



Government of Mongolia

# The Minerals Sector of Mongolia: Challenges and Solutions

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2023.01.23



## Challenges in the Minerals Sector of Mongolia

**Current laws in force have conflicts, gaps and overlappings**

**Exploration licenses are issued on basis of competitive selection**

**Royalty and Progressive Royalty are both imposed**

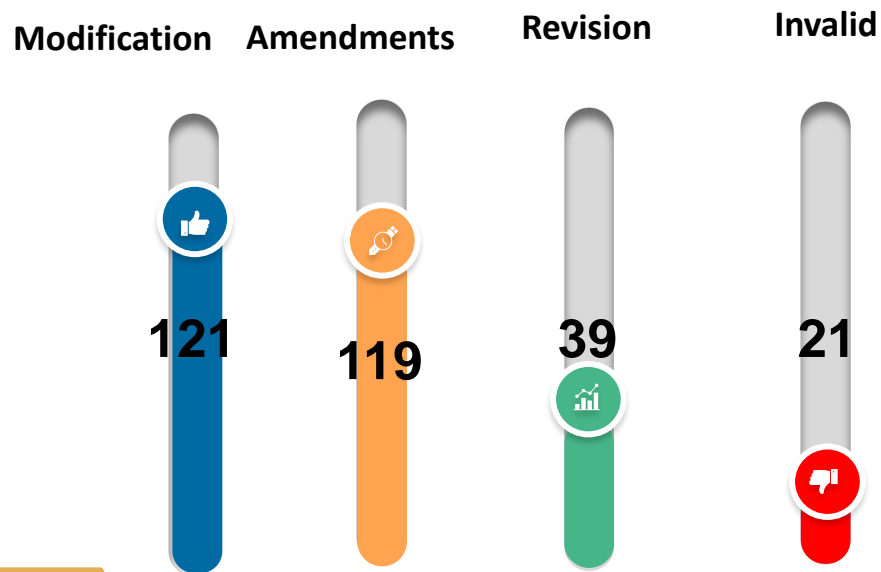
**The anti-mining perception by local community in the mining project area**

**Investment environment is not sustainable**

# Current laws in force have conflicts, gaps and overlappings

## Concepts of the revised draft law on minerals

**Fundamental concepts of the Law on Minerals have been changed with several modifications and amendments.** (53 articles out of 66 or 80.3% have been modified, 5 were amended, and 8 have been invalidated.)

