



## High Level Overview

# Amendments to the *Minerals Law* (2006)

On 1 July 2014, the Mongolian Parliament passed the much anticipated *Law on the Amendments to the Mineral Law, (2014)* (the **Amendments**) amending the *Minerals Law, (2006)*.

Significantly, investors and other interested parties who have been waiting for the moratorium on the granting of new exploration licences and the transfer of existing ones to be lifted will be pleased. (The moratorium was in place since 2010.) Together with the passage of the Amendments, a separate law was passed repealing the statute imposing that moratorium has been repealed effective 1 July 2014.

Furthermore, the Amendments have scrapped pre-mining agreements going forward (whilst allowing for the preservation of existing ones), and extended the maximum term of exploration licences to 12 years with the introduction of a third three year extension. We expect that investors will see these changes as positive. In our view, security of tenure for up to 12 years for exploration licences is in line with global best practice in this regard.

Those who had been expecting the Amendments to introduce a competitive tendering process for the issuance of new exploration licences will be disappointed. The Amendments do not introduce this process, as had been expected in some quarters. In the absence of any changes, our view is that the status quo, direct applications on a first come first serve basis, will continue to apply to the issuance of new exploration licences.

Equally, those who had been hoping that the Amendments would operate to reinstate the 106 Licences that were revoked last year in connection with the former head of the Minerals and Resource Authority being found guilty of bribery, are likely to be disappointed. The Amendments do not stipulate any mechanism for providing redress to the affected licence holders, rather, on 4 July 2014, the Mongolian Parliament passed specific regulations regarding the retendering of those licences.

The *Amendments* do not impose restrictions on pledges or transfers of exploration licences as had been contemplated in earlier drafts, which will assist in fund raising and will stimulate a secondary market. Also contrary to earlier drafts (and international practice), the Amendments do not require relinquishment of the exploration licence area. That said, it is unclear whether the reduction of the maximum exploration licence area from 400,000 hectares to 150,000 hectares will require existing licence holders to relinquish area that is currently held.

Set out below is a high level overview of the material/noteworthy changes to the Minerals Law ushered in by the Amendments. We have also included a table in the Schedule attached to this note which sets out those changes in more detail together with other less significant changes.

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## Exploration licences

- The moratorium on the issuance of new exploration licences has been repealed. However, no competitive tender process has been introduced for granting new exploration licences. Previous iterations of the *Amendments* had proposed that a tender process would be introduced wherever there had been state funded exploration work over a grant area. However, the final adopted version of the *Amendments* have not introduced such a tender process.
- The maximum period for an exploration licence has been extended from 9 years to 12 years with the introduction of an option to extend the licence term for third, and final, term of 3 years. At the same time the ability to enter into pre-mining agreements (which historically could be used to delay the requirement to commence mining for up to 3 years) has been done away with.
- Annual fees for the 10th to 12th years of an exploration licence are US\$5 per hectare and the minimum expenditure is US\$10 per hectare.
- Maximum size of an exploration licence has been reduced to 150,000 hectares from 400,000 hectares.
- Whereas previous iterations of the *Amendments* had proposed:
  - a three year restriction on the transfer or pledge of newly issued exploration licences; and
  - the return of 10% of the area of an exploration licence after 3 years and 20% after 6 years,the final adopted version of the *Amendments* have dropped these proposals. As such, newly issued exploration licences will be immediately transferable, opening the door to a reactivated secondary market and, importantly for junior exploration companies there is no restriction on the use of these licences as security for capital raising. Contrary to international practice, there is no new requirement to periodically surrender any portion of the grant area, as had been expected.
- The Government, upon the recommendation of the Ministry of Mining, has been given the power to determine the co-ordinates of areas over which exploration licences may be granted. Also, MRAM has been given a duty to determine the co-ordinates of areas over which exploration licences may be granted. At this stage, we presume that a combination of these powers and duties will constitute the mechanism by which the surface area available for exploration and mining will be increased to 20% from the current 8% of Mongolia's territory – in accordance with comments attributed to the Prime Minister regarding the effect of the *Amendments*.
- No changes were made to the basis for determining the State's ownership of mineral deposits. Previous iterations of the *Amendments* had proposed that where State-funded exploration had taken place then the State's claim to ownership should be based on the *economic valuation* and profitability of the mineral deposit and not on the State's historical investment. The final adopted version of the *Amendments* made no changes to Art. 5.3 of the Minerals Law – so the status quo has been maintained.

