

MINING INVESTMENT LAW

ROYAL DECREE NO. M/47
20 *Sha'ban* 1425 / 4 October 2004

CHAPTER ONE

PRELIMINARY PROVISIONS

DEFINITIONS

ARTICLE (1):

The following terms and phrases, wherever mentioned in this Law, shall have the meanings given next to them, unless the context requires otherwise.

Ministry: The Ministry of Petroleum and Mineral Resources, the body in charge of administering this Law and supervising its implementation.

Minister: The Minister of Petroleum and Mineral Resources.

Mineral Reserves: The quantity of mineral ores found at mineable locations, geologically demonstrated or estimated by a limited number of holes, or predicted by the volume of mineralized formations.

Surface Rental: Payments made by an investor as rent for the land covered by the license.

Exploitation: Any means or method for the extraction of ores and minerals (by mining or quarrying) including any operation directly or indirectly required to achieve this purpose.

Concentration: The increase in percentage of a mineral in a product.

Minerals: inorganic metallic or non-metallic compounds with distinctive chemical compositions and physical properties.

Gravel: Small stones of >2mm and <75mm in diameter.

Excavation: To make a pit or a hole of any type (vertical, hammer, reverse circulation, trench or other cutting) in or below the ground to take rock or mineral samples to examine its components.

Ores: Accumulations of one or more minerals existing in their natural state in a specific location, which are economically viable.

Mineralised Formations: Natural geological formations where ores or mineral deposits may be found.

Mining: The process of extracting useful ore, mineral ores or mineralised formations from the earth by any conventional method or means used in this respect, including any direct or indirect activity required for this purpose.

Prospecting: The process of searching for potentially useful minerals, mineral ores or mineralized formations in a certain area using recognized geologic, geophysical or geochemical methods.

Licensee: A natural or corporate person granted specific rights under this Law.

Land Owner: A natural or corporate person who owns the land for which a mining license is requested, in the event the land is not owned by the licensee.

Mining Zones: Locations where mining operations have been or are being carried out.

Mine: The location where extraction of a useful mineral or mineral ore is undertaken, either from the surface or subsurface.

Small Mine: A mine is considered small under this Law if its area does not exceed one square kilometer and if - as deemed by the Ministry - the volume of its mineral deposit, ore production and capital investment justifies that consideration.

License Area: an area delineated by coordinates in a license, the location of which is depicted on a map attached to the license.

Easement: The right of use or usufruct of roads, railways, communication lines, pipelines and other facilities that exist outside the license area which are needed for exploitation purposes in accordance with the license.

Investor: A natural or corporate person, Saudi or non-Saudi, who wishes to be granted specific rights over an area in accordance with this Law.

Ore Examination: The study and analysis of ore samples by recognised techniques.

Hazardous Waste: Wastes containing materials that are detrimental to man or the environment and which result from mining activities for the exploitation of a mineral ore. Such Wastes may be either in the solid, liquid or gaseous form.

Reconnaissance: A rapid geological survey for the general recognition of minerals and ores, before starting a detailed survey.

Exploration: Detailed activity leading to the discovery of useful natural deposits of metallic and non-metallic ores, using geological, geophysical or geochemical methods, drilling or any other appropriate method in any location for the purpose of determining the presence, extent, quantity, quality and mining viability of the ores.

Quarries: Surface openings in mountains or the ground for the extraction of rocks.

Sand: Particles which are the result of disintegration, weathering, and erosion of the components of the earth's crust in diameters of less than 2mm.

Natural Deposits: Naturally occurring minerals or mineral ores existing in economic quantities.

Rocks: Natural earth substances occurring in a large solid stone form, generally composed of a solidified mineral assemblage comprising two or more minerals.

Territorial Sea: Marine belt area contiguous to the State that extends a distance of 12 nautical miles from the baseline of the State. The State has sovereignty over the airspace, seabed and the underground of this territory.

Rehabilitation Plan: Procedures a licensee must undertake upon termination of all activities to restore the site to its natural condition to the extent possible, and to dispose safely of all debris and waste resulting from his activities.

Absolute Economic Area: The area that is contiguous to territorial waters and extends beyond it to a distance of two hundred nautical miles from the baseline delineating territorial waters of the State.

Regulation: The Implementing Regulation of this Law.

