

## Annex 1 - Form B (Mining Lease Agreement) (Section 48)

This **Mining Lease Agreement (MLA)**, including three Annexures attached hereto, is made at **Thimphu** on the ..... **Day of** ..... **(Month) (Weekday)**..... of the year ..... **(in words)** ..... **(in figure)**.

### BETWEEN

The **Department of Geology and Mines (DGM)**, Ministry of Economic Affairs, Thimphu, on behalf of the Royal Government of Bhutan, hereinafter called the **"Lessor"** of the first part;

### AND

**Mr./Mrs.**..... bearing **CID No.**..... from ..... under ..... **Gewog**, ..... **Dzongkhag** hereinafter called the **"Lessee"** of the other part. (OR) **M/s.** ..... bearing the **Registration No.** ..... hereinafter called the **"Lessee"** of the other part.

Whereas, the Ministry of Economic Affairs is pleased to grant the renewal of Mining Lease for mining of .....**(mineral)**..... for use as ..... at ..... **(place)**....., under ..... **Gewog**, ..... **Dzongkhag** vide its approval No. .... dated ..... to **Mr./Mrs./M/s.**.....

Now this MLA witnesses that in consideration of the rent and Royalties hereinafter reserved and of the covenant on the part of the Lessee hereinafter contained, the Lessor does hereby demise to the Lessee on terms and conditions given in this Agreement the ..... **deposit** situated at ..... under ..... **Gewog**, ..... **Dzongkhag** covering an area of ..... **acres** (..... **hectares**) delineated by DGM and indicated in the Map at Annexure I, hereinafter called the **"AREA"**, together with the right to mine ..... **for use as** ..... in and upon the AREA.

### Terms and Conditions

#### Clause I

The lease shall be for a period of ..... years **from** ..... **to** ..... and the name of the mine shall be .....

#### Clause II

The Lessor may terminate this lease upon non-compliance by the Lessee with any of the terms and conditions of the lease or sections contained in the **Mines and Minerals Management Act (MMMA) 1995** and the **Mines and Minerals Management Regulations (MMMR) 2022** issued under it, or if the Lessee is in violation of his covenants for more than two instances, or if it is in the interest of the Royal Government to withdraw the lease.

**Clause III**

The Lessee may surrender the whole or a part of the lease of the AREA at any time after giving three months' notice in writing to the Lessor, provided that:

- a) All payments due to the government have been made up-to-date.
- b) The surrendered area has been restored/reclaimed up to the complete satisfaction of the Lessor.

**Clause IV**

Upon approval by the Lessor affecting the expiry/termination/surrender of the lease, the Lessee shall hand over the leased AREA to the Lessor within thirty (30) days thereof after fulfilling the sections contained in the Mines and Minerals Management Act 1995 and the Rules and Regulations formulated thereunder.

**Clause V**

The Lessee shall not be eligible for any compensation from the Lessor against loss of mineral due to natural or other disasters.

**Clause VI**

The payment of the compensation on termination of the lease shall be dealt in accordance with section 29 (iii) of the MMMA 1995. In case of suspension of a mine or its part in accordance with section 32 of the MMMA 1995, the lessee shall not be liable for any compensation from the Government.

**Clause VII**

The .....(**minerals**)..... extracted from the leased AREA shall be solely for the purpose of use as .....

**Clause VIII**

- a) The mine development and mineral production shall be commenced by the Lessee in the leased AREA within 2 years failing which the lease is considered automatically terminated.
- b) The mining lease shall also be terminated if the lessee fails to operate the mine for two years at a stretch at any point of time during the lease period.

**Clause IX**

For carrying out work in the AREA the Lessee shall maintain the technical manpower, equipment and operational scheme as per the Final Mine Feasibility Report which has been submitted and duly approved by the Lessor vide letter number ..... dated .....

**Clause X**

At any time during the tenure of the MLA, it shall be the responsibility of the Lessee to **update/validate all mandatory clearances**, failing which the operation of the mine shall be suspended. In the event the clearances cannot be obtained within a period of 6 months, the MLA shall be automatically terminated.

## **Rent and Royalty**

### **Clause XI**

1. The Lessee shall pay Royalty and mineral rent to the Regional Office of Economic Affairs, ..... in accordance with the rates and terms laid down in Annexure II, **in advance**.
2. Royalty, mineral rent, sales tax, income/corporate tax, lease rent and such other government levies shall be as per Government schedule of rates and existing rules, which may be revised from time to time. Lease rent shall be applicable until the area has been formally handed over after the restoration.
3. Determination of the quantities of .....**(mineral)**..... dispatched for the purpose of calculation of Royalty and mineral rent shall be in accordance with the procedure laid down in Annexure III and as may be revised by the government from time to time.

### **Clause XII**

The Lessee shall obtain a business license for sale of the minerals/products and submit a copy to the lessor, prior to issuance of work order.

#### **The Lessee Hereby Agrees to the Covenant as Follows:**

1. To submit the notice for starting the mine development and re-opening of mine in Form J of the Mines and Minerals Management Regulations prior to the start of the mining operation.
2. To ensure that all the work in the AREA is carried out diligently and strictly in accordance with the provisions of the Mines and Minerals Management Act 1995 and the Regulations and any revision or order issued by the Ministry of Economic Affairs in this regard from time to time.
3. To commence the mining operation as per the terms and conditions laid down in Clause VIII.
4. To pay applicable Royalty, mineral rent and other levies on time.
5. To pay compensation for any loss or damage that may be caused by the mining operation to any land or property whether belonging to the Government or to any private person. The amount of the compensation shall be determined by the relevant Government agencies after taking into account the estimated cost of damage caused or likely to be caused.
6. To submit reports and drawings as per the following schedule:
  - i. Bi-annual Report in Form D before the 15<sup>th</sup> day of the month following half of the year.
  - ii. Annual Report in Form E for each calendar year, before 30<sup>th</sup> April of the year following the reported year.

