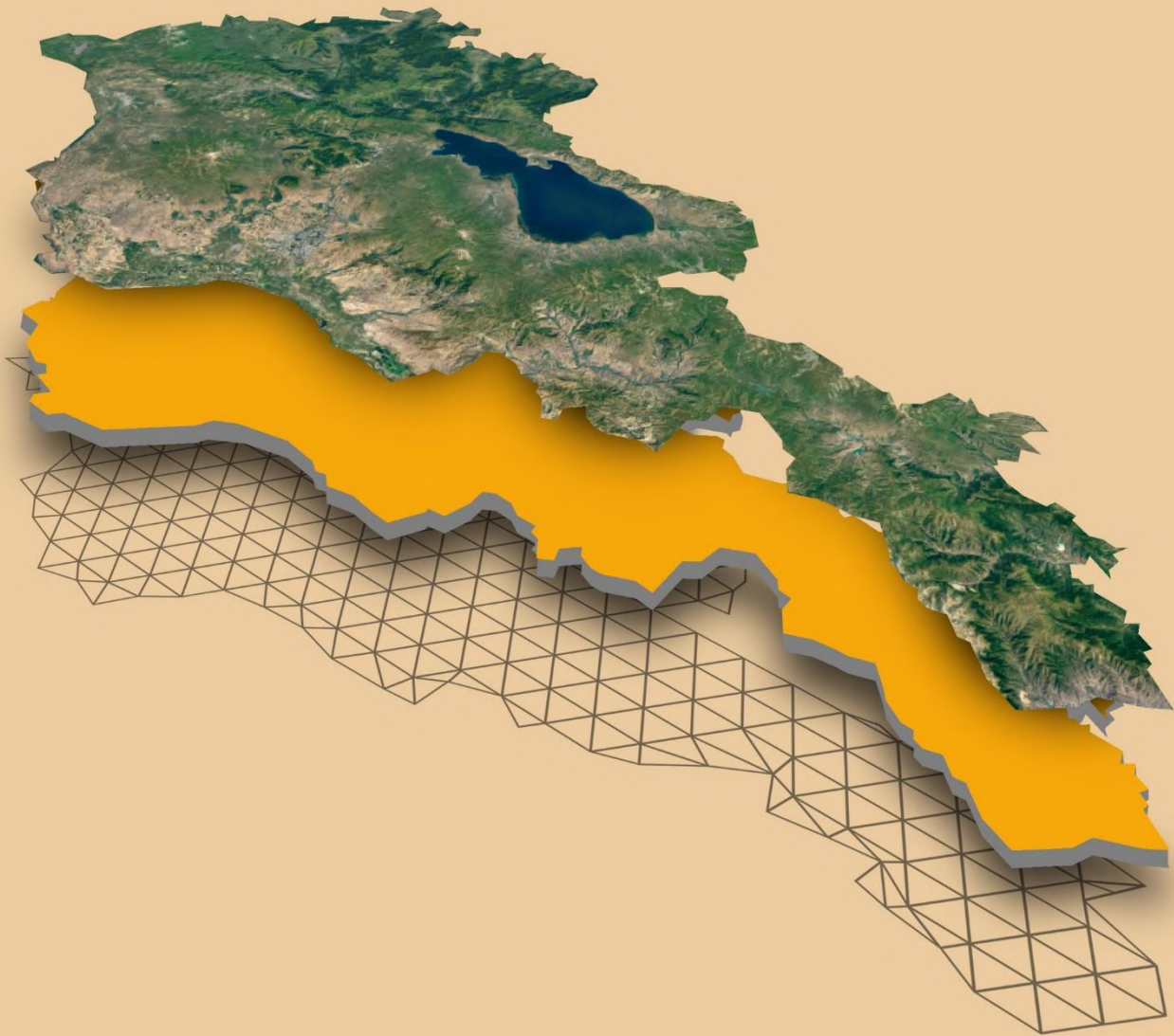


REPUBLIC OF ARMENIA EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE (EITI) REPORT 2018



2020 Yerevan



Dear friends,

I have the honor to present you the Second Extractive Industries Transparency Initiative (EITI) Report of Armenia covering 2018 financial year. It includes the content and data of the metal mining industry profile of Armenia.

I would like to emphasize that the Government of Armenia considers the implementation of EITI requirements as an efficient measure for disseminating the Open Government Principles in the mining sector which supports promoting public administration transparency, civil society engagement, and fighting corruption.

Our goal is to by public access to EITI information increase the control over the sector, stimulate the aware public debate on the sector, accelerate the relevant legal reforms, and promote more efficient management of natural resources.

In this regard a special reference should be given to the efficient performance of the EITI Multi-stakeholder Group of Armenia (MSG) as a trilateral discussion platform and to the capacity of that platform for considering the stakeholders' concerns, holding free discussion, and consensus decision-making.

I should note that the Armenian Government and the MSG has adopted a dynamic and consistent EITI introduction policy which develops approaches going beyond the EITI requirements. The establishment of the Beneficial Ownership Register is in progress which is a crucial instrument for expanding the scope of disclosures of beneficiary ownership in Armenia.

As a result of Armenia's first Validation the EITI Board awarded the highest country score agreeing that Armenia has made satisfactory progress in implementing EITI Standard. Therefore, the Armenian Government and MSG will pursue consistent efforts to maintain and further develop this high EITI achievement by introducing sustainable mechanisms for systematic EITI data disclosure and expanding the scope EITI impact.

Tigran Avinyan

A handwritten signature in blue ink, appearing to read 'T. Avinyan', with a stylized flourish at the end.

Deputy Prime Minister, EITI MSG Chairman



Dear friends,

This is the second time that we present to the public the EITI National Report of Armenia covering 2018 financial year activities.

The mining companies demonstrate interested attitude towards comprehensive compliance to the EITI requirements, as we believe that the transparency of our sector's management and the accessibility to the sector's operation data contribute to the development of the sector itself. By presenting to the public the share of the mining industry in

the Armenia's economy and in the national budget revenues, the role and significance of the sector in the community development, the EITI thus contributes to the establishment of a public dialogue on the existing mining challenges and addressing them on a participatory basis.

The conclusions of Armenia's First Validation agreeing that Armenia has made satisfactory progress in EITI, indicate that members of our Multi-Stakeholder Group - representing government agencies, the mining industry, and civil society - have found the right platform that takes into account the views of all stakeholders to ensure the coverage of goals pursued by wider stakeholder groups.

The type of economic activity engaging the mining companies is not always unambiguously perceived by the public, so we will strive to make the EITI data disclosure a systematic practice and establish a balanced attitude in the country towards this sector by enhancing the public access to such data.

Artur Nikoghosyan,

Member of mining companies' constituency, EITI MSG Armenia

Administrative director, "Agarak Copper Molybdenum Combine" CJSC



Dear reader,

Since 2000s the mining sector has been recognized as one of the priorities for the development of economy of Armenia creating favorable investments environment for subsoil users. However, there has been no open access to information on taxes paid by the industry to the national budget, on the production and export volumes, and on fulfillment of obligations under the mining contracts. Thanks to Armenia's membership to EITI, the country is step -by- step moving on to enhancing transparency and accountability of the sector and there is already vast information on metal mining industry disclosed to public at large.

Thanks to EITI, a new culture of dialogue and debate has been cultivated in Armenia. Representatives of the EITI Multi-Stakeholder Group - government agencies, mining business, civil society - began to jointly discuss the challenges and to find new solutions by consensus. The Group had actively discussed the EITI First National report of Armenia. The Report data was shared with the affected communities and was widely reflected by the local self-government bodies and the local population. The EITI process increased the citizen's awareness of the sector, gave an opportunity to assess the existing shortcomings, and make proposals for addressing the problems.

The EITI Second National Report is a new impetus to conduct studies, to inform the affected communities, and to formulate new proposals that will contribute to increasing the responsibility level of the mining companies and public authorities, enhancing the legislative and institutional reforms and control, supporting sustainable development of communities, addressing the social and environmental problem.

We express our gratitude to all participants in the preparation of the Report, and especially acknowledge the professional work of the EITI Armenian Secretariat, which greatly contributes to the advancement and success of the EITI process in Armenia.

Inga Zarafyan

2016-2019 member of civil society constituency, EITI MSG Armenia

President of "Ecolor" Information NGO, Ph.D. in Biophysics

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LIST OF ABBREVIATIONS

AR	Artsakh Republic
CCD	Constitutional Court decision
CJSC	Closed Joint Stock Company
CMC	Copper-Molybdenum Combine
Dmt	Dry metric ton
EEC	European Economic Community
EEU	Eurasian Economic Union
EIA	Environmental impact assessment
EITI	Extractive Industries Transparency Initiative
FASB	Financial Accounting Standards Board
SRC RA	State Revenue Committee of the Republic of Armenia
GDP	Gross domestic product
HF	Humanitarian Fund
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
LLC	Limited Liability Company
LSGB	Local Self-Governance Body
ME	RA Ministry of Environment
MLTF	Money Laundering and Terrorist Financing
MPC	Maximal permitted concentration
MSG	Multi-stakeholder group
MTAI	Ministry of Territorial Administration and Infrastructures
OJSC	Open Joint Stock Company
PIU	Program Implementation Unit
RA SC	The Republic of Armenia Statistical Committee



INTRODUCTION

INTRODUCTION

The Extractive Industries Transparency Initiative (EITI) is a global Standard to promote the open and accountable management of natural resources. The EITI value chain includes all the key issues related to the extractive industry spanning from subsoil exploration to extraction of minerals to the sector's environmental and socio-economic impact in the country. In particular, the range of issues addressed includes the following: how are permits and contracts for subsoil use and other activities of the sector issued and registered, who are the beneficiaries of these processes, what are the financial and legal regulations, what is the production volume, what is the amount of income transferred to the State budget from the sector, how are these incomes distributed, what are the investments in the economy (including the increase in the level of employment). The EITI seeks to assist the creation of more transparent and accountable government and business institutions as well to create grounds for mutual understanding between the parties by promoting public dialogue.

One of the key components of EITI Standard implementation is the establishment of multi-stakeholder group (MSG), which is the main decision-making body in the framework of the Initiative and is comprised of the representatives from the government, mining companies and civil society. The MSG is formed with the purpose of managing EITI processes, overseeing the EITI report preparation process and reporting the results, as well as promoting the integration of EITI Standard in transparency activities realized in the country. Members of each of the MSG constituencies are elected according to the procedures established by the given constituency, thus ensuring the independence of the MSG members. The MSG should ensure the transparency and publicity of invitation for participation in activities and the representation of the interested parties including independent civil society groups, media, unions and relevant state institutions.

After becoming an EITI candidate, every EITI implementing country should undergo a validation process during a period of two and a half years and once every three years. Validation allows assessing the progress of the country in terms of meeting each of the EITI requirements. Validation is realized by the EITI International Board and entities carrying out independent. Based on the validation report of the country the EITI International Board decides on the progress assessment.

The EITI process in Armenia

Armenia's process of becoming an EITI member was initiated in July 2015. The Republic of Armenia multi-stakeholder group is comprised of fifteen members, including six representatives from the Government of the Republic of Armenia, four representatives from mining companies and five representatives from the civil society (including one from academia) and was established in November 2016 by the Prime Minister's Decree No. 1104-A.¹ Since that time, the composition of MSG has changed multiple times.

According to MSG operational procedure, each MSG constituency should have at least one alternate

¹ <https://www.arlis.am/DocumentView.aspx?DocID=123961>

member from the same sector, however not more, than the number of constituency members. MSG members and alternates are appointed for a three-year period.

The EITI candidacy application of Armenia was developed by the MSG and was approved by the latter during its meeting held on December 26, 2016.² The membership of the Republic of Armenia was approved in compliance with the EITI candidacy application on March 9, 2017 at the EITI board meeting in Bogota.³ The Republic of Armenia published its first EITI report in December, 2018.⁴ According to the March 9, 2017 decision of the EITI board, the verification process of the Republic of Armenia has started on September 9, 2019 – two and half years after becoming a candidate. According to verification protocols, the fulfilment of the Initiative's requirements during the previous 3 years in the Republic of Armenia should be assessed. In addition, the country's progress toward meeting all EITI standards will be evaluated.

The EITI Board, as a result of first validation assessment of Armenia agreed on decision that Armenia has made satisfactory progress overall in implementing the 2016 EITI Standard.

According to validation assessment for 20 requirements Armenia has received a high score of satisfactory progress and an excellent score on 4 requirements. As of July 9, 2020 Armenia, is the 9th country among the 53 EITI member countries to be granted the status of a country with satisfactory progress.⁵

The scope of EITI in Armenia

In the scope of implementing the EITI Standard, the state authorities and mining companies submit reports providing a range of information about the incomes of the companies, the payments made by the companies to the state, the incomes received by the government and the management of these income flows. It is also required that the companies and government agencies disclose information about geological studies, natural resources exploration, extraction, export and financial flows, as well as information about granting or transfer of licenses to companies. As required by the EITI Standards, the results are reconciled by an independent administrator and published annually together with other information about the extractive industry. Apart from the annual EITI report, EITI implementing countries also publish annual progress reports. The scope of the second report of Armenia was determined during the April 16, 2019 meeting of the MSG,⁶ which reaffirmed the requirement from all companies holding metal mineral extraction permits – with the exception of those, which declared bankruptcy – to submit reports for the 2018 financial year.

The metal mining sector is an important contributor to the economy of Armenia. According to data published by the Ministry of Territorial Administration and Infrastructures, more than 850 mines with confirmed resources, including 42 metal mines, are registered in the Mineral Resources State Registry.

² https://www.eiti.am/file_manager/EITI%20Documents/Minutes/MSG_meeting_minute_16_04_2019_EN.pdf

³ <https://eiti.org/BD/2017-22>

⁴ The report was published in the RA EITI national secretariat website in Armenian and English:
<https://www.eiti.am/hy/annual-reports/2018/>

⁵ https://eiti.org/board-decision/2020-39?fbclid=IwAR2mopCWeAdn6tsLcF9OMHyTQUj45xU5M27sKD8MXrhLd4I-sMt_yZBTzUM

⁶ https://www.eiti.am/file_manager/EITI%20Documents/Minutes/MSG_meeting_minute_16_04_2019_EN.pdf

Of these, around 400 mines, including 27 metal mines are currently exploited.⁷ 26 metal extraction companies are registered in Armenia. 27 permits are issued within the scope of operations carried out by these companies during the reporting year.

In RA, the subsoil is the property of the State and is considered to be under its exclusive ownership. This prerogative of the State is stipulated in the Constitution: it was included in clause 2 of Article 10 of the last revision of RA Constitution (in force since December 22, 2015).⁸ This provision is also reflected in the principal document regulating the mining industry - The Code on Subsoil.⁹

The subsoil is given to mining companies only with the right of use for the purpose of realizing geological study activities, extraction of minerals or processing of mining waste.

Within the scope of the EITI report, based on a predetermined list of companies and types of income flows, the Independent Administrator carries out a reconciliation of information about incomes and payments received from State agencies and companies. The results of the reconciliation are reflected in EITI report together with the observed discrepancies.

For each mining company, the Independent Administrator has collected and processed details in connection with all discovered discrepancies and reasons for adjustments.

The most common causes of discrepancies and reasons for adjustments were necessity for additional guidance on completing the report templates as well as incomplete presentation of data on certain types of taxes. More details on these issues are reflected in the Chapter 6.3 of the EITI Report.

Chapter 1 presents the methodology and the framework for preparation of the EITI Report. Chapter 2 presents the RA legislative and institutional framework, in particular, with regards to the procedures for granting mining permits and concluding contracts, as well as information on state budget, leveling and assurance procedures. Chapter 3 presents a detailed description of the metal mining industry, including information on extraction, production, domestic realization and export. The complex impact of the sector on the economy is summarized in Chapter 4 while Chapter 5 offers an overview of the sector's socio-economic and environmental impact. The methodology and results of the reconciliation, as well as detailed information on the detected discrepancies and the reasons for adjustments are presented in Chapter 6. In Chapter 7 of the Report, the Independent Administrator presents recommendations on elimination of observed shortcomings of the implemented activities and improvement of EITI reporting process. Information about findings during the preparation of the EITI report is presented in Chapter 8.

⁷ <http://www.minenergy.am/page/472>

⁸ <https://www.arlis.am/DocumentView.aspx?docID=102510>

⁹ <https://www.arlis.am/DocumentView.aspx?DocID=126310>

1 THE METHODOLOGY AND THE SCOPE OF THE EITI REPORT

1. THE METHODOLOGY AND THE SCOPE OF THE EITI REPORT

In a meeting of the Republic of Armenia multi-stakeholder group (hereinafter, MSG) held on April 16, 2019,¹⁰ it was decided that no scoping study is required for Armenia's second EITI report (hereinafter, "Second EITI report," "Second report" or "EITI report") and that the scoping study carried out in 2018 as well as the first EITI report can serve as research for the Second report.

Aimed at preparing the first EITI report, a scoping study was carried out in 2018¹¹ in the framework of the "Support to Enhance Armenia's Capacity to Implement Extractive Industries Transparency Initiative (EITI) and to Increase Transparency and Accountability in Mining Licenses and Contracts" project funded by the British Embassy in Yerevan. The Responsible Mining Center of the American University of Armenia was the implementation partner for the Project.

1.1 Companies and State agencies presented in the EITI report

According to the RA Law "On Making Amendments and Changes to the Code on Subsoil" No HO-191-N dated March 21, 2018,¹² reporting companies are those companies, which hold permits of metal mineral extraction with the exception of companies, which have declared bankruptcy. The same amendment also provides that those state agencies, which possess relevant information in connection with mining companies holding metal mineral extraction permits, must also submit reports. The N12 protocol of RA EITI MSG meeting held on 16.04.2019¹³ defines the scope of Armenia's second EITI report according to which the Second report must be prepared for the financial year of 2018 as well as defines the list of companies and state agencies required to submit public reports. There are 26 companies submitting public reports for Armenia's second EITI report while the state agencies presenting mandatory public reports are RA State Revenue Service (hereinafter, RA SRC), RA Ministry of Environment and community government bodies, the information from which is submitted by the RA Ministry of Territorial Administration and Infrastructures (hereinafter, MTAI). During the above-mentioned meeting, it was decided that companies which paid taxes and payments equivalent to or exceeding 150 million AMD to the RA State Budget during the reporting fiscal year 2018 are considered as companies to be reconciled.

The reporting templates of the first EITI report were developed by the RA EITI Secretariat and were discussed within an extended group of representatives of the mining companies and State agencies after which they were approved by the MSG.¹⁴ The reporting templates were also presented to the EITI International Secretariat. The reporting templates to be submitted by the mining companies and State agencies, their submission time, schedule and publication procedures were approved by the RA

¹⁰ https://www.eiti.am/file_manager/EITI%20Documents/Minutes/MSG_meeting_minute_16_04_2019_EN.pdf

¹¹ <https://www.eiti.am/files/file/1567780783017/Scopingstudy2018eng.pdf>

¹² <https://www.arlis.am/DocumentView.aspx?docid=120753>

¹³ https://www.eiti.am/file_manager/EITI%20Documents/Minutes/MSG_meeting_minute_16_04_2019_EN.pdf

¹⁴ [eiti.am/hy/agenda-protocols-other-related-documents](https://www.eiti.am/hy/agenda-protocols-other-related-documents)

Government Decree N 666-N dated June 8, 2018.¹⁵ The reporting templates for the second EITI report were amended on the basis of changes in the RA Tax Code, the recommendations of the Independent Administrator in the first EITI report and the decisions of the MSG in connection with the second EITI report. Those changes in the reporting templates of the metal mining companies, which were based on the decisions of the MSG were summarized in the Inception report of the second EITI report. These changes were approved by the RA government decision number 871N dated 11.07.2019.¹⁶

1.2 Taxes and payments included in the EITI report

Prior to initiating the reporting process, the materiality threshold was determined in order to ensure that each revenue stream is described in accordance with the relevant materiality definitions and thresholds. According to the decision of the MSG, the revenue streams from the extractive sector the share of which in the total extractive sector revenues is 1% or higher are deemed to be material and must be reconciled in the EITI Report (protocol N12 of MSG meeting, 16.04.2019¹⁷).

The following revenue streams for the reporting periods have been reconciled in the framework of the Report:

- ▶ Profit tax
- ▶ Income tax
- ▶ Value added tax
- ▶ Royalty
- ▶ Customs duties and fees
- ▶ Rent payments

The mentioned revenue streams for the reporting periods composed over 95.50% of the total payments made by mining companies to State agencies. It should be noted, that all materials revenues have been reported by government entities. The detailed description of the reconciliation process methodology is provided in the section 6 of this Report.

¹⁵ <https://www.e-gov.am/gov-decrees/item/30461/>

¹⁶ <https://www.e-gov.am/gov-decrees/item/32181/>

¹⁷ https://www.eiti.am/file_manager/EITI%20Documents/Minutes/MSG_meeting_minute_16_04_2019_EN.pdf

1.3 Process of audit certification in State agencies and mining companies

The procedures of data verification for data provided for the EITI report is based on the corresponding international standards such as the 4400 (International Standard on Related Services) and ISA 505 (External Confirmations). Nevertheless, procedures for such data verification do not assume implementation of an audit or provision of an audit opinion to be implemented in compliance with international standards on auditing. Consequently, no assurance can be given on reliability of the data provided by companies and State agencies as well as no attempt will be made to identify any fraud and errors that could be committed by companies and/or state agencies. The information to be provided in the EITI Report and/or information by mining companies and state agencies is not subject for control or verification procedures, unless otherwise specified by the EITI standards.

The reliability of the data provided by companies and state agencies is confirmed by the signatures of the senior management of these companies and state agencies as well as the signatures of the chief accountants of the companies.¹⁸

The procedure, timeframe and forms of publication of information on activities related to subsoil use, mineral extraction and geological studies of subsoil for mineral extraction purposes, procedures, timeframe and forms for submitting public reports on the activities of subsoil users who have permits for metal mineral extraction, as well as the list of State bodies are approved by the RA Government Decree No. 666-N (amended by RA government decree N871N data 11 July 2019¹⁹). More detailed information regarding auditing process is presented in the Section 2.5.

¹⁸ https://www.eiti.am/file_manager/EITI%20Documents/Minutes/MSG_meeting_minutes_06_12_2017_eng.pdf

¹⁹ <https://www.e-gov.am/gov-decrees/item/32181/>

2 LEGISLATIVE AND INSTITUTIONAL FRAMEWORK OF THE EXTRACTIVE INDUSTRY IN THE REPUBLIC OF ARMENIA, PROCEDURES FOR GRANTING MINING PERMITS AND CONTRACTING

2. LEGISLATIVE AND INSTITUTIONAL FRAMEWORK OF THE EXTRACTIVE INDUSTRY IN THE REPUBLIC OF ARMENIA, PROCEDURES FOR GRANTING MINING PERMITS AND CONTRACTING

2.1 Legislative and fiscal regulation for extractive industries

2.1.1 Legal framework and description of legal acts

As a preliminary note, we highlight that within the reporting year, as compared to 2016-2017, the legal framework and, in particular, legal acts governing the extractive industry, has mostly remained unchanged. In consideration of the foregoing, below we will present a brief description of the effective regulations of the extractive industry.

Hence, as it was mentioned, in the Republic of Armenia the subsoil is the property of the State and is considered to be under the exclusive ownership of the latter. The aforesaid right of the State is enshrined by Article 10(2) of the Constitution of the Republic of Armenia²⁰, as well as it is reflected in the principal document regulating the mining industry - the Mining Code of the Republic of Armenia²¹ (hereinafter referred to as “The Code”).

The subsoil is provided to mining companies only with the right of exploitation (hereinafter also referred to as “mining rights”) – for the purposes of geological exploration (including geological exploration for mineral extraction purposes) or extraction of minerals or processing of mining wastes.

Since January 1, 2012 (after the Code entered into force) Armenia has been transitioning from mining and concession contracts regime to the regime of only mining contracts. Nevertheless, for example, the RA Law “On Foreign Investments” provides for concession contracts. According to the latter, “the right for the extraction of renewable and non-renewable mineral resources to foreign investors is granted on the basis of concession contracts which are signed with foreign investors by the Government of the Republic of Armenia or other authorized state body in the manner prescribed by the legislation of the Republic of Armenia on concession contracts”²².

Rights to geological exploration for mineral extraction purposes and mineral extraction and/or processing of mining wastes are provided to mining companies correspondingly through (i) granting permits for geological exploration of the subsoil for mineral extraction purposes, mining contracts and (ii) permits for extraction of minerals and (or) processing of mining wastes, mining contracts and mining allotment certificate (the legislation also provides for the regime for geological exploration of the subsoil, where the studies carried out within such framework are not bound with the mineral extraction purposes: the

²⁰ The Constitution of the Republic of Armenia with amendments (passed on December 6, 2015), available at <https://www.arlis.am/DocumentView.aspx?docID=102510>

²¹ The Mining Code of the Republic of Armenia, No. HO-280-N (passed on November 28, 2011), Article 11, available at <https://www.arlis.am/DocumentView.aspx?DocID=126310>

²² The Law «On Foreign Investments» of the Republic of Armenia, No. HO-115 (July 31, 1994), Article 21, available at <https://www.arlis.am/DocumentView.aspx?DocID=34872>

respective right is granted by the authorised body through the mining consent and contract). Within the reporting period, the authorities of the authorised body were performed by the Ministry of Energy Infrastructures and Natural Resources (hereinafter referred to as “MEINR”)²³, authorities of which are now transferred to the Ministry of Territorial Administration and Infrastructure (hereinafter referred to as “MTAI”)²⁴. A royalty is paid by mining companies for extraction of metals, which is considered to be an environmental payment.

These legal relations are inherently private ones, i.e. the state acts as a legally equal party to the contract, where the counterparty gains the right to exploitation of the subsoil which is deemed to be under the exclusive ownership of the State. The private nature of such relations is also confirmed by the Constitutional Court of the Republic of Armenia²⁵. Despite the aforesaid, the model applicable in practice for royalty calculation and enforcement is still exclusively of public nature, and is not based on the legal equality of the parties.

Noteworthy, that the Constitutional Court of the Republic of Armenia has revisited this issue through the Decision within the case no. SDO-1530 rendered on 12 May 2020 – this time, from the viewpoint of state inspections.²⁶

By this decision, the Constitutional Court reaffirmed its position that nature utilization payments – consideration for the right to use property – belong to the domain of private law (para. 4.2, p. 14). At the same time, however, the Constitutional Court found that the State, as the owner of the subsoil, is entitled to monitor contractual compliance and such monitoring can inter alia be exercised through the instrument of state inspections. This interference in economic activities of mining companies – according to the Constitutional Court – is permissible as long as it is exercised “*to ensure an obligation to pay taxes, customs, other mandatory state and municipal payments prescribed by Article 60, paragraph 8, of the Constitution. According to the Constitutional Court, such obligations, as a matter of principle, can also cover private law contractual arrangements if specifically regulated by law*”.

The Constitutional Court, however, also highlighted the internal inconsistencies within the Law on Arrangement and Conducting of Inspections in the Republic of Armenia. Hence, on the one hand, pursuant to Article 1(5) of the said law, the law does not cover inspections performed within by state authorities, as a party to the transaction, and within contractual arrangements between the state and

²³ The Charter is approved by the Decree of the Prime Minister No. 699-L dated 11 June 2018, available at <http://www.minenergy.am/page/374>

²⁴ The Charter is approved by the Decree of the Prime Minister No. 659-L dated 01 June 2018, available at <https://www.e-gov.am/decrees/item/20352/>

²⁵ The decision of Constitutional Court of the Republic of Armenia No. SDO-816 (July 18, 2009) on defining the conformity of Articles 7 and 19 of the RA Law “On Nature Protection and Nature Use Payments” and Point 2 of Article 22 of the RA Law “On Taxes” with the Constitution based on the applications of “Bjni” Mineral Water Plant” CJSC and “Kommunnakhagits” CJSC, available at <https://www.arlis.am/DocumentView.aspx?docid=52844>

²⁶ The decision of Constitutional Court of the Republic of Armenia No. SDO-1530 (May 12, 2020) on defining the conformity of Articles (1)(4) of the RA Law “On Arrangement and Conducting of Inspections in the Republic of Armenia” (as of 27 January 2017) and third paragraph of Article 18(2) of the RA Law “On Nature Protection and Nature Use Payments” (as of 27 January 2017) with the Constitution based on the application of the Administrative Court of Appeal of Armenia, available at <https://www.arlis.am/DocumentView.aspx?DocID=142485>

entrepreneurs. On the other hand, Article 1(4) of the said law mentions nature utilization payments as a mandatory payment that can be subject to state inspections. With regard to the above-mentioned, the Constitutional Court found that *“Internal inconsistencies between different parts of the same article should have been resolved in practice through application of the provisions of the RA Law “On Legal Acts” effective as of the date of the disputable events and repealed as of nowadays, which has not been done. Meanwhile, for the Constitutional Court no norm of regular or constitutional law may serve as a ground for assessment of constitutionality, since the Constitutional Court, by virtue of Article 167(1) and (2) of the Constitution, is called to ensure the rule of Constitution being restrained solely by Constitution.”*

Meanwhile, the Constitutional Court did not address whether a law with such manifest inherent inconsistencies and contradictions satisfies the necessary requirements of predictability (see decision no. SDO-753) or legal certainty (see e.g. decision SDO-1142).

For the mining rights, mining companies also pay nature protection tax (before the Tax Code – nature protection payment), payment for replenishment of environmental protection fund (recultivation), state duties and monitoring fee, which together with royalty payments are considered to be subsoil exploitation fees.

Subsoil exploitation permits (hereinafter also referred to as “mining permits”) are granted by the MTAI on the basis of respective applications. The MTAI, based on expert recommendations of the Ministry of Emergency Situations of the Republic of Armenia and the Ministry of Environment of the Republic of Armenia grants the subsoil exploitation right by signing respective contracts with private entities on behalf of the Republic of Armenia.

Transfer (alienation) of the mining right to third persons is allowed solely upon the consent of the MTAI, while granting the right to third persons is prohibited. Despite the aforesaid, the MTAI does not control alienation of the shares by companies having mining right to third persons, as a result of which actual transfer of a mining right is possible through changes of the participants/shareholders of legal entities.

Granting a mining right does not *per se* guarantee accessibility of surfaces of mineral-containing and adjacent land areas (land use rights) for the right holder entity. It also does not guarantee water use right. Access to the surface of subsoil areas containing mineral resources is obtained by the mining entity independently, through negotiations with the owners of the lands - by buying, leasing or having servitude right over the latter. Similarly, the mining entity separately applies for a right to use water resources. In the course of drafting EITI First Report, mining entities have expressed concerns regarding the fact that separated regulation of these issues which have a vital importance for mining activities, and their dependence on the activities of third persons, create actual problems for permit-holding companies for effective exercise of their rights.

Mining entities are accountable with regard to activities thereof to a number of state bodies and departments, including MTAI, Ministry of Environment, Environmental Protection and Mining Inspection, State Revenue Committee, etc.

In particular, starting from 2018, the mining entities granted with the permit for extraction of metal minerals shall submit annual public reports to the MTAI (within the reporting period – Ministry of Energy Infrastructures and Natural Resources) and Staff of the Prime Minister of RA (within the reporting period – Staff of the Government of RA) with regard to activities thereof and with the purposes of drafting EITI Report, ensuring accountability and transparency, which shall include information on annual extraction and export volumes, paid state and local taxes and payments, payments made to community extra-budgetary accounts, land lease payments, contributions for charity, gifts or other gratuitous alienations to the community, gifts, donations or other gratuitous alienations to non-commercial legal entities and individuals, payments made for replenishment of environmental protection fund and implementation of monitoring activities, financial proposals for mineral extractions, as well as liabilities in the sphere of social-economic development of the community²⁷.

All entities granted with the right of mineral extraction shall submit quarterly and annual reports to the MTAI on the changes in the reserves of mineral resources²⁸. Based on the aforesaid reports (as well as proven reserves) the state register of mineral resources is maintained²⁹. The reports and state register of mineral resource reserves are not public.

Starting from January 1, 2018³⁰ entities granted with the right of extraction of metallic minerals, shall provide to the Ministry of Environment quarterly updates with regard to the subsoil exploitation, which shall include information on reduction of environmental losses occurred as a result of subsoil exploitation, monitoring activities planned for the purpose of preventing irreversible impacts, results assessed by the accredited laboratories, laboratories having respective certificates, as well as summary annual report submitted upon the end of every year - until February 20 of the following year³¹. In case of website availability, the summary annual report shall also be made available on the website³². The reports are also made available on the website of the Ministry of Environment³³. Information on the mining companies which have submitted reports on the results of environmental monitoring of 2018, is presented in details in 5.4 of this Report. In the same year, the Government of the Republic of Armenia has approved the requirements for reduction of environmental losses occurred as a result of subsoil exploitation, requirements for the monitoring activities planned for the purposes of preventing irreversible impacts, as well as procedure for submission of reports with regard to the results.³⁴

²⁷ The Code, reference 39, Article 9(3): The Procedure “On submission of public reports by state bodies and mining entity granted with the right for metal mineral extraction”, RA Government Decree N 666-N (June 8, 2018) available from <https://www.arlis.am/DocumentView.aspx?DocID=123259>

²⁸ *Ibid.*, Article 59(3)(7)

²⁹ *Ibid.*, Article 63(9)

³⁰ The RA Law “On Amendments in the Mining Code of the Republic of Armenia”, HO-214-N (dated November 17, 2017)

³¹ Code, Article 59(3)(19). According to the model mining contracts approved by the RA Government Decree No. 437-N dated March 22, 2012 the obligation (contractual) for submission of annual report is applied to all the companies engaged in mineral extraction activities (article 3.4.27 and 5.4) which is not directly stipulated in the text of the Code.

³² *Ibid.*

³³ Available at <http://www.mnp.am/am/pages/233>

³⁴ Decree of the Government of the Republic of Armenia No. 191-N dated 22 February 2018, available at <http://www.mnp.am/am/pages/234>

Information on payments made by mining entities to the environmental protection fund and the amounts returned to mining entities shall be published on annual basis on the official website of the Ministry of Environment as prescribed by the Code, until the 30th of the month following the end of the reporting year³⁵.

The relevant legal framework includes a number of legislative and regulatory acts which are presented in details in the next section. A brief overview of the main documents is provided below.

The effective Constitution of the Republic of Armenia, as mentioned above, provides for the exclusive ownership right of the State over the subsoil³⁶.

Mining Code of the Republic of Armenia is the primary regulatory legal act governing the sector. The latter regulates the baseline issues related to obtaining mining permits, conclusion of contracts, industry oversight and defines the scope of competencies of the relevant authorities. The Code also regulates the key issues related to calculation of payments for mining rights (subsoil exploitation fees), performance thereof and legal relations arising from performance thereof

The Tax Code of the Republic of Armenia³⁷ which entered into effect from January 1, 2018 is a comprehensive legal act regulating tax-related legal relations, which regulates the types of taxes, rates, taxation bases, tax exemptions and other issues. The Code also regulates the legal relations arising with regard to nature protection taxes and nature use payments (including royalties).

Prior to enforcement of the new Tax Code, the tax-related legal relations were governed by sectoral laws (RA Law “On Income Tax”³⁸, RA Law “On Profit Tax”³⁹, RA Law “On Value Added Tax”⁴⁰ and others), while legal relations connected with nature protection and nature use payments were also regulated by the RA Law “On Nature Protection and Nature Use Payments”⁴¹ and the RA Law “On the Rates of Environmental Payments”⁴² (in part). The Decree of the Government of the Republic of Armenia No 1901-N dated 29 December 2011 provided for the procedure for calculation of revenues for the purposes of royalty calculation.

³⁵ Code, Article 69(6), published information is available at <http://www.mnp.am/am/pages/234>

³⁶ Constitution of the Republic of Armenia, with amendments, , Article 10(2), available at <https://www.arlis.am/DocumentView.aspx?docID=102510>.

³⁷ Tax Code of the Republic of Armenia, N. HO-165-N (passed on October 4, 2016), available at <https://www.arlis.am/DocumentView.aspx?DocID=126329>

³⁸ The RA Law “On Income Tax”, HO-246-N (passed on December 22, 2010), available at <https://www.arlis.am/DocumentView.aspx?DocID=118444>

³⁹ The RA Law “On Profit Tax”, HO-155 (passed on September 30, 1997), available at <https://www.arlis.am/DocumentView.aspx?DocID=118416>

⁴⁰ The RA Law “On Value Added Tax”, HO-118 (passed on May 14, 1997), available at <https://www.arlis.am/DocumentView.aspx?DocID=118406>

⁴¹ The RA Law “On Nature Protection and Nature Use Payments”, HO-270 (passed on December 28, 1998), available at <https://www.arlis.am/DocumentView.aspx?DocID=87833>

⁴² The RA Law “On the Rates of Environmental Payments”, HO-245-N (passed on December 20, 2006), available at <https://www.arlis.am/DocumentView.aspx?DocID=118446>

Environmental issues related with mining activities are regulated by the RA Law “On Wastes”⁴³, the RA Law “On Environmental Impact Assessment and Expertise”⁴⁴, the RA Law “On Environmental Control”⁴⁵ and others.

The rates of state duties for granting mining permits are stipulated by the RA Law “On State Duties”⁴⁶.

The Water Code of the Republic of Armenia⁴⁷ regulates the legal relations arising with regard to water use, in particular the procedure for submitting applications for obtaining water use permits, legal relations related to granting water use permits, their validity, the procedures for receiving, the grounds for refusal, the peculiarities of using underground fresh water and others.

The Land Code of the Republic of Armenia⁴⁸ regulates legal relations arising from land use, as well as land regimes of industrial, mining and other manufacturing significance, which also include the land areas provided for subsoil exploitation. The Land Code also stipulates a general prohibition, according to which *“new land areas cannot be provided to mining entities in case the lands previously disturbed as a result of their operations have not been recovered in compliance with the recovery plans”*⁴⁹.

The Civil Code of the Republic of Armenia⁵⁰ defines the general legal context within which the mining contracts (as mentioned, the legal relationships arising under these contracts are of a private nature) shall operate.

The scope of the relevant legislation also includes the RA Law “On Limited Liability Companies”⁵¹ and the RA Law “On Joint Stock Companies”⁵², since the organizational-legal forms of the mining companies registered in the Republic of Armenia are exclusively LLCs and CJSCs.

The existing regulations related to the ultimate beneficial owners originate from the RA Law “On State registration of legal persons, state registration of separate divisions of legal persons, enterprise and

⁴³ The RA Law “On Wastes”, HO-159-N (passed on November 24, 2004), available at <https://www.arlis.am/DocumentView.aspx?DocID=122729>

⁴⁴ The RA Law “On Environmental Impact Assessment and Expertise”, HO-110-N (passed on June 21, 2014), available at <https://www.arlis.am/DocumentView.aspx?DocID=93148>

⁴⁵ The RA Law “On Environmental Control”, HO-82-N (passed on April 11, 2005), available at <https://www.arlis.am/DocumentView.aspx?DocID=120771>

⁴⁶ The RA Law “On State Dues”, HO-186 (passed on December 27, 1997), available at <https://www.arlis.am/DocumentView.aspx?DocID=123571>

⁴⁷ The RA Water Code, HO-373-N (passed on June 4, 2002), available at <https://www.arlis.am/DocumentView.aspx?DocID=121550>

⁴⁸ The RA Land Code, N HO-185 (passed on May 2, 2001), available at <https://www.arlis.am/DocumentView.aspx?DocID=126320>

⁴⁹ *Ibid.*, Article 13(6).

⁵⁰ The RA Civil Code, HO-239 (passed on May 5, 1998), available at <https://www.arlis.am/DocumentView.aspx?DocID=126332>

⁵¹ The RA Law “On Limited Liability Companies”, HO-252 (passed on October 24, 2001), available at <https://www.arlis.am/DocumentView.aspx?DocID=100223>

⁵² The RA Law “On Joint Stock Companies”, HO-232 (passed on September 25, 2001), available at <https://www.arlis.am/DocumentView.aspx?DocID=122471>

private entrepreneurs”⁵³, the RA Law “On combating money laundering and terrorist financing”⁵⁴ and the RA Law “On Civil Services”⁵⁵.

2.1.2 Fiscal regime, tax and non-tax revenue streams, tax rates

(i) Subsoil exploitation fees

According to Article 61 of the Mining Code of the Republic of Armenia, subsoil exploitation fees shall include the following (i) environmental tax, (ii) payment for replenishment of environmental protection fund (recultivation payment), (iii) monitoring fee and (iv) nature use payments, including royalty and (v) state duties for granting mining permits.

(a) Payment for Replenishment of Environmental Protection Fund (Recultivation payment)

Recultivation payments made by mining companies to replenish the environmental protection fund (hereinafter referred to as “the Fund”) kept in the extra-budgetary account of the Ministry of Environment in the Central Treasury, have been described in details in the RA EITI Report 2016-2017⁵⁶. Since the later addresses not only the objectives, calculation procedure of the Fund payments, but also identifies certain issues which remain pertinent as of nowadays, therefor we find it reasonable to address those issues in this Report as well.

Hence, the recultivation payments shall not be considered as an integral part of fiscal regime *per se*, since they are not budgetary payments. Pursuant to the Code, calculation of the budget of the recultivation works and approval of indexation procedure, as well as decisions with regard to use of environmental protection fund, calculation of the payment amounts, implementation of recultivation works, shall be made by the Ministry of Environment.

A mining company shall receive financial resources from the Fund in the amount of the contributions thereof (however not exceeding the amount of these contributions)⁵⁷ with the purpose of implementing environmental (including recultivation) works within the time periods and as prescribed by the project⁵⁸. Upon the performance of environmental works undertaken by the mining company in accordance with the project, works undertaken but not performed, as well as performance of works aimed at recovering the damages caused to the nature and environment as a result of the operations carried out by the mining

⁵³ The RA Law “On State registration of legal persons, state registration of separate divisions of legal persons, enterprise and private entrepreneurs”- HO-169 (passed on April 3, 2001), available at <https://www.arlis.am/DocumentView.aspx?DocID=121691>

⁵⁴ The RA Law “On fighting money laundering and terrorist financing”, HO-80-N (passed on May 26, 2008), available at <https://www.arlis.am/DocumentView.aspx?DocID=126311>

⁵⁵ The RA Law “On Civil Services, HO-172-N (passed on May 26, 2011), available at <https://www.arlis.am/DocumentView.aspx?DocID=121573>

⁵⁶ RA EITI Report 2016-2017, on pages 93-100, available at https://eiti.org/files/documents/english_2016-2017_armenia_eiti_report.pdf

⁵⁷ The Code, reference --, Article 69(4)

⁵⁸ *Ibid.*, Article 70(1)

company and not reimbursed by the latter, the amounts remaining from the contributions made to the Fund shall be returned to the mining company⁵⁹.

It is noteworthy, that the Code does not stipulate any criteria for defining the volumes of environmental works, as well as criteria for defining whether these works have been carried out by mining companies, criteria for evaluating the damages caused to the environment, and does not define, which body shall assess environmental works or damages caused to the environment (with respect to the assessment body, it is reasonable to assume that this body is the Ministry, since in case of non-performance of recultivation works, the Ministry is the body notifying the mining company and requiring performance of works within the defined time frames⁶⁰).

Despite the availability of a number of Government Decrees stipulating the procedures for assessment of the environmental impact⁶¹, the latter are adopted within the framework of other laws and their enforcement under the Code in the context of the arising legal relations is arguable from legal viewpoint.

According to Article 61(4) of the Code, the recultivation payment is paid in cases and as prescribed by Article 69 of the Code. However, Article 69 does not define “cases” (the wording is deficient from the perspectives of the legislative drafting rules), but instead it states the following:

“An environmental protection fund is comprised of contributions of the fixed amounts paid by mineral extractive companies”.

It turns out that the “case” stipulated by Article 69 is practically referred to the fact of being “a mineral extractive company”, which means having a mining right and using such right (as opposed to having and exercising another mining right – the right for geological exploration).

The legislature has delegated to the Government the authority of defining the size of the Fund replenishment payments and clarifying other legal relations with regard to the Fund. Article 69(1) of the Code stipulates the following:

“The procedure for using the fund and calculating the sizes of contributions shall be defined by the Government”.

The relevant decree of the Government No. 1079-N dated August 23, 2012 approving “*The Procedure for Using the Fund for Nature and Environmental Protection and Calculating the Sizes of Contributions*” (hereinafter referred to as “*Procedure for Calculating Recultivation Contributions*”) states that the basic

⁵⁹ *Ibid.*, Article 69(5)

⁶⁰ *Ibid.*, Article 70(3)

⁶¹ Refer to the RA Government Decree No. 764-N “On the Procedure of Assessing the Possible Economic Impact on the Environment and its Compensation” (dated May 27, 2015), Annex 1, available from <https://www.arlis.am/DocumentView.aspx?DocID=99202>, the RA Government Decree No. 91-N “On the Procedure of Assessing the Impact on the Atmosphere Resulted From Economic Activities” (dated February 14, 2005), Annex 1, available from <https://www.arlis.am/DocumentView.aspx?DocID=13400>, the RA Government Decree No. 1110 “On the Procedure of Assessing the Impact on Water Resources Resulted From Economic Activities” (dated August 14, 2003), available from <https://www.arlis.am/DocumentView.aspx?DocID=84631>, the RA Government Decree No. 1643-N “On the Requirements Set Forth for Soil Recultivation and Classification of Disrupted Soils by Recultivation Areas” (dated December 14, 2017), available from <https://www.arlis.am/DocumentView.aspx?DocID=118387>.

rate for calculation of contributions made to the Fund shall be defined by “*the plan and (or) the project and (or) mining contract*”⁶². According to the Procedure for Calculating Recultivation Contributions, the basic rate shall be the “*budgetary price of recultivation works*”⁶³. It turns out that there are no statutory regulations (by laws) for defining the basic rates and that in any particular case the basic rate shall be defined based on the certain circumstances taking into consideration the budget of the project or the plan.

The Procedure for Calculating Recultivation Contributions also stipulates the obligation of “initial contribution” which shall be made “*within one month following the day of signing the respective contract*”⁶⁴ and the size of which “*shall be defined by relevant mining contract*”, however “*which shall not be less than 15 percent of the basic rate for calculation of contributions made to the Fund*”⁶⁵.

The Procedure for Calculating Recultivation Contributions also provides for the formula for calculating the minimal amount of contributions and states that the current contributions cannot be less than such minimal amount⁶⁶. The minimal amount (MA) is calculated by dividing the difference of the basic rate (BR) and the initial contribution (IC) by recultivation works implementation period (T): $MA=(BR-IC)/T$.

Thus, calculation of recultivation contributions fully depends on the size of initial contribution stated in the mining contract, as well as the basic rate defined by the project, plan or mining contract.

However, within the framework of this Report, we note that only 6 out of all the existing mining contracts provide for numerical data on recultivation payments, while in the rest of the cases they are stipulated in the plan and EIA expert recommendation. The basic rates, the sizes of initial and annual contributions stated in the contracts are provided below⁶⁷:

Table 2.1.1 The basic rate of recultivation contributions defined by the mining contracts, initial and annual contributions

Mining Company	Mining contract number, date	Basic rate (thousand AMD)	Initial contribution (thousand AMD)	Annual contributions (thousand AMD)
“Meghradzor Gold” LLC	No. PV-057, August 22, 2012	X	X	307.74
“Fortune Resources” LLC	No. PV-169, October 20, 2012	X	4174.35	1028.46
“Vardani Zartonk” LLC	No. PV-239, September 27, 2012	X	392.5	171.1
“Lydian Armenia” CJSC	No. PV-245, September 26, 2012, according to amendments as of May 23, 2016	1 864 926	279 740	121 940

⁶² RA Government Decree No. 1079-N (August 23, 2012), Annex 1, Point 2(3).

⁶³ *Ibid.*

⁶⁴ *Ibid.*, Point 5.

⁶⁵ *Ibid.*, Point 12.

⁶⁶ *Ibid.*, Point 13.

⁶⁷ The information is taken from the texts of contracts available on MEINR website at <http://www.minenergy.am/page/571>. The basic rates of recultivation contributions, the sizes of initial payments and annual contributions defined by mining contracts, according to the reports completed by mining companies, have been included in Annex 3.

Mining Company	Mining contract number, date	Basic rate (thousand AMD)	Initial contribution (thousand AMD)	Annual contributions (thousand AMD)
“Teghout” CJSC	No. PV-376, February 20, 2013	X	3126.2	2952.54
“Multi Group” Concern LLC	No. PV-213, October 20, 2012	X	947.25	233.381

Mining contracts which does not stipulate basic rates for recultivation contributions, as a rule, provide for the following wording in point 3.1 of Annex 1 (Financial offers and mining payments) of these contracts:

3. Payments to the nature and environmental protection fund, and monitoring fees for ensuring the safety and health of population of the communities located on mineral extraction areas, the areas of collection of extraction waste dumps and their adjoining territories.

3.1 Mining payments made by mining companies to the nature and environmental protection fund in the amount and as prescribed by payment order set forth by the legislation of the Republic of Armenia.

The wording literally duplicates the sample form of mining contract approved by RA Government Decree No. 437-N dated March 22, 2012 (hereinafter referred to as “the Sample Contract”). However, it is obvious that points 3.3.1 (as well as 3.2) of the Sample Contract are defined as titles (sections) and it is assumed that point 3.1 shall be followed by precise calculations, which also comes from the requirements of the Procedure for Calculating Recultivation Contributions, according to which the basic rate for recultivation payments shall be defined by the mining contract.

However, in practice the majority of mining contracts simply duplicates the titles of the Sample Contract without defining the basic rates, which is also problematic from the linguistic and logical viewpoints since the wordings of the titles are used as provisions actually stipulating obligations without expressing complete thought.

As a result, legal uncertainty comes up: the legislation refers to the contracts (as well as the projects/plans), while the contracts do not define any particular obligation, but only refer to “the amount stipulated by the law” and “the payment procedure”.

We believe, that from the legal viewpoint we shall look at the issue within the context of the following questions:

- ▶ Whether not defining the basic rates for calculation of the contributions made to the Fund in the contracts (as well as in the projects/plans) eliminates the obligation to make such contributions.
- ▶ If no, whether not defining the basic rates for calculation of the contributions made to the Fund in the contracts (as well as in the projects/plans) postpones/defers the obligation to make such contributions.

The answer to the first question is definitely “no”. The analysis of the Code’s text clearly indicates the mandatory nature of the payment. The Code does not envisage any exception with this regard (the grounds relieving of the subsoil exploitation fees defined by Article 62 of the Code are not applicable).

The answer to the second question is also “no” since the Code does not define any possibility for postponing/deferring the payments.

According to the report of the Ministry of Environment submitted within the framework of EITI⁶⁸, in 2016, 22 out of 27 mining companies have presented a calculated amount of payments for replenishment of environmental protection fund, however 15 out of these companies had not made actual payments. In 2017, out of 25 mining companies which had presented calculated amounts of payments, 20 companies had not made actual payments. In 2018, 16 mining companies out of 26 had presented calculated amounts of payments for replenishment of environmental protection fund, where 2 out of these companies had not made actual payments. Noteworthy, that, in total, 18 companies extracting metallic ore had made actual payments.

As a general observation, pursuant to the reports of the Ministry of Environment, in 2016 the total payments calculated for replenishment of environmental protection fund amounted to 261,335,348 AMD, out of which only 194,196,907 AMD was actual paid; while in 2017, a total amount of 368,484,242 AMD was calculated and 288,185,535 AMD was actually paid. Considering the total amounts of calculated and actually made payments, some of the companies had not made the payments, and the unpaid amounts constitute 67,138,441 AMD in 2016 and 80,298,707 AMD in 2017. As of December 31, 2015, the calculated amount for the reporting year constituted 697 million AMD, where actually paid amount – 474 million AMD. Therefore, the unpaid amounts constituted 223 million AMD.

Noteworthy, in 2018 total payments calculated for replenishment of environmental protection fund amounted to 1,414,853,262 AMD, out of which only 961,797,565 AMD was actual paid.

Meanwhile, payments have not been made by several companies, and the unpaid amounts constituted 453,055,697 AMD.

The table summarizing the data provided by extractive companies and the Ministry of Environment is presented in Annex 3.