STATE OWNERSHIP OF MINERALS

ARTICLE (2):

All natural mineral deposits including quarry raw materials of all types, in whatever form or composition whether in the soil or subsoil shall be considered the exclusive property of the state. This shall also include the State's land territory, inland waters, territorial sea, absolute economic area, continental shelf as well as its onshore and offshore territory. Title to the minerals shall transfer from the state to the licensee, pursuant to this Law, upon extraction of such minerals from the license area within the duration of the license. Otherwise, the state's ownership of minerals shall be imprescriptible.

MINERALS AND MATERIALS

EXCLUDED FROM THE APPLICATION OF THIS LAW

ARTICLE (3):

Without prejudice to the provisions of Article (2) of this Law, the following shall be excluded from its provisions:

- 1) Petroleum, natural gas and derivatives thereof.
- 2) Pearls, corals and similar organic marine substances.

THE SUPERVISING AGENCY FOR

THE IMPLEMENTATION OF THIS LAW AND ITS JURISDICTION

ARTICLE (4):

For the purpose of administrating and supervising the implementation of this Law, the Ministry shall exercise the following:

- 1) Draft regulations and resolutions necessary for the implementation of this Law, and propose any amendment or addition to this Law for submission to the agency concerned.
- 2) Designate lands and maritime areas over which mining rights may be granted under this Law.

- 3) Specify necessary conditions to be satisfied by applicants for any type of rights to be granted under this Law.
- 4) Negotiate rights to be granted under this Law and issue licenses granting such rights.
- 5) Make available various maps, survey data, studies and research required for mining investment.
- 6) Coordinate with relevant government agencies for the provision of infrastructure facilities required for mining areas, such as roads, railways, ports, power plants, and power supply lines.
- 7) Specify mineral reserve areas in co-ordination with the Saudi Geological Survey.
- 8) Provide supervision and technical and financial monitor over all the activities of the licensees under this Law as prescribed in the Regulation.
- 9) Determine and collect financial charges for services provided by the Ministry as prescribed in the Regulation.
- 10) Determine and collect severance fees and surface rentals.
- 11) Collect fees and fines prescribed in accordance with this Law.
- 12) Specify the necessary procedures and requirements for public bidding for exploration and mining licenses.
- 13) Specify the controls necessary for the protection and restoration of land upon which operations under this Law are conducted.
- 14) Specify the procedures necessary for the implementation of this Law and formulate the relevant forms thereof.
- 15) Specify the content and format of any study or report required under this Law.
- 16) Provide persons and agencies concerned with copies of the licenses issued under this Law.

REQUIREMENT OF

OBTAINING A LICENSE AND AGENCIES EXEMPTED

ARTICLE (5):

A natural or corporate person shall have the right to undertake reconnaissance, exploration, exploitation or collection of materials only after obtaining the relevant license authorizing such operation.

The following agencies are however exempted from this requirement:

- 1) The Saudi Geological Survey may, after notifying the Ministry, undertake, by itself or with others, all the duties and responsibilities included in its statute without a license.

- 2) King Abdulaziz City for Science and Technology, universities, institutes and national research centers may, after notifying the Ministry, conduct scientific research related to reconnaissance or exploration for ores and minerals, provided that such research shall not be used for commercial purposes unless approved by the Ministry, which shall be provided with a copy of the work or research findings.

TYPES AND ISSUANCE OF LICENSES

ARTICLE (6):

Licenses that grant rights under this Law are:

- 1) Reconnaissance license.
- 2) Exploration license.
- 3) Material collection license.
- 4) Exploitation license, which includes:
 - a) Mining license.
 - b) Raw materials quarry license.
 - c) Small mine license.
 - d) Building materials quarry license.

A natural or corporate person may obtain more than one license.

LANDS AND MARITIME AREAS

WHERE LICENSES MAY BE GRANTED

ARTICLE (7):

Without prejudice to other relevant Laws and the provisions of this Law, any license prescribed under Article (6) of this Law may be granted for maritime areas, state owned lands or privately owned lands, or property partly held by the state and partly by individuals.

LANDS AND MARITIME AREAS

EXCLUDED FROM THE APPLICATION OF THIS LAW

ARTICLE (8):

The following shall be excluded from the application of this Law:

- 1) Lands occupied by holy places and those officially designated as historical or archaeological sites.
- 2) Lands where cities, streets, airports, railways, pipelines, public roads, or any other means of transportation or public

communication have been established, or lands designated for approved water projects, public facilities, military installations or agricultural projects. If however it appears that subsurface minerals within the lands described in this paragraph can be extracted from mines or quarries located outside these lands, this prohibition may be lifted by a resolution of the Council of Ministers, upon a request by the Minister after agreement with the competent authorities.

