

# MONGOLIA MINERALS LAW

## CHAPTER ONE General provisions

### Article 1. Purpose of the Law

The purpose of the present law is to regulate relations connected with carrying out exploration and mining activities within the territory of Mongolia.

### Article 2. Mineral related legislation

1. Mineral related legislation shall consist of the Constitution, the Subsoil law, the present law and regulations in force which are consistent with the preceding.

2. If the International Treaties to which Mongolia is a signatory provide (differently) other than the present law, then the former shall prevail.

### Article 3. Scope of this law

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

### Article 4. Definitions

The following terms, when used in this law, shall have meaning specified below:

1. "Mineral" means any usable naturally occurring mineral concentration that has been formed on the surface and in the subsoil as result of geological evolution process.

2. "Mining" means all activities carried out in connection with separating and extracting minerals from the earth, course of water, ore stockpile or tailings in which they are located, increasing the concentration of their useable contents, transforming them into marketable product and marketing those products.

3. "Mining license" means the right to conduct mining granted by the office of geology and mining cadastre in accordance with this law.

4. "Exploration license" means the right to conduct exploration granted by the office of geology and mining cadastre in accordance with this law.

5. "License cartographic register" means the official register maintained by the office of geology and mining cadastre on standard maps in order to show all licensed area boundaries and any changes hereto.

6. "Prospecting" means carrying out investigation in order to identify mineral concentration without disturbing the subsoil and includes Physical Observation, rock sampling, airborne surveys and reviewing related geological and field information.

7. "Exploration" means work carried out on and under the earth's surface for the purpose of identifying location of mineral concentration and evaluating the quality and determining its economic and commercial feasibility. Exploration includes trenching, drilling removal and assaying Samples, pilot testing, geophysical surveys and remote sensing.

8. "License payment" means the payment that a licenseholder must make annually as provided in this law in order to maintain the licenseholder's license in effect.

9. "License holder" means the person to whom a mineral license has been granted or transferred.

10. "Reserved area" means an area which has been rendered temporarily unavailable for grants of mineral license, pursuant to Article 7 of this law.
11. "Special needs land" means land taken by related authority for the special needs designated in the law on land where exploration or mining is restricted or precluded.
12. "Mining area" means the area that is given under a mining license.
13. "Application registering" means recording in the official register maintained by the office of geology and mining cadastre, application for mineral license and transfer of such licenses.
14. "Mining claim" means a part of the earth in the form of an inverted, multi-sided pyramid whose apex is the center of the Earth and whose base is a mining area.
15. "Exploration area" means the are that is granted under an exploration license.
16. "Exploration claim" means a part of the earth in the form of an inverted pyramid whose apex is the center of the earth and whose base is an exploration area.

#### Article 5. Ownership of Minerals

The mineral resources naturally occurring on and under the earth's surface and natural water sources in Mongolia are the property of the State.

The State, as owner of all mineral resources in Mongolia, is authorized to grant Mineral licenses to other persons in accordance with the terms and conditions of this law.

#### Article 6. State regulation

1. The State Ikh Khural shall exercise the full authority on the following matters:

- 1/ Establishing a special regime on utilizing, storing and transporting radio active materials.
- 2/ Establishing the State policy on
- 3/ Oversight of the implementation of mineral legislation by the Government.
- 4/ Conducting exploration and mining on the State special protected land.

2. The Government shall exercise the following power and obligation:

- 1/ Enforcement of compliance of mineral legislation
- 2/ Ensuring implementation of the State mineral policy.
- 3/ Permitting exploration and mining on the State special need land except the state special protected land.
- 4/ Maintaining a separate geology and mining inspection agency responsible for monitoring compliance with mineral legislation.
- 5/ Maintaining an independent geology and mining development agency responsible for licensing, conducting basic geological survey and compiling and disseminating applied research on geological and mining topics.

3. The Government central body /Ministry/ responsible for geology and mining shall have the

following power and obligation:

- 1/ To develop and implement the State mineral policy.
  - 2/ To reserve certain areas for a specified period.
4. The local government body shall have the following right and obligations:
- 1/ To insure the implementation of this law and resolutions of the upper Government agencies.
  - 2/ To register mineral license and permit using the licensed area for the purpose, as specified in the license, provided exploration or mining is not prohibited or restricted by applicable legislation.
  - 3/ To ensure and inspect compliance with environmental protection law, health and safety regulation, and tax obligation to the local government and have access to the related information.
5. The Government may participate in exploration and mining of mineral resources only through business entity in which the State holds interests. Such entities shall have the same rights and be subject to the same obligations as any other person under this law.
6. Only empowered by applicable legislation Government body or officer shall be entitled to request for access to the license holder's information, or make conditions and terms.

#### Article 7. Reserved areas

1. The Cabinet member in charge of geology and mining may establish Reserved areas with term up to 3 years for the following purpose:
  - 1/ To survey and clarify the license register
  - 2/ To solve boundary disputes among license holders.
2. The Cabinet member shall within 3 business days deliver written decision of establishment of a reserved area containing the following information to the office of geology and mining cadastre and officially notice public:
  - 1/ name of aimag and soum /district/ where the reserved area is located
  - 2/ Coordinates of all corners of the reserved area
  - 3/ Purpose for which the area has been reserved
  - 4/ The time period for which the area is reserved.
3. The reserved area will be recorded in the license register and the cartographic register of mineral license maintained by the office of geology and mining cadastre.
4. Reserved areas shall be released under the following circumstances:
  - 1/ Early termination of the reserved area by the Cabinet member before expiration of the initial term.
  - 2/ Automatic expiration of the terms for which the area has been reserved.

Article 8. Restrictive for exploration and mining Special need land

1. In the event that the Government or a local government establishes restrictive special need land in accordance with the Land law, a written notice shall be delivered to the office geology and mining cadastre within 10 business days after the decision is made. The notice shall contain the following information:

- 1/ Name of the area, and aimag and soum where there area is located
- 2/ Coordinates of all corners of the area
- 3/ Purpose for which the for which the area has been taken for special need.
- 4/ The time period for which the area shall be used for the special need.

2. Restrictive special need lands shall be recorded in the license register and the Cartographic register of mineral licenses, maintained by the office of.

3. In the event that the Government or local government establishes a special need land that encompasses all or part of a valid mineral licenses and restricts further exploration or mining, the Government body that has decided to establish the special need land shall be obligated to compensate the licenseholder.

4. The amount and time of such compensation shall initially be agreed between the Government body and the affected licenseholder if the negotiating parties are not in position to reach an agreement then the amount and time shall be established in accordance with internationally recognized methods by a neutral third party. The licenseholder shall have right to continue its program until being fully compensated.

5. Any disputed issue related with compensation shall be subject to court.

## CHAPTER TWO

### Legal grounds for conducting exploration and mining

Article 9. Prospecting

1. Any individual or legal person shall have right to conduct prospecting without mineral license on any part of the territory of Mongolia except special need land areas.

The interested person shall have obligation to notice the office of geology and mining cadastre and related local governments and register its name and address and name and location of the area where the person shall have prospecting.