## Mining licences

- The following additional obligations have been imposed on mining licence holders, they:
  - must supply products that have been mined, processed or semi-processed in preference to processing facilities operating in Mongolia at market price; and
  - must employ an employee to act as a liaison with MRAM regarding environmental rehabilitation and mine closure.
- The Amendments specifically address the overlapping obligations of licence holders with obligations under the Petroleum Law with regard to coal bed methane. They are obliged to notify the Petroleum Authority of Mongolia if methane is discovered during coal mining and are permitted to produce coal bed methane in accordance with the Petroleum Law.

## Preference for Mongolian employees, suppliers and customers

- Mining licence holders must ensure that 90% of their work force and the work force of any sub-contractor working at their mine is comprised of Mongolian nationals. It appears that the existing fine payable by a licence holder for non-compliance with this requirement (Art. 43.2) will now apply equally to any non-compliance by their subcontractor(s).
- Mining licence holders must preferentially:
  - procure goods and services and hire subcontractors from business entities which are registered, and paying taxes, in Mongolia; and

- supply products that have been semi-developed, concentrated or mined from the mining licence site to processing facilities operating in Mongolia at prevailing market prices.
- Previous iterations of the *Amendments* had imposed requirements for these suppliers to be majority Mongolian owned rather than merely registered and paying tax in Mongolia. This was criticised as being contrary to the *Investment Law*, (2013) that seeks to create an equal playing field for foreign and local investors.
- Previous iterations of the *Amendments* also contemplated a fine equal to the applicable royalty rate being levied on an licence holder which failed to procure services from registered Mongolian entities which paid tax in Mongolia. However, in the final adopted version of the *Amendments* this sanction has been dropped. At this stage there does not appear to be a special sanction for this type of breach of the Minerals Law, as had been expected.

## Dispute resolution

The *Amendments* limit the rights of recourse for licence holders who are prevented from exercising their rights as a result of actions or inactions by civil servants or State Administrative Agencies to administrative actions and claims in the administrative courts. We note, however, that the Administrative Law provides a civil right to claim damages for loss suffered as a result of actions of any administrative organisation or administrative officials.

## Feasibility studies, work plans and reports

- A feasibility study must now be submitted within 1 year of the date upon which the mining licence is granted and must:
  - state clearly how it will transport its mineral products and build requisite infrastructure; and
  - demonstrate the availability of capital required for mine rehabilitation;
- The time for work plans and reports to be submitted is amended as follows:
  - annual exploration work plans must be provided by 15 April each year;
  - an exploration work report must be submitted prior 15 February each year; and
  - the mining plan outlining the proposed production parameters for the following year must be submitted by 1 December of each year.

## Revocation of licences

- The *Amendments* have introduced a grace period of 30 days for the late payment of annual licence fees before a licence is revoked. During this period a late penalty of 0.3% of the annual licence fee, per day is payable.
- Where a licence is revoked it must be reissued by tender except where the revocation is because the licence holder has failed to pay licence fees on time (or spend the minimum expenditure).
- If a court annuls a decision to revoke a licence the licence term continues.
- Similarly, if a *special purpose area* or *reserved area* expires and the area is returned to a licence holder the term continues.

## Government, ministries and departments

- The *Amendments* give certain additional powers to the Government including:
  - establishment of a National Geology Office;
  - approving the contacts to be entered into by licence holders with local administrative bodies (i.e. Cooperation Agreements);
  - determining co-ordinates of areas available for exploration licences;
  - determine boundaries of strategic deposits; and
  - granting a new licence over a new licence area as compensation where the Government has taken a licence holders other licence on national security grounds or to undertake a major project.
- The *Amendments* give certain additional powers to the Ministry of Mining including:
  - establishment of a Minerals Professional Council;
  - regulate mine and mine processing plant commissioning;

- regulate mine processing plant operations; and
- approve the composition and supervision of an external professional association tasked with advising on and supporting the implementation of the State Mineral Sector Policy (which was adopted on 16 January 2014).
- MRAM functions are to be split between the newly created National Geology Office and the existing mining and cadastre departments. The *Amendments* give MRAM certain additional duties, including:
  - creation and maintenance of a register of licence holders that are listed on a stock exchange;
  - determining co-ordinates of areas available for exploration licences; and
  - creation of a *National Geology Office* which has duties including conducting geological, geophysical, geochemical, hydro geological and geo-ecological mapping, research and surveys, setting up a geological database and maintaining a Register of minerals.

