AMCHAM POSITION PAPER

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MONGOLIA'S MINING PLAYBOOK: WHAT'S THE POLICY?

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BACKGROUND

In the first quarter of this year, the Ministry of Industry and Mineral Resources announced that the industrial and mineral resources sector alone accounted for 27 percent of Mongolia's gross domestic product (GDP), 33 percent of budget revenue, 94 percent of export income, and 81 percent of foreign direct investment.

Although these figures are frequently cited, the general public does not always grasp the magnitude of this sector or how its fluctuations directly affect the nation's economy.

According to the World Bank's Mongolia Public Finance Review, published in June 2025:

"Over the past two decades, natural resource wealth has driven substantial improvements in income and living standards. At the same time, it has amplified macroeconomic and fiscal volatility, with significant costs to households, firms, and public finances.

Mongolia's macro-fiscal volatility is among the highest globally, placing it among only 14 countries where both economic growth and public debt volatility surpass the 75th percentile worldwide." This assessment accurately reflects the current situation.

The issues examined within the scope of this position paper include:

1. Geoscientific data
2. Licensing system
3. Royalties
4. Strategic deposits
5. Law enforcement agency activities
6. Local-level community engagement
7. Critical minerals

In its Position Paper on Strategic Deposits, published in July 2025, the American Chamber of Commerce in Mongolia highlighted the lack of a clear and consistent policy framework guiding the country's mineral resources sector. In this context, we aim to present how Mongolia's government policies and decisions in the mineral resources sector appear from the perspective of international investors considering Mongolia as a potential destination.

