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MINISTRY  
OF MINING



# HOW TO EXTRACT MINERALS FROM ARTISANAL AND SMALL-SCALE MINES

Sustainable Artisanal Mining Project  
2015

## HOW TO EXTRACT MINERALS FROM ARTISANAL AND SMALL-SCALE MINES



*This is Mr. Dorj. He is 39 years old and lives in Bayantsagaan soum, Bayankhongor aimag. He extracts minerals together with his family and other relatives.*

*This is Mr. Bat. He is the soum's State Environmental Inspector.*



*Mr. Dorj met with Inspector Bat to talk about how to engage in artisanal and small-scale mining in the soum in accordance with the newly approved artisanal and small-scale mining (ASM) legal framework.*

**BAT:** Hello, Mr. Dorj.

**DORJ:** Hello, Mr. Inspector. How are you? I extract minerals together with my family, siblings and other relatives. It seems there is a new legal framework and our operations are being regulated accordingly. I came here seeking assistance and information from you on how to conduct artisanal and small-scale mining operations in accordance with the new legal framework, as well as where and how to receive permission to operate, and the documents I need to complete.



**BAT:** Of course I can assist you. I assume you've received a lot of information from newspapers and other media about the establishment of the ASM legal framework. In order to coordinate artisanal and small-scale mining operations, Parliament passed amendments to the Law on Minerals and the Law on Land in July 2010. The government also approved a "Regulation on Extraction of Minerals from Small-Scale Mines" in December 2010. In accordance with these, the soum governor receives your application for ASM operations and then enters into an agreement.

**DORJ:** *What's the difference between the law and the regulation?*

**BAT:** The Law on Minerals defines artisanal and small-scale mining and stipulates what operations can be regarded as ASM. In other words, artisanal and small-scale mining operations are legally recognised as formal workplaces. If you'd like more information on this, I suggest you look at Provision 4.1.23 of the Law on Minerals. Basically, if you conduct ASM operations within the scope of the laws and regulation I mentioned, you'll be considered a formal artisanal and small-scale miner and no one can accuse you of working illegally.

Provision 16.1.11 of the Law on Land gives aimags, soums and districts the right to allocate land for local special needs that allows for ASM operations. As a result, it's now possible to resolve ASM land-related issues locally. The types of areas that can be allocated for ASM are defined in the Law on Minerals. At the local level, Citizens' Representative Khurals (CRKh) are empowered to determine land allocations for ASM operations.

The Regulation on Extraction of Minerals from Small-Scale Mines details the rights and responsibilities of all relevant parties in relation to ASM.

**DORJ:** *I see. Under the Law on Minerals, what kinds of areas can the CRKh allocate to us?*

**BAT:** There are several options. The CRKh will take into consideration the following types of areas for ASM operations:

*Firstly*, deposits on which industrial mining aren't economically viable but are suitable for small ASM operations.

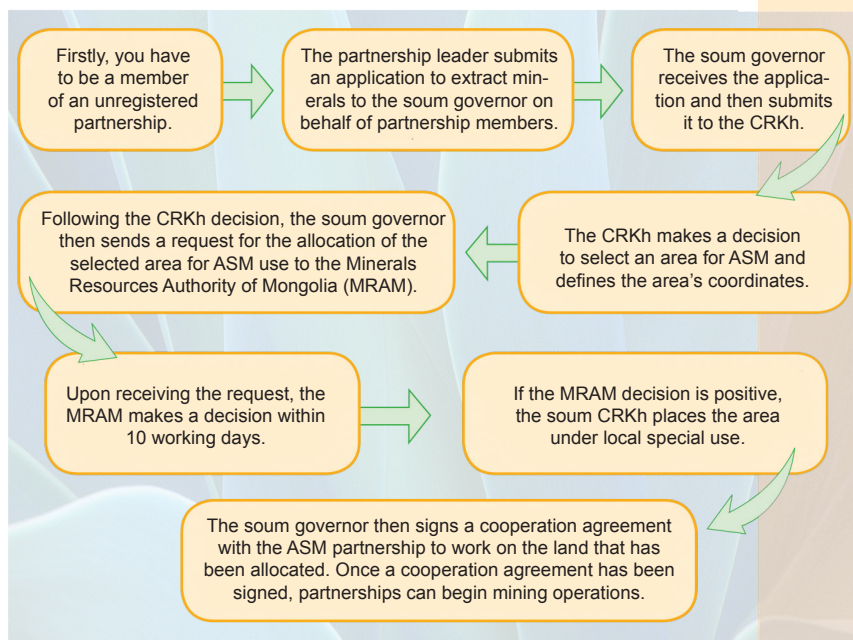
*Secondly*, areas of deposits that cannot be reached by large