According to Article 30 of the Mining Code of the Republic of Armenia, written warning can be issued to the legal entity holding subsoil exploitation right (hereinafter also referred to as “mining company” or “mining entity”) in case the latter has failed to make the payments stipulated by the law, within one month from the payment due date. In case the mining company does not eliminate the grounds for the notice no later than within 90 days after receiving the notice, the Ministry may file an administrative case.

Noteworthy that MTAI has prepared draft Government Decree according to which information exchange between state authorities, i.e. SRC, Inspection body, sectoral ministries, has been clearly regulated.

⁶⁸ In 2016 and 2017 – Ministry of Nature Protection

To finalize, it is worth mentioning that RA Government Decree No. 1079-N needs to be revised, i.e. it has been adopted in 2012 and has not been amended since then. Meanwhile, at least textual amendments are required; hence the Decree contains references to legal acts which are repealed and are not valid anymore. For instance, it is referred to the Government Decree No. 750 dated 26 May 2006, which has been repealed on 31 December 2017 and has been replaced by the Governemnt Decree 1643-N dated 14 December 2017.

Table 2.1.2 The amounts of actual contributions made to the Fund during 2016-2018 by mining companies and the approaches for determining the base rates

Mining Company	The approach of the mining company for determining the base rates	Actual annual recultivation contribution, 2018 AMD, according to the EITI report of the Ministry of Environment
“Agarak CMCC” CJSC	Table 9.7 on page 27 of nature protection section of the project	-
“Akhtala Mining and Processing Enterprise” CJSC	NBP-128 expert recommendation dated 13.12.2010	89,580,000
“Aktiv Lernagorts” LLC	Environmental protection under the project	3,415,000
“Assat” LLC	Pages 66-67 of the Environmental Impact Assessment Report of the Project	-
“AT Metals” LLC	Table 9.1 on the page 94 of the project presents the areas of disturbed land (in hectares), and technical recultivation is stated on page 112	35,000,000
“Baktek Eco” LLC	Environmental protection of the project, page 30	697,840
“Geghi Gold” LLC	Point 1 of the Table of Annex 2 to the Contract – expenses required for mining and technical recultivation of the processed area of the open mine	12,224,500
“GeoPro Mining Gold” LLC	Point 1 of the Table of Annex 2 to the Contract – Recovery of disturbed land areas	58,957,300
“Zangezur Copper Molybdenum Combine” CJSC	Project and Scedule	21,264,739
“Tatstone” LLC	Page 47 of the environmental protection section of the Lichq project	122,135
“Tatstone” LLC	Page 21 of the environmental protection section of the Aygedzor project	149,000
“Teghout” CJSC	Points 3.1.1 and 3.1.2 of Section 3 of the Annex 1 to the Contract	2,953,000
“Ler-Ex” LLC	Point 16 of the table of Annex 1 to the contract – vertical smoothing and improvement of mine territory	-
“Lydian Armenia” CJSC	Points 2 and 3 of Annex 2 to the Contract amendment of 2016, Scedule	121,938,000
“Lichqvaz” CJSC	Expert recommendation No. BP-60 dated 29.06.2017	9,236,841
“Chaarat Kapan” CJSC	-	23,863,635
“Gharagulyanner” CJSC	Page 102 of the Environmental Impact Assessment Report of the Project	1,717,245
“Marjan Mining Company” LLC	Expert Recommendation No. BP-86 dated 19.08.2008	-
“Mego Gold” LLC	Envisaged by the project	-
“Meghradzor Gold” LLC	According to the page 22 of mine-closure plan	615,480

Mining Company	The approach of the mining company for determining the base rates	Actual annual reclamation contribution, 2018 AMD, according to the EITI report of the Ministry of Environment
“Molibdeni Ashkharh” LLC	-	1,561,152
“Multi Group” Concern LLC	Sub-point f of point 3 of the table in Annex 1 to the Contract – humus soil accumulation, reclamation	2,100,430
“Paramount Gold Mining” CJSC	Expert recommendation No. BP-137 dated 23.12.2010	6,241,600
“Sagamar” CJSC ⁶⁹	Page 80 of the Project – expenses for recovery of the disturbed lands	-
“Vayk Gold” LLC	Environmental protection of the project	1,715,900
“Vardani Zartonk” LLC	Points 3.1.2 and 3.1.3 of Section 3 of the Annex 1 to the Contract	735,000
“Fortune Resources” LLC	Points 3.1.2 and 3.1.3 of Section 3 of the Annex 1 to the Contract	7,084,000

⁶⁹ The current edition of the contract No. PV-093 dated October 20, 2012 signed with “Sagamar” CJSC (revision of June 8, 2015) does not stipulate reclamation contributions. The initial version envisaged 1,619,463 AMD annual obligation before contract revision (for the period of 2008-2011).

b) Monitoring fee

Monitoring fee which is paid “for ensuring the safety and health of population of the communities located on mineral extraction areas, the areas of collection of extraction waste dumps and their adjoining territories [implementation of monitoring]”⁷⁰ is described in details in the RA EITI Report 2016-2017⁷¹. The later, *inter alia*, addresses not only the objectives, procedure for calculation and payment of monitoring fees, but also presents the complete list of grounds for fees exemption and identifies existing legal uncertainties. It is important to note that monitoring fees are not recorded in state budget but in deposit account opened in the name of the authorized body in the Central Treasury of the Republic of Armenia.

However, within the scope of this Report, we note that the basic rate for implementation of monitoring is directly dependent on the estimated price of the monitoring activities envisaged by the mine-closure plan.

According to the Code, the mine-closure plan is submitted together with the application for receiving the right for mineral extraction⁷². In this regard, however, the mining contracts, which were signed not on the basis of mining permits granted as a result of such applications, but as a result of re-issuance of the permits issued previously in mining industry, are problematic. Taking into consideration the fact that the previous Mining Code of the Republic of Armenia⁷³ in force from 2002 to 2012 did not envisage a legal requirement to submit a mine-closure plan, in the case of the majority of re-issued permits the mine-closure plans are missing. Therefore, the estimated price of monitoring is also not available.

During the reporting period, the failure to pay the monitoring fee (as well as any other payment prescribed by law) within one month from the payment due date would result in Authorized body’s right to give a notice to the mining entity. In case the grounds for notice were not eliminated within 90 days of receiving the notice, the mining right was terminated.

The summary of obligations taken over by the existing mine-closure plans of the current mining contracts is provided below (in compliance with Annex 2 “Obligations stipulated by mine-closure plan”⁷⁴). Separate study of mine-closure plans was not realized since they are not publicly available.

⁷⁰ The Code, reference --, Article 61(2)(3) and Article 15(2)(10).

⁷¹ RA EITI Report 2016-2017, pp. 100-105, available at https://eiti.org/files/documents/english_20162017_armenia_eiti_report.pdf

⁷² The Code, reference 2, Article 49(2).

⁷³ The Mining Code, HO-456-N (passed on November 6, 2002, out of force since January 1, 2012), available at the following link: <https://www.arlis.am/DocumentView.aspx?DocID=72894>

⁷⁴ The information was taken from the texts of contracts published on MTAI website. Available at the following link: <http://www.mtad.am/hy/mtad26.12.4/>

Table 2.1.3 Obligations taken over by the mine-closure plans developed under mining contracts

Mining company	Date and the number of mining contract	Annual payment for monitoring envisaged by mine-closure plan
“Meghradzor Gold” LLC	No. PV-057, August 22, 2012	Obligations stipulated by mine-closure plan are missing from the contract
“Paramount Gold Mining” CJSC	No. 089, June 12, 2012	Obligations stipulated by mine-closure plan are missing from the contract
“Sagamar” CJSC	No. PV-093, October 20, 2012	11,780,000 AMD
“Ler-Ex” LLC	No. PV-094, August 16, 2012	Obligations stipulated by mine-closure plan are missing from the contract
“Akhtala Mining and Processing Enterprise” CJSC	No. PV-103, October 20, 2012	Obligations stipulated by mine-closure plan are missing from the contract
“Fortune Resources” LLC	No. PV-169, October 20, 2012	Obligations stipulated by mine-closure plan are missing from the contract
“Molibdeni Ashkharh” LLC	No. PV-174, November 7, 2012	Only activities aimed at mitigating the social situation of the workforce are envisaged by the contract. The company’s responsibility “to prepare the final mine-closure plan and submit it to the authorized body 2 years prior to the completion of mine exploitation works” is also defined (point 1.3, Annex 2).
“Chaarat Kapan” CJSC	No. PV-183, November 27, 2012	Obligations stipulated by mine-closure plan are missing from the contract
“Mego Gold” LLC	No. PV-184, December 28, 2012	Obligations stipulated by mine-closure plan are missing from the contract
“GeoPro Mining Gold” LLC	No. PV-189, October 20, 2012, according to the change of October 22, 2014	6,000,000 AMD
“Vardani Zartonk” LLC	No. PV-239, September 27, 2012	Obligations stipulated by mine-closure plan are missing from the contract
“Lydian Armenia” CJSC	No. PV-245, September 26, 2012, according to the change of May 23, 2016	16,610,000 AMD
“Lichqvaz” CJSC	No. PV-293, November 22, 2012	Obligations stipulated by mine-closure plan are missing from the contract
“Agarak PMK” CJSC	No. PV-311, April 5, 2013, according to the change of June 1, 2013	25,000,000 AMD
“Assat” LLC	No. PV-366, June 6, 2013	No monitoring activities are envisaged within the framework of the obligations arising from the mine-closure plan stipulated by the contract
“Vayk Gold” LLC	No. P-371, November 30, 2012	No monitoring activities are envisaged within the framework of the obligations

Mining company	Date and the number of mining contract	Annual payment for monitoring envisaged by mine-closure plan
		arising from the mine-closure plan stipulated by the contract
“Teghout” CJSC	No. PV-376, February 20, 2013	Obligations stipulated by mine-closure plan are missing from the contract
“Marjan Mining Company” LLC	No. PV-398, March 7, 2013	Obligations stipulated by mine-closure plan are missing from the contract
“Tatstone” LLC (“Tghkut” site of Aygedzor copper –molybdenum mine)	No. P-458, February 11, 2013	2,500,000 AMD
“Tatstone” LLC (Litchk copper mine)	No. P-459, February 11, 2013, according to the changes of February 10, 2016	375,000 AMD
“AT Metals” LLC	No. P-514, January 16, 2015	5,000,000 AMD
“Baktek Eco” LLC	No. P-515, August 22, 2014	150,000 AMD
“Geghi Gold” LLC	No. P-544, July 22, 2016	2,200,000 AMD
“Multi Group” Concern LLC	No. PV-213, October 20, 2012	Obligations stipulated by mine-closure plan are missing from the contract
“Zangezur Copper Molybdenum Combine” CJSC	No. PV-232, November 27, 2012	Obligations stipulated by mine-closure plan are missing from the contract
“Aktiv Lernagorts” LLC	No. PV-425, December 28, 2012	Obligations stipulated by mine-closure plan are missing from the contract
“Gharagulyanner” CJSC	No. P-547, October 25, 2016	4,895,000 AMD

Thus, out of the 27 contracts under consideration 14 did not have the Annex titled “Obligations stipulated by mine-closure plan”. The Annex 2 titled “Mine-Closure Plan” of one of the 14 contracts which stipulated such obligations (contract No. PV-174 signed on November 7, 2012 with “Molibdeni Ashkharh” LLC), only defines the obligation of mitigating the social situation of workers and implementing social-economic activities in the communities located in the impact area of the mine (without clarifying their nature). The company’s obligation “to prepare the final mine-closure plan and submit it to the authorized body 2 years prior to completion of mine exploitation works” is also stipulated. In the case of two other contracts (contract No. PV-366 signed on June 6, 2013 with “Assat” LLC and contract No. P-371 signed on November 30, 2012 with “Vayk Gold” LLC) the Annex titled “Obligations stipulated by mine-closure plan” is available, however it does not provide calculations related to monitorings.

From the remaining 11 contracts out of the 14, having an Annex titled “Obligations stipulated by mine-closure plan”, only the contract signed with “Lydian Armenia” CJSC includes terminology related to the Code and Monitoring fee calculation and payment procedures.

In the other 10 contracts, at the end of the Annex 2 titled “Mine-closure plan”, which contains social mitigation measures, a list of events in form of a table is included, which in essence are not of social, but rather of ecological nature (including activities such as recovery of damaged land areas, dismantling of industrial sites, transportation of equipment, implementation of monitoring, installation of warning

measures, maintenance of water removal gutters, construction of drainage systems and others) and are an estimate per se, which determines “the size of investments” envisaged for the activities.

However, from a contextual viewpoint the tables in the contracts with such formulations are not connected with the text and do not use the formulations provided in the Code and the Monitoring fee calculation and payment procedure, which may create certain legal uncertainties.

The companies’ contracts, which do not envisage “Obligations stipulated by mine-closure plan” (in form of a separate Annex) and/or do not include corresponding calculations in mine-closure plans, are problematic. Are the latter exempt from the obligation of making relevant payments only due to the reason that the Monitoring fee calculation and payment procedure approved by the Government links the calculation of the payments to the estimated prices of monitoring envisaged by the closure plan?

c) Environmental taxes

Starting from 2018 the environmental taxes are regulated by the Tax Code.

The Tax Code defines the notion of “environmental tax”, according to which environmental tax is the tax paid to the State Budget for the purpose of generating monetary funds necessary for undertaking environmental measures⁷⁵.

According to the Tax Code, there are four environmental taxable objects:

- 1) emission of harmful substances into the atmospheric air
- 2) leakage of harmful substances and/or compounds into water resources
- 3) subsoil management wastes, industrial wastes and/or wastes of consumption:
 - a. placement in specifically designated areas
 - b. storing in specifically designated areas
- 4) in case of goods causing damage to the environment:
 - a. import into the territory of the Republic of Armenia
 - b. alienation within the territory of the Republic of Armenia by importer-sellers and/or producer-sellers.

The Tax code defines the list of harmful substances polluting the atmospheric air, as well as the rates of payments made during the reporting period.

The latter stipulates monetary rates for every tonne of dust, carbon monoxide, nitric oxides, sulphuric anhydride, chlorine and chloroprene emitted in the reporting period.

⁷⁵ The Tax Code, article 161

For other substances polluting the atmospheric air, with regard to which the actual volumes of emissions exceed the maximum permissible volumes of emissions stipulated by the permits for emission of harmful substances into the atmospheric air, as prescribed by legislation, or with regard to which the permits for emission of harmful substances into the atmospheric air are not available, or the maximum permissible emission is not referred to in the permits, the rate applied for one tonne is calculated using the following formula:

$$\text{RATE}_{\text{air}} = 900 \text{ AMD /MPC}$$

Where “RATE_{air}” is the rate, “MPC” is the daily average maximum permissible density (concentration) of the given substance in the air⁷⁶.

The rates for emission of harmful substances into the atmospheric air from stationary sources of emission within the territory of the city of Yerevan, national parks increase 1.5-fold⁷⁷.

The Tax Code also stipulates fixed rates for leakage in the reporting period of one tonne of suspended substances, ammonia nitrogen, biological oxygen demand, oil products, copper, zinc, sulphates, chlorides, nitrites, nitrates, total phosphorus, detergents, heavy metal salts, as well as cyanogen and cyanogen compounds into water resources directly and/or centralised water drainage networks and other water systems.⁷⁸

As to other harmful substances and compounds, with respect to which the actual volumes of leakage exceed the volumes of maximum permissible leakage of harmful substances and compounds in wastewater, provided by water use permits, or no water use permits are available or the volumes of maximum permissible leakage are not specified in the water use permits or the volumes of maximum permissible leakage, provided by the rules for the use of water drainage systems and purification of drained water, are not determined, the rates of environmental tax applied per one tonne of leakage in the reporting period are calculated using the following formula:

$$\text{RATE}_{\text{water}} = \text{AMD } 10 \text{ 000/MPC}_{\text{fishery}}$$

Where “RATE_{water}” is the rate, “MPC_{fishery}” is the maximum permissible concentration of the given substance or compound in the water used for fishery purposes⁷⁹.

The rates prescribed for those responsible for leakage of harmful substances and compounds into the catchment basin of Lake Sevan, the rivers of Getar and Hrazdan within the territory of Hrazdan Gorge are doubled.⁸⁰ The Tax Code also stipulates the environmental tax rates for placing each tonne of industrial wastes and/or consumption wastes in specifically designated areas (excluding industrial sites) during the reporting year⁸¹.

⁷⁶ *Ibid.*, The Tax Code Article 167

⁷⁷ *Ibid.*, Article 167(2)

⁷⁸ *Ibid.*, Article 169(1). See the rates in Annex 8

⁷⁹ *Ibid.*, Article 169(1)

⁸⁰ *Ibid.*, Article 169(2)

⁸¹ *Ibid.*, Article 3(a). See the rates in Annex 6

The point “b” of the article 3 of the RA Law “On Environmental Payment Rates” stipulates the rates for placing (storing) each tonne of industrial and consumption wastes in industrial sites, which will operate until December 31, 2020 inclusive.

The Code also stipulates the environmental tax rates (which will operate from 1 January 2021) for one-time storage of each tonne of industrial wastes and/or consumption wastes (except for subsoil management wastes) in industrial sites during the reporting period, and the environmental tax rates (which will also operate from 1 January 2021) for one-time placement or storage of subsoil management wastes in specifically designated areas: tailing storage facilities, industrial waste dumps, sites of overburden rocks and/or similar sites during the reporting period⁸².

d) Royalties

From January 1, 2018 the concept of royalty, the groups of payers, calculation base, rates and other issues are regulated by the RA Tax Code.

The Tax Code provides the following definition of royalty:

*Royalty is a payment made to the State Budget of the Republic of Armenia in accordance with this Section for the purpose of compensating for the utilisation of metallic minerals, as well as for the profits derived from the sale of metallic minerals and the products derived as a result of processing of metallic minerals.*⁸³

According to the Code, the following organizations are considered to be royalty payers:

- 1) organisations exploiting mines of metallic minerals and producing metal concentrates (hereinafter referred to as “concentrates”) or castings or any other products through the processing of ore, concentrates, castings,
- 2) organisations exploiting mines of metallic minerals and producing any products from the metallic minerals extracted from these mines without concentrate formation,
- 3) organisations producing metal concentrates and/or castings from waste of subsoil exploitation and/or ore or any other products through the processing of waste of subsoil exploitation, ore, concentrates, castings, irrespective of the fact of exploiting a mine of metallic minerals.⁸⁴

Every reporting year is deemed to be a reporting period for calculation and payment of royalty⁸⁵.

Rate and base for calculation

According to the Code, the royalty base is the sales turnover of any end product derived from the supplied concentrate, casting instead of concentrate or casting without concentrate formation or as a

⁸²*Ibid.*, Article 3(b).

⁸³*Ibid.*, Article 197

⁸⁴*Ibid.*, Article 198

⁸⁵*Ibid.*, Article 211

result of processing of subsoil management wastes, ore, concentrate, casting during the reporting period. For the purpose of calculation of royalty, the sales turnover is determined by the accrual method.

Accrual basis accounting method means that the royalty payer keeps records of the income and expenses from the moment of obtaining the right to receive the income or from the moment of recognizing the expenses, irrespective of the time of receiving compensation or making a payment.

The Tax Code defines four different cases for royalty base calculation.

Concentrate.

The physical volume of the supplied concentrate is deemed to be the final content of metal in the supplied concentrate expressed in weight units (in grams or tonnes), determined in accordance with the supply contract (based on the results of the final settlement carried out in accordance with the contract) concluded between the supplier and the buyer. The contract value for the supplied concentrate determined based on the pricefixing period and price quotation (based on the results of the final settlement carried out in accordance with the contract) as prescribed in the contract on supply of concentrate concluded between the supplier and the buyer serves as the value of the physical volume of the supplied concentrate.

Where under the supply contract, the supply of the concentrates and the final settlement are carried out in different reporting periods of the royalty calculation, the content of metal expressed in weight units (in grams or tonnes) under the terms of the contract (according to the primary certificate of quality and the settlement documents issued by the supplier) serves as a physical volume for the calculation of the sales turnover during the reporting period of supply of the concentrate.

Where under the contract on supply of concentrates, the supply of the concentrates and the final settlement are carried out in different reporting periods of royalty calculation, in order to calculate the sales turnover during the reporting period of supply of the concentrate the contract value determined at the time of delivery under the terms of the contract, without value added tax, serves as the value of the physical volume.

The contract value for the physical volume supplied during the reporting period, determined under the contract on supply of goods concluded between the supplier and the buyer (based on the results of the final settlement carried out in accordance with the contract), serves as the sales turnover of the concentrate supplied in the reporting period of royalty calculation (irrespective of the conditions of supply), having regard to the following:

- a. within the meaning of royalty calculation, the maximum negative deviation rate of the volume determined at the moment of supply from the physical volume determined based on the results of the final settlement of the contract on supply of concentrate is two percent of the volume determined at the moment of supply,
 - a1. within the meaning of royalty calculation, when determining the sales turnover of concentrate the following metals are considered payable for separate types of concentrate:

- ▶ In the case of copper concentrates, copper, gold, silver, as well as other metals payable according to the concentrate sale agreement,
- ▶ In the case of molybdenum concentrate, molybdenum, as well as other metals payable according to the concentrate sale agreement,
- ▶ In the case of zinc concentrate, zinc, gold, silver, as well as other metals payable according to the concentrate sale agreement,
- ▶ In the case of other concentrates, the metals payable according to the concentrate sale agreement.

a2. within the meaning of royalty calculation, when determining the sales turnover of concentrate the Government can determine:

- ▶ Maximum thresholds of the unpaid part (subject to deductions) by the buyer for the payable metals. If not defined by the Government, they are accepted in the amount specified in the contract.
- ▶ Maximum thresholds of processing, refining or other similar costs (including transport) determined by the supply contract. The thresholds are published based on data on the costs of processing and refining of metal concentrates published by specialized international journals, including Wood Mackenzie, Metal Bulletin, or other similarly reputable international journals and include references to relevant sources. If not defined by the Government, they are accepted in the amount specified in the contract.

Within the meaning of royalty calculation, the reduction in sales turnover due to greater deviations from the indices provided by the contract that have been detected at the moment of supply or later (including the decrease in prices (exceeding the amount set forth by the contract) of the chemical elements (penalty elements) giving rise to technological complexities in the supplied concentrate, the decrease in the contract price in case of violation of the permissible humidity index provided by the contract) is not taken into account.

Where based on the results of each month including the reporting period of royalty, the royalty sales turnover is less by twenty or more percent than the sales turnover calculated based on the final content of metals deemed payable according to the code or the supply contract, contained in the concentrate supplied in given month and the global average prices of the given metals for the given month, the sales turnover for that month is the 80 percent of the price of the final content of metals deemed payable according to the code or the supply contract and contained in the concentrate and of the global average prices of the metals for the given month.

Verifications following the final settlement of the royalty base envisaged by the contract on supply of concentrates are performed and the results thereof are shown in the reporting period including the final settlement (are shown in the tax calculation reports of royalties of the given reporting period).

Casting

The casting sales turnover by the royalty payer is calculated as follows:

The physical volume of the casting is the weight of the casting supplied in the reporting period, expressed in grams or tons, in accordance with the supply agreement concluded between the supplier and the buyer.

The estimated value of concentrate (physical volume of concentrate) used for the casting supplied during the reporting period is considered to be the physical volume of the technologically grounded concentrate actually used for the production of the unit of weight of the casting, the final metal content in the concentrate expressed in weight (in grams or tons).

The turnover of the casting is calculated based on the physical volume of the concentrate used in accordance with the supplied casting, applying the international average prices of the metals contained in the concentrate.

Any final product received as a result of concentrate, casting processing

The physical volume of the final product is the weight of all metals expressed in grams or tons, consumed for the production of the product supplied in accordance with the product supply agreement concluded between the supplier and the buyer.

In terms of the calculation of royalties for each metal in the final product, the basis is the technologically grounded estimated value of the physical volume of the given metal concentrate (the final content of metals expressed in the concentrate in weight: in grams or tons), which was spent for the production of the given volume of metal contained in the products supplied during the reporting period.

The sales turnover of the final product is calculated based on the physical volume of the concentrate used in accordance with the final supplied product, applying the international average prices of the metals contained in the concentrate.

Any product received after processing of ore without concentrate

For the purpose of determining the sales turnover, the physical volume of any product, received after processing of ore without concentrate, is considered the actual volume of the metal contained in it in grams or tons. In case of alienation of the products defined in this part, the sales turnover is calculated based on the final metal content (expressed in weight (in grams or tons), applying the international average metal prices.

It should be noted that the international average price of metal is the price published for each month by the Government's authorized body in the field of finances based on the data of the London Metal Exchange, and if the data is not published by the mentioned source, based on the data of another similar authoritative international source (also publishing information on the source).

The base of the royalty is the sales turnover of any final product received from the processing of (i) concentrate, (ii) casting instead of concentrate or casting received after processing without concentrate or (iii) mining waste, ore, concentrate, casting processing (hereinafter referred to as the product in this section together with the concentrate) supplied during the reporting period.

For the royalty, a value (percentage) rate is set to the base of the royalty, the amount of which is determined by the following formula:

$R = 4 + [P/(B \times 8)] \times 100$, where:

R – the rate of royalty in percent.

P – the profit before taxation in Armenian drams, which is calculated as a positive difference between royalty base and reductions for the calculation of profit tax defined by the Code (except for expenses of financial activities, royalties and tax losses of previous years)

B – royalty base in AMD

During the calculation of the profit before taxation the reduction of administrative costs, sales costs and other costs of non-productive nature of the environmental fee payer are taken into account in the gross income by the specific weight corresponding with the sales turnover of the royalty.

It should be mentioned that the Government in its decree N 1492-N of 23 November 2017 defines:

1. For the purpose of calculation of royalties in the Republic of Armenia for determining the sales turnover of the concentrate sold by royalty payers the maximum unpaid limits by the buyer for the metals to be paid, including any reductions applied to metals to be paid by the agreement, are considered:

1) for the copper concentrate:

- a. 1 percentage point of copper contained in a dry metric ton of concentrate;
- b. the actual amount of gold contained in one dry metric ton of concentrate, if it is less than 1 gram;
- c. 10% of the amount of gold contained in one dry metric ton of concentrate, if the amount of gold in the concentrate is not less than 1 gram;
- d. the actual amount of silver contained in one dry metric ton of concentrate, if it is less than 30 grams;
- e. 10% of the actual amount of silver contained in one dry metric ton of concentrate, if the amount of silver in the concentrate is not less than 30 grams;

2) for the zinc concentrate:

- a. 8 percentage point of zinc contained in one dry metric ton of concentrate;
- b. 10 percent of the gold contained in one dry metric ton of concentrate, if the amount of gold in the concentrate is not less than 1 gram;
- c. 10 percent of silver contained in one dry metric ton of concentrate, if the amount of silver in concentrate is not less than 30 grams;

3) in the case of molybdenum concentrate in one dry metric ton, 0.5% of the molybdenum contained in the concentrate, if value values of recycling costs are provided in contract;

4) for gold concentrate:

- a. 15% of the actual amount of gold contained in one dry metric ton of concentrate, if the amount of gold in the concentrate is not less than 1 gram;

b. 15% of the actual amount of silver contained in one dry metric ton of concentrate, if the amount of silver in the concentrate is not less than 30 grams.

2. Based on the data published by Metal Bulletin, Wood Mackenzie, CRU monitor, S&P Global Platts Annual benchmark of Metal Concentration and Annual Pricing Costs on the Annual benchmark of metal concentrate processing and refining costs formed as a result of the negotiations on contracts between the world's largest miners and foundries, define that in the Republic of Armenia when deciding the sales turnover of concentrate sold by royalty payers for the purpose of calculating royalties, limits, including any reductions for recycling, refining or other similar costs under the contract, are considered

1) for the copper concentrate:

a. costs of processing one dry metric ton of concentrate - the amount not exceeding 90 USD equivalent in AMD;

b. costs of refining one pound copper to be paid – the amount not exceeding 0.09 USD equivalent in AMD;

c. costs of refining 3 troy ounces gold to be paid – the amount not exceeding 3 USD equivalent in AMD;

d. costs of refining one troy ounce of silver to be paid – the amount not exceeding 0.3 USD equivalent in AMD;

2) for zinc concentrate costs of processing and refining of one dry metric ton of zinc concentrate – the amount not exceeding 100 USD equivalent in AMD;

3) for molybdenum concentrate the cost of one dry metric ton of molybdenum processing and refining, but the sum of the cost values for processing, refining and of anticipated cost values for unpaid metal by the buyer shall not exceed 15% of the value of the molybdenum contained in the concentrate;

4) for gold concentrate:

a. costs of processing of one dry metric ton of concentrate – the amount not exceeding 185 USD equivalent in AMD, and for the cost of refining one troy ounce - the amount not exceeding 6 USD equivalent in AMD.

b. costs of refining one troy ounce of silver - the amount not exceeding 0.4 USD equivalent in AMD.

3. In the Republic of Armenia for the purpose of calculating royalties, the maximum limits of costs for the transfer of concentrate by the royalty payers, including the transportation, packaging, marking and loading costs, are considered:

1) the amount not exceeding 12 thousand AMD per one dry metric ton of recalculated concentrate, in case of sale of the concentrate to the resident of the Republic of Armenia;

2) the amount not exceeding 30 thousand AMD per one dry metric ton of recalculated concentrate, in case of the concentrate being exported from the Republic of Armenia, if the starting point of the transportation is located in less than 150 km away from Bagratashen customs point;

3) the amount not exceeding 40 thousand AMD per one dry metric ton of recalculated concentrate, in case of the concentrate being exported from the Republic of Armenia if the starting point of the transportation is located in 150 km away and more from Bagratashen customs point.

4. The present decree also defines that the amount equivalent to transportation costs mentioned in point 3 may not be separated from from costs mentioned in point 2. In such cases, the sum of the limits set by points 2 and 3 of the decree shall be considered as the maximum single limit for 1 dry metric ton of concentrate as a reduction in recycling and transportation costs.

At the same time, for determining the sales turnover of the concentrate supplied in the reporting period in terms of royalty calculation, in case of exceeding the maximum limits set by points 1, 2, 3 and 4 of this decree, the reductions shall be calculated in accordance with the maximum limit set by this decree, and in case of not exceeding the maximum limits are taken into account according to the amount stipulated in the contract.

e) State fees for granting mining permits

A state fee is paid for granting mining permits, the rate of which is defined by the RA Law “On State Duties”⁸⁶. The latter defines the following annual rates for the fees paid for granting mining permits for geological exploration realized for mineral extraction purposes, as well as for granting permits for using each mine of precious, non-ferrous and rare metals, which are presented in Table 2.1.4:

Table 2.1.4 Annual rates of state duty for granting mining permit

Permit type	Annual state duty in AMD
For granting permit for geological exploration for mineral extraction purposes	50,000
For granting permit for exploitation of each mine of precious, non-ferrous and rare metals ⁸⁷	10,000,000
For granting permit for using (exploitation) of each mine containing construction materials, annual	500,000
For granting permit for using (exploitation) of each mine of metals, chemical, light industry and other sectors of industry, annual	10,000,000
For granting permit for geological exploration for mineral extraction purposes, , annual	50,000
For granting one-time permit for extraction of non-metal minerals, annual	100,000
For granting permits for construction of underground storage of most important significance or for extraction of non-metal minerals for exploitation purposes, annual	500,000

The mining entity is obliged to pay the state fee no later than 5 working days after being dully notified about the approval of the application for the permit⁸⁸.

Noteworthy that pursuant to the Form 2 of Annex 2 (*Taxes, payments and fees paid by mining companies*) and Annex 3 (*Form of the public report submitted by the State Revenue Committee*) of the RA Government Decree No. 666-N dated 8 June 2018, information shall be provided also with regard to state fees for granting permit for using (exploitation) of each mine of black metals as well. Meanwhile, as mentioned in the table, pursuant to RA Law “On State Fee” no state fee is stipulated for granting

⁸⁶ RA Law “On State Duties”, reference **Error! Bookmark not defined.**, Article 19.4

⁸⁷ The Law does not stipulate state duty for granting a permit for using every black metals’ mine.

⁸⁸ Code, reference --Article 61(8)

permit for using (exploitation) of mine of black metals. With this regard, we suggest making respective amendment to the RA Law “On State Fee” by adding black metals to precious, non-ferrous and rare metals.

State fee for conducting the process of expertise. Pursuant to Article 30(1) of the RA Law “On Environmental Impact Assessment and Expertise”, state fee shall be paid for conducting the process of expertise. Pursuant to Article 18(3)(6) of the same law, a state fee receipt attached to the report on environmental impact assessment of the planned activities shall be submitted to “Environmental Impact Assessment Expertise Center” SNCO. And the amount of the state fee is stipulated by Article 19 (12)(12.4) of the RA Law “On State Fee”.

(ii) Taxes

The Tax Code, which came into force on 1 January, 2018 as a single document unites all tax regulations⁸⁹.

Below the main features of taxation and compulsory payments are presented.

Profit tax: The profit of all mining companies in Armenia is subject to Profit tax. The Profit tax amount is calculated at the rate of 20 percent⁹⁰ of the taxable profit.

Besides the mentioned above, the companies paying incomes from Armenian sources to non-resident profit taxpayers, as tax agents, should withhold non-resident’s profit tax in accordance with the rates provided in Table 2.1.5:

Table 2.1.5 Non-resident profit tax rates applicable during 2018

Type of income	Rate
Insurance indemnities, re-insurance payments and incomes received from transportation (freight)	5%
Dividends ⁹¹ , interests, royalties, income from property rent, property value additions and other passive income	10%
For other income	20%

Income tax: All mining companies operating in the Republic of Armenia, calculate and withhold the income tax when paying income to individuals as tax agents. The income tax is calculated and paid to the RA State Budget on monthly basis. During 2018 the companies have calculated and paid the income tax according to the following rates:

Table 2.1.6 The income tax rates applicable during 2018

The monthly amount of tax base	Income tax rate
Up to 150,000 AMD inclusive	23 percent
From 150,000 to 2,000,000 AMD inclusive	34,500 AMD plus 28 percent of the amount exceeding 150,000 AMD

⁸⁹ Sections 11 and 12 of the Tax Code accordingly regulating "Real Estate Tax" and "Vehicle Property Tax and Payers", shall enter into force on January 1, 2021. Before the entry into force of these sections, the RA Law “On Land Tax” HO-101 of 14.02.1994 and the RA Law “On Property Tax” HO-491-N of 26.12.2002 remain in force.

⁹⁰ According to the law HO-68-N of 25.06.2019 for 2020 and subsequent reporting periods a 18% rate shall be applied for the calculation of profit tax.

⁹¹ The dividends received by the participant from the profits as a distribution of profits attributed to the periods following the date 01.01.2020 (resulting from the activities of those periods) are taxed at the rate of 5%.

More than 2,000,000 AMD

552,500 AMD plus 36 percent of the amount exceeding 2,000,000 AMD

Meanwhile, starting from January 1, 2020, the single rate shall apply to the income tax base in accordance with the table below:

Period	Tax Rate
From 1 January 2020	23 percent
From 1 January 2021	22 percent
From 1 January 2022	21 percent
From 1 January 2023	20 percent

Value added tax: The following transactions are taxed by value added tax (VAT):

- ▶ Supply of goods in the territory of the RA;
- ▶ Implementation of works and (or) provision of services;
- ▶ Import of goods to the RA with “Release for internal consumption” customs procedure;
- ▶ Import of goods with EEU goods status from Eurasian Economic Unit member states to the RA

VAT rates are 0% and 20%.

The 20% rate is applied to the taxable turnover of the VAT tax base for the supply of goods, implementation of works and provision of services.

0% rate is used for mining companies for export of products from the territory of the RA, as well as for those services, which are not provided within the territory of the Republic of Armenia.

Property tax and land tax (from 01.01.2021 jointly real estate tax):

The property tax is calculated for the property owned by the company, as well as for the property considered to be taxable object mentioned in Article 4 (1) (8) of the RA Law “On Property Tax”. The Cadastre Committee of the RA is the registration body of property taxpayers.

Land taxpayers are land owners, permanent users of state-owned land.

The basis for calculating the property tax for buildings and structures and land tax is the cadastral value of the latter. The property tax rates for buildings and structures are from 0% to 1%, and for the land tax are from 0,5% to 1%⁹².

The calculation of property tax for transportation means is based on engine power (horse power or kilowatt).

In the scopes of the questions raised by the community representatives the issue with regard to the Property tax is described below.

According to the discussion held with Shnogh community administration and Teghout CJSC representatives the large part of the property under the management of Teghout CJSC the construction

⁹² Starting from 01 January 2021 amended rates of property tax shall enter into force.

works of which were completed during 2014-2015 and which were used by the company during the last years, is not registered in the Cadastre Committee of the RA. The parties state that due to various technical issues the property registration process was continuously postponed and has not been realized, however the company makes certain payments to the community budget which are aimed at compensating the property tax which will be applied after cadastral registration of the mentioned property and as a result of the ownership right. In this case, according to the report completed by the company, the stated payment was classified as a charity payment under the “assistance in the area of property tax” category, while in the report completed by the community the payment is registered as a property tax.

In the first EITI report it has been recorded, that in case of registration gap the willingly making payments to the community budget is welcomed, but it was emphasized, that both in terms of determining the amount of payment and compliance with the established regulations, it is necessary to give an institutional solution to the issue. From the point of view of EITI, this is especially important since in this case a deviation from the established procedure for financial flows in the area of property tax is present.

The EITI Independent Administrator has proposed to conduct appropriate inquiries or analysis to find out whether the above-mentioned issue, as well as the relevant approaches, are present in other companies operating in the field of metal mining and how the heads of communities and representatives of the RA State Committee respond to such issues.

Following EITI's first report, the RA Deputy Prime Minister has send an instruction to the Cadastre Committee of the RA and MTAI to monitor the real estate of legal entities entitled to extract metal ore in the territory of the community, to record differences of the real estate actually existing and registered in the cadastral documents and submit a relevant reference on the unregistered real estate by companies and communities. Ministry of Territorial Administration and Infrastructure of the Republic of Armenia has provided to the Cadastre information on differences of actually existing real estate and those registered in the cadastral documents of legal entities entitled to extract metal ore in the territory of the community. Pursuant to the Instruction No. SP/15.3/4187-2020 dated 18 February 2020, the heads of Ararat, Lori, Syunik regions has been instructed to present a report, within the time-limit set forth, on performance of works with regard to differences of actually existing real estate and those registered in the cadastral documents of legal entities entitled to extract metal ore in the territory of the community. Pursuant to the information provided, there is a registered property in a number of communities. While the process with regard to unregistered property shall be continued.

Meantime, it is worth mentioning that in response to the instruction, the Cadastre Committee of the RA has informed that there will be cases when the estates registered in the cadastral maps will not be installed or will be installed in approximate sizes due to the lack of mine coordinates in the cadastral cases, as the Government decree N 1791-N on “regulating the procedure of open publication of

topographic maps and plans in the national geodetic coordinate system WGS-84 (ARMREF 02)” was adopted on 16 July, 2009⁹³.

Based on the above, it was proposed to send the instruction to the RA Nature Protection and Subsoil Inspectorate, RA Urban Development, Technical and Fire Safety Inspection Body for the information on the real estate units registered in the name of the companies having permits to extract the minerals to carry out the required analysis.

The RA Urban Development, Technical and Fire Safety Inspection Body, in its turn, has stated that since the discrepancies are numerous and various, in their opinion it is impossible to give a definite and final answer to the problems. In order to resolve the above mentioned discrepancies, it is necessary to take an individual approach.

Further, RA Nature Protection and Subsoil Inspectorate has suggested to ensure conformity of actually existing lands and those registered in the cadastral documents of legal entities entitled to extract metal ore in the territory of the community, to the territories provided by mining allotment certificates.

Given the following, it was proposed to set up a commission consisting of interested organizations, which will show an individual approach to each discrepancy, and as a result will make a well-founded and complete decision, ensuring proportionate approaches.

iii. *Customs duties*

The customs duties in the RA are the following⁹⁴.

- ▶ Import customs duty;
- ▶ Export customs duty;
- ▶ Value added tax, levied when importing goods to the customs territory of the Customs Union;
- ▶ Excise tax, levied when importing excisable goods to the customs territory of the Customs Union;
- ▶ Customs fees.

When exporting products, the companies operating in mining industry pay, in particular, customs fees.

The customs fee is a mandatory fee⁹⁵ levied in the manner and amount prescribed by the Customs Union Customs Code, paid to the state budget, which is calculated and levied, in particular, at the following rates⁹⁶:

- ▶ A customs fee of 3,500 AMD is charged for the customs clearance (except for the inspection and registration of goods) of goods and transportation means (as well as local and foreign currencies transported by banks) transported through the customs territory of the Republic of Armenia.

⁹³ Government decree N 1791-N “On regulating the procedure of open publication of topographic maps and plans in the national geodetic coordinate system WGS-84 (ARMREF 02)” adopted on 16 July, 2009

<https://www.arlis.am/DocumentView.aspx?docid=107604>

⁹⁴ The RA Law “On Custom Regulations”, HO-241-N (adopted on 17 December, 2014), article 89(1), available at

<https://www.arlis.am/DocumentView.aspx?DocID=121889>

⁹⁵ *Ibid.*, article 95

⁹⁶ *Ibid.*, article 97

- ▶ For the inspection and registration of goods, with the exception of goods transported by pipelines and electric wires, customs fee is charged:
 - 1,000 AMD for customs control of goods weighing up to one ton declared under the same customs declaration
 - 300 AMD for each additional (or incomplete) ton of goods weighing more than one ton declared under the same customs declaration.

(iii) Rent fee paid to local authorities

The constituent part of the financial flows directed to the community budgets are the rent payments⁹⁷ paid to the local authorities (hereinafter “LA”), which are transferred to the LA budgets for renting land, buildings and vehicles which are owned by the latter.

These relations are, in essence, civil-legal relations, which are regulated by the RA Civil Code⁹⁸, and in case of land lease, also by the RA Land Code.

The land plots within the administrative boundaries of the communities and which are the property of state and community are provided by the right for rent (or construction) by the head of the community⁹⁹ through tender¹⁰⁰ (through public bargaining)¹⁰¹. The manner of holding tenders (through tender commissions)¹⁰² and the procedure¹⁰³ are regulated by the legislation (the legislation envisages the provision of the right of construction of land plots without tenders within the areas of land use¹⁰⁴).

The Land Code provides for certain restrictions on the lease terms of state and community owned land plots and other essential terms.

Thus, the lease of such land plots may not exceed 99 years¹⁰⁵, and the amount of the annual rent fee (or construction fee) may not be less than the annual land tax rate¹⁰⁶. The RA Government has also defined

⁹⁷ The RA Law “On Local Authorities” HO-337 (adopted on 7 May, 2002), Article 86(1)(3)(a)-(b). The latter states:

“The community budget is formed from the revenues to the community budgets stipulated by the law and other legal acts, including:

3) other incomes, including:

a. Fees for lease or construction of lands considered the property of the community, as well as state owned property in the administrative territory of the community

b. incomes from the lease of property registered in the balance sheets of the institutions considered to be the property of the community”.

Available at <https://www.arlis.am/DocumentView.aspx?DocID=125341>

⁹⁸ The RA Civil Code, reference 50, Articles 606-628, 645-659

⁹⁹ *Ibid.*, article 76(2)

¹⁰⁰ The Land Code, reference 48, articles 48(4) and 76(3)

¹⁰¹ *Ibid.*, article 48(4)

¹⁰² *Ibid.*, article 77

¹⁰³ *Ibid.*, article 78

¹⁰⁴ RA Government decree N 286 (April 12, 2001), article 46.2 (<https://www.arlis.am/DocumentView.aspx?DocID=72502>)

¹⁰⁵ The Land Code, reference 48 article 48(3)

¹⁰⁶ *Ibid.*, article 81(3)

the sample forms of rent contracts for state and community owned lands¹⁰⁷. Notwithstanding the above-mentioned, a formula or a set of principles (except for the minimum threshold) for formation of the rent fee is not defined at the legislative level, whereby the local authority's discretion becomes unrestricted, which can lead to potential abuse. Given the above, we consider it appropriate to define at least the basic principles of pricing, at least in cases where the lease of such lands may be vital for the exercise of the mining rights within the framework of the already issued permit in order to maintain the investment climate.

Entry of state-owned land rents, community-owned property rents into the community budget is provided by the relevant community departments¹⁰⁸ under the management and supervision of the head of the community¹⁰⁹. On higher level the process is supervised by the Governors (marzpet)¹¹⁰.

(iv) State duty for granting water use permit

A state fee of 10,000 AMD for legal entities and 1,000 AMD for individuals¹¹¹ (for each) is stipulated for granting water use permit, extending the validity period of the permit and permit re-issuance, which should be paid not later than within 5 working days¹¹² from the moment of being properly informed about positive response of the RA Ministry of Environment to the application for granting a permit, extending the validity period of the permit and permit re-issuance.

2.1.3 State and municipal bodies having competencies in the sector and their authorities

(i) The Ministry of Territorial Administration and Infrastructure of the Republic of Armenia

As a preamble, we consider it necessary to emphasize that in order to increase the efficiency of the public administration system, in 2019 the number of public administration bodies was reduced. As a result, according to the RA Law "On Making Amendments and Changes to the law on the Structure and Operations of the Government" No HO-31-N (dated May 08, 2019), the Ministry of Territorial Administration and Development and the RA Ministry of Energy Infrastructure and Natural Resources have been reorganized in a manner of merger by establishing the Ministry of Territorial Administration and Infrastructure.

In view of the above, in order to avoid misunderstandings regarding the name of the Ministry, in this Report we will use its current name - the RA Ministry of Territorial Administration and Infrastructure or MTAI.

¹⁰⁷ The RA Government decree N 286 (adopted 12 April, 2001), Annex, available at <https://www.arlis.am/DocumentView.aspx?DocID=72502>

¹⁰⁸ The RA Law "On Local Authorities", article 93(1)

¹⁰⁹ *Ibid.*, article 38(1)(3)

¹¹⁰ The Land Code, article 42(1)(3)

¹¹¹ The RA Law "On State Duties", reference 46, article 19.4(7)

¹¹² The RA Water Code, reference 47, article 78

Within the meaning the Code, the MTAI, as a body authorized by the RA Government in the sphere of subsoil exploitation, plays a central role in regulation of mining industry and represents the Republic of Armenia in relations with private entities in the field of subsoil exploitation.

During the reporting year, there were no significant changes in competencies of the MTAI in the sphere of mining. The competencies of the MTAI in the mining industry may conditionally be divided into the following groups: (i) competencies related to policy-making and development of legal acts¹¹³, (ii) competencies implemented with regard to mining relations¹¹⁴, (iii) competencies related to collection, storage and dissemination of information¹¹⁵, (iv) competencies related to expertizes¹¹⁶.

The separate subdivisions of the MTAI include Subsoil Agency, the Charter and structure of which were approved by the RA Government Decree No. 1108-N dated September 7, 2017. As a result of structural changes in the Government of the Republic of Armenia in 2019 the latter is now reorganized as the Department of the RA Ministry of Territorial Administration and Infrastructure (hereinafter referred to as “The Department”). The charter and the structure of The Department are defined by the order N 162-A (dated June 19, 2019) of the Minister of the RA Ministry of Territorial Administration and Infrastructure¹¹⁷.

According to the Order, the Department is the main professional structural unit of the MTAI, which develops proposals, implements the policy of the MTAI in the field of subsoil exploitation, ensures the granting of mining rights in accordance with the established requirements, ensures the implementation of state mining expertize of geological and other information on the subsoil and within the competence of the Ministry ensures the implementation of State standardizations in the spheres of subsoil exploitation and protection and also the publicity of mining activities, contributes to reasonable and comprehensive exploitation of subsoil.

The goals of the Department are:

- ▶ Developing and implementing a state policy in the field of subsoil exploitation
- ▶ Ensuring the requirements set forth for granting mining permits
- ▶ Contributing to reasonable and comprehensive exploitation of subsoil
- ▶ Ensuring state mining expertize of geological and other information on the subsoil
- ▶ Ensuring state standardization in the spheres of subsoil exploitation and protection within the competence of the Ministry
- ▶ Ensuring the publicity of mining activities within the competence of the Ministry

¹¹³ The Code, reference 39, Article 17(1)(1), 17(1)(3), 17(1)(4), 17(1)(10) and 17(1)(6)

¹¹⁴ *Ibid.*, Article 17(1)(20), 17(1)(18), 17(1)(5), 17(1)(12), 17(1)(11), 17(1)(9), 17(1)(14), 17(1)(18)-(19)

¹¹⁵ *Ibid.*, Article 17(1)(8), 17(1)(13) and 17(1)(15)

¹¹⁶ *Ibid.*, Article 17(1)(7), article 17(1)(2). The provision ceased to be in force by virtue of the RA Law “On making changes and amendments in the Mining Code of the Republic of Armenia” No. HO-186-N (passed on March 21, 2018. Available at the following link: <https://www.arlis.am/DocumentView.aspx?docid=120746>, 17(1)(14) and 17(1)(17).

¹¹⁷ Order N 162-A (dated June 19, 2019) of the Minister of the Territorial Administration and Infrastructure of the Republic of Armenia. Available at the following link: www.mtad.am/u_files/2019/5Ynderqi_varchutyayn_kanon_.pdf

The Order also provides detailed description of the functions of the Department for implementation of its goals.

The Department has the following structural subdivisions:

- ▶ Subsoil exploitation right issuance and centralized log management department
- ▶ Subsoil expertise department
- ▶ Subsoil exploitation policy development department

The Department is led by the Head of the Department, who is appointed and dismissed by the Minister of The RA Ministry of Territorial Administration and Infrastructure in accordance with the procedure established by the RA Law “On Civil Service”.

(ii) *“Republican Geological Fund” SNCO*

According to the RA Government Decree No. 1758-N dated October 31, 2002, “Republican Geological Fund” State Non-Commercial Organization was established.

In the first report the goals and functions of the SNCO were discussed in detail, and we confirm that no changes were made to the Decree in the reporting year. At the same time, on January 23, 2020 changes and additions¹¹⁸ were made to the aforementioned Decree, according to which some additions were made to the functions of the SNCO, in particular:

- ▶ Classification of mines by regions, types of minerals (including underground mineral waters) by submitting proposals to the head of the authorized body with further recommendations on the potential growth or limitations of the region's potential
- ▶ Carrying out an analysis on the encumbrance in terms of the mining right by regions, types of minerals (including underground mineral waters) and their change by years by submitting proposals to the head of the authorized body on the provision of further use of resources
- ▶ Analysis of the quantitative movement of mineral resources by regions, years, types of minerals by submitting proposals to the head of the authorized body on the expediency of studying new mineral resources or exploiting already established reserves in connection with the change in the quantitative volumes of mineral resources.

Starting from the second half of 2016 digitization and publicization of fund materials (about 12,000 reports and other materials) were realized during the period of 2016-2017 under the “Extractive Industry Transparency Improvement” Project supported by the US Agency for International Development and realized by the decision of RA Government. Digitalized materials are published on the official website <https://www.geo-fund.am>. It should be noted that during the period of drafting of this Report, certain segments the official website of the Republican Geological Fund have not been updated.

¹¹⁸ <https://www.arlis.am/DocumentView.aspx?docid=138453>

(iii) *the Ministry of Environment of the Republic of Armenia*

According to the RA Law "On Making Amendments and Changes to the law on the Structure and Operations of the Government" No HO-31-N (dated May 08, 2019) the RA Ministry of Nature Protection has been reorganized into the RA Ministry of Environment. In view of the above and for the purposes of avoiding misunderstanding with regard to the name of the Ministry, in this Report we will use its current name - the RA Ministry of Environment (hereinafter "**MoE**").

The MoE also plays a key role in the mining industry. The authorities of the MoE are provided in article 17, part 2 of the Code and may nominally be classified into the following groups: (i) policy-making and development of legal acts¹¹⁹, (ii) definition of technical requirements, standards, thresholds¹²⁰, (iii) expertise and supervision¹²¹, (iv) information management¹²² and (v) authorities related to fund management¹²³.

Coordination of nature protection projects realized on the territories of the communities. The RA Law "On Targeted Use of Nature Protection Payments Made by the Companies", effective during drafting this Report, defines the procedure for realizing deductions from the nature protection payments made by a number of companies (including companies involved in mining sector) and reflecting them in the administrative parts of the budgets of affected communities¹²⁴, according to which the deductions from nature protection payments allocated to administrative budgets of the communities are recognized as targeted funds and are used exceptionally for implementation of nature protection projects on the territories of the communities¹²⁵. Such projects developed by the heads of the communities are agreed upon with the MoE (as well as RA Ministry of Health)¹²⁶.

