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Draft

## LAW OF MONGOLIA

\_\_\_\_\_, 202\_

Ulaanbaatar city

### ON MINERALS

/Revised version/

### CHAPTER ONE

### GENERAL PROVISIONS

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

1.1. The purpose of this law is to regulate relations with respect to prospecting, exploration, mining, and processing of minerals and strengthening the system of geology and mining industry and developing responsible mining in the territory of Mongolia.

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

2.1. Mineral related legislation consists of the Constitution of Mongolia, this Law and other relevant legislation which is consistent with those laws.

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 this Law**

3.1. This law shall regulate the relations with respect to the minerals other than the water and petroleum.

3.2. Relations with respect to fair and equal distribution of the benefits from land subsoil wealth shall be regulated by a dedicated law.

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

4.1. The following terms specified in this Law shall have the below meaning:

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

4.1.2. “reconnaissance” means a phase of geological survey conducted through sampling of rock samples without disturbing subsoil and performing of geological mapping by aerial and satellite photography for the purpose of surveying the geological setting and mineral concentration;

4.1.3. “geological survey” means the survey to be performed in certain phases according to the sound scientific methods for the purpose of determining the geological setting, distribution pattern of minerals, area with prospects of minerals with the existence of mineral concentration;

4.1.4. “prospecting” means a phase of geological survey for the purpose to distinguish the area with minerals concentration, pre-assessing its prospects and economic importance, and determine the need for performance of further exploration operation;

4.1.5. “exploration” means a phase of geological survey conducted on the surface of and in the subsoil of the land to determining in detail the location, type, volume, content, minerals composition, its wealth, and mineral resource of minerals concentration;

4.1.6. “mineral deposit” means mineral concentration that has been formed on the surface of or in the subsoil of the land resulting from geological evolutionary processes, where the quality and reserves are economically feasible to mine by industrial means;

4.1.7. “reserves of mineral deposit” means part of mineral resource which its amount, and volume, type, content and mineral composition are determined in detail by exploration activities, having economical profit when exploited by industrial means, and which its enrichment technology and mining-technical conditions of exploitation are determined;

4.1.8. “mining” means the entire range of activities inclusive of extracting, processing, trading of minerals from the surface and subsoil of the land and other related activities within the framework of power and authority issued by the mining license;

4.1.9. “in-fill exploration during the mining” means the activity to performing additional exploration work in mineral ore bodies, stages and layers, verifying resources, and determining the classification, grade and quality in detail for the purpose to ensure the stable operation of the mine;

4.1.10. “processing” means the production and marketing of concentrations and products by increasing the useful content per mineral unit according to technology and other related activities;

4.1.11. “exploration license” means a document granting the right to engage the exploration activity by the state authority as set forth in this Law;

4.1.12. “mining license” means a document granting the right to engage the mining activity by the state authority as set forth in this Law;

4.1.13. “processing license” means a document granting the right to engage the processing activity by the state authority as set forth in this Law;

4.1.14. “license holder” means a legal entity entitled to engage the mineral exploration, mining, processing activity according to this Law;

4.1.15. “unit area” means 4 angled area of constant 10 seconds of previously determined latitude and longitude;

4.1.16. “closure activity” means the entire range of performance of activities to ensuring the physical and chemical stability of mines, piles, dams and other structures in licensed areas and industrial areas, rehabilitating, ensuring environmental safety, post-closure monitoring and maintenance after the cessation of the rehabilitation of mining progress, mine exploitation, production activity of the processing plant;

4.1.17. “financial guarantee for closure” means the financial instruments to ensure the completion of fulfillment of the obligation to compile the financial resources for the implementation of the closure plan of the mine and processing plant;

4.1.18. “principal minerals” means the minerals and chemical elements that can be technologically and economically separated from minerals;

4.1.19. “associated minerals” means the minerals and chemical elements that are formed and accumulated together with the principal minerals in terms of chemical compounds and can be efficiently extracted through the next stage of technological processing;

4.1.20. “common minerals” means accumulation of the construction rocks such as lake salt, salt, sand, gravel and crushed stone and accumulation of clay, granite, marble and chert rocks that are wide spread;

4.1.21. “exploration report, feasibility studies” means a comprehensive technical documentation for the use of mineral deposits and their parts, consisting of relevant drawings, calculations and explanations with the detailed consideration of the exploration results, resource estimation, mountain plant technique, technology selection, calculations, engineering solutions, environment, occupational safety, hygiene, human resources, management and organization, infrastructure, supply, social and economic efficiency and other related factors;

4.1.22. “technical design” means a technical documents with the comprehensive and detailed consideration of the mine and plant location, buildings, equipment and infrastructure planning and activities;

4.1.23. “permit on development of the design” means the right to be granted to the personnel developing the feasibility study, technical design and closing plan;

4.1.24. “mining claim” means an area where the exploitation part of a geological formation is overlapped to the surface, located in the subsoil of the land;

4.1.25. “supplementary exploration” means the activity to surveying in detail at the level of requirement of deposit resource category, increasing resources of the geological formation, shape, size, technological characteristics, mining technical conditions and other conditions of mineral ore bodies and layers assessed by inferred resource during exploration;

4.1.26. “minimum cost of exploration” means an obligatory minimum expenditure, determined in accordance with this Law, to be spent for exploration work, to be performed in the exploration license area, in that year;

4.1.27. “mineral deposit of strategic importance” means a deposit whose scope may have a potential impact on national security, economic and social development or that is producing or has a potential of producing more than five percent of total Gross Domestic Product of Mongolia in a year;

4.1.28. “preparatory stage for exploitation and processing” means a preparations before handing over mines and factories to the state commission, such as repairing industrial roads and fields, camping, warehouses, fences, sample preparation, building laboratories, research, communications, infrastructure buildings, using and making exploration and other necessary techniques and equipment;

## **Article 5. Principles to be followed in mineral exploration, mining and enrichment activity**

5.1. The following principles to be followed in mineral exploration, mining, enrichment activities:

5.1.1. To engage the mineral exploration, mining, enrichment activities only on the basis of the license;

5.1.2. To conduct the whole phases such as mineral prospecting, exploration, mining, enrichment, marketing under the state inspection;

5.1.3. The parties entitled to have mutual equality, fairness, transparency, to respect for legal rights, honor and public interest, and to be mutually efficient and responsible;

5.1.4. To discover the every available mineral concentrations at the whole process from commencement of the exploration at the licensed area to closure of the mine and factories and comprehensive use of resources of each mineral that has been determined to be economically profitable;

5.1.5. To conduct production with optimal solutions in terms of techniques, technology, infrastructure, and transportation that keep the negative impact on the population and the environment at an acceptable level during the period from the issuance of the license to the closure of the mine and factories;

**5.1.6.** Laws and legal acts approved by the state should be transparent and open to the public, and the activities of the license holder should not be ceased illegally, to get eliminated and prosecute infringements in accordance with the law rather than revoking the license.

## **Article 6. Ownership of the minerals**

6.1. Minerals naturally occurring on the surface of and in the subsoil of the land of Mongolia shall be the state public property.

6.2. The right to engage the exploration and mining activity of the state public property specified in Article 6.1 of this law shall be granted for a period only to legal entities that meet the terms and requirements specified in this law.

6.3. The percentage of the State ownership in a mineral deposit shall be established by an agreement on exploitation of the deposit where the reserves was determined through the State funded prospecting or exploration. Such percentage of the State ownership established by the agreement may be replaced by the royalties from mineral deposit of strategic importance.

6.4. The State may participate up to 50% jointly with a private legal entity in exploitation of a mineral deposit of strategic importance where the reserves was determined through the State funded exploration. The percentage of the State ownership shall be determined by an agreement on exploitation of the deposit considering the amount of investment made by the State. Such percentage of the State ownership established by the agreement may be replaced by the royalties from mineral deposit of strategic importance.

6.5. The State may own up to 34% of investment to be made by a license holder in a mineral deposit of strategic importance where the reserves was determined through funding sources other than the State fund. The percentage of the State ownership shall be determined by an agreement on exploitation of the deposit considering the amount of investment to be

made by the State. Such percentage of the State ownership established by the agreement may be replaced by the royalties from mineral deposit of strategic importance.

6.6. Radioactive mineral deposits, regardless of their size, are classified as mineral deposit of strategic importance and the State ownership is as follows:

6.6.1. In case of joint use of radioactive mineral deposits, whose reserves have been determined by exploitation with state funds, at least 51% of the jointly established company's shares will be owned by the State directly free of charge.

**6.6.2.** In the deposits registered in the unified state registration after exploitation and determination of the reserves without the involvement of the State funds at least 34% of the shares of the company holding the license for the use of radioactive minerals shall be owned by the State directly free of charge.

6.6.3. If State owns more shares than specified in Articles 6.6.1 and 6.6.2 of this law, the percentage shall be determined by the State Great Khural upon the submission of the Government, considering the amount of investment made or to be made by the State.

6.7. Personnel holding a mining license for a mineral deposit of strategic importance shall sell no less than 10% of its shares through the Mongolian Stock Exchange.

## **Article 7. Type of licenses**

7.1. Mineral licenses shall have the following types:

7.1.1. exploration;

7.1.2. mining;

7.1.3. processing.

7.2. Exploration and mining of natural-colored stones for profit shall be engaged based on a license in accordance with the Article 7.1 of this law.

7.3. According to the regulations approved by the Government, citizens can use common minerals from the areas approved by the local administrative body for their own household needs without the intention of making a profit or trading them.

7.4. Common minerals required for infrastructure construction of development projects and programs implemented by the State Great Khural and the Government will be used without license and relations related to it shall be regulated by the procedures approved by the Government.

7.5. Except for the provisions of Article 7.3 of this law, mineral exploration, mining, and processing shall be engaged only based on a license.

7.6. License will be issued to only one legal entity.

7.7. Licenses for mineral exploration, mining, and processing shall not be issued in duplicate in the mining license area granted under this law.

**Article 8. An area to operate under a special regime where the mineral exploration, exploitation, and processing is prohibited.**

8.1. Engagement of mineral exploration, exploitation, and processing is prohibited at the following areas:

8.1.1. State special protected area;

8.1.2. Lands provided for ensuring national defense and security;

8.1.3. Sites for regular environmental and climatic observation;

8.1.4. Land designated for construction and utilization of nuclear equipment;

8.1.5. Land designated for construction of centralized facility for hazardous waste disposal;

8.1.6. Special protection zone of headwaters of rivers and water basin;

8.2. The Government shall determine the boundaries of the prohibited areas specified in Article 8.1.6 of this law based on consensus of the State central administrative bodies in charge of geological and mining affairs and environment.

8.3. The prohibited areas to engage the mineral exploration, exploitation, and processing shall be determined by this law.

8.4. Mineral exploration, exploitation, and processing can be engaged as per special procedures at the following areas:

8.4.1. land under roads and networks;

8.4.2. forested area;

8.4.3. border strip lands;

8.4.4. ordinary protective zone of water basin.

Explanation: “special procedure” means execution by providing the comprehensive necessary documents under the control of the relevant state administration body.

8.5. The information, resolution of the areas specified in Article 8.4 of this law shall need to be submitted by the relevant organization to the state administrative body in charge of mineral affairs and get registered it with the database.

8.6. When conducting exploration, exploitation, and processing in the areas specified in Article 8.4 of this law, the norms approved by the applicable law shall be followed.

### **Article 9. General requirements of a License holder**

9.1. Licenses shall be granted to a legal entity duly established and existing under the laws of Mongolia and which is a taxpayer for profit under procedures stated in this law.

9.2. A license holder shall meet the requirements set forth in Article 9.1 of this law for the entire duration of an effective period of the license.

9.3. Mining and processing license holder and its subcontractor is obliged to employ the citizens of Mongolia and shall meet the following requirements:

9.3.1. The number of foreign employees shall not exceed 10 percent of the total number of employees;

9.3.2. At least 5 percent of the Mongolian employees should be citizens of the province, or capital city where exploitation and processing are conducting.

9.4. If the number of foreign employees hired by the mining and processing license holder and its subcontractor exceeds the percentage set forth in Article **Error! Reference source not found.** of this law, mining and processing license holder and its subcontractor shall pay 10 times of the minimum wages for each foreign citizen and if the number of local citizen is less than percentage set forth in Article 9.3.2 of this law, mining and processing license holder and its subcontractor shall pay 2 times of the minimum wages for each local citizen for every month.

9.5. The payment set forth in Article 9.4 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 and relevant procedures shall be approved by Citizens Representatives Khural of the relevant soum or district.

### **Article 10. The set of geology and mining industry regulations**

10.1. The set of geology and mining industry regulations includes the below listed rules, regulations, instructions, and methods:

10.1.1. Procedures for planning, financing, executing, monitoring and receiving results of geological surveys and processing;

10.1.2. Procedures for mineral exploration;

10.1.3. Procedures for mineral mining, and processing;

- 10.1.4. Procedures for closure of mining, and processing plant and methodology for developing closure plan and calculating funding for closure activities;
- 10.1.5. Operational procedures for managing the national geological and mineral resources database;
- 10.1.6. Procedures for granting, extending and terminating the rights for professional specialist in the sector;
- 10.1.7. Classification and guidelines of mineral resource and deposit reserves;
- 10.1.8. Open pit safety regulations;
- 10.1.9. Underground mine safety regulations;
- 10.1.10. Processing mine safety regulations;
- 10.1.11. Safety rules for underground coal mines with gas and dust hazards;
- 10.1.12. Unified code of blasting safety;
- 10.1.13. Safety rules for geological survey and prospecting;
- 10.1.14. Reports on the results of exploration work, methodology for developing feasibility studies;
- 10.1.15. Technical design development methodology;
- 10.1.16. Procedures for conducting the movement of mineral deposit resources;
- 10.1.17. Procedures for maintaining records and balances of resources of mineral deposits resources;
- 10.1.18. Procedures and methods for conducting technology audit;
- 10.1.19. Surveyor's operating procedures;
- 10.1.20. Procedures for passing samples and specimens across the border of Mongolia;
- 10.1.21. Rules and procedures of the mineral resources professional council;
- 10.1.22. Procedures for issuing the exploration license;
- 10.1.23. Procedures for registration of mineral mining license;
- 10.1.24. Planning, reporting, submitting of the information and receiving procedures, forms, instructions and methods for exploration, exploitation, processing activities;
- 10.1.25. Procedures for creating, processing, distributing, using, storing and protecting databases in the filed of geology and mining and detailed list of primary data;
- 10.1.26. Mining research and development center operating procedures;

- 10.1.27. Working procedures of technical commission for mine closure;
- 10.1.28. Procedures for granting a license for use by selection;
- 10.1.29. Procedures for acceptance of mining, mine and processing plant into operation;
- 10.1.30. Procedures for resolution of license area boundary disputes;
- 10.1.31. Procedures for placing, receiving, refunding, and spending the rehabilitation. Costs for the current year, which are included in the environmental management plan of the exploration license holder;
- 10.1.32. Procedure for calculating reimbursement for the costs of research and exploration made with state budget funds;
- 10.1.33. Procedures for registration of transfer and pledges of licenses;
- 10.1.34. Procedures for granting, extending, and terminating rights of organizations that develop reports on the results of exploration work and feasibility studies;
- 10.1.35. Safety procedures during the exploration, exploitation and processing of radioactive minerals;
- 10.1.36. Procedures for monitoring of the mineral quality;
- 10.1.37. Procedures, rules, instructions, norms, methods, and recommendations of the research area necessary for conducting geological mapping, hydrogeology, genealogy, geophysics, geochemistry, minerals, prospecting, and exploration with various interactions.
- 10.2. The set of geology and mining industry regulations specified in Article 10.1 of this law shall be approved by the State central administrative body in charge of geological and mining affairs.
- 10.3. The Government shall approve the procedure for creating database related to gold in accordance with Article 10.1.25 of this law in consultation with the Mongolbank.