2. Disturbing subsoil is prohibited under prospecting.

3. The person shall obtain permission of landowner or landusers to enter onto their land.

Article 10. Eligibility for holding mineral license

1. Any Mongolian or foreign individual and legal person may hold exploration license.

2. Mining license may be held by legal persons formed and registered under the laws of Mongolia.

3. A mineral license may be granted to not more than one person.

Article 11. Prohibition on exploration or mining

1. No person may engage the territory of Mongolia without a valid exploration license.

2. No person may engage in mining of minerals covered by this law within the territory of Mongolia without a valid mining license.
3. The above mentioned provisions on prohibition shall not apply to landowners or landusers who are engaged in utilizing common minerals from their land for noncommercial household purpose. List of common minerals shall be approved by the Government.
4. Exploration licenseholders shall be requested to register with the Geology and Mining inspection agency quantity and quality of all the minerals recovered during exploration.
5. No exploration licenseholder shall be allowed to sell minerals recovered during exploration without a written permit of the Geology and mining inspection agency.

Article 12. Rights of an exploration licenseholder

1. An exploration licenseholder shall have the following rights:
  - 1/ The exclusive right to conduct exploration for all minerals in accordance with this law.
  - 2/ The exclusive right to obtain a mining license for part of the Exploration claim granted by the license in accordance with terms and conditions of this law.
  - 3/ The right to transfer or pledge an interest in all or part of the Exploration license in accordance with this law.
  - 4/ The right to obtain two extensions of the term of the Exploration license for two years each, subject to compliance with the terms and conditions of this law.
  - 5/ The right of access, across and entry on the Exploration area in order to conduct exploration, including the right to construct necessary temporary structures.
  - 6/ The right of entry and across land located outside the exploration area for the purpose to access and entry on the exploration area.
  - 7/ The right of access, across and entry land owned or used by other person in order to exercise the rights described in this article. This right shall be determined by contract with the landowner made pursuant to the Civil code.

Article 13. Requirements for obtaining and exploration license

1. An interested person shall submit an application for exploration license to the office of geology and mining cadastre provided that requirements under this article are met.
2. the applicant must be eligible to hold an Exploration license in accordance with Article 10.1 of this law.
3. Coordinates of all corners a requested area shall be marked in degrees, minutes and seconds on official standard map prepared by the office of geology and mining cadastre and the map shall be attached to the application.
4. The requested area shall meet the following requirements:
  - 1/ An exploration area must initially be in the borders of the ore must be straight lines oriented north-south and east-west.
  - 2/ No part of the requested area shall overlap with reserved area or special need land.

- 3/ No part of the requested area shall overlap with existing licensed area or an area, requested with previously filed pending application.
5. The borders of an exploration area May deviate from straight lines in order to avoid overlapping with:
  - 1/ National border;
  - 2/ Reserved area;
  - 3/ Special need land;
  - 4/ A licensed area granted before this law has become effective having shape and orientation other than under this law.
6. The size of the exploration area shall not be less than 25 hectares and may not exceed 400 thousands hectares.
7. Number of exploration licenses to be hold by one person shall not be limited.

Article 14. Obtaining an exploration license

1. An exploration license shall be granted to the first applicant filed an application for a requested area provided that the requirements under this law are met.
2. The interested person for an exploration license shall submit an application in standard form specified by the office of geology an mining cadastre. The application shall be attached with the following documents:
  - 1/ The applicant's description containing name, official mailing address, phone /fax/ number of the authorized representative of the applicant.
  - 2/ In the case of an individual applicant, a copy of the applicant's passport and visa, if applicable.
  - 3/ In the case of legal entity, a certificate of valid existence issued by the jurisdiction under the laws of which the entity has been established. If the certificate is in a foreign language, then it must be accompanied by a translation into Mongolia.
  - 4/ The exploration area map made in accordance with specifications of article 13 of this law. The map shall contain name of aimag and soum /district/ in which the area is located.
  - 5/ Document proving that the applicant has paid the service fee established by Cabinet member in charge of geology and mining.
3. Any application that has failed to meet the requirements of paragraph 2 of this article shall not be received by the Office of geology and mining cadastre.
4. Upon filing of a complete application together with attachments specified in paragraph 2 of this article the officer responsible for application registry shall register the application in the application register and specify the record number, date and time of filing on each page and issue the applicant receipt of filing the application.
5. At the and of each business day, the officer responsible for recording applications shall indicate and sign which is the last recorded application in the application register book.

6. Immediately following the recording of an application, the office of geology and mining cadastre shall do preliminary screening in to determine whether it meets the requirements, specified by paragraph 2, paragraph 3, paragraph 4.1, paragraph 5 and paragraph 6 of article 13, and paragraph 2 of this article of this law.

7. If an application fails to meet requirements of paragraph 6 of this law the office geology and mining cadastre shall within 2 business days issue the applicant notice rejecting the application and specifying reasons for rejecting and make record in the application register book. Thus the application shall be deemed as excluded from the application register.

8. As promptly as possible following preliminary screening, the office of geology and mining cadastre shall determine whether the requested area overlaps with any Reserved area, Special need land and any area subject to an exploration license for any area requested in pending application for a mineral license.

9. Within ten business days following the filing of an application for exploration license, the head of the office of geology and mining cadastre shall issue one of the following decisions and notify the applicant of that:

1/ In the event that the requested area does not overlap with any part of the Reserved area on Restrictive special need land and any area subject to a valid exploration license or any area requested in a pending application filed prior to the application, the requested exploration claim is approved subject to payment, within time period specified in paragraph one of article 25 of this law, of the first year license payment.

2/ The application is rejected and deemed as excluded from the register in the case of complete or partial overlapping with the following areas:

- a) Special need land
- b) Reserved area
- c) An area subject to a valid mineral license

3/ The application is rejected and deemed as excluded area overlaps completely with an area requested in a pending application filed prior to the application.

4/ In the case that the requested area partially overlaps with an area requested in a pending application filed prior to the application the applicant is notified that the part of the requested area which does not overlap with an area requested on a pending application may be granted.

10. The applicant having received a notice specified in paragraph 9.4 of this article, within three business days shall divide the available area into several areas having size, shape and location as provided under this law and make a separate additional application for each of them. Upon registering with the office of geology and mining cadastre each application shall be deemed approved as provided in paragraph 9.1 of this article.

11. In the event that the applicant received an exploration license approval notice in accordance with paragraph 9 and 10 of this article, fails to pay the first year exploration license payment on timely basis, the application shall be excluded from the register book and the decision on granting the requested area shall be deemed invalid.

12. Within three business days after the applicant has paid the first year's exploration license payment, the office of geology and mining cadastre shall issue the exploration license for 3 years and record the license in the license register and license cartographic register.

13. A license certificate shall contain date of issuance, the holder's name, coordinates of the area and have an attachment in which all changes related with the license shall be recorded.

14. Immediately upon the grant of an exploration license the office of geology and mining cadastre shall notify the Geology and Mining Development Agency and officially publish notice for the public.

Article 15. Extending the term of an exploration license

1. Not less than thirty days prior to the expiration date of an exploration license, the licenseholder may apply for an extension of the term of the license, by filing with the office of geology and mining cadastre an application in the standard form specified by the office to which the following documents shall be attached:

- 1/ The exploration license
- 2/ Receipts for all license payments made by the Holder
- 3/ A certificate of completion of the Holder's environmental management plan as provided by article 31 of this law.

2. Within 10 business days following the filing of the application, the office of geology and mining cadastre shall verify that the Holder has complied with the conditions for maintaining its eligibility and shall record in the license register book.

3. Within 10 business days following the filing of an extension application, the office of geology and mining cadastre shall extend the term of the exploration license and record the extension in the license Register book. The license that has been extended, shall be returned to the Holder.

4. Immediately upon the extension of the term of an exploration license, the geology and mining cadastre shall notify the Geology and Mining Development Agency and officially publish notice for the public.

