LAW OF MONGOLIA
ON MINERALS
(REVISED)

July 8, 2006

State Palace. Ulaanbaatar city

CHAPTER ONE
General provisions

Article 1. Purpose of the Law

1.1. The purpose of this Law is to regulate the relations with respect to prospecting, exploration and mining of minerals on the territory of Mongolia and protection of exploration area and mining claim environment.

(This section was amended by the law dated 8 January 2009)

Article 2. Legislation on minerals

2.1. Legislation on minerals shall consist of the Constitution of Mongolia1, the Land Law2, Subsoil Law3, Environmental Protection Law4, National Security Law5, Investment Law, this Law and other legislation which is consistent with those laws.

(This section was added by the law dated 17 May 2012)

(This section was added by the law dated 3 October 2013)

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

Article 3. Scope of the Law

3.1. This Law shall regulate the relations with respect to prospecting, exploration and mining of all types of minerals other than water, petroleum, natural gas, radioactive and widely available minerals.

(This section was amended by the law dated 16 July 2009)

(This section was added by the law dated 9 January 2014)

3.2. Relations with respect to exploitation of minerals from micro mines shall be regulated by procedures and such procedures shall be approved by the Government.

(This section was re-edited by the law dated 1 July 2010)

3.3. Relations with respect to exploration and mining of widely available minerals shall be regulated by a dedicated law.
Article 4. Definitions of terms

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

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

4.1.2. “radioactive minerals” means mineral concentration containing uranium and radioactive isotope of thorium colony;

4.1.3. “reconnaissance” means a geological survey conducted through taking of rock samples without disturbing subsoil, utilization of primary geological and mineral data and performing of geological mapping for the purpose of determining the existence of minerals;

4.1.4. ”geological survey to be conducted by the State fund” means geological mapping, thematic survey, geological prospecting and exploration activities to be conducted by the State fund;

4.1.5. ”mineral prospecting” means a geological survey whose purpose is determining the existence of mineral concentration in area with prospects of minerals;

4.1.6. ”mineral exploration” means geological and exploration survey conducted on the surface of and in the subsoil of the land for the purpose of identifying the location and amount and volume of mineral concentration in detail and feasibility study conducted for exploitation of its reserve and resource;

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

4.1.8. ”minimum cost of exploration” means an obligatory minimum expenditure to be spent for exploration work in each year;
4.1.9. "mineral deposit" means mineral concentration that has been formed on the surface of or in the subsoil of the land resulting from geological evolutionary processes, where the quality and reserves are economically feasible to mine by industrial means;

4.1.10. "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;

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

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

4.1.13. "special purpose land" means land taken at the national and local levels by a competent authority pursuant to Articles 17, 18 and 20 of the Land Law for special purposes where prospecting, exploration and mining activities are restricted or prohibited;

4.1.14. "reserve area" means an area previously allocated under exploration or mining license which is now taken under the State control by a decision of competent authority ceasing any prospecting, exploration or mining activities;

4.1.15. "exploration license" means a document granting the right to prospect or explore minerals as set forth in this Law;

4.1.16. "mining license" means a document granting the right to mine minerals as set forth in this Law;
4.1.17. ”exploration area” means the area allocated under a license as provided in Clause 4.1.15 of this Law;

/This provision and numbering of this provision was amended by the law dated 16 July 2009/

4.1.18. ”mining area” means the area allocated under a license as provided in Clause 4.1.16 of this Law;

/This provision and numbering of this provision was amended by the law dated 16 July 2009/

4.1.19. ”mining claim” means part of geological formation overlapping with mining area and where exploitation of minerals is to be conducted;

/Numbering of this provision was amended by the law dated 16 July 2009/

4.1.20. ”license fee” means the payment that a license holder makes as set forth in this Law in order to maintain the license effective;

/Numbering of this provision was amended by the law dated 16 July 2009/

4.1.21. ”license holder” means a legal entity which obtained the right to prospect, explore or mine minerals according to this Law or received by transfer such right in accordance with conditions and procedures as set forth in this Law;

/Numbering of this provision was amended by the law dated 16 July 2009/

4.1.22. ”legal entity” means a company or partnership set forth in Article 33.1 of the Civil Code of Mongolia.

