

MINERALS LAW
(Revised [and updated] edition)

CHAPTER ONE
GENERAL PROVISIONS

Article 1. Purpose of the law

- 1.1. The purpose of this law is to regulate relations within the territory of Mongolia with respect to reconnaissance, exploration and mining of minerals.

Article 2. Legislation on minerals

- 2.1. Mineral related legislation consists of the Constitution of Mongolia, the Subsoil Law, Land Law, Environmental Protection Law, National Security Law, 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 be complied.

Article 3. Scope of this law

- 3.1 This law shall regulate relations with respect to exploration and mining of all types of mineral resources except water, petroleum and natural gas.
- 3.2 Relations with respect to the artisan mining and exploitation of minerals from micro mines shall be regulated by a dedicated law.

Article 4, Definitions of terms

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

- 4.1.1 "mineral" means any usable naturally occurring mineral concentration that has been formed on the surface or in the subsoil as the result of geological evolutionary processes;
- 4.1.2 "reconnaissance" means investigation to identify mineral concentration without disturbing the subsoil through rock sampling, airborne surveys, and reviewing related geological and minerals information;
- 4.1.3 "geological survey to be conducted at expenses of State budget" means geological mapping, thematic survey, geological prospecting and exploration which are being funded by State budget;
- 4.1.4 "Mineral prospecting" means geological survey conducted for the purpose of identifying the existence of mineral concentration in area with prospects of mineral resources.

- 4.1.5 "mineral exploration" means geological and exploration survey conducted on and under the earth's surface for the purpose of identifying the location and quantity of mineral concentration in detail and determining the technical and commercial feasibility of mining such mineral concentration;
- 4.1.6 "mineral mining" means the entire range of activities that include separating and extracting minerals from land surface and subsoil, ore stockpile, waste or tailings, increasing the concentration of their usable contents, producing products, marketing those products and other activities related therewith;
- 4.1.7 "minimum cost of exploration" means minimum amount of expenditure to be spent for exploration work on obligatory basis;
- 4.1.8 "mineral deposit" means mineral concentration that has been formed on the surface or in the subsoil as the result of geological evolutionary processes, which quality and reserve is proven and economically feasible to mine it by production methods;
- 4.1.9 "hard rock mineral deposit" means any mineral concentration that has been formed as the result of geological evolutionary processes and exists in the same space with its host rock;
- 4.1.10 "placer mineral deposit" means mineral concentration that has been separated from its first subsoil location as a result of the depreciation and mechanic processes and that is located as a separate surface after re-concentration.
- 4.1.11 "mineral deposit of strategic importance" means a mineral concentration where it is possible to maintain production that has a potential impact on national security, economic and social development of the country at national and regional levels or deposits which are producing or have potential of producing above 5 percent of total Gross Domestic Product¹ of the year.
- 4.1.12 "special purpose territory" means land taken by authorized government entities pursuant to the Articles 17, 18 and 20 of Land Law for special public needs at national and local levels where exploration and mining are restricted or precluded;
- 4.1.13 "reserved area" means an area previously granted under exploration or mining license which is now taken under State control by decision of competent authority and suspended for any reconnaissance, exploration or mining activities;
- 4.1.14 "exploration license" means a document granting the right to conduct reconnaissance and exploration in accordance with this law;
- 4.1.15 "mining license" means a document granting the right to conduct mining in accordance with this law;
- 4.1.16 "exploration area" means the area granted under an exploration license;
- 4.1.17 "mining area" means the area granted under a mining license;
- 4.1.18 "mining claim" means part of geological formation overlapping with mining area and where mining is to be conducted;
- 4.1.19 "license fee" means the payment that a license holder makes as provided in this law in order to maintain the license effective;
- 4.1.20 "license holder" means a legal person to whom exploration or mining license has been granted or transferred in accordance with this law;
- 4.1.21 "legal person" means a company or cooperative stipulated in Article 33.1 of the Civil Code of Mongolia.

¹GDP (official exchange rate): \$1.4 billion (2005 est.)

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Article 5. Ownership of minerals

- 5.1. The mineral resources naturally occurring on and under the earth's surface in Mongolia are the property of the State.
- 5.2. The State, as owner has the right to grant exploration and mining rights in accordance with the terms and conditions of this law.
- 5.3. The percentage² of the State share in a minerals deposit, proven reserves of which have been proven through State funded exploration, shall be established by an agreement on development of the deposit.
- 5.4. In the event a minerals deposit of strategic importance with proven reserves of which have been proven is determined through State funded exploration and are exploited in partnership with a private business entity, the percentage of the State participation may be up to 50%. The percentage of the State share shall be determined by an agreement on (exploitation of the) deposit use considering the amount of investment made by the State.
- 5.5. The State may own shares up to 34% of the investment made to the in a deposit of strategic importance by a business entity that holds a deposit with proven reserves of which have been proven through exploration funded by sources other than State budget; the. The percentage of the State share shall be determined by an agreement on (exploitation of the) deposit use considering the amount of investment made by the State.
- 5.6. No less than 10% of the shares of a legal person holding mining license for a mineral deposit of strategic importance shall be sold through the Mongolian Stock Exchange.

Article 6. Classification of mineral deposits

6.1 Mineral deposits are classified as following;

- 6.1.1 deposits of strategic importance;
- 6.1.2 deposits of common minerals.
- 6.1.3 deposits of conventional minerals;

- 6.2 Mineral deposits specified in Article 6.1.1 of this law shall refer to a deposit which meets the requirements of Article 4.1.11 of this law.
- 6.3 Abundant sediments and rock concentration that might be used as construction material shall refer to the common mineral deposits.
- 6.4 All mineral concentrations except as specified in Articles 6.2 and 6.3 of this law shall refer to conventional mineral deposits.

² Participation = percentage, LLXM

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Article 7. General requirements of a License holder and to conduct minerals exploration and mining operations,

- 7.1 Mineral exploration and mining license shall be granted to a legal person duly formed and operating under the laws of Mongolia and [holding a status of a] Mongolian taxpayer.
- 7.2 A license holder shall meet the requirements specified in Article 7.1 of this law for the entire valid duration of the license.
- 7.3 It is prohibited to conduct exploration or mining without a valid license.
- 7.4 One license may be granted to one legal person only.
- 7.5 Landowners or land-possessors may use common minerals from their land for private and noncommercial purposes. A list of such minerals that can be mined without a license shall be approved by the Government.

CHAPTER TWO State regulation in Minerals Sector

Article 8. The full powers of State Great Hural

8.1 The full powers of State Great Hural with respect to mineral issues are as follows:

- 8.1.1 Establish State policy with respect to development of geology and mining sector;
- 8.1.2 Oversee the Government for implementation of legislation on minerals exploration and mining;
- 8.1.3 Resolve matters concerning reconnaissance, exploration and mining of minerals on areas with State special protection.
- 8.1.4 Approve a mineral deposit as of strategic importance, upon proposal by the Government or by its own initiative
- 8.1.5 Restrict or prohibit exploration and mining activities on or grants of exploration and mining licenses for certain territories, upon proposal by the Government or by its own initiative.
- 8.1.6 Establish special regulatory regime for mining, storage and transport of radioactive minerals;
- 8.1.7 Determine the percentage of State share in deposits of strategic importance, upon proposal by the Government or by its own initiative considering the mineral reserves registered in State integrated registry and the percentage specified in 5.5 and 5.6 of this law.

Article 9. The **full** powers of the Government

9.1 The full powers of the Government with respect to mineral issues are as follows:

- 9.1.1 Enforce implementation of legislations on reconnaissance and exploration of minerals and mining;
- 9.1.2 Implement State policy with respect to the development of geology and mining sector;
- 9.1.3 Resolve matters concerning reconnaissance and exploration of minerals and mining on State special needs territory., exclusive of areas with State special protection;
- 9.1.4 Submit proposal to the State Great IChural on approving a deposit as of strategic importance;
- 9.1.5 Submit proposal to the State Great Khural on determination of the State share percentage in a deposit of strategic importance;
- 9.1.6 Resolve matters concerning the investment of Mongolia for a joint venture to develop a deposit of strategic importance;
- 9.1.7 Resolve issues or submit a proposal to the State Great Khural with regard to taking specific areas for reserve or special purpose;
- 9.1.8 Participate in certain operations of mineral exploration and mining through legal entity with share of State ownership.

Article 10. Full powers of State Central Administrative body

10.1 The State Central Administrative body in charge of geology and mining shall exercise the following full powers:

- 10.1.1 Develop and implement State policy with respect to the development of the geology and mining sectors;
- 10.1.2 Upon authorization by the Government, approve the selection procedures Stated in Article 19.12,20.1,24.2 and 26.9 of this law;
- 10.1.3 Ensure enforcement of the legislations on minerals and resolutions of the Government with regard to implementation of such legislations;
- 10.1.4 Determine service fee rates for submitting an application to obtain a license, transferring a license, extending the term of a license, pledging a license, transferring a license pursuant to a pledge, or surrendering all or part of a licensed area, resolving boundary disputes and reviewing of exploration work plan, information and report;
- 10.1.5 Approve the annual integrated plan of geological studies to be funded by State budget;
- 10.1.6 Approve procedures for funding, implementing and assessing results of geological studies to be funded by State budget;
- 10.1.7 Approve procedures with regard to exploration and mining activities, and develop and approve product standard;
- 10.1.8 Oversee operations with respect to development of strategic deposits;
- 10.1.9 Approve charter of and establish a Minerals Professional Council in charge of making conclusion and issuing recommendations on reports of geological studies conducted within the territory of Mongolia.