## Other

- Otherwise the changes introduced by the *Amendments* are clarificatory in nature:
  - common minerals are excluded from the operation of the Minerals Law;
  - where a licence wholly overlaps with a *Special Purpose Area*, the affected licence holder must be reimbursed within 1 year of the decision by the competent agency;
  - verification of the exploration work expenditure by the State administrative agency is to be based on the conclusions of exploration specialists and third party audits.
- The deposit reports submitted by exploration licence holders in connection with their application for a mining licence must be from internationally recognised organisations appointed by the Minerals Professional Board.
- Monetary penalties for breach are determined by reference to the minimum wage.

Further details of these amendments are included in the Schedule.

## Schedule 1: Amendments to the *Minerals Law* (2006)

	<i>MINERALS LAW</i> (2006)	<i>AMENDMENTS</i> (2014)
1	<p>Art. 3 outlines the scope of the Minerals Law.</p> <p>Pursuant to Art. 3.1 the Minerals Law does not apply to water, petroleum and natural gas.</p> <p>Pursuant to Art. 3.2 the Minerals Law does not regulate artisanal mining or micro mines which are regulated by their own separate law.</p>	<p>New Art. 3.3 provides that the exploration and exploitation of 'common minerals' are not governed by the Minerals Law but are rather regulated by their own separate law.</p>
2	<p>Art. 4.1.12 defines a '<i>mineral deposit with strategic importance</i>' as a deposit whose scope may have a potential impact on national security, economic and social development of the country <i>at the national and regional levels</i> or that is producing or has a potential of producing more than five (5) percent of total Gross Domestic</p>	<p>Revised Art. 4.1.12 removes the previous reference to '<i>and regional levels</i>' from the definition of a '<i>mineral deposit with strategic importance</i>'.</p>



	MINERALS LAW (2006)	AMENDMENTS (2014)
	Product in a given year'.	
3	Art. 4 sets out the definitions used in the Minerals Law.	<p>The <i>Amendments</i> have revised certain defined terms in the Minerals Law. In summary:</p> <ul style="list-style-type: none"> <li>Revised Art. 4.1.7 now defines 'minerals exploitation' as follows: means minerals extraction from the earth's surface, subsoil, ore stockpile, wastes and natural water, mining, increasing, enriching its beneficial composition, product manufacturing, processing, selling and other related activities. Previously, there was no reference to 'processing';</li> <li>New Art. 4.1.12 defines 'mineral deposit of strategic importance' as follows: is a deposit that may have a potential impact on national security, economic and social development of the country or that is producing or has a potential to produce more than five (5) percent of total Gross Domestic Product in a given year;</li> <li>New Art. 4.1.23 defines 'conducting artisanal mining' as follows: the mining activities of individuals organised as a 'cooperative' as set forth in Article 36.4, a 'partnership' as set forth in Article 35 or as an 'unregistered partnership' as set forth in Article 481.1, of the Civil Code, involving a deposit where it is unprofitable to produce a mining plant or an area formed up by industrial waste;</li> <li>New Art 4.1.24 defines 'mineral wealth' as follows: means a mineral formation without detailed evaluation of its quantity, form, content, mineral composition and economic importance by geology mapping, thematic research, prospecting and exploration works;</li> <li>New Art 4.1.25 defines a 'mineral deposit reserve' as follows: means a part of a mineral resource where a detailed evaluation of its quantity, form, content, mineral composition and potential economic profitability by industrial exploitation under specified mining production and processing technology and mining conditions, has been determined by exploration activities; and</li> <li>New Art 4.1.26 defines a 'qualified specialist and analyst' as follows: means an individual who has been authorised by a domestically and internationally recognised non-governmental organisation in the geology and mining sector.</li> </ul>
4	Art. 7.3 prohibits prospecting, exploration and mining without a licence.	Revised Art. 7.3 clarifies this prohibition as follows: a licence is required for the collection or mining of natural gemstones and coloured stones but no licence is required for 'artisanal mining'.
5	Art. 8 sets out the powers of the State Great Khural regarding minerals.	<p>Art 8.1.4 has been revised to give the State Great Khural power to both include and exclude a particular mineral deposit as a 'mineral deposit of strategic importance'.</p> <p>Art. 8.1.6 has been deleted in its entirety. As a result the State Great Khural no longer has the power to establish a regulatory regime for radioactive minerals.</p>
6	Art. 9 sets out the powers of the Government regarding minerals.	<p>Art 9.1.4 has been revised to provide that the Government may submit proposals to the State Great Khural for both the inclusion and exclusion of a particular mineral deposit as a 'mineral deposit of strategic importance'.</p> <p>The Amendments provide the Government with certain new powers in relation to minerals. In summary:</p> <ul style="list-style-type: none"> <li>New Art. 9.1.9 gives Government the power to establish a 'National Geological Office';</li> <li>New Art. 9.1.10 gives the Government the power to approve the form of any 'Cooperation Agreement' which is required to be entered into under Art. 42.1 of the Minerals Law;</li> </ul>