Article 16. Rights of a mining license holder

A mining licenseholder shall have the following rights:

1. The exclusion right to engage in mining of all minerals within the mining claim in accordance with the terms and conditions of this law.
2. The right to operate in accordance with own determined management and marketing principles, subject to compliance with the requirements specified in Charter 4 of this law.
3. The right to sell mineral products from the mining claim at market price on domestic and foreign markets subject to compliance with the obligations specified in Charter 4 of this law.
4. The exclusive right to conduct exploration for all minerals within the Mining claim.
5. The right to transfer an interest in all or part of the Mining license in accordance with terms and conditions of this law.
6. The right to extend the term of the Mining license once for a period of forty years, subject to compliance with the terms and conditions of this law.
7. The right of entry, across and use of the mining area in order to conduct mining and exploration including the right to construct structures necessary such activities and carry out other related activities.
8. The right of entry on and across of land located outside the mining area.
9. The right of entry on and across of land owned, possessed or used by others in order to exercise the rights described in this article. The right of entry and across shall be determined by contract with land



possessor or relevant provisions of the Civil Code.

10. The right to use water, subject to compliance with the applicable legislation.

Article 17. Requirements for obtaining a mining license

1. The applicant must be eligible to hold a mining license in accordance with paragraph 2 of article 10 of this law.
2. In areas covered by a valid exploration license, only the holder of the exploration license may apply for a mining license and in other cases, a mining license shall be granted to the first applicant whose application meets the requirement under this law and is registered.
3. The applicant shall state the geographical coordinates in degrees, minutes and seconds of all corners of the requested area on a standard map, specified by the office of geology and mining cadastre and attach the map to the application.
4. A requested mining area shall meet the following requirements:
  - 1/ A requested mining area shall have shape of an polygon with borders which are straight lines not less than 500 meters in length, oriented north-south and east-west.
  - 2/ A requested mining are shall not overlap with reserved area or special need land.
  - 3/ A requested mining area shall not overlap with an area covered by a valid existing license or an area requested in a pending application.
5. The borders of a mining area may deviate from straight lines in cases of bordering with following areas:
  - 1/ National borders
  - 2/ Reserved area
  - 3/ Special need land
  - 4/ Licensed area, granted under the prior law having shapes and location other than in this law and Natural Features, such as lakes, are not necessary to include in the mining area.

Article 18. Procedure for Obtaining a Mining Licence.

1. The applicant for a Mining Licence shall submit its application to the OGMC pursuant to the standard form specified by the OGMC. The following documents must be attached to the application:
  1. A definition which contains name, permanent business address and telephone /fax/ numbers of the applicant and name of its principal officer.
  2. An applicant's certificate of valid existence in Mongolia issued by the registration agency if the applicant is a business entity.
  3. A map of mining area made pursuant to paragraph 3 of Article 17 of this law. Name of aimag and soum /duureg/ in which this area is located must be written in this map.
  4. A receipt that shows the application fee established by Cabinet Member responsible for Geology and Mining is paid.
2. The OGMC will reject any application which fails to meet those requirements as specified in paragraph 1 of this article.
3. Upon receiving an application including the documents required by paragraph 1 of this article the

OGMC's officer responsible for application recording shall file an application into Application Register Book, assign the each page with date, hour, minute and record number when it was filed, and shall issue the applicant a receipt indicating the record number, date and time of filing of the application and the amount of the application fee paid.

The OGMC's officer responsible for recording applications shall sign on Application Register Book after filing the last entry in the Book for that day.

4. Immediately following the recording of an application, the OGMC shall review it to determine whether this application and attached documents meet the requirements specified in paragraph 1 of this article and paragraph 1, 3 of article 17 of this law.

If an application fails to meet those requirements, the OGMC shall give a notice failing the requirements for specified reasons, and it shall mark an application with suitable notes in the Application Register Book. With this effect current application shall deemed to withdrawn from the Register.

5. Within 2 business days after the filing of an application for a Mining Licence, the OGMC shall determine the followings:

In the case of an application submitted by the Holder of an Exploration Licence covering the requested area, whether the requested Mining Area is located entirely within the boundaries of the Exploration Claim to which the Exploration Licence applies.

Whether the requested Mining Area overlaps with any area already subject to valid licenses or any area requested in a pending.

6. Within twenty business days following the filing of an application for a Mining Licence the Head of the OGMC shall issue one of the following decisions notifying the applicant:

1. In the case of an application submitted by the Holder of an Exploration Licence covering the requested area, to grant mining claim in accordance with exclusive right and let the licenseholder to pay the Licence Payment for the first year of the Mining Licence within terms as provided in this law.

2. In the case of a requested area not overlaps completely or partially with Restricted Special Needs Land, areas subject to valid Licence and areas subject to applications were filed or any area subject to an application requested in a pending, to grant mining claim and let the licenseholder to pay the Licence Payment for the first year of the Mining Licence within terms as provided in this law.

3. If the requested area overlaps completely or partially with one of from Restricted Special Needs Land, areas subject to valid Licence and areas subject to applications were filed or any area subject to an application requested in a pending, to reject for granting mining claim, and such application shall be deemed withdrawn from register.

7. If the applicant fails to submit the required Licence Payment by the deadline established pursuant to paragraph 6.1 or 6.2 of this article, the application shall be rejected from register and the decision for granting mining claim is deemed invalid.

8. Within three business days after reimbursement of the Licence Payment for the first year OGMC shall issue mining license for 60 years and shall register the Mining License into License register Book and shall mark the mining claim into the Cartographic Register.

9. The certificate of the mining license must contain information regarding its effective date, name of the holder, geographical coordinates of the granted area and it must have an attachment for notice of changes associated with the license.

10. Within seven business days after granting a mining license, the OGMC shall notify The Geology and Mining Inspection Agency and the Geology and Mining Development Agency, shall publish officially and inform to the public.

Article 19. Procedure for Extending the Term of a Mining Licence.

1. Not less than two years prior to the expiration date of a Mining Licence, the Holder may apply to the OGMC with an application in the standard form specified by the OGMC. In this case the following documents shall be attached:

1. The Mining Licence
2. A receipts for Licence Payment
3. A Verification document concerning with inspection of implementation of environmental protection program in accordance with paragraph 31 of this law.
4. Receipt of Applications. Upon filing of a complete application for an extension together with the required fees, the Office of the Mining Cadastre shall issue the Holder a receipt indicating the type and filing date of the application, and the amount of the application fee paid.

2. The mining license holder shall pay the application fee specified by a cabinet Member responsible for geology and mine before apply the application for extension of the term of a mining license.

3. Within ten business days after filing an application for extension of the term The OGMC shall verify whether the licenseholder has complied with the conditions for maintenance of the mining license.

4. Within ten business days following the filing of an application for extension of the term of a mining license, the OGMC shall record the extension in the Register of Mineral Licences. Return the Mining Licence to the Holder, adjusted for the extension of its term.

5. Within seven business days after the extension of the term of a Mining Licence, the OGMC shall notify the Geology and Mining Development Agency, publish officially and inform to the public.

Article 20. The Stability Agreement.

1. If the amount of current project investment within territory of Mongolian is equal to or greater than 2 million US Dollars for first five years and if the mining license holder shall apply for, the Government will act through the Minister of Finance, will enter into Stability Agreement with an eligible entity guaranteeing such entity's business situation to be stable for a long period.

2. The form of the Stability agreement shall be approved by the Government and the form of the agreement must contain provisions regarding the stability of the tax for a definite time period, the right of the licenseholder to export and sell mineral products at world market prices, the guarantee of desposing the hurdcurrency income from sale, provisions of the purpose, amount, and term of a current investment.