## **CHAPTER TWO**

### **GEOLOGICAL SURVEY AND PROSPECTING**

#### **Article 11. Geological survey, prospecting**

- 11.1. Activities specified in Article 4.1.3, 4.1.4 of this law may be conducted with the state budget fund and private funds.
- 11.2. If activities specified in Article 4.1.3, 4.1.4 of this law are performed with private funds, the request shall be submitted to the state

administrative body in charge of geological survey in accordance with the procedure specified in Article 10.1.1 of this law.

11.3. State administrative body in charge of geological survey will review the request specified in Article 11.2 of this law and the decision will be made within 30 days in accordance with the work plan to be financed from the state budget of the current year, and an agreement for prospecting will be established.

11.4. If two or more legal entities submitted a request to conduct prospecting in the area decisions will be made as per procedures specified in Article 10.1.1 of this law taking into account the applier's professional personnel, financial capacity, optimization of prospecting methods, the amount of work and the budget calculated in accordance with it, and proposals for environmental protection and rehabilitation.

11.5. According to the decisions specified in Articles 11.3, 11.4 of this law, an agreement for prospecting shall be concluded for a period of up to 2 years, and it is prohibited to transfer rights and obligations to the name of another legal entity.

11.6. During the implementation of activities specified in Article 11.1 of this law the information shall be reported to the state administrative body in charge of geological survey in accordance with procedures specified in Article 10.1.1 of this law and regardless of the result of the operation, all types of primary data, processed images and digital data, records, and created geodatabases will be handed over.

11.7. In the prohibited areas specified in Article 8.1 of this law, the operation specified in Article 11.1 of this law shall be performed only with state budget funds.

11.8. If , as a result of the operation specified in Article 11.7 of this law, it is determined that the mineral has prospects, the selection process for granting a special exploration license will be arranged among state-owned enterprises, or legal entity with state ownership.

11.9. As a result of the work specified in Articles 11.3, 11.4 of this law, the State central administrative body in charge of geology and mining shall submit to the Government for a decision to include the area with mineral prospects as a selection area.

11.10. Geological survey and prospecting shall be conducted without a license and shall not be paid for land relations during the operation.

## **Article 12. Requirements for prospecting**

12.1 Evaluation of mineralized points and occurrences of minerals, classification by prospect level, and determination of the area for the next stage of work.

12.2 To need to be searched by the cadastral registration information system that whether the license is valid, or disputed license by the litigation and whether the licensed area is overlapped with an administrative unit's land.

## **CHAPTER THREE EXPLORATION**

### **Article 13. Requirements for the exploration license area**

13.1. The exploration license area shall meet the following requirements:

13.1.1. Consists of unit areas;

13.1.2. Determine the intersection of corners and turning points of the exploration license by the corner intersection of the most peripheral unit area related to the licensed area;

13.1.3. The unite areas included in the exploration license area must be connected to each other;

13.1.4. Do not overlap with the licensed area granted by this law;

13.1.5. The area size of one license area shall not be less than 4 units and not exceed 13900 units.

### **Article 14. Issuance of the exploration license**

14.1. An exploration license shall be issued in the area specified in Article 59.1.4 of this law as follows:

14.1.1. Through the selection of exploration license in areas with prospects determined by the results of geological survey and prospecting;

14.1.2. By applying for an issuance of exploration license in an area that has not determined by the results of geological research or exploration, or in an unexplored area;

14.1.3. By application for the area that has not been submitted 2 times through the selection specified in Article 14.1.1 of this law;

14.1.4. If more than 2 offers are received for the area to be allocated by application as specified in Article 14.1.3 of this law. It will be auctioned among the bidders.

14.2. The state administrative body in charge for mineral affairs shall upload the change of area specified in Article 59.1.4 of this law on the relevant official website and inform the public.

14.3. The state administrative body in charge for mineral affairs shall announce the selection invitation on the relevant official website, daily newspapers, and other media at least 30 days prior conducting the selection process for the area to be granted exploration license through the selection process.

14.4. Relations related to the granting exploration licenses shall be governed by the procedure specified in Article 10.1.22 of this law.

14.5. The state administrative body in charge for mineral affairs shall decide whether to issue an exploration license within 20 business days after receiving and registering the application specified in Article 14.1.2 of this law.

14.6. Applicants applying for an exploration license shall pay a fee of MNT 50,000 per hectare.

14.7. The procedure specified in Article 10.1.22 of this law shall be governed, when issuing an exploration license. An exploration license is issued for a period of 3 years and can be extended 3 times for the same period.

14.8. The state administrative body in charge for mineral affairs shall summarize the information on the issuance of the exploration license and inform the Governors of the province, capital city, soum, and district where the licensed area is located, and the supervisory body of the sector within 1-first 10 days of the next month and publish it in the official website and daily newspaper.

## **Article 15. Exploration license fee**

15.1. Exploration license fee shall be calculated per hectare of the exploration license area as follows:

15.1.1. MNT 1700 in the first year;

15.1.2. MNT 3400 in the second year;

15.1.3. MNT 5000 in the third year;

15.1.4. MNT 17000 annually for fourth to sixth year;

15.1.5. MNT 26000 annually for seventh to ninth year;

15.1.6. MNT 52000 annually for tenth to twelfth year.

15.2. The license fee for the first year shall be paid within 10 business days from the date of receipt of the license issuance notice.

15.3. License holder shall pay the fee for the following year in advance every year, starting from the date of issuance of the license.

15.4. The license fee will be determined based on the area registered in the license register, and the amount of the license fee will not be changed in the current year.

15.5. The license payment receipt shall be registered with the state administrative body in charge of mineral affairs, and the date of payment shall be considered as the date of bank transaction.

15.6. If the regular annual fee is not paid within the period specified in Articles 15.2, 15.3 of this law, a penalty of 0,3 percent of the amount of the unpaid fee will be imposed for each overdue day.

15.7. If the period specified in Article 15.6 of this law is exceeded by more than 30 days, license shall be revoked in accordance with Article 17.2.3 of this law.

#### **Article 16. Rights and obligations of an exploration license holder**

16.1. An exploration license holder shall have the following rights:

16.1.1. To conduct exploration within the exploration area as set forth in this law;

16.1.2. To 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;

16.1.3. To get extended the effective period of the license in accordance with the terms and conditions of this law;

16.1.4. If the license area has been rehabilitated in accordance with the applicable law, return it in whole or in part at its own request;

16.1.5. To transfer the part of licensed area or an exploration license if the payment of a relevant taxes has been proven by the evidence.

16.1.6. To get renewed or compensated the license certificate;

16.1.7. To consolidate the adjacent licensed areas;

16.1.8. To construct the necessary structures in the licensed area for the purpose of conducting exploration work ;

16.1.9. To 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.

16.1.10. Other rights specified in this law.

16.2. Exploration license holder shall have the following obligations:

16.2.1. To comply with this law and other applicable laws, rules and regulations;

16.2.2. To complete the full payment of the exploration license fee within the determined period of time;

16.2.3. To submit the exploration plan and report to the relevant state administrative body within the period specified in this law according to the approved form;

16.2.4. To submit the information regarding the changes to the information of the state registration information of the license holder legal entity to the state administrative body in charge of mineral affairs within 14 days;

16.2.5. Pre-exploration and research of paleontology, archeology and ethnography by a professional organization before the commencement of the operations;

16.2.6. To ensure the integrity of the historical and cultural heritage discovered during the mineral prospecting, exploration and register it in the historical and cultural heritages database in accordance with the law and take the measures in accordance with the advice provided by the professional organization specified in Article 16.2.5 of this law.

16.2.7. In case of damage to other people's ownership, use, property assets and historical and cultural monuments, to bear the costs associated with their restoration and, if necessary, pay compensation by mutual agreement;

16.2.8. To purchase goods, works, and services necessary for operations, and to give priority to eligible Mongolian citizens and legal entities in selecting subcontractors;

16.2.9. To submit the primary quantitative data of the exploration work to the state administrative body in charge of mineral affairs along with the report of the exploration work and results;

16.2.10. To submit the quantitative data of the exploration work to the state administrative body in charge of geology, and survey along with the interim report and the report of the exploration results;

16.2.11. To fully spend the budget included in the tender technical proposal for exploration operations;

16.2.12. In case of pledging the license to a bank or international financial institution, to register with the state administrative body in charge for mineral affairs;

16.2.13. To conduct the comprehensive geological survey in the exploration license area;

16.2.14. Other obligations specified in this law.

## **Article 17. Expiration and revocation of the exploration license**

- 17.1. Exploration license shall be expired in the following grounds:
- 17.1.1. Surrender by the license holder of the entire licensed area;
  - 17.1.2. Expiration of the license term;
  - 17.1.3. Revocation of the license by the State administrative body.
- 17.2. The license shall be revoked on the following grounds:
- 17.2.1. The license holder has failed to meet the requirements of Articles 9.1 of this law;
  - 17.2.2. It was determined by the court that forged documents were compiled for obtaining, renewing, and transferring license;
  - 17.2.3. Failed to complete the full payment of the license fee within the period specified in Article 15 of this law;
  - 17.2.4. If the costs of exploration performed in the given year is less than the minimum amount of exploration work cost specified in Article 18.4 of this law;
  - 17.2.5. An exploration area has been designated as prohibited area to conduct the mining exploration as per the resolution of the competent authority specified in Article 8.1 of this law.
- 17.3. If an exploration area partially overlaps with the prohibited area according to Article 17.2.5 of this law, the overlapping part shall be excluded. If the size of remaining exploration area does not meet the requirements specified in Article 13.1.5 of this law, the exploration license will be revoked entirely.
- 17.4. The State administrative body in charge for mineral affairs shall inform the license holder regarding the revocation of the license within business 10 days from the date of determination of the grounds of revocation of the license specified in Article 17.2 of this law and grounds of revocation of the license will be specified in the notice.
- 17.5. The relevant explanation and evidence shall be submitted to the state administrative body in charge of mineral affairs within 10 working days from the date of receipt of the notice specified in Article 17.4 of this law.
- 17.6. The state administrative body in charge of mineral affairs shall review the relevant explanation and evidence specified in Article 17.5 of this law and notify the license holder the decision whether to revoke the notice if the explanation is reasonable, if the explanation is unreasonable to revoke the license within 10 business days.

17.7. The effective term of the license shall continue to be calculated from the commencement date of an effective term of the court decision revoking the decision on revoking the license.

17.8. The license holder shall not be exempted from the obligations under this law and laws on environmental protection in relation with the expiration, or revocation of the license.

17.9. The state administrative body in charge of mineral affairs shall notify the Governor of the province, capital city, soum, district, and the supervisory authority of the field regarding the revoked or expired licenses monthly and publish it in the official website and daily newspaper.

### **Article 18. Conducting the exploration**

18.1. Exploration will be conducted in the licensed area.

18.2. Appropriate reports and plans shall be submitted to the state administrative body in charge of mineral affairs within the period prescribed by law by the license holder.

18.3. Each year the exploration license holder shall conduct the exploration work with expenses not less than the amounts specified below per hectare of the license area:

18.3.1. MNT 3500 for each of the second and third years of the term of the license;

18.3.2. MNT 7000 for each of the fourth to sixth years of the term of the license;

18.3.3. MNT 35000 for each of the seventh to ninth years of the term of the license;

18.3.4. MNT 70000 for each tenth to twelve years of the term of the license.

18.4. During the effective term of the exploration license, the following documents shall be drafted and submitted to the relevant state authorities within the period specified in this law, as part of the preparatory work for determining the mineral resources and putting the deposit into operation:

18.4.1. Exploration work results, feasibility study

18.4.2. Preliminary plan of mine closure;

18.4.3. Financial guarantee for mine closure specified in Article 35.1 of this law.

18.5. Mineral deposit resources shall be calculated and evaluated according to the classification and instructions specified in Article 10.1.7 of this law.

18.6. The exploration work results can be performed according to the codes and standards accepted by the stock exchange.

## **CHAPTER FOUR**

### **MINING**

#### **Article 19. Requirements for the mining license area**

- 19.1. The mining license area shall meet the following requirements:
- 19.1.1. To be determined according to the unit area;
  - 19.1.2. To be within the applicant's effective exploration license area;
  - 19.1.3. To be of sufficient size to conduct the mining;
  - 19.1.4. To have resources registered in the integrated State reserves registry;
- 19.2. it is prohibited to grant the land from the local government overlapping the mining license area.

#### **Article 20. Issuance of the mining license**

- 20.1. Exploration license holder have the exclusive right to apply for a mining license before the expiration of effective term of exploration license.
- 20.2. The application referred to in Article 20.1 of this law shall be submitted in accordance with the form specified in Article 10.1.3 of this law and the following documents shall be attached:
- 20.2.1. state registration information of the legal entity, information regarding the beneficial owner of the legal entity, his/her shares, percentage of ownership of shares and voting rights;
  - 20.2.2. the decision of the state authorized body on acceptance of the documents specified in Article 18.4.1, 18.4.2, 18.4.3 of this law;
  - 20.2.3. evidence proving the circumstances specified in Article 9.1, 18.4.3 of this law;
  - 20.2.4. transaction slip on payment of stamp duty fee;
  - 20.2.5. a map of the area prepared according to the form approved by the state administrative body in charge of the mineral affairs.
- 20.3. The state administrative body in charge of the mineral affairs will receive the request specified in Article 20.2 of this law and shall issue the one of the following decisions:
- 20.3.1. If the application and the documents. Attached to it do not meet the requirements specified in Article 20.2 of this law, a deadline of

up to 10 business days will be set for completion, and the notification will be made in writing;

20.3.2. To refuse to issue the license, if the applicant did not complete the application form within the period specified in Article 20.3.1 of this law, or the application and its appendixes did not meet the requirements specified in Article 20.2 of this law;

20.3.3. To issue the license and get paid the license fee for the first year within the period specified in Article 15.2 of this law, if application and its appendixes did not meet the requirements specified in Article 20.2 of this law.