/Numbering of this provision was amended by the law dated 16 July 2009/

4.1.23. “micro mining” means activities of citizens organized, in forms of unregistered partnership stipulated in Article 481.1 of the Civil Code, partnership stipulated in Article 35 and cooperative stipulated in Article 36.4 of the Civil Code, for the purpose of exploiting minerals in the areas of economically non-profitable deposit for industrial operation and derivative deposit formed by operational and technological wastes;

/This provision was added by the law dated 1 July 2010/

/This provision was re-edited by the law dated 1 July 2014/

4.1.24. “minerals resource” means a part of mineral concentration which its amount and volume, type, content, mineral composition and economical importance are not estimated in detail by geological mapping, thematic survey and prospecting and exploration activities;

/This provision was added by the law dated 1 July 2014/

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

/This provision was added by the law dated 1 July 2014/

4.1.26. “professional specialist, analyst” means a citizen who is authorized by non-governmental organization of geology and mining sector and has been nationally and internationally recognized.

/This provision was added by the law dated 1 July 2014/

Article 5. Ownership of minerals

5.1. Minerals naturally occurring on the surface of and in the subsoil of the land of Mongolia shall be the property of the State.

5.2. The State, as the owner, shall have the right to grant prospecting, exploration or mining license to other persons in accordance with conditions, requirements and procedures provided by this Law.

5.3. The percentage of the State ownership in a mineral deposit shall be established by an agreement on exploitation of the deposit where the reserves was determined through the State funded prospecting or exploration.

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

/This section was amended by the law dated 8 January 2009/

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

/This section was amended by the law dated 8 January 2009/

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

Article 6. Classification of mineral deposits

6.1. Mineral deposits are classified as following:

6.1.1. mineral deposits of strategic importance;

6.1.2. widely available mineral deposits;
6.1.3. common mineral deposits.

6.2. Mineral deposits set forth in Clause 6.1.1 of this Law shall refer to a deposit which meets the requirements specified in Clause 4.1.11 of the Law.

/This section was amended by the law dated 16 July 2009/

6.3. Abundant sediments and rock concentration that are available to be used as construction material are considered as widely available mineral deposits.

6.4. All mineral concentrations except as set forth in Articles 6.2 and 6.3 of this Law shall refer to common mineral deposits.

**Article 7. General requirements of a License holder and for conducting mineral prospecting, exploration and mining activities**

7.1. Exploration and mining licenses shall be granted to a legal entity duly established and operating under the laws of Mongolia and which is a taxpayer in Mongolia.

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

7.3. In case of other than exploiting minerals by micro mines, prospecting, exploration or mining of minerals without a license shall be prohibited. Mining or exploitation of natural colored stone and gemstone shall be conducted based on a license similar to common minerals.

/This section was amended by the law dated 1 July 2010/

/This section was re-edited by the law dated 1 July 2014/

7.4. One license shall be granted to one legal entity only.

7.5. Landowners or land possessors may use widely available minerals from their land for private and noncommercial purposes. A list of widely available minerals shall be approved by the Government.

/This section was considered as revoked by the law dated 16 January 2014/

7.6. If the State administrative body in charge of nuclear energy affairs delivers a notice to the State administrative body in charge of geological and mining affairs to organize tendering for granting licenses to prospect, explore and mine radioactive minerals according to the Law on Nuclear Energy, no mineral exploration and mining licenses shall be granted in the area during the period until such matter is resolved.

/This section was added by the law dated 16 July 2009/

**CHAPTER TWO**

*State regulation in minerals sector*

**Article 8. Powers of the State Great Hural**
8.1. The State Great Hural shall exercise the following powers in minerals affairs:

8.1.1. establish the State policy with respect to development of geology and mining sector;

8.1.2. exert control over works organized by the Government in relation to implementation of legislation on mineral prospecting, exploration and mining activities;

8.1.3. resolve matters concerning mineral prospecting, exploration and mining activities in state special protected area;

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

/This section was added by the law dated 1 July 2014/

8.1.5. restrict or prohibit mineral prospecting, exploration and mining activities on or granting of exploration and mining licenses for certain territories by submission of the Government or on its own initiative;

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

/This provision was considered as revoked by the law dated 1 July 2014/

8.1.7. determine the percentage of the State ownership of mineral deposits of strategic importance by considering the mineral amount registered with the integrated State reserves registry and the percentage as set forth in Articles 5.5 and 5.6 of this Law by submission of the Government or on its own initiative.

