



Islamic Republic of Iran
Ministry of Industry, Mine and Trade

Investment Guide For Mining Activities In Iran

SECOND EDITION





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In The Name Of God

وَالأَرْضَ مَدَدْنَاهَا وَأَلْقَيْنَا فِيهَا رَوَاسِيَ وَأَنْبَتْنَا فِيهَا مِنْ كُلِّ شَيْءٍ مَّوْزُونٍ

we have spread out the earth and set upon it firm mountains. everything we have caused to grow therein is justly weighed

The Noble Quran, Hejr , 19



**Investment Guide
For Mining
Activities In Iran**

1- Introduction	4
2- Introduction to Appropriate Executive Branches	6
2-1- Ministry of Industries Mine and Trade	8
2-1-1- Provincial Industries Mine and Trade Organizations	9
2-1-2- Geological Survey of Iran	9
2-1-3- Iranian Mines and Mining Industries Development and Renovation Organization (IMIDRO)	9
2-1-4- Mining Activities Investments Insurance Fund	10
2-1-5- Industrial Development and Renovation Organization of Iran (IDRO)	10
2-1-6 Trade Promotion Organization of Iran	10
2-2- Iranian Mining Engineering Organization	10
2-3- Ministry of Economic Affairs and Finance	11
2-4- National Development Fund of Iran	12
2-5- Islamic Republic of Iran Customs Administration (IRICA)	13
2-6- Central Bank of the Islamic Republic of Iran	13
2-7 Islamic Development Bank (IDB)	13
2-8- Iran Chamber of Commerce, Industries, Mines and Agriculture	14
2-9- Ministry of Cooperative Labor and Social Welfare	14
2-10- Islamic Republic of Iran Ministry of Foreign Affairs	15
2-11- Forests, Range and Watershed Management Organization	15
2-12- Department of Environment (Iran)	15
2-13- Cultural Heritage, Handcrafts and Tourism Organization	16
2-14- Exports Guarantee Fund of Iran	16
2-15- Atomic Energy Organization of Iran	16
2-16- The Most Important Rules on Investments in Mining Activities and Mining Industries	16
3- Foreign Investment in Iran	18
3-1- A Selection of Supports Provided by the “Foreign Investment Promotion and Protection Act” (FIPPA):	20
3-2- 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	21
3-3- Some properties and articles of “Implementing Regulations of Foreign Investment Promotion and Protection Act” :	22
Table (3-1): Foreign investment methods, features and available facilities that can be granted within the framework of the Foreign Investment Promotion and Protection Act	25
4- Investment of (Iranian & Foreign) Natural and Legal Persons in Mining Activities	26
Exploration	29
4-1- Registering the Exploration Area	29
4-2- Exploration License	30
4-3- Discovery Certificate Issuance	31
Mine Operation	32
4-4 Operation License Issuance	32
4-5- Issuance of Operation License for Ore Dressing, Processing and Mining Industries Units	34
4-6- Highlights	35
Exploration License Issuance Process	38
Mine Operation License Issuance Process	39
Diagram of Establishment and Operation Licenses Issuance Process	40



1- Introduction

Iran is among the Southeast Asian countries (Middle East) which neighbors Afghanistan and Pakistan in the East, Turkmenistan in the Northeast, Azerbaijan and Armenia in the Northwest, and Turkey and Iraq in the West. With an area of more than 1648195 km² this country accommodates more than 75 million people.

The geological characteristics and metallogenic suitable conditions of Iran have led to the discovery of 68 minerals and about 60 billion tons of absolute and probable reserves. These conditions along with the area of the land, relative abundance of energy resources and strategic position have provided the basis for advantages presented to investors active in this sector.

The strategic position of Iran, its location (which is on the lifeline of Middle East, Asia, Central Asia, Europe, and Africa), and rapid access of foreign investors to Iranian markets and 15 neighboring countries (with a population of more than 500 million people) have set the scene for an increase in the investments in Iran.

The volume of previous exploration activities is insignificant as compared to the mineral reserves of Iran. So far, exploration activities have been mainly focused on surface resources. However, using the geological sciences associated with mining and by developing and completing mineral discoveries at depths and surfaces it is possible to identify, discover and

operate rich resources.

The geological characteristics of Iran can lead to a considerable increase in the production of minerals such as copper, lead, zinc, iron, gold, rare earth elements, barite and other industrial ores, non-metallic substances, and decorative and surface stones. Such an increase is highly promising for investments in the discovery of mineral reserves.