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		<ul style="list-style-type: none"> <li>• New Art. 9.1.11 gives the Government the power to determine the coordinates of areas to be granted under an exploration licence based on proposals of the Central Administrative Organisation (Ministry of Mining) and municipal bodies and to announce these publicly;</li> <li>• New Art. 9.1.12 gives the Government the power to determine the boundaries of 'mineral deposits of strategic importance'; and</li> <li>• New Art 9.1.13 gives the Government the power to grant a licence to a licence holder in respect of those areas set forth in Art. 19.12 and Art. 26.9 through mutual agreement with the licence holder as a means of compensation where the Government has taken any area granted under a licence from that licence holder for the purpose of ensuring national security or to undertake major projects of economic or social development importance.</li> </ul>
7	<p>Art.10 sets out the <i>powers</i> of the State Central Administrative Agency in charge of geology and mining (the Ministry of Mining (MoM)).</p>	<p>MoM's power with regard to approving plans for state funded geological studies has been clarified by Revised Art. 10.1.5 which gives MoM the power to approve and amend the budgets, drafts and plans for annual geological survey works funded by the state and to issue a decision upon receiving report results.</p> <p>MoM's powers to establish a <i>Mineral Resource Commission (MRC)</i> are expanded by Revised Art. 10.1.9 which gives MoM the power to establish and approve the charter of the MRC which is to consist of specialized specialists whose remuneration will be calculated by MoM. The MRC is responsible for evaluating and providing recommendations on geological survey reports and feasibility studies of mineral resource deposits and enrichment plants within Mongolia.</p> <p>The <i>Amendments</i> provide MoM with certain new powers. In summary:</p> <ul style="list-style-type: none"> <li>• New Art. 10.1.11 gives MoM the power to approve regulations for the commissioning of mines and mine processing plants;</li> <li>• New Art.10.1.12 gives MoM the power to approve regulations for the operations of mine processing plants;</li> <li>• New Art. 10.1.13 gives MoM the power to establish, approve the membership, and regulate the functioning, of an external policy council ensuring equal representation of state administrative organisations, investors, professional associations and civil society with the purpose of advising and supporting the implementation of the State Minerals Sector Policy;</li> <li>• New Art. 10.1.14 gives MoM the power to jointly approve, with the Central Administrative Authority in charge of Environment (Ministry of Nature and Green Development), regulations for the rehabilitation and closure of mines and processing plants;</li> <li>• New Art 10.1.15 gives MoM the power to approve regulations for maintaining a geology, mining and minerals database;</li> <li>• New Art.10.1.16 gives MoM the power to approve regulations for the granting by non-governmental organizations of qualifications to experts and analysts of the geology and mining sector;</li> <li>• New Art. 10.1.17 gives MoM the power to approve the classification and guidelines for classification of resources of mineral wealth and mineral deposits; and</li> <li>• New Art. 10.1.18 gives MoM the power to jointly approve, with an internationally or nationally recognised geology and mining sector non-governmental organisation, regulations for the public reporting of mineral wealth and mineral deposit exploration works.</li> </ul>

