MINING ACTIVITIES IN LAO PDR
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I. Vision

Utilize minerals and mineral resources in conjunction with environmental protection consistent with the national socio-economic plan.

Create conditions for the gradual improvement of the economic growths, national income, industrialization, progressive modernization, development of the mineral sector and standard of living of all ethnic groups of Laos.
II. Economic outlook

The LAO PDR Mining sector -

- is one of Lao PDR priority sectors for the socio-economic development
- is an important source of economical growth and national revenue
- is a driver for local community development
- is a increasingly important contributor for poverty alleviation
- has increased over the last 5 years about 14 % per year
- Contribution to GDP increased from 0,5 % in 2002 to 8% in 2007 to 10,3 % in 2011
- Comprises more than 60% of LAO PDR’s total exports
- Increased its export volume to 68 % since 2002
III. Introduction of the Department of Mines

Department of Mines (DOM) is a state authority and belongs to the Ministry of Energy and Mines, which is in charge of management and promotion of mining, mineral further processing and export and import of mineral products. DOM consist of 6 Divisions such as:

1. Administration Division.
2. Mining Title and Policy Division.
3. Mining and Metallurgy Technology Division.
4. Mining Economics and Community Development.
Structure of DOM

Director General

Deputy Director General

Deputy Director General

Deputy Director General

Administration Division

Mining and Metallurgy Technology Division

Mine Safety, Health and Environment Division

Mining Information and Evaluation Division

Mining Title and Policy Division

Mining Economics and Community Development Division
IV. Mineral potential

Lao PDR has significant mineral potential for the discovery of new ore deposits and the successful development of a medium to large scale mining industry.

Known mineral occurrences include:

- Gold (150)
- Zinc and Lead (75)
- Iron Ore (52)
- Other metals (36)
- Limestone (9)
- Coal (37)
- Other industrial minerals (14)

Total Mineral occurrences 511
<table>
<thead>
<tr>
<th>No</th>
<th>Type of Mineral</th>
<th>Reserve (T)</th>
</tr>
</thead>
<tbody>
<tr>
<td>01</td>
<td>Potash</td>
<td>326,197,210 (T)</td>
</tr>
<tr>
<td>02</td>
<td>Bauxite</td>
<td>442,576,847 (T)</td>
</tr>
<tr>
<td>03</td>
<td>Lignite</td>
<td>384,532,231 (T)</td>
</tr>
<tr>
<td>04</td>
<td>Copper ore (0.5 – 1 % Cu)</td>
<td>152,623,073 (T)</td>
</tr>
<tr>
<td>05</td>
<td>Gold ore (0.5-3 g/T Au)</td>
<td>44,402,904,212 (T)</td>
</tr>
<tr>
<td>06</td>
<td>Limestone (Cao&gt;50%)</td>
<td>1,708,146,577 (T)</td>
</tr>
<tr>
<td>07</td>
<td>Tin ore</td>
<td>32,439,097 (T)</td>
</tr>
<tr>
<td>Commodity</td>
<td>Unit</td>
<td>2004</td>
</tr>
<tr>
<td>----------------------</td>
<td>------</td>
<td>-------</td>
</tr>
<tr>
<td>Barite</td>
<td>T</td>
<td>10,470</td>
</tr>
<tr>
<td>Lignite</td>
<td>T</td>
<td>332,907</td>
</tr>
<tr>
<td>Sapphire</td>
<td>CT</td>
<td>712,320</td>
</tr>
<tr>
<td>Au +Ag</td>
<td>T</td>
<td>6.75</td>
</tr>
<tr>
<td>Copper Concentrate</td>
<td>T</td>
<td>0</td>
</tr>
<tr>
<td>(25% CU)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gypsum</td>
<td>T</td>
<td>244,145</td>
</tr>
<tr>
<td>Tin</td>
<td>T</td>
<td>144</td>
</tr>
<tr>
<td>Zinc</td>
<td>T</td>
<td>2,000</td>
</tr>
<tr>
<td>Copper (Cathode)</td>
<td>T</td>
<td>0</td>
</tr>
</tbody>
</table>
V. Overview Mining Industry in Lao PDR

- Now there are 61 Local and Foreign Companies conducted mining construction, exploitation and mineral processing.

- Except 61 companies, there are more than 200 companies conducted prospect and exploration under monitoring and management of Department of Geology and Mineral (DGM), Ministry of Natural Recourses and Environment (MONRE).