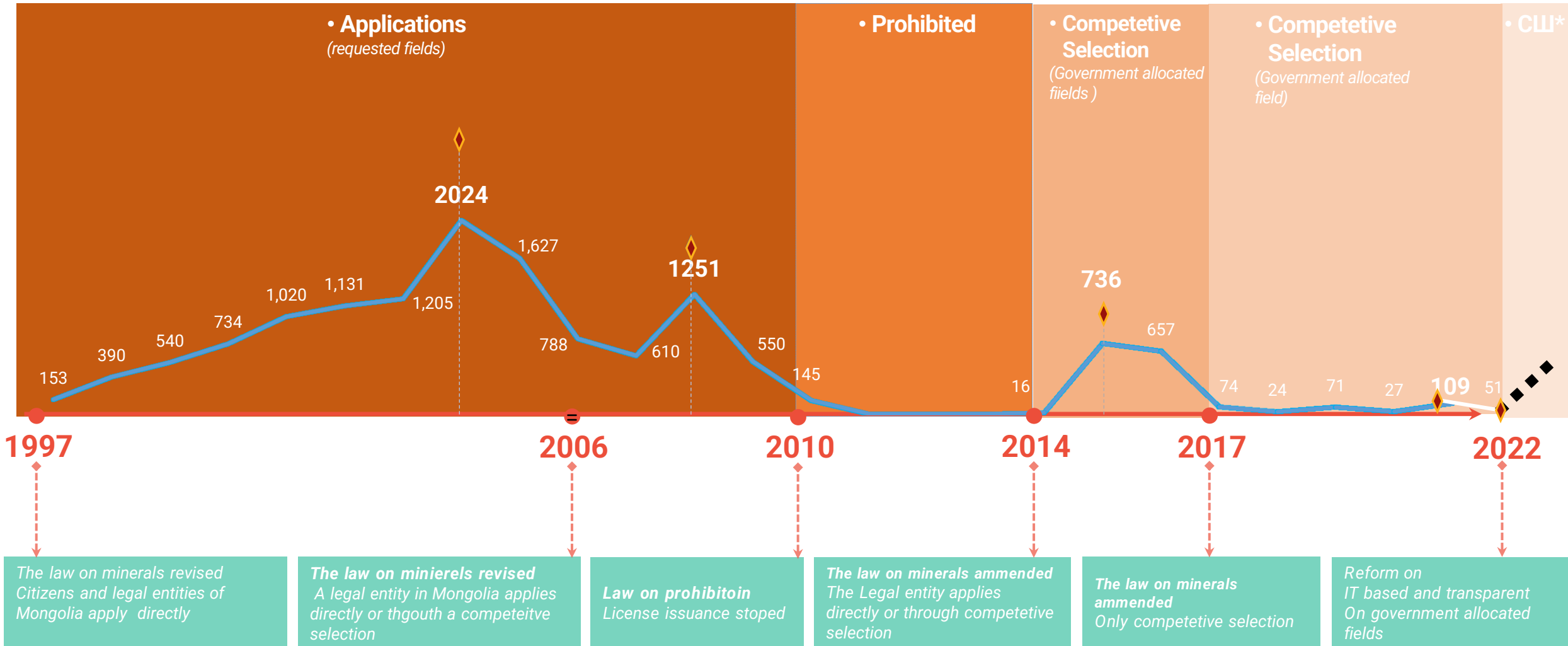


**Conflicts, gaps and overlappings in the law of the mineral sector**  
 (By the order of the Ministry of Justice and Home Affairs A/67 from 2017, 10 laws of mineral sectors have been reviewed and the following issues have been identified)



# Exploration licenses are issued on basis of competitive selection

## Legal aspects for the issuing of exploration licenses (1997-2022)



The law on minerals revised  
Citizens and legal entities of Mongolia apply directly

The law on minerals revised  
A legal entity in Mongolia applies directly or through a competitive selection

Law on prohibitoin  
License issuance stoped

The law on minerals ammended  
The Legal entity applies directly or through competitive selection

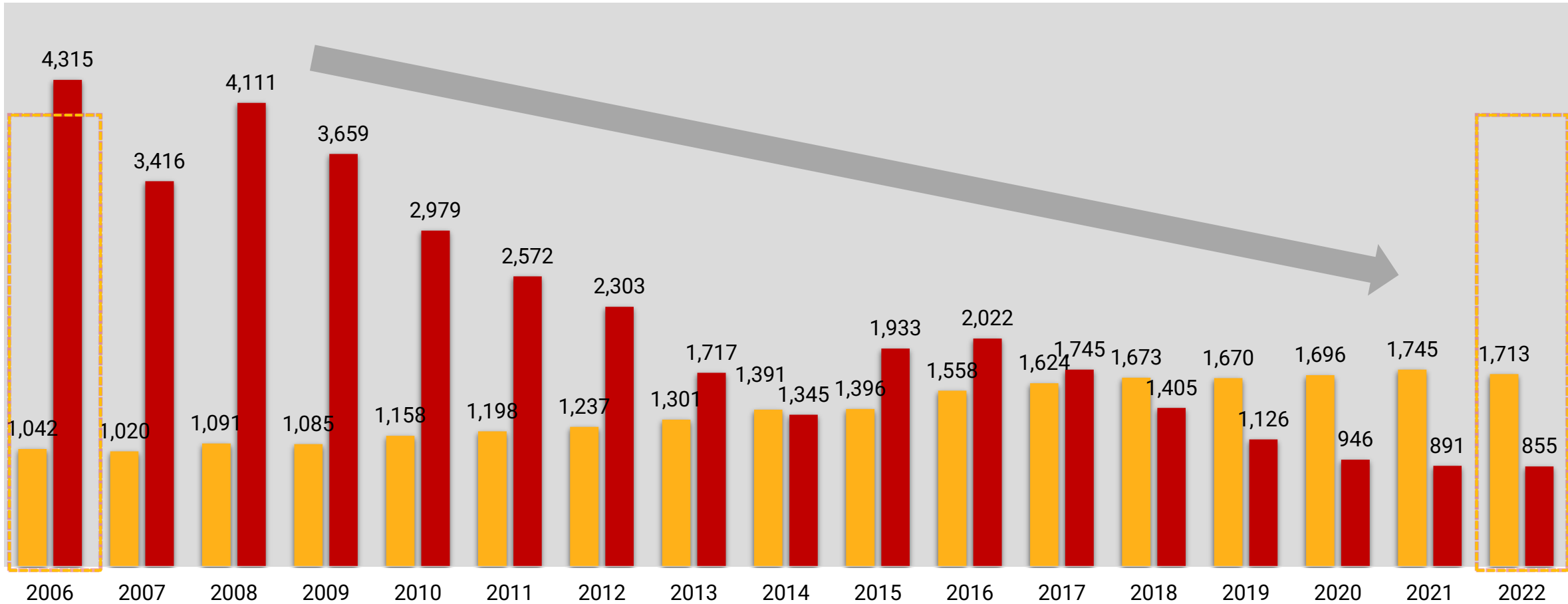
The law on minerals ammended  
Only competitive selection

