



Lao People's Democratic Republic
Peace Independence Democracy Unity Prosperity

Prime Minister

No. 61/PM

Vientiane Capital, date 21 June 2021

Decision

On the specification of conditions in the exploration negotiation, processing and exporting iron ores in the pilot phase/periods.

- According to law on the Lao government (amended) No. 04/NA, dated 08 November 2016.
- According to the resolution of the national assembly on the endorsement of the implementation of the 8th five-year national socio-economic development plan (2016-2020) and the direction of the 9th five-year plan (2021-2025) no. 20/NA, dated 26 March 2021.
- According to the decision on regulations and work mechanism of the government 9th batch No. 41/PM, dated 30 January 2021.
- as to implement national agenda on the early cease of economic and financial constraints.
- According to the agreement in the meeting between prime minister and vice prime ministers on 17-18 July 2021.

Prime minister agrees:

Article 1 specify negotiation conditions for the exploration, processing and exporting of iron ores during pilot phase as:

- 1.1. Concession areas
 - Exploration and the export areas of raw ores are not to exceed 5 square meters.
 - Exploration and extraction area for raw materials to be supplied to the domestic processing factories of iron ores is to exceed 5 square meters which is based on real production capacity of factories;
- 1.2. Environmental Regulations: Following the signing of the agreement, the company must comply with environmental and social standards corresponding to exploration, mining, and processing, including the closure of projects according to the specific regulations of the Ministry of Natural Resources and Environment, ensuring that significant impacts on the natural environment and society are minimized by eliminating unnecessary waste systems of ores as well as the use of various chemicals and others.
- 1.3. Regarding Financial Operations:
 - The provision of lump sum taxes to the government includes the natural ores taxes (royalties), concession taxes, profit tax, exploration taxes, value-added taxes (domestically), export taxes, and other fund duties. Other obligations must be fulfilled according to the laws.

- Minimum lump sum Price:
 - + For ores with quality intensity of 61.9% or below: \$30 per ton;
 - + For ores with the quality intensity of 62% or above and the buying-selling price in the global market is \$200 per ton or above, an additional \$10 per ton must be paid. If the price of ores in the global market falls below \$200 per ton, the company must pay at the price of \$30 per ton.
 - Advanced payment:
 - + For those exploring to export, a payment of \$400,000 per metric ton must be made in advance. For those who are extracting not reaching 1 km metric, a prior payment of \$1 million must be paid;
 - + For those exploring to supply ores for internal processing, a prior payment of \$100,000 per km metric must be paid;
 - + The mentioned advanced payment is the guarantee payment, indicating that if the company fails to comply with the contract, the stated amount will be a state asset without any conditions. If the company can comply with the contract, it is permitted to withhold the stated amount in the 3rd year.
 - Determining time for advanced payments: Investors must make the payments before they can sign the agreement to proceed the pilot project with the government.
 - Determining time for withholding advanced payments: If the company can operate according to the contract stipulations, it is permitted to withhold advanced payment as mentioned in the 3rd year, but if resources are extracted within 2 years, it can withhold in the 2nd year, provided there is a reasonable detailed recalculation.
 - Payments: every financial transaction and payment in buying-selling ores must go through the banking system located in the Lao PDR, with required invoice in the buying-selling and related documents to the bank; in the event, the company that does not use the said banking system, it will not be authorized to record its expenses in the company's book.
- 1.4. Inspection and monitoring the quality of iron ores:
before exporting ores, investors must conduct quality assessments of the ores according to the procedures set by the Ministry of Energy and Mines. The quality assessment of ores must utilize accredited laboratories that meet international standards; moreover, it is necessary to monitor the quality of ores by checking the prices of ores specified in sales agreements between investors and buyers;
- 1.5. the determination of exporting ports and weigh setting.
- Each time ores are exported, only international checkpoint must be used, in cases where local conditions necessitate the use of local checkpoints, permission must be obtained from the government;
 - The installation of weighing scales at the export checkpoints is approved by the government for operators with technical and technical skills to operate in a self-

service manner under the management of the government according to laws and regulations.