- 3) Lands, maritime areas, pastures and forests which are excluded or removed from the application of this Law by a resolution of the Council of Ministers.

MINERAL RESERVES AREAS

ARTICLE (9):

The Minister may issue a decision designating any land or maritime area as a mineral reserve, specifying the activities not allowed, for the purpose of preserving such land or maritime area for use at a suitable time for mining or quarrying purposes in accordance with this Law.

REGISTERS OF APPLICATIONS AND LICENSES

ARTICLE (10):

The Ministry shall establish a record to be named the "Register of Applications" wherein all applications for obtaining licenses under this Law shall be maintained, and another record named "Register of Licenses" to be maintained for all licenses granted under this Law. Both registers shall include the details and particulars prescribed by the Regulation, and any amendments which may relate to the licenses. Investors and other concerned parties shall have access to these registers according to Article (17) of this Law and in accordance with the provisions and conditions prescribed by the Regulation.

CHAPTER TWO

GENERAL PROVISIONS FOR LICENSES

CONDITIONS TO BE SATISFIED BY THE APPLICANT

ARTICLE (11):

Subject to relevant laws, the rights provided for in this Law shall be granted to natural and corporate persons whether Saudis or non-Saudis. The exploitation license applicant must possess the technical and financial competence to effectively discharge his obligations in accordance with the provisions and conditions prescribed by the Regulation.

DECIDING ON CONFLICTING APPLICATIONS

ARTICLE (12):

If the Ministry receives several applications for one type of exploitation license over the same area, the technical and financial competence of each applicant, the nature and scope of the operations which he proposes to carry out in the area, and the financial revenues to the state, shall be taken into account in resolving such applications, as well as the other preferential criteria provided for in the Regulation. In the event of parity, priority shall be based on the date of application.

TRANSFER OF LICENSES UNDER THIS LAW

ARTICLE (13):

An exploration or exploitation license may be transferred to a person with the technical and financial competence and the adequate expertise to fulfil the obligations of the license, and who is qualified to obtain such license in accordance with the provisions of this Law. Such transfer may be effected within thirty working days from the date of fulfilling all requirements. The transfer shall be made by a decision of the Ministry after submission to the Ministry of a written request in such form and manner prescribed in the Regulation for the transfer of such license and after payment of the required fee. Such an application may not be refused if the transfer conditions prescribed under this Law have been satisfied. The transfer applicant may file a grievance against such a decision before the Board of Grievances within (sixty) days of the date of notification of application refusal.

MORTGAGE OF RIGHTS AND TRANSFER OF OBLIGATIONS

ARTICLE (14):

Without prejudice to the provisions of Article (13) of this Law, the holder of a license prescribed in this Law may not mortgage the rights granted by the license or transfer to a third party the obligations imposed by the license, before obtaining written approval from the Ministry. The Ministry shall make a decision within (thirty) working days from the date the investor satisfies all requirements.

AMENDMENT OF LICENSE CONDITIONS

ARTICLE (15):

The conditions and provisions of any license may not be amended during its validity. However any license may be renewed or extended according to the provisions and conditions agreed upon with the licensee, in accordance with the conditions prescribed in the Regulation.

REFUSAL OF APPLICATIONS

ARTICLE (16):

An application for obtaining, renewing or extending any license under this Law may be refused only for clear written reasons. An applicant whose request has been refused may file a grievance against such a decision before the Board of Grievances within (thirty) days from the date of the refusal notice.

CONFIDENTIALITY OF INFORMATION

ARTICLE (17):

Information and data provided by an applicant under this Law shall be considered confidential, and may not be disclose before the elapse of (one hundred and eighty) days from the date an application is refused. All geological reports required from any licensee under this Law shall be deemed confidential if the licensee so requests, and may not be made public without his consent until the elapse of (one hundred and eighty) days from the date of the license termination or expiration. In all cases the Ministry reserves the right to utilize such reports in its activities.

MINISTRY'S RIGHT OF ENTRY TO LICENSED AREAS

ARTICLE (18):

The Ministry's representatives shall have the right to access the area covered by a license granted under this Law for inspection and monitoring purposes to ensure the compliance of the licensee with the provisions of the license.