20.4. Mining license may be granted through a selection process in the mining license area revoked or expired in accordance with the grounds specified in Article 23.1.1 of this law.

20.5. The selection process for issuing a mining license shall be conducted in accordance with the procedure specified in Article 10.1.28 of this law.

20.6. A legal entity that has obtained the mining license in accordance with the selection procedure shall submit the documents specified in Article 20.2 of this law to the state administrative body in charge of the mineral affairs within three years after the license was issued.

20.7. When granting and extending the term of mining license, it will be coordinated with the period of use and closure calculated on technical and economic grounds and the mining license will be initially issued for the term of up to 20 years and may be extended 3 times up to 10 years.

20.8. The state administrative body in charge for mineral affairs shall summarize the information on the issuance of the mining license and inform the Governors of the province, capital city, soum, and district where the licensed area is located, and the supervisory body of the sector within first 10 days of the next month and publish it in the official website and daily newspaper.

## **Article 21. Mining license fee**

21.1. The procedures specified in Articles 15.2, 15.3, 15.4, 15.5, 15.6, 15.7 of this law shall apply to the payment of the license fee.

21.2. The fee for a mining license is MNT 104000 per year. However, the license fee for limestone, coal, minerals for domestic production and common minerals is MNT 34000 per hectare.

## **Article 22. Rights and obligations of the mining license holder.**

22.1. Mining license holder entitled to have the following rights in addition to the rights specified in Articles 16.1.3, 16.1.4, 16.1.6, 16.1.7, 16.1.8, 16.1.9 of this law:

22.1.1. To conduct exploration, exploitation, and processing;

22.1.2. Sale of minerals and manufactured products on the basis of meeting the conditions and requirements specified in this law;

22.1.3. To transfer the mining license if the payment of a relevant taxes has been proven by the evidence;

22.1.4. To use the land and water in accordance with the applicable laws;

22.1.5. To use of other minerals identified in the license area in accordance with the conditions and procedures specified in this law;

22.1.6. If the decision if the technical commission specified in Article 36.6.2, 36.6.3 of this law is unacceptable to the license holder, appeal in accordance with the relevant laws;

22.1.7. Other rights specified in this law.

22.2. Mining license holder shall have the following obligations in addition to the obligations specified in Articles 16.2.3, 16.2.4, 16.2.7, 16.2.8, 16.2.12 of this law:

22.2.1. When using mineral deposit resources in the exploitation phase, the production resources provided for in the feasibility study shall be used comprehensively.

22.2.2. In case of using minerals specified in Article **Error! Reference source not found.** of this law, determine the mineral resources and adhere to the conditions and requirements specified in this law;

22.2.3. To pay the license fees and mineral resource royalties in full within the specified period;

22.2.4. To determine the border of the license in accordance with the technical requirements, to place a permanent marker, and the border measurement will be conducted by an authorized person, to submit the deed of border setting industry control organization and to the state administrative body in charge of mineral affairs within 3 months after the issuance of the mining license;

22.2.5. To supply of mined, processed and semi-processed products at market price at first to concentration and processing plants operating in the territory of Mongolia;

22.2.6. Mining license holder shall sell mined precious metals to the Mongolbank and commercial banks authorized by it;

22.2.7. To conduct the closure in accordance with the operational plan, compile the closure financing fund, to deposit the financial guarantee for closure;

22.2.8. To issue the foreign shipping waybills for sold products;

22.2.9. Other obligations specified in this law.

22.3. Тусгай зөвшөөрөл эзэмшигч нь үндсэн үйл ажиллагаандаа туслан гүйцэтгэгчийг гэрээгээр ажиллуулсан бол энэ тухай салбарын хяналтын болон ашигт малтмалын асуудал хариуцсан төрийн захиргааны байгууллагад бичгээр болон цахимаар мэдэгдэж, үйл ажиллагааны тайландаа тусгасан байна.

22.4. The transfer of its obligations to the subcontractor by the mining license holder in accordance with the agreement will not be grounds to be exempted from the obligations under the laws on environmental protection.

22.5. The license holder may jointly use the mineral deposit in terms of operations by mutual agreement with another license holder and shall inform regarding this offer to the industry supervision and the state administrative body in charge for mineral affairs.

22.6. In the cases specified in Article 22.5 of this law, the requirements specified in Article 18.4 of this law shall be fulfilled in a unified manner.

22.7. It is prohibited to transfer the mining licensed area partially.

22.8. It is prohibited to purchase, process or sell minerals of unknown origin that have been extracted in violation of laws and regulations.

### **Article 23. Expiration and revocation of the mining license**

23.1. Mining license shall be expired in the following grounds;

23.1.1. Surrender by the license holder of the entire licensed area;

23.1.2. expiration of the effective term of the license;

23.1.3. the emergency closure specified in Article 34.2.2 of this law was made;

23.1.4. revocation of the license by the decision of the state administrative body.

23.2. Mining license shall be revoked in the following grounds  
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23.2.1. The license holder has failed to meet the requirements of Article 9.1 of this law;

23.2.2. It was determined by the court that forged documents were compiled for obtaining, renewing, and transferring the license;

23.2.3. Failed to complete the full payment of the license fee within the period specified in this law;

23.2.4. Failed to complete the payment of compensation and fines for the costs of geological, exploration work made with state budget funds in accordance with the agreement;

23.2.5. If the mining license area has been designated as prohibited area to conduct the mining exploration as per the resolution of the competent authority specified in Article 8.1 of this law;

23.2.6. It was determined by the court that it caused serious damage to the environment and the incurred damages was not eliminated;

/Explanation: "serious damages" means the damages determined by the evidence and opinion issued by the professional organization and expert proves that the exceeding the amount of negative impact on the environment specified in the exploration report, technical and economic justification, detailed environmental impact assessment report, and closure plan./

23.2.7. Failure to fulfill the obligation to deposit the financial guarantee for closure as specified in Article 22.2.7 of this law;

23.2.8. Failure to submit the documents specified in Article 20.6 of this law within the period specified by the law.

23.3. The regulations specified in Articles 17.3, 17.4, 17.5, 17.6, 17.7, 17.8, 17.9 of this law shall be applied for the revocation of the mining license.

23.4. The term of the license shall continue to be calculated from the commencement date of an effective term of the court decision revoking the decision on revoking the license.

23.5. The state administrative body in charge of mineral affairs shall notify the supervisory authority of the field and state administrative body in charge for tax affairs regarding the revoked or expired licenses monthly and publish it in the official website and daily newspaper.

## **Article 24. Preparation activities of the deposit for use**

24.1. Mining license holder will develop the work plan to prepare the deposit for use for the total opening period planned on technical and economic grounds and submit it to the state administrative body in charge for mineral affairs for approval within 90 days from the date of issuance of the mining license.

24.2. Within the framework of preparing the deposit for use, the mining license holder shall create the infrastructure required for the operation of the mine according to the feasibility study, constructing industrial and

domestic buildings, putting mining and industrial equipment into operation, and opening mine excavations.

24.3. The works to be conducted as part of the preparatory work specified in Article 24.2 of this law and the documents to be prepared shall be regulated in detail in accordance with the procedure specified in Article 10.1.29 of this law and shall be prepared by the license holder before the mine is accepted by the state commission.

24.4. The fulfillment of the work plan for the preparation of the deposit for use specified in Article 24.1 of this law shall be submitted to the state administrative body in charge of mineral affairs by March 1 of the year following December 1 of each year.

24.5. The mining license holder shall entitle to sell the mined products after the commission appointed by the State central administrative body in charge of geology and mining receives the mine and puts it into permanent use.

## **Article 25. Conducting the mining**

25.1. Mining license holder shall meet the following requirements for conducting the mining:

25.1.1. To annually plan activities according to exploration results, feasibility study, and technical design, and report the implementation annually to the state administrative body in charge for mineral affairs;

25.1.2. To develop as per method specified in Article 10.1.14 of this law;

25.1.3. To be conducted according to the technology included in the feasibility study;

25.1.4. To have professional staff suitable for technical and technological features of mines and factories;

25.1.5. According to the progress of mine mountain work, during from the opening of the resource block and stratum to completion, surveying measurements and testing of the base and walls of the blocks and stratum are documented, and executing the act of opening and closing the blocks regularly;

25.1.6. Sorting and stacking topsoil, low-grade ore and other types of minerals without mixing them.

25.2. The requirements specified in Article 25.1.4 of this law will apply for the subcontractor as well.

25.3. Mining license holder shall compile the evidence and notify the state administrative body in charge for mineral affairs to resolve, if the

changes in the mineral reserves exceed the maximum amount specified in the resource classification and guidelines.

25.4. The changes in reserves specified in Article 25.3 of this law shall be determined by the appointment and opinion of an authorized third party in accordance with procedures specified in Articles 10.1.16, 10.1.17 of this law.

25.5. The expenses related to making the opinion specified in Article 25.4 of this law shall be borne by the license holder. -

25.6. If license holder ceases the operation, it shall be notified to the state administrative body in charge for mineral affairs and supervisory body of the sector in writing, or online within 10 business days from the date of issuance of this decision by the license holder.

25.7. If license holder is to conduct the processing, license holder shall meet the requirements for processing specified in this law and exercise the rights and obligations specified in Articles 28.1, 28.2 of this law.

### **Article 26. in-fill exploration during the mining**

26.1. In-fill exploration and supplementary exploration may be conducted during the mining.

26.2. The mining license holder shall plan the exploration work to be completed, prepare and report the result report according to the methodology specified in Article 10.1.14, and the minimum cost of the exploration work shall not be calculated.

## **CHAPTER FIVE PROCESSING**

### **Article 27. Issuance of the processing license**

27.1. Processing shall be conducted by the processing license holder.

27.2. If processing will be conducted by the mining license holder, the processing license specified in Article 27.1 of this law is not required.

27.3. In the case of use by other parties, the derivative deposits generated during exploitation and processing will be used on the basis of a processing license.

27.4. Applicant of the processing license shall meet the following requirements in addition with the requirements specified in Article 9.1 of this law:

27.4.1. Technological and semi-production tests should be done in accordance with relevant standards and methods;

27.4.2. To have the certificate on land use right;

27.4.3. The raw material reserves for the processing plant must be resolved;

27.4.4. In the case of using derivative deposits, the reserves must be registered in the state registration;

27.4.5. The feasibility study and technical design of the processing have been discussed and concluded by the Professional Council of Mineral Resources;

27.4.6. A detailed environmental impact assessment must be approved;

27.4.7. To determine the use of chemicals;

27.4.8. Closure plan of the processing plant shall be approved;

27.4.9. A first-year financial closure guarantee to fund the closure of the processing.

27.5. If the conditions specified in Article 27.4 of this law are met, the processing license may be granted for a period of up to 10 years and may be extended 3 times for the same period.

27.6. Processing license fee shall be paid in accordance with the amount specified in the Law on Stamp Duty Fee.

## **Article 28. Rights and obligations of the processing license holder**

28.1. Processing license holder shall have the following rights in addition to the rights specified in Articles 16.1.8, 16.1.9 of this law:

28.1.1. To sell the products;

28.1.2. To extend the effective term of the processing license;

28.1.3. To transfer the license;

28.1.4. other rights specified in this law.

28.2. Processing license holder shall have the following obligation:

28.2.1. To inform the public about activities;

28.2.2. To dispose the wastes of toxic and dangerous substances based on the opinion of the relevant professional organization in accordance with the procedures specified in the relevant laws and regulations;

28.2.3. To hand over the processing plant to the state commission;

28.2.4. To fulfill the completion of payment of mineral royalties;

28.2.5. To execute the processing plant closure in accordance with the action plan, to compile the closure funding, to deposit the financial guarantee for closure;

28.2.6. To issue the foreign shipping waybills for sold products;;

28.2.7. Other obligations specified in this law.

28.3. The license holder is prohibited from processing and selling minerals other than those mentioned in the feasibility study and the license, or minerals of unknown origin.

28.4. License holder shall meet with the requirements specified in Article 27.4 of this law during the effective term of the license.

### **Article 29. Expiration and revocation of the processing license**

29.1. Processing license shall be expired in the following grounds:

29.1.1. Request to extend the license have not been submitted;

29.1.2. The emergency closure specified in Article 34.2.2 of this law was made;

29.1.3. revocation of the license by the decision of the state administrative body;

29.2. Processing license shall be revoked in the following grounds:

29.2.1. The license holder has failed to meet the requirements of Article 9.1 of this law;

29.2.2. It was determined by the court that forged documents were compiled for obtaining, renewing, and transferring the license;

29.2.3. It was determined by the court that it caused serious damage to the environment;

29.2.4. Failure to deposit the financial guarantee for closure of the processing plant for the given year.

29.3. The regulations specified in Articles 17.4, 17.5, 17.6, 17.7, 17.8, 17.9, **Error! Reference source not found.** of this law shall be applied for the revocation of the processing license.

29.4. The term of the license shall continue to be calculated from the commencement date of an effective term of the court decision revoking the decision on revoking the license.

### **Article 30. To conducting the processing**

30.1. Processing license holder will develop the work plan for the construction of the factory according to the technology included in the feasibility studies and submit it to the state administrative body in charge for

mineral affairs for approval within 90 days from the date of issuance of the license.

30.2. Within the framework of the plan specified in Article **Error! Reference source not found.** of this law, infrastructure will be created, industrial and domestic buildings will be constructed, factory equipment will be put into operation, tests and adjustments will be made, and preparations will be made for normal operation.

30.3. The works to be conducted as part of preparatory work specified in Article 30.2 of this law and the documents to be prepared shall be regulated in detail in accordance with the procedure specified in Article 10.1.29 of this law, and shall be prepared by the license holder before the factory is accepted by the state commission.

30.4. The implementation of the work plan for the construction of the factory specified in Article **Error! Reference source not found.** of this law shall be submitted to the state administrative body in charge of mineral affairs by March 1 of the year following December 1 of each year.

30.5. The processing license holder shall entitle to sell the mined products after the commission appointed by the State central administrative body in charge of geology and mining receives the mine and puts it into permanent use.

30.6. The processing license holder shall have processing engineers, chemists, occupational safety, hygiene, and waste management specialists necessary for processing.

30.7. The processing license holder shall plan and conduct the activities of the given year based on the approved feasibility study and technical design.