equipment and machinery, such as pit floors and lower walls. And *thirdly*, artificial deposits created through inefficient industrial mining.



**DORJ:** Does that mean we can immediately begin mining in the area allocated by the CRKh?

**BAT:** No, Mr. Dorj. There are set procedures that must be adhered to in order for land to be allocated for ASM.



**DORJ:** It's clear now. How many areas can CRKhs allocate for artisanal and small-scale mining?

**BAT:** According to the regulation, no more than 10 areas can be allocated in one soum for ASM, with the size of each area not to exceed 5 ha.



**DORJ:** *How many partnerships are allowed to operate in one area?*

**BAT:** There's no limit on the number of partnerships allowed to operate in the same area.

**DORJ:** *What happens if the area we want to mine is licensed to a mining company?*

**BAT:** In that case, the soum governor can negotiate with the license-holder to cooperate with the ASM partnership. If the license-holder agrees, a tripartite agreement allowing the partnership to mine a certain area of their land is then signed by the soum governor, the license-holder and the partnership. However, tripartite cooperation agreements can only be entered into for licensed mining areas.

**DORJ:** *So in order to secure mining land, we first have to establish an unregistered partnership. How do we do that?*

**BAT:** That's right, individual artisanal and small-scale miners must establish unregistered partnerships in order to extract minerals. To do this, they must agree on voluntarily establishing an unregistered partnership and negotiating cooperation contracts among themselves. They must also choose a name for their partnership, elect a leader, and define the partnership's internal rules.

**DORJ:** *How many members can there be in a partnership?*

**BAT:** A partnership must have at least five members. They have to be locally registered citizens of Mongolia who are at least 18 years of age, who are enrolled in social welfare and health insurance, and who have taxpayers' books.

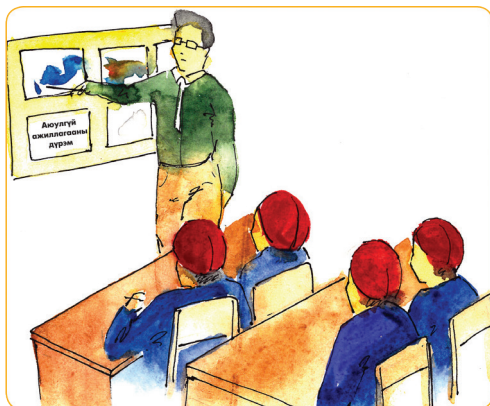
**DORJ:** *What happens if friends and relatives living in a different soum come to work with us?*

**BAT:** First of all, they must register as residents at the soum registration office. They can then join an ASM partnership and comply with the partnership's rules and regulations.

**DORJ:** *What rights and responsibilities do partnership members have?*

**BAT:** Members are guaranteed rights and must fulfill the responsibilities stipulated in the partnership cooperation contract. In addition, members must also:

- Adhere to operational health and safety guidelines and instructions
- Be enrolled in social welfare and health insurance
- Pay income tax
- Contribute to a rehabilitation fund
- Rehabilitate exploited land and then hand it over to the local government



**DORJ:** *What documents have to be attached to applications for ASM operations submitted to the soum governor?*

**BAT:** The partnership leader must complete the application form and attach the following documents:

- A sketch of the location of the mining area
- Copies of partnership members' citizenship IDs
- Copies of partnership members' social welfare and health insurance books
- Copies of partnership members' taxpayers' certificates
- A copy of partnership members' cooperation contract