This handbook, which is titled “A Guide to Investment in Mining Activities”, makes investors familiar with appropriate entities and branches associated with mining and mining industries. It also introduces different steps of issuance of licenses required for the discovery and operation of mineral reserves in Iran. These steps include exploration, operation of mines, and establishment of mining industries.

Since this handbook is constantly revised and since it will be published in languages other than Persian for the use of domestic and foreign investors, please inform us of your suggestions and opinions and thus help us with enhancing the quality and effectiveness of this collection.

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Introduction to Appropriate Executive Branches



2

Investment Guide For Mining Activities In Iran



2-1- Ministry of Industries Mine and Trade

All of the mining activities and mining industries in Iran are regulated by the Ministry of Industries Mine and Trade of Iran. This ministry is responsible for preparing policies, plans and technical-executive criteria for the mine and mining industries sector (*URL: www.mimt.gov.ir*).

The following divisions of this ministry are associated with/responsible for mining activities and industries:

A) Department of Mines and Mining Industries

This department is the main entity for the mining sector of the country (Iran). Some of its duties and powers are as follows:

- Policy making and planning for mines and mining industries of Iran
- Formulating regulation, strategies, standards and such for mining activities
- Setting priorities for increased production and improvement of productivity of mining and mining industries units
- Issuing different types of mining licenses including exploration license, discovery certificate, operation license, and establishment license for opening ore-dressing and processing units
- Conducting investigations and studies on the provision of facilities required for expanding incentives for investors involved in mining activities
- Supervising the provision of the industrial facilities required for the development and operation of mining industries units
- Guiding and monitoring the process of absorption of technical and

financial support as well as banking facilities by mining units and mining industries

- Conducting feasibility studies on investments in large-scale mines and providing for the transfer and issuance of the corresponding operation licenses

(URL: www.mimt.gov.ir)

B) Department of Planning

The investment office in this department sets investment priorities and provides supports for investment in mining plans. The Behinyab website (www.behinyab.ir) and the Center for Research, Development and New Industries were also created in this department so as to generate and publish information and to facilitate investment processes

(URL: www.mimt.gov.ir)

C) Department of Industries and Economy

One of the duties of this department is to present proper financial and credit solutions for the investments of industrial and mining units

(URL: www.mimt.gov.ir)

2-1-1- Provincial Industries Mine and Trade Organizations

The Industries Mine and Trade organizations that operate under the supervision of the Ministry of Industries Mine and Trade are responsible for implementing rules, regulations and instructions issued by this ministry, monitoring industrial and mining activities in provinces, and guiding/supporting these activities.

Applicant for permission of taking part in any activity in the field of mining and mining industries shall first visit the appropriate provincial Industries Mine and Trade Organization.

(URL: www.mimt.gov.ir/organization-province)

2-1-2- Geological Survey of Iran

This organization is responsible for preparing basic geological information on Iran and providing the information to the investors. The Earth sciences databases and Institute of Earth Sciences help the organization in attaining its goals.

(URL: www.ngdir.ir; www.ries.ac.ir; and www.gsi.ir)

2-1-3- Iranian Mines and Mining Industries Development and Renovation Organization (IMIDRO)

This organization regulates the activities of large-scale mines and is also responsible for developing mines and mining industries. The latter

duty is accomplished by providing the infrastructure required by the private sector or by participating, transferring credit facilities, investing in the supply of necessary machinery and equipment, or supporting investable research projects.

(URL: www.imidro.ir)



2-1-4- Mining Activities Investments Insurance Fund

This fund, which operates under the supervision of IMIDRO, covers and compensates all or part of unintentional damages caused to mining activities in the exploration, extraction, ore dressing and processing phases. It also guarantees the payment of all or part of the loans received by the investors of the mining sector by issuing credit insurances. This way, it covers the risks and losses caused to this sector, reducing investment risks. This fund uses the members of the Mining Engineering Organization for inspect and assessment purposes.

(URL: www.iranmico.com)

2-1-5- Industrial Development and Renovation Organization of Iran (IDRO)

Duties and responsibilities of this organization are also similar to those of IMIDRO. However, it mostly operates in the field of industry. Development and expansion of some of the industries associated with the mining sector are also among the duties of this organization.

(URL: www.idro.ir)

2-1-6 Trade Promotion Organization of Iran

This organization is responsible for the Islamic Republic of Iran's foreign trade development. In line with major national plans, this organization engages in constructive interactions with commercial parties and constantly tries to set the scene for the strategic management of exports, reinforcement of infrastructure and production of capacities for facilitation and development of foreign trade. This attempt is also made through planning, support and supervision.