Article 11. The obligations of State administrative body

11.1 The State administrative body in charge of geology and mining issues shall implement following duties:

- 11.1.1 to conduct regional geological, geochemical, hydro-geological cartographic and geophysical surveys within the territory of Mongolia;
- 11.1.2 to research on the patterns of distribution and types of occurrence of mineral resources within the territory of Mongolia and the evaluation of such resources;
- 11.1.3 to provide Geo-ecological research and recommendations with respect to natural and human factors that may have an impact on the social and economic development of Mongolia;
- 11.1.4 Providing interested persons with all available geological and mining related information, including information provided by license holders in accordance with this law, except for information classified as confidential;
- 11.1.5 by maintaining and up-dating the information fund with respect to national geological and related resources;
- 11.1.6 to monitor the plan, reports and the minimum work expenses of exploration license holder provided in this law;
- 11.1.7 to receive and resolve requests regarding mineral reconnaissance;

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- 11.1.8 to provide evaluations and recommendations with respect to technology and equipment used in the mining industry, and implementation of mining technology policy;
- 11.1.9 to create a favorable investment environment for the mining sector and evaluations and recommendations with respect to the existing investment environment;
- 11.1.10 to do research, evaluation and recommendations with respect to the impact the mining industry has on the social and economic development of Mongolia;
- 11.1.11 to do research on the supply, demand and prices of mining products, and forecasting of long-term trends;
- 11.1.12 proposals with respect to State policies regarding particular mining projects and implementation of such policies;
- 11.1.13 To organize a bid to issue license for the mineralized zone investigated by the capital of state budget;
- 11.1.14 integrated control the operations related to exploration and exploitation license;
- 11.1.15 Give opportunities to carry out the operation to issue and re-issuance of licenses, revoking, transfer, pledge, surrender the entire or a part of the licensed area under the public and interference control;
- 11.1.16 to receive, register and make decisions with respect to applications for licenses;
- 11.1.17 to maintain the register of licenses;
- 11.1.18 to maintain the cartographic register of licenses;
- 11.1.19 to issue exploration and mining licenses;
- 11.1.20 to collect application processing and license fees;
- 11.1.21 to review and resolve boundary disputes between and among license holders;
- 11.1.22 To provide interested persons with access to the register of licenses and the cartographic register of licenses and to notify relevant government agencies of changes in these registers, and to publish official notices informing the public of such changes.

11.2 The State administrative body unit in charge of geology shall be responsible for issues specified in Articles 11.1.1-11.1.7, unit in charge of mining Articles 11.1.8-11.1.12 and unit in charge of cadastre Articles 11.1.13-11.1.22.

11.3 Professional monitoring office shall implement State monitoring of mineral exploration, mining activities and implementation of Mineral law and legislations.

Article 12. Full power of local administrative³ and self governing bodies⁴

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

12.1.1 Ensure implementation of this law and regulations of higher administrative bodies in their respective territories;

³ Local governors

⁴ Local Citizen's khural

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- 12.1.2 permit the use of the area for the purposes specified in the licenses; halt any violations
- 12.1.3 monitor the compliance by license holders of their obligations with respect to environmental reclamation, health and safety regulations for workers and local residents, and payment of their obligations to the treasuries of local administrative bodies;
- 12.1.4 Adopt resolution on establishing local special purpose territory in accordance with grounds and regulations provided by Land Law.

Article 13. Reserved areas

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

- 13.1.1 to put in order the Register of licenses;
- 13.1.2 to resolve boundary disputes among license holders;
- 13.1.3 to conduct geological mapping, reconnaissance and exploration of minerals with the State budget funding,

13.2 Where a reserved area is established in accordance with Article 13.1 of this law, the decision to establish a reserved area shall be made by official public notice and contain the following information:

- 13.2.1 the name of the Aimag or capital city and soum or district where the reserved area is located;
- 13.2.2 the coordinates of the reserved area;
- 13.2.3 the purpose of reserving the area;
- 13.2.4 the time period for which the area shall be reserved.

13.3 . The State administrative body shall record the area reserved in accordance with Article 13.1 of this law [both] in licensing and cartographic register.

13.4 Reserved areas shall be released for the following reasons:

- 13.4.1 a decision by the Government to release the reserved area prior to expiration of the original term;
- 13.4.2- expiration of the term for which the reserved area had been reserved;
- 13.4.3 circumstances specified in Articles 13.1.1-13.1.3 of this law are settled.

13.5 If a licensed area is located within the boundary of reserved area established in accordance with Article 13.1,3 of this law, rights and liabilities of the license holder shall remain effective for the period of reservation.

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

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

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- 14.1.1. the name of the Aimag, soum and bagh where the territory is located;
 - 14.1.2. the coordinates of the land where the special purpose territory is established;
 - 14.1.3. the purpose for which the land has been taken for special purpose;
the time period for which the land shall be used for special purpose.
- 14.2 The time period that the land shall be used for special purpose is not less than 5 years. The State administrative body shall record the coordinates of special purpose territory in the exploration license register, mining license register and cartographic register.
- 14.3 If a special purpose territory overlaps entirely or in part with a territory covered by a valid license, precluding further exploration or mining in the overlapping area, the authority that decided to establish the special purpose territory shall be obligated to compensate the license holder,
- 14.4 The amount of the compensation and time for payment, shall be negotiated and agreed by the authority that decided to establish the special purpose territory and the affected license holder. If the parties fail to reach an agreement, then the amount of compensation and time for payment shall be determined by State administrative body based on conclusion of respective independent party [expert].
- 14.5 The license holder shall have the right to resume its activities if the compensation is not paid in time as specified in Article 14.5.
- 14.6 Disputes related to compensation shall be decided by a court.
- 14.7 Within 1 month after the State administrative body gives public notice of the expiration of the period for special purpose territory, the legal person that previously held the specific area under the license shall have after submitting a request an exclusive right to re-obtain the exploration or mining license.

CHAPTER THREE MINERAL EXPLORATION

Article 15. Reconnaissance

- 15.1 Any legal person shall have the right to conduct reconnaissance for minerals in areas already under exploration or mining license and within the territory of Mongolia, except for reserved areas and special purpose territories, without a license. However, any person proposing to conduct reconnaissance must notify the State and local administrative body registering its name and address and a description and location of the area in which it proposes to conduct reconnaissance.
- 15.2 Disturbing the subsoil while conducting reconnaissance is prohibited and any person proposing to conduct reconnaissance shall obtain permission from the landowners or land-possessors or land-users to enter their land.

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

- 16.1 Geological survey and research work to be conducted with State budget funding shall be conducted without a license.
- 16.2 With purpose to identify geological setting, mineral distribution and areas with prospect to mineral concentration, the geological survey shall be done in accordance with scientific methods and methodologies at different stages.
- 16.3 Reconnaissance of minerals with State budget funding shall be conducted comprehensively.
- 16.4 Data of State funded geological explorations shall be main composition of State database and be open to the public.
- 16.5 Research work and geological survey may be conducted in special use territory. No fee shall be paid in this case.
- 16.6 The State administrative central body in charge of geology and mining shall approve regulations on financing, implementing and monitoring, receiving results of State funded geological survey in accordance with this law.

Article 17. Requirements for obtaining an exploration license

- 17.1 The applicant must be eligible to hold an exploration license in accordance with Article 7.1 of this law. Location and coordinates of all corners of a requested exploration area shall be marked in degrees, minutes and seconds on a standard map prepared by the State administrative body and the map shall be attached to the application.
- 17.2 The requested exploration area shall meet the following requirements:

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- 17.2.1 It shall be tetragon in shape and its borders shall be straight lines overlapping with directions along longitude and latitude;
 - 17.2.2 No part of the requested exploration area may overlap with a reserved area or a special purpose territory;
 - 17.2.3 No part of the requested exploration area may overlap with an existing licensed area or an area covered by a previously filed pending application for a license.
- 17.3 In order to avoid overlapping set forth in the Article 17.2.2 and 17.2.3 of this law, the borders of an exploration area may deviate from straight lines if the area borders with the following;
- 17.3.1 national borders;
 - 17.3.2 a reserved area;
 - 17.3.3 a special purpose territory;
 - 17.3.4 an exploration or mining license area granted before this law became effective having a shape and position other than as provided under this law;
 - 17.3.5 lakes, ponds and other natural formations that are considered impossible to be included in the exploration area.
- 17.4 The size of an exploration area shall be not less than twenty-five (25) hectares and may not exceed four hundred thousand (400 000) hectares.
- 17.5 A legal person may hold any number of exploration licenses.