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8	<p>Art. 11 sets out the <i>duties</i> of the State Administration Organisation (MRAM).</p> <p>Art. 11.2 splits the functions of the State administrative agency in charge of:</p> <ul style="list-style-type: none"> <li>• Geology (Art. 11.1.1 to Art. 11.1.7);</li> <li>• Mining (Art. 11.1.8 to Art. 11.1.12); and</li> <li>• Cadastre (Art. 11.1.13 to Art. 11.1.22).</li> </ul>	<p>Pursuant to the <i>Amendments</i> the functions of the geology unit of MRAM in Articles 11.1.1-11.1.5 will be functions of the '<i>National Geology Office</i>'.</p> <p>Art. 11.1.13 has been revised to include a duty on MRAM to <i>make a decision</i> on the grant area of mining licences for small scale mining and for common minerals.</p> <p>In addition the <i>Amendments</i> impose certain new duties upon MRAM. In summary:</p> <ul style="list-style-type: none"> <li>• New Art. 11.1.24 requires that MRAM must maintain a register of exploration and mining licence holders that are listed on a stock exchange; and</li> <li>• New Art 11.1.25 requires that MRAM must determine the co-ordinates of areas which are available for the grant of exploration licences.</li> </ul>
9		<p>The <i>Amendments</i> have deleted previous Art. 11.1 and Art. 11.1.1 to 11.1.4 in their entirety and replaced them. In summary:</p> <ul style="list-style-type: none"> <li>• New Art. 11<sup>1</sup>.1 provides for the creation of a new unit within MRAM, the '<i>National Geology Office</i>' (NGO) which has certain duties and responsibilities;</li> <li>• New Art. 11<sup>1</sup>.1.1 requires the NGO to conduct geological, geophysical, geochemical, hydro-geological and geo-ecological mapping, research and analysis within the territory of Mongolia;</li> <li>• New Art. 11<sup>1</sup>.1.2 requires the NGO to conduct research on the dispersion of minerals resources and minerageny research and assess the prospects of mineral resources within the territory of Mongolia;</li> <li>• New Art. 11<sup>1</sup>.1.3 requires the NGO to establish a database on geology, mining and mineral resources and provide information to interested parties, except where the information is classified as confidential; and</li> <li>• New Art. 11<sup>1</sup>.1.4 requires the NGO to maintain a state integrated register of mineral resources and to register movements of mineral resources.</li> </ul>
10	<p>Art. 14 deals with the determination of <i>special purpose areas</i> by a competent agency and the procedures for agreeing compensation payable to a licence holder where a <i>special purpose area</i> overlaps entirely with an exploration or mining licence.</p>	<p>Revised Art. 14.4 provides that any compensation which an authority is obliged to pay to a licence holder must now be paid '<i>within a year</i>'. Previously, there was no time frame for the payment of compensation.</p> <p>New Art. 14.9 provides that if a <i>special purpose area</i> or <i>reserved area</i> expires under Art. 14.8 or Art. 13.5 of the Minerals Law, respectively, and that area is returned to its previous mining or exploration licence holder, then the term of that licence shall be <i>extended</i> by a period equal to the time the area was used as a special purpose area or reserved area.</p>
11	<p>Art. 15.1 provides a right to conduct reconnaissance for minerals in territories already under licence without a licence provided the state is notified except in reserved areas and special purpose territories.</p>	<p>Revised Art. 15.1 removes the previous restriction on conducting reconnaissance on <i>reserved areas</i> and <i>special purpose territories</i>.</p>
12	<p>Art. 17 sets out the requirements for obtaining an exploration licence.</p>	<p>Revised Art. 17.4 reduces the maximum size of an exploration licence from 400,000 hectares to 150,000 hectares.</p>