(URL: www.tpo.ir)

2-2- Iranian Mining Engineering Organization

This organization is a collection of formations, organizations, corporate/engineering/professional associations, natural and legal persons, and the

rules, regulations and standards for the mining sector.

The Mining Engineering Organization was formed to increase the participation of engineers in the process of bringing discipline to their professional affairs and to increase the productivity of mines and mining industries. This organization determines the limits of the technical qualification of experts and supervises the correct provision of engineering services. It is also responsible for making efforts to increase participation of legal and natural persons and encourage them to investment in mining activities. The Iranian Mining Engineering Organization has an inclusive structure that allows it to have branches in all of the provinces in Iran.

(URL: www.ime.org.ir)

2-3- Ministry of Economic Affairs and Finance

Some of the most important duties of this ministry includes the following: Regulation of national economic and financial policies; implementation of tax policies; regulation/implementation of projects for economic cooperation and joint investments by foreign countries; and recommendation / acceptance / examination / implementation of affairs associated with Iran's investments abroad (and vice versa) and economic and technical aids provided to foreign countries.



(URL: www.mefa.ir)

2-3-1- Organization of Investment Economic and Technical Assistance of Iran

This organization is the only official entity for encouragement and support of foreign investments in Iran. This organization is responsible for providing incentives and facilities included in the Foreign Investment Protection Act and operating under the supervision of Ministry of Economic Affairs and Finance. The organization fulfills its duties according to the statute and relevant rules and regulations that include the following: Foreign Investment Protection Act; Iran Foreign Investments Act; Foreign Financing Regulations (including regulations on loans and credits grantable to other countries or borrowing money from international sources); rules and regulations governing the establishment, coordination



and expansion of relations with other countries and regions of the world as well as financial international institutions.

(URL: www.investiniran.ir)

2-3-2- Center for Iran Foreign Investment Services

In order to facilitate and accelerate the fulfillment of the legal obligations of the investment organization regarding the incentives/aids for foreign investments in Iran, the “Center for Iran Foreign Investment Services” was formed under the supervision of the Organization of Investment Economic and Technical Assistance of Iran. Representatives of associated organizations are also present in this center. As the center of visits by foreign investment applicants to the relevant organizations, this center has active branches in the provincial administrations of all provinces. Foreign investors can visit the Center for Iran Foreign Investment Services and use the expert opinions provided in this center to become familiar with the benefits and facilities of the Foreign Investment Promotion and Protection Act as well as steps of obtaining the required foreign investment permission.

(URL: www.oietai.ir)

2-4- National Development Fund of Iran

The National Development Fund of Iran operates under Article (84) of the Fifth Plan Act with an aim to attain the following goals: turn parts of the revenues of the sales of oil, gas, condensates and oil products to lasting and generating wealth and generating economic capitals; and protecting future generations’ share of oil and gas resources as well as oil products. According to paragraph “x” of the fund’s statute, some of the applications of this fund include provision of facilities to private sector, cooperatives, non-government economic enterprises (for technically and economically explainable productions and investments), provision of facilities for the export of technical and engineering services to Iranian companies winning foreign auctions, and provision of facilities to foreign investors.

(URL: www.ndf.ir)

2-5- Islamic Republic of Iran Customs Administration (IRICA)

The Islamic Republic of Iran Customs Administration is a subsidiary of the Ministry of Economic Affairs and Finance. This government organization operates as the economic guard of Iran and thus plays an axial and coordinating role in the import and export ports of this country. It is responsible for implementation of government regulations on the enactment of the Customs Act as well as other rules and regulations on the import, export and transit of goods, reception of rights of entry, customs tolls and associated taxes, technical requirements, and measures necessary for facilitation of business, support of exports and expansion of goods transit.

(URL: irica.gov.ir)

2-6- Central Bank of the Islamic Republic of Iran

The Central Bank of the Islamic Republic of Iran operates as the regulator of the Iranian monetary and credit system under the Monetary and Banking Law of Iran. It implements appropriate monetary and credit policies to set the scene for the economic advancement of the country. It also supports the government in the implementation of different plans and programs including economic stabilization and development programs. Some of the duties of this bank include the following: supervision of imports and exports of exchange and currency; making payment agreements; implementing monetary, business, and transit contracts between Iran and other countries.