30.8. The products of the processing plant are concentrates and final products that complies with the Mongolian standards in terms of quality.

30.9. The quality of the product is determined by the results of laboratory tests accredited by the state administrative body in charge of accreditation affairs.

30.10. In case of changes in the capacity and technology of the processing plant, the technical and economic reasons shall be clarified and the provisions of Article **Error! Reference source not found.** of this law shall be governed.

### **Article 31. Requirements for waste management and circulating water supply**

31.1. The design of the processing plant's tailings farm, tailings reservoir dam, and circulating water supply hydraulic facilities shall be

developed in accordance with the Law on Construction and related building norms and rules.

31.2. The following general requirements shall be followed when planning the type, design and location of waste management and circulating water:

31.2.1. Taking into account the geography and other natural conditions of the region such as elevation, topography, climate, engineering-geology, hydrogeology, hydrology, biology;

31.2.2. Taking into account the impact on the environment;

31.2.3. To be able to regularly monitor the technical condition of the dam and the influence of natural factors;

31.2.4. Stability of protection of tailings and dams;

31.2.5. To be able to protect against flood water;

31.2.6. Reuse of water supplied to the sewer network with circulating water supply.

31.3. In case of natural hazard or disaster, the license holder shall conduct a comprehensive inspection of the condition of the tailings dam in accordance with the instructions provided in the design.

31.4. A professional organization will issue a conclusion on whether the chemical composition of the water in the waste pool is within tolerance.

31.5. The author's monitoring will be made regularly for the operation of the tailings dam, formation of tailings, and the foundation for the next stage of expansion.

31.6. The standards and requirements for waste management shall be developed by the state central administrative body in charge of geology and mining affairs and approved by the state administrative body in charge of standard metrology affairs.

## **CHAPTER SIX**

### **TRANSFER AND PLEDGE OF LICENASE**

#### **Article 32. Transfer of licenses**

32.1. The exploration, mining, processing license holder may transfer the license in case of a merger pursuant to Civil Law, Company Law and the Partnership Law as well a subsidiary and a daughter company may transfer the license to its parent company, parent company may transfer the license to its daughter company.

32.2. An exploration license holder may transfer its license to another person eligible to hold the license only after providing evidentiary proof that materials and reports on prospecting and exploration work that were sold

have been sold as set forth in the applicable laws and regulations and that taxes have been paid accordingly.

32.3. A mining and processing license holder may transfer its license after providing evidentiary proof that the mine together with its machinery, equipment and documents have been sold as set forth in the applicable laws and regulations and that financial guarantee for closure have been deposited and taxes have been paid accordingly.

32.4. Exploration license holder may transfer parts of a licensed area to persons eligible to hold a license as set forth in this law.

32.5. In the event the license holder is subdivided or segregated according to Civil Law, Company Law and Partnership Law, the license shall be expired.

32.6. If the subdivided and or segregated legal person as specified in Article 32.5 of this law has maintained its status to hold the license set forth in Article 9.1 of this law, the legal person shall have an exclusive right to reacquire the license.

32.7. The relations with respect to transfer of the license, registration of the transfer, transfer of the rights and obligations of the license holder shall be regulated as per the procedure specified in Article 10.1.33 of this law.

### **Article 33. Pledges of licenses**

33.1. To provide security for financing of its investments to conduct mineral exploration, exploitation, processing, the license holder may pledge its licenses to a bank or non-banking financial organization with the related documents, such as, the information of geological survey, exploration work results, feasibility study report and properties which are permitted to pledge by law.

33.2. It is prohibited to pledge the license for the other purpose than to provide security for financing of its investments to conduct mineral exploration, exploitation, processing and dispose the investment inappropriately and license holder shall dispose the investment as per the purpose.

33.3. If the license holder fails to fulfill its obligations under the pledge agreement and there are grounds for expiration of the license, the state administrative body in charge for mineral affairs shall notify the pledgee and about it and the pledgee has the right to propose a transfer of the license to an eligible person specified in this law at first.

33.4. The relations with respect to a pledges of the license, registration of the pledge agreement, deregistration of the pledge agreement, transfer of the license in accordance with the pledge agreement to other

personnel shall be regulated as per the procedure specified in Article 10.1.33 of this law.

## **CHAPTER SEVRN**

### **MINE AND PLANT CLOSURE ACTIVITIES**

#### **Article 34. Types and planning of the closure**

34.1. Mineral exploitation and processing shall be conducted with a closure plan developed and approved in accordance with the procedures and methods specified in Article 10.1.4 of this law.

34.2. Closure shall have the following types :

34.2.1. Planned closure of mining and beneficiation operations without resumption as indicated in the technical and economic rationale;

34.2.2. Emergency closure of mineral extraction and processing before the period specified in the feasibility study due to the inability to continue operations due to force majeure or the bankruptcy of the license holder of exploitation and processing;

34.2.3. Temporary closure of mining and processing in a manner that allows them to resume when the difficult market conditions, resources determined by exploration during exploitation are not confirmed or additional exploration is necessary, mountain-technical, and hydrogeological conditions are difficult, exploitation and processing technological procedures are lost, conditions and requirements for technological innovation have arisen.

34.3. A closure plan will be developed and approved in the following phases:

34.3.1. Before obtaining the mining license, the general plan of mine closure based on the exploration work result and the feasibility study;

34.3.2. Before obtaining the processing license, the closure plan of processing plant based on the feasibility study;

34.3.3. The closure plan specified in Articles 34.3.1, 34.3.2 of this law shall be clarified every 5 years after the commencement of mining and processing plant production to reflect the indicators and costs of the extracted minerals, the products produced by the processing plant, and the performed rehabilitation by the mining, processing license holder;

34.3.4. If the changes made in the feasibility study, the license holder shall update the closure plan in accordance with the cycle specified in Article 34.3.3 of this law within period of no more than 2 years each time;

34.3.5. The mining, processing license holder shall make the final revision of the closure plan at least 1 year before the commencement of the planned closure specified in Article 34.2.1 of this law;

34.3.6. In the cases specified in Articles 34.2.2, 34.2.2 of this law, license holder may clarify the closure plan on its own initiative, and according to the reasonable requirements of the state administrative body in charge for mineral affairs.

34.4. When clarifying the closure plan in accordance with Article 34.3 of this law, the actual performance of mining for mines and production operations for processing, as well as the completed rehabilitation costs, shall be included in the clarification of the closure financing calculation.

34.5. According to the procedures for the closure of mines and processing and the methodology for the development of the closure plan specified in Article 10.1.4 of this law, the content and requirements of the closure plan shall be determined in detail depending on the stage of development of the closure plan as specified in Article 34.3 of this law and the type of minerals involved and the method of extraction.

34.6. The closure plan shall be executed by the legal entity authorized in accordance with the procedure specified in Article 10.1.6 of this law.

34.7. In the process of developing the final revision of the closure plan specified in Article 34.3.5 of this law, the draft will be presented to the Governor of the respective district.

34.8. The state administrative body in charge for mineral affairs shall review and approve the closure plan within the period specified below:

34.8.1. Within 30 days after receiving the general closure plan specified in Articles 34.3.1, 34.3.2 of this law;

34.8.2. Within 45 days after receiving the classification of the closure plan specified in Articles 34.3.3, 34.3.4, 34.3.6 of this law;

34.8.3. Within 60 days after receiving the last amendment of the closure plan specified in Article 34.3.5 of this law.

34.9. The state administrative body in charge of mineral affairs shall issue the decision to return the closure plan along with the reasons to the applicant if the closure plan is non-compliant.

### **Article 35. compiling of the financing of the closure**

35.1. Funding for closure activities will be provided as follows:

35.1.1. In the amount of costs required for the rehabilitation of the construction and operation of the processing plant before the commencement of mining and processing production;

35.1.2. In accordance with Article 35.3 of this law after the commencement of mining and processing production.

35.2. The amount of additional closure funding for the given year specified in Article 35.1.2 of this law is determined by deducting rehabilitation costs from the amount specified in the basic schedule and last amendment of the closure plan specified in Article 35.3 of this law, taking into account the performance of mining in the given year.

35.3. Depending on the duration of the project to conduct mining in mineral deposits and the production of the processing plant, the calculation of the financing of the closure to be performed ever year after the commencement of mining and processing by the license holder is calculated based on the percentage specified in the basic schedule below:

Closing funding to be provided annually (percentage)																		
Year of exploitation	Total period of time specified in the feasibility study of mining and processing (year)																	
	1-3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
1	100	5	3	2	2	1	1	1	1	1	1	1	1	1	1	1	1	1
2	-	0	5	5	0	8	6	5	4	2	2	2	0	0	0	0	8	8
3	-	-	0	5	0	8	6	5	4	2	2	1	0	0	9	9	8	8
4	-	-	-	5	0	8	6	5	4	2	2	1	0	0	9	9	8	8
5	-	-	-	-	0	8	6	5	4	2	2	1	0	0	9	9	8	8
6	-	-	-	-	-	0	6	5	4	2	2	1	0	0	9	9	8	8
7	-	-	-	-	-	-	4	0	4	2	2	1	0	0	9	9	8	8
8	-	-	-	-	-	-	-	-	2	2	2	1	0	0	9	9	8	8
9	-	-	-	-	-	-	-	-	-	4	4	1	0	0	9	9	8	8
10	-	-	-	-	-	-	-	-	-	-	-	-	0	0	9	9	8	8
11	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9	9	8	8
12	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8	8
13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4	4

*Explanation: The percentage of the deposit of financing guarantee for closure in the given year is calculated using a linear method, and it is fully deposited within two thirds of the total period of mining and processing. Up to three years of exploitation, mining and processing plant financing guarantee for closure will be fully deposited in the first year.*

35.4. The license holder shall accurately record the financing arrangements for closure in accordance with applicable accounting standards and the financial resources formed in the given year shall be reported in the given year's mining and processing report.

35.5. If the license holder underfunds the amount of financing required by Article 35.1, 35.2 of this law from time to time, the financing guarantee for closure shall be issued in the amount of shortfall.

35.6. The financing guarantee for closure specified in Article 35.5 of this law shall be issued by a bank with influence in the banking system specified in the Law on Banking.

35.7. The guarantee specified in Article 35.6 of this law may be issued by a third party on behalf of the license holder for mining and processing.

35.8. The procedures related to registration, storage, modification, and release of the closing financing guarantee shall be approved by the state central administrative organization in charge of geology and mining.

### **Article 36. Implementation and reporting of closure**

36.1. Mining, processing license holder shall attach relevant financial documents reflecting the performance of the rehabilitation executed in given year and the status of the appropriate closure funding, if any, in the given year's mining, processing report.

36.2. Closure will be initiated based on cessation of production of the mining and processing plant as specified in the latest closure plan and it will be reported to the state administrative body in charge of mineral affairs, soum and district Governor's office.

36.3. The state administrative body in charge of mineral affairs will release the financing guarantee for closure in proportion to the completion rate of the closure plan.

36.4. The mining, processing license holder shall submit a comprehensive report on the closure to the state administrative body in charge of mineral affairs within 2 months after the completing the work except for post-closure monitoring, analysis and maintenance work and submit the request to arrange the commission of a closing technical commission to the state central administrative body in charge of geology, mining affairs.

36.5. The closure technical commission will be appointed by the state central administrative body in charge of geology and mining, and will be composed of representatives of the following organizations:

36.5.1. state administrative body in charge of mineral affairs;

36.5.2. state central administrative body in charge of environment affairs;

36.5.3. the unit in charge of land affairs of the respective province or capital city;

36.5.4. the Governor's office of that soum, or district;

36.5.5. a specialist in the matter of closure authorized under this law;

36.5.6. other.

36.6. the closure technical commission will issue the following resolutions:

36.6.1. If the completion of the closure plan is considered satisfactory, issue a conclusion and execute the act of handing over the land granted for the purpose of the licensed area and processing plant to the local community and the closure of the mine and processing plant;

36.6.2. If the implementation of the closure plan is deemed insufficient, issue a conclusion specifying the amount of work to be done, and issue time-bound tasks to the license holder to ensure its implementation;

36.6.3. In the case of failure to fulfill the obligations specified in Article 36.6.2 of this law, to submit a proposal to the state administrative body in charge of mineral affairs to perform the closure by a third party. Confirming the amount of incomplete work;

36.6.4. If the work performed by a third party as specified in Article 36.6.3 of this law is deemed to be sufficient, a conclusion shall be made and the act of handing over the land granted for the purpose of the license area and processing plant to the local community and the closing of the mine and processing plant shall be executed.

36.7. The state administrative body in charge of mineral affairs shall release the financing guarantee for closure as follows:

36.7.1. Based on the conclusion and act of the technical commission specified in Articles 36.6.1, 36.6.4 of this law, the amount of the financing guarantee minus the costs of post-closing control, maintenance;

36.7.2. Based on the proposal specified in Article 36.6.3 of this law, the cost of the work to be performed by a third party and the cost of post-closure control, maintenance is excluded.

36.8. If the mining, processing license holder is unable to perform all or part of the obligations under the closure plan, and it is not possible to achieve the results of the closure work to level specified in the plan, license holder shall notify the state administrative body in charge of mineral affairs along with the relevant reasons and explanations.

36.9. if the circumstances specified in Article 36.6.3, 36.8 of this law arises, the license holder fails to fulfill the closing obligations stipulated in this law, the state administrative body in charge for mineral affairs shall arrange for the closing to be performed by an authorized third party.

36.10. Expiration, or revocation of the mining, processing license shall not be grounds for release of the financing guarantee for closure.

36.11. If the sources of financing provided by the license holder and the financing guarantee for closure issued are insufficient for the activities specified in Article 36.9 of this law, the additional funds required shall be collected from the license holder in an undisputed manner.

36.12. In accordance with the Article 36.9 of this law, the execution of closing by a third party shall not be a reason to exempt the license holder from the obligation to proper performance of post-closing, monitoring, maintenance and inspection.

### **Article 37. Post-closing inspection, maintenance, and repair**

37.1. The license holder shall conduct the post-closure inspection, maintenance, and remediation within the specified period according to the method specified in Article 10.1.4 of this law, and submit the progress report annually to the state administrative body in charge of mineral affairs and the Governor's office of the relevant soum, district.

37.2. Inspection, maintenance, and repair work specified in Article 37.1 of this law may be performed by authorized qualified specialists and legal entities.

37.3. The execution of inspection by others as specified in Article 37.2 of this law shall not be a ground to exempt the license holder from the obligation to appropriate execution of inspection, maintenance, and repair.

37.4. The state administrative body in charge of mineral affairs, the Governor's office of the district will supervise the monitoring, maintenance, and enforcement.