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13	Art. 18 and Art. 25 set out the procedures and requirements for submitting applications for an exploration licence and a mining licence, respectively.	Revised Art. 18.2.1 and revised Art 25.1.1 now require the provision of an applicant's email address potentially opening the way for correspondence, relating to an exploration licence or mining licence application, to be conducted by way of e-mail.
14	Art. 20 sets out the procedures for the granting of an exploration licence through tender where a licence has been revoked in any of the circumstances contemplated by Art. 56.	<p>Revised Art. 20.1 expands the existing tender requirements to include circumstances where a licence has terminated due to the expiry of its term (Art. 53.1.1 ).</p> <p>At the same time it narrows the cross-reference from all of Art.56 to only Art. 56.1.3 to Art.56.1.5.</p> <p>Following the Amendments the fresh tender procedures will only apply where a licence is revoked due to: (i) the designation of a special purpose territory (Art. 56.1.3); (ii) a failure to satisfy minimum expenditure requirements (Art. 56.1.4); or (iii) a failure to fulfil environmental reclamation duties (Art. 56.1.5).</p> <p>This suggests that an exploration licence will not be freshly tendered in circumstances where the licence is revoked because: (i) the licence holder is not a Mongolian Incorporated Company (Art. 7.2); or (ii) the licence holder fails to pay its licence fees on time (Art. 32).</p>
15	Art. 21.1.5 provides for two 3-year extensions of the term of an exploration licence.	<p>Revised Art. 21.1.5 now provides for three 3-year extensions of the terms of an exploration licence.</p> <p>This new third 3-year extension effectively replaces the pre-mining period.</p>
16	Art. 23 dealt with pre-mining agreements for the period of up to 3 years following exploration and registration of a mineral reserve deposit but prior to the commencement of actual mining.	<p>Art. 23 has been repealed in its entirety.</p> <p>However a separate law, <i>The Procedural Law of Adherence to the Law of Amendments to the Mineral Law</i>, (2014) was also adopted by the Mongolian parliament on 1 July 2014.</p> <p>In terms of this law any pre-existing pre-mining agreement must be registered anew within 6 months of the passage of the legislation following which they will be preserved on their current terms (i.e. they will run their full term – up to a maximum of 3 years).</p>
17	<p>Art. 27 sets out the rights and obligations of mining licence holders.</p> <p>Art. 27.1.3 provides a mining licence holder with the right to sell mineral products and minerals extracted from the minerals claim at international market prices on foreign markets.</p>	<p>Revised Art. 27.1.4 expands the right to sell mineral products and minerals from mining licence holders, exclusively, to include any other legal entity which is 'authorised to export'. It also removes the reference to 'from the minerals claim'.</p> <p>This revision appears to permit the sale of mineral products by legal entities (other than mining licence holders) who have an export licence. It may also potentially permit mining licence holders to sell mineral products which they have not extracted from their own mineral claims (i.e. mineral products from the mineral claims of other holders) – but we need to consider the drafting and translation of this provision further.</p> <p>Pursuant to the Amendments certain further rights and obligations now apply to mining licence holders. In summary:</p> <ul style="list-style-type: none"> <li>• New Art. 27.1.12 requires that a mining licence holder's feasibility study must state clearly how it will transport its mineral products and build infrastructure and demonstrate the availability of capital required for mine rehabilitation and closure; and</li> <li>• New Art. 27.1.13 requires that a mining licence holder must employ an employee who is responsible to regularly inform MRAM on environmental rehabilitation and mine closure.</li> </ul>