(URL: www.cbi.ir)

2-7 Islamic Development Bank (IDB)

The Islamic Development Bank is the biggest monetary-financial institution in state members of the Organization of Islamic Cooperation. It grants facilities to production, construction, mining and infrastructural projects to meet exchange needs. Currently, 56 countries from Asia,



Africa, Europe and America are members of this bank. The Organization of Investment Economic and Technical Assistance of Iran represents this bank in the supervision of implementation of projects approved in Iran. Therefore, traders, merchants and companies are obliged to visit this organization to benefit from IDB facilities.

Subsidiaries of this bank include the following entities and institutions: International Islamic Trade Finance Corporation (ITFC); Islamic Corporation for Insurance of Investment and Export Credit (ICIEC); Islamic Corporation for Development of the Private Sector (ICD); Islamic Research and Training Institute (IRTI). *(URL: www.isdb.org)*

2-8- Iran Chamber of Commerce, Industries, Mines and Agriculture

Iran Chamber of Commerce, Industries, Mines and Agriculture, as a civil entity making efforts for the sustainable development of the country, is responsible for contributing to the development of the Iranian economic system and elevation of the place of the private sector, guiding/organizing economic activists in Iran, encouraging foreign and domestic investments, and increasing public participation in economic activities. This chamber has established inclusive formations of in Iran, its provinces and other countries to provide more services to domestic and foreign investors. Not all traders are allowed to import and export goods and only traders can engage in the import and export of goods that have business cards. These cards are issued by the Chamber for those traders who have registered their institution or firm with the Register of Commerce.

(URL: www.iccima.ir)

2-9- Ministry of Cooperative Labor and Social Welfare

This ministry is responsible for supervising the employment of employees involved in economic activities and defending the rights of laborers and ensuring their health and safety. In order to employ and attract forces, employers are obliged to respect labor laws. The Social Security Organization, Iran Technical and Vocational Training Organization (ITVTO), Civil Servants Pension Fund (CSPF) are among the subsidiaries of this organization. Formulation of protection and safety regulations (for mines) and supervision of implementation of these regulations are also among the responsibilities of this ministry. *(URL: www.mcls.gov.ir)*



2-10- Islamic Republic of Iran Ministry of Foreign Affairs

The Ministry of Foreign Affairs is responsible for implementing the foreign policies of Islamic Republic of Iran. All of the entities and organizations of the Islamic Republic of Iran are obliged to make the required political arrangements with this ministry for regulation of relations, establishment of relations with foreign governments, conclusion of contracts, and organization of technical/economic/cultural/scientific/military cooperation with foreign countries and international organizations. Entrance, departure and residence of foreign countries shall also be governed by this ministry.

(URL: www.mfa.gov.ir)

2-11- Forests, Range and Watershed Management Organization

This organization operates under the supervision of the Ministry of Jihad-e-Agriculture (Iran) to monitor mining activities with regard to their effects on the preservation, support, protection and controlled operation of forests, ranges, deserts, and watershed as well as their commitment to the principles of sustainable development.

(www.frw.org.ir)

2-12- Department of Environment (Iran)

This organization directly operates under the supervision of Iran Presidential Office. It is responsible for preventing the destruction and pollution of the environment and constant supervision of operation of natural resources. Mining permissions are only issued by the approval of this organization and its subsidiaries in Iran.

(URL: www.doe.ir)

2-13- Cultural Heritage, Handcrafts and Tourism Organization

Discovery and extraction of minerals shall not cause harms to the historical contexts and monuments of Iran. Hence, in order to protect heritages and natural, historical and cultural assets of Iran, mining operations are only allowed with the approval of this organization. *(URL: www.ichto.ir)*

2-14- Exports Guarantee Fund of Iran

In order to sponsor Iranian exports and to effectively develop non-oil exports, this fund was founded as a subsidiary of the Ministry of Industries and Businesses (Iran) with independent financial and legal personality. This fund addresses political and commercial risks of exports and handles issuance of necessary insurances with the government grants. It, therefore, issues different warrants to meet the financial requirements of exports.