37.5. If the state administrative body in charge of mineral affairs considers that the implementation of post-closure inspection, maintenance, and monitoring is satisfied, the financing guarantee for closure issued by the license holder related to the post-closure inspection, maintenance, monitoring will be released.

37.6. Expiration of the mining, processing license is not a reason to release the license holder from the obligations related to the closure of the mine, or processing plant, post-closure monitoring, maintenance, and repair.

## **CHAPTER EIGHT**

### **MONITORING OF THE QUALITY OF THE MINERALS**

#### **Article 38. Mineral quality control system**

38.1. The license holder shall conduct quality control by specialized laboratories after geology and mining during the mineral prospecting, exploration, exploitation, processing, and marketing minerals:

38.1.1. A state-owned laboratory in the field of geology and mining, accredited in Mongolia;

38.1.2. Customs laboratory under the state administrative body in charge of customs affairs;

38.1.3. National laboratories and branches of international laboratories accredited according to the Law on Accreditation of

Standardization, Technical Regulation and Conformity Assessment of Mongolia;

38.1.4. Laboratories at mines and factories.

38.2. The exploration, mining license holder shall undergo quality analysis at the accredited laboratory of Mongolia at all stages of mineral deposit exploration and at least 5% of the total analyzed samples have been certified by the state-owned laboratory specified in Article 38.1.1 of this law.

38.3. If there is a difference between the laboratories in the results of the mineral analysis, which is more than the allowable amount, it shall be verified by the laboratory analysis specified in Article 38.1.1 of this law.

38.4. The license holder shall perform the quality control of principal and associated minerals of the ore that will not be exposed to mining, the poor ore piles, and the tailing dams of the processing plant, and shall include them in the annual movement report and submit the report to the state administrative body in charge of mineral affairs for approval.

38.5. If the difference in the quality of the license holder's mineral exceeds that specified in the resource classification, instructions, methodological recommendations and other laws, regulations and other laws, regulations and rules, the Professional Council of Mineral Resources will decide with the participation of the branch control unit of the state central administrative body.

38.6. The mining research and development center will develop mineral quality classification and standards applicable at the industry level.

38.7. The license holder shall approve the procedures for approving and confirming the movement of resources, creating product quality control sheets, and reporting the results of analysis by the state central administrative body in charge of geology and mining affairs.

## **CHAPTER NINE**

### **EXPLORATION RESULTS, FEASIBILITY STUDY, TECHNICAL DESIGN**

#### **Article 39. Requirements of the exploration work results, feasibility study**

39.1. The exploration work results and feasibility study shall be developed during the effective term of the exploration license.

39.2. Exploration work results shall be developed according to the categories, instructions and methods specified in Articles 10.1.7, 10.1.14 of this law, and shall meet the following requirements:

39.2.1. To be developed by a specialist in the field authorized by the state central administrative body in charge of geology and mining;

39.2.2. To be inclusive of geological survey, prospecting, and exploration phases.

39.3. The exploration work results and the estimation of resources shall be clarified according to the categories, instructions and methods specified in Articles 10.1.7, 10.1.14 of this law.

39.4. When developing the feasibility study, the comprehensive use of the resources determined by the exploration work results, the optimal technical and technological solution, and the economic efficiency will be considered, and the following requirements shall be followed:

39.4.1. To be developed by the legal entity authorized by the state central administrative body in charge of geology and mining;

39.4.2. To be inclusive of whole phases of the mine and facilities operation;

39.4.3. To be based on a topographical map that fully covers deposits, mines, and industrial sites, general mine drawings, sections, and calculations should be developed in accordance with relevant standards.

39.5. Feasibility study shall be planned in detail for 5 years and clarified according to the method specified in Article 10.1.14 of this law.

39.6. Qualified experts and legal entities prepared the exploration work results and feasibility studies are responsible to the client for its accuracy and reasonableness.

39.7. The expert who made a conclusion on the exploration work results and feasibility studies is responsible for the accuracy of his/her conclusion.

39.8. Feasibility study of the processing plant shall comply with the following requirements:

39.8.1. To be developed in accordance with the methods specified in Article 10.1.14 of this law;

39.8.2. To be based on the expert specified in Article 27.4.1 of this law;

39.8.3. Technical and technological choices should be calculated through efficiency-based optimization;

39.8.4. энэ хуулийн 27.4.3, 27.4.4-т заасан түүхий эдийн нөөцөд тулгуурласан байх.

39.9. The activities of receiving, monitoring, and verifying the exploration work results, feasibility studies shall be regulated by the procedure specified in Article 10.1.21 of this law.

## **Article 40. Requirements for technical design**

40.1. The technical design shall be developed in accordance with the method specified in Article 10.1.15 of this law, and the activities receiving, reviewing, and verifying the technical design shall be regulated by the procedure specified in Article 10.1.21 of this law.

40.2. The technical design shall be developed by a legal entity with a license specified in Article 39.4.1 of this law.

40.3. The technical design of the mine shall comply with the following requirements:

40.3.1. Developed according to the exploration work results and feasibility study;

40.3.2. To be developed based on field geology, geophysics, geotechnics, hydrogeology, hydrology, technological tests, and other research materials.

40.4. The technical design of the processing plant shall comply with the following requirements:

40.4.1. The buildings of the processing plant should be optimally placed on a topographical map with a scale of not less than 1:1000;

40.4.2. To comply with the requirements of relevant laws, rules, and standards.

40.5. The Law on Construction, relevant construction norms and rules will be used to manage the technical design of waste management, reservoir dams and hydrotechnical constructions of the processing plant.

40.6. The technical design of the processing plant will be regularly reviewed by the author.

## **CHAPTER TEN**

### **ROYALTIES**

#### **Article 41. Royalties**

41.1. The following persons shall be payers of royalties:

41.1.1. Mining, processing license holder;

41.1.2. Persons exporting minerals;

41.1.3. Those that provided gold to Mongolbank, or commercial banks approved by Mongolbank.

41.2. Following principles to be followed for the calculation of the sales value:

41.2.1. For sold, exported precious metals to Mongolbank, or commercial banks approved by Mongolbank, the sales value shall be market value of precious metals announced by the Mongolbank;

41.2.2. Minerals traded on the domestic exchange of mining products, the sales value shall be price of that trade;

41.2.3. For exported copper, zinc, tin, lead, molybdenum, aluminum, nickel, cobalt, and lithium without trading on the domestic exchange of mining products, the sales value will be average monthly price announced by the London Metal Exchange;

41.2.4. for the exported minerals other than the minerals specified in Article 41.2.3 of this law without trading on the domestic exchange of mining products, the sales value will be the price of the foreign market;

41.2.5. for products sold on the domestic market without trading on the domestic exchange or mining products, the sales value will be price specified in the sales agreement of that minerals submitted by the license holder;

41.2.6. for products other than the products specified Article 41.2.1 of this law used for the personal use, the sales value will be the own cost of the product;

41.2.7. for the minerals which royalty income cannot be determined in accordance with Articles 41.2.1, 41.2.2, 41.2.3, 41.2.44, 41.2.55, 41.2.66 of this law, the sales value will be the income submitted by the license holder.

41.3. Royalties shall have the following types:

41.3.1. Basic fee specified in Article 41.4 of this law; -

41.3.2. Tiered fee specified in Article 41.4 of this law;

41.3.3. Discounted fee specified in Article 41.5 of this law;

41.3.4. Special fee specified in Article 42.1 of this law.

41.4. 5 percent of basic fee is calculated for the unit price of mineral resource royalties calculated in accordance with Article 41.2 of this law, except as specified in Article 41.5 of this law and the tiered fee specified in Article 41.3.2 of this law shall be imposed at the percentage specified in the table, depending on the level of processing and the price of the mineral unit, in the part that exceeds the basic fee specified in the table below:

No.	Name of minerals	Unit of measurement	Comparable product for the purpose of valuation	Unit price for tiered fee billing /in USD/	Tiered fee rates depending on the level of processing		
					Ore	Concentration	Product
1	Gold (Au)		Gold /pure/	Basic rate up to 900			0.00

		Ounce		From 900 to 1000	-	-	1.00
				From 1000 to 1100			2.00
				From 1100 to 1200			3.00
				From 1200 to 1300			4.00
				1300 and more			5.00
2	Silver (Ag)	Ounce	Silver /pure/	From 0 to 25		-	0.00
				From 25 to 30			1.00
				From 30 to 35			2.00
				From 35 to 40			3.00
				From 40 to 45			4.00
				45 and more			5.00
3	Copper (Cu)	Ton	Copper /in metal/	From 0 to 5000	0.00	0.00	0.00
				From 5000 to 6000	22.0	11.0	1.00
				From 6000 to 7000	24.0	12.0	2.00
				From 7000 to 8000	26.0	13.0	3.00
				From 8000 to 9000	28.0	14.0	4.00
				9000 and more	30.0	15.0	5.00
4	Lead (Pb)	Ton	Lead /in metal/	From 0 to 1500	0.00	0.00	0.00
				From 1500 to 1800	1.00	0.80	0.40
				From 1800 to 2100	2.00	1.60	0.80
				From 2100 to 2400	3.00	2.40	1.20
				From 2400 to 2700	4.00	3.20	1.60
				2700 and more	5.00	4.00	2.00
5	Tin (Sn)	Ton	Tin /in metal/	From 0 to 17000	0.00	0.00	0.00
				From 17000 to 18000	1.00	0.80	0.50
				From 18000 to 19000	2.00	1.60	1.00
				From 19000 to 20000	3.00	2.40	1.50
				From 20000 to 21000	4.00	3.20	2.00
				21000 and more	5.00	4.00	2.50
6	Iron (Fe)	Ton	Iron ore	From 0 to 60	0.00	0.00	0.00
				From 60 to 70	1.00	0.70	0.40
				From 70 to 80	2.00	1.40	0.80
				From 80 to 90	3.00	2.10	1.20
				From 90 to 100	4.00	2.80	1.60
				100 and more	5.00	3.50	2.00
7	Zinc (Zn)	Ton	Zinc /in metal/	From 0 to 1500	0.00	0.00	0.00
				From 1500 to 2000	1.00	0.80	0.40
				From 2000 to 2500	2.00	1.60	0.80
				From 2500 to 3000	3.00	2.40	1.20
				From 3000 to 3500	4.00	3.20	1.60
				3500 and more	5.00	4.00	2.00
8	Aluminum (Al)	Ton	Aluminum /in metal/	From 0 to 2300	0.00	0.00	0.00
				From 2300 to 2600	1.00	0.90	0.50
				From 2600 to 2900	2.00	1.80	1.00
				From 2900 to 3200	3.00	2.70	1.50
				From 3200 to 3500	4.00	3.60	2.00
				3500 and more	5.00	4.50	2.50
9	Molybdenum (Mo)	Ton	Molybdenum	From 0 to 35000	0.00	0.00	0.00
				From 35000 to 40000	1.00	0.80	0.50
				From 40000 to 45000	2.00	1.60	1.00
				From 45000 to 50000	3.00	2.40	1.50
				From 50000 to 55000	4.00	3.20	2.00

				55000 and more	5.00	4.00	2.50
10	Tungsten (W)	Ton	Tungsten concentrate	From 0 to 25000	0.00	0.00	-
				From 25000 to 30000	1.00	0.80	
				From 30000 to 35000	2.00	1.60	
				From 35000 to 40000	3.00	2.40	
				From 40000 to 45000	4.00	3.20	
				45000 and more	5.00	4.00	
11	Rare earth elements	Kg	A concentrate of oxides of rare earth elements	From 0 to 10	0.00	0.00	-
				From 10 to 20	1.00	0.90	
				From 20 to 30	2.00	1.80	
				From 30 to 40	3.00	2.70	
				From 40 to 50	4.00	3.60	
				50 and more	5.00	4.50	
12	Uranium (U)	Pounds	Uranium oxide	From 0 to 10	-	0.00	-
				From 11 to 20		1.00	
				From 21 to 30		2.00	
				From 31 to 40		3.50	
				From 41 to 50		5.00	
				From 51 to 60		6.50	
				From 61 to 70		8.00	
				From 71 to 80		9.50	
				From 81 to 90		11.00	
				91 and more		12.50	
13	Fluorspar	Ton	Fluorspar ore and concentration	From 0 to 80	0.00	0.00	-
				From 80 to 90	1.00	0.90	
				From 90 to 100	2.00	1.80	
				From 100 to 110	3.00	2.70	
				From 110 to 120	4.00	3.60	
				120 and more	5.00	4.50	
14	Juniper concentrate (floatation concentrate)	Ton	Juniper concentrate /floatation concentrate/	From 0 to 200	-	0.00	-
				From 200 to 230		0.70	
				From 230 to 260		1.40	
				From 260 to 290		2.10	
				From 290 to 320		2.80	
				320 and more		3.50	
15	Phosphorite	Ton	Concentrate	From 0 to 70	0.00	0.00	0.00
				From 70 to 90	1.00	0.90	0.50
				From 90 to 110	2.00	1.80	1.00
				From 110 to 130	3.00	2.70	1.50
				From 130 to 150	4.00	3.60	2.00
				150 and more	5.00	4.50	2.50
16	Salt stone	Kg	Salt	From 0 to 40	0.00	0.00	-
				From 40 to 50	1.00	0.90	
				From 50 to 60	2.00	1.80	
				From 60 to 70	3.00	2.70	
				From 70 to 80	4.00	3.60	
				80 and more	5.00	4.50	
17	Khujir, saline	Ton	Khujir, saline	From 0 to 140	0.00	0.00	-
				From 140 to 150	1.00	0.90	
				From 150 to 160	2.00	1.80	
				From 160 to 170	3.00	2.70	
				From 170 to 180	4.00	3.60	

				180 ба түүнээс дээш	5.00	4.50	
18	Raw coal	Ton	Coal	From 0 to 25	0.00	-	-
				From 25 to 50	1.00		
				From 50 to 75	2.00		
				From 75 to 100	3.00		
				From 100 to 125	4.00		
				125 and more	5.00		
19	Processed coal (by dry and wet beneficiation process)	Ton	Coal	From 0 to 100	-	0.00	-
				From 100 to 130		1.00	
				From 130 to 160		1.50	
				From 160 to 190		2.00	
				From 190 to 210		2.50	
				210 and more		3.00	
20	Final product (semi coke, coke, gas, liquid fuel, coal chemical products)	Ton	Coke	From 0 to 160	-	-	0.00
				From 160 to 190			0.50
				From 190 to 210			1.00
				From 210 to 240			1.50
				From 240 to 270			2.00
				270 and more			2.50
21	Magnesite	Ton	Magnesite concentration	Up to 101	0.00	0.00	-
				From 101 to 120	1.00	0.90	
				From 120 to 140	2.00	1.80	
				From 141 to 160	3.00	2.70	
				From 161 to 180	4.00	3.60	
				181 and more	5.00	4.50	
22	Zeolite	Ton	Zeolite	Up to 201	0.00	0.00	-
				From 201 to 250	1.00	0.90	
				From 250 to 300	2.00	1.80	
				From 300 to 350	3.00	2.70	
				From 350 to 400	4.00	3.60	
				401 and more	5.00	4.50	
23	Quartz	Ton	Quartz	Up to 30	0.00	0.00	-
				From 30 to 40	1.00	0.90	
				From 40 to 50	2.00	1.80	
				From 50 to 60	3.00	2.70	
				From 60 to 70	4.00	3.60	
				70 and more	5.00	4.50	
24	Gypsum	Ton	Gypsum	Up to 10	0.00	-	-
				From 10 to 12	1.00		
				From 12 to 14	2.00		
				From 14 to 16	3.00		
				From 16 to 18	4.00		
				18 and more	5.00		