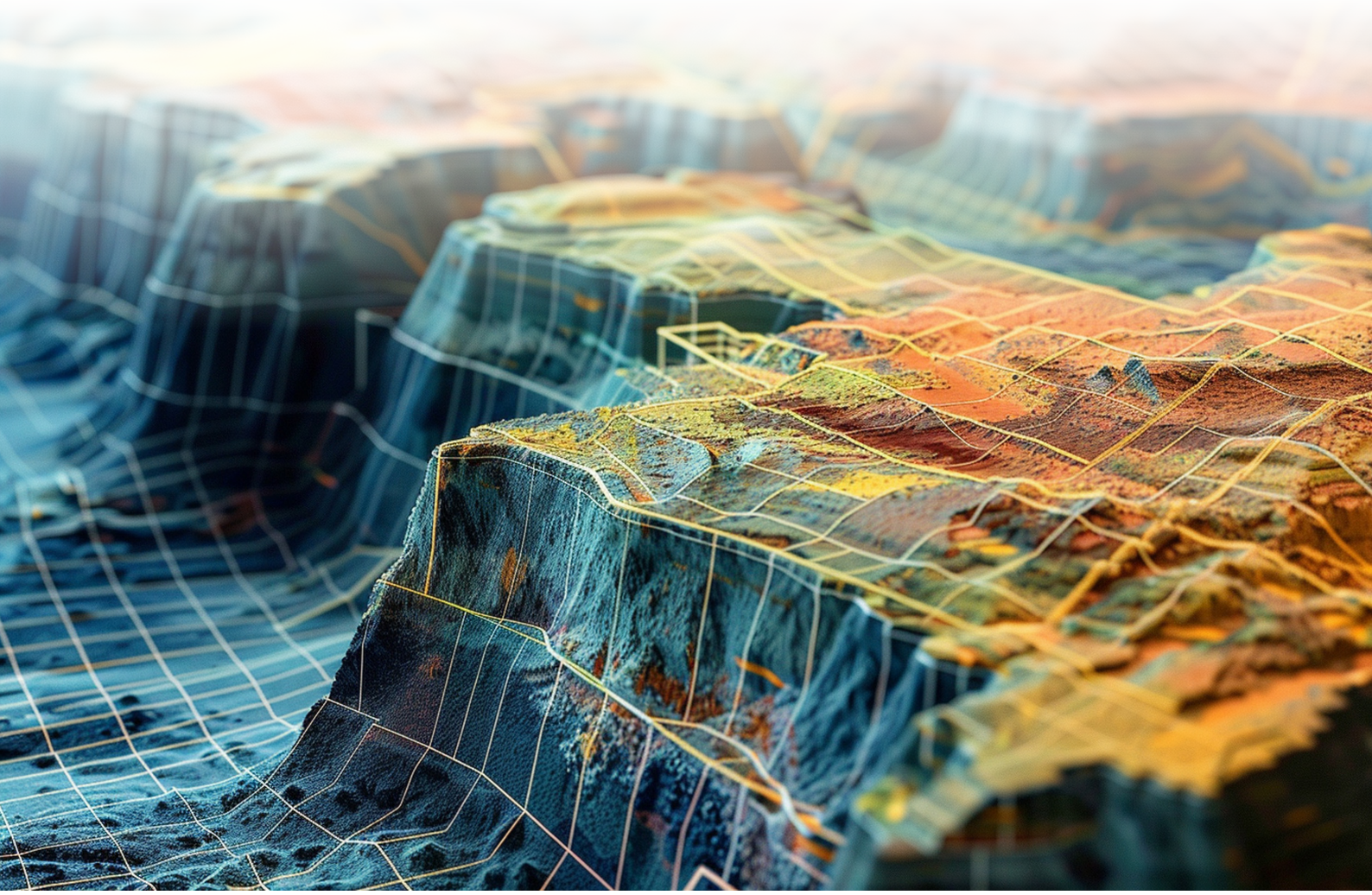
1

GEOSCIENTIFIC DATA

According to the Mineral Resources and Petroleum Authority of Mongolia (MRPAM), as of ***2020***, geological mapping and general surveys at a 1:50,000 scale had been completed for 43.7 percent of Mongolia's total territory. By ***2024***, this figure had been updated to 47.74 percent, reflecting progress in geological mapping and general exploration at that scale. Although these figures indicate notable progress, they also show that a significant portion of Mongolia's territory still remains insufficiently studied at a detailed level. Expanding this coverage to 70–80 percent is vital for socio-economic and regional development planning. Moreover, data on known and reported deposits remain incomplete, inconsistent, and not publicly available, creating uncertainties and compounding risks for businesses wishing to invest in Mongolia's mining sector. Companies are forced to spend large amounts verifying geological data, which weakens Mongolia's competitiveness compared to countries with more comprehensive geological studies.

When obtaining exploration and mining licenses in a specific region, although information on land use is publicly available in the cadastral system, there remain many uncertainties. Despite certain exploration and mining license areas being geologically attractive, surrounding lands are often designated as special areas by local or state authorities. This limits the potential to expand geological studies and exploration areas. Additionally, in some cases, newly announced exploration license areas overlap with locally designated special areas, which restricts both the size and shape of exploration blocks within the scope of study. In practice, it is often unclear why a particular local government has claimed certain areas that have strong exploration potential through a selection process, leading to issues such as ownership overlaps and administrative conflicts. Furthermore, in addition to local and national special areas, overlaps between settlement area designated for herders and exploration license areas create significant challenges in communicating and reaching understanding with local communities. Information regarding such overlaps between settlement area designated for herders and exploration areas is very limited among citizens. As a result, these factors discourage investors from investing in Mongolia and cause foreign-invested companies to hesitate in entering the geological exploration sector.

Another concern is that, while exploration companies must provide geological data according to established standards, the insufficient emphasis on data quality has obstructed the development of a thorough and functional national geoscientific database. During the 30-day public announcement period for exploration licensing, investors must identify and select target areas; however, limited base data directly impedes sound investment decisions. Ensuring that Mongolia's geoscientific database is digital, transparent, reliable, practical, and accessible in Mongolian and English would help reduce geological risks, improve decision-making, and significantly increase investor interest in the country.



2

LICENSING SYSTEM

Mongolia's current mineral licensing system is unclear, complex, and deficient in terms of accountability and accessibility. Although the system is meant to promote competition, it has remained highly susceptible to political influence. The lack of transparency in government tender processes deters investors seeking a predictable business environment. Investors seek secure and transferable tenure. They desire long-term exploration licenses obtained through direct application (click & claim) that provide clear pathways to mining rights. Renewability and exclusivity are crucial: Investors want assurance that their rights will not be revoked or encroached upon by others. Transferability is also important: the capacity to sell or transfer licenses to other entities as it is the international common practice.

Furthermore, some companies obtain land-use rights as speculative assets to hold and trade. This practice blocks other investors who may be genuinely interested in developing the resource, leaving economically viable sites idle for years. While Mongolia formally requires annual investment in licensed areas, weak enforcement allows license holders to retain rights without conducting any actual exploration, limiting opportunities for new investors. Regrettably, it is the Mongolian population that suffers the most due to the lack of progress in projects, which in turn leads to no investments being made, resulting in the stagnation of the country's economy.

Therefore, Mongolia should seek to comprehensively reform its mineral licensing system. The current single-track process for issuing exploration licenses creates uncertainty and undermines investor confidence. Moreover, the new application process proposed in a draft of amendments to the Minerals Law remains opaque. Although the government is given 10 working days to decide whether to issue a license, neither deliberations nor final decisions are made public, contrary to international best practices. When revising the legal framework, Mongolia must allocate sufficient time and resources to create a licensing system that meets the expectations of reputable international exploration and mining companies. In particular, implementing a fully digital, map-based registration system that allows investors to select areas online would be a major step forward.