Article 18. Procedure for submitting application requesting exploration license

- 18.1 An exploration license shall be granted to the first applicant who registers and files an application for an exploration area and which meets the requirements of Articles 7.1 and 17.2.
- 18.2 A person specified in Article 18.1 of this law shall submit an application to the State administrative body in accordance with the approved form. The following documents shall be attached to the application:
- 18.2.1 the applicant's name, mailing address, phone and fax numbers;
 - 18.2.2 certified copy of the applicant's State registration certificate;
 - 18.2.3 area map prepared in accordance with the requirements of Article 17.1 of this law and the name of the Aimag, soum or district in which the exploration area is located on the map;
 - 18.2.4 a document showing that the applicant has paid the service fee specified in Article 10.1.4 of this law;
 - 18.2.5 information about qualified staff to conduct exploration works;
 - 18.2.6 document proving that the applicant meets the requirements of Article 7.1;
 - 18.2.7 preliminary plan that includes type, scope and cost of exploration works to be conducted by the applicant requesting license specified in Article 20 of this law.

Article 19. Registering and processing of application

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19.1 Upon receiving the application specified in Article 18.2 of this law the State administrative body shall carry out the following:

- 19.1.1 Register the application in the application register and record number, date, hour and minute of registration on each page attached to the application and issue the applicant a receipt acknowledging the filing of the application;
- 19.1.2 record the first and last registered application of that day;
- 19.1.3 immediately following the registration it shall be determined by preliminary screening whether the application and the attached documents meet the requirements specified under Articles 17.1,17.2 and 18.2 of this law;
- 19.1.4 following the preliminary screening specified in Article 19.1.3 of this law, it shall be determined whether the requested exploration area overlaps with an area with restrictions or prohibitions on mineral exploration or mining, reserved area., special purpose territory, or any area subject to an existing valid license or previously filed pending application for a license.

19.2 Upon completing actions specified in Article 19.1 the State administrative body within twenty (20) business days of registration of application shall make one of the following decisions:

- 19.2.1 Refuse the request and give written notice to the applicant containing the grounds of such decision if the application and attached documents fail to meet the requirements of Articles 17.1,17.2 and 18.2 of this law and record it in the application registration book.
- 19.2.2 Notify the applicant that the requested area is available for issue under exploration license, if the requested area does not overlap with any part of the areas specified in Article 19.1.4.
- 19.2.3 Notify the applicant in writing that the application is rejected, if the requested area overlaps completely or partially with, an area with restrictions or prohibitions on mineral exploration or mining, special purpose territory, reserved area, or an area subject to an existing valid license and record the decision in the application registration book.
- 19.2.4 Notify the applicant in writing that the application is rejected, if the requested area overlaps completely with an area requested hi a pending application for a license filed prior to the application and record the decision in the application registration book;
- 19.2.5 Notify the applicant that the exploration License may be granted for the part of the requested area which does not overlap, if the requested area partially overlaps with an area requested in a pending application for a license submitted prior to the application. Another application shall be submitted if the applicant wishes to obtain exploration license for the area.

19.3 The State administrative body shall give written notice to the Governor of Aimag or capital city if it is deemed passible to grant a license in accordance with Articles 19.2.2 and 19.2.5 of this law. An area map prepared in accordance with Article 17.1 of this law shall be attached to the written notice.

- 19.4 Within thirty (30) days of receiving the notice specified in Article 19.3 the Governor of Aimag or capital city shall respond to the State administrative body after obtaining opinions of Citizens Representatives Hural of soum or district and Presidium of Citizens Representatives Hural of Aimag or district Failure to respond in specified time shall be deemed as approved.
- 19.5 The Governor of the aimag or district may refuse the granting of an exploration license based only on grounds provided in the laws [of Mongolia],
- 19.2 If the Governor of the aimag or capital city gives a response supporting the decisions specified in Articles 19.2.2 and 19.2.5 of this law the State administrative body shall make a decision to grant the area under an exploration license and notify the applicant that the license fee for the first year is to be paid within the period specified in Article 34.1 of this law,
- 19.6 If the applicant fails to obtain the license within one (1) month of the decision specified in Article 19.6 of this law or fails to pay the first year's license fee within the period specified in Article 34.1 of this law, the State administrative body shall remove the application from the register and notify the applicant of this action and record it in the application registration book.
- 19.7 Within three (3) business days the payment made in specified period of the first year's license fee the State administrative body shall issue an exploration license for a period of three (3) years and record the exploration license and the area in the license register and license cartographic register.
- 19.8 An exploration license shall contain the date of issuance, the license holder's name, the coordinates of the area covered by the license and an attachment in which all subsequent changes with, respect to the license shall be recorded.
- 19.9 Immediately following the grant of an exploration license, the State administrative body shall notify the State central administrative body in charge of environmental issues, governors of Aimag, soum or district where the licensed area is located and professional inspection agency and publish an official notice in a daily newspaper.
- 19.10 The State administrative body shall return the application and attached documents to the applicant if the decisions specified in Articles 19.2.1, 19.2.3, 19.2.4, and 19.7 of this law are made.
- 19.11 The exploration license for the area with mineral concentration which was determined through State budget funded geological survey work shall be granted by tender.

Article 20. Granting of an exploration license for the area which the license is expired

- 20.1 If a License is revoked on the grounds specified in Article 56 of this law the State administrative body shall reissue the license through tender bid in accordance with the procedure Stated below.

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- 20.1.1 To select areas specified in Article 20.1 of this law and make announcement to public of the date to accept applications for tender bid through daily newspaper in 30 days advance.
 - 20.1.2 Applicants shall be evaluated in accordance with the procedures specified in Article 10.1.2 of this law considering the skills of the applicant's professional staff and an applicant with highest rating shall be granted the license.
 - 20.1.3 If evaluation of 2 or more applicants has same rating, the license shall be granted to the first applicant. The first applicant shall be determined in accordance with the Article 19.1.2 of this law.
- 20.2 If an application and attached documents fail to meet the requirements of Article 18.2 of this law, the application shall be refused and written notice containing grounds of such refusal shall be issued to the applicant. This shall be recorded in the application registration book; the application and documents attached to it shall be returned.
- 20.3 If no bid is submitted for the tender called in accordance with Article 20.1 of this law, the exploration license for this area shall be granted in compliance with the Article 18 and 19 of this law.

Article 21. Rights of exploration license holder

21.1 An exploration license holder shall have the following rights:

- 21.1.1 To conduct exploration for minerals within the boundaries of an exploration area in accordance with this law;
- 21.1.2 To obtain a mining license for any part of an exploration area upon fulfilling the terms and conditions of this law;
- 21.1.3 to transfer the exploration license under the terms and conditions of this law or surrender all or part of the exploration license area with permission and under supervision of respective authority;
- 21.1.4 to obtain two extensions of the term of an exploration license for three (3) years each, upon fulfilling the terms and conditions of this law;
- 21.1.5 to have access to the exploration area and construct temporary structures with purpose of conducting exploration work;
- 21.1.6 to pass through the land surrounding the exploration area for the purpose of entering the exploration area;
- 21.1.7 to enter and pass through the land owned or possessed by other persons as approved by the owner or possessor of the land in order to exercise the rights provided by this law.

Article 22. Extension of the term of an exploration license

22.1 One (1) month prior to the expiration of an exploration license, the license holder may apply for an extension of the term of the license by submitting an application to the State administrative body. The following documents shall be attached to the application:

- 22.1.1 certified copy of the exploration license certificate;
- 22.1.2 receipts for payments of annual license fees and service fees and a document proving that the cost of exploration work conducted is no less than the minimum cost of exploration;

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- 22.1.3 document proving the renewed approval of environmental protection plan in accordance with Article 40 of this law;
 - 22.1.4 a report on completion of exploration work of given stage and document on its acceptance.
- 22.2 Within ten (10) business days following the receipt of an application for extension specified in the Article 22.1 of this law, the State administrative body shall review whether the license holder has complied with the conditions and requirements of Articles 7.2 and 31. If there are no violations the license term shall be extended for the period specified in Article 21.1.4 of this law and record the extension in the license register book
- 22.3 Immediately following the extension of an exploration license, the State administrative body shall notify the professional inspection agency and publicize the extension through daily newspaper.

Article 23. Pre-mining operation

- 23.1 Pre-mining operation is a period after exploration is completed and reserve of mineral deposit is registered with State registration, during which design package, feasibility study, mine development and commencement of production occur,
- 23.2 The commencement period for the mining of the mineral deposit or mine development period shall be no more than 3 years upon expiration of the exploration license.
- 23.3 Pre-mining operations shall be regulated by pre-mining agreement concluded between the exploration license holder and the State administrative body.
- 23.4 The license holder shall pay exploration license fees for the seventh to ninth years of the term as specified in Article 32.2 of this law and within the period specified in Article 23.2 of the law.