Article 9. Powers of the Government

9.1. The Government shall exercise the following powers in minerals affairs:

9.1.1. ensure implementation of legislation on mineral prospecting, exploration and mining activities;

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

9.1.3. resolve matters concerning mineral prospecting, exploration and mining in special purpose land except state special protected area;

9.1.4. submit proposals to the State Great Hural for including or removing particular mineral deposit in mineral deposits of strategic importance;

/This provision was added by the law dated 1 July 2014/
9.1.5. submit proposals to the State Great Hural for determining the percentage of the State ownership in mineral deposits of strategic importance;

9.1.6. resolve matters concerning source of investment to be made by Mongolia in a joint venture to exploit a mineral deposit of strategic importance;

9.1.7. resolve issues or submit proposals to the State Great Hural with respect to taking particular areas into reserves and for special purpose land;

9.1.8. participate in specific activities of mineral prospecting, exploration and mining through a legal entity with state ownership.

9.1.9. establish National geological institution;

/This provision was added by the law dated 1 July 2014/

9.1.10. approve template of contract as set forth in Article 42.1 of this Law;

/This provision was added by the law dated 1 July 2014/

9.1.11. define area for granting exploration license by coordinates based on opinion from State central administrative body in charge of geological and mining affairs, and inform to the public;

/This provision was added by the law dated 1 July 2014/

9.1.12. define boundaries of deposits of strategic importance;

/This provision was added by the law dated 1 July 2014/

9.1.13. when transferring licensed areas to the state ownership for purposes of ensuring national security, implementing large-scale projects that will impact on national economic and social development and taking the areas for special purpose, and resolving issues regarding compensation, a license may be granted from areas as specified in Articles 19.12 and 26.9 of this Law based on agreement with the license holder.

/This provision was added by the law dated 1 July 2014/

Article 10. Powers of State central administrative body

10.1. The State central administrative body in charge of geological and mining affairs shall exercise the following powers in minerals affairs:

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

10.1.2. upon authorization by the Government, approve the tendering procedures set forth in Articles 19.12, 20.1, 24.2 and 26.9 of this Law;
10.1.3. ensure enforcement of legislation on minerals and resolutions of the Government with respect to implementation of such legislation;

10.1.4. determine service fee rates for obtaining, extending or transferring a license, handing over a licensed area wholly or partially, having boundary disputes resolved and activities with respect to having exploration work plans, information and reports reviewed;

10.1.5. approve and clarify work plans, projects and budget of annual geological surveys to be conducted by the State fund and make a decision regarding receipt of results report;

  /This provision was re-edited by the law dated 1 July 2014/

10.1.6. approve procedures for financing and performing works for geological survey to be conducted by the State fund and assessing results of such works;

10.1.7. approve procedures with respect to mineral prospecting, exploration and mining activities, and develop and have product standards approved;

10.1.8. exert control over activities in relation to exploitation of mineral deposits of strategic importance;

10.1.9. establish Mineral resources professional council with members consisting of qualified specialists who have obligations to assess and make recommendations on work plans of geological surveys conducted on the territory of Mongolia and feasibility studies for mineral deposits mining and enriching plants and approve its charter and computation methods for works fee of experts;

  /This provision was re-edited by the law dated 1 July 2014/

10.1.10. ensure transparency in mineral exploration, mining, processing and selling activities.

  /This provision was added by the law dated 24 January 2014/

10.1.11. approve procedures for accepting mining, processing and enriching plants;

  /This provision was added by the law dated 1 July 2014/

10.1.12. approve requirements and procedures for operating enrichment plants;

  /This provision was added by the law dated 1 July 2014/

10.1.13. establish ad hoc policy council ensuring equality of representation of state organizations, investors, professional associations and non-governmental organizations with purposes of making recommendations on and supporting implementation of the State policy in mineral resources sector and approve its members and working procedures;

  /This provision was added by the law dated 1 July 2014/
10.1.14. approve procedures jointly with State central administrative body in charge of environment on reclamation and closure of a mine, processing plant and enrichment plant;

/This provision was added by the law dated 1 July 2014/

10.1.15. approve procedures for activities of carrying out geology, mining and minerals database;

/This provision was added by the law dated 1 July 2014/

10.1.16. approve procedures for granting rights for professional specialists and analysts of geology and mining sector by a professional non-governmental organization;

/This provision was added by the law dated 1 July 2014/

10.1.17. approve classification and guidelines of minerals resource and deposit reserves;

/This provision was added by the law dated 1 July 2014/

10.1.18. approve procedures for open reporting to the public of mineral resources, deposit reserves and exploration work results together with non-governmental organizations of geology and mining sector which have been nationally and internationally recognized.