The proposed amendments to the Minerals Law highlight several positive elements. For example, they suggest maintaining a low initial cost for obtaining an exploration license while implementing higher annual maintenance fees to keep the license—this is in line with international standards. In essence, holders of exploration licenses are required to fulfill annual minimum expenditure commitments, which escalate as the license progresses. However, it is advisable to enhance the requirements for reporting on activities. This process should begin with social and environmental baseline studies and local consultations, along with operational plans that must be submitted to and approved by MRPAM, particularly when ground disturbance is anticipated. Annual or statutory reports must be provided, outlining exploration activities, expenditures, and outcomes. If expenditure or reporting obligations are not met, it could result in the forfeiture or non-renewal of the license. Such measures would enhance the quality of exploration efforts, boost the chances of discovery, and eliminate the practice of land banking without genuine exploration activity.

International best practices: Manitoba, Canada

Manitoba, located in central Canada, is one of the country's key mining provinces. Though smaller than neighboring Quebec, Ontario, or British Columbia, it contributes significantly to Canada's mineral wealth, producing billions of dollars in resources annually. Investors consider Manitoba a favorable jurisdiction for business due to its stable legislation, investor-friendly environment, and transparency. The province maintains its competitiveness through mineral diversification, clear policies, and investor confidence.

For example, Manitoba has made geological survey data and new mineral discovery results fully accessible to the public, allowing individuals and companies to easily decide whether to invest in a particular region. Furthermore, the Canadian government does not directly interfere in the operations of private mining companies but supports the development of their mines, processing plants, and necessary infrastructure. Disputes in the mineral sector are resolved by an independent mining board, separate from the government.

Importantly, Canada operates a fully digital "click and claim" licensing system, allowing investors to obtain exploration licenses in less than three seconds. Such policies foster a stable, mutually beneficial business environment and attract investors to the mining sector.

3

ROYALTIES

The Minerals Law of Mongolia, originally adopted on July 8, 2006, has undergone numerous revisions and amendments by the State Great Khural (Parliament) since its enactment. In 2010, Parliament introduced a new provision that adjusted royalties depending on the degree of product processing. This amendment took effect on January 1, 2011, and remains in force today. Under Article 47.1 of the Minerals Law, royalty payers are defined as:

- holders of mineral licenses;
- entities that export minerals; and
- entities that sell gold to the Bank of Mongolia or authorized commercial banks.

Since the introduction of these amendments, further revisions have been made, which have created significant challenges and negative impacts on taxation, foreign investment, and the mining sector as a whole. The following section outlines issues related to royalties and proposes potential solutions.

3.1. Current royalty calculation method: based on revenue and market price averages, ignores sectoral risks and places excessive burden on taxpayers and investors

Article 47 of the Minerals Law stipulates that royalties shall be calculated on the sales value of all types of minerals. Because royalties are calculated based solely on reference (benchmark) prices, companies are often required to pay taxes on unrealized income, violating the principles of fairness and efficiency set forth in the General Taxation Law.

The working group responsible for setting the monthly reference sales price is jointly established by the Minister of Finance and the Minister of Mining and Heavy Industry. This group includes representatives from the Ministry of Finance, the Ministry of Mining and Heavy Industry, the General Department of Taxation, the General Customs Administration, and MRPAM. However, the methodology for determining these benchmark prices has never been publicly disclosed. Based on information available online, it appears the working group calculates a weighted average from multiple international market price sources.

The benchmark price used for sales valuation is determined based on delivery points outside Mongolia's borders. The London Metal Exchange (LME) cost, insurance, and freight (CIF) price to the named country's warehouse is used for metals. For iron ore, the cost and freight (CFR) price to ports such as Tianjin or Qingdao is applied. As a result, Mongolia effectively imposes royalties on transportation costs beyond its borders. This means that the royalty in Mongolia is significantly higher than in countries where the tax is calculated based on actual realized sales values rather than foreign benchmark prices.

The additional royalty percentage is determined according to the domestic and international market price levels of relevant or similar products. Nevertheless, because these adjustments rely solely on foreign market prices and ignore Mongolia's cyclical mining risks and seasonal characteristics, the policy creates an undue burden for companies and investors. In a resource-dependent economy like Mongolia's, such a mechanism hinders mining sector growth and the country's overall development. It is recommended that the current sales/price-based approach be replaced with a profit-based royalty model, allowing fair and equitable risk-sharing between enterprises, investors, and the government.

International best practices

In mining-developed countries such as Chile, Canada, Peru, and Australia, royalties are calculated based on profit, not total sales revenue. Refer to Table 1.