CHAPTER FOUR MINERAL MINING

Article 24. Requirements for obtaining a mining license

- 24.1 In the case of areas covered by a valid exploration license, only the exploration license holder may apply for a mining license.
- 24.2 If the exploration license is expired in accordance with the Article 53,1,1 of this law and the exploration license holder fails to submit an application for mining license, the mining license for the area shall be granted through tender.
- 24.3 The application specified in Articles 24.1 and 24.2 shall contain coordinates of all corners of the requested mining area in degrees, minutes and seconds on a standard map approved by the State administrative body and attach the map to the application.
- 24.4 A requested mining area shall meet the following requirements:
- 24.4.1 a requested mining area shall have the shape of a polygon with borders that are straight lines, not less than 500 meters in length, oriented north-south and east-west;
 - 24.4.2 a requested mining area may not overlap with a reserved area, special purpose territory or an area under existing valid license;
 - 24.4.3 For salt and common minerals, each side of the area shall be not less than 100 meters.
- 24.5 The borders of a mining license area may deviate from straight lines in order to avoid overlapping specified in Articles 24.4.2:
- 24.5.1 national border;
 - 24.5.2 reserved area;
 - 24.5.3 special purpose territory;
 - 24.5.4 mining license area granted under the prior minerals law having a shape and location that do not conform with the requirements of this law
 - 24.5.5 natural formations, such as lakes and ponds that may be excluded from the mining area.

Article 25, Procedure for submitting application requesting **mining** license

- 25.1. An applicant for a mining license shall submit an application specified in Articles 24.1 and 24.2 of this law to the State administrative body in the approved form. The following documents shall be attached to the application:
- 25.1.1. the applicant's name, mailing address for official postal address, phone and fax numbers and a certificate containing the name of its officer authorized to make decisions;
 - 25.1.2. a document certifying that the applicant meets the requirements of Article 7.1 of this law.;

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- 25.1.3. a map of the area prepared in accordance with the requirements of Article 24.3 of this law. The map shall contain the name of the Airnag or capital city and soum or district in which the area is located'
- 25.1.4. a document showing that the applicant has paid the service fee specified in Article 10.1.4;
- 25.1.5. Minerals Council's note on the discussion of exploration work results, and a decision of the State administrative body;
- 25.1.6. a verification of performance of the duties with regard to environment protection plan during exploration work;
- 25.1.7. an evaluation of the effect on the environment;
- 25.1.8. a decision of an organization and an official who organized tender bidding specified in Article 24.2 of this law for the license areas explored with State budget funding.

Article 26. Registering and processing the application

26.1. Upon receiving the application specified in Article 25.1 of this law the State administrative body shall carry out the following:

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

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

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

26.2.1. In case an exploration license holder applied for mining license for the exploration license area, whether the requested mining area is located entirely within the boundaries of the area covered by the exploration license;

26.2.2 Whether the requested mining area overlaps with any reserved area, special purpose land or an area already subject to an existing valid license;

26.2.3. Whether the size and evaluation of the mineral reserve estimated by exploration would be enough for reclamation of ecology damages that might be caused due to mining activities.

26.3. Within twenty (20) business days following the registration of an application for a mining license, the State administrative body shall take one of the following decisions based on the clarifications specified in Articles 26.1 and 26.2 and notify the applicant accordingly:

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

26.3.2 In case the exploration license holder submits an application for mining license for the exploration area, mining license shall be granted according to

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- exclusive rights of the applicant and the applicant shall be required to pay the first year's license fee specified in Article 34.1 of this law;
- 26.3.3 The requested mining area shall be granted if it does not overlap with any part of an area with restrictions or prohibitions on exploration or mining, reserved area, special purpose land or any area subject to a valid license and the applicant shall be required to pay the first year's license fee specified in Article 34.1 of this law;
- 26.3.4 if the requested area overlaps in any way with an area specified in Article 26.3.3 of this law the application for mining license shall be refused and written notice containing grounds of such refusal shall be issued to the applicant. This shall be recorded in the application registration book
- 26.4 If the applicant who has received a mining license approval notice in accordance with Articles 26.3.2 and 26.3.3 of this law fails to pay the first year's license fee within the period specified in Article 34.1 of the law, the State administrative body shall remove the application from the application register and notify the applicant in writing and record it in the application registration book,
- 26.5. Within three (3) business days following the payment of the license fee for the first year made by applicant in accordance with Articles 26.3.2 and 26.3.3 of this law, the State administrative body shall issue a mining license to the applicant for a term of thirty (30) years and shall register the license and mining area in the license register and license cartographic register.
- 26.6. A mining license shall contain the date of issuance, license holder's name, address and the coordinates of the corners of the mine area covered by the license and an attachment in which all subsequent changes with respect to the license shall be recorded.
- 26.7. Within seven (7) business days following the issuance of a mining license, the State administrative body shall notify the State central administrative body in charge of environmental issues, the State administrative body in charge of taxation and fiscal issues, an Aimag, soum and district Governors where the licensed area is located and professional inspection agency and publish an official notice informing the public on the granting of the license.
- 26.8. The State administrative body shall return the application and attached documents to the applicant if the decisions specified in Articles 26.3.1, 26.3.4, 19.2.4, and 26.4 of this law are made.
- 26.9. A mining license for the area explored and the reserve determined through State budget funding shall be granted through tender.

Article 27, Rights and obligations of mining license holders

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

27.1.1 the right to engage in mining of minerals within the mining claim in accordance with the provisions of this law;

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- 27.1.2 to fulfil obligations specified in Chapter 6 of this law;
- 27.1.3 the right to sell mineral products from the mining claim at market prices on foreign markets;
- 27.1.4 the right to conduct exploration for minerals within the mining claim;
- 27.1.5 the right to transfer and pledge all or part of the mining license in accordance with provisions of this law;
- 27.1.6 the right to extend the term of the mining license two times for a period of twenty (20) years each depending on the reserve of the mineral;
- 27.1.7 the right to enter and pass through the mining area, construct necessary structures and use the mining area in order to carry out mining activities;
- 27.1.8 the right to pass through the land adjacent to the mining area;
- 27.1.9 to enter and pass through the land owned or possessed by other persons as approved by the owner or possessor of the land in order to exercise the rights provided by this law.
- 27.1.10 the right to use land and water in compliance with applicable laws;

Article 28. Extension of the term of a mining license

- 28.1. Not less than two (2) years prior to the expiration of a mining license, the license holder may submit an application on the form approved by the State administrative body for an extension of the mining license. The following documents shall be attached to the application:
 - 28.1.1. certified copy of the mining license;
 - 28.1.2. receipts for payments of license fee and service fee;
 - 28.1.3. certificate evidencing the inspection of the implementation of the environmental plan carried out in accordance with Article 39 of this law.
- 28.2. Within fifteen (15) business days following the receipt of an application specified in Article 28.1 of this law, the State administrative body shall verify whether the license holder is *in* compliance with the conditions for maintaining its eligibility to hold the license. If there are no violations the license term shall be extended for the period specified in Article 27.1.6 of this law. The extension shall be recorded in the license register book and the applicant notified.
- 28.3. Within seven (7) business days following the decision to extend the mining license, the State administrative body shall notify the authorities specified in Article 26.7 of this law and publicize the extension through daily newspaper.

Article 29. Investment agreement

- 29.1. At the request of the license holder, an investment agreement may be concluded with a mining license holder which undertakes to invest in Mongolia no less than fifty (50) million US Dollars for the first five (5) years of its mining project in order to provide a stable environment for operations of the mining license holder. The Agreement shall contain the following:
 - 29.1.1. Maintaining stable tax environment;
 - 29.1.2. The right of the license holder to sell its products at international market prices;

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- 29.1.3. Guarantee the rights of the license holder to receive and dispose of income derived from its sales;
 - 29.1.4. The amount and term of the license holder's investment;
 - 29.1.5. Mining of the minerals with minimum damage to environment and public health;
 - 29.1.6. Protection and reclamation of environment;
 - 29.1.7. Not to effect negatively on other industries and operations;
 - 29.1.8. Developing the region and creating employment;
 - 29.1.9. Compensation for damages caused.
- 29.2. The agreement specified in Article 29.1 of this law shall be concluded with the investor by the Cabinet members in charge of Finance, Geology, Mining and Environmental issues upon authorization of the Government of Mongolia;
- 29.3. If the amount of investment for the first 5 years is no less than fifty (50) million US Dollars, the term of the agreement shall be ten (10) years, if the investment is more than a hundred (100) million US Dollars, the term of the agreement shall be fifteen (15) years or if more than three hundred (300) million US Dollars, the term shall be 30 years.

Article 30. Procedure for concluding an agreement with an investor

- 30.1. The license holder interested in concluding the agreement specified in Article 29.1 of this law shall submit its request and draft agreement to the State central administrative bodies specified in Article 29.2 of this law. The following shall be attached to the request:
- 30.1.1. feasibility study and information describing the period and amount of investment in the first 5 years of the mining activities, mining production capacity, types of mining products, mining methods and technology;
 - 30.1.2. a note of the Minerals Council that the reserve of the deposit is registered in the national register of reserves,
- 30.2. The State central administrative bodies specified in Article 30.1 of this law shall review whether the draft agreement, request for an investment agreement and the attached documents meet the requirements of Article 29.3 and 30.1 of this law and within ten (10) business days shall notify the license holder of its status.
- 30.3. The State central administrative body in charge of Finance, Geology, Mining and Environmental issues shall review the request, draft agreement and attached documents for three (3) months after their receipt and if deemed necessary upon additional clarification of up to 3 months on the basis of comments and conclusions of relevant organizations and specialists the agreement shall be concluded with the investor in accordance with the Article 29.1 if this law.
- 30.4. Upon signing of the investment agreement in accordance with the Article 30.3 of this law notice of the terms and conditions of the agreement shall be delivered to the Mongolbank (Central Bank of Mongolia) and other relevant authorities.