The Article 10 of the new Charter of the MoE approved by RA Prime-Minister's Decree No. 745-L dated June 11, 2018¹²⁷ sets out the goals and the objectives of the Ministry:

- a) Development and implementation of the policy of the Government of the Republic of Armenia in the spheres of protection, improvement of the environment, water, soil, subsoil, fauna and flora of the Republic of Armenia, prevention or mitigation of natural or man-made negative and harmful effects on it and also management, conservation, protection, reproduction and use of specially protected areas and forests
- b) Development and implementation of the policy of the Government of the Republic of Armenia aimed at solving the problems of climate change, including in the field of adaptation

¹¹⁹ The Code, article 17(2)(5), 17(2)(7), 17(2)(8), 17(2)(12) and 17(2)(14)

¹²⁰ *Ibid.*, article 17(2)(9)- 17(2)(11)

¹²¹ *Ibid.*, article 17(2)(3), 17(2)(6)

¹²² *Ibid.*, article 17(2)(13)

¹²³ *Ibid.*, article 17(2)(4)

¹²⁴ The RA Law "On Targeted Use of Nature Protection Payments Made by the Companies", HO-188 (passed on May 15, 2001). Available at the following link: at <https://www.arlis.am/DocumentView.aspx?docid=25676>.

¹²⁵ *Ibid.*, art. 2

¹²⁶ *Ibid.*, art. 3

¹²⁷ <https://www.arlis.am/DocumentView.aspx?docid=136952>

- c) Development and implementation of the policy of the Government of the Republic of Armenia in the field of reasonable use, recovery and reproduction of natural resources (with the exception of minerals)
- d) Development of the policy of the Government of the Republic of Armenia to integrate the protection of the environment into economic, social and other spheres
- e) Observation, detection and assessment of changes in the environment due to the state of the environment and natural resources, natural phenomena, human impact
- f) Development and implementation of policy for ecological awareness, culture, upbringing, participation in policy development for ecological education and science

The RA Ministry of Environment performs the following functions in order to implement its goals and objectives:

- a) Developing policy programs and strategies, ensuring and analyzing the process of their implementation in the fields of sustainable management, conservation, protection of the environment of the Republic of Armenia: subsoil, land, water, atmosphere, fauna and flora, as well as specially protected areas, forests and the reasonable use and reproduction of natural resources (except mineral resources)¹²⁸.
- b) Implementing environmental impact assessment and providing expert opinion ¹²⁹.
- (iv) "Environmental Monitoring and Information Center" SNCO

During the reporting year, the "Environmental Monitoring and Information Center" SNCO operated, the subject and purpose of the activity of which was presented in detail during the First Report¹³⁰.

However, according to the RA Government Decision No. 81-N of January 30, 2020, "Environmental Monitoring and Information Center" SNCO, "Forest Monitoring Center" SNCO and "Service of the Hydrometeorology and Active Influence on Atmospheric Phenomena" SNCO have merged into "Hydrometeorology and Monitoring Center" SNCO¹³¹, which is the legal successor of the abovementioned organizations¹³².

The main objectives and goals of the newly established "Hydrometeorology and Monitoring Center" SNCO are:

- ▶ Contributing to the rational use of environmental components such as atmospheric air, water resources, flora and fauna, including nature conservation areas and forests, conservation of land and subsoil resources, natural resources (excluding mineral resources) by implementing observations on environmental components and the factors affecting the latter, creating sufficient data for the assessment of the situation, its registration, analysis, provision and storage

¹²⁸ Article 11, part 1 of the Charter of the RA Ministry of Environment approved by RA Prime-Minister's Decree No. 745-L dated June 11, 2018

¹²⁹ *Ibid.*, Article 11(16)

¹³⁰ The scope and objectives of the "Environmental Monitoring and Information Center" SNCO are available on the page 127 of the First Report at https://eiti.org/files/documents/english_2016-2017_armenia_eiti_report.pdf

¹³¹ EMIC SNCO website is available at <http://armmonitoring.am/#home>

¹³² <https://www.arlis.am/DocumentView.aspx?DocID=138543>

- ▶ Receiving information describing the state of hydro-meteorological elements (atmospheric pressure, wind, humidity, air and water temperature, water level and cost, overflow, freezing, etc.) and processes by conducting observations, examining, using, providing, maintaining the information received, by assessing and predicting the situation, as well as ensuring the organization and implementation of actively influencing activities and radiolocation observations on atmospheric processes in the territory of the Republic of Armenia.

The goals of the "Hydrometeorology and Monitoring Center" SNCO are as follows:

- ▶ Ensuring the monitoring of the environment and hydro-meteorological activities in accordance with international standards and common indicators
- ▶ Ensuring the implementation of observations on environmental and hydrogeological phenomena and processes, receiving reliable information about their condition, ensuring the download of the received information in the unified information databases (fund) and the provision of information to the state bodies, non-governmental organizations and the society
- ▶ Providing alarm system on the threat to the protection of the population and the economy, to the lives and property of citizens from dangerous and natural hydrogeological phenomena and due to the pollution of the environment in the territory of the Republic of Armenia
- ▶ Ensuring the improvement of the environment and hydro-meteorological activity systems, the development of observation networks and logistic base, the introduction of modern technical means and information technologies, the operation and current repair of technical means, the process of verification and calibration of professional measuring-testing devices and other measuring devices
- ▶ Ensuring the monitoring and research of waste and its disposal sites and the revealing of negative effects.

(v) *“Environmental Impact Assessment Expertise Center” SNCO*

The purpose of the “Environmental Impact Assessment Expertise Center” SNCO, established by RA Government Decree No. 1846-N dated November 21, 2002, is ensuring the activity of the body authorized to operate in the area of evaluation of the environmental impact and expertise according to the RA Law “On Assessment and Expertise of Environmental Impact” and implementation of the authorities of the expertise center¹³³.

The Charter of the SNCO was approved by the Decision of the RA Minister of Nature Protection No. 14-A of 2015.

(vi) *RA MNP “Environmental Project Implementation Unit”*

¹³³ Authorities of the “Environmental Impact Assessment Expertise Center” SNCO are available on the page 129 of the First Report at https://eiti.org/files/documents/english_2016-2017_armenia_eiti_report.pdf

RA MNP “Environmental Project Implementation Unit” State Enterprise was established in 2010 by RA Government Decree No. 1191-N¹³⁴ on the base of previously operating “Environmental Project Center” SNCO which was the successor of “Natural Resource Management and Poverty Reduction” PIU State enterprise and carried out the functions of the latter. Its Charter was approved by RA Government Decree No. 9-N dated January 13, 2011¹³⁵.

The main purpose of the organization’s activity is to ensure efficient implementation of environmental projects in the Republic of Armenia. The main areas of the enterprise’s activity are projects and operations approved by the Government of the Republic of Armenia and developed at the expenses of the Republic of Armenia State Budget funds allocated for the RA Ministry of Environment and local governance bodies in the field of environment, as well as using the funds provided to the Republic of Armenia by international credit and grant provision donor organizations¹³⁶.

(vii) *RA Ministry of Emergency Situations and “The National Center for Technical Safety” SNCO*

The RA Ministry of Emergency Situations (hereinafter referred to as “MES”) is the State governance authorized body in the area of emergency situations. According to the Code it is granted a number of powers related to expertise of the technical safety of natural resource extraction projects, as well as the process of developing action plan for so called emergency situations.

Thus, the mineral extraction project submitted together with the application for requesting the right for mineral extraction in compliance with the Code is subject for technical safety expertise, which is organized by MES within a 60-day period after receiving the project by the MTAI. MES provides expertise recommendation about the project¹³⁷.

The expertise is carried out by “The National Center for Technical Safety” SNCO or legal bodies or private entrepreneurs licensed in compliance with the procedure defined by the RA Government and registered by the MES¹³⁸, in compliance with “The procedure of implementation of technical safety expertise” approved by the RA Government¹³⁹.

“The National Center for Technical Safety” SNCO operates under the MES, which is the authorized managing body of the SNCO. The main goals and objectives of SNCO’s activity are organization and implementation of technical safety assurance functions in dangerous manufacturing sites. The functions of the latter and the procedure of implementing technical safety expertise are regulated by RA Law “On State Regulation for Technical Safety Assurance” and relevant sub-legislative acts.

¹³⁴ <https://www.arlis.am/DocumentView.aspx?docid=93665>

¹³⁵ <https://www.arlis.am/DocumentView.aspx?DocID=67015>

¹³⁶ The programs and objectives of the RA MNP “Environmental Project Implementation Unit” are available on pages 129-130 of the First Report at https://eiti.org/files/documents/english_2016-2017_armenia_eiti_report.pdf

¹³⁷ The Code, Reference **Error! Bookmark not defined.**, article 51(2)(1)

¹³⁸ Refer to RA Law “On State Regulation for Technical Safety Assurance” No. HO-204-N (dated October 24, 2005), article 11(1).

¹³⁹ The RA Government Decree No. 1359-N (dated September 22, 2011).

In addition, according to the Code prior to starting the mining process all mining companies are obliged to develop an action plan for emergency situations stating all the activities, which will be directed at accident prevention, consequence mitigation and protection of their employees and residents of the possible hazardous impact zones¹⁴⁰¹⁴¹.

(viii) The Ministry of Health

The RA Ministry of Health, as an authorized body in healthcare sector, has certain authorities related to the development and revision of the action plan for emergency situations. Thus, according to the Code, the Ministry of Health may participate in the process of development and revision of the action plan for emergencies¹⁴². With this purpose, the MES informs the Ministry of Health about the implementation of relevant activities providing information about the procedure for participation in the decision-making and the authorized bodies to be included in the process.

In case of accidents mining companies shall immediately provide the Ministry of Health the necessary information with the purpose of mitigating the consequences of these accidents on human health¹⁴³.

(ix) State Revenue Committee

By RA President's Order No. NH-213-N dated March 1, 2016 the Ministry of Finance of the Republic of Armenia was reorganized and the State Revenue Committee under the Government of the Republic of Armenia was separated.

Prior to that (starting from 2014) the functions of the latter were carried out by RA Ministry of Finance. According to the RA law on "On Public Administration Bodies" No HO-260-N, dated March 23, 2018, starting from April 9, 2018 the State Revenue Committee under the Government of the Republic of Armenia has been operating under the name of "the RA State Revenue Committee" (hereinafter referred to as "SRC").

The SRC is a subordinate body to the Government of the Republic of Armenia and ensures the implementation of a separate direction of the policy of the Government of the Republic of Armenia reserved to its competence by law, as well as supports the elaboration of the policy of the Government of the Republic of Armenia in the field of its competence.

The functions of the latter include among others organization of collection of state taxes and fees, implementation of supervision over taxpayers in accordance with the law, carrying out inspections, studies and other inspection actions among the taxpayers in the manner prescribed by law in order to control the fulfillment of the requirements of the tax legislation of the Republic of Armenia, within the competence of the Committee implementation of supervision over the calculation, levying and transfer

¹⁴⁰The Code, article 60.6(3)(2)

¹⁴¹ The objectives of the Plan are available on page 132 of the First Report at https://eiti.org/files/documents/english_2016-2017_armenia_eiti_report.pdf

¹⁴² *Ibid.*, art. 60.6(9)

¹⁴³ *Ibid.*, art. 60.6(7)

in due time to the state budget of the Republic of Armenia of taxes, fees, customs fees by individuals and organizations.¹⁴⁴

(x) *Inspectorate for Nature Protection and Mineral Resources*

The Inspectorate for Nature Protection and Mineral Resources of the RA Ministry of Environment was established by RA Government Decree No. 445-N dated April 27, 2017¹⁴⁵, which also defined the Charter of the Inspectorate (it replaced the State Agency of Nature Protection of the Staff of the RA Nature Protection Ministry and Subsoil State Agency of Ministry of Energy infrastructure and natural resources Staff). In 2018 the Nature Protection and Subsoil Inspectorate of the Ministry of Environment of the Republic of Armenia was reorganized into the Nature Protection and Subsoil Inspectorate, which is directly subordinated to the Government of the Republic of Armenia and whose status is defined by law¹⁴⁶. The goal of the Inspectorate is ensuring adherence to safety and legislative requirements set forth with regard to nature protection and subsoil in cases and in compliance with the procedure defined by the law. It should be noted that the Inspectorate is the government's tool for inspections in the field of nature protection and subsoil, that collects the information on the basis of which the MTAI and the Ministry of Environment operate.

According to article 10 of the Charter of the Inspectorate, the objectives of the latter include:

- 1) Risk management in the spheres of nature protection and subsoil exploitation and implementation of supervision over adherence to the requirements of the Republic of Armenia legislation related to these sectors, as well as organization of preventive measures within the framework of the implemented supervision
- 2) Implementation of activities aimed at prevention or mitigation of negative impacts on environment and irrational use of natural resources.

The powers of the Inspectorate are listed in Chapter 3 of the Charter.

Pursuant to Article 14 of the Charter of the Inspectorate, the management of the Inspectorate is carried out by the Prime Minister of the Republic of Armenia and the Board of the Inspectorate, which consists of ten members.

(xi) *Local Self-Governance Bodies*

Local self-governance bodies (hereinafter referred to as “LSG Bodies”) are also granted certain authorities in the area of subsoil exploitation, environmental protection and finances.

¹⁴⁴ Point 12 of the Statute of the State Revenue Committee of the Republic of Armenia approved by Decision No 702-L of June 11, 2018 of the Prime Minister of Armenia

¹⁴⁵ RA Government Decree No. 445-N (dated April 27, 2017), available at the following link: <https://www.e-gov.am/gov-decrees/item/28550/>

¹⁴⁶ The RA law on “On Public Administration Bodies” No HO-260-N, dated March 23, 2018. The Charter is approved by the Decision No 733-L of June 11, 2018 of the Prime Minister of Armenia, available at the following link: <https://www.arlis.am/DocumentView.aspx?DocID=124383>

Ecological issues. According to the Code the recultivation program (activities targeted at recovery (bringing to a condition suitable for a safe use) of soils damaged as a result of mining activities), which should be included by a person having a mining right in the mineral extraction project, should be submitted for the approval of the community head¹⁴⁷.

Local Self-Governance bodies are also granted authorities by RA Law “On Environmental Impact Assessment and Expertise”¹⁴⁸.

Granting land use right. The person granted with the mining right cannot initiate mining activities without prior agreement of the owner of the given territory or land use contract. If the land area is under the ownership of the community, than according to the decision of the community council the head of the community signs a land use contract with the persons having the mining right¹⁵⁰.

Regulations pertaining to change of designated purpose of lands are also noteworthy. The land fund of the Republic of Armenia shall, as per designated purpose (set of characteristics and specifics, terms of use and exploitation of lands for certain purposes¹⁵¹), be classified into 9 groups: lands of agricultural significance; residential areas; lands of industrial, subsoil exploitation and of other production designation; energy, transport, communication, utility infrastructure facilities; specially protected areas; lands of special significance; forest lands; aquatic lands and reserve lands.¹⁵²

Designated purpose of lands is established by the general plan of the community¹⁵³, which is developed based on the project task approved by the community council, at the order of the head of the community by the engineering contract¹⁵⁴ entered with persons having the license for drafting urban development documentation, and is approved by the community council¹⁵⁵.

In addition to the foregoing, RA Government Decree N 1818-N dated 29 December 29 provides for that prior to approval of the general plan of the community, at the initiative of the owners of the lands in the administrative territory of the community, and persons having land use (lease) and development rights, in case provided by land use (lease) and development agreements, changes in the designated purpose of the land shall be approved by the community council as prescribed by RA Government, as per temporary schemes of land use – provided the availability of the positive recommendation of inter-

¹⁴⁷ The Code, article 17(3)(2)

¹⁴⁸ Authorities of local self-governmental bodies within the framework of environmental impact assessment and expertise are available on page 135 of the First Report at https://eiti.org/files/documents/english_2016-2017_armenia_eiti_report.pdf

¹⁴⁹ The RA Law “On Environmental Impact Assessment and Expertise” No. HO-110-N (June 21, 2014), article 13

¹⁵⁰ The Code, *supra*, art. 17(3)(1)

¹⁵¹ The Land Code of the Republic of Armenia, reference 48, Article 7(1)

¹⁵² *Ibid.*, Article 6(1)

¹⁵³ RA Law “On Urban Development” No. HO-217 (May 7, 1998), Article 14³(2), available at <https://www.arlis.am/DocumentView.aspx?DocID=140929>

¹⁵⁴ *Ibid.*, Article 14³(9)

¹⁵⁵ *Ibid.*, Article 14³(24)

department committee on temporary schemes of land use established by the RA Prime-Minister Decision N 599 dated 13 August 2001.¹⁵⁶

For the purposes of changing the designated purpose of the land, the owner thereof shall submit an application to the head of the community, which shall render a decision with regard to the issue¹⁵⁷. Hence, the discretion of the head of the community plays a significant role in the process, which cannot be considered as a positive thing from the perspectives of mining sector and investment environment in general.

Meanwhile, in cases where the community has approved general plan, head of the community shall submit the proposal on change of designated purpose of the certain land plot to authorized body, while, in case of adjoined document, head of respective community shall submit it to the Governor, which shall, within 5 working days, together with its positive recommendation submit it to the RA Urban Development Committee¹⁵⁸.

RA Urban Development Committee shall examine the proposal above and in case of absence of objections with regard to urban development issues, shall submit it for the opinion of the respective state government body (bodies)¹⁵⁹ and (or) respective governor.

Changes of designated purpose of certain land plots can be approved by respective bodies only in case positive recommendation of the inter-department committee¹⁶⁰ is available. The positive recommendation of the Inter-department committee shall be provided in case opinions of state government bodies, respective governor and organizations (hereinafter “Interested bodies”) with regard to documentation submitted for approval, are positive. In case the proposal on change of designated purpose of the certain land plot has been submitted by RA Urban Development Committee for approval solely to the body (bodies) pertinent to the issue, the positive recommendation of the Inter-department committee shall enter into force upon 7 working days from the date of submission of its copy to the interested bodies, where no written objection is received from the interested bodies within such time period.

In case negative opinions (comments and suggestions) with references to specific provisions of respective legal acts are received from interested bodies, RA Urban Development Committee shall return the

¹⁵⁶ RA Government Decree N 1818-N dated 29 December 29, available at <https://www.arlis.am/DocumentView.aspx?docID=135744>

¹⁵⁷ RA Law “On Urban Development” No. HO-217 (May 7, 1998), Article 14³(12)

¹⁵⁸ “Procedure for drafting, expert examination, coordination, approval and amendment of general plans and adjoined territorial planning documentation of the communities of the Republic of Armenia”, Section 11, RA Government Decree No. 1920-N (16 December 2011), available at <https://www.arlis.am/DocumentView.aspx?docid=135745> :

¹⁵⁹ *Ibid.*, Pursuant to this Decree, state government bodies are as follows: RA Ministry of Territorial Administration and Infrastructure, RA Ministry of Economy, RA Ministry of Emergency Situations, RA Ministry of Environment, RA Ministry of High-Tech Industry, RA Ministry of Education, Science, Culture and Sport, RA Ministry of Health, RA Cadastre Committee, RA Police

¹⁶⁰ The Inter-department committee coordinating works on developing urban development project documentation for RA communities (residential areas), has been established by the RA Prime-Minister Decree N 1064-A (22 December 2009) “On establishing Inter-department committee coordinating works on developing urban development project documentation for RA communities (residential areas), approving the staff and operation procedure thereof”, available at <https://www.arlis.am/DocumentView.aspx?DocID=133689>

project for revision by attaching brief statement on comments and suggestions. In case the re-submitted document includes all comments and suggestions, a positive recommendation shall be made. In case not all of the comments or only part of the amendments are included in the revised project, the authorized body shall reconcile the revised package with interested body (bodies) with negative opinion.

In case a negative opinion (opinions) is received again with regard to revised documents, or in case of submitting objection with regard to the positive recommendation, RA Urban Development Committee shall, in case the negative opinion (objection) is substantiated in accordance with this procedure, return the package to the authorized body with attached refusal grounds or, in case of absence of necessary substantiation – the issue shall be submitted to consideration of the inter-department committee's first meeting.

In case no unanimous opinion is formed with regard to the issue at the committee's meeting, RA Urban Development Committee shall finalize the opinions and submit them to the Staff of the Government of the Republic of Armenia to report at the next meeting of the permanent ministerial committee on territorial development and nature protection. The decision of the ministerial committee shall be considered a ground for the committee to render a final decision with regard to the issue.

Urban development project documentation and (or) amendments thereto approved without positive recommendation of the inter-departmental committee, shall be considered null and void.

Financial issues. LSG bodies are also granted certain authorities in the area of finance. In particular, the head of the community organizes collection and supervision over local taxes (real estate tax, property tax for transportation means¹⁶¹), fees and payments, lands under the property of the community or the State and located within the administrative territory of the community and rent payments for the assets under the ownership of the community, provides the rates of local fees and payments (within the limits allowed by the legislature) for the approval of community council, and applies corresponding measures to the non-paying persons in compliance with the procedure defined by the law¹⁶².

Social-economic issues. Although the primary beneficiaries of the social-economical obligations taken over by mining companies are the affected communities (the community located in the area of direct impact of the mine), the legislation does not stipulate any mechanism for participation of LSG bodies representing the community in the process of defining and clarifying the scope of social-economical obligations of mining companies.

2.1.4 Privileges granted by the State to mining companies

The legislation of the Republic of Armenia does not provide for specific privileges to be granted to mining companies. However, the legislation provides for a number of tax and customs privileges, which may be used by companies having investment projects, including mining companies. As a rule, the authority to grant such privileges is under the competence of the Government of the Republic of Armenia. In particular, worth mentioning the extension of deadlines for VAT payment for goods imported under

¹⁶¹ The Tax Code, reference 37, Article 6(1)(2)

¹⁶² RA Law "On Local Self-Governance" No. HO-337 (May 7, 2002), Article 38(1)(3)-(4).

investment projects and the privileges granted for exemption of customs duty payments for equipment imported under investment projects which fall under the sectors which are recognised to be priority sectors.

Extension of deadlines of VAT payment for goods imported under investment projects: The Tax Code envisages a procedure for extending the deadline for calculated VAT payments for the goods under the investment projects for the period of up to three years, by delegating the authority to develop the procedure for investor selection to the Government. Article 79(4) of the Tax Code provides that:

“The deadline of VAT payment calculated for import of goods under the investment projects carried out by companies and individual entrepreneurs selected by the [RA] Government [...] shall be extended for a period of three years. The procedure for selection of companies and individual entrepreneurs shall be defined by the Government of the Republic of Armenia”.

Based on the foregoing provision, the Government of the Republic of Armenia has adopted a Decree No. 1225-N on October 5, 2017 approving the “Procedure for selection of companies and individual entrepreneurs implementing investment projects”¹⁶³.

The evaluation criteria are available on page 136 of the First Report.

Exemption from customs duties for equipment imported under investment projects which fall under the sectors which are recognised to be priority sectors: On September 17, 2015 the Government of the Republic of Armenia, using the opportunity granted by Annex 6 of the Agreement “On Eurasian Economic Union” signed on May 29, 2014 on Unified regulation of customs duties, adopted the Decree no. 1118-N¹⁶⁴. Pursuant to the procedure approved by the Decree, the importation of technological equipment, their components and fixtures, raw products and materials (hereinafter referred to as “equipment and materials”) under investment projects which fall under the sectors which are recognised to be priority sectors and intended for use solely on the territory of Armenia, shall be exempt from customs duties calculated by the customs authorities as prescribed by law.

Such equipment and materials shall be exempt from customs duties if they are not produced in EAEU member states (or are produced in quantities insufficient for implementation of investment projects) or do not meet the technical requirements of the investment project.

The applications for receiving an exemption from customs duties shall be submitted to the Government and shall include the investment project, the list of equipment and materials, technological specifications and statement on using the technological equipment and materials imported or being imported under the investment project solely on the territory of the Republic of Armenia¹⁶⁵.

¹⁶³ RA Government Decree No. 1225-N (dated October 5, 2017), available at <https://www.arlis.am/DocumentView.aspx?DocID=119820>

¹⁶⁴ RA Government Decree No. 1118-N (September 17, 2015), Annex 1.

¹⁶⁵ *Ibid.*, point 4 and 5.

The Ministry of Finance of the Republic of Armenia, SRC and, if necessary, the relevant ministry¹⁶⁶ shall provide opinion with regard to the application. The provided opinions are summarized by the Ministry of Economy of the Republic of Armenia, which prepares a recommendation and provides it to the Staff of the Prime Minister of the Republic of Armenia¹⁶⁷ (in its turn the Ministry of Justice issues an opinion with regard to the recommendation provided by the Ministry of Economy¹⁶⁸).

Investment project evaluation criteria are established pursuant to Government Decree No. 1118-N¹⁶⁹, and they are available on page 138 of the First Report.

In addition to the described privileges, pursuant to Article 127 of the Tax Code of the Republic of Armenia, the amount of profit tax applicable at the start of the business plan and during the following five tax years to the resident profit taxpayer (resident profit taxpayers which have businesses exclusively in the trade or financial sector) which carries out the business plan approved by the Government decree, shall be reduced in the amount of additional salaries and 100% of the salary equivalent payments (but not more than 30% of the profit tax calculated actual profit tax for such tax year) calculated within the tax year with regard to the new workplaces created within the scope of the business plan.

The procedure for business plan approval and calculation of additional salaries, is envisaged by the Government of the Republic of Armenia.¹⁷⁰

The Legislation of the Republic of Armenia also stipulates “stabilization provisions” for mining companies, as well as foreign investors (part of the mining companies is actually comprised of foreign direct investments only). Thus, Article 25 (“Guarantees for mining rights”) of the Code defines:

“Protection of the rights of mining companies shall be guaranteed by the laws of the Republic of Armenia. In case of changes in the laws of the Republic of Armenia, the rates applied for nature use payments (including royalty), resident’s profit tax, non-resident’s dividends, interest rates, royalty taxation rates effective at the moment of granting the mining right shall be applicable to such person for the period of 3 years from the moment of being granted with the right, based on the right holder’s application to an authorized body.”

This regulation entitles the mining companies, which had been granted with the mining right during the last three years, in case of unfavourable legislative changes, to request from the M TAI to be treated by previously effective more favourable legislative regulations, in case these changes refer to the rates of

¹⁶⁶ *Ibid.*, Annex 1, point 7. The Decree also mentions the RA Ministry of Economic Integration and Reforms, which however no longer exists: according RA Law “On the Structure and Functions of the Government” (No. HO-253-N) passed on March 23, 2018 and in force since April 9, 2018 the Ministry under consideration no longer exists and its operations were terminated by the force of establishment of RA Prime Minister’s staff. However, the Government Decree under discussion has not yet been changed. RA Law “On the Structure and Functions of the Government” does not regulate all the issues occurring as a result of closing down the stated institution, it only states that “The Staff of the Prime Minister is the successor of the Ministry of International Economic Integration and Reforms with the purpose of ensuring the liabilities of international contracts” (Article 20, part 5).

¹⁶⁷ *Ibid.*, point 9.

¹⁶⁸ *Ibid.*, point 11.

¹⁶⁹ *Ibid.*, point 10.

¹⁷⁰ <https://www.arlis.am/DocumentView.aspx?DocID=116379>

nature use payments, residents' profit tax, non-residents' dividends, interest rates and royalty taxation rates.

It is notable, however, that the mentioned payments are under the supervision of the SRC, and not the M TAI. Therefore, even in case of submitting the required application, the actual procedure for application for such privileges is unclear. This legal uncertainty may be addressed in case of passing a Government decree, however relevant legislative changes shall be required in such case (the Article shall envisage a provision on delegating such authority to the Government).

A similar "stabilization provision" is also defined by the RA Law "On Foreign Investments", where Article 7 ("Guarantees in case of changes in the laws of the Republic of Armenia") states:

"In case of changes in the laws of the Republic of Armenia governing foreign investments, the laws effective at the moment of investment shall be applicable within 5 years starting from the investment - upon the discretion of the foreign investor."

The Legislation of the Republic of Armenia does not envisage precise procedures for implementation of this regulation, as a result of which it has turned into a matter of litigations. In particular, RA Administrative Appeals Court in its Decision of April 29, 2011 of the case No. VD/0724/05/10 of "Dino Gold Mining Company" CJSC¹⁷¹ vs. SRC ruled:

"The only condition for the application of the mentioned legal norm is the wish of foreign investor, which shall be expressed by the foreign investor in any manner – through its operations, an announcement and any other manner, in order to make it clear for the bodies supervising their operations that in case of any changes in the laws of the Republic of Armenia this company wishes to continue to be governed by the previous legislation. Such wish shall be expressed immediately after the changes in the legislation of the Republic of Armenia enter into force, or at least within 5 years after the investment commenced."

Thus, in the absence of formal legal procedures, the investors are expected to at least perform certain active measures so that their wishes are made clear for the certain state body responsible for the given sector.

2.2 Procedures for granting permits and conclusion of contracts, their registration (Requirements 2.2 and 2.3)

2.2.1 Procedures for acquiring land use rights and granting water use rights

As we highlighted above, granting a mining right does not *per se* guarantee water use rights and land use rights to surfaces of mineral-containing and adjacent land areas. Meanwhile, mining entities are deprived of the possibility to exercise their mining rights without land and water use rights. Hence, right to use the surface of subsoil areas containing mineral resources is obtained by the mining entity

¹⁷¹ The name of "Kapan Mining and Processing Company" CJSC at the time of previous shareholders

independently; similarly, the mining entity separately applies for a right to use water resources. Below we present in details the procedure for granting land and water use rights.

Land use rights. According to the Land code of the Republic of Armenia (in this segment, the “Code”) the land fund of the RA is classified according to its purpose (categories). As per mentioned classification, among other lands, there are industrial, mining and other manufacturing lands. According to Article 13 (6) of the Code land plots for extraction of minerals are provided in accordance with the documents confirming the mining right. In addition, the article states that new land plots cannot be provided to mining companies unless the previously violated lands have been rehabilitated in accordance with the restoration projects.

The lands can be owned by citizens, legal entities, communities or the state. Lands that do not belong to citizens, legal entities or communities are the property of the state, and lands within the boundaries of a given community, except for the lands owned by the state, citizens, legal entities and by other subjects, belong to the communities.

The RA Land Code defines the rights for which land plots can be used. Thus, the landowner provides the right of use for construction, gratuitous (permanent) use or lease, and the land plots owned by the state and communities are provided with the right of ownership, construction or use.

Gratuitous (permanent) use of the land is considered the possession and use of the land plot granted indefinitely by the right of use by the owner of the land plot to the third person.

The lease right over a land plot is a right to use the land plot for a rent and for a term as prescribed by the lease agreement. Noteworthy, that the term of the use of land plots owned by the state or communities can not be longer than 99 years (except for agricultural lands, the lease term of which is defined up to 25 years) and the right to lease is granted through a tender through public bidding. The cases when the land plots are provided without a tender are determined by the government.

The Code also defines the lands not transferred to citizens and legal entities by the right of ownership. Thus, land plots owned by state and community, which are presented below, cannot be transferred by right of ownership:

Table 2.2.1 Land plots owned by the state and community non-transferrable by the right of ownership:

1	Objects of historical and cultural values, except for lands needed for the construction and maintenance of churches, church buildings transferred by the right of ownership to the Armenian Apostolic Holy Church (Mother See of Holy Etchmiadzin);
2	Among the specially protected areas are state natural reserves, nature state reserves, natural monuments, national parks, arboreal parks, botanical gardens, as well as areas reserved for these purposes;
3	Medical-sanatorium places within the borders of the protected sanitary protection areas, the list of which is defined by the government;
4	Occupied by a state-owned forest;

5	Lands of water objects included in the state land reclamation systems or water funds, the list of which is defined by the government;
6	Lands for general use in settlements (squares, streets, roads, riverbanks, parks, gardens, beaches and other areas of general use).
7	Mineral placements registered by the state;
8	Exposed to radioactive and chemical pollution and biogenic infections;
9	Lands, which are provided to state research organizations (educational, selection, etc.) according to the list defined by the Government before their liquidation in accordance with the established procedure;
10	occupied outside the administrative boundaries of the community with pastures, animal passages, roads, natural wells, springs of general use and other objects by the decisions of local authorities;
11	Separated lands for separate layers of water bodies and basins, general use roads, railways, pipelines and for other means of transport, power lines, highway water supply and sewerage systems, gas pipelines, canals, as well as their landscaping (storage);
12	Disputed areas until the dispute is resolved;
13	Lands of special significance, state or community cemeteries, except for cases provided by law.

The methods of alienation of state-owned land plots are exhaustive. They can be alienated:

- 1) by transferring ownership;
- 2) through direct sales;
- 3) through auction;
- 4) by exchange.

Water use permit. The Water Code of the Republic of Armenia defines the water use permit as a document that includes the rights and responsibilities of persons related to water intake, including groundwater extraction, double (secondary) water use and water return.

Everyone is required to obtain a water use permit for any type of water use. Exceptions to this rule may be made only in cases provided for by the Water Code.

The types of water use permit, the procedures of water use permit issuance, water use permit extension have been established by the Government of the Republic of Armenia by decree № 218-N of March 7, 2003¹⁷². Annex 2 of the mentioned decision defines the samples of water use permits.

The process of issuing water use permits in the Republic of Armenia is carried out by the Water Resources Management Agency of the Ministry of Environment of the Republic of Armenia (“MoE WRMA”).

The procedure for obtaining a water use permit begins with the submission of an application for a water use permit to the RA MoE.

The water use permit is granted based on the initial and final assessment of the application submitted by the water user to the agency. It should be noted that the submission of the application for a water use permit, the acceptance and the initial assessment of the latter, in addition to the paper version, can

¹⁷² RA Government Decree No 218-N of March 7, 2003, available at <https://www.arlis.am/DocumentView.aspx?DocID=142727>

also be done electronically by the choice of the applicant, but the procedure for the mentioned electronic version is missing. Based on the foregoing, we suggest ensuring the requirement envisaged by the Government decree, i.e. to adopt procedure for electronic submission, acceptance and initial assessment of the application for water use permit by RA Minister of Environment. Adoption of the latter will make the process of granting water use permits easier, which, in turn, shall facilitate establishment of more favorable environment for entrepreneurship.

After submitting the water use permit application, the agency shall notify the water user in writing within 30 days about the acceptance or rejection of the application for obtaining a water use permit. The process of final assessment of the water use permit application begins in case of availability of the relevant documents (complete package) attached to the application. The list of documents required for obtaining a water use permit is also defined by the mentioned decision. The list is as follows:

Table 2.2.2 The list of documents required for obtaining water use permit

1	The copy of the passport of the water user (physical person);
2	Recommendation on environmental impact assessment of water use in cases provided by law;
3	Copy of the document certifying the right of ownership or lease of land or other real estate for water use;
4	Relevant document on the capacity and quality of the dryland spring issued by the organization using those wells (if necessary);
5	Description of the possible servitude and of the use of the property, name, surname and location of the owner;
6	former water use permit (in case of being a water user formerly);
7	Receipt of payment of state duty (original);
8	In accordance with the requirements of the public notification for documents developed by the Water Resources Management and Protection Body and publicity order, the announcement on water use published in print media (after the preliminary assessment of the application);
9	Individual norms of water use and drainage approved in accordance with the procedure for determining the amount and regime of water intake allocated to water users from water resources;
10	Norms of permissible limit leakage of hazardous substances (PLL) contained in wastewater calculated according to the departmental act "Methodology of calculating the permissible limit leakage rate for wastewater poured into water resources" approved by the order of the head of the authorized body;
11	The layout (scheme) of the site, which reflects the connection of the water use point (coordinate axes) with any known object next to it, approved by the local authorities, if necessary;
12	In case of water use for utility, remedial and medical purposes, a relevant document (recommendation) issued by the Ministry of Health of the Republic of Armenia, regional expert centers of the Health Inspection Body;
13	In case of water use from deep underground wells, a business plan on the given activity;
14	Planning-schedule of effective use of water resources, improvement of monitoring and pollution reduction and prevention measures using modern technologies;
15	When assessing applications for extension of water use permits from underground deep wells, the recommendations of the local authorities and water system state administration bodies of the water use area on the secondary use of water used with the water use permit;
16	Hydrogeological information provided by the SNCO "Hydro-Geological Monitoring Center" of the Ministry of Environment of the Republic of Armenia (by the RA Government Decree № 1442-N of October 10, 2019 by "Environmental Monitoring and Information Center") (in case of obtaining a new water use permit from underground water sources, in case of use of ownerless boreholes, exhausted mines, abandoned mines and open wells used for sewage disposal);
17	Design geological-technical section of hydrogeological well (in case of positive hydrogeological information);
18	In case of an application for water use by drilling a deep well, the registration data of the drilling equipment, information on the technical condition of the equipment and the obligation to submit the drilling well data to the "Republican Geological Fund" state non-commercial organization and the State Water Cadastre.

In case of submitting the applications for obtaining water use permits to the National Water Council of the Republic of Armenia, the ME WRMA sends them to the authorized body of water system management for an opinion. The authorized body of the water system management submits the opinion on the application to the authorized body within 10 days.

After acceptance and preliminary assessment of the application, the Agency, notifying the applicant within 30 days, shall notify the public about the application for a water use permit.

The absence of responses and opinions on the expected water use permits during the notification of the public is an expression of the public's positive opinion on the water use.

During the notification of the public the negative opinions with regard to the expected water use permits reasoning the violations of rights and legal interests of third parties or the water legislation of the Republic of Armenia are discussed by the authorized body and, if confirmed, are grounds for refusing to grant a water use permit.

The water use permit is granted by the Agency within 30 days following the notification to the public.

The Water Code sets the maximum period during which water use permits can be issued. This period can not exceed 50 working days.

Within 5 working days after the issuance of the water use permit the ME registers the water use permit and the conditions attached to it in accordance with the procedure defined by the RA Water Code.

In order for a water use permit to be considered valid, it should be signed by the Minister of Environment and the person who has obtained the water use permit, should be approved by the ME seal and registered in the State Water Cadaster.

2.2.2 Procedures for granting permits for implementation of geological exploration for mineral extraction purposes and permits for mineral extraction, conclusion and termination of contracts

(i) General description

As stated above, subsoil of the Republic of Armenia belongs to the State and is under its exclusive ownership. It is provided to the mining companies only with the right of exploitation for geological exploration for mineral extraction purposes or implementation of mineral extraction activities. RA legislation envisages two trade regimes for subsoil exploitation and correspondingly two types of permits for these regimes: a permit for implementation of geological exploration for mineral extraction purposes and a permit for mineral extraction (the legislation also regulates a separate regime for granting agreements for geological exploration).

The first type of permits grants a right for geological exploration in some areas of subsoil for finding minerals, while the second type grants a right for mineral extraction and (or) processing of mining wastes in some parts of the subsoil.

The Legislation also regulates the transfer of the mining right: alienation of the right to third persons or transfer thereof to a new legal entity established as a result of division or separation within the scope of reorganization of the mining entity, shall be made exclusively upon the consent of the MTAI.

However, sale and purchase of the shares of the mining entities have not been regulated or controlled within the reporting period (of course, except for applicable norms of economic competition). Later,

pursuant to the legislative package adopted on April 23, 2019¹⁷³, a procedure for publishing information on beneficial owners was introduced, which alleviates the problem to some extent, however cannot be considered a comprehensive solution.

(ii) *The procedure for granting a permit for geological exploration of subsoil for mineral extraction purposes*

The procedure of receiving permits for implementation of geological exploration of subsoil for mineral extraction purposes (requesting the right for exploration) is regulated by the Code. The application for receiving a right for geological exploration of subsoil for mineral extraction is submitted to MTAI. The application contains the information presented in the table below¹⁷⁴.

Table 2.2.3 Information to be included in the application for receiving the right for geological exploration for mineral extraction purposes and attached documents, as of the reporting period

1	Corporate data of the applicant (the copy of the state registration certificate of the applicant) – in case of a legal entity;
2	The required time-frame for performing works;
3	Mineral resource(s) subject to geological exploration;
4	The general and geological description of the requested part of the subsoil with geological map and the plan with endpoint coordinates ¹⁷⁵ ;
5	The work plan of geological exploration (presented with the purpose of being agreed with MEINR) which shall include following information and attachments ¹⁷⁶ :
	i. Purposes and anticipated timeframes of the works to be performed;
	ii. Identified methods, ways and means of the performance of work in accordance with the best international practices, and estimated volumes;
	iii. The following documents are attached to the work plan of geological exploration:
	(a) Necessary mapping materials;
(c) The application for initial assessment of environmental impact, including environmental action plan;	
(d) Mining waste management plan and financial guarantees required for implementation of measures envisaged by mining waste management plan, and in the cases prescribed by this Code – mining waste processing plan and financial guarantees required for implementation of measures envisaged by mining waste processing plan;	
6	Data on the applicant's previous owned mining rights in the Republic of Armenia ¹⁷⁷ ;
7	The names, citizenship (in case of a legal entity the copy of state registration certificate) of the persons (entities) having 10 or more percent of shares (stocks) of the applicant legal entity, as well as other information in accordance with the procedure defined by the authorized body ¹⁷⁸ ;

¹⁷³ By this package amendments have been made to the Code and RA Law “On State Registration of Legal Entities, Separate Divisions of Legal Entities, Institutions and State Registration of Individual Entrepreneurs”.

¹⁷⁴ Code, reference 39, Article 38.

¹⁷⁵ Has lost its force by the Law “On Making Amendments and Supplements to the Mining Code of the Republic of Armenia”, adopted on November 13, 2019 (HO-256-N).

¹⁷⁶ Code, reference 39, **Error! Bookmark not defined.**article 39.

¹⁷⁷ Has lost its force by the Law “On Making Amendments and Supplements to the Mining Code of the Republic of Armenia”, adopted on November 13, 2019 (HO-256-N).

¹⁷⁸ This clause has been rewritten by Law “On Making Amendments and Supplements to the Mining Code of the Republic of Armenia”, adopted on April 23, 2019 (HO-24-N).

8	Information on financial and technical capacities and means, the content and the requirements for which are defined by the Government;
9	The list of submitted documents.

It should be noted that a number of changes have been made to the information included and list of documents attached to the application for the purpose of obtaining the right for geological exploration for mineral extraction purposes by the Law “On Making Amendments and Supplements to the Mining RA Code of the Republic of Armenia”, adopted on November 13, 2019. The mentioned changes came into force on December 21, 2019. As a result of such changes the application includes the following information:

1. The state registration number of the applicant;
2. The required time-frame for performance of works;
3. Mineral(s) to be explored geologically;
4. Geological exploration plan, which includes:
 - ▶ the purposes of the work to be performed and the expected terms;
 - ▶ Identified methods, ways and means for performance of work, in accordance with the best international practices, and estimated volumes;
 - ▶ General and geological descriptions of the requested area of subsoil with a geological map, the plan with the endpoint coordinates approved by the signature of the person having the qualification certificate in accordance with the legislation, as of six months prior to the submission of the application.

The following documents are attached to the project of geological exploration:

- ▶ The application of the initial assessment of environmental impact, including the environmental action plan;
 - ▶ Mining waste management plan and financial guarantees required for implementation of measures envisaged by mining waste management plan and in cases provided by the Code the mining waste recycling plan and financial guarantees required for implementation of measures envisaged by recycling plan.
5. In case of a geological exploration for mineral extraction purposes, an extract containing information on the real owners as of 5 days prior to the submission of the application.
 6. In case of a geological exploration for mineral extraction purposes an extract containing information on the real owners after the state registration of the change in case of changes of real owners within the period before making a decision on the application on requesting the right.
 7. Information on financial and technical capabilities and means, the content and requirements of which are defined by the government.
 8. The list of submitted documents.

The financial and technical capabilities of the applicant defined in clause 8 above have been revealed in the first EITI report and have not been changed during the reporting year of this report. Therefore, the procedure for assessing the qualitative criteria of the information on the financial and technical

capabilities and means of the entity applying for subsoil exploitation presented in the previous report is the same.

The procedure for submitting information on financial and technical capabilities approved by the Government¹⁷⁹ and respective samples (reference on the experience of professional work in the field of subsoil exploitation, reference on the availability of required engineering staff, reference on the availability of necessary technical capabilities and means, reference on necessary financial means, reference on not having tax liabilities issued by the RA tax authorities) remain the same.

As shown in the table above the work plan of geological exploration for mineral extraction purposes is also attached to the application, which should include purposes and anticipated time-frames of the works to be performed, as well as identified methods, ways and means of the performance of work in accordance with the best international practices, and estimated volumes, and since 2019 also the general and geological descriptions of the requested area of subsoil with a geological map, the plan with the endpoint coordinates approved by the signature of the person having the qualification certificate in accordance with the legislation, as of six months prior to the submission of the application. Mapping materials are attached to the project (has lost its force 13.11.19 HO-256-N), application for environmental impact assessment (with the environmental action plan) and mining waste management plan and financial guarantees required for implementation of measures envisaged by mining waste management plan, and for those applicants willing to recycle mining waste: mining waste recycling plan and financial guarantees required for implementation of measures envisaged by recycling plan.

The working plan of geological exploration is agreed with the MTAI. Implementation of geological exploration is not allowed without prior approval of the project.

Consideration of Applications. The procedure for considering applications has not been changed in 2018, although some terms have been changed by the law № Ho-256-N “On making supplements and amendments to the Mining Code of the Republic of Armenia” adopted on 13.11.2019 (the primary purpose of these changes is to provide a more detailed study of the working plan of geological exploration and the EI preliminary assessment request submitted with the application in the preliminary stage, excluding the disclosure of issues related to them in the final part of the application review). Thus, within 5 days after receiving the application, MTAI notifies the applicant of the completeness of the application package attached to the application and of the registration of the application. Within 10 days after the registration of application (within 20 days by the amendments HO-256-N of 13.11.19) MTAI discusses the working plan of geological exploration attached to the application and together with EI preliminary assessment request, mapping materials and mining waste management plan and financial guarantees submitted with the application, submits them for expert examination.

Up to 30-day period (within 30 working days by the amendments HO-256-N of 13.11.19) after receiving the project and attached documentation, the Ministry of Environment provides recommendation with

¹⁷⁹ “The Content of the Information on Financial and Technical Capabilities and Means of an Entity Requesting Mining Right and Their Requirements”, Governemnt Decree № 367-N (adopted on March 28, 2013), available from <https://www.arlis.am/DocumentView.aspx?DocID=82720>.

regard to the project. In case the respective recommendation on the EI preliminary assessment request is not provided within 30-day period (within 30 working days by the amendments of 13.11.19 HO-256-N), it is considered to be positive.

After receiving the positive recommendation with regard to the EI preliminary assessment request, the MTAI shall, within 60 days from the day of the registration of application (within 20 days by the amendments HO-256-N of 13.11.19), render a decision with regard to the application and shall notify the applicant about the latter in written form. In case the decision with regard to the application is not made within the said period, it is considered to be accepted.

If two or more persons have applied for the same subsoil area, the preference shall be given to the applicant whose application was registered first.

If the documents submitted by applicant are incomplete or the submitted study project, as well as the information on applicant's financial and technical capabilities and means do not comply with the requirements of the legislation, the MTAI informs the applicant about it within 10 days (within 20 days by the amendments HO-256-N of 13.11.19).

The applicant shall eliminate the mentioned shortcomings within 10 days after receiving the notification. If the mentioned shortcomings are not eliminated within the defined period, the authorized body shall reject the application on this basis.

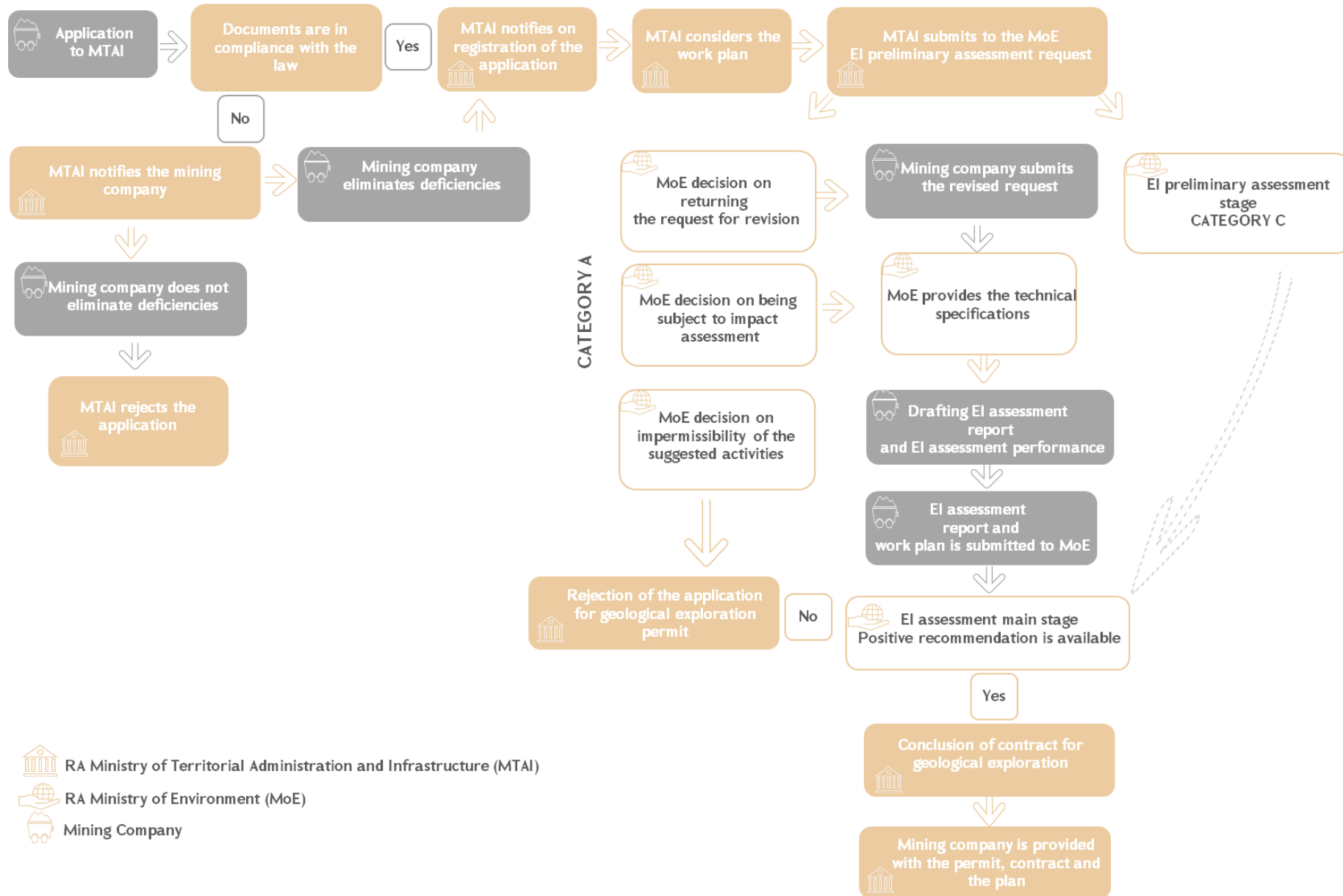
As the result of the administrative proceedings (consideration of the application), a permit for geological exploration of subsoil is granted and an invitation to verify the geological exploration contract is sent.

The permit includes the serial number, the year, month and date of issue and validity period, the subsoil area endpoint coordinates in compliance with unified coordinates system, the purpose of geological exploration and the name of the mineral resource. The study project and geological exploration contract are attached to the permit and are considered integral parts thereof¹⁸⁰.

Rejection of the application. The grounds for rejecting the application by MTAI prescribed by the Code have not been changed within the reporting period, and they are available on pages 144-145 of the First Report.

¹⁸⁰ Code, article 37

Figure 2.2.1 The procedure for granting a permit for geological exploration of subsoil for mineral extraction purposes



(iii) The procedure for granting mineral extraction permits

The procedure of receiving the permits for mineral extraction (request for extraction right) is regulated by the Code.