Different countries apply royalties based on various profit-related tax bases, such as operating profit, net income, or earnings before interest, taxes, depreciation, and amortization (EBITDA). The advantage of this profit-based approach is that it allows more balanced risk-sharing between the government and investors, an essential consideration for a resource-driven economy like Mongolia, where mining accounts for over 90 percent of total exports. This model would encourage investment and support long-term sectoral growth.

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Table 1.

	Australia	Canada	Chile	Peru	United States
Type of mining tax	Resource rent tax	Quebec and Ontario Mining tax	Special mining tax	Mineral royalty	Nevada: net proceeds tax based on profit Other U.S. states: mineral royalty
Jurisdictional level	National	Provincial	National	Local/central government	State
Royalty base	Mining profit	Adjusted pre-tax profit	Pre-tax profit	Adjusted pre-tax profit	Adjusted pre-tax profit

If transitioning to a profit-based royalty system is not immediately feasible, it is recommended to revise Article 47.2.1 of the Minerals Law as follows:

After the clause, *"for exported products, the international market price shall be determined based on the monthly average recognized in international trade,"* add *"for coal, washed coal, iron ore, and fluorspar ore and concentrates, the prices shall be based on the Mongolian Stock Exchange's mining product prices."*

The international benchmark prices are currently set 22 percent higher for coal, 26 percent higher for iron ore, and 54 percent higher for fluorspar, resulting in uncollectible taxes and approximately 3.0 trillion MNT in royalty arrears, as taxpayers cannot pay taxes on unrealized income. Therefore, Mongolia should adopt a system where royalties for coal, washed coal, iron ore, and fluorspar are calculated based on the Mongolian Stock Exchange's mining product prices.

3.2. Simplifying the royalty payment process at each stage of production

Under Article 47.1 of the Minerals Law, royalty payers are defined as:

47.1.1. holders of mineral licenses;

47.1.2. entities that export minerals; and

47.1.3. entities that sell gold to the Bank of Mongolia or authorized commercial banks.

This means royalties must be paid at every stage: domestic sales, exports, and delivery to banks. This multi-stage taxation has created significant difficulties. Such an approach functions similarly to a value-added tax (VAT) mechanism, which taxes consumption at each stage rather than income, contradicting the very nature of a royalty. Unlike VAT, which is designed for final consumers and allows businesses to deduct input VAT, a royalty does not provide such offsets, thereby putting excessive tax pressure on mining companies. This deviates significantly from international standards and hampers sector development.

Therefore, it is proposed to amend Article 4.1.32 to define the royalty base as *"the mineral product sold, dispatched for sale, or used by the license holder".* Alternatively, Article 47.1.2 on entities that export minerals should be removed, and Article 47.7 should be amended to *"A royalty shall be imposed only once, based on the level of product processing, whether ore, concentrate, or final product."*

3.3. Reducing the additional royalty rate for copper to match other minerals

The additional royalty rate for copper is currently the highest, totaling 20 percent + 5.0 percent. In 2023, the mining sector's tax revenue reached 8.0 trillion MNT, of which 5.3 trillion MNT was paid by state-owned enterprises (SOEs), mainly Erdenet Mining Corporation and Erdenes Tavantolgoi, which bear the bulk of the royalty burden. While SOEs may be able to withstand such high rates, private copper companies cannot. Under the current system, where royalty is calculated on benchmark prices without accounting for costs, private copper producers are unable to operate profitably. Therefore, reducing the additional royalty rate for copper to 5.0 percent is imperative, aligning it with that of other minerals.

3.4. Revising the progressive royalty rate calculation method

The additional royalty rate increases with each rise in market price, but it is applied to the entire value, not just the portion exceeding the threshold. For example, when the copper price rises from 6,000 USD to 6,001 USD per ton, the royalty rate on ore increases from 22 percent to 24 percent, and concentrate from 12 percent to 13 percent. However, this higher rate is applied to the entire price (6,001 USD), dramatically increasing the total royalty payable. This approach should be replaced with a truly progressive model, similar to that used in corporate income tax, where the higher rate applies only to the portion exceeding the threshold (1 USD in this case). Although this concept was present in earlier versions of the Minerals Law, it was not properly implemented. It is, therefore, urgently necessary to correct this distortion in the current law.

4

STRATEGIC DEPOSITS

The implementation of Mongolia's policy on the classification of 'strategic deposit' remains vague and unclear. The criteria for designating a particular deposit or area as 'strategic' are ambiguous and inconsistently applied. As a result, investors face the risk that their exploration or exploitation projects could suddenly be classified as strategic, which discourages long-term investment and infrastructure development. The concept of 'strategic deposit' is at odds with the country's goals of being investor-friendly. It is suggested to substitute this with royalties and reduce the State's involvement. During the Meeting on the Sustainable Development of the Mineral Resources Sector held last month, a ***key representative of domestic investors*** expressed the following position:

"According to Article 4.1.12 of the Minerals Law, a deposit of strategic importance refers to a mineral deposit that significantly affects national security, the country's economy, and social development, or one that produces, or has the potential to produce, output equivalent to more than five percent of Mongolia's GDP per year. However, setting the threshold at five percent of GDP raises disputes over which year's GDP figure, production volume, sales, or market prices should be used for comparison. Since GDP fluctuates depending on economic growth or contraction, this criterion results in deposits being inconsistently included in or excluded from the 'strategic' category.