CESSATION OR SUSPENSION OF OPERATIONS

ARTICLE (19):

The Minister may issue the decisions he deems necessary to cease or suspend any operation, the use of any equipment, or the exercise of any activity within an area covered by a license granted under this Law as prescribed by the provisions and conditions of the Regulation. In case of adverse effects which impinge on the safety and health of the licensee's employees or other personnel, or if such effects cause damage to the environment or property or unusual disturbance or material damage to any area, the Ministry shall lift the cessation or suspension upon removal of the causes of such cessation or suspension. The licensee may file a grievance against such decisions before the Board of Grievances within (sixty) days from the date of decision notification.

CAUSES OF TERMINATION OF LICENSES

ARTICLE (20):

Without prejudice to other provisions of this Law, a license granted in accordance herewith shall not be terminated so long as the licensee fulfils his obligations, except due to one of the following causes:

- 1) If the holder of a building material quarry license or material collection license fails to pay the amounts due to the state within (ninety) days.
- 2) If the holder of an exploration license or other exploitation licenses fails to pay the amounts due to the state within (one hundred and fifty) days.
- 3) If the licensee provides the Ministry with false information.
- 4) If the licensee fails, within (sixty) days after receipt of a written notice from the Ministry, to carry out the obligations prescribed by this Law, the Regulation or the license.
- 5) If the licensee fails, for more than (sixty) days after receipt of the Ministry's written notice, to correct any procedure that exposes the health and safety of its own employees or others to hazards or threatens to cause damage to mineral formations.
- 6) If the licensee fails, for (sixty) days after receipt of written notice from the Ministry, to undertake the necessary actions to protect the environment, wild life, archaeological sites or tourist areas.

TERMINATION PROCEDURES

ARTICLE (21):

Without prejudice to other provisions of this Law, licenses granted under this Law shall be terminated upon taking the following procedures:

- 1) The Ministry gives a written notice to the licensee specifying the reasons and justifications for the termination.
- 2) The Ministry hears the licensee's statement, if he so requests, within (thirty) working days after receipt of the termination notice.
- 3) The Minister issues a termination decision if the reasons persist. In the case of a building material quarry license or material collection license, the decision may be issued by the Ministry accompanied by the justification for such a decision.

A grievance may be filed against the termination decision before the Board of Grievances within (sixty) days from the date the decision is communicated to the licensee.

ASSETS AT TIME OF TERMINATION

ARTICLE (22):

Without prejudice to any previous agreement with the land owner, the licensee shall, within (one hundred and eighty) days from the date of expiry or termination of his license for any reason, remove any building, plant, machinery, equipment, tool, tailings, other materials, mined ore, or other property of any kind, fixed or movable, except what the Ministry deems appropriate to leave in place for reasons of public interest. The Regulation shall specify the required provisions and conditions.

PROTECTION OF THIRD PARTIES' RIGHTS

ARTICLE (23):

If the lands covered by a license under this Law are privately owned by a legal title deed, or if a person has a legally established right to use the land, the licensee shall present to the land owner or user, upon his request, the license entitling him to exercise rights thereupon in accordance with this Law; otherwise, he shall be considered a trespasser. Before proceeding to exercise the rights granted by the license, irrespective of its type, the licensee shall reach an agreement with the landowner or user on a fair compensation for the benefits that may have arisen from such utilization of the land, as well as for any damages that the land may sustain as a result of the licensed operations, and submit such agreement to the Ministry, prior to the start of the licensee's operations on this land.

If no agreement on a fair compensation is reached between the licensee and land owner or user, the Minister shall form a committee to determine the compensation. A grievance may be filed against such decision before the Board of Grievances within (sixty) days from the date the decision is communicated to the landowner or user.

In all cases, the rights granted under the license shall be exercised in a reasonable manner with minimum impact on the owner's or user's interests, and in a manner appropriate for realization of the license objectives.

MANAGEMENT OF OPERATIONS

ARTICLE (24):

All operations carried out pursuant to licenses granted under this Law, shall be at the licensee's responsibility and under its management and supervision.

AERIAL SURVEYS

ARTICLE (25):

Subject to the provisions of relevant laws, the licensee shall, if he wishes to undertake an aerial survey, obtain a prior written authorization from the Ministry to undertake such activity.