With the purpose of receiving the right for mineral extraction the legal entities submit an application to RA Ministry of Territorial Administration and Infrastructure (previously the RA Ministry of Energy Infrastructures and Natural Resources. The application contains the information presented in the table below:

Table 2.2.4 The information included in the application for the right for mineral extraction, as of reporting period

1	Corporate data of the applicant (the copy of the applicant's state registration certificate (state registration number by the amendments HO-256-N of 13.11.19), note on the size of the Charter capital of the applicant's legal entity);	
2	The anticipated time period of mine use calculated on the basis of the available technical-economic indicators;	
3	The geological description of the area of the subsoil for which the applicant aims to receive the right for mineral extraction ¹⁸¹ ;	
4	The list of the approved minerals;	
5	Mineral extraction project:	
	i.	Such methods of opening the mineral deposits and exploitation systems, which comply with the best international practices and ensure reasonable and comprehensive, economically expedient extraction ensuring minimal environmental losses of main and accompanying mineral reserves, as well as safe and lasting use of constructions;
	ii.	Details on the formation of the planned infrastructure;
		By the amendments HO-256-N of 13.11.19 also geological description of the subsoil area, blocking maps of the geological and approved reserves of the mine with respective sections, the movement of the mine according to the drawings showing the years, the general plan of the mine, the schedule of the mine operation preparation and extraction works;
	iii.	Calculation of the expected period of mine use based on the available technical-economic indicators;
	iv.	Assessment of environmental impact, including environmental control plan and monitoring plans;
	v.	Social impact assessment:
		(a) Provisions for improving the social conditions of the population in case of resettlement; (c) Provision on improving the living standards of the population; (d) Guarantees for ensuring participation in community's social-economic development processes; (e) Storage and maintenance of the removed soil layer and simultaneously extracted lean ore; (f) Ensuring the norms and rules defined for labor safety, employee health protection and environment protection; (g) Recovery of damaged lands;
6	Mine closure plan:	
	i.	The physical closure plan of the mine which includes dismantling of infrastructures, machines, equipment and constructions;
	ii.	The recultivation plan for land areas damaged as a result of mineral extractions, including the recultivation plan during the existence of the mine (based on the mine exploitation method);

¹⁸¹ The clause has lost its force by the law HO-256-N of 13.11.19.

	iii.	Social mitigation program for employees, according to the legislation;
	iv.	Monitoring plan for ensuring the safety and health of population of the communities in mineral extraction areas, in the areas of dumping production waste originated during the production process and their adjoining territories;
	v.	Confirmation of the drafting of the final mine closure plan 2 years before the completion of the mine exploitation;
	vi.	Financial guarantees for the implementation of the mine closure plan;
7		Data on previously held rights of the applicant for implementation of mining activities in the Republic of Armenia ¹⁸²
8		The names, citizenship (in case of a legal entity the copy of state registration certificate) of the persons having 10 or more percent of shares (stocks) of the applicant legal entity, as well as other information in accordance with the procedure defined by the authorized body ¹⁸³ ;
8 ¹		After the submission of the application, before the decision on the application of the requesting right is made, an excerpt containing information on the real owners in case of changes of the real owners, after the state registration of the change;
9		Information on financial and technical capabilities and means, the content and requirements to which are defined by the government;
10		Financial proposals and guarantees which should include details on mine operations, capital and operational costs;
11		Mining waste management plan and relevant financial guarantee, and in cases defined by the law - mining waste processing plan and financial guarantees necessary for implementation of activities envisaged by the mining waste processing plan;
12		The receipt of the state fee set for implementation of environmental impact expertise.

The criteria for legal entities providing financial guarantee¹⁸⁴ stated in point 11 of the table above were defined by RA Government Decree № 885-N “On criteria for legal entities providing financial guarantees”¹⁸⁵ dated July 20, 2017.

According to the latter the legal entity – bank, other credit organization or insurance company should be

a person licensed by the Central Bank of the Republic of Armenia in accordance with the procedure defined by the RA Law “On the Central Bank of the Republic of Armenia”¹⁸⁶, and non-resident legal entity should be rated by one of the following international credit organizations - Standard & Poor’s, Moody’s, A.M. Best or Fitch, with rating not lower than:

The lowest rating of non-resident legal entity providing guarantees	
Standard & Poor’s	A-
Moody’s	A3
A.M. Best	A-
Fitch	A-

¹⁸² The clause has lost its force by the law HO-256-N of 13.11.19.

¹⁸³ This clause has been amended to read as follows by the law HO-24-N of 23.04.19:

«8) in case of extraction of metal minerals an excerpt containing information on beneficial owners defined by the Law “On State Registration of Legal Entities, Separate Divisions of Legal Entities, Institutions and State Registration of Individual Entrepreneurs” as of 5 days prior to the submission of the application”.

¹⁸⁴ Financial guarantees are provided for use, closure of mining waste objects and mining waste processing objects, and implementation of procedures defined by the legislation to be realized after closure, which are defined by mining waste management and mining waste processing plans.

¹⁸⁵ <https://www.arlis.am/DocumentView.aspx?DocID=115056>

¹⁸⁶ <https://www.arlis.am/DocumentView.aspx?docID=64633>

The legislation of the Republic of Armenia envisages prohibition of implementation of subsoil exploitation activities in some areas. Thus, according to the Code use of separate areas of the subsoil is prohibited from the viewpoint of ensuring national security, protection of life and health, cultural-historical values or environment, if cemeteries, natural, historical or cultural sites, plants or animal populations registered in the RA Red Book are located on the requested part of the subsoil, as well as in case animal migration routes pass through these areas.

Consideration of applications: A number of departments take part in the process of consideration of applications: MTAI, the Ministry of Emergency Situations, the Ministry of Environment.

The MTAI, within 10 days (within 40 days by the amendments HO-256-N of 13.11.19) after registering the application, discusses the plan attached to the application and provides it to MES for technical safety expertise, and EIA (Environmental Impact Assessment) report is provided with attached documents for expertise to the Ministry of Environment.

MES carries out the expertise within 60 days after receiving the plan. MES provides expertise recommendation regarding the plan¹⁸⁷. As mentioned above the expertise itself is carried out by “National Center for Technical Safety” SNCO or legal entities or individual entrepreneurs accredited in accordance with the procedure defined by the RA Legislation and registered by MES¹⁸⁸, according to the “Technical Safety Expertize Implementation Procedure” approved by the RA Government¹⁸⁹. In case the recommendation is not provided on time, it is considered positive.

In case the project is incomplete MES, , informs the MTAI about it stating the shortcomings within 5 days after its receipt, and the latter in its turn notifies the applicant within 5-day period. The applicant has the

right to eliminate the shortcomings within 10 days (within 40 days by the amendments HO-256-N of 13.11.19) after receiving the notification, otherwise the MTAI declines the application.

In case of receiving the corrected version of the project within 5-day period the MTAI provides it to MES for technical safety expertise.

In its turn the Ministry of Environment provides expertise recommendation within 100 days (within 60 working days by the amendments HO-256-N of 13.11.19) after receiving the EIA report. In case the recommendation is not provided within 100 days (within 60 working days by the amendments HO-256-N of 13.11.19), it is considered positive. It should mentioned, that by the amendments HO-256-N of 13.11.19 according to the decision of the Ministry of Environment, the term of the main stage of the expertise may be extended by not more than half of the time limit set for each category, but not more than once.

If the EIA report is incomplete, the MoE informs the applicant about it within 10-day period from its receipt, stating the shortcomings. The applicant may eliminate the shortcomings within a 10-day period. Otherwise, the MTAI rejects the application.

¹⁸⁷ Code, article 51(2)(1)

¹⁸⁸ RA law “On State regulation of provision of technical safety” 204-N (2005, October 24), article 11(1)

¹⁸⁹ RA Government Decree 1359-N (2011, September 11)

After receiving the revised version of the EIA report the MTAI once again presents it to the MoE for expertise.

After receiving the positive expert recommendation the MTAI, makes a decision regarding the application within 180 days (within 25 days by the amendments HO-256-N of 13.11.19) after registering the application and notifies the applicant. In case of not making a decision within 180-day (within 25 days by the amendments HO-256-N of 13.11.19) period the application is considered satisfied.

In case the documents attached to the application are with shortcomings or the provided financial and technical information does not comply with the requirements of the legislation, the MTAI notifies the applicant within 10 days (within 40 days by the amendments HO-256-N of 13.11.19) after registering the application who has 10 days for eliminating the shortcomings. Otherwise, the MTAI rejects the application.

Refection of the application. The grounds for rejecting the application defined by the Code are set out in the table below.

Table 2.2.5 Grounds for rejection of the application for the right to extract minerals

Grounds for rejection of the application for the right to extract minerals	The documents attached to the application or the information provided in them are forged;
	The subsoil area mentioned in the application or a part of it is an object of other mining right;
	The subsoil area for which the applicant claims to receive mineral extraction right exceeds the area required for implementation of mining activities envisaged by the mineral extraction project summary provided by the applicant
	Provision of mineral extraction right contradicts the requirements of the RA legislation, including the requirements for assuring the national security of the Republic of Armenia, as well as the requirements of international treaties of the Republic of Armenia
	Any previously held mining right of the applicants has been terminated for the following reasons: (i) the applicant has received a warning and within the time-period stipulated by the MTAI (90 days) (up to 90 days by the amendments HO-256-N of 13.11.19) has not eliminated the grounds for the warning) (up to 120 days the suspension grounds by the amendments HO-256-N of 13.11.19), (ii) has used the subsoil not for the purpose for which it has been provided, (iii) the mining company has discovered and has not notified the authorized body within 14 days about a) discovering accumulations of minerals not stated in mining right, b) presence of rare objects and objects of scientific-cultural value, c) emergence of unforeseen ecological risks (Article 30 of the Code);
	The terms have been violated;
	On the land plot of the claimed subsoil area there are (i) cemeteries, (ii) natural, historical and cultural monuments, (iii) plants or populations of animals registered in the RA Red Book, as well as in case animal migration ways pass through this area;
	Financial guarantees provided by the applicant are insufficient for implementation of activities envisaged by mining waste management and (if applicable) mining waste recycling plan;
	Financial guarantee was provided by a legal entity which does not meet the criteria defined by the RA Government for legal entities providing financial guarantee.

Elimination of possible shortcomings available in the application. The RA legislation envisages an opportunity for eliminating the shortcomings in the application. Thus, the Article 51(9) of the Code defines:

In case the documents provided by the applicant are incomplete, or the provided extraction project, as well as information on financial and technical capacities and means of the applicant does not meet the requirements defined by the legislation, then the authorized body, within 10-day (within 40 days by the amendments HO-256-N of 13.11.19) period after registering the application, informs the applicant about it. The applicant, within 10 days after receiving the notification, eliminates the mentioned shortcomings. In case the mentioned shortcomings are not eliminated within the defined period the authorized body rejects the application on this ground.

If two or more persons have applied for the same subsoil area or for such subsoil areas, which have general parts, the preference is given to the privileged applicant (holding the subsoil exploitation right for geological exploration for mineral extraction purposes), and in case of the absence of the latter to the person whose application was registered first (Article 51(10) of the Code).

(iv) The MTAI's consent on transfer of mining right

As already mentioned, the legislation also regulates the transfer of mining right, that is the alienation of the right to third parties or its transfer to a new legal entity established by way of division or separation as a result of the reorganization of a legal entity holding a permit. The transfer is possible only upon agreement of the MTAI. It is noteworthy that the Code defines only the requirements for the application¹⁹⁰ and the time frames for application consideration by the MTAI (30 days). The Code does not specifically provide for grounds for rejection of the application, meanwhile it refers to the grounds for rejection of applications for granting mining rights. However, we believe, that it is not reasonable to address such significant issue with reference provision only, hence, we suggest envisaging separate regulation which shall directly define rejection grounds for transfer of mining rights.

As mentioned above, the sale of shares / stocks of a company holding mining right is not controlled by MTAI. While such changes can lead to the termination of financial guarantees or the right to own an active mining company can be transferred to enterprises with a negative environmental history in other countries without any legal mechanism for prevention by the state.

(i) The procedure for granting consent for geological exploration of the subsoil

The Code also regulates the regimes for granting consents for geological exploration of the subsoil. The right for geological exploration granted by the MTAI provides the entity with the following rights:

- ▶ Implementation of regional geological exploration – regional geological-geophysical activities, geological extraction (mapping), geo-chemical, seismological, hydro-geological and engineering-geological exploration, scientific-research, archeological and other activities aimed at implementation of general geological exploration of the subsoil;
- ▶ Geological exploration of volcanic activity, monitoring of external geological processes;

¹⁹⁰ Requirements for the application are prescribed by Article 23(2) of the Code, as well as are available on page 150 of the First Report available at https://eiti.org/files/documents/english_2016-2017_armenia_eiti_report.pdf

- ▶ Creation of mineralogical, archeological and other geological collections, collection of aesthetic and semi-precious stones;
- ▶ Description and maintenance of scientific, cultural, aesthetical and geological objects of other values (rare geological phenomena, natural monuments, caves and others).

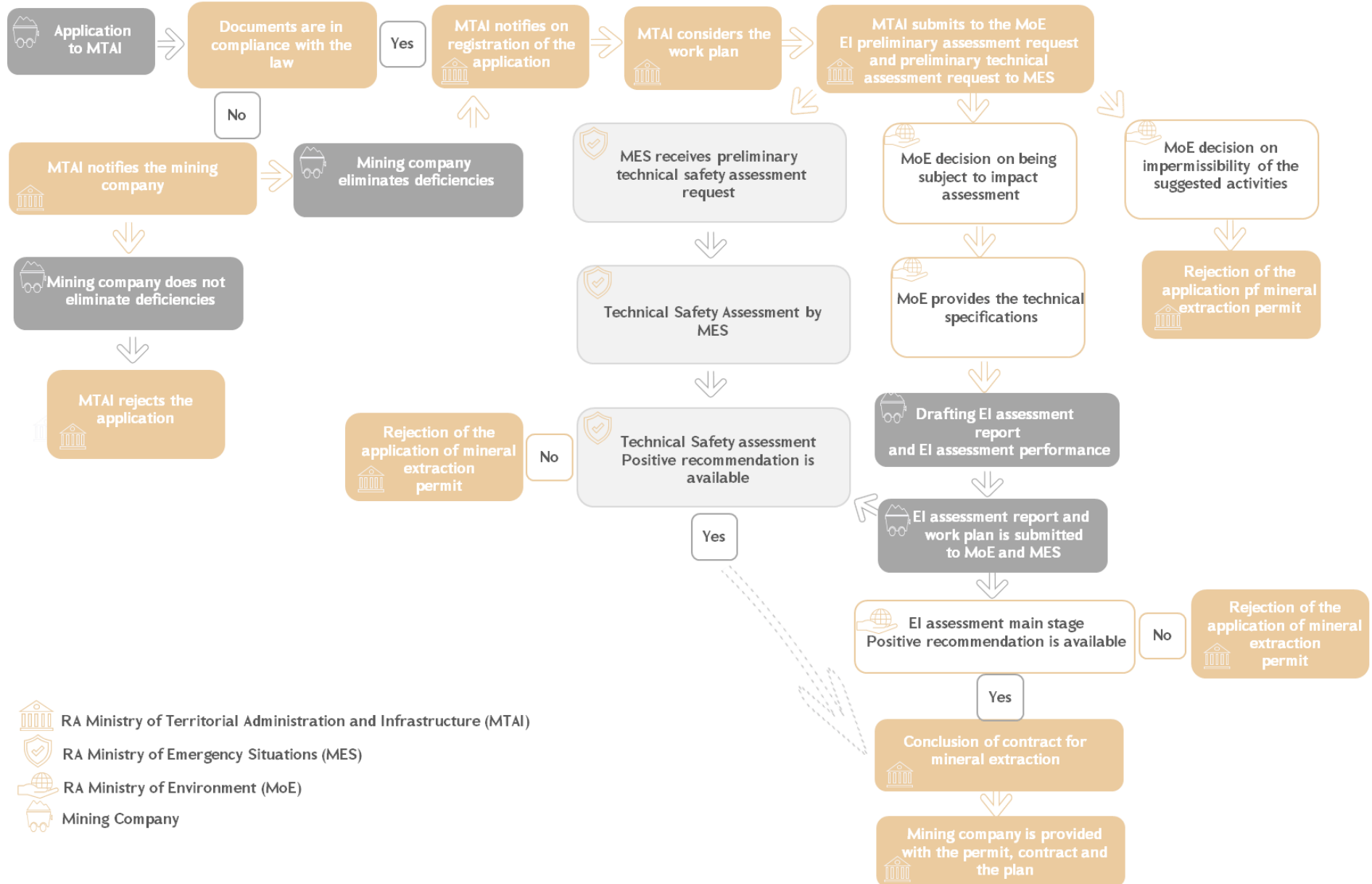
The entities claiming to receive the right (agreement) submit an application to the MTAI, which shall include the information provided for by the Code¹⁹¹, and which is available on page 151 of the First Report.

It is noteworthy that the legislation effective during the reporting period did not provide for the grounds for not providing consent for geological exploration by the MTAI. However those grounds were defined by the amendments of April 23, 2019 which have entered into force starting from July 1, 2019 (those grounds are: (1) submission of forged documents or information, (2) the claimed subsoil area is greater than the area required for subsoil exploitation defined by geological exploration project, (3) insufficiency of financial and technical capabilities and means, (4) granting the right contradicts other requirements of the RA legislation, (5) the termination of any mining right previously held by the applicant, not elimination of the grounds for the warning of the Authorized body, exploiting the subsoil not for the purpose for which it has been provided, not notifying the within the period defined by the Authorized body about discovering accumulations of minerals not stated in mining right, or presence of rare objects and objects of scientific-cultural value, or emergence of unforeseen ecological risks (Article 30 of the Code); (6) the subsoil area is located in the areas where are cemeteries, natural, historical and cultural monuments, plants or populations of animals registered in the RA Red Book, if the project envisages the crossing of mountain ditches and the creation of infrastructure, which are accompanied by a violation of land cover)¹⁹²

¹⁹¹ Code, article 33

¹⁹² The Code, Article 33.1, the RA law "On Amendments and Supplements to the Mining Code", HO-24-N, 23 April 2019, available at <https://www.arlis.am/DocumentView.aspx?docid=130250>

Figure 2.2.2 The procedure for granting mineral extraction permits



Termination of the mining right. The process of termination of the mining right is regulated by the Mining Code of the Republic of Armenia. In particular, the mining right may terminate exclusively on the grounds and as prescribed by the Mining Code of the Republic of Armenia.

The legal relations related to the termination of the mining right are regulated by Article 30 of the Code. In the reporting year of 2018, the mining right could have been terminated in the following cases:

- 1) the term of the right has expired;
- 2) right holder legal entity has been dissolved or the right holder sole proprietor has ceased to exist
- 3) the right holder has not eliminated the grounds for written notice within the period defined by the authorized body (90 days)
- 4) the subsoil has been exploited for a purpose other than the purpose for which the right has been granted
- 5) the right holder has discovered and failed to notify the authorized body on:
 - discovering minerals not listed in the mining permit
 - existence of rare and scientific-cultural values
 - appearance of unpredicted environmental risks.

However, on April 23, 2019, according to the amendments introduced by the Law HO-24-N, the mining right may also terminate if the right holder has not eliminated the grounds for warning (up to 90 days) or suspension (up to 120 days) within the timeframe set by the MTAI.

It is noteworthy that the MTAI is not entitled to terminate the mining right if the right holder has eliminated the grounds for the notice of warning or suspension (the suspension was added as a result of the amendments introduced by the Law HO-24-N of 23.04.2019) within the 90 days from receipt of the notice or before the expiration of the term for suspension. In addition, the termination of the mining right may not enter into force until the end of the court proceedings initiated against the right holder.

Although, according to the Code, the mining right may terminate in order to ensure the overriding public interests in accordance with the legislation of the Republic of Armenia (the termination of the mining right is the ground for the termination of the mining entity's rights to the land allotted for the purpose of subsoil exploitation), the definition of the overriding public interest or the description of its individual cases is not defined at the legislative level or in the model form of the Agreement.

Bankruptcy of a right holder company (voluntary or involuntary), as well as the risk of bankruptcy do not constitute grounds for termination of the mining right. The fact that the company is declared bankrupt does not exempt the latter from mandatory fees related to subsoil exploitation, as well as from any other obligations which are applicable to mining companies (they are not subject to moratorium) such as state duty for granting subsoil and mineral use permit, royalties, payment for the use of natural resources etc.

Waiver of the mining right. The Code also regulates the right to waive the right of geological exploration of the subsoil for the extraction of minerals in the subsoil or part of it and the legal relations related to the abandonment of the subsoil site, which is considered to be the object of the right of mineral extraction.

Thus, in both cases, the concerned entity must apply to the MTAI at least 3 months before the desired date for the renunciation to enter into force.

To waive, one must submit an application. Attached to the application for waiver the following documents must be presented:

- (i) note on the desired day of waiver to enter into force
- (ii) a detailed description of the work done on the subsoil site, on which the applicant wishes to waive the right to geological exploration or right to mineral extraction
- (iii) documents certifying the execution of the mentioned works.

According to the amendments introduced by the Law HO-24-N dated 23 April, 2019, in order to conduct a geological exploration on metallic mineral extraction and to extract metallic mineral, attached to the application an abstract containing information about the real owners must be presented, as of 5 days prior to the submission of the application.

In case of abandonment of the subsoil site, which is considered to be the object of the mineral extraction right, to this list of documents are added also the mine closure program, which includes the dismantling of infrastructures, vehicles, equipment and buildings, the program of recultivation of the disturbed lands, the program of social mitigation of the labor force, the monitoring plan. Besides, financial guarantees for mine closure program and documents supporting performance of such works shall be attached to the application.

The application for renunciation of the right of geological exploration of a part of the subsoil site shall describe the given subsoil site.

The following documents are attached to the application:

- 1) description of the subsoil site,
- 2) the modified program of geological exploration,
- 3) the plan of the given site which defines the part of the subsoil site on which the right holder wants to renounce the right of geological exploration.

The plan of the given subsoil area is attached to the application of waiver of the right to extract the mineral in a part of the subsoil site, which shall define the part of the subsoil site in regard to which the mining entity wishes to waive the right to extract the mineral, as well as the modified project.

If the certificate refers to a part of the subsoil site which is considered to be the object of geological exploration, the authorized body, considering the application and the amended program of geological exploration within 30 days, shall provide the applicant with a certificate of waiver, which may contain conditions for waiver of the right to geological exploration, of which the applicant shall be notified.

Issuance of a certificate of waiver is not guaranteed, there are cases when the MTAI will not provide it. Thus, the MTAI does not provide a certificate of waiver if the documents are not properly submitted, as well as in cases where remaining area of the subsoil which is considered to be the object of geological exploration or the subsoil site remaining a mineral extraction facility may not be used or operated as reasonable and complex in accordance with the terms of the mining contract or the mineral extraction contract.

In case of waiver of the subsoil site, which is considered to be the object of mining right, the application shall also be rejected when the part of the subsoil site to which the mining entity wishes to waive the right to mine cannot be considered a separate object of mining right.

It is important to note that the waiver of the right to a geological exploration of the subsoil site or part of it, as well as the waiver of the right to extract the ore from the subsoil site or part thereof, do not relieve the applicant of the obligations and responsibility arising from the subsoil or part thereof until the entry into force of the waiver.

Legal issues of the accessibility of the administrative act on termination of mining right

The mining right is terminated by an administrative act adopted as a result of administrative proceedings. The decision made as a result of each administrative proceeding shall be made accessible to the person with respect to whose rights or obligations the act was adopted. However, there are areas whereby administrative acts relate to the interests of the society and therefore make it necessary to make the mentioned acts public and accessible to the public.

The administrative act on the termination of the mining right may also most likely be related to the public interest (if it is conditioned by circumstances that have environmental, health, human rights consequences) and its accessibility stems from public interests, but at the same time, the accessibility of the latter can significantly impair the legitimate interests of the legal entity holding mining right and business reputation.

During the meetings with the MSG, the issue of making public administrative acts on the termination of the mining right was raised. Overall, in agreement with this proposal, we consider that only administrative acts that have entered into force shall be subject to publication.

Thus, like any other administrative act, the administrative act on the termination of the mining right may also be challenged and suspended by the force of the dispute until the legal act of the court enters into force. Therefore, in fact, a situation might be established when the act on termination of the right is not grounded but its untimely publication causes significant economic consequences for the subsoil exploitation.

Therefore, in order to protect the rights and legitimate interests of both parties, the public and the mining entities, we believe that administrative acts on the termination of mining rights can be made available to the public only if they enter into force and cannot be publicized when they are challenged by a mining entity in court.

2.2.3. Types of potential violations which can be committed while exercising mining rights and liability for such violations

As it was highlighted above, mining entity can be warned, or mining rights thereof can be suspended, even terminated, in case the latter does not perform the obligations prescribed by Code or terms and conditions of mining rights. However, besides the negative consequences above, Armenian legislation provides for other types of liability – administrative and criminal.

Hence, as a general rule, Article 78 of the Code provides that mining entities and officials thereof shall be held **liable for violations of requirements of Code as prescribed by the laws of the Republic of Armenia.**

Conducting mining activities without mining right is prohibited. Conducting mineral extraction or geological exploration with the purposes of mineral extraction without permits prescribed by the Code, shall invoke liability prescribed by Tax Code of the Republic of Armenia.

(i) Administrative offences in mining industry

The RA Code on Administrative Offences was adopted on 06 December 1985, entered into force on 01 June 1986. The RA Code on Administrative Offences provides for a number of acts which are considered to be an offence in the environmental sector, however, here we will only describe administrative violations in the mining sector:

1. *Violating the rules and requirements on performance of works of geological exploration of subsoil (Article 60);*
2. *Violating the rules of subsoil exploitation (Article 60.1);*
3. *Violating the rules of publicity of mining-related activities (Article 60.2);*
4. *Failure to eliminate the violations of the rules of publicity of mining-related activities (Article 60.3).*

Below we will address above-mentioned offences one by one by indicating the sanction prescribed for each of them.

Article	Type of Offence	Sanction
Article 60 Violating the rules and requirements on performance of works of geological exploration of subsoil	Geological exploration of subsoil without being registered in the republican geological fund, as well as failure to transfer geological information to the republican geological fund within the set time period after completion of geological exploration of subsoil	shall entail imposition of a fine upon the official of the entity in the amount of AMD 150,000
Article 60.1 Violating the rules of subsoil exploitation	Deviation from the mineral extraction plans, which significantly violates efficient usage of accurate information on subsoil and minerals	shall entail imposition of a fine upon the official of the entity in the amount of AMD 100,000
	The same offence where committed again within one year of imposition of administrative penalty envisaged by part 1 of this Article	shall entail imposition of a fine upon the official of the entity in the amount of AMD 150,000

Article	Type of Offence	Sanction
	Deviations from the plan during subsoil exploitation not related to mineral extraction, which invoke exogenous geological processes, i.e. degradation, soil slip, heavy showers and other dangerous phenomena	shall entail imposition of a fine upon the official of the entity in the amount of AMD 150,000
	Failure to perform geological and mining survey, failure to maintain required documentation	shall entail imposition of a fine upon the official of the entity in the amount of AMD 100,000
	Subsoil exploitation for mineral extraction purposes without respective permit	shall entail imposition of a fine upon individuals in the amount of AMD 80,000, and upon officials of the entity in the amount of AMD 150,000
	Non-performance or inaccurate performance of measures for protection of subsoil in case of freezing (conservation) during exploitation of the subsoil, or upon completion thereof, including measures on rehabilitation (recultivation) of land plots, as prescribed by exploitation plan	shall entail imposition of a fine upon individuals in the amount of AMD 80 000, and upon officials of the entity in the amount of AMD 150,000
Article 60.2. Violating the rules of publicity of mining-related activities	Pursuant to the Mining Code of the Republic of Armenia failure to submit required report by the legal entities which are obliged to submit a public report to the Authorized Body and the Staff of the Government of the Republic of Armenia on mining-related activities within the established time period	shall entail the imposition of a fine upon the official of the entity in the amount of AMD 150,000
Article 60.3. Failure to eliminate the violations of the rules of publicity of mining-related activities	1. Failure to perform the demand on submitting the report within ten working days starting from the receipt of the written demand from the authorized government body upon imposition of the liability established by Article 60.2 of this Code for failure to submit the required report by the legal entities which are obliged to submit a public report to the Authorized Body and the Staff of the Government of the Republic of Armenia on mining-related activities within the established time period, as prescribed by the Mining Code of the Republic of Armenia	shall entail imposition of a fine upon the official of the entity in the amount of AMD 200.000
	The same offence where committed again or every other time within one year of imposition of administrative penalties	shall entail imposition of a fine upon the official of the entity in the amount of AMD 300,000

Departmental authority which ensures state supervision in the filed of subsoil exploitation and protection

Departmental authority which ensures state supervision in the filed of subsoil exploitation and protection shall examine administrative cases and impose administrative penalties for administrative offences prescribed by Articles 60 and 60.1. of the RA Code on Administrative Offences (except for the cases of subsoil exploitation for the purposes not related to mineral extraction).

The Ministry of Energy Infrastructure and Natural Resources of the Republic of Armenia which ensures the publicity of mining-related activities shall examine administrative cases and impose administrative penalties on administrative offences prescribed by Articles 60.2 and 60.3 of RA Code on Administrative Offences.

(ii) Criminal offences in mining industry

Criminal Code of the Republic of Armenia was adopted on 18 April 2003, entered into force on 01 August 2003. Criminal Code of the Republic of Armenia provides for a number of actions commission of which causes damages to the environment. However, below we will present only those criminal offences which fall within the scope of this Report.

Article	Type of Offence	Sanction
Article 291. Violating the rules on subsoil protection and exploitation	Violating the rules on subsoil protection and exploitation in the process of planning, locating, constructing, commissioning and operating mining enterprises or underground facilities not related to mineral extraction, as well as, unauthorized construction on the surface of mineral sites, where such actions have negligently caused significant damages	Shall be punished with a fine in the amount of AMD 200,000 to 500,000, or with deprivation of the right to hold certain positions or practice certain activities for up to 3 years
	Subsoil exploitation with violations of rules on subsoil protection and exploitation, or with deviations from respective plans, or without a contract, which caused significant damages to human health, to the environment, to the subsoil, mineral resources therein, buildings and structures	Shall be punished with a fine in the amount of 700,000 to 1,000,000, or with imprisonment for up to 1 year, with or without deprivation of the right to hold certain positions or practice certain activities for up to 3 years

Crimes described above, as well all crimes against the environment are prosecuted as prescribed by the Criminal Procedure Code of the Republic of Armenia by the law enforcement authorities of the Republic of Armenia, while persons which have committed the offence can be found guilty only pursuant to the judgments of the courts of the Republic of Armenia in force.

2.2.4 Companies that have been granted with mining permits (having signed mining contracts) as well as those that have been deprived/suspended of their permits, received penalties, fines, warnings during the Reporting year

The list of companies authorized to conduct geological exploration of the subsoil for mineral extraction is available on the MTAI webpage.¹⁹³ The MTAI webpage publishes all information required under EITI 2019 Standard Requirement 2.3, i.e. the names of the companies that received the permit, the place of the activity, the permit number, the purpose of the activity, the date of issuing the permit, the expiration

¹⁹³ Information relevant to the reporting period is available on the website of the RA Ministry of Energy Infrastructure and natural Resources at <http://www.minenergy.am/page/569>, where information relevant to 2019-2020 are available at the official website of MTAI at <http://mtad.am/hy/mtad29.29.7/>

date of the permit, the date of the contract, the notes on the extension of the contract, as well as other notes (e.g. on the change of the name of the company).

The list of companies with mining permits is also available on the MTAI webpage.¹⁹⁴ The MTAI webpage publishes the names of the authorized companies, the address of the place of activity, the permit number, the date of its issuance, the expiration date, the contract number and the date of issuance, the number of mining act and the date of issuance, as well as other notes (e.g. change of the name of the company, bankruptcy and other).¹⁹⁵

Pursuant to the information provided by MTAI, in 2018, 13 requests have been submitted to the RA Ministry of Energy Infrastructure and Natural Resources for granting permits for geological exploration for the purposes of metal minerals extraction, where out of which 3 permits were granted. With regard to 2 of them, the ministry have rendered decision within time-periods set by the Mining Code of the Republic of Armenia, while in case of the third one, the violation of the time-period was due to the inconsistency between the terms of expert examination envisaged by the Mining Code of the Republic of Armenia and RA Law “On Environmental Impact Assessment and Expertise”, in particular due to inconsistency between suspension and prolongation of the expertise process.

10 requests have been rejected due to non-compliance to the requirements of the Mining Code of the Republic of Armenia.

No request on granting permit for metal minerals extraction has been received at the ministry.

2 entities holding permits for geological exploration for metal minerals extraction have been issued warnings for failure to submit annual interim report. Since the grounds for warning have been eliminated, termination process has not been initiated.

18 entities holding permits for geological exploration for metal minerals extraction have been issued warnings for failure to make payments in the time-periods sets by the law. Since the grounds for warning have been eliminated, termination process has not been initiated.

2.3 Information on mining contracts

2.3.1. State policy on publication of contracts

The state policy on the publication of mining contracts was discussed in detail in the First EITI Report. In the Reporting year and at the date of this report the legislative framework and state policy on the matter in issue has remained unchanged. In view of the above, we hereby reaffirm our position in the First Report, and briefly outline its description hereunder.

Thus, pursuant to the Law No. HO-191-N “On Making Changes and Amendments to the Mining Code” adopted on March 21, 2018 by the National Assembly of the Republic of Armenia (entered into force on

¹⁹⁴ *Ibid.*

¹⁹⁵ *Ibid.*

April 7, 2018), Article 9 of the Mining Code was revised, which, in particular, included part 2 with the following wording:

“The authorized body shall also publish on its official website the mining contracts concluded with mining companies extracting minerals and the amendments thereto, excluding the publication of the information (data) specified as not being a subject to disclosure by the Law of the Republic of Armenia “On Freedom of Information””.

As a result of the above-mentioned legislative reform, all the mining contracts (along with their amendments and appendices) concluded with the mining companies extracting minerals are currently available on the website of the MTAI.¹⁹⁶

Table 2.3.1: The numbers, dates of contracts signed with companies having the right for implementation of geological activities for mineral extraction purposes, company registration number and TINs as of February 12, 2020

Mining company	Registration Number	TIN	Number and date of mining contract
“Georeid” CJSC	264.120.08798	00258804	No. PV -066, 13.07.2012
“Ecuivest Alliance Foundation” LLC	264.110.847218	00140736	No. P-212, 03.08.2015
“Iron Mining” LLC	286.110.929307	02653565	No. P-236, 25.03.2017
“Premium Mining” LLC	273.110.925468	02652485	No. P-237, 25.02.2017
“Energi Invest Holding” CJSC	85.120.879763	03021382	No. P-238, 13.03.2017
“Golden Land” LLC	273.110.912900	02649955	No. P-245, 17.07.2017
“Metals Mining Group” LLC	273.110.912899	02649947	No. P-246, 17.07.2017
“Harust Metagh” LLC	278.110.927638	00470677	No. P-247, 20.10.2017
“Copper Plus” LLC	286.110.944106	02657454	No. P-251, 13.11.2017 No. P-252, 13.11.2017
“Gevler” LLC	72.110.955975	09425628	No. P-255, 14.12.2017
“Polimetal Armenia” LLC	264.110.849028	00141145	No. P-259, 31.01.2018
“Nig Mining” LLC	273.110.965994	02662823	No. P-263, 04.04.2018
“Inter Mining” LLC	282.110.997805	00908544	No. P-266, 28.03.2018
“Chudo Metal” LLC	51.110.891426	04228339	No. P-269, 25.04.2018

Table 2.3.2: The numbers, dates of contracts signed with companies having the right for mineral extraction, company registration number and TINs as of 25 December 2019

Mining company	Registration number	TIN	Number and date of mining contract
“Meghradzor Gold” LLC	286.110.07682	02709666	No. PV-057, 2012 August 22
“Paramount Gold Mining” CJSC	286.120.58034	04219371	No.089, 2012 June 12
“Sagamar” CJSC	278.120.03167	00410036	No. PV-093, 2012 October 20
“Ler-Ex” LLC	27.110.00893	09412188	No. PV-094, 2012 August 16
“Akhtala Mining and Processing Enterprise” CJSC	96.120.00632	06602309	No. PV-103, 2012 October 20

¹⁹⁶ <http://www.mtad.am/hy/mtad26.12.4/196>.

Mining company	Registration number	TIN	Number and date of mining contract
“Fortune Resources” LLC	39.110.01312	02806526	No. PV-169, 2012 October 20
“Molibdeni Ashkharh” LLC	286.110.05872	02580107	No. PV-174, 2012 November 7
“Chaarat Kapan” CJSC	27.120.01216	09416902	No. PV-183, 2012 November 27
“Mego-Gold” LLC ¹⁹⁷	77.110.00610	04213127	No. PV-184, 2012 December 28
“Geopromining Gold” LLC	273.110.02424	01530525	No. PV-189, 2012 October 20
“Vardani Zartonk” LLC	79.110.00234	09414399	No. PV-239, 2012 September 27
“Lydian Armenia” CJSC ¹⁹⁸	264.120.07314	00091919	No. PV-245, 2012 September 26
“Lichkvaz” CJSC	286.120.07744	02710054	No. PV-293, 2012 November 22
“Agarak Copper Molybdenum Combine” CJSC	79.140.00036	09700039	No. PV-311, 2013 April 5
“Assat” LLC	77.110.00569	03807664	No. PV-366, 2013 June 6
“Vayk Gold” LLC	264.110.111245	00114369	No. P-371, 2012 November 30
“Teghout” CJSC	286.120.06078	02700773	No. PV-376, 2013 February 20
“Marjan Mining Company” LLC ¹⁹⁹	273.110.05412	01569837	No. PV-398, 2013 March 7
“Tatstone” LLC	264.110.06348	00079433	No. P-458, 2013 February 11 No. P-459, 2013 February 11
“AT-Metals” LLC	271.110.738775	00118721	No. P-514, 2015 January 16
“Baktek Eco” LLC	282.110.06759	00870494	No. P-515, 2014 August 22
“Geghi Gold” LLC	72.110.121815	09423012	No. P-544, 2016 July 22
“Multi Group Concern” LLC	42.110.01460	03516447	No. PV-213, 2012 October 20
“Zangezur Copper-Molybdenum Combine” CJSC	27.140.00009	09400818	No. PV-232, 2012 November 27
“Aktiv Lernagorts” LLC	273.110.03365	01544838	No. PV-425, 2012 December 28
“Gharagulyanner” CJSC	286.120.929505	02583292	No. P-547, 2016 October 25

2.3.2. Social responsibilities stipulated in the mining contracts

During the First EITI Report a number of social responsibilities for the mining entities have been discussed in detail. In particular, social responsibilities envisaged by the mine-closure plan (workforce social mitigation plan) and responsibilities assumed in the area of social-economic development of the community have been considered.

- (i) *Social responsibilities stipulated by the mine-closure plan (workforce social mitigation plan)*

In the Reporting year and while drafting this Report the legislative framework on the matter in issue has remained unchanged. In view of the above, we hereby reaffirm our position presented on pages 155-157 of the First Report and outline its brief description hereunder.

¹⁹⁷ According to the information published on the official webpage of the MTAI on account of the extraction of metal ore, the mining rights of “Marjan Mining Company” LLC, “Mego-Gold” LLC, and “Vayk Gold” LLC have been terminated since 13 December 2019. For more information, refer to

<http://www.mtad.am/hy/mtad27.12/?fbclid=IwAR0I7YRGww6ZesU7YolFikhUsJ04BVHGWlcKDPWK0PBDkZCIEp5r-ePSdns>.

¹⁹⁸ According to the 8 July, 2019 Amendment to the Contract, the dates for the scope of the construction and financial proposals and of payment of subsoil exploitation fees (operating costs during mine works, capital and the construction of the mine) and making investments have changed, since 1 July, 2019 extending until 31 December, 2020.

¹⁹⁹ *Ibid.*

In the scope of the EITI First Report several remarks have been made on account of the mine-closure plans which, *inter alia*, include “workforce social mitigation plan” (Article 49, part 2, point 6, sub-point c).

Here, it is, first, necessary to note that although the Code stipulates the workforce social mitigation plan,²⁰⁰ in practice, however, as in the previous Report, the RA legislation at the date of this Report as well does not prescribe the procedure for implementation of workforce social mitigation plan, procedures for determining the scope of actions, as well as criteria for supervising the implementation and evaluating efficiency of such actions. From a legal technicality sense, the absence of the above said provisions on the legislative plane continues to remain problematic.

Secondly, as in the previous Report, so as at the date of this Report problems continue to arise in relation to mining contracts which have been concluded not on the basis of the mining permit issued as a result of applications submitted for the purpose of obtaining mineral extraction right, but as a result of re-issuance of the permits previously issued in the field of subsoil exploitation.

As in the previous Report, so as at the date of this Reporting year, many of the re-issued permits continue to not have mine-closure plans, as a result of which workforce social mitigation plan is also unavailable (as well as the list of activities envisaged for the social-economic mitigation in the communities located within the immediate impact zone of the closing mine).

Considering the above, in view of the absence of clear legislative regulation of the matter in issue, the existence of obligations related to the mine-closure and workforce social mitigation applicable for this group of contracts (revised contracts) remains disputable, and hence, in case of companies not submitted a mine-closure plan the issue of the obligations related to the workforce social mitigation plan remains open from the legal viewpoint.

(ii) Obligations assumed in the field of social-economic development of the community

As in the case of social responsibilities stipulated by the mine-closure plan, so as the obligations assumed in the field of social-economic development of the community have remained unchanged in the Reporting year and at the date of this Report.

In view of the above, we hereby reaffirm our position presented on page 175 of the First Report, that is, similarly to the case of social measures envisaged by the mine-closure plan, no criteria on the formulation of the scope and content of the obligations in question are provided by the laws. The only functioning mechanism of enforcement of the obligations is actually the procedure of warning and termination of the mining right prescribed by Article 30 of the Code. The social obligations set forth in the contracts with mining entities are summarized in the Table 2.3.3. We also state, that a study is being carried out on the settlement of the above-mentioned issue by the MTAI, in particular, the latter has formally requested information from economic entities on the implementation of social obligations.

²⁰⁰ Code, Article 49(2)(6)(c) and Article 58(2)(3)(c)

Table 2.3.3 Social responsibilities according to the contracts concluded with companies realized in 2018

Mining Entity	Number and date of mining contract	Social obligations envisaged by the Contract
“Agarak Copper Molybdenum Combine” CJSC	No. PV-311, April 5, 2013	Social mitigation activities for the workforce are drafted ambiguously, as in the contract template. Obligation to annually invest 3,300,000 AMD in the social-economic development of the community, as well as annual financial assistance to the medical center in the size of 500,000 AMD and participation in the development programs of the city of Agarak in the size of 6 500,000 AMD.
“Akhtala Mining and Processing Enterprise” CJSC	No. PV-103, October 20, 2012	None
“Aktiv Lernagorts” LLC	No. PV-425, December 28, 2012	None
“Assat” LLC	No. PV-366, June 6, 2013	Social mitigation activities for the workforce are drafted ambiguously, as in the contract template. Obligation to annually invest 800,000 AMD in the social-economic development of the community, as well as participation in the restoration works of auto routes in the size of 200,000 AMD.
“AT Metals” LLC	No. PV-514, January 16, 2015	Social mitigation activities for the workforce are drafted ambiguously, as in the contract template. Obligation to annually invest 3,600,000 AMD in the social-economic development of the community.
“Baktek Eco” LLC	No. P-515, August 22, 2014	Social mitigation activities for the workforce are drafted ambiguously, as in the contract template. Obligation to annually invest 650,000 AMD in the social-economic development of the community.
“Geghi Gold” LLC	No. P-544, July 22, 2016	Social mitigation activities for the workforce are drafted ambiguously, as in the contract template. Obligation to annually invest 650,000 AMD in the social-economic development of the community.
“GeoProMining Gold” LLC	No. PV-189, October 20, 2012	Social mitigation activities for the workforce are drafted ambiguously, as in the contract template. Obligation invest 12,000,000 AMD in the social-economic development of the community every 5 years, as well as 1,200,000 AMD for the purposes of compensating tuition fees for 2-3 students from the affected communities.
“Zangezur Copper and Molybdenum Combine” CJSC	No. PV-232, November 27, 2012	None
“Tatstone” LLC	No. PV-459, February 11, 2013	Social mitigation activities for the workforce are drafted ambiguously, as in the contract template. Obligation to annually invest 3,000,000 AMD in the social-economic development of the community.
“Tatstone” LLC	No. PV-459, February 11, 2013	Social mitigation activities for the workforce are drafted ambiguously, as in the contract template.

Mining Entity	Number and date of mining contract	Social obligations envisaged by the Contract
		Obligation to annually invest 2,030,000 AMD in the social-economic development of the community, as well as an obligation for realizing investment of 850,000 AMD, upon necessity, into the creation of social relief funds for the employees of the company.
“Teghout” CJSC	No. PV-376, February 20, 2013	None
“Ler-Ex” LLC	No. PV-094, August 16, 2012	None
“Lydian Armenia” CJSC	No. PV-245, September 26, 2012	Social mitigation activities for the workforce are drafted ambiguously, as in the contract template. Obligation to annually invest 61,500,000 AMD in the social-economic development of the community.
“Lichqvaz” CJSC	No. PV-293, November 22, 2012	None
“Chaarat Kapan” CJSC	No. PV-183, November 27, 2012	None
“Gharagulyanner” CJSC	No. P-547, October 25, 2016	Social mitigation activities for the workforce are drafted ambiguously, as in the contract template. Obligation to annually invest 1,000,000 AMD in the social-economic development of the community and provision of 250,000 AMD as a semester tuition fee for one student.
“Marjan Mining Company” LLC	No. PV-398, March 7, 2013	None
“Mego Gold” LLC	No. PV-184, December 28, 2012	None
“Meghradzor Gold” LLC	No. PV-057, August 22, 2012	None
“Molibdeni Ashkharh” LLC	No. PV-174, November 7, 2012	Social mitigation activities for the workforce are drafted ambiguously, as in the contract template. Obligation to annually invest 12,800,000 AMD in the social-economic development of the community.
“Multi Group” Concern LLC	No. PV-213, October 20, 2012	None
“Paramount Gold Mining” CJSC	No.089, June 12, 2012	None
“Sagamar” CJSC	No.PV-093, October 20, 2012,	Social mitigation activities for the workforce are drafted ambiguously, as in the contract template. Obligation to annually invest 4,000,000 AMD in the social-economic development of the community, as well as participation in renovation works of reservoirs in the size of 1,000,000 AMD once every 3 years and in the size of 1,000,000 AMD once every 5 years for renovation of community’s pipelines.
“Vayq Gold” LLC	No. PV-371, November 30, 2012	Social mitigation activities for the workforce are drafted ambiguously, as in the contract template.

Mining Entity	Number and date of mining contract	Social obligations envisaged by the Contract
		Obligation to annually invest 3,000,000 AMD in the social-economic development of the community.
“Vardani Zartonk” LLC	No.PV-239, September 27, 2012	None
“Fortune Resources” LLC	No.PV-169, October 20, 2012	None

Mandatory socio-economic payments made by metal mining companies in the reporting year are presented in the section 4.2 of this report

According to the data of EITI reports collected by the companies the charity allocations, grants or other contributions realized by the companies to community without the need for compensation are provided in Annex 8.

2.4. The policy of the government on the disclosure of beneficial owners

2.4.1 Legal regulations (policy) concerning the disclosure of beneficial owners

(i) *Review of the legal framework on disclosure of beneficial owners and amendments thereto*

Based on the analysis in the First Report on the legislative regulations of the Republic of Armenia on the disclosure of beneficial owners, we had established that Armenian legislation is incomplete and do not entirely meet the requirements set forth in point 2.5 of the EITI standard. Legislative requirements on the disclosure of beneficial owners were of general nature (applicable to all legal entities) and stem exclusively from the legal regulations on combating money laundering and terrorism financing.

For the purposes of overcoming legislative gaps and implementation of the requirements aimed at disclosure of beneficial owners, a package on respective legislative amendments has been drafted. These reforms have undergone several stages, i.e. first, under the technical assistance provided by the European Bank for Reconstruction and Development to the Republic of Armenia and through cooperation with the RA EITI multi-stakeholder group, RA EITI National Secretariat, representatives of the authorized state bodies and other interested persons, the involved international and local consultants prepared “Legal Review on Beneficial Ownership in Armenia”²⁰¹. As a result of the analysis institutional recommendations have been made.

²⁰¹ The analysis is available at

https://www.eiti.am/file_manager/EITI%20Documents/Beneficial%20Ownership/Legal%20Report%20EITI%20Armenia%20Final%20Report%20Arm%20EXE+.pdf

The same consultants have also developed “The Roadmap for Disclosure of Beneficial Owners of the Republic of Armenia:²⁰², which was approved by the MSG²⁰³.

As a result, for the purposes of implementing the requirements aimed at disclosure of beneficial owners and drafting respective legislative amendments, an interdepartmental working group has been formed by the decision of the Prime-Minister of the Republic of Armenia, which together with the secretariat has drafted a package of law on disclosure of beneficial owners²⁰⁴. The package included suggestions on making amendments to the Code, the RA Law “On state registration of legal entities, separated divisions of legal entities, enterprises and individual entrepreneurs” and RA Law “On Public Service”.

Hence, in 2019 a number of key reforms have been made in Armenian legal framework aimed at disclosure of beneficial owners. In particular, in accordance with the RA Law On Amendments to the RA Law “On state registration of legal entities, separated divisions of legal entities, enterprises and individual entrepreneurs” No. 25-N dated 23 April 2019²⁰⁵, as well as the RA Law On amendments to the Mining Code of the Republic of Armenia, No. 24-N dated 23 April 2019²⁰⁶ and RA Law On amendments to the Mining Code of the Republic of Armenia, No. 256-N dated 13 November 2019²⁰⁷, the concept of beneficial owner of the legal entity has been implemented and with regard to which we present brief analysis below.

(ii) *Notion of a beneficial owner*

Hence, pursuant to Article 3(1)(23) the RA Law “On state registration of legal entities, separated divisions of legal entities, enterprises and individual entrepreneurs” (hereinafter referred to as “RA Law “On State Registration of Legal entities””), a beneficial owner shall mean an individual, which:

- a) alone or together with an affiliated person owns or exercises control over at least 10% of participation in the statutory capital of the legal entity, including shares, stocks or voting rights in the legal entity, or at least 10% of participation in total in the statutory capital of the legal entities which are participants or shareholders of the given legal entity;
- b) exercises control over the legal entity through participation in the statutory capital by having title to the preferred shares or super-voting stocks, or other securities;
- c) has at least 15% of the annual profit of the legal entity;
- d) is authorised to appoint or dismiss individuals involved in the managing bodies of the legal entity;
- e) without being involved in the managing bodies of the legal entity, may influence management of the legal entity, exercise control over the management and operations of the legal entity or has the

²⁰² The Roadmap is available at

https://www.eiti.am/file_manager/EITI%20Documents/Beneficial%20Ownership/BO%20Roadmap_ARM.pdf

²⁰³ MSG meeting protocol is available at

https://www.eiti.am/file_manager/EITI%20Documents/Minutes/MSG_meeting_minute_12_06_%202017.pdf

²⁰⁴ RA Prime-Minister’s Decree No. 297-A (passed on March 27, 2018), available at <https://www.e-gov.am/decrees/item/18321/>

²⁰⁵ <https://www.arlis.am/DocumentView.aspx?docid=130252>

²⁰⁶ <https://www.arlis.am/DocumentView.aspx?docid=130250>

²⁰⁷ <https://www.arlis.am/DocumentView.aspx?docid=137114>

capacity to predetermine decisions of the legal entity through other means, including through trust management agreement, joint operating agreements, option contract, contract for provision of convertible shares/stocks, etc.

In case a politically exposed person owns, exercises control or receive profits from the legal entity on the above-mentioned grounds, such person shall be considered as a beneficial owner regardless of the level of control, share of participation and amount of profits.

Besides, pursuant to Article 3 (1)(4.1) of the Mining Code of the Republic of Armenia, in cases of legal entities which are obliged to submit declaration on beneficial ownership or statement on changed information, for the purposes of submitting the declaration on beneficial ownership, individuals involved in the sole or collective managing bodies of the legal entity (shareholders meeting, board and executive body) shall also be qualified as beneficial owners, and regulations pertaining to the beneficial ownership shall be applicable to such individuals as well.

Besides, the law has envisaged the concepts of a politically exposed person, affiliated legal entities and affiliated individuals and legal entities, affiliated persons and intermediate legal entity²⁰⁸.