"For instance, during the COVID-19 pandemic, the GDP of Mongolia-as well as that of most countries around the world-declined. Consequently, deposits that were not previously considered strategic could suddenly meet the threshold for inclusion. Moreover, fluctuations in global metal prices can shift whether a deposit qualifies as strategic or not, creating instability and uncertainty. When prices rise, smaller deposits may be classified as strategic, whereas during price downturns, large deposits could fall out of that category. Such inconsistencies leave the law open to arbitrary interpretation. In general, no other country in the world maintains a concept equivalent to Mongolia's 'strategic deposit'. What is more common internationally is the classification of 'strategic and critical minerals', or more recently, the term 'critical minerals'. Therefore, it would be more appropriate for Mongolia to align with global standards by defining and formulating the concept of minerals of strategic importance rather than strategic deposits. This would harmonize national policy with global development trends and policy frameworks."

This position provides a sound and well-reasoned clarification of issues related to strategic deposits. The American Chamber of Commerce in Mongolia has expressed a similar view, and readers can find its detailed Position Paper through the ***link*** provided.

5

LAW ENFORCEMENT AGENCY ACTIVITIES

The system for resolving disputes between the government and the private sector is slow and unstable. Because mining projects require large-scale investment, a fair and reliable judicial and regulatory environment is essential. If the judiciary and regulatory bodies are perceived as weak or inconsistent, investors will be reluctant to commit to long-term partnerships in Mongolia. Strengthening the use of international arbitration mechanisms would help build investor confidence in Mongolia's mining sector. A trustworthy judicial system capable of resolving contractual and legal disputes is a fundamental condition for attracting international investment in any industry. Mongolia should implement the Rule of Law and commit to International Arbitration and Stability Agreements, which are long-term contracts ensuring tax and legal stability for large-scale mining investments, lasting up to 15 to 25 years.

In its ***2025 Mongolia Investment Climate Statement***, the U.S. Department of State provided a balanced assessment of the opportunities and challenges in Mongolia's business environment. The report stated:

"Mongolia's frontier market and natural resources offer potentially lucrative opportunities for investors, but caution is warranted due to the country's vulnerability to external economic and financial shocks, ineffective dispute resolution, and lack of input from stakeholders during rulemaking, and increased risk of expropriation."

Furthermore, the report highlighted persistent issues, such as unequal application of laws, heavy taxation, and excessively long judicial proceedings, all of which indirectly create risks of de facto expropriation. Investors have particularly criticized the General Tax Authority for its lack of capacity and willingness to resolve disputes fairly. Corruption remains a systemic problem in Mongolia, especially within SOEs dominating sectors such as mining, banking, finance, and energy. Although privatization has been repeatedly discussed, the government continues to grant preferential access to infrastructure and permits to state-owned companies, a practice widely criticized by domestic and foreign stakeholders.

6

LOCAL-LEVEL COMMUNITY ENGAGEMENT

Due to a lack of adequate information and understanding about mining operations, citizens sometimes obstruct mineral exploration, extraction, and processing activities. On the other hand, license holders often have limited opportunities to communicate and present their activities to the public. Therefore, it is considered effective to involve relevant state entities such as Citizens' Representative Khurals (councils) and governors at the province, capital city, soum (district), and khoroo (sub-district) levels, as well as bagh (smallest administrative unit) and khoroo public meetings, to facilitate better communication and cooperation. Rather than only broadly stating that local governments should "support" such operations, it would be more effective to specify how such support should be implemented in legislation to ensure it is realized. A productive strategy for involving local governments and communities is to highlight social investments and establish a Decentralized Revenue Sharing Framework that distributes Mining Royalties to Regions. Additionally, local citizens should be adequately informed about this process. Such revenue-sharing mechanisms promote local support and ensure fair and transparent practices.

It is also recommended that Mongolia require mineral exploration companies to operate in accordance with the ***International Standards for Managing Communities and Social Performance (CSP)***. These standards would define the requirements for exploration activities based on risk assessments corresponding to each project phase. This approach could be incorporated into the exploration license framework. The following key components can be included:

Community and Risk Management Plan:

- General local context and population characteristics
- Current land use and land tenure
- Long-term and strategic risks, potential social impacts, reputational risks, cultural heritage, and existing or potential human rights issues
- Management of information related to cultural heritage and project-specific requirements
- Plans for managing local issues associated with on-site operations

Consultation and Engagement Process:

Companies must engage in respectful consultation with local communities and ensure their participation. The consultation process should be transparent, inclusive, culturally appropriate, and avoid creating public conflicts or misunderstandings through the media.