/This provision was added by the law dated 1 July 2014/

**Article 11. Functions of State administrative body**

11.1. The State administrative body in charge of geological and mining affairs (hereinafter referred to as “the State administrative body”) shall exercise the following functions:

11.1.1. conduct regional geological, geochemical, hydro-geological mapping and geophysical surveys on the territory of Mongolia;

/This provision was considered as revoked by the law dated 1 July 2014/

11.1.2. research patterns of distribution and types of occurrences of minerals resource within the territory of Mongolia and the evaluation of such resources;

/This provision was considered as revoked by the law dated 1 July 2014/

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

/This provision was considered as revoked by the law dated 1 July 2014/

11.1.4. provide interested persons with all available geological and mining related information, including information provided by license holders as set forth in this Law, except for information classified as confidential;
11.1.5. establish and develop the national database of geology and minerals;

11.1.6. exert control over plans, reports and the minimum cost of exploration activity of an exploration license holder provided in this Law;

11.1.7. receive, register and resolve applications regarding minerals reconnaissance;

11.1.8. provide evaluation with respect to technology and equipment used in the mining industry and implement mining technology policy;

11.1.9. create a favorable investment environment for the mining sector and provide evaluation with respect to situations of the given period;

11.1.10. evaluate and conclude impact of the mining industry on economic and social sector of the country;

11.1.11. conduct research on prices of mining products and determine supply and demand and the prospects;

11.1.12. develop and implement proposals regarding the State policy on implementation of particular projects of the mining industry;

11.1.13. organize tendering to grant licenses in areas with mineral concentration discovered by the State fund and make conclusion to allocate areas for purposes of micro mines and widely available minerals;

11.1.14. exert unified control over activities related to exploration and mining licenses;

11.1.15. provide conditions to conduct activities, under the public control, regarding newly granting, re-granting, revoking, transferring and pledging exploration and mining licenses of all types of minerals other than radioactive minerals, returning and transferring areas partially or wholly;

11.1.16. receive, register and resolve applications regarding exploration and mining licenses for all types of minerals other than radioactive minerals;

11.1.17. keep registration of licenses;

11.1.18. keep cartographic registration of licenses;

11.1.19. grant exploration and mining licenses for all types of minerals other than radioactive and widely available minerals;
11.1.20. collect services fee and exploration and mining licenses payment of all types of minerals other than radioactive and widely available minerals;

11.1.21. review and resolve boundary disputes between license holders;

11.1.22. provide interested persons with possibility to review registration of licenses and its cartography, inform relevant organizations on and notify to the public of changes to such registration.

11.1.23. make conclusion whether selected land is restricted or prohibited to prospect, explore or mine minerals, or taken for special purpose or into reserves, and wholly or partially overlapped with valid licensed area by receiving a request from soum or district Governor as provided in Clause 12.1.5 of this Law and determine volume and boundary of the land.

11.1.24. keep registration of information regarding exploration and mining license holders who issued shares on the stock exchange;

11.1.25. determine area by coordinates which is available for granting minerals exploration license.

11.2. The State administrative body unit in charge of geological affairs shall be responsible for issues set forth in Clauses 11.1.1-11.1.7, unit in charge of mining affairs shall be liable for issues set forth in Clauses 11.1.8-11.1.12 and unit in charge of cadastral affairs shall be responsible for issues stipulated in Clauses 11.1.13-11.1.23 of this Article.

11.3. Professional inspection organization shall perform the State control for implementation of legislation on minerals and prospecting, exploration and mining activities for all types of minerals other than radioactive minerals.

Article 11¹. Functions of National geological institution

11¹.1. Mongolian National geological institution shall execute the following functions:
11.1.1. conduct geological, geophysical, geochemical, hydro-geological and geo-ecological mapping, research and analysis within the territory of Mongolia;

11.1.2. conduct research on distribution regularity of minerals and mineragenic research, and assess the prospects of mineral resources, within the territory of Mongolia;

11.1.3. establish a database on geology, mining and mineral resources and develop such database, provide information except classified as confidential for interested persons;

11.1.4. keep state unified registration of minerals, and register movement of resources.