1.6. Transportation Routes and Use of Transport Vehicles:

- The transportation routes must strictly use to those designated routes by the government; the weight of the transport must comply with the transportation regulations and the management from the public work and transportation sector.
- Transport vehicles of ores must be utilized the internal licensed transport companies as priority and must receive authorization from the destination country based on negotiation between relevant ministries of the two countries.

1.7. Selection of Investors:

- In cases where there is only one investor proposing in one specific area, if that investor can meet the conditions specified in this agreement, they may request to the prime minister to obtain rights in signing such contract.
- In cases where multiple companies submit proposals, including those that have directly proposed to the government with a notification from the ministry of planning and investment already invited for negotiation, or companies that will be proposing in the future to the prime minister office must continue to expand the notification to the planning and investment ministry to invite those companies to conduct opinion survey, companies that are willing to pay the government more must be selected.
- For any area where the Ministry of Defence has signed a cooperation agreement with investors prior to notification No. 530/PMO, dated May 20, 2021, it is agreed to give priority to such companies first by complying with the conditions set forth in this agreement.

1.8. Conducting Economic-Technical assessment: Investors must develop a mining, processing and export plan as well as simultaneously determine tasks with a defined timeline and deadlines for project implementation in detail and to ensure precision to be used as a reference for monitoring, inspection the implementation without the need to conduct the economic-technical assessment in detail as per the past implementation.

1.9. Trial period:

- For mining to export raw ore, it must not be more than 3 years from the date of signing the contract, after 3 years, the re-evaluation of the actual implementation must be conducted, then report to the government for further consideration as appropriate.
- For mining for raw materials to supply to the steel processing factory is to base on the actual amount of ores and the actual production capacity of the factory.

1.10. Implementation plan:

- Investors: after signing the contract, detailed operational plan must be created in relevance to the work plan, financial and human resource plan to present to the relevant sectors for consideration.
- Agencies: the relevant agencies and local government are to perform according to their responsibilities.

1.11. Dispute settlement: In case of violation of any provision of the contract, it will be notified up to 2 times to take actions within 5 working days. If problems cannot be settled, the government reserves the right to take back the project without conditions.

1.12. Law: Lao PDR laws apply.

1.13. Language: Lao is the main language.

1.14. Prohibition: buying, selling or transferring the project without approval from the government is prohibited.

Article 2 Implementation:

2.1. Assigned to the Ministry of Planning and Investment in leading the coordination with the relevant ministries and local government agencies to negotiate contracts with investors according to the conditions set forth in this agreement by dividing into 2 contracts namely:

- Concession on exploration and export that is the agreement on exploration and processing is given to the Ministry of Planning and Investment as the government representative in signing the agreement, as well as the central coordination with related sectors and local government agencies to closely monitor and encourage the implementation of the concession agreement.
- The contract on the lump sum payment of the concession is given to the Ministry of Finance as the government representative in signing the contract, as well as being the authority in coordination with the Ministry of Energy and Mines and related agencies to monitor the collection of revenue according to the contract signed together.

2.2. Assigned to the vertical agencies and local government agencies where the actual project is implemented to be responsible for monitoring, inspecting and managing the actual implementation of the investor's project as stipulated in the contract, laws and related regulations strictly.

2.3. The deputy prime minister is assigned, Minister of Planning and Investment to guide The relevant agencies and localities in the implementation of this experiment. as well as appoint the relevant technical committee to implement the actual work as appropriate.

2.4. The Prime Minister's Office, relevant agencies and local government agencies,

Unofficial translation

including companies interested in investing in the development of iron ore during the trial period in Lao PDR, should acknowledge and implement this agreement strictly to obtain good results.

Article 3 This agreement is effective from the date of signature.

Prime Minister

Phankham Viphavanh