



Investment in Iran's Mining Activities

 **MINEX** 2017

Iran's Mines & Mining Industries Exhibition

**6th Annual Investment
Opportunities in
Iran's Mines & Mining
Industries Exhibition**
Tehran-Iran October 10 - 12, 2017



Iran's Mines & Mining Industries Exhibition

ششمین

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Foreign Investment in Iran

Foreign Investment in Iran:

Today, many countries are highly interested in attraction of foreign investments. Although a large part of investments in Iran are government based and in the form of construction budgets, with the recently adopted approach to the enhancement of private sector involvement in the economy, private sector investments and attraction of foreign investments have gained more significance.

1- A Selection of Supports Provided by the “Foreign Investment Promotion and Protection Act” (FIPPA):

The Islamic Republic of Iran Foreign Investment Promotion and Protection Act and its relevant code not only dictate rules and regulations on the imports of foreign investments to Iran, but also provide the required protective supports. The full text of the Foreign Investment Promotion and Protection Act and its relevant code is available on the Iranian Foreign Investment Economic and Technical Assistance Organization (www.investiran.ir). The supports provided by this act (2002) are as follows:

- Broader fields for involvement by foreign investors including in major infrastructure;
- Broader definition given to foreign investment, covering all types of investments from “Foreign Direct Investment” (FDI) to different types of project financing methods including “Civil Participation”, “Buy-Back” arrangements, “Counter trade”, and various “Build-Operate- Transfer” (BOT) schemes;
- Streamlined and fast-track investment licensing application and approval process;
- Creation of a one-stop shop called the “Center for Foreign Investment Services” at the Organization for Investment, Economic and Technical Assistance of Iran (OIETAI) for focused and efficient support for foreign

investment undertakings in Iran;

- Introduction of new legal options governing the government investor(s) relations.
- More flexibility and facilitated regulatory practices for the access of foreign investors to foreign exchange for capital transfer purposes;

2- Some articles of “Foreign Investment Promotion and Protection Act” (FIPPA) about guarantee and transfer of foreign capital, and admission, importation and repatriation of Foreign Capital:

Article 8

Foreign Investments under FIPPA shall equally enjoy all rights, protections, and facilities available to local investments.

Article 9

Foreign Investments shall not be subjected to expropriation or nationalization, unless for public interests, by means of legal process, in a non-discriminatory manner, and against payment of appropriate compensation on the basis of the real value of the investment immediately before the expropriation.

Article 14

The profit derived from Foreign Investment after deduction of taxes, dues and statutory reserves, upon the approval of the Board and confirmation by the Minister of Economic Affairs and Finance, shall be transferable abroad.

Article 15

Payments related to the installments of the principal of the financial facilities of Foreign Investors and their associated expenses, agreements for patent rights, technical know-how, technical and engineering assistance, trade marks and names, management as well as similar agreements within the framework of the relevant Foreign Investment, upon the approval of the Board and confirmation by the Minister of Economic Affairs and Finance, are

transferable abroad.

Note 2 - Article 17

With respect to investments referred to in Para (b) of Article(3), if, as a result of enactment legislation or Cabinet decrees, the execution of the financial agreements approved within the framework of FIPPA is prohibited or interrupted, the resulting losses, up to a maximum of installments at maturity, shall be provided and paid by the Government.

The scope of acceptable commitments within the framework of FIPPA shall be approved by the Council of Ministers.

Article 18

Transfer abroad of the portion of the Foreign Capital imported into the Country within the framework of the Investment License but remained unused, is exempted from all foreign exchange as well as export and import laws and regulations.

3- Some properties and articles of “Implementing Regulations of Foreign Investment Promotion and Protection Act”:

A. Common features and advantages:

1. Foreign Investors enjoy the same treatment as accorded to domestic investors.
2. Import of Foreign Capital, being cash or non-cash (in kind), is only subject to the Investment License and does not require any other license.
3. The volume of Foreign Investment in each individual case shall not be subject to any limitation.
4. Foreign Capital is guaranteed against nationalization and expropriation, and in such cases the Foreign Investor shall be entitled to receive compensation.
5. Transfer of the principal capital, profit and capital gains derived from utilization of capital shall be effected in the form of foreign currency or, as

the case may be, in the form of goods, as set out in the Investment License.

6. The freedom to export goods produced by the Investee Firm is guaranteed and, in the event of any prohibition on the export, the goods produced may be sold in the domestic market, and proceeds of sale shall be transferable abroad in the form of foreign currency through the Country's Official Monetary Network.

