

**GOVERNMENT OF MONGOLIA
RESOLUTION**

March 24, 2001

No. 46

Ulaanbaatar

Approving the Model of the Stability Agreement

Based on Article 20 of the Mineral Resources Law, the Government of Mongolia DECREES as follows in order to implement Paragraph 4, Article 2, of the General Taxation Law and Paragraph 2, Article 20, of the Foreign Investments Law:

1. Approve the model of the "Stability Agreement" as attached herewith;
2. Annul Government Resolution No. 226 of November 12, 1997 "Approving the Model of the Stability Agreement" in connection with this resolution.

Prime Minister of Mongolia

N. Enkhbayar

Minister for Foreign Affairs and
Acting Minister for Finance and Economy

L. Erdenechuluun

Attachment to Government Resolution No. 46 of 2002

STABILITY AGREEMENT

Based on Paragraph 4, Article 2, of the General Taxation Law and Paragraph ..., Article
...,
of the Law of Mongolia,

The Minister for Finance and Economy (hereinafter referred to as the "Minister"), representing
the Government of Mongolia, on one side,

and

..... Company, incorporated in and engaged in
..... activities, holding License No. for exploration of a mineral resources
deposit, Certificate No. authorizing to establish a business entity with foreign investments
and State Registration Corporate License No., and wishing to execute a stability agreement,

or

....., a citizen of(hereinafter both referred to as the "Investor"), on
the other side,

have agreed to conclude this Agreement as a guarantee for maintaining during a certain
period the stability of the tax environment for the investor's activities.

One. Subject of the Agreement

1.1. This Agreement shall regulate the relations connected with ensuring stable tax
conditions for the Investor to carry out activities
on the territory of soum /district/ of aimag /city/
of Mongolia, as well as the relations arising out of the rights and responsibilities of the
Parties to this Agreement, purpose and amount of the investment, grounds for the
Agreement's termination and period for implementation.

Two. Principal Conditions

2.1. This Agreement is executed for a period of years since the amount of the
Investor's initial investment shall be not less than USD..... million, or an
equivalent amount in Togrogs in accordance with Paragraph ..., Article ..., of the
..... Law.

2.2. Taxes subject to payment by the Investor shall remain at the rates and amounts,
specified by law, effective on the date when this Agreement entered into force, which
are as follows: corporate income tax - percent, import customs duty -
percent, VAT - percent, excise tax - percent, gasoline and diesel fuel tax
- percent.

- 2.3. A business entity with foreign investments investing in export-oriented industries or sectors with primary significance, approved by Government and effective as of the date when this Agreement entered force, shall be exempt from the import customs duty and VAT when importing equipment and heavy mechanisms to be assembled, installed and used for technological purposes during production.
- 2.4. The rate of VAT on goods, works and services exported by the Investor shall be “0” (zero).
- 2.5. The amount of payment that should be made by the Investor for using the reserves of mineral resources shall be determined according to the amount specified in the law regulating the relations connected with mineral resources, effective on the date when this Agreement entered into force.
- 2.6. The Investor shall be granted the same rights and conditions as those granted to Mongolian citizens and legal entities while exporting its manufactured products, selling them at the world market price and disposing Togrog or currency revenues from such activities.

Three. Term of the Agreement

- 3.1. This Agreement is executed for a period of years from(month)(day), 20.. to(month)(day), 20... .

Four. Rights and Responsibilities of the Investor

- 4.1. The Investor must fulfill completely the obligations under this Agreement and abide by laws and regulations of Mongolia.
- 4.2. The Investor must continue its activities as a going concern during the term of the Agreement.
- 4.3. The Investor will invest to Mongolia USD..... million during years after the signing of this Agreement according to the following schedule.

Investment Year	Period	Amount of Investments (in USD, million)	Out of Which:	
			Cash	In other forms
1	From (month) ... (day), 20.. (year) to (month) ... (day), 20.. (year) to			
2	From (month) ... (day), 20.. (year) to (month) ... (day), 20.. (year) to			
3	From (month) ... (day), 20.. (year) to (month) ... (day), 20.. (year) to			

- 4.1. “Investment Year” in this agreement means the period starting from the date when this Agreement entered into force and ending on the same date of the next year.
- 4.2. The investor must prepare a report on the investments made in the current investment year according to the format approved by the Ministry of Finance and Economy and submit it to the Minister within the first month of the next investment year. Prior to submission, the report must be reviewed by the state administrative authority responsible for the relevant sector.

- 4.3. The investor must deposit the proceeds from the sale of its products to the account opened at a commercial bank operating on the territory of Mongolia.
- 4.4. If the investments made by the Investor exceed the planned amount for the current investment year, the Investor has the right to count the excess amount in the investments of the next year.
- 4.5. The Investor can make the investments in cash, machinery and equipment, raw materials, goods, intellectual property and other forms allowed by law.
- 4.6. If the guarantees provided by the Stability Agreement are breached due to the Minister's failure to fulfill the obligations under this agreement, the Investor has the right to claim to restore the guarantees and compensate for the damages according to the procedures set forth in law.

Five. Rights and Responsibilities of the Minister¹

- 5.1. The Minister has the responsibility to ensure the conditions and guarantees specified in this Agreement to maintain during the term of this Agreement the stability of the environment where the Investor carries out its activities.
- 5.2. A notification outlining the conditions of this agreement shall be sent to the relevant organizations after the signing of the Stability Agreement.
- 5.3. The Minister shall exercise control over the fulfillment by the Investor of its investment commitments according to the schedule specified in 4.3 together with the state administrative organization responsible for the relevant sector.
- 5.4. If the Investor fails for 6 months to fulfill its obligations to make investments in the amount and by the deadline specified in 4.3 of this Agreement, the Minister shall send to the Investor a written notification thereof.
- 5.5. The Minister has the right to terminate the agreement at its discretion if the Investor fails to undertake appropriate measures to fulfill the obligations stated in the notification within 30 business days from the issuance of such notification.

Six. Termination of the Agreement

- 6.1. The Agreement shall be terminated in the following cases:
 - 6.1.1. The Agreement's term has expired.
 - 6.1.2. The two parties have mutually agreed to terminate the Agreement based on the Investor's request.
 - 6.1.3. The Investor's activities have been completely terminated by a competent organization due to bankruptcy of the Investor's business entity or violations of laws and regulations.

Seven. Miscellaneous

- 7.1. If any disputes arise in connection with the fulfillment of the obligations under this Agreement, the Parties shall endeavor to resolve them through negotiation. If the

Parties fail to reach a common solution, the dispute shall be resolved according to laws and regulations of Mongolia.

- 7.2. The Agreement is executed and endorsed on (month) ... (day), 20.. (year) in the city of Ulaanbaatar in two copies in each of the Mongolian and languages.
- 7.3. All copies of the Agreement shall be equally valid. In the event of a dispute during the implementation or interpretation of the Agreement, the original copy in the Mongolian language shall prevail.

The Agreement is executed by and among:

Representing the Government of Mongolia
.....[company]

R e p r e s e n t i n g

Minister for Finance and Economy

.....

/...../

/...../

(Footnotes)

¹ In the framework of laws and regulations, the Minister has the right to introduce additional clauses and clarifications to this agreement considering the specificness of the Investor's activities as well as the Investor's comments.