**DORJ:** *What's the duration of the cooperation agreements with the soum governor?*

**BAT:** Contracts are made for one year, but can be annually extended for a further year.



**DORJ:** *Within the ASM legal framework, do soum governors have more responsibilities than entering into contracts with miners' partnerships?*

**BAT:** Yes, they do. They have the following responsibilities:

- Keeping a record of ASM allocated areas
- Providing supervision in enrolling miners in social welfare and health insurance
- Monitoring partnerships' on-site land rehabilitation and being part of the committee to receive the land once restoration is completed
- Establishing a rehabilitation fund and ensuring money is allocated for it
- Supervising partnerships in establishing on-site residential zones

**DORJ:** *How do we establish a rehabilitation fund?*

**BAT:** Partnership members contribute the amount defined in the cooperation agreement to the rehabilitation fund. That amount is mutually agreed upon by the soum governor and the partnership. The rehabilitation fund can only be used to restore exploited ASM land.

**DORJ:** *Could you please tell me more about residential zones.*

**BAT:** The soum governor determines the areas on site where partnerships can establish residential zones.



**DORJ:** *Do artisanal and small-scale miners have to pay taxes?*

**BAT:** Yes, they do. In accordance with the Law on the Taxation of Personal Income Derived from Private Businesses, artisanal and small-scale miners are required to pay MNT 53,000 for each operational month.

**DORJ:** *Who is responsible for rehabilitating the land?*

**BAT:** The partnership that has entered into a cooperation agreement to mine that particular area is tasked with rehabilitating the land before handing it over to the soum government. Failure to rehabilitate the land and hand it over will result in the partnership being unable to receive another area for mining.

**DORJ:** *Can artisanal and small-scale miners conduct blasting?*

**BAT:** No. Blasting can only be undertaken by contracted licensed professionals.

**DORJ:** *Are there any restrictions on artisanal and small-scale miners?*

**BAT:** Of course there are restrictions on miners, Mr. Dorj. Although ASM is now legally recognised and the government is taking steps to ensure favourable ASM conditions, miners must act responsibly. To that end, the following restrictions apply:

- Miners must not violate occupational health and safety rules and regulations
- Miners must not wash or process ore outside of the area defined in the contract
- Miners must not avoid paying taxes
- Miners must not allow a non-partnership member to work in the mine
- Miners must not use chemicals or other dangerous substances
- Miners must not use explosives and blasting equipment; blasting must be undertaken by licensed professionals
- In relation to the allocated mining area, miners must not use that land for purposes other than mining, must not transfer the land to other people, must not use the land as collateral, and must not sell the land
- Miners must not use machines and equipment with an engine capacity exceeding 500cmi in the extraction of minerals
- Miners must not mine on license-holders' sites without signing a tripartite cooperation agreement



Under Provision 66.1.9 of the Law on Minerals, the penalties for regulation violations are an MNT 100,000-300,000 fine for individuals, an MNT 500,000 to 1 million fine for officials, and an MNT 1-2 million fine for legal entities.

**DORJ:** *Which of the equipment we use for mining has a 500cmi engine capacity?*

**BAT:** Dry washer and compressor motors have engines with a 500cmi capacity. Equipment with a 500cmi capacity is the same as motorcycle and moped engines.

**DORJ:** *I now have a good understanding of the rights and responsibilities of both local governments and miners in relation to ASM. Now I have to share this information with my family and friends and set about establishing our partnership.*

**BAT:** You're right, Mr. Dorj. If you need more information, I suggest you read the Regulation on Extraction of Minerals from Small-Scale Mines approved by government resolution No. 308 in 2010. And if you need more assistance, we're always here to help you.



**DORJ:** *Thank you for the information you've given me. I'd like to now receive such relevant materials as regulations, rules and templates.*

**BAT:** I'll give them to you now. Because you are a hard-working and intelligent man who is well respected in the community, I think many people will want to receive information and assistance from you.

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