B. Specific features and advantages:

1. Foreign Direct Investment (FDI):

1.1. Investment may be made in all areas where the private sector activity is permitted.

1.2. There is no restriction on the percentage of foreign shareholding.

2. Investment within the framework of contractual arrangements:

2.1. Compensation for losses sustained by the Foreign Investment resulting from prohibition and/or interruption in the execution of financial agreements caused by enactment of law and/or Cabinet decrees, up to a maximum of matured installments, shall be guaranteed by the Government.

2.2. In "B.O.T." and "Civil Participation" schemes where a government agency is the sole purchaser and/or supplier of goods and services at subsidized prices, the purchase of produced goods and services resulting from an investment project by the government agency as a party to the contract, shall be guaranteed in accordance with the relevant regulations.

Article 6

Foreign Investors who have already invested in Iran without the benefit of coverage of FIPPA may, upon completion of the admission procedure, benefit from FIPPA's coverage for the principal investment already made.

Subsequent to the issuance of the Investment License, the investor shall be entitled to benefit from all privileges of FIPPA including, inter alia, the right to transfer profit. This type of investments shall be generally considered as existing investments to which the general criteria for admission of Foreign

Capital are applicable.

It should be stressed that FIPPA is a significant complement to a whole host of reforms taking place in Iran's general macroeconomic framework and structural mechanisms. These economy-wide reforms are intended to stimulate and benefit both foreign and local investments.

Some key elements of economic reforms include:

- Introduction of a new income tax regime with a single and competitive flat tax rate of 25%, and a range of exemptions for manufacturing enterprises and total exemption for export-generated revenues;
- Elimination of a wide range of non-tariff barriers and further liberalization of the foreign trade regime;
- Creation of several private banks and other private non-banking credit institutions;
- Unification of foreign exchange rate and significant liberalization of foreign exchange regime;
- Legal reforms for the establishment of private insurance companies;
- Continued emphasis and progress on the privatization of state-owned enterprises including public sector banks.

Passage of the new investment act is only part of the evolutions and plans aimed at economic reforms and support of the rights and benefits of investors (whether foreign or domestic). Some of these evolutions and corrective programs include the following:

- Passage of the new tax law with different advantages in terms of the advantages it provides considering the rates and exemptions, leading to an increase in domestic investments and products
- Replacement of non-tariff procedures with the tariff system
- Establishment of non-government banks and credit institutions
- Establishment of the currency single-rate system through application of a single currency rate to all economic activities and removal of the multi-rate system
- Providing for the establishment of private insurance companies
- Constant emphasis on the comprehensive implementation of the privatization plan (including privatization of government banks)

Foreign investment methods, features and available facilities that can be granted within the framework of the Foreign Investment Promotion and Protection Act