Local Grievance and Conflict Management:

Mechanisms for receiving, addressing, and monitoring community complaints, as well as for managing conflicts and disputes related to local relations and cooperation, should be consistent across all stages of the project.

Cultural Heritage:

Cultural heritage must be managed and protected in consultation with relevant local communities through proper management practices. Effective management involves identifying and assessing both tangible and intangible cultural heritage.

Community Benefits, Donations, and Contributions:

- Must be proportional to the project scale and directly linked to project objectives
- Agreed upon transparently through consultations with local communities
- Should be collective benefits accessible to the community, not individual advantages

Community Agreements:

A relationship agreement should be established to define how companies and local communities will cooperate. Such agreements can even be made during the early stages of a project. These agreements can cover social and environmental issues in greater detail for more advanced projects. Regardless of scale, all agreements between companies and local communities should be recognized as legally binding.

Human Rights:

Human rights risks should be identified, including:

- **Security:** Implementing the Voluntary Principles on Security and Human Rights (VPSHR) in high-risk environments
- **Corruption and Bribery:** Adhering to the Standards of Business Integrity (SBI)
- **Discrimination:** Ensuring equal treatment of all individuals, maintaining transparency, and considering their rights, concerns, and potential impacts
- **Artisanal and Small-scale Mining:** Conducting social risk assessments to identify legal, social, and economic impacts that may arise during exploration and subsequent stages, recognizing transitions in the livelihoods of artisanal miners and vulnerable groups, and engaging with at-risk citizens.

In general, it is important to support groups, especially developers, that work to improve the licensing process, enhance local participation, and address social issues. Developing outreach and educational materials to communicate the sector's importance and benefits is recommended to promote public understanding and support for the mineral exploration sector.

Such initiatives could include:

- Official educational programs for government officials and local administrators at the national, provincial, and soum levels;
- Training for primary and secondary school teachers to incorporate geology into curricula;
- Outreach events, presentations, and career talks by industry professionals for secondary school students to introduce geology and related professions; and
- Public awareness campaigns through short TV programs, social media content, and other communication channels to help citizens understand the value and importance of the minerals sector.

These efforts will not only make the public better informed and more supportive but also inspire the next generation of leaders in the geological and mining fields.