COMPLIANCE WITH THE LAWS OF THE KINGDOM

ARTICLE (26):

A licensee shall comply with the laws in force in the Kingdom, this Law and its Regulation.

PROTECTION OF ENVIRONMENT

ARTICLE (27):

A holder of a mining license, a raw materials quarry license or small mine license shall do the following:

- 1) Submit an environmental study to be approved by the General Presidency for Meteorological and Environmental Protection within (thirty) days from receipt of such a study as prescribed by the Regulation, whereby the licensee undertakes to take all necessary measures and precautions at all times to preserve and protect water resources, the environment and wildlife from any hazardous waste or any other environmental damage.
- 2) Rehabilitate the license area, preserve it and leave it in a good condition as prescribed in the Regulation.
- 3) Protect and report to the Ministry any archaeological sites, be they buildings, engravings, inscriptions, drawings or others that may be found within the license area.

FORCE MAJEURE

ARTICLE (28):

In the event a force majeure prevents, hinders, or delays the licensee from performing any of his obligations within the due date, the resulting failure or delay shall not be considered negligence or default, and the period prescribed for the work that was stopped or impeded shall be extended for a period not less than the duration of the force majeure, pursuant to the Minister's written approval.

For purposes of this Article, force majeure means all events normally recognised as force majeure that render it impossible for the licensee to carry out his obligations as provided in the license, and which arise from

circumstances unforeseen at the time the license is issued and which cannot be attributed to either party.

VOLUNTARY RELINQUISHMENT OF WHOLE OR PART OF A LICENSE

ARTICLE (29):

A licensee may relinquish his license in whole or in part in accordance with the provisions and conditions prescribed in the Regulation.

EASEMENT RIGHTS

ARTICLE (30):

A licensee shall have all the easement rights required to enable him to operate on any state-owned land located outside the license area pursuant to a permit from the Ministry after agreement with the competent government agencies, provided that such easement rights shall not conflict with the rights of other parties over the same land. Should any of the required easement rights fall on privately owned land or in an area covered by another license, the licensee shall reach an agreement with the landowner or user of the land or the other licensee, to acquire such rights in the manner prescribed by law to acquire such rights. For purposes of this Article, easement rights shall include, but not be limited to, the use of all types of roads, the various communication lines and the surface and underground water required for the licensee's operations, provided that this shall not prejudice the priorities set forth in the water conservation laws and instructions.

CHAPTER THREE PROVISIONS FOR RECONNAISSANCE AND EXPLORATION LICENSES

SECTION ONE RECONNAISSANCE LICENSE

ISSUANCE OF LICENSES

ARTICLE (31):

The Ministry shall issue, within (fifteen) working days from the date of completion of all requirements, a reconnaissance license for any area covered by investment as specified by the applicant. Such license shall be for a period of two years, which may be renewed or extended for a single additional two-year period. The license conditions shall be prescribed in the Regulation.

RIGHTS CONFERRED
BY RECONNAISSANCE LICENSES

ARTICLE (32):

A reconnaissance license shall entitle the licensee to survey and investigate the area indicated in the license for the designated period of time. The licensee shall have a non-exclusive right to:

- 1) Examine the area covered by the license for all minerals not excluded by this Law;
- 2) Examine ores and collect samples as prescribed in the Regulation;
- 3) Use geophysical, geochemical and other scientific methods;
- 4) Undertake any other activity deemed usual in the preliminary examination of lands with potential mining deposits;
- 5) Access non-confidential maps and data available at the Ministry, on payment of the charges prescribed in the Regulation for such services.

The license shall not grant the licensee the right to undertake any type of excavation, construct any permanent installations or produce minerals for use or sale, nor does it confer upon him any preferential or other right to seek the issuance of an exploration license or any other license granting rights for mineral exploitation. Furthermore, the existence of a reconnaissance license covering a certain area shall not preclude the Ministry from granting another license covering the same area or any part thereof, whether to the licensee or any other party. The granting of a license conferring exclusive rights upon the licensee shall entail excluding the areas covered by a subsequent license from the scope of the reconnaissance license without any liability to the State.

OBLIGATIONS OF
RECONNAISSANCE LICENSE HOLDER

ARTICLE (33):

In addition to the provisions prescribed in the Regulation, the licensee shall:

- 1) Notify the Ministry of the locations of the field team during reconnaissance operations;
- 2) Submit an annual report on the progress and results of the work;
- 3) Submit a final report on the expiry of the license.