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18	Art.32 sets out the annual fees payable by exploration licence holders.	Revised Art. 32.2 now includes an annual fee of US\$5 per hectare which is payable for each of the tenth to twelfth years of an exploration licence.
19	Art. 33 sets out the minimum exploration expenditure requirements for exploration licence holders.	New Art. 33.1.4 now requires an exploration licence holder to undertake minimum reconnaissance and exploration expenditure of US\$10 per hectare for each of the tenth to twelfth years of an exploration licence.
20	Art. 34 provides for payment of annual licence fees.	New Art. 34.6 provides that a 'delay penalty' of 0.3% of the current annual payment shall be imposed per day where a licence holder fails to make payment of any licence fee within the period set forth in Art. 34.2 of the Minerals Law.  New Art. 34.7 provides that a licence shall be terminated in accordance with Art. 56 of the Minerals Law if the delay in making payment of the licence fee is greater than 30 days.
21	Art. 35 sets out the obligations of mining licence holders.	The Amendments impose certain additional obligations on mining licence holders. In summary: <ul style="list-style-type: none"> <li>• New Art 35.7 requires licence holders to notify the Petroleum Authority of Mongolia if it exposes methane during coal mining;</li> <li>• New Art 35.8 allows licence holders to produce coal bed methane in accordance with the Petroleum Law if methane is exposed during coal mining in accordance with Art 35.7;</li> <li>• New Art. 35.9 requires mining licence holders to give preference to business entities registered in and paying taxes in Mongolia for the procurement of goods and services or hiring of subcontractors;</li> <li>• New Art. 35.10 requires mining licence holders to notify the MoM of any stoppage in mining development or mine plant and processing operations due to a technical accident and delay, force majeure, court order, the act of a state inspector or 'other reasons';</li> <li>• New Art. 35.11 requires that mining licence holders give preferential supply of mined, processed or half-processed products to processing plants operating within the territory of Mongolia - at prevailing market prices; and</li> <li>• New Art. 35.12 requires a minerals licence holder to notify MRAM of any change to its address, e-mail, phone or fax number within 14 days of such change.</li> </ul>
22	Art. 43 requires mining licence holders to employ 90% Mongolians.	Revised Art. 43.1 now requires all that subcontractors engaged by a mining licence holder also employ 90% Mongolian (in addition to the 90% Mongolians employed by the mining licence holder itself).
23	Art. 45 sets out the obligations of a mining licence holder upon the closure of a mine.	Revised Art. 45.1 now requires that in addition to notifying the state central administrative body of a proposed mine closure at least one year in advance a mining licence holder must also do proper preparation work under the procedures stipulated in Art. 10.1.14 of the Minerals Law'.
24	Art. 48 deals with the submission, by licence holders, of information and reports and outlines the reports a licence holder is required to submit each year and the deadlines by when such reports must be submitted.  Art. 48.1.1. requires that an	The Amendments have modified the content and timing requirements relating to the preparation and submission of various plans and reports by licence holders. In summary:  Revised Art. 48.1.1 clarifies that following the initial exploration activity plan subsequent plans must be submitted by 15 April of each year;  Revised Art. 48.1.2 clarifies that an annual exploration report in respect of each year, prepared in a form approved by the state administrative body, must be submitted prior

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	<p>exploration activity plan must be submitted within thirty (30) days after the grant of an exploration licence.</p> <p>Art. 48.3 requires the exploration licence holder to submit to the State administrative agency an integrated report on deposit reserves, the results of prospecting and exploration work as required along with the original materials before the expiration of the licence.</p> <p>Art. 48.4. provides that the State administrative agency will accept the estimate of ore reserves submitted in the final report set forth in Article 48.3 after receiving an opinion from a qualified expert and shall include the ore reserves into the national registry of reserves.</p> <p>Art. 48.6. requires that a mining licence holder must submit the following information and reports to the State administrative agency:</p> <ul style="list-style-type: none"> <li>• Art. 48.6.1 a feasibility study on the development of the deposit within sixty (60) days of obtaining a mining licence;</li> <li>• Art. 48.6.2 estimation data on the next year's production on an approved form not later than September of every year;</li> <li>• Art. 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.</li> </ul>	<p>to 15 February of the following year;</p> <p>Revised Art. 48.3 clarifies that prior to the expiration of its licence an exploration licence holder must submit a report to the state administrative body of its exploration results, prepared in accordance with regulations on minerals exploration, mineral resources and reserve classification for a minerals deposit licence, together with the conclusion of a specialist;</p> <p>Revised Art. 48.4 clarifies that the state administrative body must appoint an authorised expert of the Minerals Professional Council to review any report specified in Art. 48.3 and any feasibility study referred to in Art. 48.6.1 of the Minerals Law and on the basis of the conclusions of such expert, the state administrative body shall pass a resolution to register such reserve in the state unified database;</p> <p>Revised Art. 48.6.1 now requires that a feasibility study for the exploitation of a deposit must be submitted within 1 year following the grant of the mining licence;</p> <p>Revised Art. 48.6.2 now requires that the mining plan outlining the proposed production parameters for the following year must be submitted by 1 December each year;</p> <p>Revised Art. 48.6.3 now requires that mining exploration on the mining licence area for upgrading reserve classification must be performed each year and the exploration work plan and yearly and exploration work reports must be submitted within the period specified in Art. 48.1.2; and</p> <p>New Art. 48.12 requires that any activities relating to the preparation of exploration work reports under Art.48.3 and feasibility studies under Art. 48.6.1 of the Minerals Law must be performed by a qualified specialist or authorised legal entity and that such party must make an independent conclusion.</p>
25	<p>Art. 56 sets out the grounds upon which a licence may be revoked.</p>	<p>The Amendments makes certain changes to the grounds for, and process of, revoking a licence. In summary:</p> <ul style="list-style-type: none"> <li>• Revised Art. 56.1.2 now clarifies that it is failure to pay the licence fees stipulated under Art. 34.7 that will result in the revocation of a licence;</li> <li>• Revised Art. 56.2 now clarifies that MRAM is required to notify the licence holder within 10 days (previously it was 5 days) following the determination of a ground to</li> </ul>