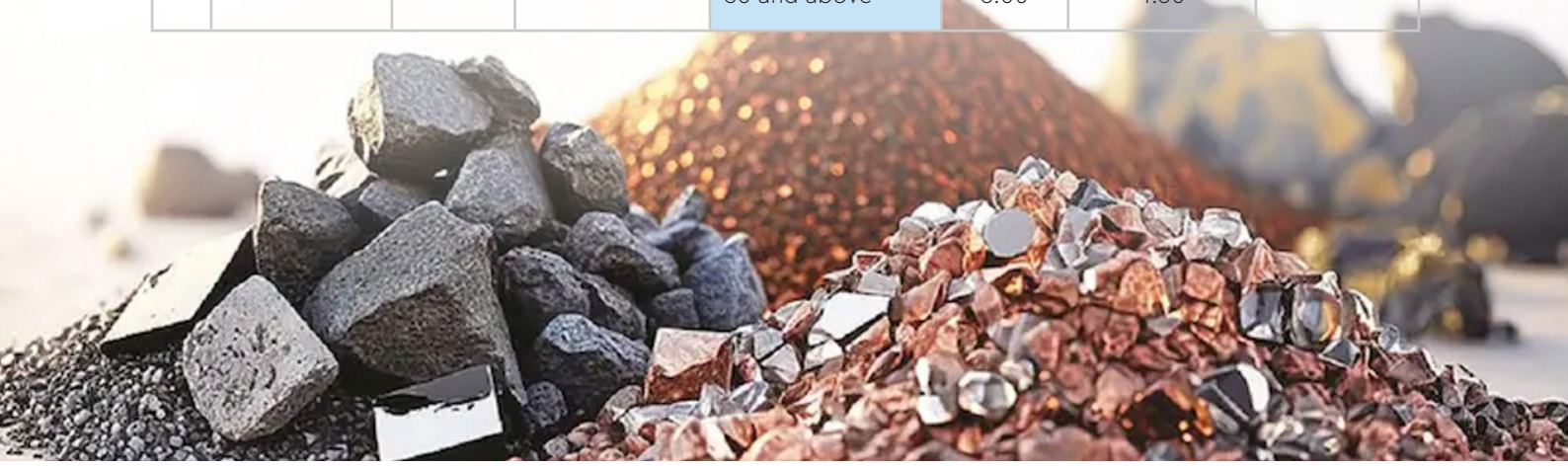
7

CRITICAL MINERALS

The terms "critical minerals", "important minerals", and "rare earth elements" are, in essence, mineral resource categories. However, in Mongolian, these terms have been interpreted by the public as implying rarity or scarcity, rather than reflecting their true significance: they are highly demanded raw materials essential for high-tech industries. These minerals form the backbone of high-tech manufacturing and are among the most strategically valuable resources in the modern economy. Given this, it is necessary to revise and clarify the terminology used in the classification of mineral products for better alignment with economic and industrial realities. In particular, rare earth elements require substantial investment and advanced extraction, production, and processing technology. Their production chain includes beneficiation and advanced refining stages, making them among the most highly value-added minerals by the time they reach the final product stage.

Under the Minerals Law of Mongolia, Article 47.5, paragraph 17 lists rare earth elements as follows:

№	Type of mineral	Unit	Reference product	Market price /USD/	Additional percentage to base royalty based on processing level		
					Ore	Concentrate	Product
17	Rare earth elements	kg	Rare earth oxide concentrate	0–10	0.00	0.00	
				10–20	1.00	0.90	
				20–30	2.00	1.80	-
				30–40	3.00	2.70	
				40–50	4.00	3.60	
				50 and above	5.00	4.50	



It is proposed to amend both the terminology and percentage rates as follows:

№	Type of mineral	Unit	Reference product	Market price /USD/	Additional percentage to base royalty based on processing level			
					Ore	Concentrate	Carbonate	Oxide
17	High-tech raw materials	kg	Oxide concentrate of high-tech raw materials	0–30	0.00	0.00	0.00	0.00
				31–50	1.00	0.90	0.50	0.00
				51–70	2.00	1.80	1.00	0.00
				71–90	3.00	2.70	1.50	0.00
				91–110	4.00	3.60	2.00	0.00
				110 and above	5.00	4.50	2.50	0.00

Article 47.5 of the Minerals Law stipulates that additional royalty payments are calculated progressively (from 0 to 5 percent) depending on the processing level and market valuation. However, this structure fails to account for the significant cost and value added in producing complex oxides and carbonates. It also provides no incentives for investment in advanced processing technologies. The proposed revision within the framework of creating a more favorable tax environment introduces a more graduated system that recognizes the higher value added at each processing stage to foster an improved investment environment. Implementing these adjustments, in terminology and royalty calculation, would directly support the sector's development and attract further investment in high-tech mineral processing.

Additionally, to ensure consistency and alignment across legal frameworks, it is proposed to amend the appendix to Government Resolution No. 502 of 2015, replacing the product name "rare earth metal concentrate" with "high-tech raw material concentrate containing up to 30 percent, carbonate containing 30–60 percent, and oxide containing above 60 percent". The explanatory section of the same resolution currently describes it as "Product produced through the concentration and chemical processing of rare earth element-bearing ores", but still refers to it as "concentrate". This inconsistency can lead to misinterpretation. Therefore, the final product should be more precisely defined as "rare earth element concentrate and carbonate containing 30–60 percent, and oxide containing above 60 percent".

Due to inconsistency across laws, there has been public and institutional confusion, with rare earth elements mistakenly classified as radioactive minerals, same as uranium, under the Law on Nuclear Energy. This misunderstanding arises because Articles 3.1.4, 3.1.5, and 3.1.15 of that law include rare earth elements, leading to the false perception that they are radioactive minerals like uranium. This has caused miscommunication and unnecessary public concern. It is therefore crucial to clarify legal definitions to avoid such misconceptions.

CONCLUSION

Mongolia's economy remains heavily dependent on mineral resources. However, the absence of a coherent and unified policy framework for the sector has long constrained private investment and development. Accordingly, this Position Paper identifies the key structural challenges facing Mongolia's mineral resources sector. It proposes solutions to improve transparency, investment, and resource governance, with the ultimate goal of supporting the formulation of a comprehensive national minerals policy.

1. **Geoscientific Data** – The paper first addressed the issue of geological information systems. To reduce investor uncertainty and attract more capital into the sector, Mongolia must establish an open, accessible, and fully digital geoscientific database. The platform should allow companies to easily identify regions with high mineral potential, review past exploration work, and determine which areas are available for sale or exploration. For years, access to this data has been restricted, non-transparent, and not digitally available, deterring investors. Although companies are required to submit geological reports following specific standards, the absence of consistent, high-quality data has hindered the formation of a comprehensive and usable national database.