SECTION TWO

EXPLORATION LICENSE

ISSUANCE OF EXPLORATION LICENSES

ARTICLE (34):

The Minister shall issue, within (thirty) working days from the date of completion of all requirements, an exploration license for an area not exceeding one hundred square kilometres, for a period not exceeding five years, which may be renewed or extended for a period or periods not exceeding five years in total. The Regulation shall prescribe the conditions and provisions for issuing the license.

RIGHTS CONFERRED BY EXPLORATION LICENSES

ARTICLE (35):

An exploration license shall entitle the licensee to engage in any detailed scientific and technical activity leading to the discovery of natural deposits of metallic or non-metallic ores and the exclusive rights to:

- 1) Explore for all the minerals covered by the license;
- 2) Use any practical exploration method that precedes commercial production;
- 3) Establish camps and facilities for housing machinery and equipment necessary for exploration purposes;
- 4) Use sand, gravel and similar materials as may be required to achieve the purposes of the license;
- 5) Obtain, within the effective period of the license, an exploitation license within the exploration area licensed under this Law, provided that licensee has fulfilled all his obligations and has proven the discovery of an exploitable mineral or minerals.

The Ministry shall decide on the exploitation license application within the period prescribed in the Regulation. If the term of the exploration license expires before a decision is rendered, the license shall be deemed to have been extended until such decision is made, and the licensee shall be relieved of paying the fees for such extension period of the license.

OBLIGATIONS OF EXPLORATION LICENSE HOLDER

ARTICLE (36):

The licensee shall comply with the following as prescribed in the Regulation:

- 1) Observe the minimum exploration operations expenditure;

- 2) Undertake the necessary precautions with respect to any hazards which may be caused by his exploration operations;
- 3) Notify the Ministry of the location of a field team or teams whilst undertaking exploration operations;
- 4) Submit semi-annual reports on the progress of work and a comprehensive report upon the expiry of the license;
- 5) Deliver to the Ministry the technical records, samples, and any drill core obtained from the license area.

CHAPTER FOUR

PROVISIONS FOR EXPLOITATION LICENSES

SECTION ONE

COMMON PROVISIONS

RIGHTS CONFERRED BY EXPLOITATION LICENSES

ARTICLE (37):

Without prejudice to the provisions of Article (23) of this Law, an exploitation license confers upon its holder the right to invest and extract ores and minerals (by mining or quarrying), including any direct or indirect activity required to achieve the investment objectives in accordance with the conditions and provisions prescribed in the Regulation. If the licensee discovers any deposits of minerals not covered by the license, he may apply to the Ministry in writing within (ninety) days from the date of such discovery for an exploitation license for such minerals. An exploitation license shall not confer upon the licensee the ownership of any part of the land covered by the licence, or any other right not expressly provided for therein.

OBLIGATIONS OF EXPLOITATION LICENSE HOLDER

ARTICLE (38):

The licensee may not commence any development or mining activities on the licensed area unless he has submitted the feasibility study and has undertaken to comply with the conditions and provisions as prescribed in the Regulation.

FAILURE TO EXPLOIT A MINERAL

ARTICLE (39):

If an exploitation license covers more than one mineral, and the licensee fails to exploit one of such minerals, the Ministry shall notify the licensee in

writing of the necessity to exploit such mineral. If the licensee fails to start such exploitation within (ninety) days of such notification, the Ministry may terminate his rights with respect to such mineral and grant an exploitation license to another person, giving him the right to exploit that mineral in such manner as will not substantially interfere with the operations of the original licensee.

USE OF FACILITIES OUTSIDE EXPLOITATION AREA

ARTICLE (40):

If a licensee does not wish to renew or extend his license, but needs to utilise the facilities located within the license area in order to complete mining operations within another licensed area, the Ministry may agree to such in accordance with the provisions and conditions prescribed in the Regulation.

AREAS RESERVED FOR COMPETITIVE BIDDING

ARTICLE (41):

The Ministry may designate areas wherein licenses authorizing the right to exploit minerals shall be granted on a competitive basis as prescribed in the provisions and conditions of the Regulation.

PURCHASE OF PRODUCTION

ARTICLE (42):

The state shall have priority in purchasing from any licensee the quantity of his mineral production it requires, on the conditions and at the prevailing prices for such minerals, unless the licensee has prior commitments to sell his production to a third party.