3. The Minister of Treasure shall verify within twenty business days following receiving of a draft of Agreement and if the Minister decides not to require additional clarification, may enter into Agreement with an applicant.

4. If the amount of a project initial investment within territory of Mongolia is equal to or greater than 2 million US Dollars the term of the Stability Agreement will be 10 years, and is equal to or greater than 20 million US Dollars the term of the Stability Agreement will be 15 years from the date of execution of the agreement.

Article 21. Procedure for Obtaining a Stability Agreement.

1. The Licenseholder shall submit its application for a Stability Agreement to the Ministry of Treasure with an draft of Agreement. The program specifying investment quantity for first 5 years

and the term of the project shall be attached to the application. If further clarification is required, the applicant shall be informed within 7 business days.

2. Upon signing the Minister of Finance to the Stability Agreement, notification of a condition of the Agreement shall be distributed the Mongol Bank and other relevant authorities.

CHAPTER THREE  
THE CONDITIONS FOR THE MAINTENANCE OF THE  
RIGHT TO HOLD EXPLORATION AND MINING LICENCES

Article 22. Maintenance of the right to hold exploration and mining Licences.

The Licenseholder must comply on a timely basis with the conditions in this chapter and Failure to comply with any of the conditions in this chapter constitutes grounds for cancellation of the Holder's Licence pursuant to the article 47 of this law.

Article 23. Maintenance of eligibility for licenseholder of exploration and mining license.

Any licenseholder must at all times be eligible to hold the existing Licence in accordance with article 10 of this law.

Article 24. Licence Payments.

1. Holders of exploration and mining licences shall pay Licence Payments annually as set forth in this article.

2. Exploration Licence Payments shall be payable on the each hectares included within the Exploration Area at the following rates:

1. US\$ 0.05 per hectare for the first year, and US\$ 0.1 per hectare for each of the second and third years of the term of the exploration Licence;
2. US\$ 1.00 per hectare for each of the fourth and fifth years of the term of the Exploration Licence.
3. US\$ 1.50 per hectare for each year of the sixth and seventh years of the term of the Exploration Licence.

3. Mining Licence Payments shall be payable on the each hectares included within the Mining Area at the following rates:

1. US\$ 5.00 per hectare for each of the first three years of the term of a Mining Licence.
  2. US\$ 7.50 per hectare for each of the fourth and fifth years of the term of a Mining Licence.
- US\$ 10.00 per hectare for each year of the term of a Mining Licence commencing with the sixth year onward.

Article 25. Licence payment

1. Licence Payment for first year shall be paid within 10 business days after receiving notice specified in subparagraph 1 of paragraph 9 of the article 14 and subparagraph 1 and 2 of paragraph 6 of article 18 of this law.

2. Licence payment for next year shall be payable annually in advance, on or before the issuing day of the existing Licence.

3. The amount of the Licence payment shall be calculated instituting the measures of the area registered in the Register of Licence of the OGMC and the amount of the payment shall not be changed for this year.

4. Exploration Licence payment for the mining area which located within exploration area shall not be paid.

5. Licence payment shall be deemed as paid by submitting the receipt with the OGMC by the Licenceholder.

6. Licence holder liable to pay Licence payment within the term specified in paragraph 1 of this article without any notification and invoicement.

#### CHAPTER FOUR THE OBLIGATION OF THE LICENCE HOLDER FOR ENGAGING IN OPERATIONS

Article 26. Requirements for Operating Generally.

The Licence holder must comply with the applicable requirements set forth in this chapter as a condition for operating. Failure to comply with any of the requirements set forth in this chapter is punishable by the penalties set forth in Chapter 8 of this law.

Article 27. Survey and Marking of Boundaries of Area Held under a Mining Licence.

1. Within 90 business days following the recording of Mining Licence in the Register of Mineral Licences, the Holder of a Mining Licence shall have the boundaries of the approved Mining Area surveyed and identified by permanent markers, in accordance with the technical requirements specified by the Geology and Mining Inspection Agency. The survey and marking shall be performed by a professional surveyor accredited by the OGMC, who shall file a report of the survey and marking with that office upon completion.

2. The Holder of a Mining Licence must carry out activities to replace the boundaries in the case of maintaining fixed markers of boundaries, extension of the term and adjustment in the area by decision of the OGMC.

Article 28. Environmental Protection.

1. Holders must comply with applicable environmental laws and with the environmental protection provisions of this law.

2. Exploration and Mining operations may not commence in case of the Holder of the applicable Licence has not obtained the requisite approvals from the relevant environmental protection authorities pursuant to this law.

Article 29. Environmental Protection Responsibilities of Exploration Licence Holders.

1. Holders must prepare, in consultation with local governmental authorities and the Environmental Inspection Agency, and submit an environmental management plan within 30 days of receiving an Exploration Licence.

2. The environmental management plan must provide for the measures necessary to ensure that Exploration does not exceed maximum limits for pollution, will be rehabilitated by means of backfilling, plugging, cultivation, that will allow future safe utilization for public needs of the land within the exploration activity that was disturbed as a result of exploration.

3. The environmental management plan must be submitted to and approved by where the Exploration Claim is located. The governor of the soum or duereg shall make decision within 10 business days after

receiving the existing plan, and shall notify officially to the licenceholders about his or her decision.

4. Upon approval of the environmental management plan, the licenceholder will provide the copy of the approved plan to the local Environmental Inspection Organization or Geology and Mines Inspection Agency where the Exploration Area is located.

5. The exploration Licence holder maintain records on adverse impacts as results of a exploration activity, and send annual reports of the environmental management plan to the Governor of relevant aimag /capital city/ and Soum/district/. The reports must outline environmental maintenance or improvement measures taken as well as any new environmental risks such as increased machinery use or new Exploration technology and corresponding amendments to the environmental management plan that should be made. Any amendments to the environmental management plan are subject to the approval of the soum or duureg authority.

6. Holder of a Licence must allow corresponding official authorities who are responsible for monitoring the implementation of the laws on environmental protection as well as local government representatives access to the Exploration Claim in order to conduct monitoring activities.

7. In order to guarantee that they will complete responsibilities under environmental protection, exploration

Licence holder must deposit 50 % of the local budget necessary to carry out the annually environmental management plan in special bank account created by the soum /duureg's/ governor. This deposit must be refunded to the Licence holder upon satisfactory completion of the implementation of the environmental management plan.

8. Failure to adequately complete environmental protection or rehabilitation measures according to the environmental management plan, the governor of soum /duureg/ will complete the environmental protection and rehabilitation measures by holder of the Licence, and if the deposit does not fully cover the remaining costs of environmental protection and rehabilitation, the Holder shall remain liable to the soum or duureg for the balance of the remaining costs.

Article 30. Environmental Protection Responsibilities of Mining Licence Holders.

1. An environmental impact assessment and an environmental management plan must be prepared immediately in accordance with the relevant law and regulations before or after receiving a Mining Licence.

2. The environmental impact assessment must identify the adverse environmental impacts that the land, water, air, and plant, animal and human life can be expected and determine measures that will minimize and mitigate such adverse impacts.

3. must provide specific measures to ensure that Mining will be conducted in a way that minimizes damage to the environment. In accordance with the specifications of the Central organization of the State government responsible for environment, preventive measures that will protect air quality, water quality, and human, animal and plant life must be outlined.