2. **Licensing System** – The next issue concerns the allocation of exploration licenses. Mongolia should fundamentally reform its licensing system. The current practice of issuing licenses exclusively through government tenders creates uncertainty and undermines investor confidence. Additionally, the proposed "application-based" process under the draft of amendments to the Minerals Law lacks transparency. Although the government is given 10 business days to decide on a license, the deliberations and decisions are not made public, contrary to international best practices. A transparent, open, and fully digital application process would enable companies to obtain exploration licenses efficiently, accelerating exploration activities, leading to new mineral discoveries, and contributing positively to the country's economy.

3. **Mineral Royalty Framework** – The long-debated and unresolved issue of Mongolia's mineral royalty calculation method, known as AMNAT, continues to discourage investors. The paper's third section provides a comparative analysis with international practices. In mining-developed countries such as Chile, Canada, Peru, and Australia, royalties are calculated based on profit, not total sales revenue. Different countries apply royalties based on various profit-related tax bases, such as operating profit, net income, or earnings before interest, taxes, depreciation, and amortization (EBITDA). The advantage of this profit-based approach is that it allows more balanced risk-sharing between the government and investors, an essential consideration for a resource-driven economy like Mongolia, where mining accounts for over 90 percent of total exports. This model would encourage investment and support long-term sectoral growth. The government's recent move to temporarily base royalties on Mongolian Stock Exchange mining prices rather than international benchmarks is a step in the right direction. This paper supports that move and calls for deeper structural reform in this area.

4. **Policy on Strategic Deposits** – The implementation of Mongolia's policy on so-called "strategic deposits" remains vague and inconsistent. The criteria for classifying a deposit as "strategic" are unclear, and the application of the definition is uneven. Investors face uncertainty, as their projects could be suddenly designated "strategic" during exploration or development, deterring long-term infrastructure and capital investment. No other country in the world maintains a concept equivalent to Mongolia's 'strategic deposit'. What is more common internationally is the classification of 'strategic and critical minerals', or more recently, the term 'critical minerals'. Therefore, it would be more appropriate

for Mongolia to align with global standards by defining and formulating the concept of minerals of strategic importance rather than strategic deposits. This would harmonize national policy with global development trends and policy frameworks.

5. **Law Enforcement Agency Activities** – Investors consistently express concern over Mongolia's legal and regulatory enforcement. Dispute resolution mechanisms between the state and private sector remain slow and inconsistent. Given the capital-intensive nature of mining projects, a fair and reliable judicial and regulatory system is essential. When investors perceive weak enforcement, politicized decision-making, or prolonged litigation, they are less willing to commit to long-term partnerships. Uneven law enforcement, excessive taxation, and protracted legal processes create indirect expropriation risks. Particular criticism has been directed at the General Tax Authority's dispute resolution inefficiency and lack of will. Corruption also remains pervasive, especially in state-owned enterprises dominating the mining, energy, and financial sectors. Although privatization is regularly discussed, the government continues to grant preferential access to state-owned companies in areas such as infrastructure and permitting.

6. **Local-level Community Engagement** – Local engagement is another key issue. Limited public understanding of mining operations often leads to community resistance to exploration, extraction, and processing activities. On the other hand, company outreach to local residents and authorities remains inadequate. To improve cooperation, it is recommended that provincial, district, sub-district-level representative councils and governors, and other relevant government institutions be more actively involved in facilitating communication. Moreover, the law should move beyond general provisions about cooperation and establish clear, detailed mechanisms to ensure effective community engagement. Mongolia should require exploration companies to comply with the International Standards for Managing Communities and Social Performance, aligning project risk management with exploration permitting.

7. **High-tech Raw Materials** – The newly proposed term is "high-tech raw materials". Terms like "critical minerals" or "rare earth elements" are often misinterpreted in Mongolian as implying scarcity or rarity. In reality, these minerals are in high demand and form the backbone of high-tech industries. Updating the terminology in the list of mineral products to reflect their true economic significance is essential for integrating such minerals into Mongolia's industrial and trade framework. Globally, 30–35 elements are classified as high-tech raw materials. By defining and promoting a national policy on high-tech raw materials, Mongolia could expand research, attract foreign and domestic investment, introduce new technologies, develop value-added processing, and strengthen local human capacity and infrastructure.

This Position Paper was developed by the American Chamber of Commerce in Mongolia (AmCham Mongolia) through collaboration between its Mining and Legal Committees. It is our sincere hope that Mongolia's forthcoming national mineral resources policy will ensure that a sector contributing 27 percent of GDP, 33 percent of budget revenue, 94 percent of export earnings, and 81 percent of foreign direct investment becomes transparent, stable, and attractive for long-term investment, while supporting sustainable and inclusive national development.

2025