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CHAPTER FIVE

CONDITIONS FOR MAINTAINING ELIGIBILITY TO HOLD A LICENSE

Article 31, Maintaining the eligibility to hold a license

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

Article 32. License fees

32.1. License holder shall pay license fees annually in accordance with this law.

32.2. Exploration license fees shall be payable with respect to each hectare included within the exploration area at the following rates:

32.2.1 US\$ 0.1 for the first year, US\$ 0.2 for the second and US\$ 0.3 for the third year of the term of the exploration license;

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

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

32.3. Mining license fees of US\$ 15,00 shall be payable with respect to each hectare included within the mining area. However, as for coal and other common mineral resources the fee shall be US\$ 5.00 for each hectare.

Article 33, The minimum amount of exploration expenses and its verification

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

33.1.1. US\$ 0.5 for each of the second and third years of the term of the exploration license;

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

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

33.2. The amount of exploration work cost shall be verified by the State administrative body based on the annual exploration work report and financial report of that legal person.

33.3. State administrative body may carry out inspection work on the amount of expense at the actual work site if necessary.

Article 34. Payment of license fees

- 34.1. License fees for the first year shall be paid within ten (10) business days after the license holder receives the notice specified in Articles 19.6, 26.3.2 and 2.3.3 of this law.
- 34.2. License fees for subsequent years shall be payable annually in advance, on or before the anniversary date of the issuance of the license.
- 34.3. The amount of the license fee shall be calculated on the basis of the measurements of the license area as registered in the register of licenses and the amount of the fee shall not change for the particular year.
- 34.4. The license fee shall be deemed paid upon receipt by the State administrative body of documents certifying the payment of the fees and the date of payment shall be the day the bank transactions is made.

CHAPTER SIX

OBLIGATIONS OF A LICENSE HOLDER

Article 35. General obligations of a license holder,

- 35.1. While carrying out their activities a license holder shall comply with general obligations set forth in this Article. Failure to comply with the general obligations will subject the license holder to the penalties set forth by Article 66.1.4 of this law.
- 35.2. An exploration license holder shall keep the following documents at the actual site of the exploration work:
 - 35.2.1. certified copy of the exploration license;
 - 35.2.2. environmental protection plan and report;
 - 35.2.3. exploration work plan reviewed by the State administrative body and professional inspection agency;
- 35.3. A mining license holder shall keep the following documents at the mine:
 - 35.3.1. certified copy of the mining license;
 - 35.3.2. feasibility study on mineral mining and a mining plan reviewed by the relevant organization;
 - 35.3.3. environmental impact assessment;
 - 35.3.4. environmental protection plan;
 - 35.3.5. property lease and sales agreements;
 - 35.3.6. a certificate for establishing and marking the boundary of the mining area
 - 35.3.7. agreements on land and water use.
- 35.4. A mining license holder shall commence the activities of the mine after it has been accepted by a commission appointed by the State central administrative body in charge of geology and mining.
- 35.5. The mining license holder is shall appropriately extract the mineral reserves. It is prohibited to mine selecting the high grade areas.

Article 36. Establishing the boundaries and marking the area held under a mining license

- 36.1. Within three (3) months following the registration of the mining license in the register of licenseSj the mining license holder shall establish the boundaries and mark the approved mining area by permanent markers in accordance with technical requirements specified by the professional inspection agency. The establishment of the boundaries of the mining area shall be performed by a person authorized by the State administrative body, who shall file a report with the State administrative body upon completion of the establishment of the boundaries.

36.2. A mining license holder shall preserve the markers and adjust and replace the markers upon reorganization within the area in accordance with decisions of the State administrative body.

Article 37. Environmental protection

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

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

Article 38, Environmental protection obligations of an exploration license holder

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

38.1.1 within thirty (30) days following the receipt of an exploration license. The exploration license holder shall prepare an environmental protection plan by consulting with the environmental inspection agency and Governor of soum or district which the exploration area is located;

38.1.2 The environmental reclamation plan shall provide measures to ensure the level of the environment pollution does not exceed the accepted limits and reclamation of the area by means of backfilling, plugging, and cultivation to allow future utilization for public purposes.

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

38.1.4 Upon approval of the environmental protection plan in accordance with the Article 38.1.3 of this law, a copy of the plan shall be delivered to the local environmental inspection agency.

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

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

38.1.7 To provide the State and local administrative body official in charge of monitoring implementation of the laws on environmental protection with an opportunity to enter the exploration area to conduct monitoring activities on the site.

38.1.8 To ensure the discharge of its responsibilities with respect to environmental protection, an exploration license holder shall deposit an amount equal to

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50 % of its environmental protection budget of the year in a special bank account established by the Governor of the relevant soum or district.

- 38.2. Within ten (10) days of receiving the environmental protection plan and proposed amendments to it the Governor of soum or district shall review and approve the plan and deliver it to the license holder.
- 38.3 If a license holder fails to fully implement the measures provided in the environmental reclamation plan, the Governor of the relevant soum or district shall use the deposit Stated in Article 38.1.8 of this law to implement these measures and the license holder shall provide any additional funds required without dispute.
- 38.4 The deposit specified in Article 38.1.8 of this law shall be returned to the license holder if all the obligations of the environmental protection plan are complied with.

Article 39. Environmental protection obligations of mining license holders

- 39.1 A mining license holder shall have the following obligations with regard to environmental protection:
- 39.1.1 An environmental impact assessment and an environmental protection plan shall be prepared by a person specified in Article 24.1 of this law before obtaining a mining license and by a person who obtained a mining license through tender after obtaining the license.
- 39.1.2 The environmental impact assessment shall identify the possible adverse environmental impacts from the proposed mining operations on public health and environment and shall include preventive measures to avoid and minimize such adverse impacts.
- 39.1.3. The environmental protection plan shall contain measures to ensure that mining operations are conducted in a least damaging way to the environment. The plan shall also identify preventive measures to protect air and water, human, animal and plant from the adverse effects of mining operations
- 39.1.4. Apart from Article 39.1.3 of this law, an environmental protection plan must include the following:
- 39.1.4.1. Storage and control of toxic and potentially toxic substances and materials;
- 39.1.4.2. Protection, utilization and conservation of the surface and underground water;
- 39.1.4.3. Construction of tailings dams and ensuring the mine area safety;
- 39.1.4.4. Reclamation measures Stated in Article 38.1.2 of this law
- 35.1.4.3. Other measures as may be appropriate for the particular type of a mining operation;
- 39.1.5. The environmental impact assessment and environmental protection plan shall be submitted to the State central administrative body in charge of environmental issues.
- 39.1.6. Immediately following the approval of the environmental impact assessment and environmental protection plan the license holder shall deliver the copy of the documents to the Governor of Aimag, soum or district and local

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environmental inspection agency of the area which the mineral deposit is located.

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

39.1.7.1. Information on measures taken to protect the environment

39.1.7.2. New machinery and technology utilized

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

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

39.1.9. To ensure the discharge of its responsibilities with respect to environmental protection, a mining license holder shall deposit an amount equal to 50 % of its environmental protection budget for the particular year in a special bank account established by the Governor of the relevant soum or district. 39.2. The State central administrative body in charge of environmental issues shall review the documents specified in Articles 39.1.5 and 39.1.7.3 and notify the license holder of its decision within thirty (30) days after receiving such documents.

39.3. If a mining license holder fails to fully implement the measures of environmental reclamation, the State central administrative body in charge of environmental issues shall use the deposit specified in Article 39.1.9 of this law to implement reclamation work and the license holder shall provide the any additional funds required without dispute.

39.4. The deposit specified in Article 39.1.9 of this law shall be refunded to the license holder upon fulfillment of the obligations of the environmental protection plan and environmental impact assessment. 39.5. The funds specified in Article 39.3 of this law shall be transferred within one (1) month following the commencement of mining activities of the year; the State central administrative body in charge of environmental issues shall notify the Governor of the relevant soum or district of the transfer. 39.6. If license holder fails to transfer the funds specified in Article 39.1.9 of this law within the period required by Article 39.5 of this law, the soum or district Governor shall have the right to end the mining activities for the year.

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

39.8. The procedures of monitoring the transactions of special accounts specified in Articles 38.1.8 and 39.1.9 shall be approved by the member of government in charge of environment issues.

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39.9. The State central administrative body in charge of environmental issues shall require the license holder to provide amendments to the environmental reclamation plan and environmental impact assessment if new circumstances arise which have adverse impacts on environment due to introduction of new equipment and technology during the valid license term.