To finalise the analysis of the regulations of the Republic of Armenia aimed at the obligation to disclose beneficial owners, we envisage that: basically, starting from 2020 the legal entities shall be obliged to submit two declarations, i.e. on ultimate beneficial owners pursuant to FATF, and on beneficial owners pursuant to the RA Law “On State Registration of Legal Entities”. Obviously, the ultimate beneficial owners disclosure regime applicable within the framework of FATF does not meet the EITI requirements, i.e. declaration submission is requested in cases of exceeding the 20 mln threshold, and apart from that, the information is not made publicly available. Meanwhile we note that the legislative requirement aimed at the very same goal, i.e. disclosure of beneficial, actual and not nominal owners of legal entities, imposes an obligation on legal entities to submit two different declarations, which means an additional burden for the latter. Based on the foregoing, we recommend for the future to consider unification of these two concepts, which, as a result, will lead to envisaging an obligation to submit one unified declaration.

2.4.2 Information to be published with regard to beneficial owners, procedure and form of such publication

Pursuant to Article 26(20) of the RA Law “On State Registration of Legal Entities”, the following information on legal entities which are legally obliged to disclose the beneficial owners thereof, shall be recorded in the unified state registry of legal entities:

²⁰⁸ RA Law “On state registration of legal entities, separated divisions of legal entities, enterprises and individual entrepreneurs” Article 3(1)(24)-(28)

Table 2.4.1 Information on legal entities which are legally obliged to disclose the beneficial owners thereof, to be recorded in the unified state registry of legal entities

1	Identification details of an individual, i.e. nationality, first name, last name (first and last names shall also be specified in Latin alphabet), date of birth, serial number, date of issue of the ID document, Public service number (if available), registered address, place of residence (if different from the registered address), workplace(s), address of the workplace(s), contact details;
2	Name of the intermediate legal entity(ies), registered address, taxpayer’s identification number (if available), state registration number, first and last names of the chief executive;
3	Information on ownership over the shares in the statutory capital of the legal entity (including intermediate legal entity), or information on the authority to exercise control over the legal entity, by specifying: <ul style="list-style-type: none"> i. Ownership, solely or together with the affiliated person, over at least 10 percent of participation or voting rights in the statutory capital of the legal entity, or ownership in total over at least 10 percent of participation in the statutory capital of different legal entities, by specifying amount, percent and date of acquisition of such stocks; ii. Control over the legal entity by virtue of participation in the statutory capital by having a title to the preferred stocks or super-voting stocks, or other securities, by specifying amount, percent and date of acquisition of such stocks; iii. Acquisition of at least 15% of the annual profit of the legal entity; iv. Authority to appoint or dismiss individuals involved in the managing bodies of the legal entity; v. Capacity to influence management of the legal entity, exercise control over the management and operations of the legal entity without being involved in the managing bodies of the legal entity or the capacity to predetermine decisions of the legal entity through other means (including through trust management agreement, joint operating agreements, option contract, contract for provision of convertible shares/stocks and others); vi. Affiliation with other persons (including the type of affiliation).
4	In case the legal entity, including subsidiaries thereof, are publicly listed entities, the name of the stock market shall be specified with references to the documents in the respective stock markets;
5	In case the legal entity has state, community participation or it is an international organization, the name of the state, community or international organization shall be specified with references to the participation size and level of control.

In the declaration submitted to the state unifies registry of the legal entities a note shall be made on the beneficial owner of the legal entity (including intermediate legal entity) being considered as a politically exposed person in the Republic of Armenia by specifying the first and last names, position of such person, and the name of the company.

Declarations on beneficial owners shall be submitted to the Register by the legal entities, which are legally obliged to disclose beneficial owners, each year – by February 20 of the year following the reporting year. In case of changes in the information envisaged in the Table 2.4.1, the legal entity shall be obliged to submit to the state Register updated information on beneficial owners. In case of existence of ownership over the shares in the statutory capital of the legal entity, ownership documents, in Armenian or verified and translated to Armenian, shall be attached to the declaration.

Noteworthy, that the above-mentioned requirement on disclosure of beneficial owners, does not apply to the legal entities which are considered to be reporting issuers pursuant to the RA Law “Securities market”.

The form, procedure for the filling in and submission of the declaration is envisaged in the Decree of the Ministry of Justice of the Republic of Armenia “On Approval of the form, procedure for the filling in and submission of the declaration on beneficial owners” No. 36-N dated (hereinafter to be also referred to as the “Decree”)²⁰⁹, adopted on 05 February 2020, in force starting from 11 February 2020.

The declaration shall be submitted to the state register of legal entities of the Ministry of Justice of the Republic of Armenia through filling in the declaration in the electronic system thereof. In case of impossibility to fill in the declaration online in the electronic system of the state register of legal entities of the Ministry of Justice of the Republic of Armenia, the declaration can be submitted to state register of legal entities of the Ministry of Justice of the Republic of Armenia in a hard copy.

The declaration shall be submitted in a manner of attaching declaration, with all sections filled in, to the statement signed by the person presenting the declaration on the beneficial owners of the legal entity. The statement shall include the first and last names of the person submitting it, the status thereof with regard to the legal entity, number of pages attached, date of issue.

Where the person has ownership rights over the shares in the statutory capital of the legal entity, share ownership documents issued by the authorised body (including foreign body), in Armenian or verified and translated to Armenian, shall be submitted to the state register of legal entities of the Ministry of Justice of the Republic of Armenia - along with the declaration or within 1 month the latest from the submission date.

For the state registration of the beneficial owner of the legal entity, the following documents shall be submitted:

- ▶ Declaration(s) on beneficial owners;
- ▶ In case of existence of ownership over the shares in the statutory capital of the legal entity, ownership documents issued by the authorised body (including foreign body), in Armenian or verified and translated to Armenian;
- ▶ Documents certifying payment of the state duty.

The state registration of the legal entity shall be certified by the statement issues by the state unified registry, which shall be sent via the e-mail provided by the person, as well it is made available on the internet via entering previously provided password in the informational system. Upon the request of the person and provided the payment set forth by Government of the Republic of Armenia, the copy of the statement can be provided to the person; in that case the validity of the copy is certified by the signature of the respective employee of the Registry.

Within three years upon the state registration of the beneficial owner, the legal entity shall be obliged to safekeep the documents verifying information specified in the declaration.

²⁰⁹ <https://www.arlis.am/DocumentView.aspx?docID=138750>

Statement containing information on beneficial owners shall be presented to the authorized body in the following cases:

- ▶ Requesting for a right to geological exploration;
- ▶ Concluding a contract on geological exploration;
- ▶ Requesting for a right to geological exploration for mineral extraction purposes;
- ▶ Refusal from the right to geological exploration for mineral extraction purposes on the subsoil areas or parts thereof;
- ▶ Requesting for a right to mineral extraction; and
- ▶ Refusal from the subsoil area deemed to be the object of the right to mineral extraction.

We note that pursuant to Article 80(11) of the Code, the deadline set for the submission of the first statement containing information on beneficial owners was 30 January 2020. However, considering that the decree of the Ministry of Justice of the Republic of Armenia on the procedure and form of the declaration on beneficial owners was adopted on 05 February 2020, the first statement containing information on beneficial owners have been submitted before 20 February 2020.

2.4.3 Liability for non-submission or submission of false or not complete information on beneficial owners

Article 26(22) of the RA Law “On state registration of legal entities” provides that:

“A person which does not submit the declaration or changed information on beneficial owners, submits false or not complete information, shall be subject to liability as prescribed by law.”

Part 27 of the same article provides that:

“In case the information on the beneficial owners of the legal entities turns out to be not accurate, manifestly false or not complete, the agency shall report thereon to the authorized body which is entitled to impose liability for submission of false or not complete declaration.”

The interpretation of the above-mentioned norms shows that in case the Register becomes aware of information on beneficial owners to be not accurate, manifestly false or not complete, it shall be obliged to report thereon to the authorized body which is entitled to impose liability.

However, the question then arises as to how the Register shall become aware of the information being not accurate, manifestly false or not complete, and thus report thereon where the reliability of the information submitted to the Register is presumed by the law.

In particular, pursuant to the Article 5(2) of the RA Law “On state registration of legal entities”, the agency, except for the cases provided for by this Law, shall not check the accuracy of the information submitted to the agency and shall not be held liable for any potential damages which it may cause. The liability restriction provided for hereunder does not apply to the cases where the employee of the agency knew or should have obviously known about the documents being false.

It turns out, that the Register does not have an authority to check the reliability of the information received, except for the cases prescribed by law, which, however, are more of a formal nature and do not imply checking accuracy of the information. Such cases include, for example, automatic verification of the accuracy of the required information entered into the informational system of the Register; such verification is done by comparing the entered information with the one maintained in the system. (Article 27(5)(32) of the RA Law “On state registration of legal entities”). For another example, the Register verifies company formation, completeness of the information submitted and compliance thereof with the requirements of the law (Article 35(5) of the RA Law “On state registration of legal entities”), etc. The given examples demonstrate that Register performs “technical” or “formal” verification, meanwhile, to conclude that information is false, the Register need to be entitled with the authority to perform individual investigation, which is not envisaged by the law.

With regard to the penalties prescribed by law for submission of false or not complete information, Article 30 of the Code provides for the following types of penalty:

- ▶ Written warning;
- ▶ Suspension of the mining right;
- ▶ Termination of the mining right.

Hence, pursuant to Article 30(2)(4) of the Code, the Authorized body shall have the right to issue a written warning to the legal entity holding mining rights, if the latter, within the time period set forth by the law, had not submitted to the authorized body a statement containing information on beneficial owners, or information submitted is false or not complete. Further, the authorized body shall issue a decision on suspension of mining rights, within 10 days upon the end of the time period set forth in the warning of the authorized body. It is noteworthy that suspension of the mining right, as a penalty, has been envisaged in the RA Law “On Amendments to the “Mining Code”” HO-24-N (adopted on 23 April 2019) – within the framework of the very same legislative package. Maximum duration of the suspension shall be 120 days, and in case the grounds for suspension are not eliminated within such period, the mining rights shall be terminated, which shall trigger the MTAI right to terminate the contract.

2.4.4 Sale and purchase of the shares of the legal entities holding mining rights and change of beneficial owner as a consequence thereof

Sale and purchase of the shares/stocks of the legal entities holding mining rights is governed by general rules (of course, except for the applicable rules regulating economic competition), and no control is exercised by the authorized bodies.

Nevertheless, as it was mentioned above, in 2019 a legislative requirement was envisaged as a result of a number of legislative reforms, according to which, among other things, information on beneficial owners shall be recorded in the Registry.

Furthermore, a legal entity legally obliged to disclose beneficial owners, shall on annual basis, by February 20 of the year following the reporting year, submit to the Register declaration(s) on beneficial owners with the signature confirming the accuracy of the information. Where there is an ownership over the shares in the statutory capital of a legal entity, a document certifying ownership over the shares shall be attached to the declaration, in Armenian or verified and translated to Armenian.

Further, in case of changes in the above-mentioned information, a legal entity shall be obliged, within 40 days, to submit to the state register changed information on beneficial owners.

The law also provides for a liability for non-submission of declaration on beneficial owners or changed information on beneficial owners or submission of false or not complete data.

Thus, in case of change of the beneficial owner as a result of sale and purchase of the shares/stocks of legal entities holding mining rights, pursuant to new regulations, information on this shall be submitted to the Register, and to the Authorized body – when prescribed by the law. Notwithstanding, state control mechanisms over such process basically do not exist.

2.4.5 Beneficial Shareholders of the mining companies

According to point (g) of EITI 2019 requirement 2.5, the EITI Report shall disclose the beneficial owners and share of ownership of the companies. In the table below we present information on the beneficial owners of mining companies having an organizational-legal form of a limited liability company pursuant to the statement as of 11 March 2020 from the State Register Agency of Legal Entities of the Ministry of Justice of the Republic of Armenia.

Table 2.4.2: Information on the beneficial owners of mining companies having an organizational-legal form of a limited liability company

Mining Company	Beneficial owners
“Meghradzor Gold” LLC	Vardan Volodya Margaryan
“Ler-Ex” LLC	Junter Pilarski Jürgen Pilarski Elke Pilarski Joachim Pilarski Jean-Jacques Louis-Paul Buffet Karen Hakobyan Suren Voskanyan
“Molibdeni Ashkhar” Co. Ltd	Samvel Chobanyan Dmitri Korzhev Dmitri Troitsky
“Geopromining Gold” LLC	Siman Povarenkin Roman Trotsenko Roman Khudoli Anatoli Gogotin Oleg Belyayev

Mining Company	Beneficial owners
“Vardani Zartong” LLC	Suren Vardan Ayvazyan Hrachya Suren Hovhannisyan Artashes Filiko Kakoyan
“Assat” LLC	Aram Osikyan Gevorg Osikyan
“Tatstone” LLC	Aram Yurik Safaryan Mikhail Mogilevsky Levon Poghosyan
“AT Metals” LLC	Sergey Mulin Gennadiy Mulin Pavel Khanchin Sergey Aronov Rostislav Presnov Karen Hamlet Hovsepyan Hamlet Balabek Hovsepyan Vardan Hamlet Hovsepyan
“Geghi Gold” LLC	Surik Sergey Khachatryan
“Multi Group” Concern LLC	Gagik Kolya Tsarukyan Sedrak Arustamyan Samvel Styopa Tsarukyan
“Aktiv Lernagorts” LLC	Vardan Margaryan

Source: State Register Agency of Legal Entities of the Ministry of Justice of the Republic of Armenia.

Pursuant to the statement as of 11 March 2020 acquired through paid inquiry on company participants from the electronic system of the State Register Agency of Legal Entities of the Ministry of Justice of the Republic of Armenia, following companies have not submitted declarations on beneficial owners as prescribed by law as of the date of the statement: «Fortune Resources» LLC, «Marjan Mining Company» LLC, «Mego Gold» LLC, «Hrashq Metagh» LLC, «Baktek-Eco» LLC and «Vayq Gold» LLC.

From now on, in the electronic system of the agency of state register of legal entities at the staff of the Ministry of Justice of the Republic of Armenia, copies of the declarations on beneficial owners of the companies having mining contracts for the purposes of mineral extraction, shall be maintained. Information on the closed joint stock companies, as well as on limited liability companies, participants of which are foreign legal entities, is presented in the table below.

Table 2.4.3

Mining companies with a legal form of closed joint stock companies, as well as limited liability companies participants of which are foreign legal entities as of 07 August 2020²¹⁰

Mining Company	Disclosed beneficial owner	Ground
“Lydian Armenia” CJSC	Hayk Aloyan	Chief executive officer

²¹⁰ Information with regard to “Paramount Gold Mining” CJSC is not available.

Mining Company	Disclosed beneficial owner	Ground
“Akhtala Mining and Processing Enterprise” CJSC	Vahe Hakobyan	Indirectly owns or control 100% of the Statutory capital
	Samvel Khachatryan	Chief executive officer
“Sagamar” CJSC	Samvel Chobanyan	Chief executive officer
	Dmitri Korzhev	Owens or control 29,66% of the Statutory capital
	Dmitri Troitsky	Owens or control 70,34% of the Statutory capital
“Ler-Ex” LLC	Thomas Peter Heyl	Indirectly owns or control 12.5% of the Statutory capital
	Michael Zurabov	Indirectly owns or control 12.5% of the Statutory capital
	Mher Poloskov	Indirectly owns or control 7.5% of the Statutory capital
	Narek Ambaryan	Indirectly owns or control 2.5% of the Statutory capital
	Karen Hakobyan	Indirectly owns or control 2.5% of the Statutory capital
	Suren Suren Voskanyan	Chief executive officer
“Fortune Resources” LLC	Not Provided	Not Provided
«Molibdeni Ashkhar» LLC	Samvel Chobanyan	Chief executive officer
	Dmitri Korzhev	Owens or control 29,66% of the Statutory capital
	Dmitri Troitsky	Owens or control 70,34% of the Statutory capital
“Chaarat Capan” CJSC	Martin Anderson	Indirectly owns or control 35,15% of the Statutory capital
	David Tovmasyan	Chief executive officer, Board Member
	Sergey Zhukov	Board Member
	Darin Cooper	Board Member
“Mego Gold” LLC	Not provided	Not provided
“GeoPromining” LLC	Roman Trotsenko	Indirectly owns or control 95.7443% of the Statutory capital
	Roman Khudoli	Board Member
	Anatoly Gogotin	Chief executive officer, Board Member
	Oleg Belyaev	Board Member
“Lichqvaz” CJSC	Sasun Avetisyan	100% shareholder and Chief executive officer
“Agarak CMC” CJSC	Roman Trotsenko	Indirectly owns or control 95.7443% of the Statutory capital
	Andrey Sinyakov	Chief executive officer
	Andrey Kishinsky	Board Member
	Vladimir Lesnyov	Board Member
	Roman Khudoli	Board Member
“Teghut” CJSC	Norik Petrosyan	Indirectly owns or control 25.05% of the Statutory capital, Board Member
	Pavel Korichnev	Indirectly owns or control 25% of the Statutory capital, Board Member
	Sunarto Ltd	Listed

Mining Company	Disclosed beneficial owner	Ground
“Marjan Mining Company” LLC	Ian Hague	Indirectly owns or control 45,60% of the Statutory capital,
	Armen Miqayelyan	Chief executive officer
	Global Gold Corporation (USA)	Listed
«AT-Metals» LLC ²¹¹	Karen Hamlet Hovsepyan	19.8% participation
	Hamlet Balabek Hovsepyan	15% participation
	Vardan Hamleti Hovsepyan	15% participation
	Sergey Mulin	Indirectly owns or control 25.61% of the Statutory capital
	Gennadiy Mulin	Indirectly owns or control 19% of the Statutory capital
	Pavel Khanchin	Indirectly owns or control 7.48% of the Statutory capital
	Sergey Aronov	Indirectly owns or control 7.48% of the Statutory capital
“Gharagyulyanner” CJSC	Levon Ghazaryan	25% participation
	Armenush Galstyan	35% participation
	Roland Ghonyan	Without being involved in the managing bodies of the company may have an impact on the management (by virtue of being the spouse of Armenush Galstyan)
	Rafayel Hayrapetyan	40% participation
“Zangezur copper molybdenum combine” CJSC	Thomas Peter Heyl	Indirectly owns or control 12.5% of the Statutory capital
	Michael Zurabov	Indirectly owns or control 12.5% of the Statutory capital
	Mher Poloskov	Indirectly owns or control 7.5% of the Statutory capital
	Narek Ambaryan	Indirectly owns or control 2.5% of the Statutory capital
	Karen Hakobyan	Owens or control 2.5% of the Statutory capital
	Vahe Hakobyan	Board Member
	Parag-Johannes Bhatt	Board Member

Source: State Register Agency of Legal Entities of the Ministry of Justice of the Republic of Armenia.

2.5. Audit and levelling procedures in the Republic of Armenia, the State budget (Requirements 5.1 and 5.3)

Audit activities. The body realizing regulatory and supervisory policy in the area of audit activities and accounting carried out on the territory of the Republic of Armenia is the Republic of Armenia Ministry of Finance, as stipulated by the RA Law “On the Structure and Operations of the Government”.²¹²

The International Financial Reporting Standards published by the International Accounting Standards Board apply in the territory of the Republic of Armenia, which include the conceptual bases of financial

²¹¹ It turns out that the sum of the participation of all beneficial owners of "AT-Metals" LLC is equal to 109.37%.

²¹² <https://www.arlis.am/DocumentView.aspx?docid=130661>

statements, International Financial Reporting Standards, International Accounting Standards, and comments on them.

Since 1 January, 2020 RA laws “On Accounting” (HO-282-N),²¹³ “On Auditing” (HO-283-N),²¹⁴ “On Regulation and Public Control of Accounting and Auditing” (HO-284-N),²¹⁵ adopted on 4 December, 2019 by the RA National Assembly, have entered into force, and starting from then, RA laws “On Accounting” adopted on 26 December, 2002 (HO-515-N) and “On Auditing” adopted on 26 December 2002 (HO-512-N), ceased to be in force. The adoption of these laws has clarified the scope of enterprises subject to mandatory audit by switching from the previous formal legislative requirement to engaging enterprises that are truly in public need of being audited.

As per the RA Law “On Accounting”,²¹⁶ legal entities (including institutions established by them) that have undergone state registration in the Republic of Armenia as per the stipulated procedure, branches and representative offices of foreign companies shall prepare and present financial statements to their founders and shareholders, as well as to State bodies in the cases stipulated by the law, in accordance with the international financial reporting standards (full IFRS), conceptual bases of financial reporting and international financial reporting standards of small and medium enterprises (IFRS SMEs).

The regulation of accounting of public sector organizations and the requirements for compiling/submitting financial reports are governed by the RA Law “On Accounting of Public Sector Organizations”.²¹⁷

The table below introduces the criteria set forth for the classification of enterprises and groups and requirements for the preparation of financial statement, as stipulated by the new RA Law “On Accounting”.

²¹³ <https://www.arlis.am/documentview.aspx?docid=137754>

²¹⁴ <https://www.arlis.am/documentview.aspx?docID=137752>

²¹⁵ <https://www.arlis.am/documentview.aspx?docID=137755>

²¹⁶ <https://www.arlis.am/documentview.aspx?docid=137754>

²¹⁷ <https://www.arlis.am/DocumentView.aspx?docID=91454>

Table 2.5.1. Criteria set forth for the classification of enterprises and groups and requirements for the preparation of financial statement, as stipulated by the new RA Law “On Accounting”

Type	Classification criterion	Requirements pertaining to the preparation of financial statements	Subject to mandatory audit
An enterprise/group ²¹⁸ of public interest	<p>a) a person or an issuer who makes a public offer of securities in the territory of the Republic of Armenia, with the exception of a person making a public offering of securities or a reporting issuer of the International Monetary Fund, the European Central Bank, the European Investment Bank and other international organizations of which the Republic of Armenia is a member, or</p> <p>b) is a bank, credit organization, payment and settlement organization, investment company, regulated market operator, central depository, insurance company, reinsurance company, insurance brokerage organization or investment fund manager.</p>	An enterprise of public interest is required to prepare its financial statements in accordance with the requirements of the full IFRS.	Yes
Large enterprise/group	<p><i>“Has exceeded at least two of the following three indicators”</i>²¹⁹</p> <p>a) the total amount of the reporting on the financial situation (balance amount) is 10 billion Armenian drams (hereinafter: “AMD”),</p> <p>b) revenue from the activities comprises 20 billion AMD,</p> <p>c) the average annual number of employees calculated in accordance with the procedure established by the Statistical Committee is 250.</p>	<p>A large enterprise is required to prepare its financial statements in accordance with the requirements of the full IFRS.</p> <p>A large group is also obliged to prepare its consolidated financial statements in accordance with the requirements of the full IFRS.</p>	Yes
Medium enterprise/group	<p><i>“Has not exceeded at least two of the following three indicators”</i></p> <p>a) the total amount of the reporting on the financial situation (balance amount) is 10 billion AMD,</p> <p>b) revenue from the activities comprises 20 billion AMD,</p>	A medium enterprise is required to prepare its financial statements in accordance with the IFRS SMEs requirements. If a medium enterprise applies at its discretion the RA Law “On Regulation and Public Control of Accounting and Auditing”, the total IFRS and conceptual	Yes

²¹⁸ A group whose parent enterprise is an enterprise of public interest.

²¹⁹ Only in case of a large one.

Type	Classification criterion	Requirements pertaining to the preparation of financial statements	Subject to mandatory audit
	<p>c) the average annual number of employees calculated in accordance with the procedure established by the Statistical Committee is 250.</p>	<p>fundamentals, an exemplary accounting plan for the accounting of financial and economic activities of large enterprises and enterprises of public interest, developed on the basis of the total IFRS, and the instruction on the application of the exemplary accounting plan, as well as demonstrative financial statements and other legal acts regulating accounting, then it must prepare the financial statements in accordance with the requirements of the full IFRS.</p> <p>A medium group is required to prepare its consolidated financial statements in accordance with the IFRS SMEs requirements. The same requirement applies to medium groups as well in connection with the voluntary application of the above-mentioned legal acts.</p>	
<p>Small enterprise/group</p>	<p><i>“Has not exceeded at least two of the following three indicators”</i></p> <p>a) the total amount of the reporting on the financial situation (balance amount) is 2 billion AMD,</p> <p>b) revenue from the activities comprises 4 billion AMD,</p> <p>c) the average annual number of employees calculated in accordance with the procedure established by the Statistical Committee is 100.</p>	<p>A small enterprise is required to prepare its financial reportings in accordance with the IFRS SMEs requirements: If a small enterprise applies at its discretion the RA Law “On Regulation and Public Control of Accounting and Auditing”, the total IFRS and conceptual fundamentals, an exemplary accounting plan for the accounting of financial and economic activities of large enterprises and enterprises of public interest, developed on the basis of the total IFRS, and the instruction on the application of the exemplary accounting plan, as well as demonstrative financial statements and other legal acts regulating accounting, then it must prepare the financial statements in accordance with the requirements of the full IFRS.</p> <p>A small group is required to prepare its consolidated financial statements in accordance with the IFRS SMEs requirements. The same requirement applies to small groups as well in connection with the voluntary application of the above-mentioned legal acts.</p>	<p>No</p>
<p>Micro-enterprise</p>	<p><i>“Has not exceeded at least two of the following three indicators”</i></p>	<p>A micro-enterprise is required to prepare its financial reportings in accordance with the requirements of the micro-enterprise accounting</p>	<p>No</p>

Type	Classification criterion	Requirements pertaining to the preparation of financial statements	Subject to mandatory audit
	<p>a) the total amount of the reporting on the financial situation (balance amount) is 175 million AMD,</p> <p>b) revenue from the activities comprises 350 million AMD,</p> <p>c) the average annual number of employees calculated in accordance with the procedure established by the Statistical Committee is 10:</p>	<p>and financial reporting manual: If a micro-enterprise applies at its discretion the RA Law “On Regulation and Public Control of Accounting and Auditing”, the total IFRS and conceptual fundamentals, an exemplary accounting plan for the accounting of financial and economic activities of large enterprises and enterprises of public interest, developed on the basis of the total IFRS, and the instruction on the application of the exemplary accounting plan, as well as demonstrative financial statements and other legal acts regulating accounting, then it must prepare the financial statements in accordance with the requirements of the full IFRS.</p>	

Thus, according to Article 26 on the “Audit of financial statements” of the RA Law “On Accounting”, financial statements of the following enterprises and groups are subject to mandatory audit:

- ▶ enterprises of public interest and large enterprises,
- ▶ medium enterprises,
- ▶ a group whose parent enterprise is an enterprise of public interest, and large groups,
- ▶ medium groups.

According to the above-mentioned laws, there will be some changes in the scope of the mining companies subject to statutory audit effective from January 1, 2020. We conducted an analysis in the EITI first report (Chapter 3.5 Audit and Leveling Processes, State Budget (Requirement 5.1 u 5.3), pp. 203-204), where new criterias were used to identify the companies that are subject to mandatory audit based on financial statements for 2017. Thus, we derived the list of companies which are likely to become subject to statutory audit based on amended law, but were not subject to it before.

According to Article 27 on the “Publicity of financial statements” of the RA Law “On Accounting”, all enterprises and groups, save for small enterprises and groups and micro-enterprises, are required to publicize their annual financial statements. Enterprises and groups which annual financial statements are subject to publicity (save for banks, credit organizations, pawnshops, payment and settlement organizations, investment companies, issuers in the stock market, regulated market operator, central depository, insurance companies, reinsurance companies, insurance brokerage organizations, investment fund managers, who publicize their financial statements in the manner and within the timeframe prescribed respectively by the laws “On Banks and Banking”, “On Credit Organizations”, “On Pawnshops and Pawnbrokerage”, “On Payment and Settlement Systems”, “On Securities Market”, “On Insurance and Insurance Activities”, “On Investment Funds”) are required to publicize them before 30 June of the year following the reporting year, and as for the interim financial statements – no later than 60 days after the end of the interim reporting period, unless otherwise prescribed by law.

Financial statements are subject to publicity on the webpages of the enterprises, on the official webpage of the public notices of the Republic of Armenia²²⁰ or on the official webpage of the mass media registered in the Republic of Armenia. Besides, if an enterprise has publicized its financial statements on its webpage or on the official webpage of the mass media registered in the Republic of Armenia, the link (address) of the webpage publicity of financial statements shall be publicized on the official webpage of public notices of the Republic of Armenia. Financial statements shall be kept on the webpage where they have been publicized for at least five years after publicity.

Annual financial statements shall be publicized only after undergoing an audit, along with the audit opinion, with the exception of enterprises undergoing bankruptcy proceedings whose financial statements may not be subject to audit, Annex 1 contains information about the mining companies who

²²⁰ <http://www.azdarar.am>

have passed an external audit. During the period of 2018 only 5 out of the 26 metal mining companies have undergone an audit (“Agarak Copper Molybdenum Combine” CJSC, “Geopromining Gold” LLC, “Zangezur Copper-Molybdenum Combine” CJSC, “Ler-Ex” LLC, “Lydian Armenia” CJSC). The links to the financial statements of these 5 companies is provided in Annex 1.

Implementation of audit activities in the Republic of Armenia is regulated by the RA Laws “On Auditing”,²²¹ “On Regulation and Public Control of Accounting and Auditing”,²²² (both adopted on 4 December, 2019), international standards on auditing, Code of professional ethics, and other legal acts prescribed by the law “On Regulation and Public Control of Accounting and Auditing”.

According to the International Federation of Accountants (IFAC) and the International Auditing and Assurance Standards Board (IAASB) and the RA Law “On Regulation and Public Control of Accounting and Auditing”, the following international standards are in operation in the territory of the Republic of Armenia:

- ▶ The International Standard on Quality Control (ISQC),
- ▶ International Standards on Auditing (ISA),
- ▶ International Standard on Review Engagements (ISRE),
- ▶ International Standard on Assurance Engagements (ISAE) (save for audit and review),
- ▶ International Standard on Related Services (ISRS).

The Code of professional ethics is the Code of Ethics for Professional Accountants as published by the International Federation of Accountants’ International Ethics Standards Board for Accountants (IESBA) and put into operation in the territory of the Republic of Armenia in accordance with the Law “On Regulation and Public Control of Accounting and Auditing”.

The audit is the verification of the information presented in the financial statements of the audited person by the audit organizations in order to provide an independent opinion on the reliability of that information, which is carried out by providing an audit opinion. According to Article 10 (“Audit”) of the RA Law “On Auditing”,²²³ the audit may be performed upon the initiation of the person wishing to undergo an audit (voluntary audit) or when it is envisaged by the law (mandatory audit). According to point 3 of the same Article, it is clarified that the financial statements of a person subject to mandatory audit shall be prepared in accordance with the legal acts regulating accounting in the Republic of Armenia. There is no such a requirement for the financial statements of a person subject to voluntary audit, and thus financial statements may be prepared on other grounds.

²²¹ <https://www.arlis.am/documentview.aspx?docID=137752>

²²² <https://www.arlis.am/documentview.aspx?docID=137755>

²²³ <https://www.arlis.am/documentview.aspx?docID=137752>

Besides, according to Article 27 of the RA Law “On Funded Pensions”²²⁴, the audit of financial-economic activities of the pension fund and its manager is performed in compliance with the procedure prescribed by the RA Law “On investment funds”. The pension fund manager shall publish its financial statements and the audit opinion on the official webpage of Republic of Armenia public notices (<http://www.azdarar.am/>), as well as place it on its own webpage the financial statements of the company and the audit opinion of the auditor.

According to Article 37 of the RA Law “On Insurance and Insurance Activities”²²⁵ the financial-economic activities of the company shall be subjected to an annual audit carried out by a person/entity conducting audit. Normative legal acts of the Central Bank can set out criteria towards persons/entities conducting the audit of the financial-economic activities of the companies, and compliance to these criteria serves as grounds for the person/entity conducting the audit to provide audit services to the company.

According to Article 58 of the RA Law “On Banks and Banking”²²⁶ each year for the control of the financial activity of the bank, the bank shall invite an independent audit company having the right to provide audit services according to law and other regulations by concluding a relevant contract. The bank’s general meeting appoints the external auditor according to the procedure determined by the Central Bank.

As per the existing legislation currently in force, there are no direct requirements to undergo an audit or to present any other reports for mining companies, apart from the general requirements presented above.

According to paragraph 3 of Article 5 of the RA Law on “Internal Audit”²²⁷, the internal audit system in the RA Ministries operates under the control of the Minister, in other state governing bodies under the control of the head of corresponding body, in the RA communities under the control of the head of the community.

Internal audit is carried out on the basis of strategic and annual internal audit plans, by providing assurance or consulting services to the management of the organization.

In general, the internal audit department of the ministries:

- Assists the Ministry, its separate "structural subdivisions" as well as its subordinate organizations in being accountable to the whole society;
- Reduces the probability of fraud, waste and other abuses;
- Audits all the functions related to the activities of the Ministry, its separate structural subdivisions, as well as subordinate organizations, including internal control systems;

²²⁴ <https://www.arlis.am/DocumentView.aspx?docid=64546>

²²⁵ <https://www.arlis.am/DocumentView.aspx?docid=66322>

²²⁶ <https://www.arlis.am/DocumentView.aspx?DocID=80071>

²²⁷ <https://www.arlis.am/DocumentView.aspx?DocID=65056>

- Internal audit is carried out in accordance with the code of conduct of internal auditors, and following principles:
 - a. Independence
 - b. Objectivity,
 - c. Ability,
 - d. Impartiality,
 - e. Confidentiality.

The Head of the Internal Audit Department and Internal auditors have access to complete information on the organization activities, including confidential information, in accordance with the procedure of access to confidential data under the legislation of the Republic of Armenia, as well as all company records, including electronic data, necessary for audit.

At the same time, it should be noted that according to the Article 5 of the RA Law on the “Audit Chamber” adopted in 2018, the Audit Chamber has the right to analyse the effectiveness of the internal audit system of the bodies audited by itself. The Audit Chamber shall be independent from the bodies and organizations subject to audit in the exercise of its powers.

- 1) The Audit Chamber shall carry out the audit in accordance with the principles of legality and cost-effectiveness.
- 2) In order to increase the efficiency of risk management related to the financial, control and management processes of the Audit Chamber, a quality management system is established in the state body of Audit Chamber.
- 3) The annual financial statements of the Audit Chamber are subject to annual audit by external audit organization selected by tender.
- 4) The tender for the audit organization conducting the external audit of the financial statements of the Audit Chamber shall be organized by the staff of the National Assembly in accordance with the Law of the Republic of Armenia “On Procurement”.

The purpose of the Audit Chamber is to provide timely, professional and impartial information to the National Assembly and society on the efficiency and legality of the use of state and community funds, loans and borrowings, state and community property.

In order to ensure the purpose of the activities of the Audit Chamber defined by this Law, the Audit Chamber performs the following functions:

- 1) Carrying out an audit on the efficiency and legality of the use of the state and community budget funds, received loans and borrowings, state and community property.;

The Audit Chamber conducts audits in all state and local self-government bodies and institutions financed from the state or community budget. The Audit Chamber does not carry out audits in state (local self-government bodies) institutions that are not financed from state and community budgets.

The Audit Chamber does not carry out inspections of legal entities with state or local self-government functions when their activity is not financed from state or community budgets. The Audit Chamber shall carry out an inspection of a legal entity within the framework of the auditing defined in part 1, if:

- 1) the non-commercial legal entity was established by the Republic of Armenia or the community;
- 2) more than 50% of the authorized capital of a commercial legal entity is with state or community participation;
- 3) a legal entity is authorized by a legal act to perform state or local self-government body functions financed by state or community budgets. The Audit Chamber check only the fulfillment of the requirements of the legal act;
- 4) the legal entity has received loans from the state budget under the contract, such as loans secured by the state guarantee of the Republic of Armenia or other financial means, only in connection with the use of those funds, to check the fulfillment of the requirements of the contract provided for in this clause.
- 5) the legal entity has received grants or subsidies from state or local self-government bodies and institutions under the contract, only in connection with the use of those funds, to check the fulfillment of the requirements of the contract provided for in this clause.

Each year, the Audit Chamber approves the action plan for one year, at least one month before the end of the previous activity plan of the Audit Chamber.

The activity plan consists of the following parts:

- ▶ Inspection of the execution of the state budget for three, six, nine months and a year.
- ▶ Inspection according the risk-based methodology, etc.

Financial levelling. Financial levelling in the Republic of Armenia is governed by the RA Law “On Financial Levelling” (hereinafter referred to as the “Law”) adopted on 20 October 2016.²²⁸

The law defines levelling as the reduction of existing differences between the financial capabilities of communities, which is carried out to promote the harmonious development of communities, to create the opportunity to make the minimum level of making expenses in all communities for the exercise of its own authorities by the local self-governance bodies as prescribed by law.

The law provides for certain expenditure factors that have an impact on the implementation of the powers vested in communities by law and characterize the peculiarities of the given community. Such factors include, particularly, the following:

- 1) scale factor;
- 2) transport accessibility factor;

²²⁸ <https://www.arlis.am/DocumentView.aspx?DocID=94584>

- 3) factor of altitude of community;
- 4) factor of the number of settlements within the given community;
- 5) population age structure factor.

Thus, the *scale expenditure factor* reflects the impact of the number of population on the expenditures of the community for performance of own authorities. The below table presents how the value of the factor is calculated based on number of population:

Population size range	SF _i
0-3,500 inhabitants	1.0
3,501-5,000 inhabitants	2.8
5,001-20,000 inhabitants	2.0
20,001-150,000 inhabitants	1.5
150,001 and more inhabitants	1.0

Within the context of the above table, the SF_i reflects the value of scale expenditure factor of the community.

The next is the *transport accessibility expenditure factor*, which determines the impact of community’s distance on the expenditures for performance of community’s own authorities. It shall be noted that the formula of this factor includes elements such as the distance between the capital city, region centre, district centre and the community, as well as the average distance of all communities from the capital city.²²⁹

The *expenditure factor of community altitude* shows the impact of the altitude on the community expenditures for performance of its own authorities. The latter is calculated based on the altitude of the community, as per the following table:

Range of altitude of community	AF _i
Up to 1700 m	1,0
1700-2000 m	1,1
2000 m and higher	1,25

Within the context of the above table the AF_i-reflects the value of expenditure factor of the community altitude.

The next is the *expenditure factor of the number of settlements in the community*, which determines the impact of the number of settlements within the community on the expenditures needed for performance of community’s own authorities. The formula of this factor considers both the value of the expenditure factor of the number of settlements in the community, as well as the number of included settlements.²³⁰

The law also stipulates the procedure for calculation of *expenditure factor of the age structure of population*. The following elements are considered within the scope of this factor: number of inhabitants of the community, number of inhabitants of the community between the age 0–16, the sum of the

²²⁹ Formula and meaning can accessed from the following link: <https://www.arlis.am/documentview.aspx?docid=118597> (Article 12).

²³⁰ Same, article 14.

numbers of inhabitants of all communities between the age 0-16, the sum of numbers of inhabitants of all communities at pension age (63 years and above), as well as the sum of the numbers of inhabitants of all communities (number of the population of the Republic of Armenia).²³¹

State budget. According to the RA Law “On Budgetary System of the Republic of Armenia” adopted by the National Assembly in 1997²³² the budgetary system of the Republic of Armenia is the totality of two-level budgets: state budget and community budget. The budgetary system of the Republic of Armenia is based on the following principles: budget autonomy, completeness of inflows and outflows of the budget, publicity of the budgets, realistic nature of the budget, and other fundamental principles. Budgetary year of the Republic of Armenia starts each year on January 1st and ends on December 31st of the same year.

Implementation of budgets is a regulated process of formation of state and community budgets and execution of the expenses thereof by correspondingly state and community authorities. Implementation of budgets is performed based on unified cash basis accounting principle which provides that all budgetary inflows and outflows are performed via unified state treasury account of authorized body. The uniformity of budget inflows makes it impossible to determine the further distribution of incomes.²³³

The preparation of draft annual State budget is carried out by the Government based on the decision of the Prime Minister of the Republic of Armenia to commence the budgetary processes for the upcoming year and within the period prescribed by the Law. The process of drafting the State budget is composed of two stages:

- a. Development of mid-term state expenditure program of the Republic of Armenia for the upcoming 3-year period for the purpose of establishing a proper programmatic basis for the development of the draft State budget for the upcoming year.
- b. Development of the draft State budget for the upcoming year.

The draft State budget is presented to the National Assembly as per procedure prescribed by the Law where it is discussed and approved. In case of non-approval of the State budget prior to the start of budgetary year the expenditures are performed in compliance with proportions of the previous year’s budget.

Community budgets are developed upon presentation of the Head of Community based on the 3-year development program adopted by the Community Council. Draft Community budget is prepared by the Head of Community and presented for discussion to the Community Council. Community budget is approved by the Community Council. The Community Council may approve community budget even prior to the approval of the State budget. In case the community budget is not approved the Head of Community

²³¹Same, article 15:

²³² <https://www.arlis.am/documentview.aspx?DocID=121480>

²³³ The RA Law “On the Budgetary System of the Republic of Armenia” stipulates only the requirement that the expenditures provided through the state budget for environmental projects cannot be less, than the sum of environmental payments for second budgetary year preceding that year, and starting from 2020 – the sum of all actual inflows as to the environmental tax and nature use payments.

may raise the question of early termination of its powers via resignation. If the Community Council does not make a decision within 3-day period regarding the resignation of the Head of Community, the community budget is deemed to be approved.

State budget draft contains the budgetary message of the Government and the law on state budget. The budgetary message includes the report of the Government on main directions of social-economic development and tax and budgetary policies and the prediction on social-economic situation of the country for the upcoming 3-year period. The law on State budget includes the incomes and expenditures of the state budget, the deficit or surplus of the budget and sources of financing the deficit or directions of surplus use. The State budget envisages a Government reserve fund, which is the source of financing of expenditures for preserving the budgetary guarantees and of expenditures not envisaged in the State budget of the current year.

The structure of community budget includes administrative and fund parts of community budget. In addition, the community budget has a reserve fund, which can be used for financing unforeseeable expenditures of the current year's budget or for additional financing of envisaged expenditures. Besides the community budget, the financing of expenditures for performing the powers delegated by the State to the Local Self-Governance Bodies is performed through the State budget at the expense of allocations provided for that purpose.

The body responsible for implementation of the State budget is the Government. Within 40-day period after the end of each quarter the Government presents information on the process of State budget implementation to the National Assembly. The control over implementation of the State budget is carried out by the Government as per the procedure approved by itself. The oversight over the implementation of the State budget is carried out by the National Assembly. The Government provides an annual report on implementation of each year's State budget to the National Assembly before May 1 of the following year.

The person responsible for implementation of the community budget is the Head of Community, and the bodies carrying out its oversight are the Community Council, National Assembly and the Government within the scope of authorities provided to them by the Law. The Head of Community, on quarterly basis, before the 15th day of each month following the reporting quarter, informs the Community Council and the respective head of the region (Marzpet) on the process of the budget implementation.

For the purposes of ensuring the publicity of State and community budgets the Government and the heads of communities publish the State and community budgets on the official webpage of the Republic of Armenia on public notices (<http://www.azdarar.am/>) within 3 and 5 days respectively after the approval of the budgets. Though the law of 1997 on "Budgetary System of the Republic of Armenia" stipulates that each person willing to familiarize with and analyse the draft budgets and annual reports shall have easy access to those documents ensured via internet and media, the law does not require that budgets be subject to public hearings for the purposes of collecting opinions and suggestions before their adoption.

Table 2.5.2: The size of summarized budgets of the Republic of Armenia for 2016-2018 as provided under the Law “On the State Budget of the Republic of Armenia for 2016-2018”²³⁴

Summarized budget of the Republic of Armenia	2016 (billion AMD)	2017 (billion AMD)	2018 (billion AMD)
Income	1,223	1,244	1,343
Expenditures	1,416	1,394	1,501
Deficit	192	150	157

During the mentioned 3 years the State budget of the Republic of Armenia provided certain allocations to the mining (extraction) industry, which are summarized in the below table.

Table 2.5.3: Allocations made from the State budget to the mining (extraction) industry during 2016-2018

	Allocations made for extraction of mineral resources, except from natural fuel, thousand AMD	Allocations made for research and estimation activities in mining (extraction) industry, manufacturing industry and construction, thousand AMD
2016	20,602	42,400
2017	20,571	120,235
2018	16,926	36,295

There are no enterprises with state participation in the sphere of mining (extraction) industry in Armenia.

²³⁴ <https://www.arlis.am/documentview.aspx?DocID=111471>
<https://www.arlis.am/documentview.aspx?DocID=119841>
<https://www.arlis.am/DocumentView.aspx?DocID=126060>

3

EXTRACTION, PRODUCTION AND REALIZATION IN THE METAL MINING INDUSTRY

3. EXTRACTION, PRODUCTION AND REALIZATION IN THE METAL MINING INDUSTRY

3.1 Reserves of metal mineral resources in the mining industry (requirement 3.1)

Significant reserves of metal minerals were confirmed in Armenia between 2010 and 2018. Iron accounts for the largest volume of reserves, followed by gold, magnesium, copper and chromite. There are also reserves of zinc, lead and molybdenum. Reserves of composite components (such as tellurium, bismuth, rhenium, platinum, palladium, sulphur, selenium) were also registered on the territory of Armenia in 2010-2018.

According to information provided by MTAI concerning confirmed quantities of metal ore reserves during 2010-2018, Lori region hosts the largest volume of mineral reserves represented mainly by iron (100% of iron ore balance reserves) and a relatively small amount of gold (7% of gold ore balance reserves). Syunik comes second with metal minerals reserves and hosts 42% of gold balance reserves and 100% of copper reserves. 99% of zinc balance reserve, as well as the entirety of molybdenum reserves is also located in Syunik. Vayots Dzor region is the third by the volume of reserves during 2010-2018, hosting 11% of confirmed gold reserves. All the reserves of magnesium and chromite are located in Gegharkunik region. The smallest share of gold reserves, 3% of total, is located in the Aragatsotn region.

Throughout 2018 there were no new mines confirmed or confirmations and assessments of mineral reserves, which means that information presented in the first EITI report regarding reserves of metal minerals in the territory of RA remains unchanged.

The regional distribution of confirmed metal ore reserves between 2010 and 2018 is presented below.

Figure 3.1.1 The regional distributions of the confirmed reserves of metal ore in 2010–2018, thousand tons

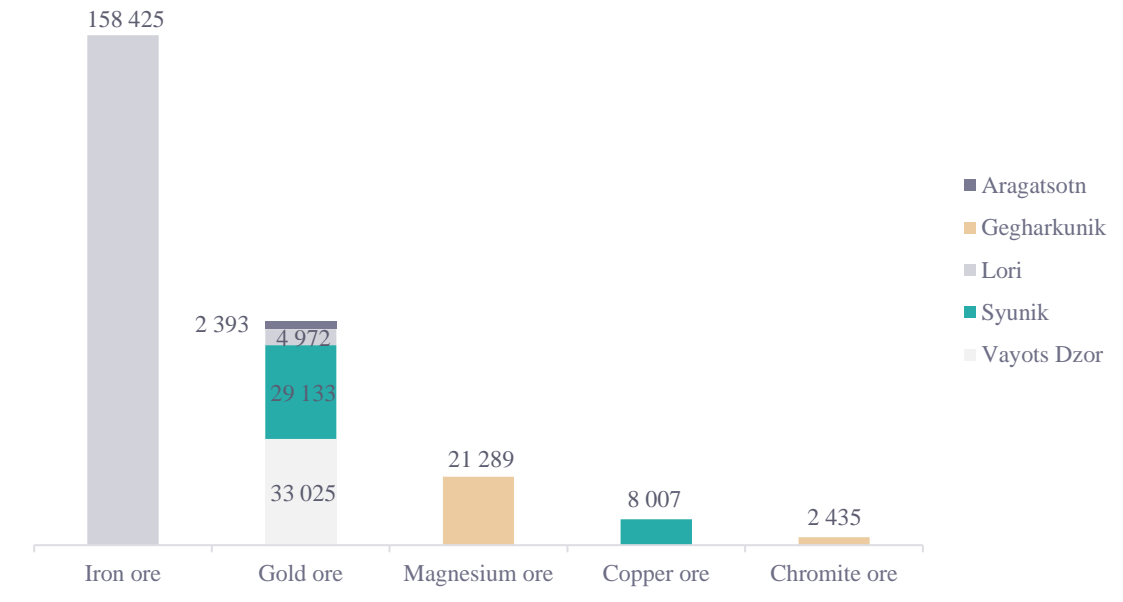
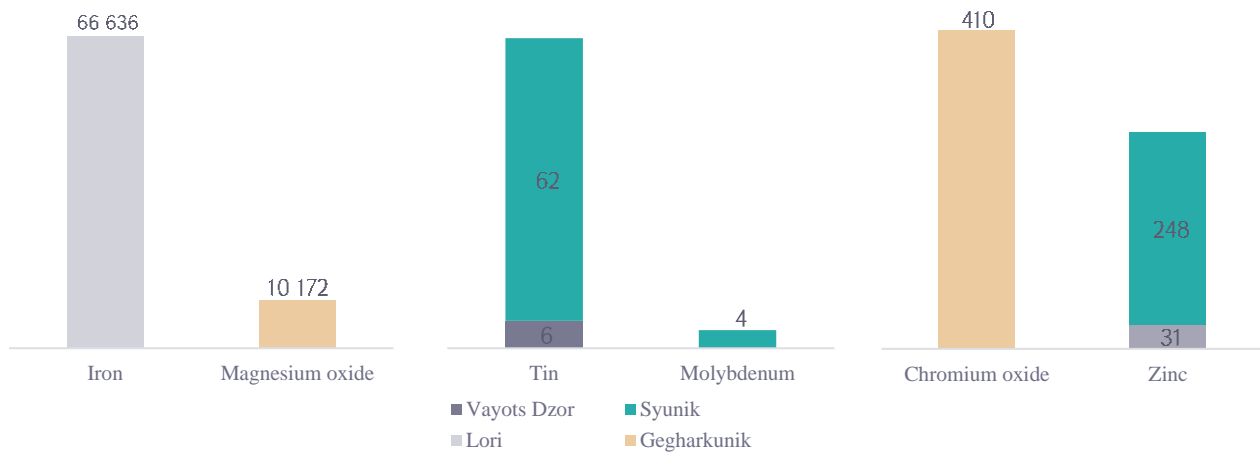
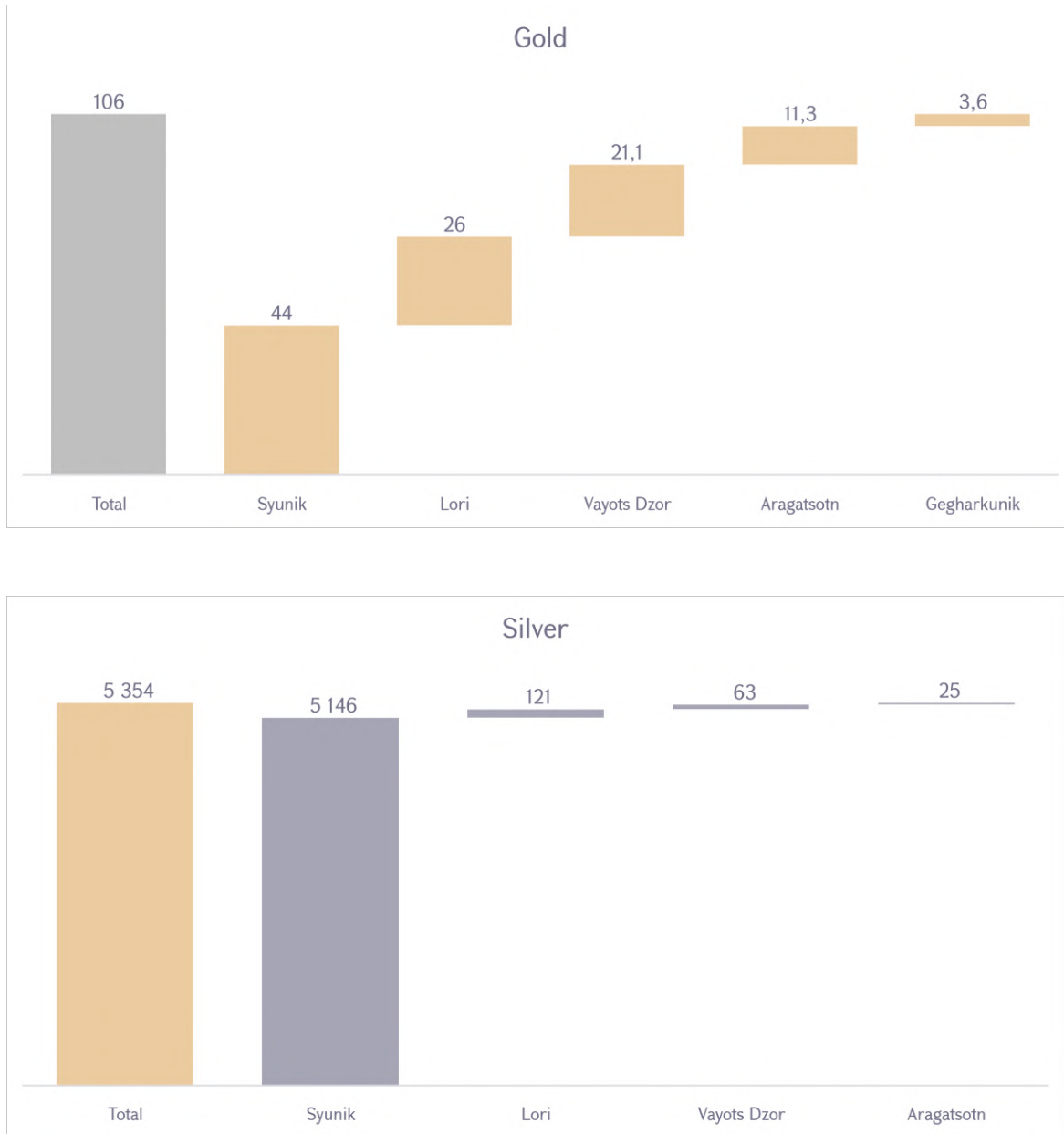


Figure 3.1.2 The regional distribution of confirmed reserves of metal mineral resources during 2010–2018, thousand tons



Source: The information was provided by the MTAI for preparation of EITI report

Figure 3.1.3 The regional distribution of confirmed reserves of gold and silver during 2010–2018, thousand tons



Source: The information was provided by the MTAI for preparation of EITI report

3.2 Subsoil exploration activities (requirement 3.1)

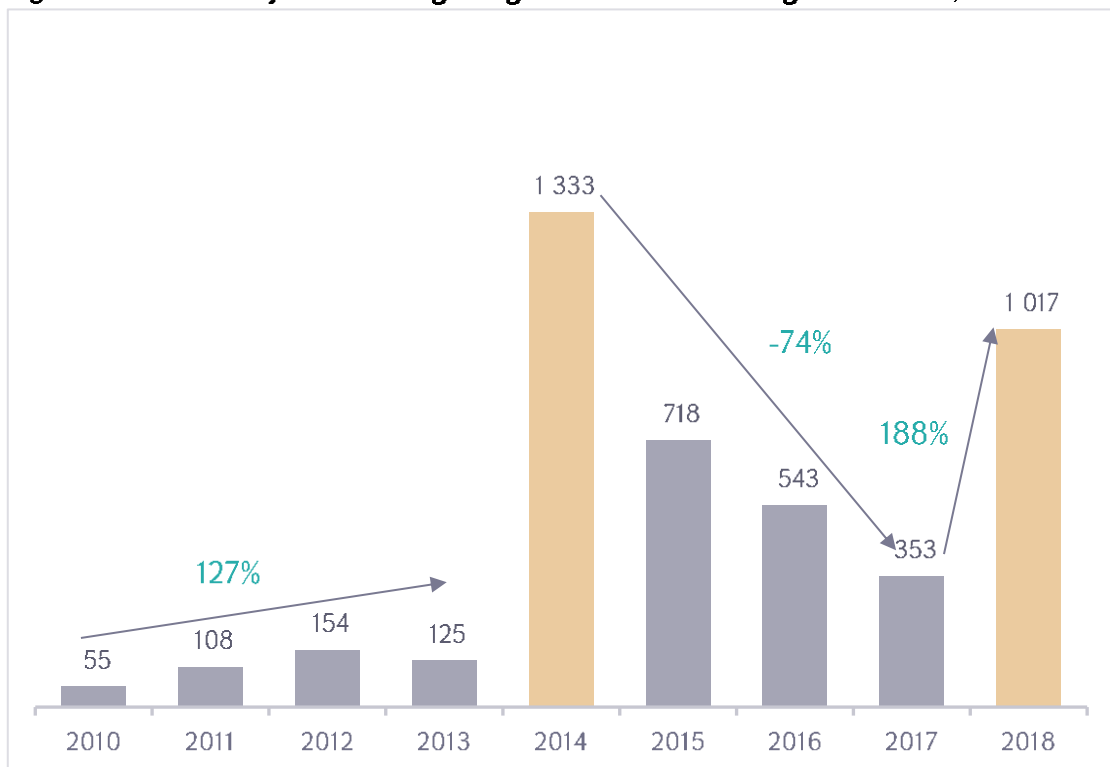
The RA Code on Subsoil (hereinafter referred to as “the Code”) provides the following definition for geological study:

“Geological Studies - a set of geological activities aimed at exploring the structure of the earth's crust,

the conditions for rock formations, exogenous geological processes, volcanic activity, as well as identifying and assessing the reserves of mineral resources."