Investment Methods	Investment Fields	Type and method of imports of investments (cash and non-cash)	Level of participation	Capital security/guarantees	Currency transfer to foreign countries	
					Original capital/ reserve	Techno-logic and service contracts
Direct investment (FDI)	All of the fields available for the activity of the private sector	<ul style="list-style-type: none"> - It is mentioned in the investment license by the approval of the foreign investment board - There is no need for another license 	Unlimited	<ul style="list-style-type: none"> - Guarantee of compensation in case of expropriation and nationalization - Guarantee of exports and supply of exchange in case of export prohibition - Benefiting from the same treatment as domestic investors 	<ul style="list-style-type: none"> - Unlimited in form of exchange - Unlimited in export plans in the form of goods 	<ul style="list-style-type: none"> - Unlimited in form of exchange - Unlimited in export plans in the form of goods
Contractual arrangements: Building, operation and transfer (BOT) methods	All of the fields available for the activity of the private and public sectors	<ul style="list-style-type: none"> - It is mentioned in the investment license by the approval of the foreign investment board - There is no need for another license. 	Unlimited	<ul style="list-style-type: none"> - Guaranteed compensation in case of expropriation and nationalization - Guaranteed exports and exchanges in case of prohibition of exports - Benefiting from the same treatment as domestic investors - Guaranteed compensation of the loss caused by inhibition/ prohibition of implementation of financial agreements as a result of new acts or government decisions - Guaranteed purchase of goods and services in case the contracted government branch is the exclusive buyer of products and services. 	<ul style="list-style-type: none"> - Unlimited in form of exchange - Export plans in form of goods 	
Buy-back	All of the fields available for the activity of the private sector	<ul style="list-style-type: none"> - It is mentioned in the investment license by the approval of the foreign investment board - There is no need for another license. 	<ul style="list-style-type: none"> - Unlimited investment - Participation does not count. 	<ul style="list-style-type: none"> - Guarantee compensation in case of expropriation and nationalization - Guaranteed exports and exchanges in case of prohibition of exports - Benefiting from the same treatment as domestic investors - Guaranteed compensation of the loss caused by inhibition/ prohibition of implementation of financial agreements as a result of new acts or government decisions - Guaranteed purchase of goods and services in case the contracted government branch is the exclusive buyer of products and service 	<ul style="list-style-type: none"> - Unlimited in form of goods 	
Civil partnership	All of the fields available for the activity of the private and public sectors	<ul style="list-style-type: none"> - It is mentioned in the investment license by the approval of the foreign investment board - There is no need for another license. 	Unlimited	<ul style="list-style-type: none"> - Guarantee compensation in case of expropriation and nationalization - Guaranteed exports and exchanges in case of prohibition of exports - Benefiting from the same treatment as domestic investors - Guaranteed compensation of the loss caused by inhibition/ prohibition of implementation of financial agreements as a result of new acts or government decisions - Guaranteed purchase of goods and services in case the contracted government branch is the exclusive buyer of products and service 	<ul style="list-style-type: none"> - Unlimited in form of exchange - Export plans in form of goods 	<ul style="list-style-type: none"> - Unlimited in form of exchange - Export plans in form of goods

Investment of (Iranian & Foreign) Natural and Legal Persons in Mining Activities

- ▶ **Exploration**
- ▶ **Mine Operation**
- ▶ **License Issuance**

Investment of (Iranian & Foreign) Natural and Legal Persons in Mining Activities

Introduction

All of the mining activities are conducted according to the mining act of 1998 and subsequent amendments. According to this act, minerals are classified into four classes. The Ministry of Industries Mine and Trade is responsible for policy making and executive planning of classes 1 and 2. In addition, the responsibilities of classes 3 (hydrocarbons) and 4 (radioactive materials) are also with the Ministry of Oil and Atomic Energy Organization of Iran, respectively. Minerals in classes 1 and 2 include the following six subgroups according to the code that came with this act:

First group: Sand, gravel and clay

Second group: Construction rubbles in accordance with paragraph (x) of Article (1) of the mining act

Third group: Class 1 minerals except for groups 1 and 2

Fourth group: Decorative and surface stones

Fifth group: Class 2 nonmetallic minerals except for coal and group 4 Minerals

Sixth group: Class 2 metallic and coal minerals

The process of mining operations includes registering the exploration area and winning an exploration license, a discovery certificate, mine operation license, and mining industries operation license. These operations can be conducted directly by registering the area or applying for a license. They can also be carried out by participating in auctions or transferring licenses or permissions.

Foreign natural and legal persons can also engage in mining activities in Iran by following the relevant rules and regulations as well as the Foreign Investment Protection Act (FIPA).

Exploration

The exploration procedure includes the following phases: identification, tracking, general exploration, and detailed exploration.

1- Registering the Exploration Area

Natural and legal persons meeting the following criteria can apply for registration of exploration areas and exploration licenses:

A) Natural persons

- Aging at least 18 years
- Being excluded from the act on the prohibition of interventions of ministers, parliament representative, government staff with government and public transactions
- Being excluded from Article (33) of the Mining Act
- Having the minimum technical and financial capacities (according to the codes and at the discretion of the provincial Organization of Industries Mine and Trade)
- Having the right to engage in mining activities at the time of exploration license issuance

B) Legal Persons

- The corresponding statute may include references to mining activities.
- Having the minimum technical and financial capacities (according to the codes and by winning the certificate of the provincial Mining Engineering Organization)
- Having the right to engage in mining activities at the time of exploration license issuance
- Being excluded from the act on the prohibition of interventions of ministers, parliament representative, government staff with government and public transactions

2- Exploration License

In order to take part in exploration operations, natural and legal persons need to obtain an exploration license from the Ministry of Industries and Businesses.