4. A environmental management plan must include measures for:

1.Storing and controlling toxic substances and hazardous materials;

2.Conserving, protecting, and utilizing surface water and groundwater;

3.Constructing, utilizing and maintaining safe tailings dams if necessary; and

4.Other measures appropriate to the particular Mining operation.

5. The environmental management plan must also specify post- Mining rehabilitation measures including backfilling, plugging, cultivation that will allow future other public use of the land that was disturbed as a result of Mining activities.

6. The environmental impact assessment and environmental management plan must be submitted to the Central Organization of the Government authority which is responsible for environment and to the relevant Governor of soum or duureg. The Central Organization of the Government authority which is responsible for environment shall verify and issue concrete decision and notice to the licenceholder within 30 days after receiving such documents.

7. Upon approval of the environmental impact assessment and the environmental management plan, the Holder of Licence will provide the approved documents to the local environmental monitoring organization where the mineral deposit is located.

8. Mining licenceholders are required to maintain records on adverse impacts, and send annual reports of the implementation of the environmental management plan to the central organization of the Government authority responsible for nature and environment, the relevant aimag's and soum's/duureg's/ Governor and Geology mines inspection agency.

The reports must outline implementation of measures taken for environmental protection as well as any new adverse impacts which arise from new techniques and technology use or expansion of capacity and corresponding amendments to the environmental impact assessment or environmental management plan that should be made.

9. Any amendments to the environmental management plan are subject to the approval of the Central organization of the Government Authority responsible for nature and the environment.

10. Holder of a mining Licence must allow local government representatives, as well as Central Government representatives responsible for monitoring implementation of the laws and regulations on environmental protection access to the Mining Claim in order to conduct monitoring activities.

11. In order to guarantee that they will complete the implementation of responsibilities under environmental protection Mining Licence holder must deposit 50% of the annually budget necessary to carry out the environmental protection measures in a special bank account established by the soum's or duureg's Governor. This deposit will be refunded to the Holder of the Licence upon satisfactory completion of the environmental management plan.

12. In the case of failure to adequately complete measures provided in the environmental management plan, the governor of soum /duureg/ will complete the environmental protection and rehabilitation measures by holder of the Licence, and if the deposit does not fully cover the remaining costs of environmental protection and rehabilitation, the Holder shall remain liable to the soum or duureg for the balance of the remaining costs.

#### Article 31. Procedures in Connection with Extensions of Terms of Mineral Licences.

1. Holders applying for an Exploration Licence extension must submit for approving to the soum or duureg's Governor prior to the expiration of the Exploration Licence either their current environmental management plan for re-approval or a new environmental management plan for approval..

2. Holders applying for extension of the term of a Mining Licence must submit to the Central organization of Government Authority responsible for environment new environmental impact assessment and a new environmental management plan.

3. The Central Organization of Government Authority responsible for nature and environment has a right to require to carry out any amendments to the environmental impact assessment and environmental management plan within a valid Licence in the case arising impacts which does not provided in the approved environment impact assessment or using new machinery or technology.

Article 32. Coordinating the linkage regarding with local Structures.

Holder of a Licence shall be liable for fully compensation to the owners or users of private and public residents dwellings, winter huts as well as to the cultural and memorial lands for damages caused to those structures by Exploration or Mining operations and for any costs of relocating.

Article 33. Coordination with Local Governmental Authorities.

1. Holder of a Licence shall consult and coordinate with the local governmental authorities for the environmental protection, development of the infrastructure and employment encasing in accordance with the provisions of this article.

2. In accordance with the provisions of paragraph 1 of this article holder of a Licence considers as necessary, may apply to the local government for offer to organize public hearing.

3. Holder of Licence may choose a representative from local residents responsible for coordinating and resolving the matters associated with the local government

Article 34. Employment requirement

Holders of Exploration and Mining Licences shall employ citizens of Mongolia on a preferential basis.

Article 35. Health and safety

The Holders of Exploration and Mining Licences shall conduct their operations in a manner which would protect the health and safety of workers and local communities in accordance with applicable (relevant)? laws and regulations.

Article 36. Requirements on mine closure

1. The Holders of Mining Licences shall make preparations aimed to protect the health and safety of local communities before the mine closure in accordance with the regulations of the Mines Inspectorate. The holders of Mining Licences shall inform in writing at least one year prior to the Mines Inspectorate of plans to close mining operations in whole or in part and shall implement the following measures:

1. To implement all measure concerning environmental protection in order to allow safe (normal)? use of the Mining Area and Mining Claim for other purposes;

2. to securely close and fence off any parts of the Mining area potentially dangerous for other uses;

3. To remove all machinery, equipment and other property from the Mining Area except as permitted by local government authorities or the Mines Inspectorate.

2. The Holders of Mining Licences shall prepare an accurate small ? scale map showing any potentially dangerous zones resulted from mining operations.

Article 37. Registration of precious stones and metals

1. All precious stones and metals extracted by Mining Licence Holders must be assayed and registered by the State Assaying Agency. Regulations on assay and registration of precious stones and metals and list of minerals subject to this provision is to be established by the Government.



2. In the process of purchase of precious stones and metals Mongolbank shall pay the world market prices.
3. The Mining Licence holder shall export precious stones and metals only through Mongolbank or authorized commercial banks.

#### Article 38. Royalties

1. The Holder of a Mining Licence shall pay royalties to the local budget on the sales value of all products extracted from the Mining Claim and sold, shipped for sale, or utilized.
2. The sales value shall be determined as follows:
  1. for minerals produced for export, the sales value shall be determined by internationally recognized business principles and based on the monthly average of regularly published international market prices for the product, or mineral products of similar characteristics at the point of sale;
  2. for minerals produced for sale on domestic market or use within Mongolia, the sales value shall be determined by the domestic market price for the product or mineral products of similar characteristics;
  3. for mineral products sold on international or domestic markets with not obtainable market prices, the sales value shall be based on the proclaimed revenue from the sale.
3. The royalties shall be equal to 2.5 per cent of the sales value of all mineral products extracted and sold, shipped for sale or used from the Mining Claim.
4. The Mining Licence Holder shall pay royalties with respect to all mineral products sold, shipped for sale or used during a calendar quarter before an end of a next quarter.
5. The Mining Licence Holder shall submit quarterly a report verified by a signature, in the form specified by the Mines Inspectorate, indicating the quantity of mineral products sold, shipped for sale, or used during the relevant quarter, the total amount and principles of the sales value evaluation.
6. The Government shall establish and officially inform the public about the list which of regularly published commodity exchange prices and other sources of information shall be used in purpose of the sales value calculation of exported mineral products depending on type of commodity.

### CHAPTER FIVE ON THE TRANSFER AND MORTGAGE OF LICENSES

#### Article 40. Transfers of Licenses.

1. License Holder has a right to transfer the license to eligible persons by agreement between the transferor and the transferee or by operation of law (e.g., through inheritance, by merger of two business entities, or pursuant to bankruptcy law). In order for a transfer of a Mineral License to be legally enforceable, it must be recorded in the Register of Mineral Licenses, in accordance with the provisions of this article.
2. Either the transferor or the transferee of a Mineral License may submit a request for recording of the transfer to the Office of the Mining Cadastre, in the form specified by it, containing the following information:
  1. A license number, its date of issue and the name of the Holder as indicated in the records of the Office of the Mining Cadastre;

2. A copy of the signed transfer agreement, or of a court order finalizing the transfer pursuant to inheritance from the deceased Holder or pursuant to bankruptcy of the Holder, or a certificate of merger, or other legally binding evidence in writing of the transfer;

3. The information required by Article 10.1,2 of this law with respect to the transferee;

4. An acceptance of all rights and obligations under the Mineral License, in a form specified by the Office of the Mining Cadastre, signed by the transferee.