After the authorized body assesses the credibility of the information about estimated mineral resources and other subsoil related data, which an extractive company has obtained as a result of geological studies, the agency is forbidden from disclosing such information if the extractive company applies, as according to the second clause of the article 42 of the Code on Subsoil, to extend its permission to conduct geological studies by 1 year in order to prepare a mineral extraction project and to receive a mining permit in accordance with the law. Investments made for the implementation of geological studies are an important precondition for the development of mining sector.

Figure 3.2.1 Monetary volume of geological activities during 2010–2018, mln AMD



Source: RA Statistical committee: armstat.am²³⁵

The amount of investments for the implementation of geological activities increased dramatically in 2014, which, in particular, is related to the number of studies, the number of mine drills planned and realized under the study projects, as well as the end of the projects' detailed investigation phase. Between 2014 and 2017, the volume of geological studies decreased by -74% as compared to 2014. However, 2018 saw a 188% increase in the volume of geological studies as compared to the previous year. Reported increase in 2018 is not connected to the quantity of the studies but rather to the change of the types of works

²³⁵ Geological studies https://armstat.am/file/article/eco_book_2018_3.pdf

conducted. The latter is explained by transition of some projects to a new, more capital-intensive stage of studies.

According to the data of RA Statistical Committee, which is provided by the RA Ministry of Territorial Administration and Infrastructures, the adjusted volume of geological studies in 2018 was 1,017.1 mln AMD. These studies were realized solely at the expenses of mining companies. More detailed information provided by the fields of the studies and implementation phases is presented below.

Table 3.2.1 Geological studies by fields and implementation phases in 2018, mln AMD²³⁶

Field	2018	
	Total	Prospecting
Non-ferrous metals	2.0	2.0
Precious metals	1,008.4	1,008.4
Non-metals	6.7	6.7
Geological studies, total volume	1,017.1	1,017.1

Source: RA Statistical committee: armstat.am²³⁷

Description of important geological study projects carried out during 2010-2018. From among different geological studies projects implemented during 2010-2018 in land sections provided under the subsoil use right, investigation activities carry special importance because of the high likelihood of positive results of the study (confirmation and estimation of reserves). Such activities were conducted in the mines listed below:

- ▶ Verin Vardanidzor gold-polymetallic mine in Syunik region: reserves were assessed in 2015,
- ▶ Reserves of the Tsitskar gold mine in Aragatsotn region: reserves were assessed in 2016,
- ▶ Arjut gold mine in Lori region: reserves were assessed in 2014.

²³⁶ **Prospecting works** – the goal of this stage is to create a fundamental geological basis for minerals forecasting. As a result of this stage, large structures, formation and areas promising for discovery of minerals are determined, sets of geological maps of 1: 1 500 000 - 1: 50 000 scales are created, resources of minerals of P2, P3 categories are evaluated.

Investigative-evaluative – at this stage geological study of the territory is carried out, manifestations of minerals are identified. The result of this stage are a comprehensive assessment of the geological structure and prospects of areas and the assessment of resources of P1, P2 categories.

Preliminary investigation – at this stage the estimation of the industrial value of the deposit is carried out. The result is a feasibility study of the industrial value of the deposit and the estimation of reserves and mineral resources by C1, C2, P1 categories.

Detailed investigation – at this stage the study of the geological structure of the deposit, quality and technological characteristics of the minerals, hydrogeological and engineering-geological conditions of deposit site is carried out. The results are the conditions and technical-economical studies for the development of the deposits and evaluation of reserves by categories A, B, C1, C2.

²³⁷ Geological Studies in 2018 https://www.armstat.am/file/article/sv_03_19a_5280.pdf

The involvement in RA of international companies with excellent experience in applying subsoil use best-practices is also highly significant, specifically of Geomining" LLC (the participant of which is "Dandy Precious Metals Inc." Company, Canada) in Vardenis polymetal mine in Vayots Dzor region.

Geological studies, which have been extended three times in compliance with the procedure prescribed by the law (each time for a two-year period) are considered to be in the last phase of investigative activities. Consequently, these activities are of utmost importance since there is a high probability that reserves will be confirmed as final result.

The table presented in Annex 7 reflects detailed information on subsoil geological study activities carried out for mineral extraction purposes. This information has been provided by the relevant division of the Ministry of Territorial Administration and Infrastructures within the framework of the EITI report and is available on the website of the said Ministry.²³⁸ It is important to note that the list of companies, which held permissions of conducting geological studies for the purpose of mineral extraction as of February 12th of 2020, is also available in the cited website. All of the above-mentioned companies are planning to carry out prospecting studies, which prohibits highlighting the more important projects.

3.3 Extraction and production in the metal mining industry (requirement 3.2 and 3.3)

Copper, molybdenum and ore are the main types of metal minerals extracted in Armenia. According to MTAI data, the state registry of minerals lists 871 mines with confirmed minerals of which 42 are metal mines. These include 7 copper-molybdenum, 4 copper, 24 gold and gold-multi-metal, 2 multi-metal, 1 molybdenum, 1 aluminum ore, 1 magnesium-silicate rock and chromite and 3 iron ore mines. Information about the mines exploited by each metal mining company in 2018 is summarized below.

Table 3.3.1 Mines exploited by metal mining companies during 2018

N	Company name	Mine/site explored, Region	Mineral name
1	"Agarak Copper Molybdenum Combine" CJSC	Agarak copper-molybdenum mine, Syunik	copper, molybdenum
2	"Akhtala Mining And Processing Enterprise" CJSC	Shamlukh copper mine, Lori	copper
3	"Ative Lernagorts" LLC	Aygedzor copper-molybdenum mine, central site, Syunik	copper, molybdenum
4	"Assat" LLC	Qaraberd gold mine, central site, Lori	gold, silver
5	"At-Metals" LLC	Meghrasar gold mine, Syunik	gold
6	"Baktek Eco" LLC	Arjut gold mine, Lori	gold, silver, copper
7	"Geghi Gold" LLC	Voskedzor gold-multi-metal mine, Syunik	gold, silver, zinc, copper
8	"Geopromining Gold" LLC	Sotk gold mine, central site Gegharkunik	Gold, silver
9	"Zangezur Copper-Molybdenum Combine" CJSC	Kajaran copper-molybdenum mine, Syunik	copper, molybdenum
10	"Tatstone" LLC	Lichk copper mine, Syunik	copper

²³⁸ The information is available in the website of RA MTAI: <http://mtad.am/hy/mtad27.12.2/>

N	Company name	Mine/site explored, Region	Mineral name
11	“Tatstone” LCC	Tghkut site of the Ayghedzor copper-molybdenum mine, Syunik	copper, molybdenum
12	“Teghout” CJSC	Teghout copper-molybdenum mine, Lori	copper, molybdenum
13	“Ler-Ex” LLC	Hankasar copper-molybdenum mine, Syunik	copper, molybdenum
14	“Lydian Armenia” LLC	Amulsar gold quartzite mine, “Tigranes”, “Artavazdes” and a “Erato” sites, Vayots Dzor	gold, silver
15	“Lichkvaz” LLC	Lichkvaz-Tey gold mine, Syunik	gold, silver, copper
16	“Chaarat Kapan”	Shahumyan gold-multi-metal mine, Syunik	gold, silver, copper, zinc, lead
17	“Gharagyulyanner” CJSC	The central site of Upper Vardanidzor gold-multi-metal mine, Syunik	gold, silver, copper, zinc, lead
18	“Marjan Mining Company” LLC	Marjan gold-multi-metal mine, Syunik	gold, silver, copper, zinc, lead
19	“Mego Gold” LLC	Tukhmanuk gold mine, central site Aragatsotn	Gold, silver
20	“Meghradzor Gold” LLC	Meghradzor gold mine, Kotayk	Gold, silver, tellurium
21	“Molibdeni Ashkharh” LLC	Copper-molybdenum mine of Dastakert, Syunik	copper, molybdenum
22	“Multi Group” Concern LLC	Mghart gold mine, Lori	gold
23	“Paramount Gold Mining” LLC	Meghradzor gold mine, “Lusadzur” site, Kotayk	gold, silver, tellurium, bismuth
24	“Sagamar” CJSC	Armanis gold-multi-metal mine, Lori	gold, silver, copper, zinc, lead
25	“Vayk Gold” LLC	Azatek gold-multi-metal mine, Vayots Dzor	gold, silver, zinc, lead
26	“Vardani Zartonk” LLC	Sofi Binay gold-multi-metal mine, Vayots Dzor	gold, zinc, lead
27	“Fortune Resources” LLC	Hrazdan iron mine, Kotayk	iron

Source: The information was provided by MTAI for the preparation of EITI report

According to the data provided by metal mining companies, the prevailing volume of ore extraction in 2018 was copper or copper-molybdenum ore reaching around 25 mln tons. The ore was used in the production of copper or molybdenum concentrate and ferromolybdenum. It is worth noting that the copper and copper-molybdenum ore of Armenia is rich with valuable gold and silver.

Table 3.3.2 Main ore types extracted by the metal mining sector in 2018

	Company	Ore type	Volume, tons
1	“Lichkvaz” LLC	Gold, silver and copper containing ore	40,031
2	“Meghradzor Gold” LLC	Non-ferrous metals ore	72,025
3	“Geopromining Gold“ LLC	Gold ore	1,141,600
4	“Akhtala Mining And Processing Enterprise” CJSC	Copper ore	560,397
5	“Teghout” CJSC	Copper-molybdenum ore	243,730
6	“Zangezur Copper-Molybdenum Combine“ CJSC	Copper-molybdenum ore	21,286,100
7	“Agarak Copper Molybdenum Combine” CJSC	Copper-molybdenum ore	3,213,951
8	“Chaarat Kapan ” CJSC	Multi-metal ore	637,441

Source: The information was provided by metal mining companies for the EITI report

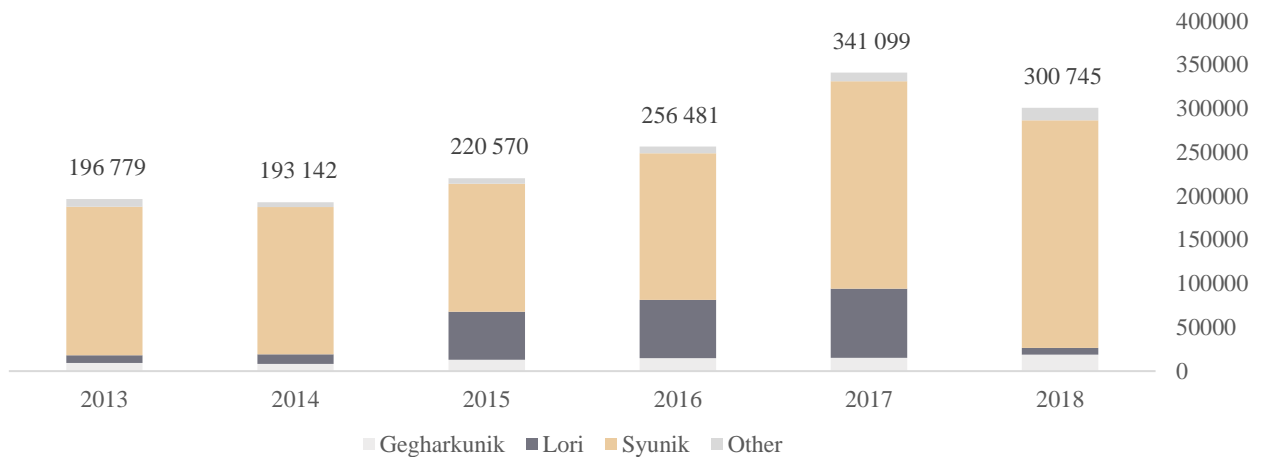
According to the data published by RA SC,²³⁹ the volume of mining and quarrying production reached 300,745 mln AMD in 2018 accounting for 15.5% of total production in the industrial sector. It is worth noting that the production of mining and quarrying sector was 341,099 mln AMD in 2017. The decrease in the indicator can be explained by the temporary closure of the Teghout mine in the Lori region.

The major share of mining and quarrying output was generated in the region of Syunik which is traditionally the leader of the mining sector with a 86% share in 2018. The region of Gegharkunik comes next, which had a 6.3% share in the total production of the mining and quarrying sector in 2018. It must be noted that the contribution of the Lori region to the production of the mining sector has decreased significantly in 2018 making up only 2% in total (in 2017 the region had a share of 23%). This change is connected with the temporary pause of “Teghout” CJSC’s operations.

The main product of the mining and quarrying sector in Armenia is copper concentrate. Besides copper, the sector also produces significant volumes of molybdenum concentrate, ferromolybdenum and zinc concentrate. From among precious metals, Armenia produces gold ore, as well as gold and silver alloy. The figure and tables presented below summarize the monetary volume of production during 2013-2018 of the mining and quarrying sector and its subsector, the metal mining industry.

²³⁹ <https://armstat.am/file/doc/99516788.pdf> page 273

Figure 3.3.1 The territorial distribution of the production of mining and quarrying sector as expressed in monetary terms, mln AMD



Source: RA SC’s publication “The regions of the Republic of Armenia and the city of Yerevan” for relevant years²⁴⁰

Table 3.3.3 The monetary volume of production of the metal mining sector, nominal prices, mln AMD

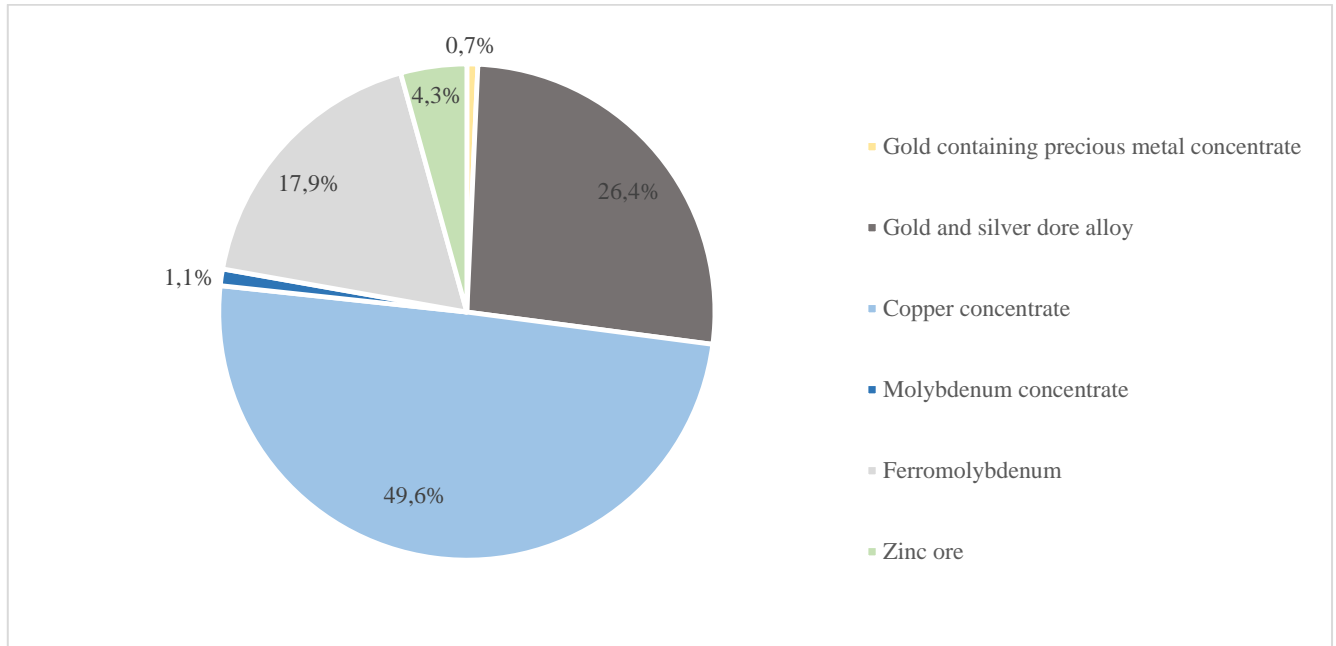
Region	2015	2016	2017	2018
Gegharkunik	8,279	14,854	15,089	18,886
Lori	10,695	66,515	79,088	7,263
Kotayk	1,099	2,547	1,517	1,567
Syunik	168,165	167,184	236,667	259,558
Total	188,238	251,099	332,362	287,274

Source: RA SC’s publication “The regions of the Republic of Armenia and the city of Yerevan” for relevant years²⁴¹

²⁴⁰ https://www.armstat.am/file/article/marzer_2018_11.pdf pages 35-43

²⁴¹ https://www.armstat.am/file/article/marzer_2018_11.pdf pages 35-43

Figure 3.3.2 The shares of metal mining products in 2018 in monetary expression



Source: The information was provided by metal mining companies for the EITI report

Table 3.3.4 2018թ. The main metal mining industry products in 2018, their volumes and sales prices

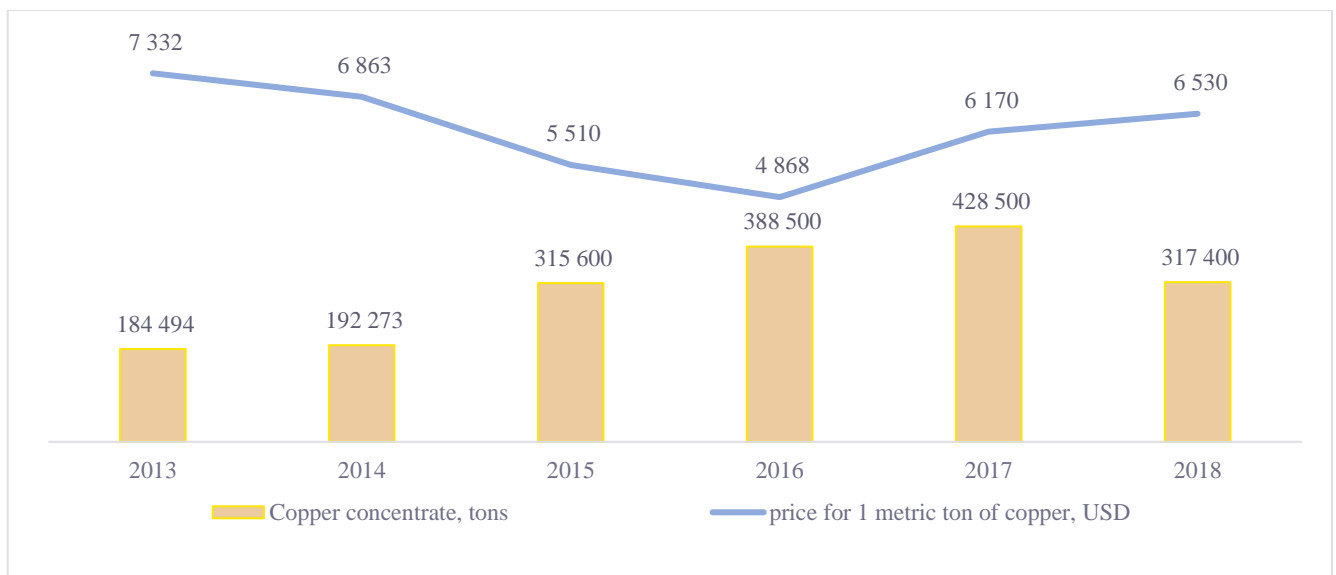
	Company	Product type	Unit of measurement	Volume	Sale price, mln AMD
1	“Vayk Gold” LLC	Precious metal concentrate containing gold	ton	5,5	0.69
2	“Meghradzor Gold” LLC	Precious metal concentrate containing gold	ton	2,881	1,580
3	“Geopromining Gold“ LLC	Gold and silver doré alloy	gram	4,602,155	58,611
4	“Akhtala Mining And Processing Enterprise” CJSC	Copper molybdenum	wmt	13,956	4,771
5	“Teghout” CJSC	Copper molybdenum	wmt	3,435	2,156
6	“Teghout” CJSC	Molybdenum concentrate	wmt	62	228
7	“Zangezur Copper-Molybdenum Combine“ CJSC	Copper molybdenum	wmt	269,919	65,700
8	“Zangezur Copper-Molybdenum Combine“ CJSC	Ferromolybdenum	ton	7,183	39,813
9	“Agarak Copper Molybdenum Combine” CJSC	Copper molybdenum	wmt	38,212	15,728
10	“Agarak Copper Molybdenum Combine” CJSC	Molybdenum concentrate	wmt	676	2,178
11	“Chaarat Kapan ” CJSC	Gold containing copper concentrate	wmt	9,898	21,948
12	“Chaarat Kapan” CJSC	Zinc concentrate	wmt	12,188	9,576

Source: The information was provided by metal mining companies for the EITI report

Copper Concentrate

Copper is the main mineral of Armenia’s mining sector. Currently Armenian companies exploit 6 copper-molybdenum and 2 copper mines. According to the information published by the RA SC, during 2013-2018, copper concentrate production increased significantly, reaching 428,500 tons in 2017. The average annual growth during 2013-2017 was 23.5%. The growth was particularly significant in 2015 (+64.1%). Nevertheless, copper concentrate production decreased significantly in 2018 reaching 317,400 tons (-25.9%). The decrease was caused by the temporary closure of Teghout mine, which was due to the financial and technical difficulties (in connection with the tailings of the mine) of “Teghout” CJSC. The said company produced only 3,435 wmt copper concentrate in 2018 while the parallel figure in 2017 stood at 122,320 wmt implying a 36-fold decrease in the production volumes of the company.

Figure 3.3.3 Copper concentration production and the international price of copper during 2013-2018



Source: RA SC publication “Output of Main Commodities in the Industrial Organizations (in kind)” for relevant years,²⁴² Data regarding international prices was extracted from the databases of the World Bank ²⁴³

The leader in copper production is “Zangezur Copper Molybdenum Combine” CJSC. This company is responsible for 80% of the copper produced in Armenia. Another big market player is “Agarak Copper Molybdenum Combine” CJSC, which has an 11% share in total production.

According to data published by the World Bank, the international price of copper had a downward trend from 2013 (7,332 USD/t) to 2016 (4 868 USD/t) with an average annual decrease of 12.8%. Even so, the

²⁴² RA SC publication “Output of Main Commodities in the Industrial Organizations (in kind)” for relevant years

2013թ.՝ <https://www.armstat.am/am/?nid=82&id=2135>
 2014թ.՝ https://www.armstat.am/file/article/bnexen_12_2014.pdf
 2015թ.՝ <https://armstat.am/am/?nid=82&id=1740>
 2016թ.՝ https://www.armstat.am/file/article/bnexen_12_2016.pdf
 2017թ.՝ https://www.armstat.am/file/article/bnexen_12_2017.pdf
 2018թ.՝ https://armstat.am/file/article/bnexen_12_2018.pdf

²⁴³ <https://databank.worldbank.org/databases/commodity-price-data>

price of copper recorded significant increase in the past two years (especially in 2017: 26.7%): As of 2018, the international price of copper stood at 6530USD/t.

The fluctuations of copper's international price have corresponding impact on the metal mining industry of Armenia and directly influence the production volumes of copper concentrate. It is worth noting, that in parallel with the price increase during the past two years, copper production recorded increase both in terms of volume and value. Surveys conducted among metal mining company representatives show that there exists a positive correlation between the international price of a given metal and its local production volumes. In other words, a positive change in prices leads to expanded production volumes and vice versa. In spite of this, the opposite practice may also take place at times whereby the decrease in prices is compensated for by an increase in production volumes, which carries the aim of decreasing the cost per unit of products. Particularly, "Zangezur Copper Molybdenum Combine" CJSC has increased the production volumes by 21% in 2016-2017 with the international copper prices increasing by 27% . "Chaarat Kapan" CJSC has increased the production volumes by 47% in 2016-2017, and 23% in 2017-2018 with the price increase by 6%.

Table 3.3.5 Copper concentrate production by company in 2018

Company name	Community	Volume, wmt	Sales price, mln AMD
"Akhtala Mining and Processing Enterprise" CJSC	RA, Lori region, Akhtala	13,956	4,771
"Teghout" CJSC	RA, Lori region, Teghout	3,435	2,156
"Zangezur Copper Molybdenum Combine" CJSC	RA, Syunik region, Kajaran	269,919	65,700
"Agarak Copper Molybdenum Combine" CJSC	RA, Syunik region, Agarak	38,212	15,728
"Chaarat Kapan" CJSC ²⁴⁴	RA, Syunik region, Kapan	9,898	21,948
Total		335,420	110,303

Source: The information was provided by metal mining companies for the EITI report

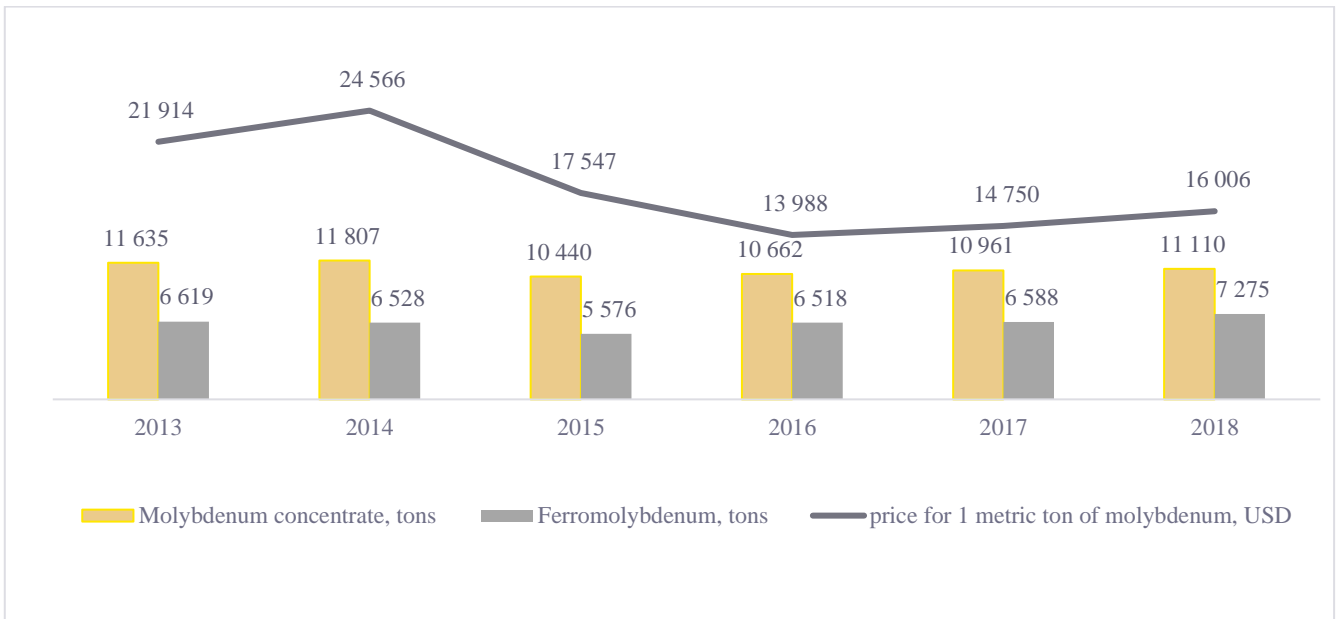
Molybdenum concentrate and ferromolybdenum

From among molybdenum products, Armenia produces molybdenum concentrate and ferromolybdenum. The dynamic of molybdenum concentrated production has been varied in the past five years. The record high level of production took place in 2014 which was followed by a 11.6% decrease in 2015. The production volumes recovered during 2016-2018 approaching historically high levels. The dynamic of ferromolybdenum production is a little different. It mirrors the one of molybdenum concentrate with the exception of the 2014 decrease. Apart from that, during the past five years, ferromolybdenum production recorded an average annual increase of 1.9% while molybdenum concentrate decreased by an average of -0.9% annually.

During 2013-2018, molybdenum international price has largely demonstrated a downward tendency. In spite of price increase in 2014, 2015 and 2016 witnessed sharp decrease of -29% and -20% respectively. Since 2017, the international price of molybdenum has recovered marginally though it still remains rather low as compared to its historical average price.

²⁴⁴ Previously "Kapan Mining and Processing Company" CJSC

Figure 3.3.4 The production of molybdenum and ferromolybdenum and the international price of molybdenum during 2013-2018



Source: RA SC publication “Output of Main Commodities in the Industrial Organizations (in kind)” for relevant years, Data regarding international prices was extracted from metalary.com

Table 3.3.6 The production of molybdenum concentrate and ferromolybdenum by company in 2018

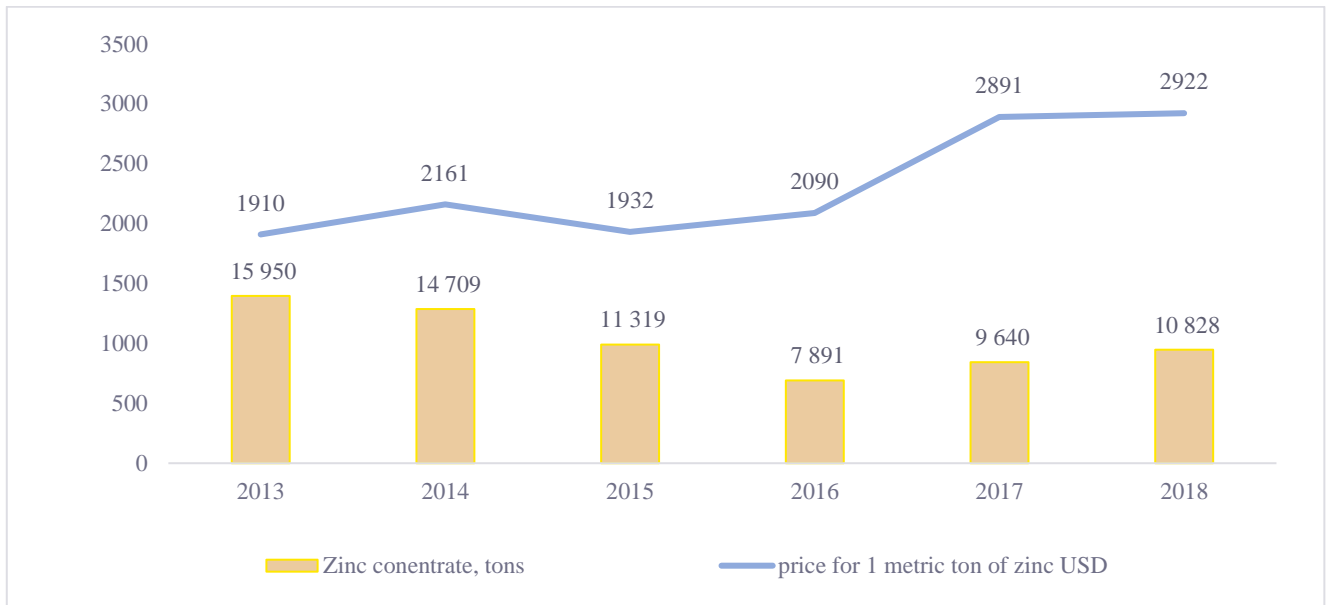
Company name	Community	Volume, wmt	Sales price, mln AMD
“Teghout” CJSC	RA, Lori region, Teghout	62	228
“Agarak Copper Molybdenum Combine” CJSC	RA, Syunik region, Agarak	676	2,178
“Zangezur Copper Molybdenum Combine” CJSC	RA, Syunik region, Kajaran	7,183	39,813

Source: The information was provided by metal mining companies for the EITI report

Zinc concentrate

“Chaarat Kapan” CJSC, which operates in the Syunik region, is the only producer of zinc in Armenia. Zinc concentrate is produced as a byproduct of copper-multi-metal ore as a result of which the production volumes of this metal do not demonstrate a correlation with the international price of zinc. According to RA SC data, zinc production volumes decreased significantly during 2013-2016 and especially in 2016 when the zinc production volumes reached their historical low of 7,891 tons, a y-o-y decrease of 30%. Zinc production volumes recovered ever since, recording a growth of 22% and 12% in 2017 and 2018 respectively. It can be concluded that the increase in international prices for zinc has positively affected the production.

Figure 3.3.5 Zinc concentrate production and the international price of zinc during 2013-2018



Source: RA SC publication “Output of Main Commodities in the Industrial Organizations (in kind)” for relevant years, Databases of the World Bank

Table 3.3.7 Zinc concentrate production by company in 2018

Company name	Community	Volume, wmt	Sales price, mln AMD
"Chaarat Kapan" CJSC	RA, Syunik region, Kapan	12,188	9,576

Source: The information was provided by "Chaarat Kapan" CJSC for the EITI report

Table 3.3.9 Comparison of production data from the companies and the statistical committee

Commodity	Production volumes (tons) according to the RA SC	Production volumes (wmt) according to companies
Copper concentrate	317,400	335,420
Molybdenum concentrate	11,110	738
Ferromolybdenum	7,275	7,183
Zinc concentrate	10,828	12,188

Source: The information was provided by metal mining companies and the RA SC for the EITI report

The comparison of information from both stated sources shows that there is a noticeable difference in the production volumes of copper, molybdenum, ferromolybdenum and zinc.

In case of copper and zinc concentrates, the volumes of production by companies are greater than the parallel figures from RA SC by respectively 5.8% and 12.6%: Discussion with the representatives of RA SC has shown that the difference can be explained by the utilization of different units of measurement.

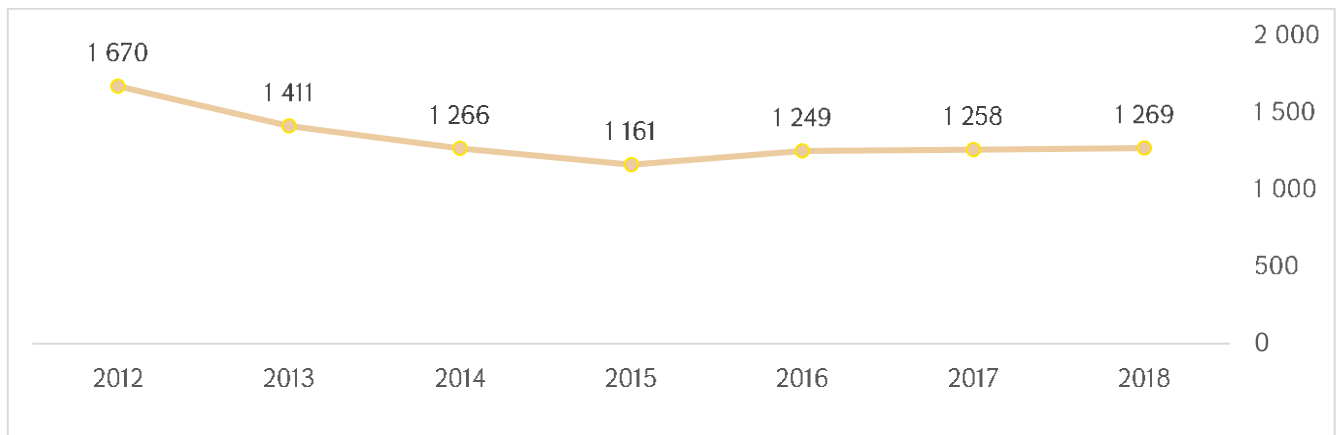
In particular, the companies have measured production volumes in wet metric tons (wmt) while the calculations of RA SC are based on dry metric tons (dmt).

The situation is different in case of ferromolybdenum and molybdenum concentrate. The production volumes of ferromolybdenum and molybdenum concentrate as recorded by the SC are greater by 55% and 14-fold respectively when compared to the parallel figures from the companies. The difference is caused by the fact that, within the scope of the EITI report, ZCMC reported only ferromolybdenum as a final product of production while it reported production of molybdenum concentrate to the SC. ZCMC involved a third-party contractor company in order to produce ferromolybdenum from molybdenum concentrate. The said third party was not involved in the scope of the EITI report though it did report ferromolybdenum production to the SC. Apart from this, discussions with the RA SC have revealed that there are other companies involved in the production of ferromolybdenum, which were not involved in the scope of EITI.

Precious metals

During 2012-2015, the international price of gold demonstrated a persisted decline, reaching 1,161 USD/ounce from 1,670 USD/ounce. Price of gold begun a gradual recovery in 2016, reaching 1,269 USD/ounce in 2018. Armenia's main gold product is gold and silver doré alloy, which has a 97% monetary share in total production. The monetary volumes of gold and silver doré alloy production increased in 2017 and 2018 by 14% and 16% respectively. Given the price increase of gold in the said period, it may be concluded that the monetary increase of production volumes was due to the corresponding increase of gold's international price.

RA SC does not publish information pertaining to the lower level of disaggregation of precious metals (e.g. gold, silver etc.) since according to the sub-point f) of the 2nd point of the article 9 of RA Law "On State and Official Secrecy", the stated information is classified as a state and official secret. For this reason, the only accessible information was that concerning gold production in 2018 publicly disclosed by metal mining companies for the EITI report. This information is presented below together with the 2012-2018 dynamic of international gold price.

Figure 3.3.6 Gold price per ounce during 2012-2018, USD

Source: The World Bank report “Commodity Markets Outlook” for 2017 and 2018

Table 3.3.8 Gold production by company in 2018

Company	Community	Product type	Unit of measurement	Volume	Sales price, mln AMD
“Geopromining Gold” LLC	RA, Gegharkunik region, Geghamasar	Gold and silver doré alloy	Gram	4,602,155	58,611
“Meghradzor Gold” LLC	RA, Kotayk region, Meghradzor	Precious metal concentrate containing gold	Ton	2,881	1,580
“Vayk Gold” LLC	RA, Vayots Dzor, Azatek	Precious metal concentrate containing gold	Ton	5.5	0.69

Source: The information was provided by metal mining companies for the EITI report

The list of product types shortened in 2018 as compared to 2016 and 2017. Specifically, “At-Metals” LLC did not produce or realize any products since the company temporarily halted operations while “Meghradzor Gold” LLC stopped producing gold and silver alloy since the production of this alloy was outsourced to a third party, “Geopromining Gold” LLC, the contract with which expired and was not renewed. “Meghradzor Gold” LLC has established its own gold processing plant and currently produces precious metal concentrated containing gold only.

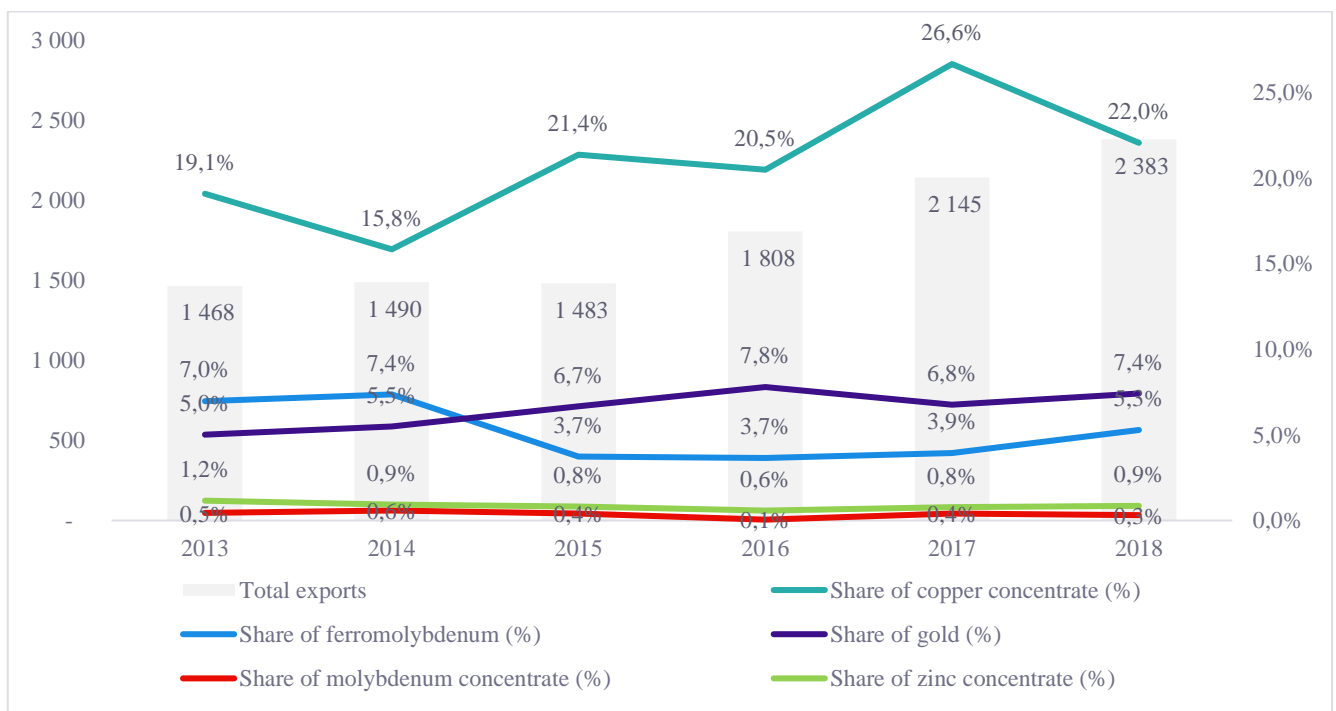
3.4 Realization in the metal mining industry (requirements 3.2 and 3.3)

3.4.1 Analysis of exports in metal mining industry and international metal prices

According to UN’s COMTRADE statistics, the share of the metal mining sector in the total exports of the Republic of Armenia in 2018 was 35.9% (856.4 mln USD) exceeding last year’s results by 7.9%. Of this, copper concentrate had a 22% share, gold – 7.4%, ferromolybdenum – 5.3%, zinc concentrate – 0.9%

and molybdenum concentrate – 0.3%. The material volumes of metal product exports have demonstrated an unwavering growth trend during 2013–2017, reaching 493 thousand tons in 2017 from 199 thousand tons in 2013. Particularly noteworthy is the growth during 2015 (59%), which was due to the start of the Teghout mine exploitation. Even so, 2018 saw a 10% decrease in metal exports, which was related to the temporary stop of the abovementioned mine’s exploitation. In terms of the value, between 2013 and 2018, the volume of exported metals grew from 479.6 mln USD to 856.4 mln USD. In spite of a decrease (-6.2%) in 2014, the period between 2013 and 2018 shows a positive growth trend with an average annual growth of 12.3%: This fact may be explained by the growth in value of copper concentrate and gold exports. Specifically, in the past five years, the value of exported copper has risen 1.9 fold and the value of gold – 2.4 fold.

Figure 3.4.1 2018թ. Total exports and the share of metal products in the total in 2018, mln USD²⁴⁵



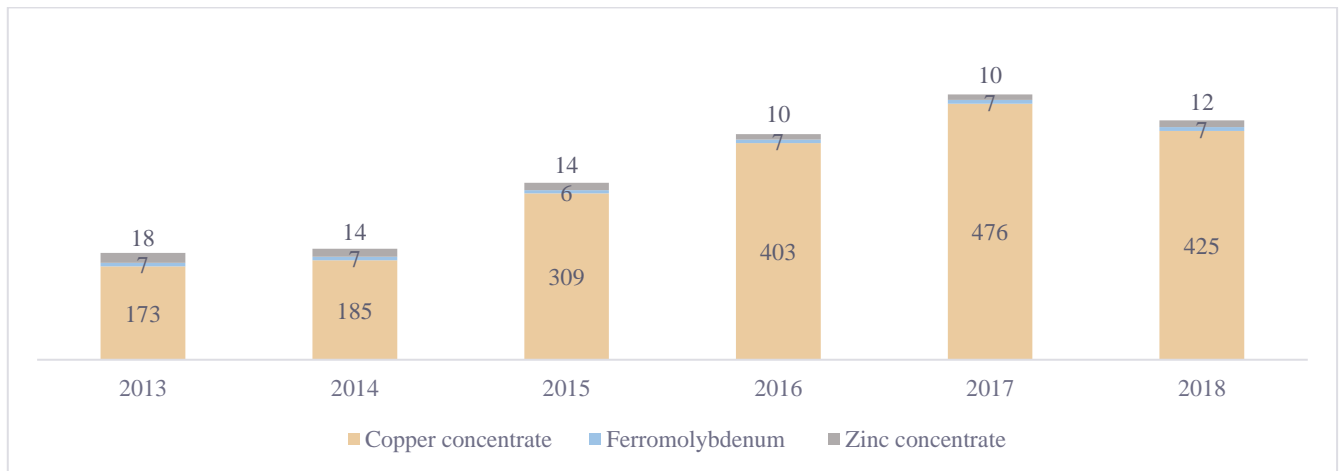
Source: ITC calculations, which are based on the statistics of UN Comtrade

Copper concentrates account for the majority of metal exports. In 2018, 95.6% of all metal exports were copper concentrates. In the same year, zinc concentrates had a share of 2.8% and ferromolybdenum

²⁴⁵ The Commodity nomenclature of the UN COMTRADE statistics is based on the international Harmonized Commodity Description and Coding Systems, which uses the expression “ores and concentrates” when referring to copper, molybdenum and zinc product exports. The same expression is used by RA SC’s “Classification of manufactured goods by type of activity” nomenclature, which is based on the “Classification of manufactured goods by type of activity” (CPA-2008) nomenclature as developed by the European community, the “European community manufactured goods classification” (PRODCOM-2009) and the methodological approaches of the CIS Statistical Committee’s “Statistical categorization of manufactured goods” (СКП-2) nomenclature. However, given that the Republic of Armenia does not factually export copper, molybdenum or zinc ores, only concentrate is exported, the current report uses the word “concentrate” only when describing the export of said metal products.

had a share of 1.6%. During 2013-2018, the material volume of gold and molybdenum concentrate were insignificant for which reason these are not shown in the figure below.

Figure 3.4.2 Export of metal products in material expression in 2018, thousand tons



Source: ITC calculations, which are based on the statistics of UN Comtrade

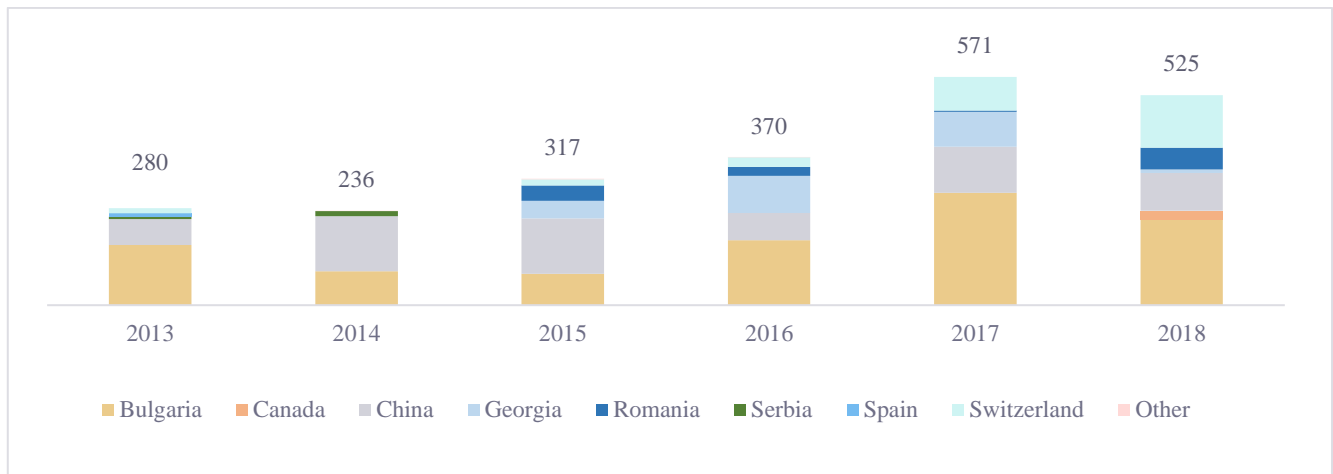
Copper concentrate

The significant proportion of copper concentrates in the total volumes of production and export demonstrates its significance for the economy of Armenia. Copper exports contributed to 22% to total exports from Armenia in 2018 decreasing by 4.6% compared to 2017. Through the period of 2010-2016 copper ore and concentrate export volumes in the total volume of exported commodities did not demonstrate a noticeable upward or downward trend but fluctuated registering the lowest value in 2014 (15.8%) and the highest in 2017 (26.6%).