*Explanation:*

*Example 1. In the case that the unit price of copper mineral resources royalty is 8500 USD, the base fee is 425 USD per ton, calculated at 5 percent, and 11 percent from 1000 USD in the range of 5000-6000 USD, which is the part exceeding 5000 USD, 110 USD, 6000-7000 USD is 120 USD based on 12 percent of 1000 USD, 130 USD is based on 13 percent of 1000 USD in 7000-8000 USD, and 14 USD is calculated on 8000-9000 USD. calculated as a percentage, \$500 is increased by \$70, the total*

*amount of tiered payment will be \$430 per ton, and the total amount of mineral resource royalties will be \$855 per ton.*

*Example 2. If the unit price of copper royalty is 4,000 USD, the basic royalty fee of 5 percent will be calculated for 4,000 USD, and 200 USD per ton will be charged. no charge.*

41.5. In the following cases, discounted fee of royalty shall be imposed at the percentage stated below, and the basic fee and tiered fee of royalties specified in Article 41.4 of this law shall not apply:

41.5.1. 2.5 percent of the total amount of revenue per royalty calculated in accordance with Article 41.2.5 of this law for coal sold to domestic electric and thermal plants;

41.5.2. If common minerals are sold domestically, according to Article 42.2.5 of this law, if used by yourself – 2.5 percent of the total amount of revenue from royalty calculated according to Article 41.2.6 of this law;

41.5.3. 5.0 percent of the total amount of revenue for royalties calculated according to Article 41.2.1 of this law for gold sold to the Mongolbank and commercial banks authorized by the Mongolbank.

41.6. Royalties shall be calculated according to this article for each of the principal and economically important associated mineral content contained in the mineral.

41.7. In accordance with Article 41.6 of this law, the list of economically important associated minerals subject to royalties shall be approved by the Government based on the proposal of the state central administrative body in charge of geology and mining for each type of mineral.

41.8. Regarding each type of principal mineral, no royalties shall be imposed on minerals and chemical elements not specified in the list specified in Article 41.7 of this law.

41.9. Each time the mining, processing license holder and the person who sold the minerals through shall make a payment receipt specified in the tax laws, and the payment receipt shall include the type, classification, quantity, sales price, and the amount of the mineral royalties imposed.

41.10. For the export of mineral ores, concentrates and products, no duplicate royalties shall be imposed, and the previously paid royalties shall be calculated based on the receipts specified in Article 41.9 of this law.

41.11. Except as specified in Article 41.1.3 of this law, the payer who purchases minerals from a person who does not hold a license shall deduct the royalty fee per purchased mineral, and shall report and pay it to the budget in accordance with Articles 41.2, 41.3 of this law.

41.12. If at least 10% of the shares are not traded on the stock exchange in accordance with Article 6.7 of this law, the special fee specified in Article 41.3.4 of this law shall be increased and paid to the state budget.

41.13. The Government shall approve the requirements, classification, calculation principles and methods for the processing level of ores, concentrates specified in Article 41.4 of this law based on the proposal of the state central administrative body in charge of geology and mining and the provisions of Article 42.2 of this law.

41.14. The procedure for determining the foreign market price specified in Article 41.2.4 of this law shall be approved by the Government based on the proposal of the state central administrative body in charge of geology and mining.

41.15. Mineral resource royalties shall be paid and reported in accordance with this article for minerals mined on an experimental basis within the scope of exploration activities, mined for the purpose of semi-production and production trials.

41.16. According to the Law on Investment, in the case of a taxpayer with a stabilization certificate, mineral resource royalties shall be imposed at the rate and amount specified in the certificate.

41.17. The quality indicators of minerals sold domestically and used by themselves are determined based on the results of laboratory tests accredited in Mongolia, and for minerals exported, external control is determined based on the analysis of state-owned laboratories.

41.18. The monthly payment for all types of minerals sold domestically, self-used and exported shall be paid to the budget by the 20<sup>th</sup> of the following month, and the final calculation made in the end-of-year report shall be paid to the budget by the 10<sup>th</sup> of February of the following year.

41.19. The Mongolbank and the commercial bank authorized by it shall deduct the mineral resource royalty income per purchased gold in accordance with Article 41.2.1 of this law, deduct the appropriate royalty at the percentage specified in Article 41.5.3 of this law, and transfer it to the state budget.

41.20. According to Article **Error! Reference source not found.** of this law, 10 percent of the royalties paid to the budget will be allocated to the local development fund of soum where the mining project is implemented.

41.21. According to Article **Error! Reference source not found.** of this law, 20 percent of the mineral royalties paid to the budget will be allocated to the local development fund of provinces where the mining project is implemented.

## **Article 42. Royalties for mineral deposits of strategic importance**

42.1. If the parties have agreed to transfer the state ownership share of mineral deposits of strategic importance as agreed by relevant authority, the party receiving such share transfer of the mining license holder shall calculate and pay the royalties to the state budget in accordance with the procedures specified in Article 41.2 of this law.

42.2. The rates of royalties for mineral deposits of strategic importance specified in Article 42.1 of this law shall be approved by the Government.

42.3. The special rates of royalties for mineral deposits of strategic importance specified in Article 6.3, 6.4, 6.5, 6.6 of this law shall not exceed 5 percent depending on the nature of each deposit.

## **CHAPTER ELEVEN ENVIRONMENTAL PROTECTION**

### **Article 43. Environmental protection obligations дугаар**

43.1. License holders shall comply with the laws and legislation on environmental protection and obligations specified in this law during the mineral exploration, exploitation, processing.

### **Article 44. Environment during geological survey and prospecting**

44.1. The cost of environmental protection and restoration of the area shall be reflected in the budget for geological survey and prospecting.

44.2. In the case of mining and drilling operations during the prospecting, funds equal to 50% of the annual costs required for the environmental protection measures included in the environmental protection plan shall be placed in the special account of the area and district in accordance with the procedure specified in Article 10.1.31 of this law, and it is prohibited to spend for the other purpose except for rehabilitation.

44.3. If the subsoil is not disturbed during the prospecting, it shall not be required to deposit the funds specified in Article 44.2 of this law.

### **Article 45. Environment during exploration**

45.1. The exploration license holder shall submit the general environmental impact assessment to the Governor of the area, where the license area located, and to the local unit responsible for geology and mining.

45.2. The exploration license holder shall develop and approve the environmental protection plan for three years and submit it to the state inspector of environmental control of the respective soum and district and submit the implementation report to the Governor of the soum and district every year.

45.3. Environmental protection plans and implementation reports are open to the public.

45.4. In accordance with Article 10.1.31 of this law, funds equal to 50 percent of the annual costs required for environmental protection measures included in the environmental protection plan shall be placed in the special account of the soum, or district and shall not be spent for purposes other than rehabilitation.

45.5. If the exploration license holder completes the implementation of the environmental protection plan, soums and district Governors will return the funds deposited in accordance with Article 45.4 of this law to the license holder.

45.6. If the exploration license holder does not fully implemented the environmental protection plan, the Governor of soum and the district shall execute the environmental restoration work with the funds specified in Article 45.4 of this law by an authorized professional, and the additional work costs will be charged to the exploration license holder.

45.7. Articles 45.1, 45.2 of this law shall be followed in case of amendments to the environmental protection plan.

45.8. The procedure for placing, receiving, refunding, and spending the expenses specified in Article 45.4 of this law shall be approved jointly with the state central administrative body in charge of geology and mining affairs and the state central administrative body in charge of environmental affairs.

45.9. Within 15 working days after receiving the fulfillment report specified in Article 45.2 of this law, the state inspector of environmental control of the soum or district shall review the fulfillment report and inform the Governor of the soum or district.

#### **Article 46. Environment during the mining and processing**

46.1. Based on the feasibility study and the general closure plan, the mining, processing license holder shall approve the detailed environmental impact assessment and closure plan in accordance with the relevant law before the state commission for acceptance of the mine and factory for permanent use is established.

46.2. Environmental restoration work will be conducted in the given year during the mining operation.

46.3. The mining, processing license holder shall include the performance of environmental restoration work included in the closure plan in the report specified in Articles 55.1, 56.1 of this law.

46.4. Information on the license holder's environmental restoration work is publicly available.

## **CHAPTER TWELVE**

### **LOCAL RELATIONS**

#### **Article 47. Communicating with the local government during geological survey and prospecting with state budget funds**

47.1. Cooperation agreements with local communities will not be concluded during geological survey and prospecting conducted with state budget funds

47.2. Soum and district Governors shall inform the citizens of the respective soums and districts and the higher-level Governors about the geological survey and exploration work to be conducted with state budget funds.

47.3. Provisions **Error! Reference source not found., Error! Reference source not found.** of this law shall apply to conducting geological survey and prospecting with private funds.

#### **Article 48. Communicating with the local government during exploration, exploitation, processing**

48.1. The exploration license holder can enter into an agreement with the Governor of that soum or district on donations and assistance for the purpose of increasing employment and investing in the education of citizens. The total amount of donations and grants will not exceed the 1% of the cost of exploration work.

48.2. The mining, processing license holder shall sign an agreement with the Governor of soum and district to cooperate with the local government on issues related to environmental protection, development of infrastructure related to the establishment of mines and factories, increase of jobs, donation, and assistance, and confirmed by the Governor of the province and capital city.

48.3. The local administrative body shall keep the agreement and its implementation information open and transparent to the public as specified in Article 48.1, 48.2 of this law.

48.4. Local administrative body and other organizations, officials, citizens, and legal entities are prohibited from demanding donations and assistance from the license holder that are not included in the agreement specified in Articles 48.1, 48.2 of this law.

### **Article 49. Public participation**

49.1. Information on the environmental protection activities of the exploration, mining, processing license shall be open to the public.

49.2. Аймаг, нийслэл, сум, дүүргийн Засаг дарга нь тусгай зөвшөөрөл эзэмшигчийн орон нутагтай хамтран ажиллах гэрээ, байгаль орчны нөлөөллийн үнэлгээ, байгаль орчныг хамгаалах төлөвлөгөөний хэрэгжилтэд хяналт тавих ажиллагаанд олон нийтийн оролцоог хангаж ажиллана.

49.3. Governors of provinces, capitals, soums, and districts shall ensure public participation in the process of monitoring the implementation of environmental impact assessment, environmental protection plan, and cooperation agreements with local administrative bodies of license holders.

49.4. The Citizens Representatives Khural and Governor of the province, capital city, soum, district and Public Meetings of Citizens and Governor of the bag, khoroo is responsible for regularly organizing and promoting information about the geology and mining industry to the citizens living in the area and creating conditions that do not interfere with mineral exploration, exploitation, and processing activities.

## **CHAPTER THIRTEEN OCCUPATIONAL SAFETY, HYGIENE AND TECHNICAL AUDIT**

### **Article 50. General requirements for occupational safety and hygiene**

50.1. The Law on Occupational Safety and Hygiene and the occupational safety rules stipulated in Articles 10.1.8, 10.1.9, 10.1.10, 10.1.11, 10.1.12, 10.1.35 of this law shall be followed during the mineral exploration, mining, and prospecting.

50.2. Occupational safety and hygiene training can be organized in the following ways, in addition to the training specified in the Law on Occupational Safety and Hygiene:

50.2.1. management of enterprises and organizations and training of all employees;

50.2.2. training for occupational safety and health workers

50.2.3. job site travel and contractor's safety training.

50.3. The training program and plan specified in Article 50.2 of this law shall be approved by the person representing the license holder without power of attorney and shall monitor its implementation.

### **Article 51. Technological audit**

51.1. Technology audit shall be conducted in the following cases:

51.1.1. Changes to the exploitation, processing technology;

51.1.2. Required by the state administrative body in charge of mineral affairs in order to give an assessment and conclusion on the implementation of the exploitation, processing technological regime;

51.1.3. Industrial accidents occurred due to violations of production and technological procedures for exploitation and processing;

51.1.4. Prior to the commencement of the processing by the processing license holder;

51.1.5. In case of violations specified in Articles 23.2.6, **Error! Reference source not found.** of this law due to the violation of technological procedure.

51.2. License holder may conduct a technological audit in order to improve the use of techniques and technologies, reduce costs, increase efficiency, and ensure labor safety.

51.3. Mining, processing license holder shall implement the recommendations of the technology audit.

51.4. Mining, processing license holder shall submit the report on implementation of recommendation of the technology audit by the attachment of the annual exploitation, or processing report to the state administrative body in charge of mineral affairs.

51.5. Technology audit shall be conducted in accordance with the rules and methods specified in Article 10.1.18 of this law.

51.6. This article does not apply to the relationship related to the audit of the activities of the administrative organization by the state audit organization.

## **CHAPTER FOURTEEN**

### **INFORMATIONS AND REPORTS**

#### **Article 52. дугаар зүйл. General provisions on planning and reporting**

52.1. License holder shall issue the accurate geology survey, prospecting, exploration, exploitation, processing plan, its clarifications and reports according to the approved forms and instructions.

52.2. Geological surveys, prospecting reports, plans and reports of license holders' exploration, exploitation and processing activities are open to the public, except where they are classified as confidential by law.

52.3. License holder shall inform the public the implementation of the given year's cooperation agreement established with the local administrative organization specified in Article 48.1, 48.2 of this law within the first quarter of the following year.

#### **Article 53. Report of the geological survey and prospecting work**

53.1. Report of the geological survey and prospecting work will be submitted to the state administrative body in charge of geological survey affairs in accordance with the procedure specified in Article 10.1.1 of this law.

53.2. License holder shall submit the annual report of the geological survey and prospecting work conducted in license holder's license are to the state administrative body in charge of mineral affairs within the period specified in Article **Error! Reference source not found.** of this law.