Article 40. Review of environmental reclamation plan in connection with extensions of licenses

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

40.2. Mining license holders applying for a license extension shall submit their revised environmental impact assessment and environmental reclamation plan to the State central administrative body in charge of environmental issues for approval.

40.3. The assessment and plan specified in Articles 40.1 and 40.2 of this law shall be approved in accordance with the Articles 38.2 and 39.2 of the law.

Article 41, Compensation for damages to property

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

Article 42. Relations with local administrative bodies

42.1. A License holder shall conclude agreement and work in cooperation with local administrative bodies on issues of environmental protection, infrastructure development in relation to mine development and mine use and employment.

42.2. A license holder in cooperation with the local administrative body may organize a public forum in relation to issues specified in Article 42.1.

42.3. Representative with obligations to implement public monitoring on the license holder's activities may be selected and employed from the public.

Article 43. Employment requirements

43.1. License holder is obliged to provide employment for citizens of Mongolia and up to 10 per cent of the employees may be foreign citizens.

43.2. In case the number of hired foreign personnel exceeds the percentage specified in Article 43.1, the license holder shall pay an amount equal to 10 times of the minimum monthly salary for each exceeding person every month.

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

Article 44. Ensuring health and safety standards

44.1. The license holder shall carry out certain activities to provide safety for citizens of the relevant soum or district, labor safety and hygiene for employees in accordance with the applicable laws and regulations.

Article 45. Requirements for closure of a mine

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

- 45.1.1. to take all necessary measures to ensure safe use of the mine area for public purposes and reclamation of the environment;
- 45.1.2. to take preventive measures if the mine claim is dangerous for public use;
- 45.1.3. to remove all machinery, equipment and other property from the mining area except as permitted by local administrative bodies or the professional inspection agency.

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

Article 46. Registration and sale of precious stones and metals

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

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

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

- 46.4. A mining license holder may export the precious stones and metals extracted through Mongolbank.
- 46.5. If a nugget weighing more than 400 grams or which has a peculiar shape though weighing less or a precious stone with rare color and shape is extracted the license holder is obliged to sell it to the treasury fund of Mongolbank at an extra rate.

Article 47, Royalties

- 47.1. A mining license holder shall pay royalties to the treasuries of the central and local administrative bodies on the sales value of all products extracted from the mining claim that are sold, shipped for sale, or used,
- 47.2. The sales value shall be determined as follows:
- 47.2.1. for exported products, the sales value shall be the average monthly prices of the products, or similar products, based on regularly published international market prices or on recognized principles of international trade;
 - 47.2.2. for products sold or used on the domestic market, the sales value shall be based on the domestic market price for the particular or similar product;
 - 47.2.3. for products sold on international or domestic markets, where it is impossible to determine market prices, the sales value shall be based on the revenue derived from the sale of the product as declared by the license holder.
- 47.3. The rate of royalties shall be as follows:
- 47.3.1. Royalties for domestically sold coal for energy and common mineral resources shall be equal to 2.5 per cent of the sales value of all products extracted from the mining claim that are sold, shipped for sale, or used.
 - 47.3.2. Royalties for extracted products other than specified in Article 47.3.1 shall be equal to 5.0 per cent of the sales value of all products extracted from the mining claim that are sold, shipped for sale, or used.
- 47.4. An exploration license holder shall pay royalties as same as a mining license holder with respect to minerals extracted during the exploration for surveying purposes which may be sold upon registering the type and quantity of the mineral with the professional inspection agency.
- 47.5. A mining license holder shall pay royalties with respect to all extracted products that are sold, shipped for sale or used during a calendar quarter before the end of the next quarter.
- 47.6. A mining license holder shall submit to the professional inspection agency a quarterly report, in the form approved by the professional inspection agency and verified by the license holder's signature, indicating the quantity of products extracted and sold, shipped for sale, or used during the relevant quarter, the total value of the sales, and the basis of evaluation.

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

Article 48. Submission of information and reports

48.1. A license holder shall prepare the following information and reports on a timely and accurate basis and submit copies of the information and reports to the professional inspection agency and State administrative body, respectively:

48.1.1. a plan of exploration activities shall be submitted within thirty (30) days after the grant of the exploration license;

48.1.2. annual reports on exploration activities detailing the prospecting and exploring stages for the previous year shall be submitted in the form approved by the State administrative body within thirty (30) days after the expiration of the relevant period;

48.1.3. annual report on safety specified in Article 44 of this law shall be released within the 20th of Jamiary,

48.2. The report specified in Article 48.1.2 shall contain information on the amount of work completed and expenses incurred in reconnaissance, geophysical and geochemical work, drilling and other activities, information on the labor force, and the results of the exploration work. A map indicating the places where the work was done shall be attached to the report. This map shall be prepared according to the State geodesy system.

48.3. A copy of the final report on the results of the exploration works developed in accordance with approved form and requirements and original materials shall be submitted to the State administrative body before the expiration of the license.

48.4. The State administrative body shall accept the estimates of the ore reserves submitted in the report specified in Article 48.3 after receiving an opinion from a qualified expert and shall include the ore reserves into the national register of reserves.

48.5. The State administrative body shall also have the right to demand information and reports from the license holder if such information or reports are incomplete.

48.6. A mining license holder shall submit the following information and reports to the State administrative body:

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

48.6.2. estimated data with respect to the next year's production on an approved form not later than September of every year;

48.6.3. basic indicators of the mining work approved by surveyors of mines, mining and geometry graphical drawings and a report on activities of the year shall be submitted on an approved form by February 15 of the following year.

48.7. The report specified in Article 48.6.3 of this law must contain the following:
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- 48.7.1. number of work days, number of employees, and all contracts affecting the license holder's right of ownership;
 - 48.7.2. information on. implementation of the mining plan, an estimate of changes in reserves, time periods of operation of the mine, a general overview of production facilities and any expansion or renovation of such facilities;
 - 48.7.3. information on the quantity of ore mined, the quantity of products produced, shipped and sold, the price of the products sold, information with respect to the purchasers, information on investments made during the year, operating expenses, royalty payments and information with respect to the equipment and technology used in mining operations and information on other related properties.
 - 48.7.4. a report on safety specified in Article 44 of this law.
- 48.8. A license holder shall prepare a report on the implementation of the environmental protection plan as specified in Article 38 and 39 of this law and submit it to the relevant authorities.
- 48.9. A license holder shall prepare a report on royalties specified Article 48.7.3 of this law in the form approved by the tax office in an accrued sum each quarter and shall submit by the 20th of the following month and submit an annual final report by January 20 of the following year to the tax office.
- 48.10. A license holder shall report to the public about the amount of their product sale of that year and the amount of taxes and payments paid to the State and local budget within the 1st quarter of the following year.
- 48.11. The forms specified in Articles 4S.6.2 and 48.6.3 of this law shall be approved by the head of State administrative body.

CHAPTER SEVEN

TRANSFER AND MORTGAGE OF LICENSES

Article 49. Transfer of licenses

- 49.1. A license holder may transfer the license in case of merger pursuant to Civil Law, Company law and Cooperative laws and legislations or a subsidiary and a daughter company may transfer the license to its head company.
- 49.2. An exploration license holder may transfer a license to another party eligible to hold such licenses if it is proved by evidence that materials and reports on prospecting and exploration work have been sold in accordance with the applicable laws and regulations and that the taxes have been paid accordingly.
- 49.3. A mining license holder may transfer the license if it is proved by evidence that the mine together with its machinery, equipment and documents have been sold in accordance with the applicable laws and regulations and that the taxes have been paid accordingly.
- 49.4. The transferor of a license shall submit an application in the approved form in accordance with, the Articles 49.1-49.3 of this law. The following documents shall be attached to the application:
 - 49.4.1. the transferring license;
 - 49.4.2. a document evidencing that the transferee of a license meets all the requirements specified in Article 7.1 of this law;
 - 49.4.3. Acknowledgement that the license transferee shall accept all the rights and duties that arise upon the license transfer.
 - 49.4.4. Reference of Environmental Office on the reclamation of the area affected by mining, if transferring a mining license,
 - 49.4.5. The evidence that the required reclamation cost has been deposited in the account specified in Articles 38.1.8 and 38.1.9 of this law..
 - 49.4.6. Notification about the submission of exploration work plan and report to the State administrative body.
 - 49.4.7. a document showing that the applicant has paid the service fees.
- 49.5. Immediately following the receipt of an application specified in Article 49.4 of this law, the State administrative body shall record the application and verify the following:
 - 49.5.1 Whether the application complies with the requirements of this Article;
 - 49.5.2. Whether the license to be transferred is valid;
 - 49.5.3. Whether the license transferee is eligible to hold the license.
 - 49.5.4. Whether the license fees are paid in timely manner
 - 49.5.5. Whether the exploration cost exceeded the minimum cost of exploration work specified in Article 33 of this law.
- 49.6. Within five (5) business days following the receipt of an application for recording of the transfer of a license, the State administrative body shall take one of the following decisions:

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- 49.6.1, Record the transfer of the license and make appropriate notations on the license certificate; or
 - 49.6.2, If the application does not comply with article 49 of this Law, inform the applicant to submit the necessary additional information; or
 - 49.6.3, If the transferee is not eligible to hold a license, or the license to be transferred is invalid, then the application shall be returned and the applicant shall be notified accordingly.
- 49.7. In the event the license holder is subdivided or segregated according to Civil law, Company law and Cooperative law, the license shall be returned to the State administrative body. The returned license shall be reissued in accordance with the tender procedure mentioned in Article 10. L2 of this law.
- 49.8. If the subdivided or segregated legal person has maintained the status to hold the license stipulated in Article 7.1 of this law, the legal person shall have an exclusive right to re-obtain the license.
- 49.9. A person obtaining a license through transfer shall pay fees and costs stipulated in Article 32.2,32.3 and 33.1 of this law beginning from the next year.
- 49.10. In the case where a license dispute is under review by the court, it is prohibited to transfer the license prior to a resolution by court.
- 49.11. The State administrative body shall notify the Professional Inspection Agency and the State administrative body in charge of taxation of the recording of the license transfer and publicize it through daily newspaper.

