set forth in the Article 56.4 of this law, the license holder shall have a right to file a complaint with the court if it disagrees with the decision to revoke its license. The court shall not suspend the revocation decision as set forth in Article 46.1.3 of the Law On Administrative Procedure:

56.6.

If the license holder has filed a complaint with the court, no license shall be issued for the licensed area until there is a court decision.

56.7.

The Government agency shall notify the professional inspection agency if an exploration license is revoked, and the Government agency in charge of taxation if a mining license is revoked and it shall be published in a daily newspaper.

## **CHAPTER NINE**

### **INFORMATION, ROYALTY REVENUE DISTRIBUTION, REIMBURSEMENT AND SPECIFICS OF FINANCE AND ACCOUNTING**

#### **Article 57. Access to minerals related information and reports**

57.1.

Any interested person shall have access to the licenses and the cartographic licenses registries during office hours in specially designated rooms.

57.2.

The Government agency, upon license holder's request, shall treat reports of exploration work, information with respect to mine operations and feasibility studies prepared by a license holder as the license holder's confidential information during the valid period of the license. The license holder may conclude a confidentiality agreement with the Government agency when they hand over information and reports.

57.3.

Information classified as confidential as set forth in Article 57.2 of this law shall not be disclosed, published or disseminated except pursuant to provisions and procedures established in the Law on State Secrets, the Law on Organization Secrets, and the Law on Personal Secrets.

57.4.

The Government agencies in charge of the environmental and geology and mining shall publicize and disseminate electronic copies of information on environmental impact assessment, environmental protection plan and report information about hazardous

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chemicals and other substances that may negatively affect human health and the environment.

#### **Article 58. Distribution of royally revenues**

58.1.

All royalty payments shall be deposited in the central and local budget.

58.2.

The royalty payment shall be distributed as follows: 10% into the budget of the soum or district, 20% into the budget of the aimag or capital city and 70% into the State budget. Royalty payment to local areas budgets shall not exceed the annual budget of the soum, district, aimag or capital.

58.3.

Up to 30% of the royally payment paid to State budget shall be distributed to finance the geology and mining sector.

58.4.

The Government shall approve the procedures for payment, distribution and disposal of the royalty payment.

#### **Article 59. Distribution of license fees**

59.1.

The exploration and mining license fee payments shall be deposited into the budget of the aimag, capital city, soum and district where the exploration area or the mineral deposit is located in as well as the State budget.

59.2.

The license fee payment shall be distributed as follows: 25% to the soum or district budget, 25% to the aimag or capital city budget and 50% into the State budget

59.3 The Government shall approve the procedures for payment, distribution and disposal of the license fees.

## **Article 60. Reimbursement of mineral deposits exploration financed from the State budget**

60.1.

By agreement, a license holder who exploits a minerals deposit shall reimburse the exploration expenses to the State budget from the start of mining, where exploration and reserve determination was funded through the State budget and registered in the State's integrated registry.

60.2.

Exploration expenses funded by the State budget shall include expenses of detailed exploration work of any mineral resources, exploration and assessment works done in the licensed area and the costs incurred at each stage of exploration work.

60.3.

For an economic entity privatized under the Law on State and Local Properties, the exploration expenses to be imposed on the remainder of the reserve shall be calculated by proportionally subtracting the exploration costs funded through the State budget for the extracted reserve.

60.4.

An exploration license shall not be granted for a deposit where the exploration and reserve determination were funded through the State budget and is registered in State integrated registry.

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60.5.

The reimbursement agreement shall include the amount of total reimbursement, duration and annual installments.

60.6.

The annual amount of reimbursement shall be determined on the basis of the annual production rate.

60.7.

If the annual reimbursement is not paid on time as set forth in the reimbursement agreement, a penalty of 0.1% of the total amount due shall be imposed for each day the payment is not made.

60.8.

The Government shall approve the procedure for reimbursement and the amount of the reimbursement.

60.9.

If the reimbursement and the penalty as set forth in the Article 60.1 and 60.7 of this law are not paid within the thirty (30) days after the receipt of a notice, the Government agency the license shall be revoked and a tender shall be announced.

## **Article 61. Specifics of mining industry finance and accounting**

61.1.

All costs incurred for exploration and all expenses incurred in preparing a mine site for production shall be amortized on a straight line basis over a period of five (5) years commencing with the tax year in which mine production commences.

61.2.

The costs of acquisition of a license, either directly or by transfer, shall be amortized on a straight line basis over the term of the license.

61.3.

Fixed assets used in mining operations shall be depreciated on a straight line basis.

61.4.

A loss incurred in any tax year may be deducted from taxable income during the two (2) tax years following the year in which the loss was incurred.

61.5.

All costs incurred in developing industrial and social infrastructure shall be depreciated on a straight line basis over the useful lives of the facilities constructed. All costs of maintaining and operating such infrastructure facilities shall be expensed in that particular year.

61.6.

Costs for repair costs incurred in connection with mining operations shall be included in the operation cost.

61.7.

The Government Ministry in charge of finance shall adopt regulations implementing Articles 61.1 through 61.6.

## CHAPTER TEN

### RESOLUTION OF DISPUTES ARISING IN CONNECTION WITH LICENSES

#### **Article 62. Resolution of boundary disputes**

62.1.