3. Together with the request for recording of transfer of a License, the party shall pay the service charge specified in the regulations of the Office of the Mining Cadastre, that set by Government member.

4. The Office of the Mining Cadastre shall immediately issue the applicant a receipt indicating the name of the applicant, the date and amount of the fee paid, the nature of the request (recording of transfer) and the number and type of the Mineral License to which the request applies.

5. As promptly as possible following the filing of a request for recording of the transfer of a License, the Office of the Mining Cadastre shall verify:

1. whether the request complies with the informational and fee requirements of this article;

2. whether the Mineral License is valid and has neither expired, nor been surrendered or canceled; and

3. whether the information provided establishes that the transferee is eligible to hold the Mineral License.

6. Within fifteen business days following the submission of a request for recording of the transfer of a License, the Office of the Mining Cadastre shall either:

1. record the transfer in the Register of Mineral Licenses, identifying its related remarks in the Mineral License certificate; or

2. issue a decision informing the applicant of deficiencies in the information submitted, which must be supplemented in order for the transfer to be recorded; or

3. issue a decision informing the applicant that the transfer cannot be recorded because of transferor is not eligible or the reason for rejection of the invalidity of the Mineral License.

If the Office of the Mining Cadastre gives the applicant notice of a deficiency as provided in this provision, the applicant shall have ten business days following such notice within which to submit additional information to cure the deficiency. Within five business days thereafter, the Office of the Mining Cadastre shall take final action on the request, as supplemented, in accordance with subparagraph 6.1 or 6.3.

7. Immediately upon the recording of the transfer of a Mineral License, the Office of the Mining Cadastre shall notify the Mines Inspectorate, the Geological survey of the Mining Authority and, in the case of the transfer of a Mining License, the Ministry of Finance of the transfer and also shall publish a notice on the License transfer.

Article 41. Transfers of Parts of Mineral Licensed Areas.

1. Licenses to a distinct physical part of an Exploration Claim or a Mining Claim may also be transferred to eligible persons by agreement between the transferor and the transferee, provided that both the transferred part and the retained part must conform to the shape, size and orientation requirements as set in this law.

The transfer of a Mineral License with respect to a part of an Exploration Claim or a part of a Mining Claim to be legally enforceable, it must be recorded in the Register of Mineral Licenses, in accordance with the provisions of Article 40, as supplemented by the provisions of this article.

2. The identification of the part of the area under the License transferred shall include the information with respect to its location required by the article of this law on the procedure for obtaining a Mining License.
3. Together with the request for application of a Mineral License, the applicant shall pay the applicable fee specified in the regulations of the Office of the Mining Cadastre, that set by Government member.
4. The Office of the Mining Cadastre shall also verify that the transferred area lies entirely within the Licensed Area covered by the transferor's existing Mineral License.
5. In the case of the transfer in part of a valid Mineral License to an eligible transferee, the Office of the Mining Cadastre shall also take the following action:
  1. The location and coordinates of the corners of the area as to which the Mineral License is transferred shall be recorded in the Register of Mineral Licenses;
  2. Mineral License issued to the transferee shall describe related remarks;
  3. The transferee shall be issued a new Mineral License.

#### Article 42. Pledges of Mineral Licenses.

1. Mineral Licenses may be pledged by the Holders thereof in accordance with the applicable provisions of the Civil Code of Mongolia to secure the financing of their investments and operations in Mongolia. In order for a pledge of a Mineral License to be legally enforceable, it must be recorded in the Register of Mineral Licenses, in accordance with the provisions of Article 40.

2. A copy of the pledge agreement, together with the Mineral License, endorsed by the Holder in pledge to the pledge, shall be submitted. The pledge is not required to submit an acceptance of rights and obligations in order to obtain recording of the pledge.
3. Office of the Mining Cadastre shall verify whether the request on registration of transfer Mineral License complies with the conditions and requirements of this law.
4. Upon verification of a complete request for recording of the pledge of a Mineral License to a pledge, the Office of the Mining Cadastre shall record the pledge of the Mineral License in the Register of Mineral Licenses, identifying it by number of the Mineral License, name of the Holder and pledge and return the pledged Mineral License to the pledge.
5. After termination of a pledge right, the Mineral License Holder shall submit to the Office of the Mining Cadastre together with:
  - 1) a statement in writing signed by the pledge that the obligation underlying the pledge has been satisfied and the pledge has been terminated; and
  - 2) the pledged Mineral License.

Upon receipt of the foregoing documents, the Office of the Mining Cadastre shall record the cancellation of the pledge in the Register of Mineral Licenses and return the License to the Holder.

6. Once a Mineral Right has been pledged, it cannot be transferred to a person other than the pledge without the pledge's written consent, except in the case of inheritance of an Exploration License.

Article 43. Transfer of Pledged Mineral Licenses in accordance of Pledge's contract.

1. In the case the pledge does not comply with the duties set in the Pledge's contract, a pledge of a Mineral License may submit a request to the Office of the Mining Cadastre for transferring the pledged Mineral License to its eligible transferee, in accordance with the provisions of Article 40 of this law as modified by this article.

2. The request of the Pledge of a Mineral License for transferring to its eligible transferee, shall submit following documents for the registration:

- 1) The Mineral License, endorsed by the Holder in pledge to the pledge, shall be submitted as the proof of transfer together with a statement signed by the pledge that the event entitling it to receive the transfer of the Mineral License has occurred;
- 2) A certificate of the pledged Mineral License.
- 3) If transfer to a person other than the pledge is requested, the information required by Article 40.2 must be provided.
- 4) A License transferee's acceptance of Rights and Obligations that shall follow from the transferred Mineral Licenses must be submitted.

#### CHAPTER SIX ON THE TERMINATION OF EXPLORATION AND MINING LICENSES

Article 44. Termination Generally.

1. Licenses shall terminate as to the entire Exploration Claim or Mining Claim to which they apply upon

- 1) the expiration of their term;
- 2) their surrender by the holder thereof in accordance with the article 46 or;
- 3) their cancellation by the Office of the Mining Cadastre.

2. Mineral Licenses shall terminate as to the parts of an Exploration Claim or Mining Claim relinquished by the Holder.

3. The rights and obligations of the Holder under the License shall cease, provided that the Holder shall remain responsible for the completion of environmental restoration and mine closure requirements as provided in articles 29 and 30 of this law or in applicable environmental protection legislation.

4. After termination of the Mineral License the Holder shall return the license certificate to the Office of Mining Cadastre and the area previously subject to the License shall become available for licensing in accordance with the provisions of this law.

5. The ownership of all structures, machinery and equipment permitted to be left on the Exploration Area or Mining Area in accordance of article 36.1.3 shall be solved by the provisions of the Civil Law.

Article 45. Relinquishment.

1. The Holder of an Exploration License or a Mining License may at any time voluntarily relinquish part of the Holder's Exploration Claim or Mining Claim in accordance of the provisions of this law.

2. The Holder shall file with the Office of the Mining Cadastre a notice of relinquishment in the form specified by said Office, identifying the area(s) relinquished. In the case of an Exploration License, the area relinquished shall be identified in accordance with the requirements of Article 13.3) of this law. In the case of a Mining License, the area relinquished shall be identified in accordance with the requirements of Article 17.3) of this law.

3. The notice of relinquishment shall be accompanied by the following documents:

1) The Holder's Mineral License.