Article 50. Transfer of parts of licensed areas

- 50.1 License holders may transfer parts of a licensed area to persons eligible to hold a particular type of license in accordance with Article 49 of this law. In this case the shape, size and orientation of the transferred and retained parts shall comply with the requirements of this law.
- 50.2 The transfer of a part of a licensed area shall be recorded with the State administrative body in accordance with the Article 49.6.1 of this law,
- 50.3 The application for recording the transfer of a part of a licensed area shall contain a description of the land and the description shall contain the information required by Article 17 and 24 of this law and attach the payment receipt of the application processing fee with the application.
- 50.4 The State administrative body shall verify and confirm that the transferred area lies entirely within the boundaries of the licensed area covered by the transferor's license.
- 50.5 The State administrative body shall implement the registration specified in Article 50.2 of this law by the following procedure:

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- 50.5.1 Record the location and coordinates of the transferred and retained parts of the licensed area in the register of licenses and in the cartographic license register
- 50.5.2 Make appropriate notation in the license certificate of the transferor
- 50.5.3 Issue the transferee a separate exploration and mining license for the area acquired through transfer.

50.6 The State administrative body shall notify the registration of the transfer of a part of licensed area to the professional Inspection Agency and the State administrative body in charge of taxation in accordance with Article 50.5 of this law.

Article 51, Pledges of licenses

- 51.1. To provide security for the financing of their investments and operations of a particular project, license holder can pledge their licenses to a bank or financial organization with the related documents such as the exploration work results, geological information, feasibility study report and properties which are permitted to pledge by law. A license alone shall not be a pledge item.
- 51.2. The license holder shall submit a copy of the pledge agreement, together with the license certificate and application, to the State administrative body.
- 51.3. Upon verification that the application for recording the pledge of the license complies with the terms and conditions specified in this law, the State administrative body shall record the pledge of the license and let the pledgee keep the license certificate. The record entry includes the registration number of the license, names and addresses of the holder and pledgee of the license.
- 51.4. Upon termination of the pledge agreement, the license holder shall submit an application to the State administrative together with the following documents:
 - 51.4.1. a Statement signed by the pledgee to the effect that the license holder has fulfilled its obligations under the pledge agreement;
 - 51.4.2. the pledged license certificate.
- 51.5. Upon receipt of the documents specified in Article 51.4 of this law, the State administrative body shall record the termination of the pledge.
- 51.6. The pledgee shall not assume the obligations under the license.
- 51.7. If the license holder fails to fulfill its obligations under the pledge agreement and the grounds of termination of the license had formed in accordance with the Articles 22 and 28 of this law, the State administrative body shall notify the pledgee and the pledgee has the right to first propose a transfer of the license to a person eligible to hold such a license.
- 51.8. The State administrative body shall notify the pledgee of the license expiry (14) fourteen days prior of such date. Within ten (10) days of receiving the notice, the pledgee shall deliver its proposal to transfer the license in accordance with the Article 51.7 of this law.

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

- 52.1. In the event the license holder fails to fulfill its obligations under the pledge agreement and the pledgee wishes to transfer the license to a person eligible to hold such a license, the pledgee, in accordance with Article 49 of this law, shall submit an application to the State administrative body. The following documents shall be attached to the application:
- 52.1.1. proposal of the pledgee submitted according to Article 51.7 of this law;
 - 52.1.2. confirmation by the transferee of the license that he has agreed to obtain the materials and properties to be pledged with the license specified in Article 51.1 of this law;
 - 52.1.3. certificate of the pledged license;
 - 52.1.4. document proving the eligibility of the transferee to hold a license in accordance with Article 7.1 of this law.
 - 52.1.5. confirmation by the transferee of its acceptance of rights and obligations that arise upon transfer of the license,
- 52.2. The State administrative body shall review the document mentioned in Article 52.1 of this law, and take a decision to record the transfer of the license.

CHAPTER EIGHT

TERMINATION OF EXPLORATION AND MINING LICENSES

Article 53. Grounds of termination of license 53.1. A. license shall be terminated in the following cases:

- 53.1.1 Expiration of the license term;
 - 53.1.2 Surrender by the license holder of the entire licensed area in accordance with the provisions of Article 54; or
 - 53.1.3 Revocation of the license by the State administrative body.
- 53.2 A license shall be terminated as to each and every part of a licensed area being surrendered by the license holder.
- 53.3 Upon termination of the license, the rights and obligations of the license holder under the license shall be deemed to be ceased, except the license holder's obligations with respect to environmental protection, reclamation and mine closure as provided in Articles 38, 39 and 45 of this law and other obligations pursuant to laws and legislations on environmental protection.
- 53.4 Upon termination of the license, the license holder shall return the license certificate to the State administrative body, and a new license may be issued for the area in accordance with the provisions of this law,
- 53.5 The ownership of buildings and structures, equipment and other property allowed to be left on the exploration or mining area in accordance with Article 45.1.3 of this law shall be determined in accordance with the provisions of the Civil law.

Article 54. Surrender the entire licensed area

- 54.1. A license holder may submit an application approved by the State administrative body to surrender the entire license area by its own will,
- 54.2. Evidences that the license holder has met the obligations under the law such as environmental protection and reporting and the requirements for mine closure shall be attached to the application for surrendering the entire licensed area,
- 54.3. Upon receipt of an application to surrender the entire licensed area, the State administrative body shall make appropriate changes to the license registration and cartographic registration, upon verifying whether the license holder has met the requirements mentioned in Article 54.2 of this law.
- 54.4. Upon surrender of the entire licensed area, the license certificate shall be retained to the State administrative body.
- 54.5. The State administrative body shall notify the relevant authorities of the surrender of the entire licensed area, and publicize it through daily newspaper.

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

Article 55. Surrender of part of the licensed area

- 55.1. A license holder may surrender part of the licensed area in accordance with this article of the law,
- 55.2. A license holder shall submit an application for surrender of part of the licensed area together with the description of the surrendered part in the form approved by the State administrative body. In the case of surrender of part of an exploration area, the description of the surrendered area shall meet the requirements of Article 17.2 of this law and in the case of surrender of part of a mining area the description of the surrendered area shall meet the requirements of Article 24.4 of this law.
- 55.3. The following documents shall be attached to an application for surrender of part of a licensed area.
- 55.3.1. the license certificate;
 - 55.3.2. certificate from the Governor and Environmental Inspection Agency of the relevant soua or district stating that the license holder has fulfilled the obligations of environmental protection plan for the surrendered area;
 - 55.3.3. a report described in Article 48.1.2 and 4S.6.3 of this law.
- 55.4. The area retained by the license holder after surrender of part of the licensed area shall meet the requirements of Article 17.2 and 24.4 of this law.
- 55.5. If the application for surrender of part of a licensed area meets the requirements of Articles 55.2-55.4 of this law the State administrative body shall register the application and enter appropriate notations on the license certificate, upon which it shall be deemed surrendered,
- 55.6. The State administrative body shall notify the surrender of a part of a licensed area to relevant bodies and publicize it through daily newspaper
- 55.7. The surrender of a part of a licensed area shall not entitle the license holder to a refund or discount of the license fees previously paid.
- 55.8. The license holder shall not have the right to resubmit application on the same area for 2 years after surrendering the licensed area.