In monetary terms, the export of copper concentrate had a share of 61.4% in total metal exports in 2018. According to the UN COMTRADE statistics, the main export destination for copper was Bulgaria. In 2018, the share of this country in the total export of copper was 41%: Nevertheless, it is worth noting that the share of this country has declined as compared to the previous year (49%). Switzerland comes second (25%), receiving more copper than China (18%). Romania is another important partner (10%), which imported 16 times more copper as compared to the previous year. Canada is a new trade partner with a 4% share in 2018. Export of copper to Georgia declined sharply (-90%) in 2018 taking up a share of 2% (the same indicator for 2017 was 15%).

It may thus be concluded that the export of Armenia is sufficiently diversified as six main trading partners import copper concentrate from Armenia.

Figure 3.4.3 The distribution of copper concentrate exports during 2013-2018 by country, mln USD



Source: ITC calculations, which are based on the statistics of UN Comtrade

“Zangezur Copper Molybdenum Combine” CJSC, the main export directions of which are China, Romania and Bulgaria, is the leading company in the market in terms of copper concentrate exports. In 2018 the company had an 81% and 75% share in copper exports in material and monetary expressions respectively.

Table 3.4.1 The distribution of copper concentrate exports by company, volume, value and destination in 2018

Region of origin	Company name	Export destination	Volume, wmt	Value, mln AMD	Value, thousand USD ²⁴⁶
Lori	"Akhtala Mining and Processing Enterprise" CJSC	Bulgaria	13,899	6,602	13,699
Syunik	"Agarak Copper Molybdenum Combine" CJSC	China	38,351	19,977	41,358
	"Zangezur Copper Molybdenum Combine" CJSC	China, Romania, Bulgaria	264,370	147,612	305,596
	"Chaarat Kapan " CJSC ²⁴⁷	Switzerland	9,483	22,053	45,665
Total			326,103	196,244	406,278

Source: The information was provided by the metal mining companies for preparation of EITI Report

Apart from copper, copper concentrate usually concentrates valuable quantities of precious metals such as gold and silver. The table below presents the export volumes of companies, which produce copper concentrate, disaggregated by the final content of valuable metals.

²⁴⁶ For the purposes of the Report, the exchange rate was calculated by averaging all the exchange rates for a given year published by the Central Bank of RA. In 2018, the average annual exchange rate for 1 USD was 480.315 AMD.

²⁴⁷ Presently “Chaarat Kapan” CJSC

Table 3.4.2 The final content of valuable metals in exported copper concentrate in 2018

Region of origin	Company name	Metal	Volume	Copper concentrate volume	
Lori	"Akhtala Mining and Processing Enterprise" CJSC	copper	2,546 tons	13,898 wmt	
Syunik	"Agarak Copper Molybdenum Combine" CJSC	copper	8,664 tons	38,351 tons	
		copper	55,040 tons	264,369 wmt	
	"Zangezur Copper Molybdenum Combine" CJSC	silver	5,642 kg		
		gold	197 kg		
	"Chaarat Kapan" CJSC		copper	1,611 tons	9,483 wmt
			silver	13,243 kg	
gold			797 kg		

Source: The information was provided by the metal mining companies for preparation of EITI Report

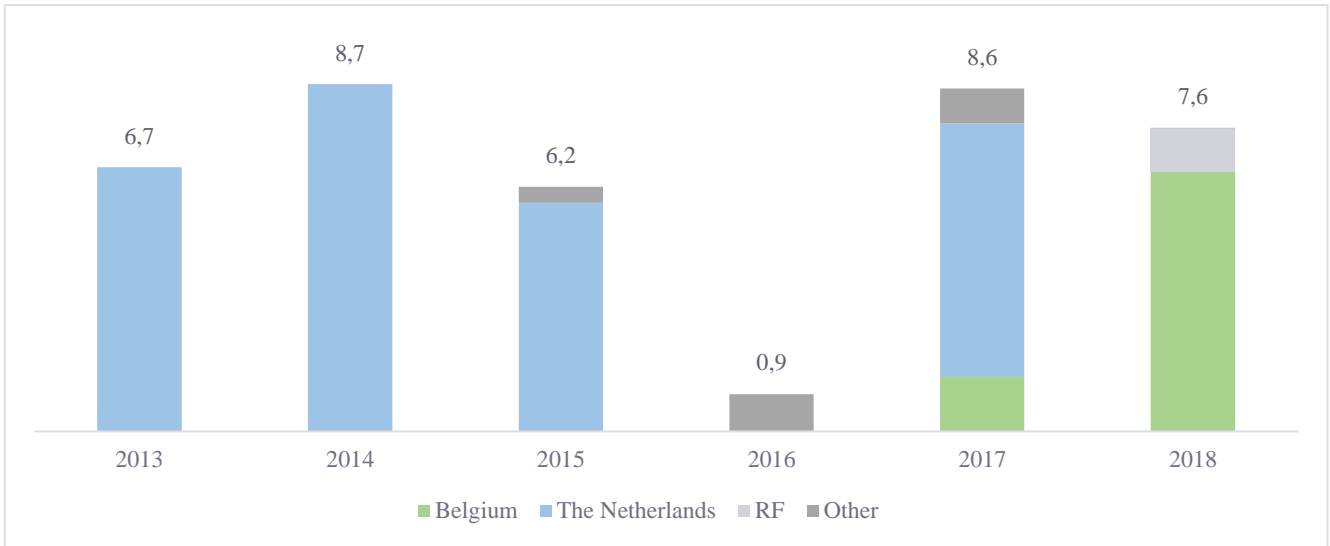
Molybdenum concentrate and ferromolybdenum

The export of molybdenum concentrate in the total exports of metals has a share of 0.9% in monetary expression. The main trading partner in molybdenum concentrate exports in 2018 was Belgium, which had a share of 86%. The Russian Federation, with a share of 14%, is a new trading partner importing molybdenum concentrate from Armenia. The picture was different in 2017, when the Netherlands was the main export destination, a country, which was absent from the list of trading partners in 2018.

The share of ferromolybdenum in the exports of the two types of molybdenum products, molybdenum concentrate and ferromolybdenum, was 95% in 2018 in monetary expression. Ferromolybdenum was exported to two main destinations, the Netherlands (98.2%) and the Russian Federation (1.8%). The Netherlands is a long-term trading partner in the exports of ferromolybdenum and has imported the majority of ferromolybdenum exported from Armenia since 2013. The country registered a 64% increase in imports of the product in 2018. Germany was another major trading partner during the previous years the volumes of imports of which began to decline starting 2015 and reached zero in 2018. After a decline in 2015, the volume of ferromolybdenum has continuously grown exceeding all previous amounts.

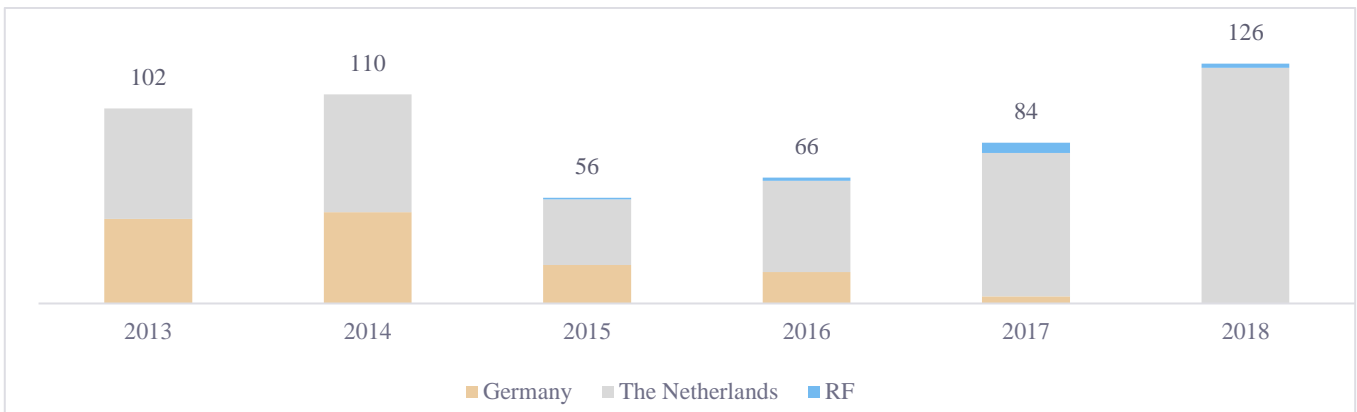
The exports of molybdenum concentrate and ferromolybdenum are little diversified since the majority of exports are directed to the Netherlands. The Russian Federation and a few other countries of the European Union are among other trade partners. The exporting companies are "Zangezur Copper Molybdenum Combine" CJSC and "Agarak Copper Molybdenum Combine" CJSC. The export volumes of molybdenum concentrate and ore decreased significantly in 2017. This was caused by dramatic structural changes of molybdenum concentrate and ferromolybdenum sales realized by "Zangezur Copper Molybdenum Combine" CJSC. In 2017, the company almost entirely replaced exports with domestic sales.

Figure 3.4.4 The distribution of molybdenum concentrate exports during 2013-2018 by country, mln USD



Source: ITC calculations, which are based on the statistics of UN Comtrade

Figure 3.4.5 The distribution of ferromolybdenum exports during 2013-2018 by country, mln USD



Source: ITC calculations, which are based on the statistics of UN Comtrade

Table 3.4.3 The distribution of molybdenum concentrate and ferromolybdenum exports by company, volume, value and destination in 2018

Region of origin	Company name	Product type	Export destination	Volume	Value, mln AMD	Value, thousand USD
Syunik	“Zangezur Copper Molybdenum Combine” CJSC	ferromolybdenum	The Netherlands	4,738 tons	59,700	123,595
	“Agarak Copper Molybdenum Combine” CJSC	molybdenum concentrate	European Union countries	688 wmt	3,158	6,537

Source: The information was provided by the metal mining companies for preparation of EITI Report

Table 3.4.4 The final content of valuable metals in exported molybdenum concentrate and ferromolybdenum in 2018

Region of origin	Company name	Metal	Volume	Molybdenum concentrate volume
Syunik	“Zangezur Copper Molybdenum Combine” CJSC	ferromolybdenum	4,738 tons	6,980 tons
	“Agarak Copper Molybdenum Combine” CJSC	molybdenum	326 tons	689 tons

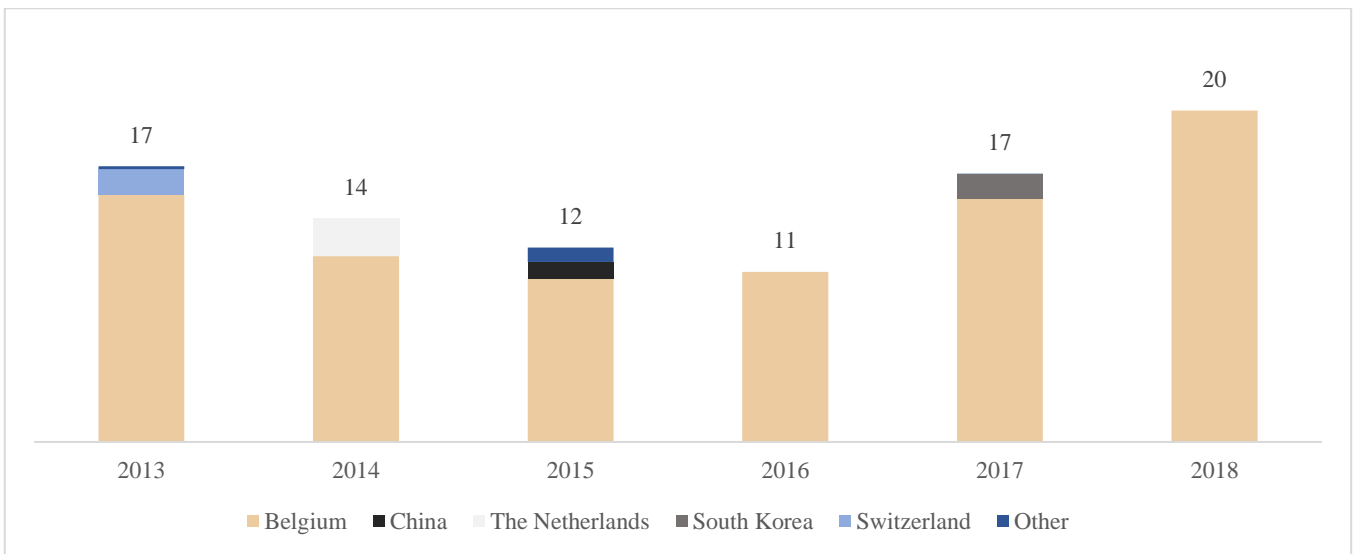
Source: The information was provided by the metal mining companies for preparation of EITI Report

Zinc concentrate

The exports of zinc concentrate are not diversified. The product was export only to Belgium in 2018. In 2017, the Republic of Korea also imported zinc from Armenia. Before that, trade partners included Switzerland, the Netherlands and China. During 2013-2018, Belgium was a stable importing country though with a varying dynamic of import volumes.

“Charat Kapan” CJSC is the only company, which produces and exports zinc concentrates.

Figure 3.4.6 The distribution of zinc concentrate exports during 2013-2018 by country, mln USD



Source: The information was provided by the metal mining companies for preparation of EITI Report

Table 3.4.5 The distribution of zinc concentrate exports by company, volume, value and destination in 2018

Region of origin	Company name	Export destination	Volume, wmt	Value, mln AMD	Value, thousand USD
Syunik	"Chaarat Kapan" CJSC	Belgium	12,473	9,894	20,483

Source: The information was provided by the metal mining companies for preparation of EITI Report

Zinc concentrate also contains valuable quantities of precious metals. The table below presents the export volumes of the company, which produces zinc concentrate, disaggregated by the final content of valuable metals.

Table 3.4.6 The final content of valuable metals in exported zinc concentrate in 2018

Region of origin	Company name	Metal	Volume	Zinc concentrate volume
Syunik	"Chaarat Kapan" CJSC	zinc	6,641 tons	12,473 wmt
		gold	145 kg	
		silver	2,261 kg	

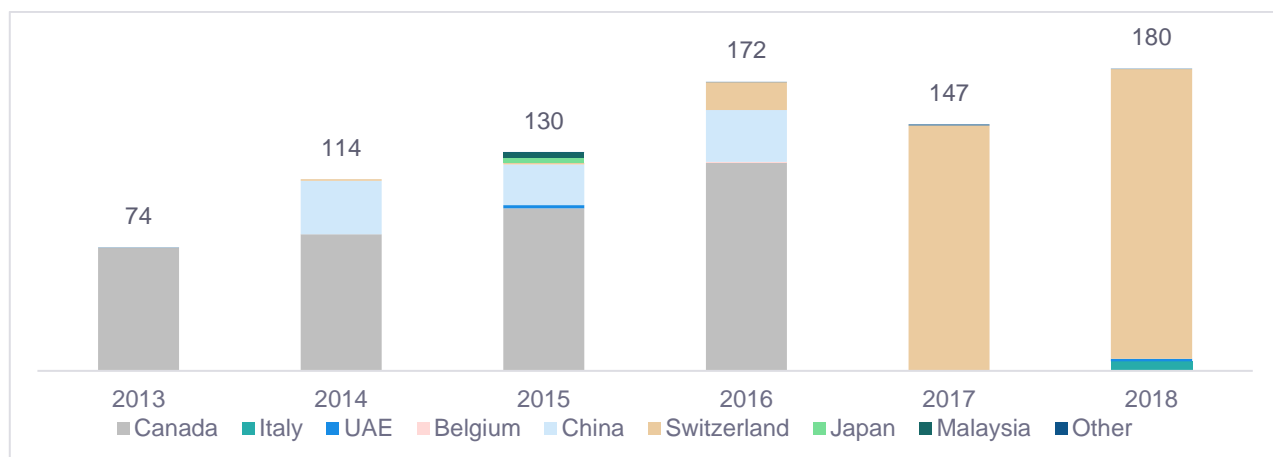
Source: The information was provided by the metal mining companies for preparation of EITI Report

Precious metals products

During 2013-2018, the exports of precious metals demonstrated a stable growth trade (at average annual rate of 7% in monetary expression). The share of precious metal exports in the total exports of metal products was 20.7% in 2018.

The main trading partner in the exports of precious metals in 2018 was Switzerland, which had a share of 96%. Other partners with smaller shares were UAE and Italy. The growth of exports to Switzerland during 2016-2017 is particularly noteworthy. Canada was a large importer of precious metals from the republic of Armenia during 2013-2016 but exports to this country ceased in 2017.

Figure 3.4.7 distribution of exports of semi-processed and unprocessed gold and gold containing precious metal concentrate 2013-2018 by country, mln USD



Source: ITC calculations, which are based on the statistics of UN Comtrade

The export of gold alloys and gold containing precious metal concentrate is conducted by two companies, “Geopromining Gold” LLC and “Meghradzor Gold” LLC. “Geopromining Gold” LLC is a large-scale exporter with a share of 98%.

Table 3.4.7 The distribution of gold alloy and gold containing precious metal concentrate exports by company, volume, value and destination in 2018

Region of origin	Company name	Product type	Export destination	Volume	Value, mln AMD	Value, thousand USD
Kotayk	“Meghradzor Gold” LLC	gold containing precious metal concentrate	Swiss Confederacy	2,828 tons	1,575	3,262
Gegharkunik	“Geopromining Gold” LLC	gold and silver doré alloy	Swiss Confederacy	4,518 kg	78,260	162,019

Source: The information was provided by the metal mining companies for preparation of EITI Report

Table 3.4.8 The final content of valuable metals in exported gold alloys and gold containing precious metal concentrate in 2018

Region of origin	Company name	Metal	Volume	Volume of alloys and concentrate
Kotayk	“Meghradzor Gold” LLC	gold	114 kg	2,828 tons
Gegharkunik	“Geopromining Gold” LLC	gold	3975 kg	4,519 kg
		silver	543 kg	

Source: The information was provided by the metal mining companies for preparation of EITI Report

Comparison of export data from the companies and the statistical committee

The analysis of above-presented information has led to the discovery of notable difference between export data presented by the companies included in the EITI scope, the RA SC and ITC Comtrade (the information presented from the latter two matches). The table presented below summarizes the information pertaining to the monetary value of the export volumes of copper, zinc and molybdenum ores and concentrates from Armenia in 2018 as obtained from the metal mining companies and the SC.

Table 3.4.9 Comparison of export data from the companies and the statistical committee

Product type	Total value of exports in 2018 according to RA SC, mln USD	Total value of exports in 2018 according to metal mining companies
Copper concentrate	525.5	406.3
Zinc concentrate	20.5	20.5
Molybdenum concentrate	7.6	6.5
semi-processed and unprocessed gold and gold containing precious metal concentrate	180	162

Source: Metal mining companies and RA SC

The comparison of information from the both stated sources shows that there is a noticeable difference in the values of total exports of copper ore and concentrate expressed in monetary value. This difference makes up 29.3%. The difference in values of molybdenum concentrate was 16.9% while the difference in values of unprocessed and semi-processed gold and gold containing precious metal concentrate is 10%.

The difference in the export volumes of copper concentrates is due to the fact that one exporting company, “Mining metal institute” LLC, which is not a metal mining company and hence was not included in the scope of Armenia’s EITI report of 2018. The said company exported 116.4 mln USD (around 98% of the difference) worth of copper ore in 2018. The remaining difference can be ascribed to the different methodological solutions employed by the companies and SC.

The difference in the export volumes of molybdenum concentrates can be fully explained by the fact that one molybdenum concentrate and ore producing company, “Alapmet” CJSC, which is not included in Armenia’s 2018 EITI report scope, since it’s not a metal mining company. Discussions with RA SRC revealed that this company exported around 1.1mln USD worth of molybdenum concentrate in 2018.

Comments received from the companies and the RA SC allow to conclude that the remaining differences are related to different methodological approaches of the parties.

3.4.2 Domestic realization

The domestic sales of metal ores and concentrates amounted to 5.2 bln AMD or 10.7 mln USD in 2018. For comparison, it is worth mentioning that the volume of exports in the same year amounted to 856.4 mln USD. As with exports, copper traditionally occupies the majority share of the market. Companies, which sold copper domestically were “Teghout” CJSC and “Zangezur Copper Molybdenum Combine” CJSC.

Tables 3.4.2.1 Companies realizing sales in the domestic market in 2018, types of metals sold, their volumes and values

Metal mining company	Product type	Volume unit of measurement	Volume	Content of valuable metals	Total realization value, mln AMD	Buying company	TIN	Classification of Economic Activity	Activity type
"Teghout" CJSC	Copper concentrate	wmt	4,173	copper - 933 tons	2,851	"Armenian Copper Program" CJSC	06605968	C24.44.0	Copper production
"Zangezur Copper Molybdenum Combine" CJSC	Copper concentrate	wmt	2,426	copper – 507 tons silver – 59,870 g gold – 2185 g	1,447	"Akhtala Mining And Processing Enterprise" CJSC	06602309	B07.29.1	Copper ore extraction
"Meghradzor Gold" LLC	Gold containing precious metal concentrate	tons	16.6	gold – 373.5 mg	4.8	"ASSAT" LLC	03807664	C24.41.1	Production of precious metals
"Vayq Gold" LLC	Gold containing precious metal concentrate	kg	5,500	gold– 110 kg	0.688	"ASSAT" LLC	03807664	C24.41.1	Production of precious metals
"Lichkvaz" CJSC	Gold silver and copper containing ore	tons	40,031	gold - 46.1 kg	881	"Chaarat Kapan " CJSC ²⁴⁸	09416902	B07.29.1	Copper ore extraction

Source: The information was provided by the metal mining companies for preparation of EITI Report

²⁴⁸ Previously "Kapan Mining And Processing Company" CJSC

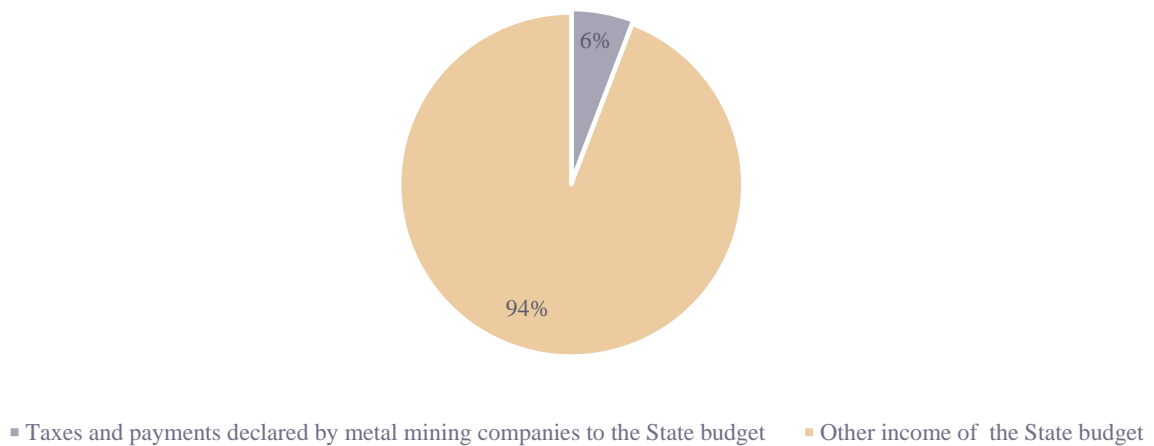
4 STATE REVENUES FROM THE METAL MINING SECTOR AND THEIR DISTRIBUTION

4. STATE REVENUES FROM THE METAL MINING SECTOR AND THEIR DISTRIBUTION

4.1 The contributions of metal mining companies to the state budget

Among other taxes and payments, the metal mining companies pay income tax, value added tax, excise and environmental taxes, royalties, customs duties and fees and nature use payments to the State budget. According to data provided by the State Revenue Committee, the taxes and payments declared by metal mining companies to the State budget totalled 78.3 bln AMD or 6.0% of total budgetary income in 2018 decreasing by 1,1% compared to 2017.

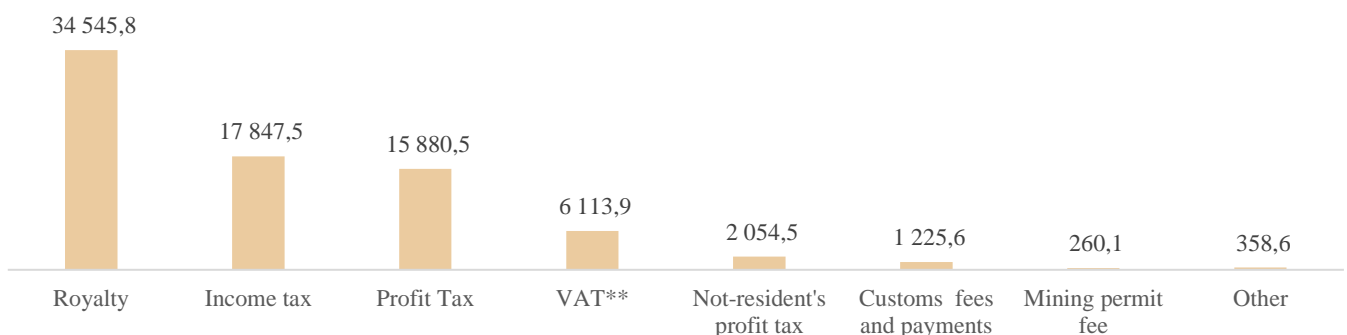
Figure 4.1.1 The share of taxes and payments declared by metal mining companies to the State budget in 2018



Source: The information was provided by the RA SRC for the EITI report

The disaggregation of taxes and payments by type of tax in 2018 is presented below.

Figure 4.1.2 Taxes and payments declared by metal mining companies to the State budget in 2018, mln AMD



*Profit tax declared, reserved and paid to the State budget from profits paid to non-resident tax agents paying profit taxes

**The presented amount is the sum of VAT and import VAT

Source: **Source:** The information was provided by the RA State Revenue Committee and the Ministry of Environment for the EITI report

Royalty occupies the greatest share in taxes paid to the State budget by the metal mining companies in 2018. The share of this type of payment in total is 43%. Royalty is followed by income tax, which has a share of 22%. Profit tax follows next with a share of 20%. Shares of other taxes and payments did not exceed 8% individually. Compared to last year the payments decreased from both absolute value and relative share viewpoints. This is due to the pause of operational activities of “Teghout” CJSC in 2018. The revenues from income tax and profit tax demonstrated significant growth which can be explained by the export volume increase in the reporting year.

Table 4.1.1 Taxes and payments declared by metal mining companies to the State budget in 2018

Type of tax or payment	Share in total	Volume, mln AMD
State budget revenues ²⁴⁹	100%	1,341,690.5
Royalty	2.57%	34,545.8
Income tax	1.33%	17,847.5
Profit tax	1.18%	15,880.5
Import VAT	0.45%	5,243.8
VAT		870.1
Profit tax declared, reserved and paid to the State budget from profits paid to non-resident tax agents paying profit taxes	0.15%	2,054.5
Custom duties and fees	0.08%	1,125.6
State fee for utilization (exploitation) permit for each precious, non-ferrous, ferrous or rare metal mine	0.01%	260.1
Import excise tax	0.01%	186.9
Environmental taxes, aggregation of environmental taxes and payments	0.00%	50.5
Environment payments	0.00%	65.7
Environmental payments (taxes) for imported goods from non-EEU countries	0.00%	24.7
Environmental payments (taxes) for imported goods from EEU countries	0.00%	7.4
Monitoring	0.00%	22.6
Fines	0.00%	0.7
Total:	5.8%	78,286.5

Source: The information was provided by the RA SRC and the Ministry of Environment for the EITI report

The leading company by the amount of payments declared to the State budget was “Zangezur Copper-Molybdenum Combine” CJSC in 2018, which accounted for the 54% of all payments declared by metal mining companies. The share of payments declared by “Zangezur Copper-Molybdenum Combine” CJSC amounted to 3.2% of total revenues of State budget revenues or 42.5 bln AMD.

The second by the total amount of payments declared to the State budget is “Geopromining Gold” LLC, whose share in total payments of mining companies was 19.9% in 2018. The share of payments declared by “Geopromining Gold” LLC amounted to 1.2% of total revenues of State budget revenues or 15.6 bln AMD.

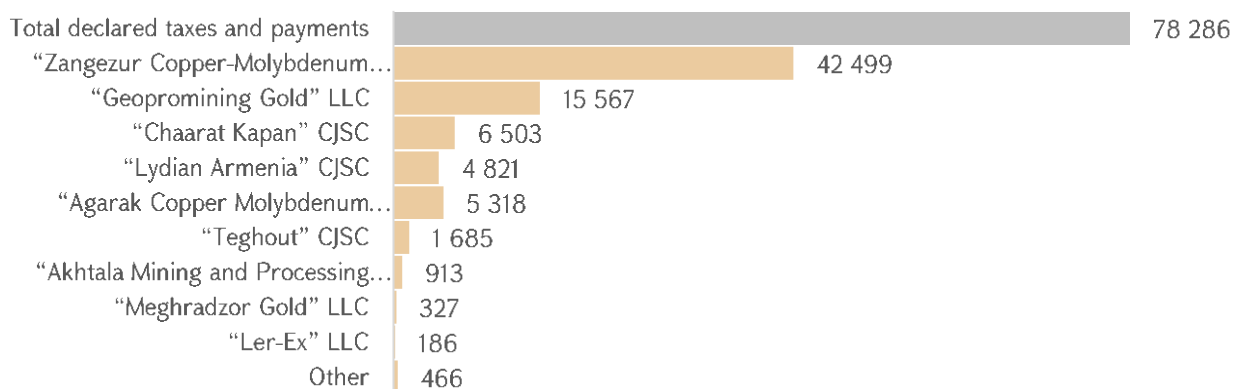
²⁴⁹ See RA State Budget Report 2018 http://www.minfin.am/hy/page/petakan_byujei_hashvetvutyun_2018_t_tarekan

The third by the total amount of payments declared to the State budget is “Chaarat Kapan ” CJSC, whose share in total payments of mining companies was 8.3% in 2018 amounting to 6.5 bln AMD. The share of payments declared by this company amounted to 0.4% of total revenues of State budget revenues.

It is worth noting that during the past 3 years, “Zangezur Copper-Molybdenum Combine” CJSC and “Geopromining Gold” LLC have maintained their leading positions in terms of payments declared to the State budget. However, “Teghout” CJSC, which was third in terms of payments during 2016-2017, has lost significant ground in 2018. In the last reporting year, the company’s declared payments to the state amount to 1.7 bln AMD, which is 2.1% of all payments to the State budget declared by metal mining companies. This is due to the pause of operational activities in 2018.

The figures below present the structure of payments declared by metal mining companies to the State Budget in 2018 by the volume of money, in particular highlighting the payments of the leading companies.

Figure 4.1.3 Taxes and payments declared by metal mining companies to the State budget in 2018, mln AMD



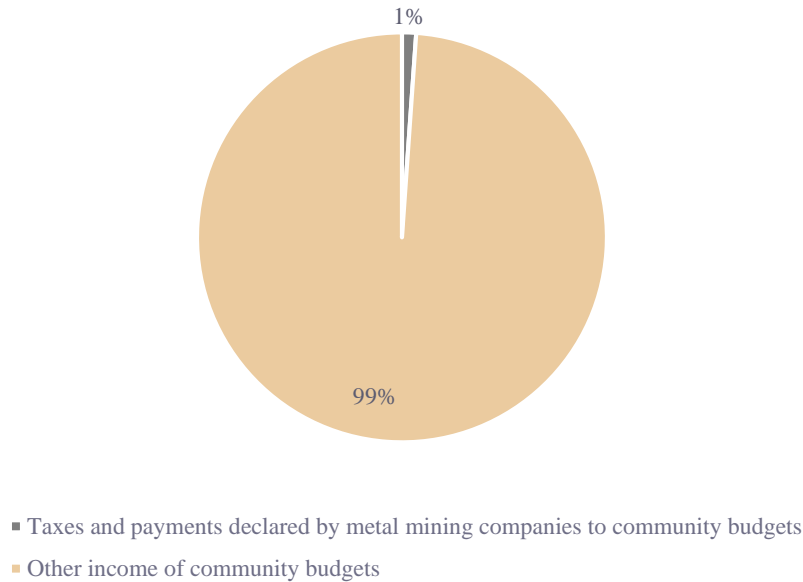
Source: The information was provided by RA SRC for the EITI report

4.2 The contributions of metal mining companies to community budgets

According to information provided by the RA Ministry of Territorial Administration and Infrastructures for the EITI report, the amount of taxes and payments declared by metal mining companies to the community budgets have decreased from prior year by 200mln AMD and totalled to 1.1 bln AMD or 1% of total revenues in 2018. The difference is mostly explained with mandatory socio-economic contributions reports defined by mining contracts. After further clarifications by MTAI, it was revealed that 439mln AMD difference declared as mandatory socio-economic contributions in the initial reports is a voluntary contribution.²⁵⁰

²⁵⁰ See Obligations of the metal mining companies for the socio-economic development of the community <https://www.eiti.am/en/socio-economic-contributions/>

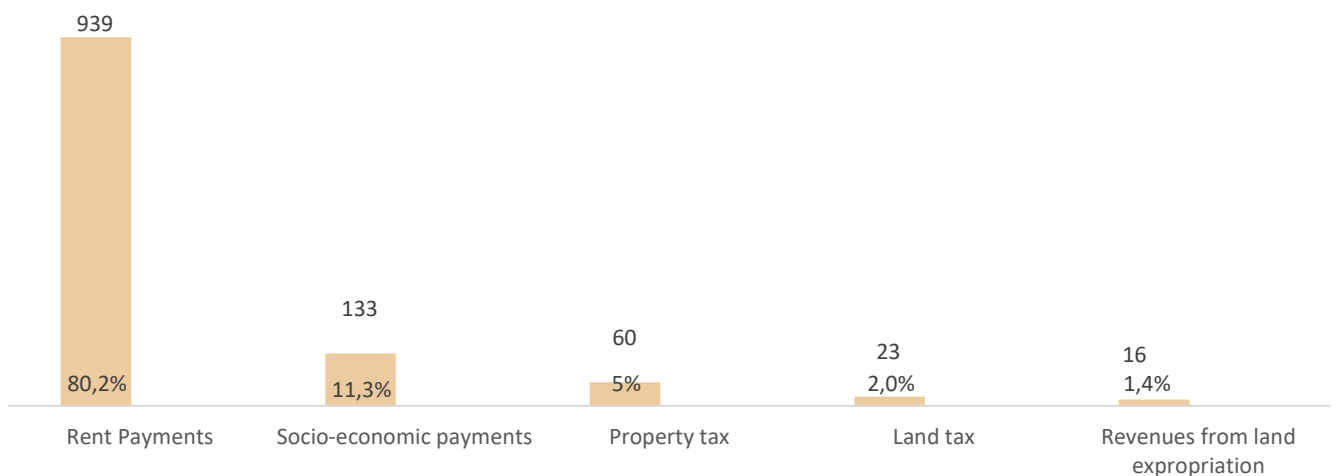
Figure 4.2.1 Taxes and payments declared by the metal mining companies to the community budgets in 2018



Source: The information was provided by RA MTAI for the EITI report

The main part of the taxes and payments to community budgets declared by metal mining companies came from property rent amounting to 80.2% of total. Socio-economic payments also have a large share, which stood at 11.4% 2018. Property tax, land expropriation payments and land tax have a 5.4% share taken together. The structure of taxes and payments declared by metal mining companies to community budgets by metal mining companies in 2018 classified by to the type of payments is presented below.

Figure 4.2.2 The revenues of communities in 2018 from taxes and payments declared by metal mining companies by the structure of streams, mln AMD



Source: The information was provided by the RA MTAI for the EITI report

99.5% of rent payments declared by metal mining companies came from land rent payments. Real estate rent payments have a small share of 0.5% in rent payments.

Socio-economic payments, which are second in the payments to the community budgets, come from payments in relation to the socio-economic development of communities as mandated by the mining contacts.

Similar to previous years, in the reporting year the practice of reporting voluntary socio-economic payments as mandatory by mining companies was observed. Particularly, metal mining companies reported total of 611 mln AMD socio-economic contributions to the communities, when the RA MTAI has reported 133 mln AMD after the final adjustments.

During EITI validation process, additional inquiries were made regarding the socio-economic payments by the RA MTAI to the mining companies and communities. It revealed significant differences between the data provided by mining companies and the communities, which can be explained by the following factors:

- ▶ Socio-economic contributions set by bilateral contracts with the communities were also reported as mandatory payments by metal mining companies, although they are considered to be voluntary contributions. In particular, “Lichkvaz” CJSC has reported socio-economic payments made by the framework agreement from December 12th, 2016 with Meghri community as mandatory.
- ▶ The option of presenting the mandatory socio-economic contributions to the third parties is missing from the reporting templates for metal mining companies. That is the reason why in some cases mandatory socio-economic contributions were reported as voluntary. For example, “Gharagulyanner” CJSC has a contractual obligation of 250,000 AMD for a quarterly student tuition fee and 500,000 AMD for renovation of community school and kindergarden which couldn't be presented as mandatory in the reporting templates.
- ▶ Very often communities don't have the description and cost estimation of implemented projects or provided services and goods in case of non-financial contributions. This can explain why communities didn't report the non-financial contributions made by “Lydian Armenia” CJSC in the reporting year. Those contributions are presented as voluntary in this report.

The figure below presents the differences in reporting mandatory socio-economic contributions by communities registered by the RA MTAI after additional inquiry:

Figure 4.2.3

The differences of mandatory socio-economic contributions to the communities by metal mining companies in 2018, declared by communities, mln AMD



Source: The information was provided by the RA MTAI for the EITI report

The socio-economic obligations of metal mining companies mandated by contracts are presented in the table 2.3.3. The actual mandatory payments made by metal mining companies in the reporting year are presented below:

Table 4.2.1

Payments in 2018 made by metal mining companies for socio-economic development of communities as mandated by the mining contacts

Subsoil user	Number and date of subsoil use contract	The amount of actual investment for 2018, according to the reports submitted by the companies, AMD
"Agarak Copper Molybdenum Combine" CJSC ²⁵¹	No. PV-311, April 5, 2013	33,000,000
"Akhtala Mining and Processing Enterprise" CJSC	No. PV-103, October 20, 2012	N/A
"Aktiv Lernagorts" LLC	No. PV-425, December 28, 2012	N/A
"Assat" LLC	No. PV-366, June 6, 2013	0
"AT Metals" LLC	No. PV-514, January 16, 2015	0
"Baktek Eco" LLC	No. P-515, August 22, 2014	0
"Geghi Gold" LLC	No. P-544, July 22, 2016	500,000
"GeoProMining Gold" LLC	No. PV-189, October 20, 2012	0
"Zangezur Copper and Molybdenum Combine" CJSC	No. PV-232, November 27, 2012	N/A
"Tatstone" LLC	No. PV-459, February 11, 2013	11,030,000
"Tatstone" LLC	No. PV-459, February 11, 2013	12,000,000
"Teghout" CJSC	No. PV-376, February 20, 2013	N/A
"Ler-Ex" LLC	No. PV-094, August 16, 2012	N/A
"Lydian Armenia" CJSC	No. PV-245, September 26, 2012	0

²⁵¹ The company has reported the obligatory contributions also deriving from the bilateral agreement with the community, therefore it's impossible to disaggregate the exact amount of realization of social responsibilities stipulated in the contracts concluded with companies

Subsoil user	Number and date of subsoil use contract	The amount of actual investment for 2018, according to the reports submitted by the companies, AMD
“Lichqvaz” CJSC ²⁵²	No. PV-293, November 22, 2012	16
“Chaarat Kapan” CJSC	No. PV-183, November 27, 2012	N/A
“Gharagulyanner” CJSC	No. P-547, October 25, 2016	1,250,000
“Marjan Mining Company” LLC	No. PV-398, March 7, 2013	N/A
“Mego Gold” LLC	No. PV-184, December 28, 2012	N/A
“Meghradzor Gold” LLC	No. PV-057, August 22, 2012	N/A
“Molibdeni Ashkharh” LLC	No. PV-174, November 7, 2012	60,172,400
“Multi Group” Concern LLC	No. PV-213, October 20, 2012	N/A
“Paramount Gold Mining” CJSC	No.089, June 12, 2012	N/A
“Sagamar” CJSC	No.PV-093, October 20, 2012,	0
“Vayq Gold” LLC	No. PV-371, November 30, 2012	15,000,000
“Vardani Zartonk” LLC	No.PV-239, September 27, 2012	N/A
“Fortune Resources” LLC	No.PV-169, October 20, 2012	N/A
Total	-	132,952,400

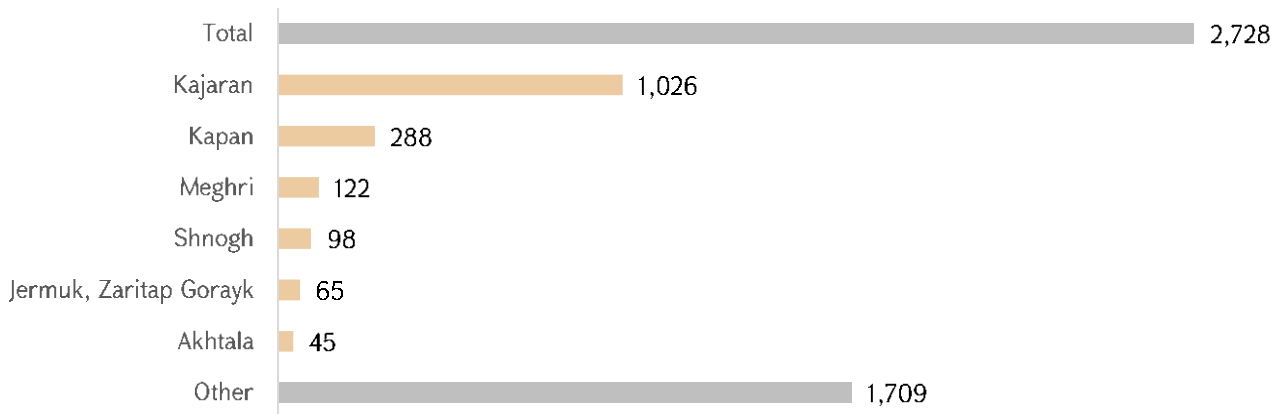
According to the data of EITI reports collected by the companies the charity allocations, grants or other contributions realized by the companies to community without the need for compensation are provided in Annex 8.

Overall, the volume of discretionary payments in the reporting year was 2.7 billion AMD, which is twice bigger than the amount received by communities from the taxes and payments declared by metal mining companies.

In terms of discretionary revenues, Kajaran was the leading community with 1 billion AMD or 38% share in total. It received payments of ZCMC CJSC. The latter and “Chaarat Kapan” CJSC made over 288 mln AMD or 11% of the voluntary socio-economic contributions in Kapan. Meghri received 4% of the total payments or 122 mln AMD from ZCMC CJSC, “Agarak Copper Molybdenum Combine” CJSC and “Lichkvaz CJSC”. Shnogh has received 98 mln AMD or 4% of the total payments from “Teghout” CJSC. “Lydian Armenia” CJSC has made a total of 65 mln or 3% of the total voluntary contributions in Jermuk, Zaritap and Gorayk communities.

²⁵² The company has reported the obligatory contributions also deriving from the bilateral agreement with the community of Meghri 29/12/2016թ., so it’s difficult to disaggregate the exact amount of realization of social responsibilities stipulated in the contracts concluded with companies

Figure 4.2.4 The revenues of community budgets from voluntary socio-economic contributions by metal mining companies in 2018 classified according to leading communities, mln AMD

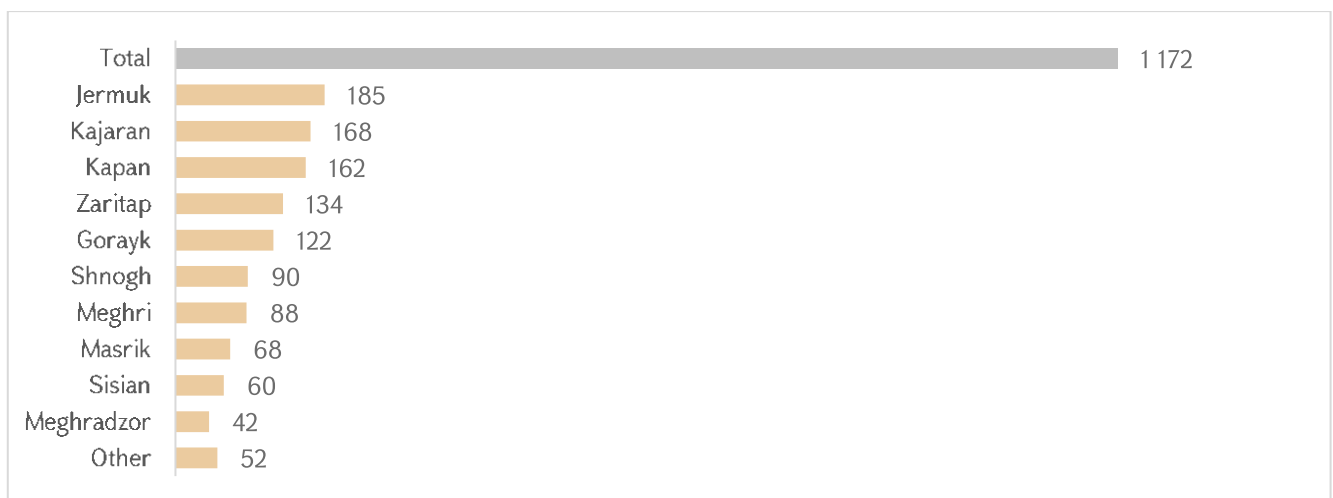


Source: The information was provided by metal mining companies for the EITI report

In terms of compulsory payments, Jermuk was the leading community in 2018. It received 185 mln AMD from the payments of “Lydian Armenia” CJSC or 15.8% of total payments. Kajaran has received 14.3% or 168 mln AMD from the payments of ZCMC CJSC, “Agarak Copper Molybdenum Combine” CJSC, “Geghi Gold” LLC and “Ler-Ex” LTD. Kapan also had income from the “Chaarat Kapan” CJSC. These communities are followed by Kapan with 13.8% 162 mln AMD income.

The following figure below illustrates the breakdown of revenues from the metal mining companies by community in 2018.

Figure 4.2.5 The revenues of community budgets from the taxes and payments declared by metal mining companies in 2018 classified according to leading communities, mln AMD



Source: The information was provided by the RA MTAI for the EITI report

The share of revenues from metal mining companies in community budgets varies and depends on the size of a given community's budget and the volume of payments by the company. It may be noted that

payments declared by companies to community budgets have a large share in six communities: Masrik (81.9%) in Gegharkunik region, Gorayk (65%) and Kajaran (30%) communities in the Syunik region, Jermuk (41%) and Zarithap (44%) communities in the Vayots Dzor region and Shnogh (33%) community in Lori region. It may be concluded that the payments of metal mining companies have a tangible, at times an essential, role in the realization of development projects of these communities. The table below summarizes information about the payments of metal mining to community budgets and those community budgets.

Table 4.2.1 The share of payments declared by metal mining companies in the community budgets in 2018, thousand AMD

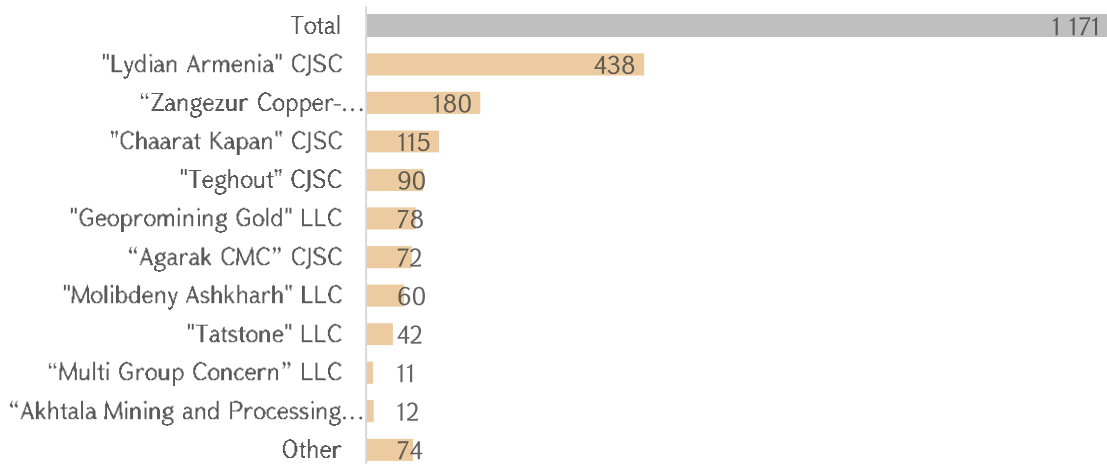
Community	Real annual revenues of the community	Payments declared by metal mining companies	Share in the Budget (%)
Akhtala	227,538,000	8,263,224	3.6%
Arinj	197,607,000	4,954,117	2.5%
Ararat	56,327,600	4,110,954	7.3%
Ararat village	211,039,000	2,940,542	1.4%
Arjut	31,251,000	1,212,000	3.9%
Geghamasar	362,536,000	124,726	0.03%
Gorayk	188,728,000	121,870,875	64.57%
Yerevan	82,134,086,000	11,566,330	0.01%
Zarithap	303,585,000	133,781,508	44.07%
Lori Berd	189,304,000	47,920	0.03%
Tsaxkahovit	260,617,000	35,200	0.01%
Kapan	1,866,487,000	162,026,527	8.68%
Masrik	82,963,000	68,000,000	81.96%
Meghradzor	178,622,000	41,763,998	23.38%
Meghri	639,899,000	88,463,636	13.82%
Shnogh	270,753,000	90,075,018	33.27%
Jermuk	456,374,000	185,408,665	40.63%
Sisian	1,101,624,000	60,176,014	5.46%
Spitak	382,048,000	439,204	0.11%
Stepanavan	422,556,000	5,746,796	1.36%
Vayk	233,097,000	10,000,000	4.29%
Torfavan	13,097,000	227,004	1.73%
Kajaran	563,355,000	168,087,579	29.84%
Odzun	219,264,000	2,508,816	1.14%
Total:	90,592,757,600	1,171,830,653	1.29%

Source: The information was provided by MTAI for the EITI report

The leading company in terms of the volume of payments declared to community budgets is "Lydian Armenia" CJSC, whose share in total payments of metal mining companies to communities in 2018 was 37.4%.

"Zangezur copper-molybdenum combine" CJSC had a share of 15.4% in total payments declared by metal mining companies to community budgets and "Chaarat Kapan" CJSC had a share of 9.8%.

Table 4.2.6 Total payments declared by metal mining companies to community budgets in 2018, mln AMD



Source: The information was provided by the RA MTAI for the EITI report

4.3 Revenues designated for special projects or geographical areas (requirement 5.1, 5.2, 5.3)

According to the RA Law “On Targeted Use of Environmental Payments Made by Companies”,²⁵³ contributions to administrative and fund budgets of the communities deriving from environmental payments are considered as special-purpose resources and shall be used solely for implementation of environmental projects within the territory of given communities. The list of beneficiary communities and amount allocated from the environmental payments to their budget is confirmed by the law on state budget of the given year, and the allocations are reflected in a separate line of the community budgets.