- iii. Notice of Accident in Form I within one week of the occurrence of the accident with copy to concerned Dzongdag.
- 7. To prepare and maintain accurate plans and sections of all mine workings, as well as of all exploratory work carried out by the Lessee, including pits, bore-holes and trenches.
- 8. To keep in the mines office copies of all reports, notices and returns required to be submitted or maintained under this lease agreement or Mines and Minerals Management Act and Regulations, and shall produce the same on demand by the inspection team of the DGM.
- 9. To refrain from cutting down trees and removing forest products from the AREA without prior approval from the Department of Forest and Park Services.
- 10. To erect and maintain boundary pillars around the AREA to clearly demarcate its boundaries.
- 11. To report in writing to the Lessor within 15 days the discovery of any mineral in the AREA other than that for which this mining lease has been granted and to refrain from mining of any such mineral unless a lease for mining the same is granted to the Lessee.
- 12. To carry out the mining activities in the area with full regard to MMMA 1995 and MMR 2022, with regard to Safety, Mineral Conservation, and Environmental Preservation and Protection Laws of the country.
- 13. To refrain from engaging in fronting in any form whatsoever which shall include unauthorized financial participation as well as sub-letting the AREA or any part thereof to foreign or domestic companies or individuals.
- 14. To comply with all the terms and conditions of the valid clearances issued by the concerned authorities.
- 15. To open a joint account in the name of the mine to deposit the money as security for mine reclamation and environmental restoration for the mine upon signing the lease agreement, which shall be withdrawn by the Director General, DGM and Chief Finance Officer, Directorate Services, MoEA jointly.
- 16. To deposit a sum of **Nu. .... (Ngultrum ..... only)** prior to the commencement of mine development work and **Nu. 4/- per MT** of material dispatch in **advance** by way of Environmental Restoration Bond (ERB) into the joint account opened in accordance to the preceding clause.
- 17. To surrender ERB, if the mine reclamation and restoration of the mined out area is not carried out to the satisfaction of the Lessor.

**Clause XIII**

The fund deposited in the joint account opened by way of ERB shall be claimed by the Lessee upon carrying out the mine reclamation and restoration of the mined out area to the satisfaction of the Lessor and a Clearance shall be obtained as per Form K.

IN WITNESS WHEREOF the parties first above written have affixed their signatures hereto:

Signed:

Signed:

**Director General**

Department of Geology and Mines

For and on behalf of

Ministry of Economic Affairs

Royal Government of Bhutan

**Lessor**

**(Name)**

Authorised Signatory

For and on behalf of the

..... Mine

CID No. ....

**Lessee**

**Witness 1:** Signature:

Name: .....

Chief Engineer

Mining Division

**Witness 2:** Signature:

Name: .....

CID No.: .....

**Annexure I**

Map showing the boundaries of lease-hold area in relation to:

- a. Demarcation pillars
- b. Natural features like hills and drainage system
- c. Roads and other infrastructural features
- d. Main triangulation points, position of boreholes/trenches and any previous workings
- e. Surface contour lines on a scale having representative fraction of 500:1 to 10,000:1
- f. Boundary of various land uses and cadastral features.

**Annexure II**

Rate and terms for payment of royalty, mineral rent and lease rent for **all minerals**;

1. Royalty and mineral rent shall be paid in advance of the despatch of the mineral to the concerned Regional Office of Economic Affairs.
  - i. Royalty payable **per metric tonne (MT)** of despatch of .....(**mineral**)..... for **domestic supply** (subject to periodic revision by the government) shall be **Nu. .... per MT.**
  - ii. Royalty payable **per metric tonne** of despatch of .....(**mineral**)..... for **export** (subject to periodic revision by the government) shall be ..... **on the Minimum Floor Price established at country exit point or the invoiced value, whichever is higher.**
  - iii. Mineral rent payable **per metric tonne** of .....(**mineral**)..... for **domestic supply** (subject to periodic revision by the government) shall be ..... **per MT.**
  - iv. Mineral rent payable **per metric tonne** of .....(**mineral**).... for **export** (subject to periodic revision by the government) is **an amount equivalent to ..... of projected export royalty or domestic royalty, whichever is higher.**
2. The rate of lease rent for all surface area occupied by the Lessee shall be **Nu. .... per acre per annum** unless revised by the Royal Government, and it shall be for the period from the date of approval until the site has been satisfactorily restored and surrendered to the Lessor.

**Annexure III**

**Procedure for determining production and despatch from the mine, for the purpose of calculation of mineral levy shall be as follows:**

- The Lessee shall be responsible for printing the Transport Permit Books for which serial numbers for the Transport Permits shall be obtained from the DGM prior to printing.
- The Lessee shall then handover all the printed Transport Permit Books to the Mines Inspectors posted at the mines by DGM.
- The Mines Inspectors shall be responsible for filling in the Transport Permits at the time of arrival of the loaded trucks to the despatch check post, or at the exit point of the mine.
- The Mines Inspector shall handover three copies of the Transport Permit to the driver of the truck and retain the fourth copy. The three copies shall accompany the goods to its destination.
- At least one copy of the Transport Permit, after receipt of the goods at the destination, shall be returned to the manager who shall keep it preserved and recorded for post audit purposes.
- The Mining Division, DGM shall routinely cross check the information received from the Mines Inspectors posted at the mine.
- For the calculation of the weight of mineral to be despatched, the Lessee shall use pre-designated/approved weigh-bridge facilities.

In the event where the weighbridge facilities are not available, an accurate conversion factor shall be applied to convert the volumetric measurement in cubic meters of the mineral into metric tonnes.