Therefore the number of companies conduct mining and mineral processing activities will increase.
61 Mining companies

- Foreign companies: 12
- Local companies: 14
- Joint venture companies: 35
Types of Minerals

- Gold
- Copper
- Iron
- Tin
- Lead and Zinc
- Potash
- Coal
- Bauxite
- Gypsum
- Barite
- Raw material for cement
Mineral production in 2011 (tonne)
VI. Mining related laws

- Mineral Law
- Investment Law
- Land use Law
- Environmental Law
- Forestry Law
- Taxation Law
- Transportation Law
- Construction Law
History of Mining Law

- **1997** - First Mining Law enacted
- **2006** - Mining Law revised and changed from Mining Law to Minerals Law, enacted in 8/12/2008
- **April 2011** - Draft of Implementing Decree on Minerals Law approved by Government meeting
- **August 2011** - Government declared to set up the new Ministry of Natural Resources and Environment (MONRE) and to transfer the Department of Geology and Mineral and their responsibilities from the Ministry of Energy and Mines to MONRE
In 2001 **48** companies invested in the mining sector

Until March **2012** the central Government issued licenses for

- **205** Exploration / Mining projects
- **147** Exploration Projects
- **13** Feasibility Studies
- **58** Mining operation projects
Mineral and Mining activities

Activities concerning minerals:
1. Prospecting;
2. Exploration;
3. Pre-Feasibility study and detailed Feasibility study;
4. Mining;
5. Mineral Processing, smelting and refining;
6. Selling and Buying;
7. Transport of Mineral products;
8. Rehabilitation and Mine Closure;
9. Transfer of Mining Activities.
Duration of Licenses

Prospection 2 years  +  1 year
Exploration  3 years  +  2 year
Feasibility study  1 year  +  1 year
Construction  2 year  +  1 year
Mining + Processing  20 years  +  5 years

Concession area maximum 300 km²

End of **prospecting period**: Relinquish not less than 25% of original area

End of **exploration period**: Relinquish not less than 25% of prospection area
Mineral Investment

Forms of Investment:

1. **Business Cooperation** by contract
2. **Joint Venture** between foreign and domestic company
3. 100 % **foreign** owned or **domestic** owned

Representative Office:

For collecting information, study investment opportunities
VII. Licenses procedures

A. Approval procedure for prospection and exploration licenses

- Investment licenses on Prospection and Exploration

COMPANY

- Prospection Licenses;
- Exploration Licenses;

PMO

MPI (DPI)

MEM (DOM)

MONRE (DGM)

PMO – Prime Minister Office
MPI – Ministry of Planning and Investment
MEM – Ministry of Energy and Mines
MONRE – Ministry of Nature Resources and Environmental
B. Approval procedure for Mining licenses

[Diagram showing the approval process involving MONRE (DGM), COMPANY, MEM (DOM), MPI (DPI), and PMO with notes on Mining and Processing Licenses, Investment Licenses on Mining, Reports, and abbreviations: PMO – Prime Minister Office, MPI – Ministry of Planning and Investment, MEM – Ministry of Energy and Mines, MONRE – Ministry of Nature Resources and Environmental]
VIII. Duties and responsibilities of DOM

- **supervise operations** of mining companies to ensure their compliance with the government regulations and contract;
- draft implementation of **mineral law**, mine safety, health and mine closure **regulations** for the mining and metallurgical sector and submit for approval;
- make short- and long-term mining **development and metallurgical plans**;
- develop and distribute regulations and guidelines for promoting the mining and metallurgical sector;
- give technical and financial **comments on mining project proposals** and project reports of mining companies and participate in **negotiations of mineral exploration** and exploitation contracts;
- give comments on **environmental** impact assessment studies;
- issue, refuse, extend and withdraw mining **licenses**;
- evaluate **effectiveness of the investment** in the mining sector;
- organise meetings with the **investors** in order to give advice and guidance;
- give technical comments regarding environmental impacts of all investments in the mining sector;
- conduct planned and unplanned **inspections** of mining operations related licenses, mine safety, rehabilitation and mine closure;
- **cooperate** with central and local organizations according to the regulations issued by the government.
Road map - development of the mining sector