(URL: www.egfi.org)

2-15- Atomic Energy Organization of Iran

This organization is responsible for handling affairs associated with radioactive minerals. *(URL: www.aeoi.org.ir)*

2-16- The Most Important Rules on Investments in Mining Activities and Mining Industries

2-16-1- Reference Economic Rules

The most important reference economic rules in Iran include the following:

- Monetary and Banking Law of Iran
- The fifth development plan act (national development plans are formulated every five years and are approved as laws)
- Trade Law
- Law of Enactment of General Policies of Principle 44 of Constitution
- Law of facilitation of provision of banking facilities, reduction of project costs, acceleration of production plans, and enhancement of financial resources and productivity of banks
- Interest-Free Banking Law
- Law of 2014 National Budget
- Law of rationalization of the interest rate of banking facilities in relation to the return rate of economic sectors
- Bill of ban on exit of bank debtors of the Monetary and Banking Law of 1960

- Law of allocation of national code and postal code for all Iranian nationals
- Non-monetary market regulation law
- Anti-Money Laundering Act
- Law of attaching two notes to Article of Interest-Free Banking Law Amendment

(In order to read the contents of these acts and laws see www.cbi.ir/simplelist/1531.aspx)

2-16-2- Mining Act and Associated Codes

In order to conduct all mining activities (from the exploration phase to the ore dressing and processing phases) it is necessary to follow definitions, notions and instructions presented in this act and associated codes.

(URL: www.ime.org.ir)

2-16-3- Mining Engineering Organization Act and Associated Codes

This act states how to follow Technical and Vocational Training Organizations' regulations and criteria for mining activities.

(URL: www.ime.org.ir)

2-16-4- Regulations on Protection and Safety in Mines

It is necessary to follow safety rules and regulations in accordance with the Regulations on Protection and Safety in Mines, which was approved by the Labor Safeguarding High Council.

(URL: www.ime.org.ir)

2-16-5- Foreign Investment Promotion and Protection Act and Relevant Codes

This act not only defines rules and regulations on the introduction of foreign investments to Iran, but also provides appropriate protections for the investors.

(URL: www.investiniran.ir)

2-16-6- Labor Law

All employers, workers, workshops, and production/industrial/service/agricultural institutes are obliged to follow this rule in employing human forces required for their economic activities. *(URL: www.mcls.gov.ir)*



Foreign Investment in Iran



3



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.

3-1-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;

3-2- 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.

Note2 -Article 17.

With respect to investments referred to in Para (b) of Article(3)¹, if, as a result of enactment legislation or Cabinet decrees, the execution of

¹ para(b) of article(3): Foreign Investment in all sectors within the framework of “Civil Participation”, “Buy-Back” and “Build-Operate-Transfer” (BOT) schemes where the return of capital and profits accrued is solely emanated from the economic performance of the project in which the investment is made, and such return of capital and profit shall not be dependent upon a guarantee by the Government or government companies and/or banks.

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.

3-3- 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 is 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)

Table (3-1): 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/re-verse	Technologic 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 	Unlimited in form of exchange	Unlimited in form of exchange
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. 	Unlimited in form of exchange	Unlimited in form of exchange
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. 	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 	Unlimited in form of exchange	Unlimited in form of exchange
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 	Unlimited in form of exchange	Unlimited in form of exchange



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



4



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.

4-1- 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

4-2- 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 announces 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.

4-3- Discovery Certificate Issuance

The owner of the exploration license shall present the following information in their operation final master report: information on the

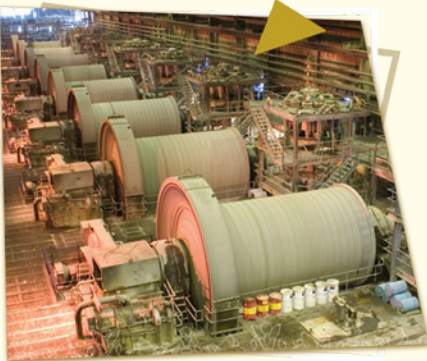
type, quantity, quality and karat of different minerals (including main and secondary minerals). The information is to be included in the discovery certificate. The report shall be prepared and submitted to the provincial Industries Mine and Trade Organization, by persons authorized by the Mining Engineering 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

4-4 Operation License Issuance

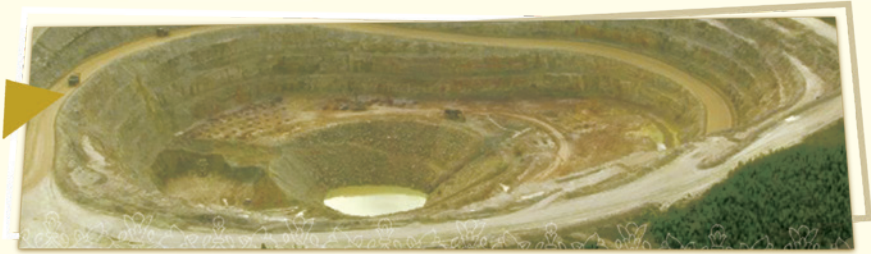
In order to extract the mineral reserves embraced by the mine, it is necessary to obtain an operation license from the provincial Industries Mine and Trade Organization. In order to obtain an operation license, the



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.