A) Exploration License Issuance Process

- The applicant submits their request according to the relevant forms provided by the Administration of Provincial Industries Mine and Trade Organizations.
- The provincial Industries Mine and Trade Organization receives and registers the request by recording the arrival date and time and hands a copy to the applicant as a receipt.
- The provincial Industries Mine and Trade Organization handles the request in accordance with the coordinates of the area of concern in seven working days and registers the area with the name of the applicant if the area is available (unclaimed). The organization also provides the applicant with the information on the coordinates of the specified area.
- The applicant submits their request for resumption of the process within ten days of announcement of the area's availability according to the corresponding form.
- The provincial Industries Mine and Trade Organization announce the coordinates of the previously unclaimed area after inquiring the associated organizations such as the Natural Resources Organization.
- The applicant submits their exploration plan within one month of announcement of the area's availability.

B) Terms and conditions of issuance of exploration license for legitimate natural and legal persons

- All or part of the area of concern has to be unclaimed
- Having the minimum technical and financial capacities
- Having the right to engage in mining activities at the time of exploration license issuance

- Preparation of an exploration plan by the legitimate members of the Mining Engineering Organization
- Approval of the exploration plan presented by the applicant by the provincial Industries Mine and Trade Organization
- Submission of documents of payment of the price mentioned in Note (2) of Article (6) of the mining act
- Submission of a 6-month to one-year warrant or a cash payment receipt for the price determined in Note (3) of Article (6) of the act in accordance with the classification of minerals at the time of exploration license issuance

The exploration license for minerals of classes 1 and 2 expires after six month while that of minerals of classes 3, 4 and 5 expires after one year. The exploration license duration for minerals of class 6 is determined in accordance with the exploration plan presented by the applicant and approved by the provincial Industries Mine and Trade Organization. It is six month for phases one and two and is one year for phases three and four.

The maximum area of the region licensed for exploration of minerals of group 6 is determined as follows:

Group one: 0.5 km²

Group two: 1 km²

Group three: 4 km²

Group four: 3 km²

Group five: 20 km²

Group six: 250 km²

The exploration license can only be transferred once as long as it is valid. The transferee is obliged and committed to carry out the responsibilities determined for the transferee.

3- Discovery Certificate Issuance

The owner of the exploration license shall present the following information in their operation final master report: information on the type, quantity, quality and karat of different minerals (including main and secondary minerals).

The information is to be included in the discovery certificate. The report shall be prepared and submitted to the provincial Industries Mine and Trade Organization, by persons authorized by the Mining Engineering Organization. The provincial Industries Mine and Trade Organization issues the requested discovery certificate after receiving the operation final master report on the due time and checking the compliance of the report contents with the operation.

If the owner of the discovery certificate intends transfer the certificate to another party, they shall submit their request along with the agreement made between the two parties and full information on the eligible transferee to the provincial Industries Mine and Trade Organization. This shall be done at most before one year of issuance of the certificate.

Mine Operation

4- Operation License Issuance

In order to extract the mineral reserves embraced by the mine, it is necessary to obtain an operation license from the provincial Industries Mine and Trade Organization. In order to obtain an operation license, the owner of the discovery certificate shall submit their request along with the operation plan prepared in accordance with the corresponding forms to the provincial Industries Mine and Trade Organization. The owner shall also prepare the plans required for operation using persons authorized by the Mining Engineering Organization and shall submit them to the provincial Industries Mine and Trade Organization. After examining the documents and the operation plan, the provincial Industries Mine and Trade Organization issues the requested mine operation license according to the discovery certificate and the approved operation plan as long as the aforementioned documents suffice.

State wage is calculated and received according to the annual production capacity of mineral mentioned in the operation license.

The applicant shall take the following measures to obtain an operation license:

- Delegation of the required obligations required by the technical specifications of the approved operation plan to the persons authorized by the Mining Engineering Organization according to the criteria, measures and instructions determined by the Ministry of Industries Mine and Trade; presenting the relevant documents
- Presenting a payment warrant worth six months of state wage
- Delegation of the required obligations associated with Note (2) of Article (9) of the mining act (payment of exploration dues to the owner of the discovery certificate)

Duration of mine operation is determined according to the applicant's request, the mineral reserve of the mine, and the approved operation plan with the approval of the Ministry of Industries Mine and Trade. The minimum duration is two times the duration of return on investments and the maximum is 25 years. If the mine is aged over 25 years, the owner of the permission is prioritized for the rest of the operation if interested.