**Short term:**

- Restructure DOM (now 6 Divisions)
  1) Administration;
  2) Mining title and Policy;
  3) Mining Technology and Metallurgy;
  4) Mining Economics and Community Development;
  5) Mining Information and Evaluation;
- Upgrade capacity of the DOM’S staff
- Set up **IT center** and **Library**
- Draft roles, **regulations** and technical **standards** for Pre-F/S and Detailed F/S, Mines Health Safety and Env. Protection
- **Monitoring** and **evaluation** of Mining Projects.
Road map - development of the mining sector

Long term:

- Cooperation with **Educational Sector** introduce **Scholarship** in Mining Sector;
- Cooperation with **Environmental Sector** to establish Strategy Master plan on sustainable development of the Mining sector;
- Cooperation with **Financial Sector** to manage the collection of the revenue from the Mining Sector;
- Study and re-draft **Mining Policy** by 2015 and 2020;
- Planning for the **Decentralization** of the Mining management to the provincial level.
IX. Fiscal regime

Rental fee for:

- **Prospection, Exploration and Pre F/S:**
  - 3 - 12 US$/Ha/year

- **Mining:**
  - 0,5 – 1 US$/Ha/year

- **Royalty:**
  - 1 - 7% depending on type of mineral and product

- **Cooperate income tax:**
  - 25-35% depending on size of project and mineral

- **Option share:** Government has the right to hold 10 % shares borrowed from the Investment, reimbursed thru suspension of future capital and income tax
Main subcontractor should be a **registered company** in Laos.

Value added tax 10%, could be completed but covered as operating cost.

Other incentives:

- **Exemption** of **import duties** and **taxes** on raw materials and capital equipment.
- **Exemption** of **export duty** on export products.
- 10% **income tax** on expatriate employees.
X. Challenges and Advantages for Investors

Main Challenges:

- Regulations for implementing the mining related laws and rights and duties of authorities involved in management mineral and mining activities and standards for mine safety, health and environmental protection.

- An agreement on right and duties in the field of environmental protection between MEM and MONRE is needed.

- **Government staff**: lack of technical skills and knowledge, limited number

- **Restructured DOM** less favorable for new investments
• **Rules** and **regulations** for the implementation of the Mining law in accordance to international standard partly **missing**

• Limited **number** and **capacity** of **locals** working in the mining sector

• High number of **mineral trade** companies rather than professional **mining operation** companies

• Some companies do not obey the Laws, regulations and agreements.
Main Advantages:

- There are Laws and regulations for management of mining and mineral activities.
- There are state organizations responsible for management of mineral and mining activities.
- There are many companies which implement environmental sound mining and obey laws and regulations.
- **Unified** domestic and foreign investment law no discrimination between foreign and domestic investors, special investment incentives
- Government vision: **Land-linked** Laos
• Social and political stability

• High security (low crime rate)

• Low investment costs (labor, land, utilities)

• GSP privileges given from 42 countries

• Bilateral investment agreement with 27 countries

• WTO membership in the process

• Cooperate with international agencies such as: WB, Aus AID, JOGMEC, MIRECO.
XI. Conclusion

1. Mineral development in the LAO PDR is rapidly becoming an important source of economic growth and poverty reduction supporting sustainable development.

2. There are 61 companies conducted to mining and mineral processing.

3. There are Laws and regulations on mining environmental management, but there are difficulties for implementation of laws and regulations.

4. The implementation of laws and regulations should be improve and new regulations are needed.

5. The Government encourages investors to join existing / new licenses.
Main **Advantages:**

6. There are organizations responsible for mine safety, health and environmental protection, but the rights and duties are not clear.

7. Most of the Mining Companies have completed prospection and exploration and are now conducting feasibility studies on minerals such as potash, bauxite, gold, copper, lignite, iron, tin and zinc. An **increase of mineral products** within 5 years is expected.

8. **Unified** domestic and foreign **investment law**

- Social and political **stability**
- High **security** (low crime rate)
• **Low investment costs** (labor, land, utilities)

• GSP **privileges** given from 42 countries, Bilateral **investment agreement** with 27 countries, **WTO** membership in the process

9. Main **Challenges:**

• **Government staff:** lack of technical skills and knowledge, limited number

• **Rules and regulations** for the implementation of the Mining law in accordance to international standard partly **missing**

• Limited **number and capacity** of **locals** working in the mining sector
Welcome to Laos

Thank You!