2) A certificate of the local governmental authority (soum or duereg) stating that the Holder is in compliance with the environmental management plan for the relinquished area.

3) The report described in Article 39.2.2).

4. The Exploration Area or the Mining Area retained by the Holder after the relinquishment must conform to the requirements of the article 17.4 of this law.

5. Promptly upon the filing of the notice of relinquishment, subject to assuring compliance with this article, the Office of the Mining Cadastre shall record the relinquishment in the Register of Mineral License and adjust the Holder's License.

6. A relinquishment is effective upon the filing of a notice of relinquishment in compliance with paragraph 5 of this article.

7. A relinquishment shall not give rise to any refund of License Payments previously paid with respect to the relinquished areas.

Article 46. Surrender.

1. The Holder of a Mineral License may surrender the License by filing form specified by the Office of the Mining Cadastre, based after registration a notice of surrender by said Office in accordance of this article.

2. The Holder must provide following documentation for surrender:

1) A notice of compliance with all applicable environmental protection, mine closure, reporting and other requirements, in accordance with the applicable laws and regulations.

2) Any pledge of the License must have consented in writing to the surrender.

3. Upon receipt of a complete filing and verification of compliance with paragraph 2 of this article, the Office of the Mining Cadastre shall record the surrender in the Register of Licenses and modify the Cartographic Register of Mineral Licenses accordingly.

4. After surrender, the Mineral License certificate shall be return to the Office of Mining Cadastre.

5. The Office of Mining Cadastre shall notify the authorities and publish notice of the surrender of the Mineral License.

6. The License Holder does not have a right to submit a new application for the same area within two years that surrendered by the Holder.

If the surrender will be an economic entity or company that has more than 50 percent of voting, or the License Holder has more than 50 percent of voting of the third party to be requested for the surrendered area, the paragraph 6 of this article shall have same effect.

Article 47. Cancellation of the Mineral License.

1. The Office of the Mining Cadastre shall cancel Mineral Licenses in accordance with the procedures set forth in paragraph 3 of this article for failure to comply with the maintenance conditions in of this law.
2. The Office of the Mining Cadastre may initiate the procedure for cancellation of a Mineral License only upon a determination confirmed by the Director of the Office that:
  - 1) the Holder has lost his or its eligibility to hold the License in accordance with this law, or
  - 2) the Holder has failed to pay License Payments in full when due, as required by Article 24 of this law, or
  - 3) the Exploration Area or the Mining Area has been taken for Restrictive Special Needs Lands and the Holder has been compensated.
3. Upon a determination that grounds exist for cancellation of a License, the Office of the Mining Cadastre shall give notice to the Holder and any recorded pledge in accordance with the notice provisions of this law. The notice shall specify the precise nature of the grounds for cancellation and whether it applies to the entire License.
4. Within thirty days of the notice specified in paragraph 3 of this article, the Holder or the registered pledge may present to the Office of the Mining Cadastre documentary evidence of eligibility, or compliance with the applicable maintenance conditions, in response to the notice.
5. Upon review of the documentary evidence presented by the Holder, if the Office of the Mining Cadastre agrees that the Holder is in compliance with the applicable maintenance conditions, it shall notify the Holder in writing of the withdrawal of the notice of cancellation.
6. If the Office of the Mining Cadastre determines that the documentary evidence provided by the Holder or Pledge does not establish in compliance with the applicable maintenance conditions, the Director shall issue a decision on cancellation of the License, stating the reasons for that conclusion and giving notice to the Holder and the registered pledge.
7. If any, that Holder or Pledge have the right to file an administrative appeal of the decision within thirty days following the date of its issuance.
8. If the Holder or the registered pledge duly appeals the decision within the applicable time period, the Office of Mining Cadastre will not issue any license for the area in appeal.
9. Immediately upon the recording of the cancellation of a Mineral License, the Office of the Mining Cadastre shall notify the Mines Inspectorate and the Government's geological survey institution and, in the case of the cancellation of a Mining License, the Ministry of Finance and publish official notice.

CHAPTER SEVEN  
ON THE RESOLUTION OF DISPUTES INVOLVING  
EXPLORATION AND MINING LICENSES

Article 48. Resolution of Boundary Disputes Between or Among Holders of Licenses.

1. Boundary disputes between or among Holders of Licenses for adjacent areas shall be resolved by the Office of the Mining Cadastre. Any party to the dispute may apply to the Office of the Mining Cadastre for a determination of rights in a disputed area.

2. The Office of the Mining Cadastre shall give all parties to the dispute an opportunity to present their positions in writing, and to respond to each other's positions.
3. The Office of the Mining Cadastre shall verify that there is no overlap of the coordinates and boundaries of the respective Licenses in the Register of Licenses and the Cartographic Register of Mineral Licenses. If there is, the Office of the Mining Cadastre will first determine whether the coordinates and boundaries were correctly recorded based on the survey reports, if applicable.
4. If the coordinates and boundaries do conform to those submitted in the applications, then the coordinates and boundaries of the License(s) more recently granted shall be modified to eliminate any overlap with the adjacent area(s) covered by the other License(s).
5. The Office of the Mining Cadastre shall have the boundaries of the disputed Licenses surveyed and marked by an accredited professional geodesic surveyor and the any cost or loss for resolving the dispute will compensate a guilty party.
6. The Office of the Mining Cadastre shall issue a decision declaring the verified or modified coordinates and boundaries of the Mineral Licenses in dispute, and shall give notice of the decision to all parties to the dispute.
7. If the parties are not agree with the decision of the Office of the Mining Cadastre they may apply to judicial appeal.

Article 49. Resolving Disputes between License Holders and Land Owners or Users.

Land access and use disputes involving License Holders and land owners will be resolved in accordance of the relevant provisions of the Law on Land, Civil Code law and as well as other relevant laws.

Article 50. Administrative Appeals.

Citizen and any legal body may apply to the administrative or judicial appeal in case of the taken actions or inaction by the responsible authorities for implementation their duty given under this law.

Article 51. Resolving Disputes In Relation To Stability Agreement Disputes between the Government and Holders of Licenses which enter into Stability Agreements with the Government pursuant to Articles 20 and 21 of this law may, at the option of the Holder, be resolved as by binding Law of Arbitration and International agreement of Mongolia. (under the UNCITRAL Rules of Commercial Arbitration.)

## CHAPTER EIGHT ON THE PENALTIES FOR VIOLATIONS OF THE MINERALS LAW

Article 52. Violations Punishable by Fines.

1. In case of violations of provisions of this law are not crime punishable, individuals and/or legal persons shall be subjected to following administrative penalty on the basis of the decision of the state inspectors of the Mines Inspectorate:
  - 1) If any individual or legal person have conducted exploration work or mining activity, mineral extraction, its sales, mining of mineral deposit without relevant Mineral Licenses, the all income or products shall be taken to the state and in addition to that they shall be fined with the amount equally to the doubled minerals value. In this case the total amount of the fine shall not be exceeded the maximum limits of the administrative fines under applicable law.
  - 2) Any legal person knowingly making a false statement under oath in an application, request, plan,

statement or report to be prepared pursuant to the article 39, submitted to an agency of the Government or a local government, shall fined from 10000 to 60000 tugrik.