Applicants for extraction permission, which are referred to in Article (3) of the mining act, shall submit their request in accordance with the corresponding form to the provincial Industries Mine and Trade Organization. The request shall contain the following information items: coordinates of the area and the amount and duration of extraction.

The provincial Industries Mine and Trade Organization issues the extraction license according to the codes. Such licenses cannot be transferred to else.

The owner shall prepare and submit the full report of operation procedure to the provincial Industries Mine and Trade Organization. This report contains the following information: extraction amount, cost price, sales price, statistics and information about human resources. The annual extraction level mentioned in the operation license can be reduced or increased based on the request of the owner with an amendment plan as long as the operation license is valid.

5- Issuance of Operation License for Ore Dressing, Processing and Mining Industries Units

Mine owners, whose requests for opening ore dressing, processing and mining industries units (as determined in the operation plan) are approved, do not need an establishment license and are thus authorized to take measures to open the units of concern in the licensed area. The appropriate executive branches are also obliged to treat these owners similar to other establishment license owners. These owners will also benefit from government incentives and aids.

Applicants for permission of opening independent processing and mining industries units outside of the licensed area shall submit a technical and economic briefing plan and win an establishment license. The operation plan for the mining industries unit shall be prepared by person meeting the technical specifications of the Mining Engineering Organization.

Transfer, extension, and changes of the site for the predicted plan, expiration date of the establishment license, and other terms are also possible.

Owner of the establishment license shall take measures to implement the plan and win an operation license within the predetermined period and in accordance with plan schedule and relevant regulations.

After trial production, owner of the establishment plan is obliged to submit their request along with the corresponding report to the appropriate authority to obtain an operation license. The operation procedure shall be conducted according to the approved plan and under the supervision of persons authorized by the Mining Engineering Organization.

6- Highlights

The following points are of great importance in mineral investments and shall be taken into account by the investor.

6-1- State Wage

State wage is determined in relation to 10% of the price of each substance unit or extracted mineral and based on the market price.

Variations of state wage are announced according to the appropriate codes by the provincial Industries Mine and Trade Organization. Some of the factors influencing the changes in state wage are as follows: reserves level, extraction method, karat and quality of the mineral material, preferred dividends, position of the mine (e.g. some mines are located in deprived and underdeveloped regions), and industrial recovery percent (determined in relation to the mining scale and type of minerals).

These variations are such that state wages for large-scale mines are not reduced by less than 5% and are not increased by at most three times the base wage for other mines.

The price of the mineral substance or the product of ore-dressing or processing processes in the mine region (which is considered the basis for calculation of state wage) is equal to its average sales price and is determined at the discretion of the Ministry of Industries Mine and Trade.

The aforementioned ministry is obliged to revise the state wages every three years. If conditions are changed and revision of the state wages is considered necessary by the Ministry of Industries Mine and Trade, the change is determined on the basis of a plan presented by the owner and is approved by the ministry.

6-2- Auction

In order to select an agent for conducting exploration and operation operations, a public auction is held and a two-phase assessment of the technical and financial capacities of the auctioneers is also carried out. The recommended prices are also announced.

Auctions for the exploration area and operations with different bases are as follows:

A) Auctions for the exploration area

The provincial Industries Mine and Trade Organization takes measures to determine the required agent by holding auctions and issuing exploration licenses for the unclaimed exploration areas or areas available for completion of exploration operations.

Regulations set for the transfer, extension, change of quality of minerals, change of the type of mineral and other items apply also to exploration licenses transferred through auction in accordance with the mining act and its codes.

B) Operation auctions

Auctions for the operation of unclaimed mineral reserves are held by the provincial Industries Mine and Trade Organization. The unclaimed mineral reserves included in auctions are as follows:

- Areas with unclaimed discovery certificates that have been valid for one year; the certificate owner shall not also ask for continuation of mineral operations
- Unclaimed mines
- Unclaimed discovered limited mineral reserves
- Unclaimed mineral depots
- Abandoned mines with mineral reserves
- Other cases at the discretion of the Ministry of Industries Mine and Trade

Exploration License Issuance Process

Referring to the provincial Industries Mine and Trade Organization and applying in accordance with forms



Registration of the request by the provincial Industries Mine and Trade Organization and provision of a receipt to the applicant



Registration of the available area with the applicant's name and submission of specifications to the applicant by the provincial Industries Mine and Trade organization



Applying for issuance of an exploration license



Announcement of availability of the area by the provincial Industries Mine and Trade Organization after inquiries