Boundary disputes between or among license holders shall be resolved by the Government agency.

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62.2.

The Government agency shall give all parties involved in the dispute an opportunity to present its position and arguments in writing.

62.3.

The Government agency shall verify if there is an overlap between disputed areas in the licenses and cartographic licenses registries. If there is an overlap, it shall determine based on the original applications and reports of field surveys, whether the coordinates and boundaries of the area were correctly recorded.

62.4.

If, as a result of a field survey, an overlap is confirmed the Government agency shall modify the area covered by the most recently granted license and eliminate the overlap.

62.5.

The Government agency shall have disputed boundaries of a licensed area surveyed and established by an accredited professional geodesic surveyor and any costs and loss relating thereto shall be paid for by the party shown to be wrong.

62.6.

The Government agency shall verify the disputed boundaries, make decisions on as to the relevant modifications and notify the parties to the dispute accordingly.

62.7.

If the parties to the dispute disagree with the decision of the Government agency they may file a complaint with the court.

#### **Article 63. Resolution of disputes between license holders and land owner, possessor or user**

63.1. Land access, rights of passage and land use disputes between or among license holders and land owners or land users, shall be resolved as set forth in the provisions of the Land Law and the Civil Law.

#### **Article 64. Filing of complaints to State bodies**

64.1 Where any actions or failures to act by civil servants or Government agencies has prevented the exercise by license holders of the rights conferred upon them by this law, the citizens or legal persons may file a complaint with the relevant senior officials, State agencies or the courts.

#### **Article 65. Resolution of disputes arising out of an investment agreement**

65.1 Any disputes arising out of an investment agreement according to Articles 29 and 30 of this law shall be resolved as set forth in the laws and international treaties of Mongolia.

### **CHAPTER ELEVEN LIABILITIES**

#### **Article 66. Liabilities for breach of law**

66.1. If a breach of the minerals laws does not constitute a criminal offence, an authorized state inspector, whilst taking into account the circumstances of the infringement, shall impose the following penalty on the guilty person:

66.1.1.

If any person has conducted exploration or mining activities or sold minerals without holding a minerals license, all income or products derived from such

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activities shall be confiscated by the State and the official shall imposed a fine of from 500,000 to 1,000,000 tugrugs.

66.1.2.

In the case of the untimely submission of statements set forth in Article 48 of this law or the submission of false information and statements, the official shall be fined of 100,000 to 500.000 tugrugs and for a legal person the fine shall be from 500,000 to 1.000,000 tugrugs.

66.1.3.

Prevention of a license holder from exercising rights conferred by this law shall give rise to the imposition of fines as follows:

[a)] with respect to citizens, from 100,000 to 300,000 tugrugs

[b)] with respect to officials, from 500,000 to 1,000,000 tugrugs

[c)] with respect to legal persons from 1,000,000 to 2,000,000 tugrugs.

66.1.4. Failure to comply with general obligations with respect to the conduct of activities under a license as set forth in Article 35 of this law shall be fined as follows and, in addition, such license holder must pay for any damages resulting from such failure:

a)

with respect to official, from 100,000 to 500,000 tugrugs

b)

with respect to legal person, from 500,000 to 1,000,000 tugrugs

66.1.5. Failure of a license holder to comply with the legitimate requirements imposed by an authorized State inspector regarding the elimination of deficiencies discovered in the course of exploration or mining activities shall be fined as follows:

a)

with respect to officials, from 200,000 to 500,000 tugrugs

b)

with respect to legal persons from 500,000 to 1,000,000 tugrugs

66.1.6.

If an official fails to comply with the regulations with respect the assaying and registration of precious metals and gemstones as provided by this law shall be fined from 100,000 to 250,000 tugrugs, and in case of legal person the penalty shall be from 1,000,000 to 2,000,000 tugrugs.

66.1.7.

Where a mining license holder has intentionally reduced the volume or amount of minerals extracted, or has intentionally reduced sales revenue by intentionally reducing the sales price through a fictitious contract, or by selling the product at an unfair price, the license holder shall be fined from 100,000 to 250,000 tugrugs and the amount that the revenue has been understated shall be paid by the license holder to the State.

66.1.8. An official who deliberately destroys the primary material, probe and sample from an exploration area, shall be fined from 200,000 to 500,000 tugrugs and the legal person shall be lined from 500,000 to 1,000,000 tugrugs.

66.2. A court may impose a fine of 200000 to 300000 tugrugs on any person who intentionally prevents an authorized official from performing his or her duties in the course of an inspection.

66.3

Where a license holder continues to violate the laws with respect to environmental protection, mine operation safety regulations, or the provisions of its environmental

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protection plan, the exploration and mining activities of the license holder shall be suspended by an authorized State inspector for up to 2 months, and if the deficiencies are not eliminated within this period, the license shall be revoked as stated in the Article 56 of this Law.

66.4

If a mining license holder causes serious damage to the environment, fauna and human health by a failure to implement safety rules and a technological regime while using toxic chemicals and substances for its operations, the license shall be revoked as set forth in the Article 56 of this law and no license shall be issued for the next 20 years.

SPEAKER OF THE PARLIAMENT TS. NYAMDORJ