RENEWAL OR EXTENSION OF EXPLOITATION LICENSES

ARTICLE (43):

The Minister may renew or extend a mining license, raw materials quarry license and small mine license for a period or periods the total of which shall not exceed the maximum period of the license to be renewed or extended, provided that the licensee has submitted the application for renewal or extension (one hundred and eighty) days from the expiry date of the license, in accordance with the conditions and provisions prescribed in the Regulation.

The Ministry shall renew or extend a building materials quarry license under the same conditions provided for in this Article.

SECTION TWO

ISSUANCE OF EXPLOITATION LICENSES

MINING LICENSE AND RAW MATERIALS QUARRY LICENSE

ARTICLE (44):

The Minister shall issue, within (sixty) working days from the date of completion of all requirements, a Mining License or Raw Materials Quarry License for a period not exceeding (thirty) years, over an area not exceeding (fifty) square kilometres, the parts of which shall be in a continuous and contiguous form acceptable to the Ministry. In determining the licence area, technical, economic and environmental factors shall be taken into consideration. The license shall be limited to a mineral or minerals or types of rocks specified in the Regulation as being raw materials.

SMALL MINE LICENSE

ARTICLE (45):

The Minister shall issue, within (sixty) working days from the date of completion of all requirements, a small mine license for a period not exceeding (twenty) years, over an area not exceeding one square kilometre, the parts of which shall be in a continuous and contiguous form acceptable to the Ministry in accordance with the conditions and provisions prescribed in the Regulation.

BUILDING MATERIALS QUARRY LICENSE

ARTICLE (46):

The Ministry shall issue, within (thirty) working days from the date of completion of all requirements, a building materials quarry license for a period not exceeding (five) years, over an area not exceeding (250,000) two hundred and fifty square meters, the parts of which shall be in a continuous form. The license shall be limited to minerals or rocks specified in the Regulation as being building materials.

CHAPTER FIVE

PROVISIONS FOR MATERIAL COLLECTION LICENSES

ISSUANCE OF MATERIAL COLLECTION LICENSE

ARTICLE (47):

The Ministry shall issue to a natural or corporate person, within (thirty) working days from the date of completion of all requirements, a material collection license for a period not exceeding two years. The granting of the license shall be limited to a material(s) suitable for specimens, decorative work or similar purposes. No trading shall be allowed in materials obtained. The Ministry may renew or extend such license for a similar period or periods in accordance with the conditions and provisions as prescribed in the Regulation.

RIGHTS AND OBLIGATIONS CONFERRED BY MATERIAL COLLECTION LICENSE

ARTICLE (48):

A material collection license confers upon the holder a non-exclusive right to collect the materials specified in the license, without the use of power tools and equipment.

The licensee shall provide, as prescribed in the Regulation, information on his physical location whilst undertaking collecting activities, and submit a final report in such form and manner as prescribed in the Regulation.

CHAPTER SIX

FINANCIAL PROVISIONS

FEES

ARTICLE (49):

The schedule annexed to this Law prescribes the following fees to be paid:

- a) A fee for application submittal.
- b) A fee for license issuance, renewal and extension.
- c) A fee for license transfer.

The Council of Ministers may amend any of the fees included in the attached schedule.

SEVERANCE FEE AND SURFACE RENTAL

ARTICLE (50):

- 1) The state shall collect from each holder of a mining license, who is not subject to income tax, a severance fee representing (twenty five) percent of his annual income or the equivalent of the income tax, whichever is lower. The *zakat* due from him shall be deducted from this amount.
- 2) The Regulation shall prescribe the severance fee for other exploitation licenses, as may be agreed between the Minister of Petroleum and Mineral Resources and Minister of Finance. The Regulation shall also prescribe the amount of surface rental. Privately owned land shall be exempt from surface rental.

METHOD OF DETERMINING MINERAL VALUE

ARTICLE (51):

In the case of non-availability of a recognised price for a mineral or material at the point of export or point of use in the Kingdom, a committee comprising specialists from the Ministry shall be established to define the equivalent value for such mineral or material or derivative thereof covered under this Law as the case may be, in accordance with the provisions prescribed in the Regulation.

ARTICLE (52):

The licensee under this Law shall enjoy the incentives in the Kingdom's laws, especially those stipulated by the Income Tax Law and the Foreign Investment Law.

EXEMPTION FROM CUSTOMS DUTIES

ARTICLE (53):

All imported equipment and spare parts necessary for the execution of any licensed project under this Law shall be exempt from customs duties based on lists and records authenticated and certified by the Ministry.