/The above Article 11\textsuperscript{1} was added by the law dated 1 July 2014/

**Article 12. Powers of local administrative and self-governing bodies**

12.1. Local administrative and self-governing bodies shall exercise the following powers in minerals affairs:

12.1.1. organize fulfillment of decisions made by the Government in connection with legislation on minerals and its implementation within relevant territory;

12.1.2. permit exploitation of the licensed area for the purposes within its relevant territory and terminate it in case of violation;

12.1.3. exert control over fulfillment of obligations by license holders with respect to environmental protection, reclamation, health protection of population and payments for local budget;

12.1.4. make decisions on taking particular land for local special purpose according to grounds and procedures as provided in the Land Law.

12.1.5. request and have resolved by the State administrative body to have made conclusion as set forth in Clause 11.1.23 of this Law regarding selected land to be allocated for the purposes as provided in Clause 16.1.11 of the Land Law.

/This provision was added by the law dated 1 July 2010/

**Article 13. Taking areas into reserves**

13.1. Areas allocated by exploration and mining licenses may be taken into reserves according to a decision of the Government for the following purposes:

13.1.1. arrange registration of licenses;

13.1.2. resolve boundary disputes between license holders;

13.1.3. conduct geological survey, mineral prospecting and exploration activities through the State fund.
13.2. If area is taken into reserves as set forth in Article 13.1 of this Law, relevant decision shall be informed to the general public together with the following information:

13.2.1. name of aimag and soum where the reserve area is located;

13.2.2. coordinates of the reserve area;

13.2.3. purpose for reserving the area;

13.2.4. time period for which the area shall be reserved.

13.3. The State administrative body shall register the reserve area as set forth in Article 13.1 of this Law in the licensing and cartographic registration.

13.4. A reserve area as provided in Article 13.1 of this Law shall be released for the following grounds:

13.4.1. a decision by the Government to release the reserve area prior to expiration of the term;

13.4.2. expiration of the term for which the area was reserved;

13.4.3. after settlement of the circumstances set forth in Clauses 13.1.1-13.1.3 of this Law.

13.5. In case when the reserve area was released on the grounds set forth in Article 13.4 of this Law, a person who previously held exploration and mining licenses in the area shall have the preemptive right to continue to hold the area.

**Article 14. Special purpose land with restriction and prohibition on mineral prospecting, exploration and mining activities**

14.1. In the event that a competent authority makes a decision to take particular land for special purpose, the following information shall be delivered to the State administrative body within 10 business days after making the decision:

14.1.1. name of aimag and soum where the land taken for special purpose is located;

14.1.2. coordinates of the land taken for special purpose;

14.1.3. purpose for which the land was taken for special purpose;

14.1.4. time period of the land for special purpose.

14.2. Time period of particular land for special purpose shall not be less than 5 years.

14.3. The State administrative body shall register the land taken for special purpose in the licensing and cartographic registration.
14.4. If a license holder is unable to prospect, explore or mine minerals due to taking area allocated by valid exploration and mining licenses for special purpose in whole or in part, the organization that made the decision shall pay compensation to the license holder within one year.

/This section was amended by the law dated 1 July 2014/

14.5. Amount of compensation and payment term as specified in Article 14.4 of this Law shall be agreed and determined by the license holder and the organization that decided to take the land for special purpose and if the parties fail to reach an agreement, the amount of compensation and the payment term shall be determined by the State administrative body based on conclusion of an authorized independent person.

14.6. The license holder shall have the right to continue its activities if the compensation is not paid in due time as set forth in Article 14.5 of this Law.

14.7. Any dispute related to compensation determined in accordance with Article 14.5 of this Law shall be resolved by a court.

14.8. If time period of the land for special purpose expires according to Article 14.2 of this Law, the State administrative body shall inform on it to the general public and if a person, that previously held exploration and mining licenses, submits application within 1 month after such information then the license holder shall have the preemptive right to obtain the license.

14.9. When the person, who previously held the area based on exploration and mining licenses, continues to hold the released area as specified in Articles 13.5 and 14.8 of this Law, license term shall be extended by a period for which the area was taken for special purpose or into reserves.

/This section was added by the law dated 1 July 2014/

CHAPTER THREE
Mineral prospecting and exploration