#### **Article 54. Planning and reporting of exploration activities**

54.1. The license holder shall submit the following action plan and report to the state administrative body in charge of mineral affairs within the period mentioned below

- 54.1.1. The plan for the first three years of exploration activities to be conducted in the licensed area within 30 days from the date of issuance of the license, the plan for the next three years within December 1 of the last year of the previous three years, and the clarification of the approved plan in each case;
- 54.1.2. the plan of exploration activities to be conducted in the licensed area of the mining license, and the clarification of the approved plan in each case;

54.1.3. the annual report of exploration activities by February 15 of the following year.

54.2. The state administrative organization in charge of mineral affairs shall review and confirm the plans and reports that meet the requirements specified in Article 10.1.24 of this law within 90 days from the date of receipt.

### **Article 55. Planning and reporting of mining**

55.1. The mining license holder shall submit the mining report to the state administrative body in charge of mineral affairs for review and approval within the period from 1<sup>st</sup> of December of the given year to March 1<sup>st</sup> of the following year, and the clarifications from time to time in accordance with the procedure specified in Article 10.1.24 of this law.

55.2. Information on the next year's mining planning shall be included in the given year's mining report in accordance with the approved form.

55.3. The fact that no activity was performed in the licensed area for the given year shall not be grounds to be exempted from the obligation to submit the report specified in Article 55.2 of this law, and relevant documents shall need to be attached to the report.

55.4. Submission and approval of the report as specified in Article 55.2 of this law within the period specified by this law will be grounds to conduct the mining until the submission period of the next report.

55.5. The mining license holder shall reflect the information specified in Article 57 of this law of this law in the report specified in Article 55.1 of this law.

### **Article 56. Planning and reporting of processing**

56.1. The processing license holder shall submit the mining report to the state administrative body in charge of mineral affairs for review and approval within the period from 1<sup>st</sup> of December of the given year to March 1<sup>st</sup> of the following year, and the clarifications from time to time in accordance with the procedure specified in Article 10.1.24 of this law.

56.2. Information on the next year's processing planning shall be included in the given year's processing report in accordance with the approved form.

56.3. The fact that no activity was performed in the licensed area for the given year shall not be grounds to be exempted from the obligation to

submit the report specified in Article 56.1 of this law, and relevant documents shall need to be attached to the report.

56.4. Submission and approval of the report as specified in Article 56.1 of this law will be grounds to conduct the processing until the submission period of the next report.

56.5. The mining license holder shall submit processing report in the report specified in Article 55.1 of this law.

### **Article 57. Royalties report**

57.1. Total amount of royalties specified in Article **Error! Reference source not found.** of this law shall be submitted by the quarterly report in the form jointly approved by the state administrative bodies in charge of mineral and tax affairs with quarterly increases within first 20 days of the first month of the next quarter to the state administrative body in charge of mineral affairs and relevant taxation department. The year end reports shall be submitted by the 10<sup>th</sup> day of February of next year.

57.2. Mongolbank, or commercial banks approved by Mongolbank shall submit report on royalties paid to the state budget as specified in Article 41.19 of this law in the form jointly approved by the state administrative bodies in charge of mineral and tax affairs within 20<sup>th</sup> day of next month to the state administrative bodies in charge of mineral and tax affairs. The year end reports shall be submitted by the 10<sup>th</sup> day of February of next year.

## **CHAPTER FIFTEEN**

### **STATE REGULATION IN GEOLOGY AND MINING SECTOR**

#### **Article 58. Full rights of the State Great Khural**

58.1. The State Great Khural shall exercise the following full rights in mineral affairs:

58.1.1. Establish the State policy with respect to development of geology and mining sector;

58.1.2. Exert control over works organized by the Government in relation to implementation of legislation in mineral prospecting, exploration, mining, and processing activities;

58.1.3. Resolve matters concerning mineral prospecting, exploration and mining activities in state special protected area by submission of the Government;

58.1.4. Include or remove the mineral deposit in mineral deposits of strategic importance by submission of the Government or on its own initiative;

58.1.5. Determine the percentage of the State ownership of mineral deposits of strategic importance by considering the mineral amount registered with the integrated State reserves registry and the percentage as set forth in Articles 6.4, 6.5, 6.6.1, 6.6.2, 6.6.3 of this law by submission of the Government or on its own;

58.1.6. Resolve matters concerning exploration and mining of essential minerals in prohibited areas specified in Article 8.1.1 of this law by submission of the Government;

58.1.7. Other rights specified in the laws.

### **Article 59. Full rights of the Government**

59.1. The Government shall exercise the following full rights in mineral affairs:

59.1.1. Ensure implementation of legislation on mineral prospecting, exploration, mining, and processing activities;

59.1.2. Implement the State policy with respect to the development of geology and mining sector;

59.1.3. Approve the list of essential minerals required for high-tech production by submission of the State central administrative body in charge of geology and mining affairs;

59.1.4. Approve the area for granting exploration license by application and tender process by coordinates;

59.1.5. Grant the rights on conducting of mineral exploration and mining in the areas specified in Articles **Error! Reference source not found.**, 8.1.4, 8.1.5, 8.1.6 of this law;

59.1.6. Approve the procedure on establishment on cooperation agreement with the local administrative bodies;

59.1.7. Approve the area for conducting common mineral mining required for the construction of infrastructure of the project, program specified in Article 7.4 of this law by coordinates;

59.1.8. Approve the procedures specified in Articles 7.3, 7.4 of this law by submission of the State central administrative body in charge of geology and mining affairs;

59.1.9. Submit proposals to the State Great Khural for including or removing particular mineral deposit in mineral deposits of strategic importance;

59.1.10. Submit proposals to the State Great Khural for determining the percentage of the State ownership in mineral deposits of strategic importance;

59.1.11. Approve the procedure on determining the personnel to establish an agreement for the use of mineral deposits of strategic importance and monitoring the implementation of an agreement;

59.1.12. Resolve matters concerning State's investment in the use of mineral deposits of strategic importance;

59.1.13. Participate in specific activities of mineral prospecting exploration, mining and processing through a legal entity with state ownership;

59.1.14. Define area for granting exploration and mining license by coordinates based on opinion from State central administrative body in charge of geology and mining affairs, and inform to the public except for those specified in Article 20.3 of this law;

59.1.15. Define boundaries of deposits of strategic importance;

59.1.16. Incorporate the mining survey and development center;

59.1.17. Resolve matters concerning exploration and mining of essential minerals in areas to operate under a special regime as specified in Articles 8.4.1, 8.4.2, 8.4.3 of this law based on opinion from State central administrative body in charge of geology and mining affairs;

58.1.8. Other rights specified in the laws.

## **Article 60. Full rights and obligations of State Central Administrative Body in charge for Geological and Mining Affairs**

60.1. State central administrative body in charge of geological and mining affairs shall exercise the following full rights:

60.1.1. Develop and ensure implementation of the State policy with respect to development of geology and mining sector;

60.1.2. Ensure the enforcement of legislation on minerals and resolutions of the Government with respect to implementation of such legislation;

60.1.3. Monitor the closure of mining, processing plants;

60.1.4. Develop and implement the policy with respect to increment of the investment of geology and mining sector;

60.1.5. Supervise the activities of affiliated organizations;

60.1.6. To determine and clarify the geological survey and prospecting areas, plans, projects, and budgets, and to make decisions on receipt of reports;

60.1.7. Approve rules, regulations, instructions, forms, methods specified in legislation;

60.1.8. Exert control over activities in relation to exploration of mineral deposits of strategic importance;

60.1.9. Approve strategic goals, development plans and supervise the activities of state owned legal entities and legal entities with state ownership holds the exploration, mining, and processing license;

60.1.10. Take measures to harmonize the decisions and activities of legal entities specified in Article 60.1.9 of this law with the policies of the industry;

60.1.11. Supervise the implementation of legislations on minerals and mineral prospecting, exploration, mining, and prospecting activities;

60.1.12. Issue the licens on development of exploration results, feasibility studies and technical design;

60.1.13. Approve the charter, organizational structure, and maximum number of job positions of the mining survey and development center;

60.1.14. Establish Mineral resources professional council who have obligations to assess and make recommendations on work results of geological surveys, exploration results, and feasibility studies, designs for mineral mining and processing plants conducted on the territory of Mongolia;

60.1.15. Other rights specified in the laws.

## **Article 61. Functions of State administrative body in charge of geological survey affairs**

61.1. Implement the State policy with respect to geological survey within the framework of the Law on Subsoil, this law and other legislation within the territory of Mongolia.

61.2. The State administrative body in charge of geological survey affairs shall exercise the following functions:

61.2.1. Conduct geological mapping, and research by the state budget fund, conduct survey and assessment on distribution regularity of minerals and minerogenic research, and determine the prospects of mineral resources within the territory of Mongolia;

61.2.2. Select the geological survey area conducted with state budget funds, develop the geological assignments, define and clarify

the plans, projects and budgets, supervise and make recommendation for the progress, implementation, performance of work, review the work results, register the resolution on receipt of work results;

61.2.3. Establish a database on geology, mining and mineral resources, develop and process such database, provide information except classified as state and organizational confidential information for interested persons;

61.2.4. Keep state unified registration of minerals and its movements;

61.2.5. Supervise the implementation and performance of activities specified in Articles 11, 12 of this law;

61.2.6. Determine the selection of areas research work to be conducted with state budget fund by coordinates based in the information on basic geological survey conducted on the territory of the country and prospects of mineral resources annually;

61.2.7. Announce the tender of the research work approved by the State administrative body in charge geological and mining affairs specified in the Article 61.2.6 of this law, establish the agreement with the selected personnel;

61.2.8. Prepare the information of the basic geological survey of selection and application area for mineral exploration area, refine the area;

61.2.9. To be in charge of central archive of geological documents such as specialized state archives, and to be responsible for its data collection, storage and protection;

61.2.10. Conduct the geological survey for scientific, cognitive and educational purposes by the academic institutions and universities, and register it;

61.2.11. To cooperate with foreign and domestic similar organizations, to implement projects and programs, organize training, and to promote industry activities;

61.2.12. Accept in the archive the geological survey conducted with the state budget fund, exploration report conducted with private funds, feasibility studies, primary materials on the basis of the issued resolution to receive it, upload into the database;

61.2.13. To receive the results, works, and pamphlets of various scientific works relevant to geology and mining industry and upload them into the database;

61.2.14. Calculate the compensation for the costs of all types of geological surveys conducted with state budget funds;

61.2.15. Receive, register and resolve requests for execution of the geological survey and prospecting;

61.2.16. Other functions specified in this law.

**Article 62. Functions of State administrative body in charge of mineral affairs**

62.1. State administrative body in charge of mineral affairs shall implement the state policy with respect to mineral affairs within the framework of applicable legislation.

62.2. The State administrative body in charge of mineral affairs shall exercise the following functions:

62.2.1. Maintain a exploration, mining license and its cartiographic records;

62.2.2. Issue, extend, combine, revoke, re-issue, restore the exploration, mining, processing license;

62.2.3. Issue the resolution and make relevant registration in relarion with the transfer, pledge, return, and suspend the license;

62.2.4. Keep records of payment for license fee, collect the service fee;

62.2.5. Review and resolve boundary disputes between license holders;

62.2.6. Prepare areas to be issued by application and selection procedure;

62.2.7. keep the records and information of the license and its cartography open to the public within the legal framework;

62.2.8. supervise the pledge of the license;

62.2.9. keep records of the suspended licenses as specified in Articles 62.2.2, 62.2.3 of this law on the basis of the resolution issued by the competent authority;

62.2.10. notify the local administrative body regarding the areas specified in Articles 59.1.4, 59.1.7 of this law by coordinates;

62.2.11. confirm the amount of exploration expenses based on the license holder's geological and exploration annual report and financial statements;

62.2.12. receive, review, and approve the exploration plan and report;

62.2.13. verify the expenditure spent on exploration on the site, if necessary;

62.2.14. inspect and get acquainted with the implementation of exploration, mining, processing activities;

62.2.15. conduct research on market prices of mining products and determine the prospects;

62.2.16. keep registration of movements of reserves of deposits;

62.2.17. establish the agreement on on the reimbursement of costs of geological and exploration work conducted with state budget funds as specified in Article 61.2.14;

62.2.18. receive, review and approve the mining, processing report;

62.2.19. approve and ensure the implementation of the closure plan specified in Article 34.3 of this law;

62.2.20. receive the implementation report of cooperation agreement established with the local administrative body specified in Articles 48.1, 49.2 of this law, establish the database with the relevant information;

62.2.21. supervise activities related to exploration, mining, and processing licenses;

62.2.22. compile and develop the database specified in the framework of legislation;

62.2.23. Other functions specified in this law.

62.3. Cadastral department of the state administrative body shall be in charge of affairs specified in Articles 62.2.1, 62.2.2, 62.2.3, 62.2.4, 62.2.5, 62.2.6, 62.2.7, 62.2.8, 62.2.9, 62.2.10 of this law, department in charge of geological affairs shall be in charge of affairs specified 63.2.11, 62.2.12, 62.2.13, 63.2.14 of this law, department in charge of mineral affairs shall be in charge of affairs specified in Articles 63.2.14, 62.2.15, 62.2.16, 62.2.17, 62.2.18, 63.2.19 of this law.

### **Article 63. Rights of Citizens Representatives Khural**

63.1. Citizens Representatives Khural of the aimag or capital city shall exercise the following full rights in mineral affairs:

63.1.1. Provide leadership to local administrative bodies to ensure the implementation of the legislation on mineral, resolutions of the Government;

63.1.2. Support the activity and cooperate with the local department of the state administrative body in charge of geological and mining affairs;

63.2. Citizens Representatives Khural of the soum or district shall exercise the following full rights in mineral affairs:

63.2.1. Provide leadership to local administrative bodies to ensure the implementation of the legislation on mineral, resolutions of the Government;

63.2.2. Support the activity and cooperate with the local department of the state administrative body in charge of geological and mining affairs;

63.2.3. To concentrate the payment of the fee specified in Article 9.5 of this law in the budget of the respective soum or district and spent them on employment promotion, education and health sector and approve the procedure with respect to this matter.

#### **Article 64. Rights of local administrative and self-governing bodies**

64.1. Governor of the aimag or capital city shall exercise the following rights in mineral affairs:

64.1.1. Organize, report the implementation, publish fulfillment of decisions made by the competent authority, authorized personnel in connection with legislation on minerals and its implementation within relevant territory;

64.1.2. Execute the cooperation agreement established with the local administrative body specified in Article 48.2 of this law, report in public the information regarding its disposal;

64.1.3. Submit the cooperation agreement established with the local administrative body specified in Article 48.2 of this law and report on its implementation to the state administrative body in charge of mineral affairs;

64.1.4. Introduce the coordinates specified in Articles 59.1.4, 59.1.7 of this law to citizens residing in the respective territory.