CHAPTER SEVEN

MISCELLANEOUS PROVISIONS

GENERAL PENALTIES

ARTICLE (54):

Any person undertaking reconnaissance, exploration or exploitation operations in violation of any of the provisions of this Law shall be subject to

a fine not exceeding (one hundred thousand) riyals. All minerals and by-products resulting from an exploitation operation, and the machinery and equipment used in such violation, may be confiscated.

PENALTY FOR PROVIDING FALSE INFORMATION

ARTICLE (55):

Without prejudice to any more severe penalties prescribed by another law, any licensee or license applicant who deliberately provides the Ministry with false information in any application, report or other document required under this Law or its Implementing Regulation shall be subject to a fine not exceeding (one hundred thousand) riyals.

PENALTY FOR FAILURE TO PAY STATE'S DUES

ARTICLE (56):

Without prejudice to any more severe penalty prescribed by another law, any person who fails to pay State's dues within (sixty) days or who pays less than the amount due in violation of the provisions of this Law or its Implementing Regulation, or the provisions of the granted license, shall be subject to a fine not exceeding twice the amount due to the state.

APPLICATION OF PENALTIES

ARTICLE (57):

Without prejudice to the license termination provisions provided for in Article (21) of this Law, the penalties prescribed under this Law shall be applied by a committee to be formed in the Ministry from three specialists, at least one of whom shall be qualified in *Shari'ah* or law.

A grievance may be filed against the decisions of the Committee before the Board of Grievances within (sixty) days from the date of notifying the decision to the party concerned. The work of the Committee shall be regulated by the Regulation.

ARBITRATION

ARTICLE (58):

An agreement may be reached to refer any dispute or disagreement arising between any licensee and the Ministry for settlement by arbitration in accordance with the Arbitration Law in the Kingdom of Saudi Arabia. For the purposes of this Law, the Board of Grievances shall be the competent body for hearing the dispute.

DOCUMENTS AND DATA TO BE PUBLISHED

ARTICLE (59):

The Ministry shall publish in the Official Gazette the full text of the following documents:

- 1) The Implementing Regulation of this Law.
- 2) Decisions of general nature.
- 3) The license granting rights.
- 4) Decisions providing for the transfer and assignment of rights granted under this Law.
- 5) Decisions for the termination of rights granted under this Law as well as any other decisions or documents provided for in the Regulation.

EFFECT OF THIS LAW ON PRIOR LICENSES

ARTICLE (60):

- 1) This Law shall supersede the Mining Law issued by Royal Decree Number M/21 dated 20.5.1392H and any previous provisions or decisions that may be in conflict with it shall be terminated.
- 2) The rights granted under the Mining Law issued by Royal Decree No. M/21 dated 20.5.1392H shall be valid if such rights were in force prior to the effective date of this Law. The financial provisions provided for under this Law and its Implementing Regulation shall apply to the owners of such rights from the date this Law enters into effect.

PUBLICATION AND ENTRY INTO EFFECT OF THIS LAW

ARTICLE (61):

This Law shall be published in the Official Gazette and shall come into effect (ninety) days from the date of its publication.

IMPLEMENTING REGULATION

ARTICLE (62):

The Minister of Petroleum and Mineral Resources shall issue the Implementing Regulation for this Law, which shall enter into effect from the effective date of this Law.

Appendix

Schedule of Fees

In accordance with Article (49) of this Law, fees shall be as follows:

Application Fees	
Reconnaissance license	5,000 riyals
Exploration license	5,000 riyals
Mining license	5,000 riyals
Raw materials quarry license	5,000 riyals
Small mine license	5,000 riyals
Building materials quarry license	1,000 riyals
Material collection license	1,000 riyals
Issuance, Renewal and Extension Fees	
Issuance or renewal or extension of reconnaissance license	5,000 riyals
Issuance or renewal or extension of exploration license	5,000 riyals
Issuance or renewal or extension of mining license	10,000 riyals
Issuance or renewal or extension of raw materials quarry license	10,000 riyals
Issuance or renewal or extension of small mine license	10,000 riyals
Issuance or renewal or extension of building materials quarry license	5,000 riyals
Issuance or renewal or extension of material collection license	5,000 riyals
License Transfer Fees	
Transfer fees of all licenses	5,000 riyals