- 3) A person intentionally or illegally interfering License Holder's duties permitted within this law in relation to Mineral License shall be fined in following:
    - for citizens from 10000-40000 tugrik
    - for officers from 20000-60000 tugrik
    - for legal entities from 100000-250000 tugrik
  - 4) A License Holder intentionally interfering its duties and obligations mentioned in the Charter 4 of this law in relation to Mineral License shall be reimburse all occurred damages or losses and be fined in following:
    - for citizens from 10000-50000 tugrik
    - for officers from 10000-60000 tugrik
    - for legal entities from 50000-250000 tugrik
  - 5) Intentionally interfering the legal requirement of the inspectors of the Mines Inspectorate with or preventing the exercise of the legal rights of Mineral License Holders under this law shall be fined 15000-50000 tugrik for citizens, 10000-60000 tugrik for officials and 50000-250000 for legal entities.
  - 6) If the License Holder continuously to violate the specific requirements under his or its environmental management plan, or under applicable environmental law and safety and health requirements under applicable laws and regulations, the exploration and mining activities shall constitute grounds for the Mines Inspectorate to order forced permanent closure of exploration and mining activities up to 60 days. Within the deadline specified by the Mines Inspectorate, License Holder must correct notified requirements, in other wise shall be taken forced measures to close a mine and exploration work.
  - 7) If a Holder of a Mining License intentionally diminish or attempt to decrease royalty revenue, the legal entity shall be fined 50000-250000 tugrik, and in addition to the shall be forced to pay unpaid royalty revenue in equal to the doubled amounts.
  - 8) Failure to comply with the requirements of this law on assay and registration of precious metals and stones by the applicable agency, the legal entity shall be fined 100000-250000 tugrik.
  - 9) In case of a Mining License Holder intentionally decrease sales revenue, means to diminish a quantity of the mined product, conclude a false contract with Buyers or sold it unfair prices in the market, shall be fined 100000-250000 tugrik and subject to reimburse to the State income, the all losses equal to the unpaid sales revenue of the captioned reasons.
  - 10) The Mining Cadastre office shall pay penalties to the Applicants equal to the amount of service charge in each 10 days or if Applicant shall request, this payment could be deducted from the first year's License fee in case of delaying making decision mentioned in the Article 14.9.
  - 11) The Mining Cadastre office shall pay penalties to the Applicants equal to the amount of service charge in each days or if Applicant shall request, this payment could be deducted from the first year's License fee in case of delaying making decision mentioned in the Article 17.6.
  - 12) Other penalties in accordance of applicable laws and regulations
2. Intentionally interfering with or preventing an inspector or other authorized official from carrying out his or her official inspection or other duties, the court shall fine the legal person up to 30000 tugrik.

## CHAPTER NINE ON THE PUBLIC MINING INSTITUTIONS

Article 53. The Mines Inspectorate.



The Mines Inspectorate is the regulation agency of the Governmental Authority, responsible for monitoring on exploration and mining activity in compliance with the Minerals Law and related regulations.

Article 54. Mining Authority ( Mine- Geological Development Agency)

1. Mine- Geological Development Agency is the implementation agency of the Governmental Authority and consists of 3 units: Geological Survey Division; Mining Divisions; Office of the Mining Cadastre.
2. Mine- Geological Development Agency has separate activity from regulation agency.

Article 55. The Office of the Mining Cadastre.

The Office of the Mining Cadastre is responsible for:

- 1) recording and processing applications for Mineral Licenses, their transfer and their cancellation;
- 2) maintaining the Register of Mineral Licenses;
- 3) maintaining the Cartographic Register of Mineral Licenses;
- 4) issuing Exploration Licenses and Mining Licenses;
- 5) collecting and depositing payments of application fees and License Payments;
- 6) registering and issuing certificates to prospectors;
- 7) resolving boundary disputes among Mineral License Holders;
- 8) provide an opportunity to all interested parties to get account with Register of Mineral Licenses and Cartographic register of mineral licenses and shall notify the relevant Government's institutions and publish official notice on the changes of Register of Mineral Licenses.

Article 56. The Geological Survey Division.

1. The Geological Survey Division is responsible for conducting a study, developing and maintaining a full, geoscientific understanding of the geology and mineral potential of Mongolia for the purpose of providing information for the developing strategic planning and carrying out Government projects of the Government Authority, including:

- 1) mapping, interpreting and explaining the regional geologic and tectonic framework of Mongolia;
- 2) describing, interpreting and explaining the nature, reserve evaluation, distribution and formation of Mongolia's mineral resources;
- 3) describing, interpreting and explaining the geo-ecological processes and hazards that can impact on and affect all aspects of the socio-economic environment of Mongolia;
- 4) ensuring that such information - including information submitted by Mineral License Holders as required by the Minerals Law - is made available to the interested public in a timely fashion, honoring confidentiality requirements where applicable.

Article 57. The Mining Engineering Division.

The Mining Engineering Division is responsible for conducting a study on mine development and

providing advice and assistance to the Ministry responsible for mineral resource development on mining engineering policies, programs with particular emphasis on the following elements:

- 1) review and give recommendation on mining techniques, technology and carrying out and implement a mining technology policy;
- 2) create a favorable environment for mining sector investment and evaluate the already existing investment environment for modification.
- 3) evaluate the role of the mining sector for national socio-economic sector;
- 4) monitoring of international commodity supply and demand and marketing criteria for all mineral products indigenous to Mongolia; and
- 5) carrying out and implement specific mining projects based on the Government strategic policy.

## CHAPTER TEN OTHER PROVISIONS

### Article 58. On Notice To Relevant Body

1. The state administration authority that deals in issuing of Mineral Licenses, its registration and monitoring shall notify a relevant body on its decisions.
2. The notice has to be submitted to hands of the Applicant or Holder of the Mineral License or must be published officially. In case of rising disputes on timing, the published date is official.

### Article 59. On the Conditions of Payment in Relation to Mineral Licenses.

The all payments in relation to Mineral Licenses expressed in US dollars to be made in accordance of this law shall converted into tugric by the rate as published by the Mongol Bank.

### Article 61. Distribution of Royalty Revenues

All royalty payments received or deposited into the mineral royalties account, shall be distributed to the local government.

### Article 62. Use of License Fees

All License fees received or deposited into the License fee account, shall be distributed to the State budget.

### Article 63. Specific Conditions on Mining Financing and Accounting.

1. All costs of a Holder incurred for Exploration in Mongolia, and all operating expenses incurred in preparing a mine site prior to the commencement of production may be amortized on a straight line basis over a period of five years beginning with the tax year in which production from the mine commences.
2. The costs of acquiring a Mineral License, including Exploration License Payments made, must be capitalized and amortized on straight line basis over the estimated life of the Mine acquired or developed pursuant to such Mineral License.
3. Fixed assets and machinery and equipment of the Holder that are used and useful in its Mining business must be capitalized and may be depreciated on a straight line basis over a period of five years beginning with the year in which production from the mine commences.

4. A net loss incurred in any tax year may be carried forward and used to reduce taxable income during the three tax years after the year in which the loss is incurred.
5. All costs incurred in all kind of maintenance work for conducting of mining operation may be expensed in the year in which incurred.
6. All costs incurred in constructing infrastructure shall be capitalized and depreciated on a straight line basis over the useful lives of the facilities constructed. All costs of maintaining and operating such infrastructure facilities may be expensed in the year in which incurred.
7. The Ministry of Finance shall adopt regulations to implement the provisions 1-6 of this article.

#### Article 64. Service Charge

An applicant shall pay a fixed service charge in which incurred for obtaining a Mineral License, its transferring, renewing of License term, pledging, relinquishing, surrendering, resolving of boundary disputes and making applications.

#### Article 65. Effective Date.

This law shall enter into effect on the July 1, 1997.

#### THE LAW OF MONGOLIA

July....., 1997 No  
Ulaanbaatar