

## **MONGOLIA DIGITALIZED THE MINERALS LICENSE TENDERING AND ISSUANCE PROCESS**

On 12 April 2022, the Minister of Mining and Heavy Industry of Mongolia enacted a new Regulation on Minerals License Tendering Procedure<sup>1</sup> (the “**Minerals License Regulation**”) replacing the old one that was enacted back in 2018.

To intensify geological research, ensure economic growth in the medium and long term and increase minerals resources within the framework of the Long Term Development Policy of Mongolia, “Vision-2050”, the Minerals License Regulation has been revised and adopted to create a fast and transparent environment for minerals license tender and bidding process by digitalizing the tendering process. Before enactment of the Minerals License Regulation, authorized representatives of the interested participants were required to submit a request to participate in the tender selection and bidding process in a traditional manner by printing out the necessary documents, ink signing and sealing them and submit them with the application in a single bundle. The Minerals License Regulation has abolished the conservative method. Instead, it requires the entire tender selection and bidding process to be organized digitally under the public supervision subject to the transparency and fairness principles.

According to the Minerals License Regulation, the Minerals Resources and Petroleum Authority of Mongolia (the “**MRPAM**”) is tasked to arrange the minerals license selection and bidding process digitally according to the following steps:

### **One. Tender announcement and invitation**

The MRPAM, upon examining the overlapped areas and determining the areas available for tender, delivers a recommendation to the National Geology Unit. The National Geology Unit then conducts a research and prepares general information regarding the geological basis of the relevant areas and submits results to the Ministry of Mining and Heavy Industry (the “**Ministry**”). Upon finalizing the determination of the available areas for tender by the Ministry, the MRPAM publicly announces the tender and invites interested parties to participate in the selection and bidding process within the first quarter of each year and 30 days before the selection and bidding process. Such public announcements are made through a public media including, but not limited to an official electronic system of the public procurement, [www.tender.gov.mn](http://www.tender.gov.mn). The announcement for tender includes the following information:

- definition and location of the tendering area together with the definite map;
- official link of website (electronic system) for receiving the request to participate in the selection and bidding process;
- due date for receiving a request to participate in the selection and bidding process;
- payment of base price (MNT 4500 approx. USD 1.44 for each hectare) for the tendering area; and
- bank account number for the payment of stamp duty fee (MNT 250,000, approx. USD 80.10).

**Two. Registration for tender participation** Upon paying the stamp duty fee, the bidder will be able to sign into the electronic tendering system and insert its information supporting its request to participate in the tendering. Further, the bidder is to pay the base price for the tendering area and provide the technical proposal and price offer. This verifies the bidder’s request to participate in the

---

<sup>1</sup> <https://legalinfo.mn/mn/detail?lawId=16468560734891>

tendering procedure. The bidder's request to participate in the tender must be supported by the following documents:

- bidders official name, postal address, phone and fax number and e-mail address;
- notarized copy of the bidder's State Registration Certificate (bidder must be registered as a legal entity established under the laws of Mongolia);
- payment receipt of stamp duty fee;
- information on adequate professional work force, technique and equipment and a technical proposal including the type, scope, period and cost of exploration work, environmental protection project and relevant cost, budget and other relevant documents;
- duly sealed price offer prepared in the form approved by the MRPAM;
- reference letter evidencing the registration of the bidder as a taxpayer in Mongolia; and
- other documents required by the MRPAM [and listed in the tender invitation].

### **Three. Evaluation of bidders' technical proposal and price offers**

Starting from the next working day upon closing of electronic registration system, the Tendering Committee appointed by the Minister of the Mining and Heavy Industry will start evaluating and assessing the tender proposals starting with the financial proposal. The evaluation process is held openly to the public.

Highest price bidder's technical proposal is further assessed. Technical proposals are assessed on whether the bidder's technical proposal is based upon specific estimates and researches and whether it has the possibility of an actual implementation.

### **Four. Tender conclusion and bid price payment for exploration licenses**

Upon receiving the evaluation result from the Technical Committee, the MRPAM issues the relevant decision within 2 business days and grants the bidder with an exploration license considering the followings:

- If exploration license can be issued in accordance with the Minerals Law of Mongolia, a notice to pay the difference between the bidding price and threshold price and the annual fee for the exploration license for the first year within 10 working days upon receiving a notice from the MRPAM. If the bidder informs the MRPAM its inability to receive the license within 10 working days upon receiving a notice from the MRPAM, or failed to pay the bidding price, threshold price difference and the annual fee for the first year, the MRPAM invalidates the notice and inform the bidder in writing.
- If the selected bidder pays the first annual payment within 10 business days upon receiving a notice from the MRPAM, the MRPAM will issue the exploration license for 3 years within 3 business days and register the exploration license and licensed area in the license cartographic registries. Immediately following the grant of an exploration license, the MRPAM notifies the Ministry of Environment, and the governors of the aimag, soum or district, and Specialized Inspection Agency where the licensed area is located. Such notice gets published in a daily newspaper.

If the bidder fails to pay the price offered by it, its pre-paid base price is transferred to the state budget without any refund.

### **Five. Specifics for tender for mining licenses**

Evaluation and issuance procedures for the mining license is same as above for exploration licenses. But, a tender invitation to issue a mining license is announced for areas that has been explored with

the state budget or an area with a previously revoked mining license. Such areas are approved by the Government of Mongolia. However, these areas must meet the following requirements:

- 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;
- no overlapping with a reserve area, special purpose territory, prohibited area to exploration and mining or an area existing under a valid minerals license; and
- for salt and common minerals deposit, the area size shall be not less than 100-meter length in each side.

The bidder must, in addition to the documents specified in Section 2 above, include the following documents in its request:

- a map of the area prepared which contains the name of the aimag or capital city and soum or district in which the area is located;
- the Minerals Professional Council's notes on its discussion of the exploration results and a decision of the MRPAM;
- verification of performance of the duties with regard to the environmental management plan during exploration work;
- an evaluation of the environmental impacts; and
- a decision by the official or the organization that conducted the tender for the license areas explored with the State budget.

## **Conclusion**

As per the new Minerals License Regulation, minerals license selection and bidding process will now be digitally and publicly announced and organized by the MRPAM through [www.tender.gov.mn](http://www.tender.gov.mn) and other public mediums.

As described above, exploration license is granted through the tender and bidding process organized by the MRPAM. Mining license can be granted either by tender or by the request of an exploration license holder. According to the Minerals Law of Mongolia, the MRPAM grants an exploration license for 3 years which is extendable up to 3 times for additional 3 years, whereas, upon the request of the holder of an exploration license, a mining license is initially granted for 30 years extendable twice for an additional 20 years.

As for the fees, annual fee of MNT 145-7,250 per hectare (approx. USD 0.05-2.32) based on the total year of holding is payable for the exploration license and annual fee of MNT 7,250-21,750 per hectare (approx. USD 2.32-6.97) is to be paid for the mining license based on the type of deposits in the licensed area.

Finally, within the New Revival Policy and the Action Plan adopted by the Government of Mongolia in 2021, the Ministry and other competent authorities of the minerals sector are aiming to maintain the information transparency and data security through digitization of tender process in the hopes of reducing risks and unnecessary burdens for the investors.

*For more information on the new Minerals License Regulation as well as the minerals legal framework in Mongolia, please contact us.*