Applying for issuance of an exploration license



Preparation and submission of an exploration plan by eligible persons



Examination and approval of the exploration plan



Introducing a technical supervisor for exploration



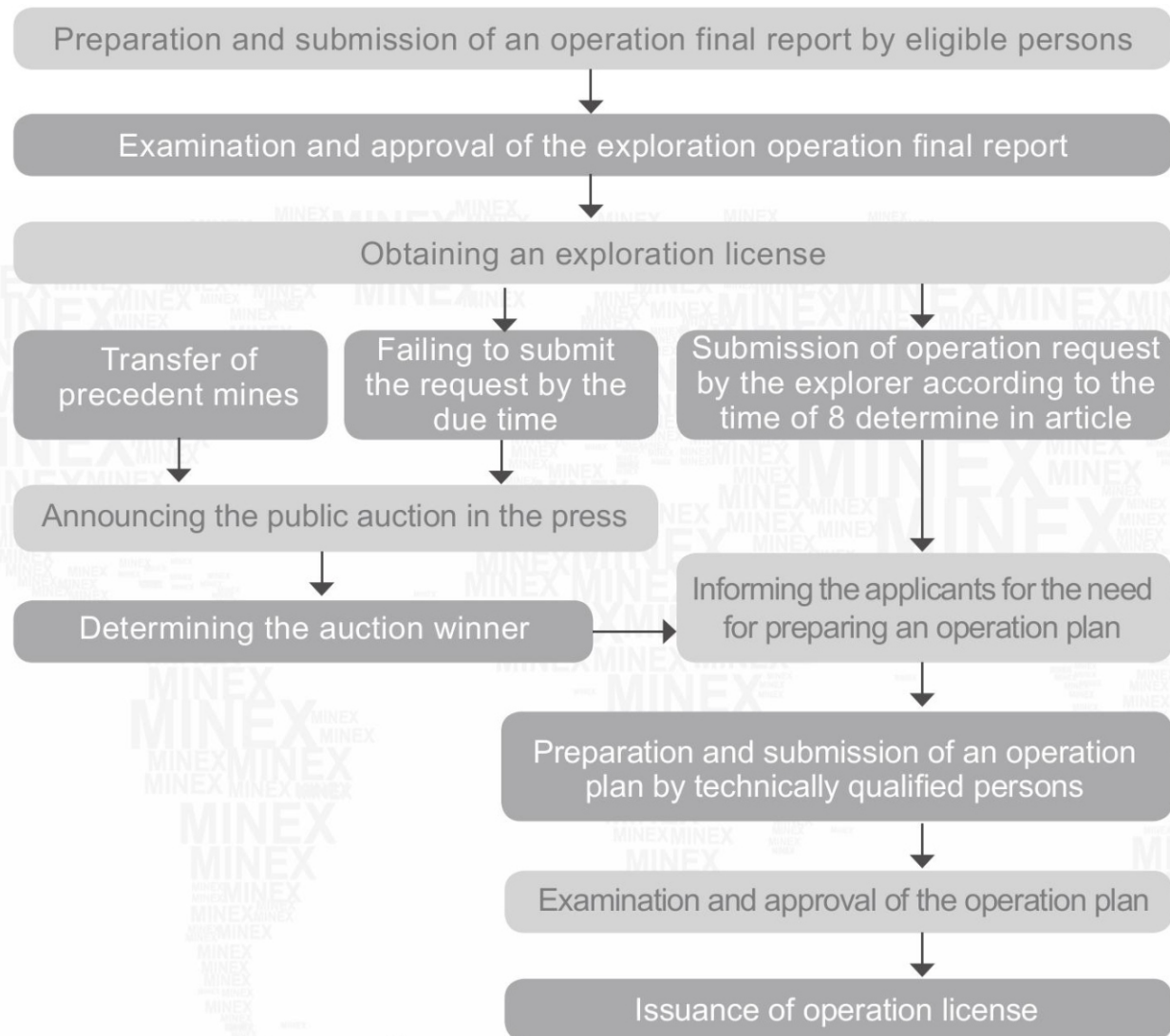
Issuance of exploration license

The following documents shall be provided by: the applicants for exploration license
(2) Receipts of payments determined in Note - of the act (6) of Article
A six-month to one-year warrant or cash - payment receipt for the price determined in based on the classification (6) of Article (3) Note of minerals at the time of issuance

Conditions for issuance of exploration license:

- All of part of the requested area has to be unclaimed
- Having the minimum technical and financial capacities
- Having the right to engage in mining activities at the time of issuance of exploration license

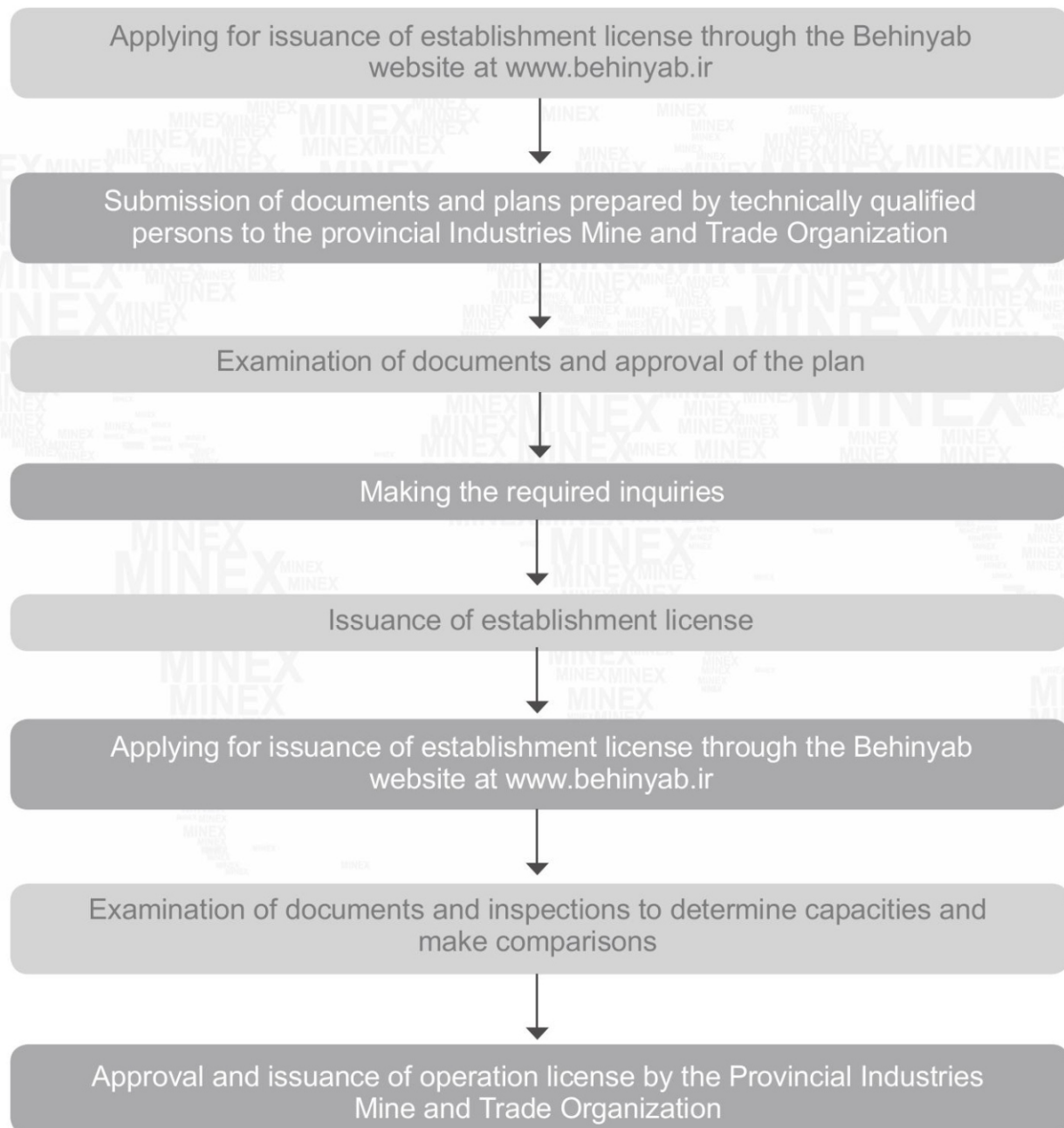
Mine Operation License Issuance Process



The following documents shall be provided by the operation agent:

- Commitment to implementation of the technical contents of the approved operation plan
- Warrant for payment of six months of state wage
- Commitment to the implementation of Note (2) of Article (9) of the mining act

Diagram of Establishment and Operation Licenses Issuance Process





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