Article 56. Revocation of licenses

56.1. The State administrative body shall revoke a license on the following grounds:

- 56.1,1. The license holder has failed to meet the requirements of Articles 7.2 and 31 of this law;

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- 56.1.2. The license holder has failed to pay the license fees within the specified period;
 - 56.1.3. An exploration or mining area has been designated as a special purpose land and the license holder has been fully compensated;
 - 56.1.4. The exploration cost of the particular year is lower than the minimum cost of exploration specified in Article 33 of this law;
 - 56.1.5. If the State central administrative body in charge of environmental issues has made conclusion according to the report of the local administrative bodies that the license holder had failed to fulfill its environmental reclamation duties.
- 56.2. Within five (5) working days following the determination of the existence of grounds for revocation of a license, the State administrative body shall notify the license holder. The notice shall specifically indicate the grounds for revocation of the license.
- 56.3. If the license holder disagrees with the grounds Stated in the notice specified in Article 56.2 of this law, the license holder shall submit documentary evidence to the State administrative body.
- 56.4. The State administrative body shall review the documents specified in article 56.3 of this law and if it determines that the documentary evidence submitted by the license holder does not establish invalidity of the grounds for revocation of the license, the license shall be revoked and the license holder notified accordingly.
- 56.5. The license holder shall have a right to file a complaint with the court if he/she does not accept the decision of revocation in accordance with the Article 56.4 of this law. The court shall not suspend the revocation decision according to the Article 46.1.3 of the Law on administrative case procedure;
- 56.6. If the license holder has filed a complaint with the court, no license shall be issued with respect to the license area until a valid court ruling has been made.
- 56.7. The State administrative body shall notify the professional inspection agency if an exploration license is revoked and the State administrative body in charge of taxation if a mining license is revoked and publicize it through daily newspaper.

CHAPTER NINE

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

Article 57. Access to minerals related information and reports

- 57.1. Any interested person shall have a right to have access to the register of licenses, and the cartographic register of licenses during office hours in specially designated rooms.
- 57.2. State administrative body, upon license holder's request, shall treat reports of exploration work, information with respect to mine operations and feasibility studies prepared by a license holder as the license holder's confidential information during the valid period of the license. The license holder may conclude confidentiality agreement with the State administrative body when they hand over information and reports.
- 57.3. Information classified as confidential pursuant to Article 57.2 of this law shall not be disclosed, published or disseminated except for pursuant to provisions and procedures established in the Law on State secrets, the Law on Organization secrets, and the Law on Private secrets.
- 57.4. State central administrative bodies in charge of environmental and geology and mining issues shall publicize and disseminate electronic copies of information on environmental impact assessment, environmental protection plan and report, information about hazardous chemicals and other substances that may impose negative effect on human health and environment.

Article 58. Distribution of royalty revenues

- 58.1. All royalty payments shall be deposited in the central and local budget.
- 58.2. The royalty payment shall be distributed as follows: 10% in the budget of the soum or district, 20% in the budget of the Aimag or capital and 70% in the State budget. The amount of royalty payment to local areas shall not exceed the annual budget of the soum, district, aimag or capital.
- 58.3. Up to 30% of the royalty payment paid to State budget shall be distributed to geology and mining sector.
- 58.4. The Government shall approve the procedure to pay, distribute and dispose of the royalty payment.

Article 59. Distribution of license fees

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

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

59.3 The Government shall approve the procedures to pay, distribute and dispose of the license fees.

Article 60. Reimbursement of mineral deposits exploration of which was financed from the State budget

60.1. A license holder who is extracting minerals from any deposit exploration and reserve of which was done and determined with State budget and was registered in State integrated registration, shall reimburse the exploration expenses to the State budget by entering into an agreement and recognizing the start of mining.

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

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

60.4. An exploration license shall not be granted for a deposit, of which the exploration and reserve was done and determined by State budget and is registered in State integrated registration.

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

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

60.7. If the annual reimbursement is not paid on time as in reimbursement agreement, a penalty equal to 0.1% of total amount due shall be imposed on each exceeding day,

60.8. The government shall approve the procedure for reimbursement and amount of reimbursement.

60.9. If the reimbursement and the penalty mentioned in the Article 60.1 and 60.7 of this law are not paid within the thirty (30) days after the receipt of a notice of State

administrative body regarding the breach of reimbursement agreement, the license shall be revoked and tender bid shall be announced.

Article 61. Specifics of mining industry finance and accounting

- 61.1. All costs incurred for exploration, and all expenses incurred in preparing a mine site for production, shall be amortized on a straight line basis over a period of five (5) years commencing with the tax year in which production from the mine commences.
- 61.2. The costs of acquisition of a license, either directly or by transfer, shall be amortized on a straight line basis over the term of the license.
- 61.3. Fixed assets used in mining operations shall be depreciated on a straight line basis.
- 61.4. A loss incurred in any tax year may be deducted from taxable income during the two (2) tax years following the year in which the loss was incurred.
- 61.5. All costs incurred in developing industrial and social infrastructure shall be depreciated on a straight line basis over the useful lives of the facilities constructed. All costs of maintaining and operating such infrastructure facilities shall be expensed in that particular year.
- 61.6. Costs of absolutely necessary maintenance incurred in connection with mining operations shall be included in the operation cost.
- 61.7. State central administrative body in charge of finance shall adopt regulations implementing Articles 61.1 through 61.6.

CHAPTER TEN

RESOLUTION OF DISPUTES ARISING IN CONNECTION WITH LICENSES

Article 62, Resolution of boundary disputes

- 62.1. Boundary disputes between or among license holders shall be resolved by the State administrative body.
- 62.2. The State administrative body shall give all parties involved in the dispute an opportunity to present their position and arguments in writing.
- 62.3. The State administrative body shall verify if there is an overlap between disputed areas in the register of licenses and the cartographic register of licenses. If there is an overlap, it shall determine, based on the original applications and reports of field surveys, whether the coordinates and boundaries of the area were correctly recorded.
- 62.4. If, as a result of a field survey, an overlap is confirmed, the State administrative body shall modify the area covered by the more recently granted license and eliminate the overlap.
- 62.5. The State administrative body shall have disputed boundaries of a licensed area surveyed and established by an accredited professional geodesic surveyor and any costs and loss relating thereto shall be paid for by the party shown to be wrong,
- 62.6. The State administrative body shall verify the disputed boundaries, make decisions on relevant modifications, and notify the parties to the dispute accordingly.
- 62.7. If the parties to the dispute disagree with the decision of the State administrative body, they may file a complaint with the court.

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

- 63.1. Land access, rights of passage, and land use disputes between or among license holders and land owners or land users, shall be resolved in accordance with the provisions of the Land law, the Civil law and other relevant laws.

Article 64. Filing of complaints to State bodies

- 64.1 Where any actions or failures to act by civil servants or State administrative bodies have prevented the exercise by license holders of rights conferred upon them hereunder, such citizens or legal persons may file a complaint with respect thereto with relevant senior officials, State bodies or courts.

Article 65, Resolution of disputes arising out of an investment agreement

65,1 Any disputes arising out of an investment agreement according to Articles 29 and 30 of this law shall be resolved in accordance with the laws and international treaties of Mongolia.

CHAPTER ELEVEN

LIABILITIES

Article 66, Liabilities for breach of legislation

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

66.1.1. If any person has conducted exploration or mining activities or sold minerals without holding a mineral license, all income or products derived from such activities shall be confiscated by the State and the official shall be imposed a fine of from 500000 to 1000000 tugrugs.

66.1.2. In the case of the non-timely submission of Statements set forth in Article 48 of this law or the submission of false Statements, the official shall be imposed a fine of 100,000 to 500,000 tugrugs and legal person shall be imposed a fine of from 500000 to 1000000 tugrugs.

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

[a)] with respect to citizens, from 100000 to 300000 tugrugs [b)]
with respect to officials, from 500000 to 1000000 tugrugs [c)] with
respect to legal entities from 1000000 to 2000000 tugrugs.

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

a) with respect to official, from 100000 to 500000 tugrugs
b) with respect to legal person, from 500000 to 1000000 tugrugs

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

a) with respect to officials, from 200000 to 500000 tugrugs
b) with respect to business entities from 500000 to 1000000 tugrugs

66.1.6. If an official fails to comply with the regulations with respect the assaying and registration of precious metals and gemstones as provided by this law shall be fined from 100,000 to 250,000 tugrugs, and in case of legal person, such penalty shall be from 1000000 to 2000000 tugrugs.

- 66.1.7. Where a mining license holder has intentionally reduced the volume or amount of minerals extracted, or has intentionally reduced sales revenue by intentionally reducing the sales price by entering into a fictitious contract, or by selling the product at an unfair price, such license holder shall be fined from 100,000 to 250,000 tugrugs and the amount by which the revenue has been understated shall be paid by such license holder to the State treasury.
- 66.1.8. The official who destroyed the primary material, probe and sample deliberately, shall be fined from 200000 to 500000 tugrugs and the legal person shall be fined from 500000 to 1000000 tugrugs,
- 66.2. A court may impose a fine of 200000 to 300000 tugrugs on any person who intentionally prevents an authorized official from performing his or her duties in the course of an inspection.
- 66.3 Where a license holder continues to violate laws with respect to environmental protection, mine operation safety regulations, or the provisions of its environmental protection plan, the exploration and mining activities of such a holder shall be suspended an authorized state inspector for up to 2 months, and if such deficiencies are not eliminated within this period, the exploration activities of the license holder shall be terminated or, in the case of an operating mine, the mine shall be closed.
- 66.4 If a mining license holder causes serious damage to the environment, fauna and human health because of the failure of implementation of safety rules and technological regime while using toxic chemicals and substances for its operations, the license shall be revoked in accordance with the Article 56 of this law and no license shall be issued for the guilty party for the next 20 years.

PARLIAMENT SPEAKER

TS. NYAMDORJ