4-5- 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.

4-6- Highlights

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

4-6-1- 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.

4-6-2- 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.

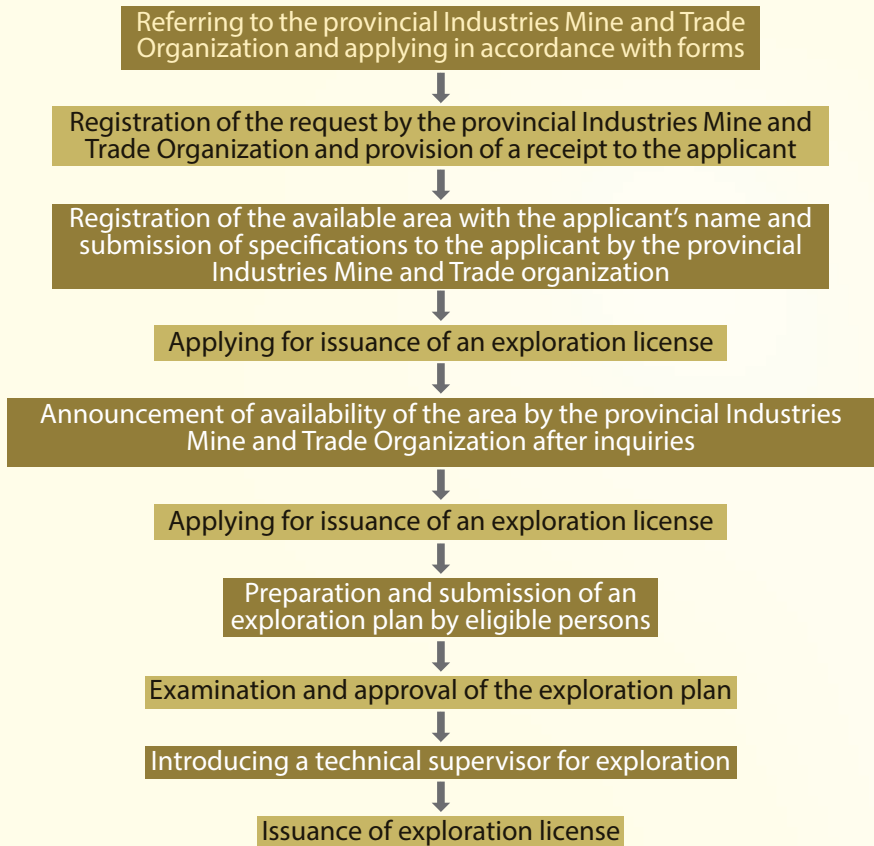
B) Operation auctions

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



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 a 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

Preparation and submission of an operation final report by eligible persons

Examination and approval of the exploration operation final report

Obtaining an exploration license

Transfer of precedent mines

Failing to submit the request by the due time

Submission of operation request by the explorer according to the time of 8 determine in article

Announcing the public auction in the press

Informing the applicants for the need for preparing an operation plan

Determining the auction winner

Preparation and submission of an operation plan by technically qualified persons

Examination and approval of the operation plan

Issuance of operation license

The following documents shall be provided by the operation agent:

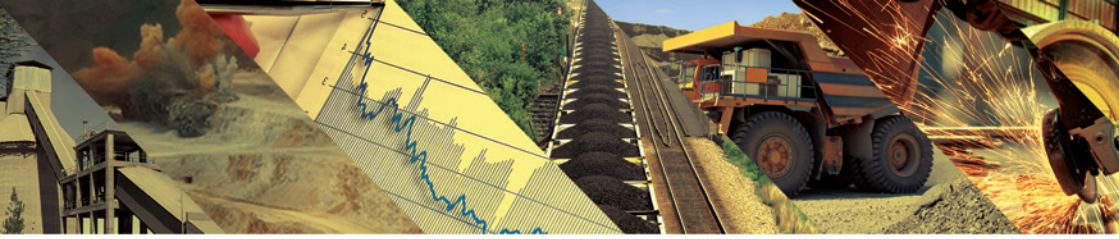
- Commitment to implementation of the technical contents of the approved operation plan
- Warrant for payment of six months of state wage
- Commitment to the implementation of Note (2) of Article (9) of the mining act

Diagram of Establishment and Operation Licenses Issuance Process



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