	<b>MINERALS LAW (2006)</b>	<b>AMENDMENTS (2014)</b>
		<p>revoke a licence;</p> <ul style="list-style-type: none"> <li>Revised Art. 56.7 now requires that a specialised inspection authority, in addition to the state administrative agency in charge of taxation, also be notified upon the revocation of a mining licence; and</li> <li>New Art. 56.8 provides that a licence term will resume to be counted following the date of an effective court order invalidating any decision to revoke that licence based on those grounds set forth in Art. 56.1 of the Minerals Law.</li> </ul>
26	<p>Art. 64 provides citizens and legal entities with avenues to make complaints regarding the actions or omissions of civil servants and state administrative agencies in cases where a licence holder's rights have been adversely affected.</p>	<p>Revised Art. 64.1 has been amended to limit recourse to administrative law courts only and not other types of courts.</p> <p>As previously, complaints may still also be made to relevant state officials and state agencies.</p>
27	<p>Art. 66 sets out the monetary fines for non-criminal breaches of the Minerals Law.</p>	<p>Under the revisions to Art.66 the monetary fines payable for breaching the Minerals Law have been changed from a specified MNT amount to a multiple of the Mongolian minimum wage, from time to time.</p> <p>Currently the minimum wage is 192,000 MNT. Following the Amendments to Art. 66 the minimum fine is now 5 to 10 times the minimum wage and the maximum fine is now 30 to 50 times the minimum wage. In summary:</p> <ul style="list-style-type: none"> <li>Revised Art. 66.1.1 now provides for a fine of 30 to 50 times the minimum wage;</li> <li>Revised Art. 66.1.2 now provides that where there is a failure to submit any information, plan or mining activity report specified in Art. 48 of the Minerals Law or where false information is submitted an offending officer will be liable to a fine of 10 to 20 times the minimum wage and an offending legal entity will be liable for fine of 30 to 50 times the minimum wage;</li> <li>Revised Art. 66.1.3(a), (b) and (c) now provide for fines of 5 to 10 times, 10 to 20 times and 30 to 50 times the minimum wage, respectively;</li> <li>Revised Art. 66.1.4(a) and (b) now provide for fines of 10 to 20 times and 30 to 50 times the minimum wage, respectively;</li> <li>Revised Art. 66.1.5(a) and (b) now provide for fines of 10 to 20 times and 30 to 50 times the minimum wage, respectively;</li> <li>Revised Art. 66.1.6 now provides for a fine of 30 to 50 times the minimum wage;</li> <li>Revised Art. 66.1.7 now provides for a fine of 10 to 20 times the minimum wage;</li> <li>Revised Art. 66.1.8 now provides for a fine of 20 to 40 times the minimum wage;</li> <li>Revised Art. 66.1.9(a) and (b) now provide for fines of 10 to 20 times and 30 to 40 times the minimum wage, respectively; and</li> <li>Revised Art. 66.2 now provides for a fine of 10 to 20 times the minimum wage.</li> </ul>

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