Reform on IT based and transparent  
On government allocated fields



## Exploration licenses are only granted by competitive selection

### Number of valid licenses (2006-2022)



- Number of mining licenses
- Number of exploration licenses



## MINERAL LAW OF MONGOLIA

### Royalty Payers

Mining license holders

Mineral Exporters

Gold sellers to Central Bank

### Royalty based on

Export – International market price

Domestic Sales – Domestic market price

### Royalty rates

Export – 5% + addition

Domestic sales - 5%

Domestically sold coal – 2.5%

Gold sold to Central bank – 5%

Export

Sales value shall be based on the monthly average price of the products or similar products, determined by recognized principles of international trade.

Domestic sales

Sales value shall be based on the domestic market price of the products or similar products.

Exported coal and iron ore

Sales value shall be based on the contract price. Contract price shall not differ from the international market price by 30%.

## Draft of the revised Mineral Law

### Royalty Payers

Mining license holders  
Concentration license holders

Royalty basis rate  
**5%**



Additional rates will be charged progressively based on the price which exceeds the minimum price.

### Royalty will be charged on the sales

**COPPER, ZINC,  
TIN, LEAD,  
MOLYBDENUM  
CONCENTRATE**

Based on the monthly average price published by London Metal Exchange

**GOLD, SILVER**

Based on daily rate published by Central bank of Mongolia

**METALLIC AND  
NON-METALLIC  
MINERALS**

Based on the monthly average price published by Mongolian Mining Product Exchange

**METALLIC AND  
NON-METALLIC  
MINERALS**

Based on the contract price if the price is not regularly published by Mongolian Mining Product Exchange

**DOMESTICALLY SOLD  
OR USED METALLIC  
AND NON-METALLIC  
MINERALS**

Based on sales contract price

Royalties for metallic minerals shall be imposed on the primary mineral contents and economic significance contained in the metallic minerals.

### BY REVISING THE MINERALS LAW:

- **NO OVERLAPPING LAWS, GAPS OR CONFLICTS; CONSISTENT LAW FOR MANY YEARS**
- **LEGAL FRAMEWORK WHICH ENABLES GRANTING EXPLORATION LICENSES BASED ON APPLICATIONS (NOT ONLY ON COMPETITIVE SELECTION)**
- **PROGRESSIVE ROYALTY BE LEVIED ON THE INCOME EXCEEDING THE INCOME LEVIED ON THE PRIMARY AMOUNT**
- **INCREASED INCOME FROM LOCAL MINING OPERATIONS AND SUPPORT LOCAL DEVELOPMENT**
- **REDUCED NUMBER OF LOCAL PERMISSIONS**
- **AMENDED TAX LAWS AND ABOLITION OF TAXES IMPOSED ON TRANSFER OF EXPLORATION AND MINING LICENSES**





### MILESTONES OF THE REVISED LAW

- Leave the old concept of the Law on Strategically Important Minerals Deposits and limit the further increase by the related laws.
- Prohibit exploration and mining operations on prohibited areas and prohibit granting of such licenses. When necessary, the Government makes a decision on granting of licenses. Limit the number of such areas by other laws and legislative acts.
- Private funds can be used for minerals prospecting works, expenses of the prospecting works done with private funds will not be refunded.
- Increased minimum of the exploration expenses on the areas granted based on applications and keeping license fees.
- Provision on effective calculation of royalties.
- Complex consideration of reclamation process during operation of a mine and closure guarantee of a mine



- The term "Important minerals" to be reflected in the law, the Government to approve the list of such minerals, a special policy to be implemented with respect to important minerals.
- The concept of assessment of minerals deposits to be reflected in the law, including the cases of mandatory assessment and some requirements for the assessment methodology.
- New provision on the social and governance reporting by license holders.
- When issuing mining licenses (A) and enrichment processing licenses (B) of minerals, granting of licenses to be subject to financial guarantee of closure upon having the mine or production's closure plan approved.
- System to establish local units in charge of geology and mining in each aimag (province).
- Increased participation of the local community and transparency of information.
- Repeal the Law on Common Minerals and the Law on Prohibition of Minerals Exploration and Mining Operations at the Headwaters of Rivers, Protected Zones of Water Reservoirs and Forested Areas

**THANK YOU FOR THE ATTENTION**