64.2. Governor of the soum or district shall exercise the following rights in mineral affairs:

64.2.1. Introduce the report on implementation of the exploration results and environmental management plan submitted by the exploration license holder to citizens residing in the respective territory;

64.2.2. Establish the cooperation agreement with the license holder and report in public the information regarding its disposal;

64.2.3. Select the authorized personnel granted by the procedure specified in Article 10.1.19 of this law, establish and mark the boundary, execute the act and submit its copy to the supervisory body of the industry and state administrative body in charge of mineral affairs;

64.2.4. Appoint a representative to participate in the commission for accepting the mines and processing plants for permanent use and the technical commission for the closure;

64.2.5. Not to act related to the exercise of the rights of the license holder;

**Article 65. Local department of the state administrative body in charge of geological and mining affairs**

65.1. Local department of the state administrative body in charge of geological and mining affairs shall belong to the structure of the state administrative body in charge of mineral affairs.

65.2. Local department of the state administrative body in charge of geological and mining affairs shall exercise the following functions:

65.2.1. Ensure the implementation of the policies and laws with respect to the geological and mining industry in the local area;

65.2.2. Promote the policies and laws with respect to geological and mining industry;

65.2.3. Provide the public services to the investor, license holder and citizens;

65.2.4. Ensure coordination of cooperation between local administrative bodies and investors;

65.2.5. Work on-site at least once a year at the license holder's site operating in the respective local area, submit the report to the state administrative body in charge of mineral affairs within the period specified in Articles 55.1, 56.1;

65.2.6. Other functions specified in this law.

**Article 66. Geological and mining industry investment promotion council**

66.1. A hoc council to support the development of the geological and mining industry, and to support the improvement of the tax, investment environment and competitiveness of the industry may be established under the state central administrative body in charge of geological and mining affairs.

66.2. A council specified in Article **Error! Reference source not found.** of this law will have up to 9 members consisting of representatives of state and investors.

66.3. Information related to the operation of the investment promotion council, except for those classified as confidential by the law, shall be publicly available.

## **Article 67. Mineral resources professional council**

67.1. Mineral resources professional council to assess and make recommendations on work results of geological surveys, exploration results, and feasibility studies, designs for mineral mining and processing plants conducted on the territory of Mongolia will be established.

67.2. Mineral resources professional council shall have the following sub-councils:

67.2.1. sub-council to discuss the work results of geological surveys, prospecting results;

67.2.2. sub-council to discuss the exploration results, mining, processing feasibility studies, technical design.

67.3. Sub-council specified in Article 67.2 of this law shall have the following composition:

67.3.1. sub-council to discuss the work results of geological surveys, prospecting results shall consists of the representatives of the state central administrative body in charge of geological and mining affairs, state administrative body in charge of geological survey affairs, state administrative body in charge of mineral affairs, academic, research and training institutions of the industry and other representative;

67.3.2. sub-council to discuss the exploration results, mining, processing feasibility studies, technical design shall consist of the representatives of the state central administrative body in charge of geological and mining affairs, state administrative body in charge of mineral affairs, state administrative body in charge of geological survey affairs, mining survey, development center, state owned laboratory, training institutions and other representative.

67.4. Qualifications, skills, experience, and other requirements for Mineral resources professional council shall be regulated by the procedures specified in Article 10.1.21 of this law.

67.5. The state central administrative body in charge of geological and mining affairs shall appoint the chairperson of the council specified in Article 67.1, and chairperson of the sub-council specified in Article 67.2 of this law.

67.6. A qualified expert shall be appointed by the Mineral resources professional council by appointing the joint team of the Mining survey and development center specified in Article **Error! Reference source not found.** of this law and authorized consultants and professional official specified in Article 10.1.6 of this law.

67.7. Information with respect to the operation of the Mineral resources professional council and qualified experts shall be publicly available.

### **Article 68. Mining survey and development center**

68.1. Mining survey and development center will provide support to the activities of the state central administrative body in charge of geological and mining affairs in conducting comprehensive research and analysis, developing recommendations, and implementing strategic goals to improve the government policy, strategy, technique, technology, innovation development, water and energy saving, and increasing benefits and productivity of the mining sector regarding the sustainable development of mining.

68.2. Mining survey and development center shall exercise the following functions:

68.2.1. conduct development, infrastructure survey and assessment of the mining industry policy background research, international and domestic market prospects, investment and tax environment research, projects and programs;

68.2.2. develop the industry rules, standards, norms, and get approved by the relevant competent authorities based on the statistical study of the implementation of international and domestic legal acts that are important for labor safety, technical use, safety, and hygiene standards;

68.2.3. Work as an expert to make an opinion on the compliance of the archives, funds, and databases of the state administrative organization in charge of geology, research, and mineral affairs, as well as the compliance of the normative acts and legal acts regulating the related relations, and to take responsibility for the conclusions made for the exportation result, feasibility studies, and technical designs represent to professional organization;

68.2.4. perform technical and technological level evaluations, perform technology audit functions as specified in Article 52 of this law in the implementation of projects ordered by public and private sector organizations;

68.2.5. improve the research and professional education of professional personnel in the mining industry, Training specialists for special functions such as blasters, lifeguards, technology auditors, and labor safety, providing consultants and specialized degrees, organizing training in cooperation with government and non-government organizations on the

basis of contracts, and providing professional and methodological management;

68.2.6. submit and get resolved the proposals for granting, renewing and terminating rights in accordance with the procedure specified in Article 10.1.18 of this law to the technology audit organization, in accordance with the procedure specified in Article 10.1.34 of this law to the organization that develops exploration results and feasibility studies, to the state central administrative body in charge of geological and mining affairs;

68.2.7. work as an expert on behalf of the state, to conduct surveyor's measurements, and make conclusions of professional organizations based on the boundary disputes of the license, request issued by the court and police agencies;

68.2.8. conduct expert verification of the author's control contract for the exploration results, feasibility studies and technical designs.

68.3. General researcher of Mining survey and development center will be in charge of affairs specified in Articles 68.2.1, **Error! Reference source not found.**, **Error! Reference source not found.** of this law, general engineer will be in charge of affairs specified in Articles 68.2.4, **Error! Reference source not found.**, 68.2.6, 68.2.7, 68.2.8 of this law.

68.4. The funding of the Mining survey and development center consists of the following sources:

68.4.1. Fees for custom background and statistical research;

68.4.2. Income from the sale of industry rules and regulations;

68.4.3. Fees for expert opinion services for exportation results, feasibility studies;

68.4.4. Fees for technology audits commissioned by public and private organizations

68.4.5. training of skilled personnel in the mining industry, consultancy and specialized degree and qualification training fees

68.4.6. service fees related to technology audit, surveying work, service, granting, extending rights of development of exploration results and feasibility studies service fees;

68.4.7. service fees for work as an expert on behalf of the state, to conduct surveyor's measurements, and make conclusions of professional organizations based on the boundary disputes of the license, request issued by the court and police agencies;

68.4.8. In order to refine the rules, standards, norms, and norms applicable in the industry, in accordance with Article 5.7.3 of the Law on Construction, or income from donations given by citizens or legal entities

68.4.9. Service fees for conduct expert verification of the author's control contract for the exploration results, feasibility studies and technical designs;

68.4.10. Other source of income.

## **CHAPTER SIXTEEN**

### **DATABASE OF THE GEOLOGICAL AND MINING INDUSTRY**

#### **Article 69. Forms of the database of the geological and mining industry**

69.1. The database of the geological and mining industry /hereinafter referred to as the "database"/ will be compiled in electronic and paper form.

69.2. The database is state property.

#### **Article 70. Types of the database of the geological and mining industry**

70.1. The database shall consist of the following main database:

70.1.1. National geological and mineral resources database;

70.1.2. Registration and database of exploration, mining, processing licenses.

70.2. State administrative body in charge of geological survey will be in charge of the database specified in Article 70.1.1 of this law, state administrative body in charge of mineral affairs will be in charge of the database specified in Article 70.1.2 of this law.

70.3. The database specified in Article 70.1.1 of this law shall be unified, and the organizations specified in Articles 72.1, 72.2 of this law shall exchange information.

70.4. State central administrative body in charge of geological and mining affairs shall approve the detailed list of the main sources of the database, procedures on compiling, processing, using, storing, and protecting the database.

#### **Article 71. Structure of the database of geological and mining industry**

71.1. Энэ хуулийн 70.1.1-д заасан үндэсний геологи, эрдэс баялгийн мэдээллийн сан нь дараах бүрдлээс бүрдэнэ:

71.1.1. Geological mapping data;

71.1.2. Geochemical data;

- 71.1.3. Geophysics data;
- 71.1.4. Hydrogeological data;
- 71.1.5. Mineral data;
- 71.1.6. Mineral reserves data;
- 71.1.7. Geoecological data;
- 71.1.8. Engineering geological data;
- 71.1.9. Paleontology data;
- 71.1.10. Stratigraphic data;
- 71.1.11. Tectonic data;
- 71.1.12. Crack data;
- 71.1.13. Registration of the documents;
- 71.1.14. Registration of the geological survey works;
- 71.1.15. Petroleum data;
- 71.1.16. Aerial and satellite mapping data;
- 71.1.17. other.

71.2. The registration and database of license specified in Article 70.1.2 of this law shall consist of the following composition:

- 71.2.1. Registration of mineral license;
- 71.2.2. Registration of the applications;
- 71.2.3. Registration of tender procedures;
- 71.2.4. Registration of the prohibited areas;
- 71.2.5. Registration of the restricted areas;
- 71.2.6. Registration of exploration and mining license holder;
- 71.2.7. Exploration planning data;
- 71.2.8. Exploration results data;
- 71.2.9. Registration of the exploration results, feasibility studies to be discussed by the mineral professional resources commission;
- 71.2.10. Mining planning data;
- 71.2.11. Mining results data;
- 71.2.12. Registration of the processing plant license;
- 71.2.13. Processing plant planning data;
- 71.2.14. Processing plant report data;
- 71.2.15. Data on taxes, fees and charges paid by the license holder to the state budget fund;
- 71.2.16. Data on technical design, mine closure plan, financial guarantee for the closure, information of the mine closure;
- 71.2.17. Other.

## **Article 72. Keep recording and compiling of the geological and mining industry database**

72.1. The following organizations and legal entities are obliged to creating information in the database specified in Article 71.1 of this law:

72.1.1. State central administrative body in charge of geological and mining affairs;

72.1.2. State administrative body in charge of geological and mining affairs:

72.1.3. State administrative body in charge of mineral affairs;

72.1.4. State administrative body in charge of water affairs;

72.1.5. License holder legal entity;

72.1.6. Legal entity established the agreement on execution of the survey with the state budget fund;

72.1.7. governmental and non-governmental organizations and legal entities of geological and mining science, education, and research

72.2. The following organizations and legal entities are obliged to participate in creating information in accordance with this law in the database specified in Article 71.2 of this law:

72.2.1. State central administrative body in charge of finance and budget affairs;

72.2.2. State central administrative body in charge of environment affairs;

72.2.3. Mongolbank;

72.2.4. State administrative body in charge of customs affairs;

72.2.5. State administrative body in charge of tax affairs; state administrative body in charge of land affairs;

72.2.6. State administrative body in charge of statistics affairs;

72.2.7. Governor of aimag, capital city, soum and district;

72.2.8. Other organizations specified in the laws.

72.3. License holder is obliged to register the aggregated tangible and intangible information pertaining to primary information to the geological and mineral database.

72.4. Citizens, organizations, and legal entities are responsible for collecting geological and mining data generated within the scope of science and technology funds, international and foreign loans, aid, projects, and programs in the national geological and mineral resources database free of charge.

72.5. Enterprises, and legal entities specified in Articles 72.1.5, 72.1.6, 72.1.6 of this law are obliged to provide the data and information collected with their own funds, the test results and test results of samples brought across the border in accordance with the procedure specified in Article 10.1.20 of this law, free of charge from time to time to the relevant database.

## **CHAPTER SEVENTEEN**

### **FINANCIAL RECORDS OF MINING INDUSTRY, REIMBURSEMENT**

#### **Article 73. Records of mining industry**

73.1. Exploration, mining license holder shall include the costs of the exploration work in the area granted with the license and the costs of preparing the mine for use in a fixed amount for a period of 5 years after the start of production and shall establish a contribution fund.

73.2. The mining license holder shall include the expenses related to the acquisition, transfer, and transfer of the special license to production costs in the same amount every year during the validity of the special license and establish a contribution fund.

73.3. The license holder shall establish a depreciation and amortization fund for fixed assets used in mining production.

73.4. A fund for depreciation and amortization of assets spent by the license holder for production and infrastructure shall be established at a fixed amount during the period of use of those buildings and facilities, and the related expenses shall be included in the production costs of the financial year.

73.5. All types of repair costs necessary for mining production shall be considered as production costs.

73.6. Regulations and instructions in relation with the implementation of the Articles 73.1, 73.2, 73.3, 73.4, 73.5 of this law shall be approved by the state central administrative body in charge of finance and budget affairs.

#### **Article 74. Reimbursement of mineral deposits geological, exploration of which was financed from the State budget**

74.1. The license holder shall reimburse the costs calculated in Article 61.2.14 of this law from the date of sale, in accordance with the feasibility study of the budget on the basis of agreement stipulated in Article 62.2.17 of this law.

74.2. 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 geology, exploration costs funded through the State budget for the extracted reserve.

74.3. The annual amount of reimbursement shall be determined based on the annual production rate to commence the payment after the sale has been made.

74.4. 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. In case of non-fulfillment of the contractual obligations, it will be grounds for not confirming the next year's operation report.

74.5. According to the contract, the amount of payment to be paid each year shall be calculated and paid in accordance with the change in the consumer price index of the given year.

## **CHAPTER EIGHTEEN LIABILITIES, MISCELLANEOUS**

### **Article 75. Liabilities for breach of legislation**

75.1. If a breach of the mineral's legislation does not constitute a criminal offence, the liabilities shall be imposed on the guilty person as specified in the Law on State Service.

75.2. An individual or legal entity breaching this law shall be subject to the liabilities specified in the Criminal Law or the Law on Misdemeanor.

75.3. If case of discrepancies between the provisions of this law and provisions of other laws, the provisions of this law shall prevail.

75.4. If the license revoked as set forth in the Article 23.2.6, **Error! Reference source not found.** of this law, no license shall be issued for the next 20 years to that legal entity again.

### **Article 76. Entry into force of the law**

76.1. This law shall enter into force on \_\_\_\_\_ 20\_\_.

**CHAIRMAN OF THE STATE  
GREAT KHURAL**

**G.ZANDANSHATAR**