Calculation of the proportions of the distribution of the environmental tax (payment) among the communities affected by the activities of each of the companies mentioned in the Article 1 of the Law of the Republic of Armenia “On Targeted Use of Environmental Tax Made by Companies” is carried out according to the following principles:

- ▶ The proportions of the distribution of the amount of environmental tax among the communities in relation to the emission of harmful substances into the atmospheric air (% of the total) are determined on the basis of the preliminary results of the territorial norms on pollution. The proportions are distributed among the affected communities, based on the amount of pollution and the population of the communities (in the case of large communities, affected settlements);
- ▶ The proportions of the distribution of the amount of environmental tax among the communities in relation to the emission of harmful substances into the environment (water basin), for disposal

²⁵³ <https://www.arlis.am/DocumentView.aspx?DocID=55110>

of environmentally hazardous production and consumption wastes in compliance with the defined order are determined based on the population of the respective communities (in the case of enlarged communities, affected settlements) and the volume of water resources pollution in their administrative territory;

- ▶ The proportions of the distribution of the amount of environmental tax among the communities are defined on the basis of the enlargement of a number of communities stipulated by the RA Law “On Making Amendments and Addenda to the RA Law on Administrative-Territorial Division of the Republic of Armenia”.

Description of the process of approving environmental programs/projects and providing subventions

The activities and measures to be taken by the authorized bodies within the framework of the process of providing subventions for the implementation of environmental programs to the affected communities and the terms of their implementation are defined in the annex to the RA Prime Minister's decision (adopted annually) on starting the budgeting process for the respective year.

According to the decision:

- ▶ In the established period the Ministry of Environment submits to the Ministry of Finance (for the budget planning), the Ministry of Territorial Administration and Infrastructure, the regional administrations of the RA the list of communities affected by the activities of the companies mentioned in the Article 1 of the RA Law “On Targeted Use of Environmental Tax (payments) Made by Companies” (in case of the number of affected communities is more than one, the proportions of distribution of the environmental tax paid by the companies among the communities and the principles of their calculation are also submitted).
- ▶ The State Revenue Committee submits to the Ministry of Finance (for the budget planning), the Ministry of Territorial Administration and Infrastructure and the Ministry of Environment information on amounts of environmental tax paid by the companies mentioned in the Article 1 of the Law.
- ▶ In the time established by the decision of the RA Prime Minister on the commencement of the relevant year budgetary process, the heads of the communities included into the scope of the Law, submit through the Territorial Administration Bodies to the Ministry of Environment the environmental programs agreed with the Ministry of Environment and Ministry of Health and approved by the the Council of Elders, as well as applications for receiving subventions from the state budget for the year envisaged for project implementation.
- ▶ The Ministry of Environment and the Ministry of Health in the time established by the Government Decision N 1544 dated 26.09.2002 inform the relevant communities which had presented the environmental programs about the specifics of the implementation of the activities envisaged by the environmental programs submitted to the Ministry of Environment and the Ministry of Health by the relevant communities and their positions on the proportions of their financing.

Deductions for implementing environmental and healthcare projects in each community are calculated based on the sum of factual environmental tax payments made to the State budget (starting from January 1, 2018 accrued to the Treasury account of the State budget from the joint environment tax account) by relevant companies in the second, third and fourth years previous to the following budgetary year minus the deductions to the communities during the two previous years.

According to Article 3 of the same law, the draft of the project shall be developed by the head of the community in compliance with the procedure defined by the law and based on the approved documents on development projects (social-economic development) of the given community or region (marz) or local action-plans for environmental protection or other project- or strategy-level documents.

According to the RA Government Decree "On Approving the Procedure for Developing (drafting) Environmental Projects",²⁵⁴ the project is elaborated on the basis of a previously approved terms of reference which includes the structural points stated below:

1. The purpose of the project,
2. The legal basis of the project,
3. The authorizations of the state agencies during the implementation of the project,
4. Project beneficiaries and services provided,
5. Project issues and their link with the project purpose,
6. Structure (activities) of the project,
7. Methods of project implementation (measures and the scopes of implementing organizations),
8. Project performance indicators (implementation volume indicators in natural volumes disaggregated by separate activities or sub-projects):
 - a) Final results,
 - b) Direct results,
9. Description of project implementation:
 - a) Description of the current status of the project,
 - b) Planning/prediction of project final results according to implementation phases (periods).

According to the same Decree, the cost of the project is estimated by means of calculating the estimated expenses of the project. Expenses estimates are calculated on the basis of the standards set by the Government of the Republic of Armenia and, in cases of absence of the abovementioned normatives, the estimated expenses are calculated in compliance with methodological instructions for drafting and submitting sectoral applications in the scope of the State budget development activities approved by the Republic of Armenia Ministry of Finance for calculation of budget expenditures for the given year.

For thematic environmental projects, the expenditures are calculated by using an appropriate formula, which estimates the salary rate of relevant specialists and the labor-intensiveness of their assignments and applies certain coefficients to material costs, costs of services, overhead costs and profitability margins, while also taking into account the taxes stipulated by RA Law and calculated in compliance with the same law.

²⁵⁴ <https://www.arlis.am/DocumentView.aspx?docID=88963>

According to the RA Law “On Targeted Use of Environmental Payments Made by Companies”, the project is published by the head of the community (each community publishes the relevant project on its website, which is publicly available). The links to the projects in 2018 are reflected in the table 7.5.1. However, the reporting templates were actually determined only on May 27, 2020 as a result of legal reforms, according to which the programs are published each year by the community head on the community website and (or) regional administration website with a foreword from the community head.²⁵⁵

According to the RA Government Decree “On approving the procedure for developing (drafting) environmental projects,”²⁵⁶ within 15 days prior to approving the project documentation, the State agency implementing the environmental project²⁵⁷ informs the public via mass media (including electronic) (local and national radio, television, printed media), projects presentation events, publications, website publications and also through public discussions. State agencies implementing environmental projects inform the public about the projects and their implementation process by providing corresponding project-related documentation to relevant heads of communities.

In any case, prior to commencement of project implementation, as well as during its implementation process, the project implementing agency should come to an agreement with subjects bearing losses as a result of project implementation on the compensation of damages resulting from the implementation of the project.

The draft documents of the project are approved:

- 1) By the RA Ministry of Health and/or by the RA Ministry of Environment for projects, which are funded by the state budget,
- 2) By the relevant project implementing head of community for municipal budget-funded projects

According to the RA Law “On Targeted Use of Environmental Payments Made by Companies,” companies, as well as other legal entities and individuals, can present written suggestions to the head of community concerning the draft of the project within a 15-day period from its publication.

The project includes actions aimed at addressing issues in the administrative territory of communities caused by companies operating there. Specifically, the project includes actions aimed at solving core environmental issues in the land, water and aerial territory of the community as well as the protection of the environment and actions toward preserving the health of the public. The project also specifies the priorities of project activities and the distribution of financing.

The submitted project should comply with the methodical guidelines for development of RA draft State budget for the given year and also include the issues in connection with the activities to be implemented, their objectives and the necessity of implementing them, their compliance with the requirements of the

²⁵⁵ See RA Law HO-278-n (27 May 2020) “On amendments and addenda to RA Law “On Targeted Use of Environmental Tax Made by Companies.” Available at: <https://www.arlis.am/DocumentView.aspx?docid=143032>:

²⁵⁶ <https://www.arlis.am/DocumentView.aspx?docID=91223>

²⁵⁷ <https://www.arlis.am/DocumentView.aspx?docID=91223>

legislation, the implementation stages (timetable), costs necessary for implementation and the expected results.

The project is discussed by authorized bodies within a ten-day period after submission. The Community Council of the community is authorized to return the project to the head of the community with the purpose of its revision within the deadlines set by the Council.

The authorized bodies discuss the revised annex of the submitted project within a three-day period from the day of submission and approve the project if all the comments and recommendations made by the authorized bodies, which may serve as grounds for rejecting the project are fully taken into in the project annex. In case all such comments and recommendations are not fully taken into account, the revised project annex is returned.

Consent is not granted if:

- a. If the environmental activities to be carried out within the scope of the project contradict with the RA legislation, the international environmental and health conventions signed by the Republic of Armenia and other legal acts,
- b. The project package does not contain all the necessary documents (statements, calculations) or the information (calculations) contained therein does not correspond to reality.

Breaching the terms for the provision of consent, as well as refusing to grant consent may be appealed by higher order or in court.

Prior to project approval, the priorities of the envisaged activities and their financing proportions are approved by the State bodies authorized in the fields of nature protection and healthcare in compliance with the procedures set by the Government of the Republic of Armenia.

As per the procedure set forth under the budgeting legislation of the Republic of Armenia, the authorized State agency of the RA Government in the field of the management of State finances, based on the received projects, develops the draft list of the communities to receive proportional contributions from the state budget for financing of projects during the upcoming budgetary year, taking into consideration the total amount of contributions designated for financing of such projects under the State budget during the upcoming year.

Table 4.3.1 The list of communities adversely affected in 2018 as a result of operations of companies listed in the Article 1 of the RA Law “On Targeted Use of Environmental Payments Made by Companies”

Company Name	The proportion of the distribution of environmental payments between communities (% of total)	Names of communities adversely affected by the activities of companies
From environmental payments charged for discharge of hazardous wastes and compounds into environment (water basin).		
Syunik region		
	50%	Kajaran
“Zangezur Copper-Molybdenum Combine” CJSC	30%	Kapan
	10%	Syunik
	10%	Lernadzor
“Agarak Copper Molybdenum Combine” CJSC	100%	Meghri
“ Chaarat Kapan” CJSC	90%	Kapan
	10%	Achanan
Gegharkunik region		
“Geopromining Gold” LLC	100%	Sotk
Lori region		
	57%	Akhtala
“Akhtala Mining and Processing Enterprise” CJSC	5.5%	Chochkan
	7%	Shnogh
	2.5%	Mets Airum
Tavush region		
	19%	Airum
“Akhtala Mining and Processing Enterprise” CJSC	2%	Koghb
	7%	Noyemberyan
From environmental payments charged for discharge of hazardous wastes into environment (air).		
Syunik region		
	70%	Kajaran
“Zangezur Copper-Molybdenum Combine” CJSC	10%	Lernadzor
	20%	Kajaran
“Agarak Copper Molybdenum Combine” CJSC	100%	Meghri
“ Chaarat Kapan” CJSC	80%	Kapan
	20%	Achanan
Ararat region		
“Geopromining Gold” LLC	15%	Ararat

Company Name	The proportion of the distribution of environmental payments between communities (% of total)	Names of communities adversely affected by the activities of companies
Gegharkunik region		
“Geopromining Gold” LLC	85%	Sotk
Lori region		
“Akhtala Mining and Processing Enterprise” CJSC	100%	Akhtala
From charges for disposal of environmentally hazardous production and consumption wastes in compliance with the defined order.		
Syunik region		
“Zangezur Copper-Molybdenum Combine” CJSC	30%	Kajaran
	10%	Achanan
	20%	Syunik
	20%	Artsvanik
	10%	Sevkar
	10%	Chapni
“Agarak Copper Molybdenum Combine” CJSC	50%	Meghri
	50%	Meghri
“ Chaarat Kapan” CJSC	50%	Kapan
	50%	Geghanush
Lori region		
“Akhtala Mining and Processing Enterprise” CJSC	40%	Akhtala
	30%	Shamlukh
	30%	Mets Airum

Source: The information was provided by the MoE for the EITI report

The proportions of distributing environment tax revenues between different communities were determined while taking into account the enlargement of a number of communities as mandated by the RA Law “On Changes and Amendments to the RA Law On RA Administrative Subdivisions”. The reports are available in Armenian on the official website of the Ministry of Finances of RA²⁵⁸

²⁵⁸ http://www.minfin.am/hy/page/petakan_byujei_hashvetvutyun_2018_t_tarekan

4.3.2 Subsidies and environmental programs allocated to adversely affected communities in 2018 in compliance with the RA Law “On Targeted Use of Environmental Payments Made by Companies”

Healthcare related activities implemented in 2018	
Name	Amount /thousand AMD/
Lori Region, RA	66,870
<i>Total for Alaverdi community</i>	<i>66,870</i>
<i>Total for the town of Alaverdi</i>	<i>65,243</i>
<i>Providing additional food to the students of the pre-school educational institutions of the community</i>	<i>9,542</i>
<i>Providing summer camp vouchers to community children to strengthen their health</i>	<i>7,754</i>
<i>Providing additional food to the pregnant women of the community</i>	<i>3,490</i>
<i>Providing sanatorium vouchers to community members to strengthen their health</i>	<i>14,882</i>
<i>Providing hygiene products to new-borns of the community</i>	<i>2,563</i>
<i>Installation of exercise equipment in both parts of the community (upper and lower)</i>	<i>12,299</i>
<i>Pest and rodent control activities in the territories of the garbage bins and trucks of apartment buildings, community organizations and household waste locations</i>	<i>2,070</i>
<i>Renovation of the playground of school No. 10 in Baghramyan district of the community</i>	<i>5,558</i>
<i>Construction of a market near the former park on Sayat-Nova Street in the community</i>	<i>7,083</i>
Total Akori	715
<i>Providing additional food to the students of the pre-school educational institutions of the community</i>	<i>715</i>
Total Haghpat	912
<i>Providing additional food to the students of the pre-school educational institutions of the community</i>	<i>912</i>
Syunik Region, RA	1,254
Total Meghri community	1,254
<i>Providing additional food to the students of the “Agarak kindergarten” SNCO of the community</i>	<i>198</i>
<i>Providing additional food to the students of the “Meghri kindergarten” SNCO of the community</i>	<i>1,056</i>
TOTAL	68,124

Environment activities implemented in 2018	
Name	Amount/thousand AMD/

Lori Region, RA	104,732
<i>Total Alaverdi community</i>	<i>104,732</i>
<i>Total Alaverdi</i>	<i>104,240</i>
<i>Acquisition of two garbage trucks for the needs of the community</i>	52,900
<i>Restoration, expansion and improvement of community green areas</i>	3,182
<i>Purchase and installation of garbage cans for the needs of the community</i>	2,973
<i>Restoration of fallen stones and headstones on the walls of community streets</i>	1,288
<i>Renovation of the alleys of Gai streets in the community's Yeritasardakan and Sanahin Sarahart district</i>	15,589
<i>Roof paintings of the community's apartment buildings</i>	5,093
<i>Cleaning of community's sewages</i>	2,255
<i>Acquisition and installation of energy-saving light fixtures</i>	5,329
<i>Acquisition and installation of photovoltaic stations</i>	12,586
<i>Project drafting and cost estimation activities</i>	3,045
Total Akori	492
<i>Renovation of sewages on the 1st and 4th streets of Akori community</i>	492
Syunik Region, RA	11,056
<i>Total Kapan community</i>	<i>11,056</i>
<i>Tree planting and restoration, improvement and renovation of green areas on the sidewalks of A. Manukyan street in the town of Kapan</i>	11,056
Kotayk Region, RA	10,406
<i>Total Charentsavan community</i>	<i>9,384</i>
<i>Replacement of streetlights with LED light on the community's Gangraher tgha, Yesayan, Yeritasardutyán, Charents and Shahumyan streets.</i>	9,384
<i>Total Tsaghkadzor community</i>	<i>1,022</i>
<i>Organizing landscaping of Tsakhkadzor community park</i>	1,022
Ararat Region, RA	5,844
<i>Total Ararat community</i>	<i>5,844</i>
<i>Building of 505m² irrigation network for irrigating the green areas of the community</i>	5,844
TOTAL	132,038

Source: The information was provided by the MoE for the EITI report

According to the RA Law “On Targeted Use of Environmental Payments Made by the Companies,” corresponding environmental projects have been carried out in 2018 in cities of Tsakhkadzor and Ararat and Akori village. Overall, under the stated law, an amount totaling 200,163,000 AMD in 2018 was allocated to communities of which 132,038,000 AMD was for environmental activities and 68,125,000 AMD for healthcare.

RA Law “On the budget of the Republic of Armenia for 2018”, as well as annexes to the Budget are available on the website of the Ministry of Finance.²⁵⁹

The amount planned to be transferred to communities by RA exceeds the factual sum transferred to communities by 13,129,000 AMD. According to the information provided by the RA Ministry of Environment, the main reason for budgeting was the low prices obtained for the tenders for the provision of services and purchase of goods. A smaller reason for savings was a small difference between the planned and realized volumes of services bought and purchases made.

The 2016-2017 EITI report and the meetings held in the process of verification in Armenia have identified a number of regulatory gaps. Pursuant to the RA Law “On amending and supplementing the RA Law “On Targeted Use of Environmental Payments Made by the Companies”” following amendments have been made:

- ▶ Instead of previously mentioned only 4 metal mining companies, it is envisaged that deductions shall be made from the nature protection tax paid by all metal mining companies (as well as by other companies set forth by the Ministry of Environment). The list of other companies shall be established by the Ministry of Environment based on the criteria established by the Government of the Republic of Armenia. Meanwhile, the RA Government shall establish the criteria for selection of other companies within six months starting from the effective date of the law, i.e. 15 December 2020.
- ▶ The list of communities and (or) residential areas, and calculation of the amounts for deduction distribution per communities and (or) residential areas shall be conducted by the RA Ministry of Environment as prescribed by the RA Government. The RA Government shall envisage the procedure for establishing the list of communities and (or) residential areas, and calculation of the amounts for deduction distribution per communities and (or) residential areas, within six months starting from the effective date of the law, i.e. 15 December 2020.
- ▶ Starting 2021, deductions shall be made from the environmental tax payments of all companies that have a mining permit in order to implement projects in those communities, where the operations of said companies leave a detrimental effect.
- ▶ The community head shall prepare a report on the implementation of the project in the Reporting period and shall submit it for the approval of the council prior to 01 March of the following year. The report approved by the Elder’s Council shall be published on the website of the community and/or the websites of regional administration before May 1 of the following year. The reporting

²⁵⁹ See http://www.minfin.am/hy/page/byuje_2018

template shall be approved by the Ministry of Territorial Administration and Infrastructure within three months starting from the effective date of the law, i.e. 15 September 2020.

To finalise, we note that the regulatory gaps identified in the EITI Report 2016-2017 have been primarily regulated by the afore-mentioned amendments, however, more comprehensive assessment of the amendments can be made only upon adoption of the mentioned decrees by the Government of the Republic of Armenia.

5

THE SOCIO-ECONOMIC AND ENVIRONMENTAL IMPACT OF THE MINING INDUSTRY

5. THE SOCIO-ECONOMIC AND ENVIRONMENTAL IMPACT OF THE MINING INDUSTRY

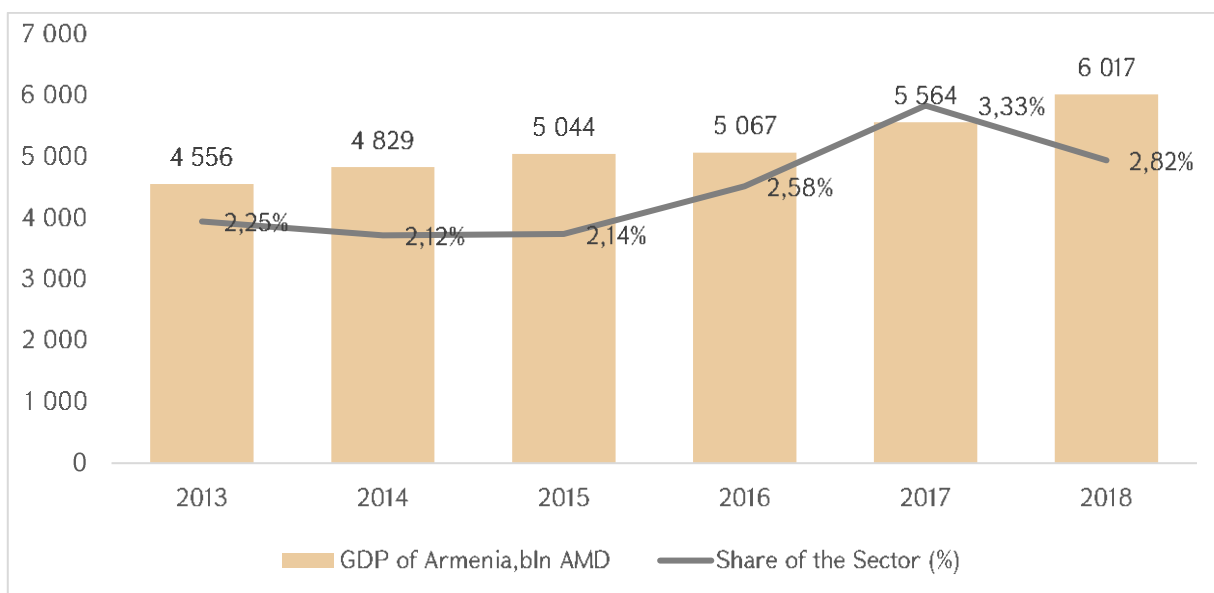
5.1 The share of the mining industry in the economy of Armenia

The subsoil of the Republic of Armenia is rich with copper, molybdenum, lead, zinc, gold and silver. The metal mining industry has traditionally maintained a significant share in the economy of Armenia.

According to the information provided by the Statistical Committee of the Republic of Armenia, the mining and quarrying sector contributed 2.9% of the GDP in 2018, which was higher than average since 2013 (2.6%). The share of the mining sector in the GDP declined in 2014 and grew continuously until 2017 recording a relatively high share of 3.3% in that year. However, the share of the sector declined in 2018 (2.9%), which may be explained by the suspension of utilization of Teghout mine in the Lori region.

With this share, the mining and quarrying sector held the 13th position in the total GDP among the 20 presented sectors.

Figure 5.1.1 The gross added value of the mining and quarrying sector and its share in GDP



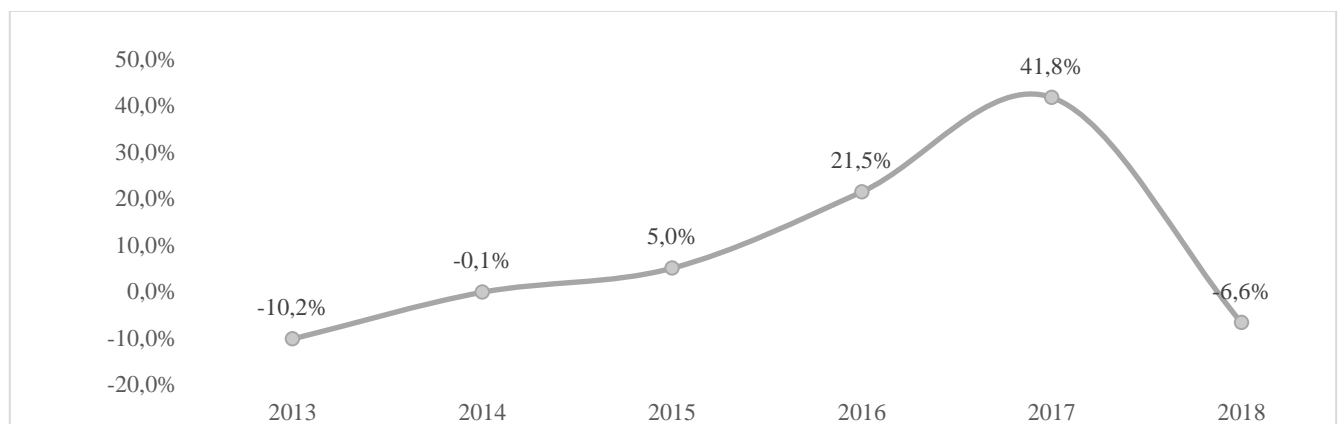
Source: RA SC, national accounts statistics²⁶⁰

It is worth noting that the sector's share in absolute value was the main contributor to the growth of the GDP in 2016: the GDP grew by 23.7 bln AMD whereas the gross added value of the mining and quarrying sector grew by 23.1 bln AMD. In 2017, the GDP grew by 497 bln AMD of which 55 bln AMD was the contribution of the mining and quarrying sector. The picture was different in 2018 as, while the GDP grew by 441 bln AMD, the gross added value of the sector declined by 12.3 bln AMD.

²⁶⁰ https://www.armstat.am/file/article/armenia_2018_6.pdf

In absolute value, the nominal GDP grew significantly between 2013 and 2018 while the gross added value of the mining and quarrying sector kept fluctuating and grew from 103 bln AMD in 2013 to 173 bln AMD in 2018.

Figure 5.1.2 Yearly dynamic of the mining and quarrying sector



Source: RA SC, national accounts statistics²⁶¹

Artisanal and small-scale mining is thought to be absent from the metal mining sector in Armenia. Since there are no reliable and publicly accessible estimates regarding the informal activities in the mining and quarrying sector of Armenia, for analyzing the informal activities of the sector, the accessible judicial acts and decisions of administrative bodies pertaining to informal activity were studied. Given the specific characteristics of the sector, including its scale, legislative regulations, monitoring and accountability requirements, it is assumed that no informal activities are carried out in the sector.

The share of the mining and quarrying sector in the GDP of RA during the period from 2011 to 2018 is presented below in comparison with the five leading sectors.

²⁶¹ *Ibid*

Table 5.1.1 The total GDP and the share of the mining and quarrying industry in GDP in 2018

Type of economic activity, million AMD	2011	2012	2013	2014	2015	2016	2017	2018
GDP, million AMD	3,777,946	4,266,500	4,555,638	4,828,626	5,043,633	5,067,293	5,564,493	6,017,035
Agriculture, hunting, forestry and fishing	767,880	763,941	839,821	872,631	868,671	830,553	834,355	838,914
<i>Proportion in GDP</i>	20.3%	17.9%	18.4%	18.1%	17.2%	16.4%	15%	13.9%
Construction	491,082	497,985	476,564	448,772	474,107	393,176	404,403	397,355
<i>Proportion in GDP</i>	13.0%	11.7%	10.5%	9.3%	9.4%	7.7%	7.3%	6.6%
Wholesale and retail trade; repair of motor vehicles, motorcycles	476,695	508,630	548,613	570,369	551,485	499,043	614,987	692,654
<i>Proportion in GDP</i>	12.6%	11.9%	12.0%	11.8%	10.9%	9.8%	11.1%	11.5
Taxes on products (less subsidies)	412,324	458,234	506,428	546,335	535,801	508,804	572,075	639,224
<i>Proportion in GDP</i>	10.9%	10.7%	11.1%	11.3%	10.6%	10.0%	10.3%	10.6%
Manufacturing	399,271	397,549	441,103	466,755	464,326	521,153	591,568	678,235
<i>Proportion in GDP</i>	10.6%	9.3%	9.7%	9.7%	9.2%	10.2%	10.6%	11.3%
Mining and quarrying	102,847	114,327	102,687	102,553	107,718	130,836	185,510	169,795
<i>Proportion in GDP</i>	2.7%	2.7%	2.3%	2.1%	2.1%	2.6%	3.3%	2.8%

Source: RA SC, national accounts statistics²⁶²

²⁶² *Ibid*

5.2 Employment in the metal mining industry

According to the data provided by the RA Statistical Committee, the industry sector has traditionally been the third sector sectors by its contribution to total employment following the services and agriculture. In 2017 there were 132.9 thousand people employed in the sector accounting for the 13.1% of total employment. The sector employed 125.2 thousand people in 2018, which is equivalent to 13.8% of total employment. This decrease can be justified by the new methodology used by SC since 2018, according to which the provision of services and products for personal use isn't considered an employment anymore.²⁶³

According to the relevant yearbook of the RA Statistical Committee, the share of mining and quarrying sector in total industry employment in 2017 and 2018 was respectively 6.9 and 7.3% with the total number of 9.2 thousand employees. The majority of people (7.7 thousand employees in both years) was involved in activities relating to the mining of metal ores. It may thus be concluded that the number of people employed in the metal mining sector did not change in the reporting year. Estimations based on the same data show that the share of metal ores extraction sector in total employment fluctuated with increasing tendency between 0.6 – 0.8% during the period of 2013-2018, amounting to 0.8% in 2017 and 2018.

Table 5.2.1 Total employment, employment in industry and in the mining and quarrying sector

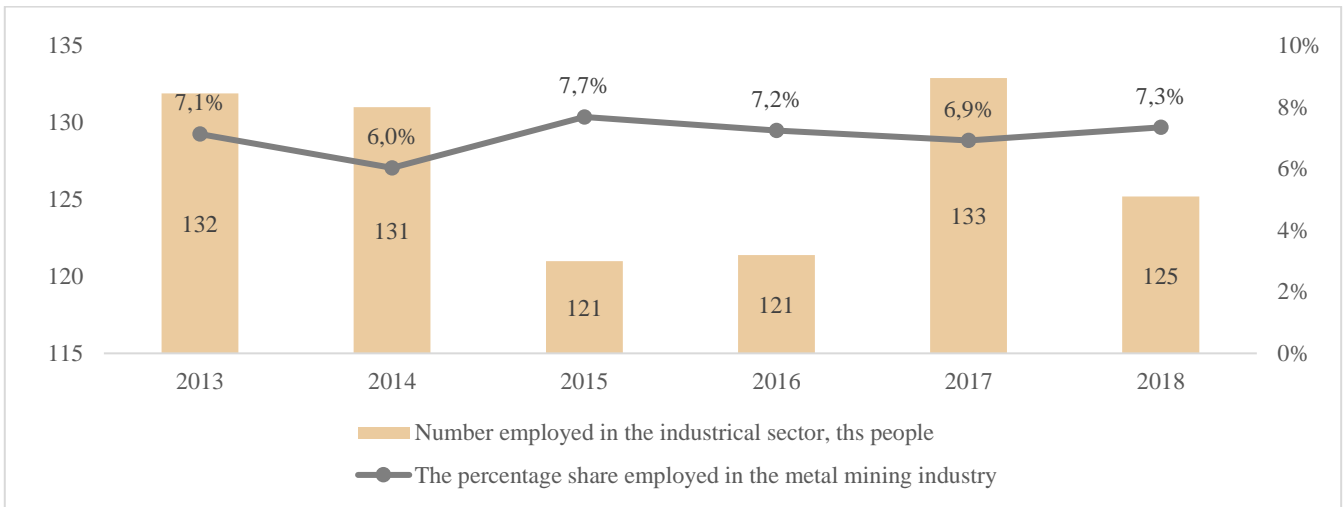
	2011	2012	2013	2014	2015	2016	2017	2018
Total employment, 1000 people	1,175.1	1,172.8	1,163.8	1,133.5	1,072.6	1,006.2	1,011.7	907.6
Total employment in industry, 1000 people	128.7	138.3	131.9	131.0	120.8	121.4	132.9	125.2
Employment in mining and quarrying sector, 1000 people	110.4	10.0	9.4	7.9	9.3	8.8	9.2	9.2

Source: Relevant yearbooks published by RA SC ²⁶⁴

²⁶³ <https://www.armstat.am/file/doc/99516743.pdf>

²⁶⁴ 2011-2012 https://www.armstat.am/file/article/trud_13_6.pdf
 2012-2013 https://www.armstat.am/file/article/trud_14_6.pdf
 2014-2015 https://www.armstat.am/file/article/9.trud_2016_4.1.pdf
 2016-2017 https://www.armstat.am/file/article/trud_18_4.1.pdf
 2018 <https://armstat.am/file/doc/99516743.pdf>

Figure 5.2.1 The share of the mining and quarrying sector in employment in 2018, thousand people



Source: Relevant yearbooks published by RA SC²⁶⁵

According to the data provided by metal mining companies, the 98% of those employed in the sector are RA citizens, 92% are employed permanently and 83% are male. Of the 26 companies presented, 12 have at least one woman in an executive position. Only three companies, “Lydian Armenia” CJSC, “Zangezur Copper-Molybdenum Combine” CJSC and “Chaarat Kapan” CJSC, have more than 10 women in executive roles. The total number of women in leadership roles is 88, which is equivalent to 5% of women employed in the sector.

Table 5.2.2 The total number of employees in the metal mining sector and their distribution by gender, nationality and contract type in 2018

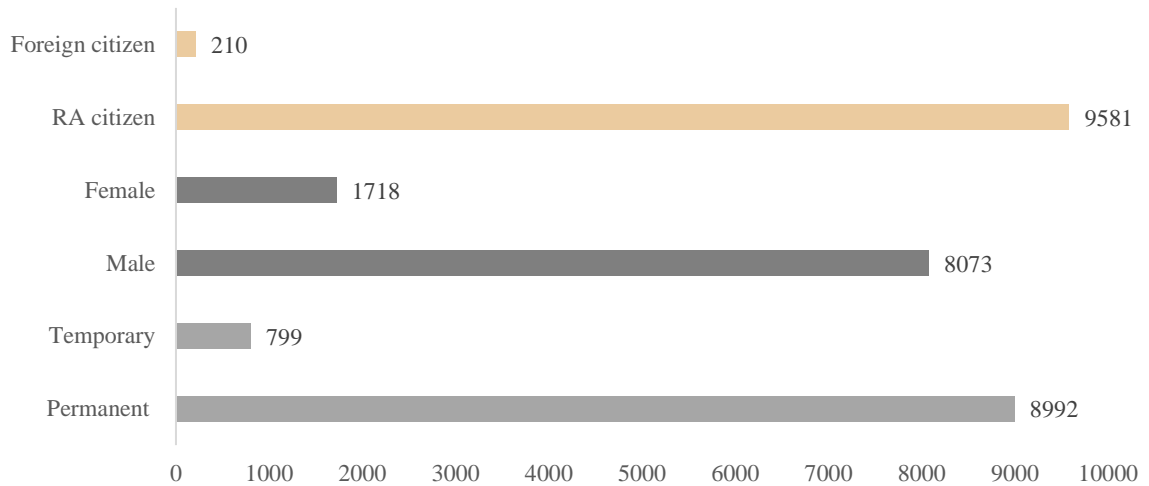
	Total	Male	Female	RA Resident	Foreign National	Temporary	Permanent
Number employed	9,791	8,073	1,718	9,581	210	799	8,992

Source: The information was provided by metal mining companies for the EITI report

The graph below presents the description of employees of presented companies by gender, citizenship and contract type.

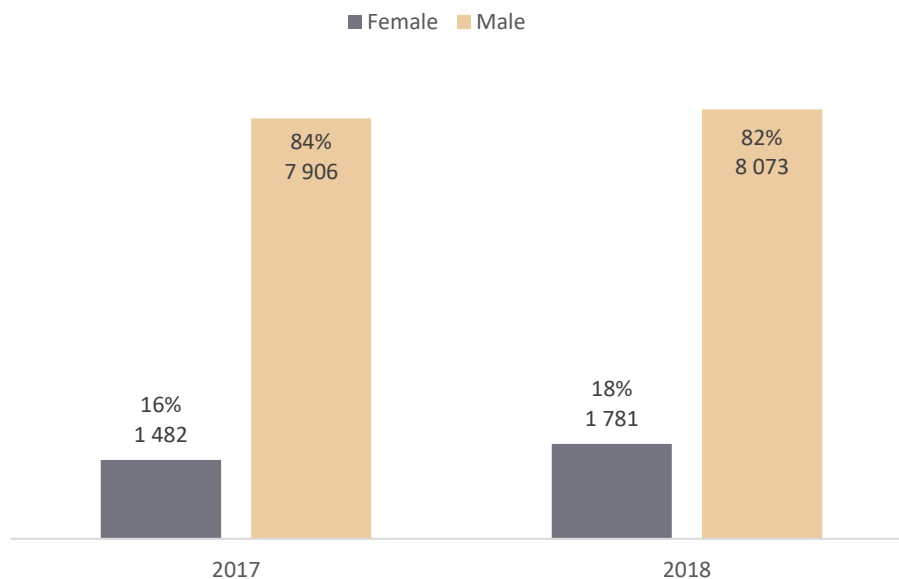
²⁶⁵ Ibid

Figure 5.2.2 The distribution of the employees in the metal mining sector by gender, citizenship and contract type in 2018



Source: The information was provided by metal mining companies for the EITI report

Figure 5.2.3 The distribution of the employees in the metal mining sector by gender 2017-2018



The majority of jobs created by the sector, around 91%, falls to six companies: The table below summarizes the list of top 10 employers and the number of jobs they provide.

Table 5.2.3 Jobs at metal mining industry in 2018

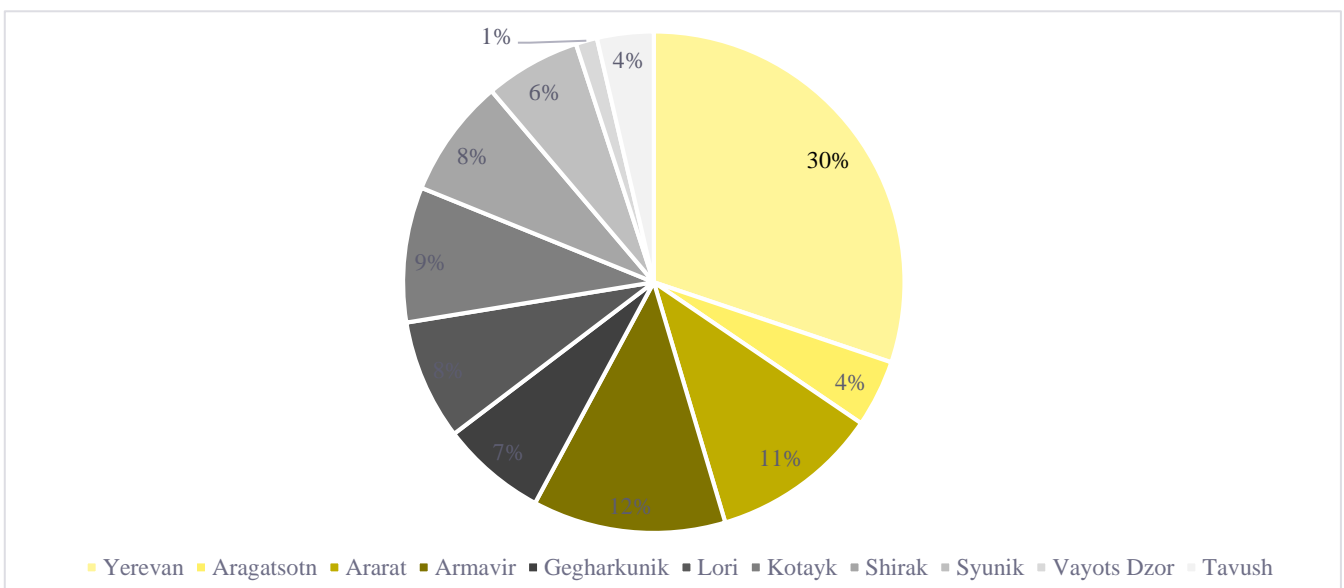
	Company name	Number of jobs
1	“Zangezur Copper-Molybdenum Combine“ CJSC	4,435
2	“Geopromining Gold“ LLC	1,380
3	“Chaarat Kapan“ CJSC	1,075

4	“Agarak Copper Molybdenum Combine” CJSC	1,022
5	“Teghout” CJSC	517
6	“Akhtala Mining And Processing Enterprise” CJSC	492
7	“Lydian Armenia” LLC	237
8	“Meghradzor Gold” LLC	223
9	“Multi Group Concern” LLC	141
10	“Ler-Ex” LLC	58

Source: The information was provided by metal mining companies for the EITI report

The regional distribution of people employed in the metal mining industry is visibly different from the general distribution of employed population in Armenia. According to official data, 30% of all employed people was concentrated in Yerevan in 2018. The region of Aramavir was in the second place with a 12% share while 11% of the employed worked in the region of Ararat. For comparison only 5% of employees of the metal mining sector were located in Yerevan, which is due to the absence of metal mining activities in the said region. Around 69% of the employed population is concentrated in the region of Syunik. This region hosts the three largest cities of the metal mining sector, Kajaran, Kapan and Meghri. The number of people employed in these three cities alone is greater than 6 thousand. Lori and Aramavir regions come next with their share of employees with a respective share of 8% and 7%. It must be noted that the share of Lori region in 2017 was 18%: The decrease of this indicator may be partly explained by the decrease in the number of people employed by “Teghout” CJSC.

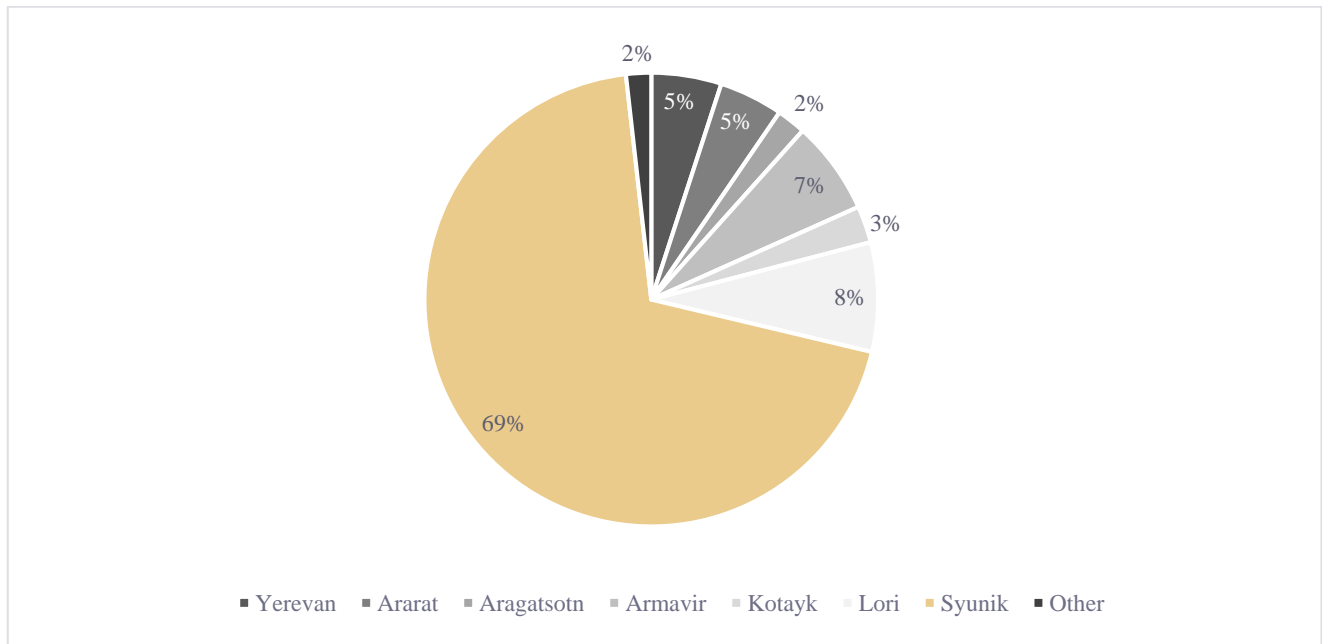
Figure 5.2.4 The distribution of the population employed in all sectors in the capital and regions in 2018



Source: RA SC 2019 publication “The regions of the Republic of Armenia and the city of Yerevan by numbers”²⁶⁶

²⁶⁶ https://www.armstat.am/file/article/marzer_2019_17.pdf

Figure 5.2.5 The regional distribution of population employed in the metal mining sector in 2018



Source: The information was provided by metal mining companies for the EITI report

It must be noted that the information provided by the RA SC on the employment in metal mining sector is different from the information provided by the metal mining companies. According to the latter, there were 9.8 people employed in metal mining companies in 2018 while according to RA SC, this number stood at 9.2 thousand. This difference is due to the differences in data collection methodologies. In particular, the employment statistics of RA SC is based on selective workforce surveys conducted in households, while the employment figures of the companies represent the average number of employees per given year (the average of the sum of the average numbers of employees during each of the 12 months of the given reporting year). Similar differences were observed in the past reporting years as well.

There is no publicly available reliable information on informal employment in extractive industries of Armenia. However, a number of unique characteristics of the metal mining sector, such as being in the centre of public attention, legislative regulations, monitoring and accountability requirements render the level of informal employment in the sector non-risky as compared to the general industry sector.

5.3 Donations to foundations, non-commercial legal entities and individuals

The requirement 5.1 of the 2019 EITI mandates that countries implementing the standard disclose those contributions of extractive sectors, which are not directed to state or community budgets.

The April 16, 2019 meeting of the RA EITI multi-stakeholder group,²⁶⁷ which approved the technical assignment of the independent administrator, did not address the issue of including foundations

²⁶⁷ https://www.eiti.am/file_manager/EITI%20Documents/Minutes/MSG_meeting_minute_16_04_2019_EN.pdf

established by (related to) mining companies into the scope of reporting. Therefore, guided by decision concerning the inclusion of and presenting reports about foundations taken in the October 10,²⁶⁸ meeting of the MSG, in the scope of this Report, the voluntary disclosure is limited to the payments (aggregated, not individual) made by companies to foundations, NGOs and individuals.

In 2018, only 10 of the 26 reporting companies have made financial and non-financials donations, gifts or other contributions to foundations and non-commercial legal entities and only 7 companies have made donations or other charity contributions to individuals. According to EITI reports received from the Companies, total value of financial and non-financial donations, gifts or other contributions equaled 5.4 billion AMD for non-commercial legal entities and 123 million AMD for individuals. It is noteworthy that as compared to previous reporting years, this indicator has recorded significant growth.

According to Article 39 of the RA Law “On Foundations,”²⁶⁹ each year a foundation shall publish a report on its activities, as well as the audit report of its financial statements on the official website of Republic of Armenia on public notifications (<http://www.azdarar.am>) no later, than July 1 of the year following the reporting year. The publication of audit report is mandatory if the value of assets of foundation exceeds 10 million AMD. The Ministry of Justice of the Republic of Armenia must be notified in writing within 30 days after the publication of the report. In case the report is not published in due time or the Ministry of Justice of the Republic of Armenia is not notified on such publication or the published report is incomplete, the Ministry of Justice of the Republic of Armenia applies sanctions provided under the Code of the Republic of Armenia “On Administrative Offences”. If, within a one-month period after application of the most stringent sanction as provided under the Republic of Armenia Code “On Administrative Offences,” the requirement of publication and notification is not properly satisfied, the Ministry of Justice of the Republic of Armenia applies to a court with a request to liquidate the foundation

The amount of financial and non-financial contributions to foundations amounted to 4.8 billion AMD and were made by only 7 companies. From among foundations, which received financial and non-financials donations, gifts or other contributions from the companies, 10 received an amount, which was above the materiality threshold of 1mln AMD. The table below presents an analysis of the public reports of these 10 foundations for the purposes of reconciling this information with the disclosure of the companies.

²⁶⁸ https://www.eiti.am/file_manager/EITI%20Documents/Minutes/MSG_meeting_minute_10_10_%202017.pdf

²⁶⁹ <https://www.arlis.am/DocumentView.aspx?docID=75486>

Table 5.3.1 Donations to foundations made by metal mining companies in 2018 (requirement 5.1)

Donors	Foundations	Socio-economic investment according to the mining company report	Socio-economic investment according to the reports published by the Foundation	Discrepancies	Link to the report published by the Foundation	Comments on audit procedures
“Geopromining Gold” LLC	“Gary Kesayan” Cultural Foundation	1,440,000	Not available	-	Not present	Not present
“Zangezur Copper-Molybdenum Combine” CJSC	“Zangezur Copper-Molybdenum Combine” Charitable Organization	4,258,181,287	4,376,695,422	118,514,135	https://www.azdarar.am/announcements/org/131/00472246/	https://www.azdarar.am/announcements/org/131/00472246/
“Zangezur Copper-Molybdenum Combine” CJSC	“Syunik Region Development and Investment” Foundation	217,000,000	217,000,000	-	https://www.azdarar.am/announcements/org/131/00472044/	https://www.azdarar.am/announcements/org/131/00472044/
“Zangezur Copper-Molybdenum Combine” CJSC	“Cronimet” Charity Foundation	180,000,000	180,000,000	-	https://www.azdarar.am/announcements/org/45/00465277/	https://www.azdarar.am/announcements/org/45/00465277/
“Zangezur Copper-Molybdenum Combine” CJSC	“Armenia All-Armenian” Fund	84,915,250	Not available	-	https://www.azdarar.am/announcements/org/131/00528486/	https://www.azdarar.am/announcements/org/131/00528486/
“Zangezur Copper-Molybdenum Combine” CJSC	“City of Smiles” Charitable Foundations	51,000,000	Not available	-	https://www.azdarar.am/announcements/org/131/00471298/	https://www.azdarar.am/announcements/org/131/00471298/
“Lydian Armenia” CJSC	“Healthy Communities” Foundation	15,000,000	15,000,000	-	https://www.azdarar.am/announcements/org/131/00468576/	Not present
“Lydian Armenia” CJSC	“Human dignity and peace” charitable organization	11,526,397	9,129,726	2,396,671	https://www.azdarar.am/docs/149534/	Not present
“Lydian Armenia” CJSC	“Chess Academy of Armenia”	15,000,000	15,000,000	-	https://www.azdarar.am/announcements/org/131/00470879/	https://www.azdarar.am/announcements/org/131/00470879/
“Lichkvaz” CJSC	“Foundation of Meghri-Agarak”	2,000,000	Not available	-	https://www.azdarar.am/announcements/org/133/00469972/	Not present

Source: The information was provided by metal mining companies for the EITI report, The official website for public notifications in the Republic of Armenia²⁷⁰

²⁷⁰ <https://www.azdarar.am/>

According to Article 24 of the RA Law "On Non-Governmental Organizations," if the source of property acquisition of the organization are public funds (funds of state or community and of other bodies managing public assets or legal entities), the organization is required to publish the report on the website intended for reports of organizations on annual basis, before May 30 of the following year. According to Article 26 of the same law, if the organization has been financed from public funds in the amount equal or exceeding 5 million AMD during the reporting year, its annual financial statements submitted to state bodies, as prescribed by law, shall be subject to mandatory financial audit for the part of financing received from public funds no later than May 15 of the following year by an Independent Administrator selected by the Board of the organization. It is noteworthy that as a result of changes adopted to the law "On Non-Governmental Organizations" on December 4, 2019, the threshold of mandatory audit was move to financing exceeding 10mln AMD and more. According to information provided by metal mining companies for the EITI report, during the reporting year, contributions were made to 31 non-government organization for the total amount of 637 million AMD. For verifying the correctness of information provided by the companies, an analysis of 17 contributions exceeding 1mln AMD was carried out.

The table below provides brief information on the donations to non-commercial legal entities by mining companies during the reporting year.

Table 5.3.2 Financial and non-financial donations, gifts or other contributions to non-commercial legal entities by the metal mining companies in 2018 (requirement 5.1)

Company	Non-commercial legal entity	Socio-economic investment according to the mining company report	Socio-economic investment according to the reports published by the NGOs	Discrepancies	Link to the report published by the NGO	Comments on audit procedures	Other comments
“Agarak CMC” CJSC	“Meghri regional horticulture development” NGO	1,000,000	Not available	-	Not present	Not present	-
“Chaarat Kapan” CJSC	“Red Cross Armenia” NGO	2,880,000	Not available	-	https://www.redcross.am/resources/redcross/pdf/7129d7c0491b07819b1e078dc013a93f.pdf	https://www.redcross.am/resources/redcross/pdf/7129d7c0491b07819b1e078dc013a93f.pdf	-
“Chaarat Kapan” CJSC	“Freedom-fighter” charitable NGO	2,400,000	Not available	-	Not present	Not present	-
“Chaarat Kapan” CJSC	“Amateur and professional kick-boxing club of the Syunik region” NGO	3,762,000	Not available	-	Not present	Not present	-
“Lydian Armenia” CJSC	“Cooperation and Education” NGO	4,512,100	Not available	-	Not present	Not present	-
“Lydian Armenia” CJSC	“RA Chess Academy Federation” NGO	3,500,000	Not available	-	Not present	Not present	-
“Zangezur Copper-Molybdenum Combine” CJSC	“Public Diplomacy” NGO	420,000,000	Not available	-	Not present	Not present	-
“Zangezur Copper-Molybdenum Combine” CJSC	“Unity” Charitable NGO	33,000,000	Not available	-	Not present	Not present	-
“Zangezur Copper-Molybdenum Combine” CJSC	“RA Chess Academy Federation” NGO	30,000,000	Not available	-	Not present	Not present	-

Company	Non-commercial legal entity	Socio-economic investment according to the mining company report	Socio-economic investment according to the reports published by the NGOs	Discrepancies	Link to the report published by the NGO	Comments on audit procedures	Other comments
“Zangezur Copper-Molybdenum Combine” CJSC	“Parnas” cultural NGO	28,009,000	Not available	-	Not present	Not present	-
“Zangezur Copper-Molybdenum Combine” CJSC	Syunik region chess federation NGO	26,400,000	Not available	-	Not present	Not present	-
“Zangezur Copper-Molybdenum Combine” CJSC	Diocese of Syunik of the Armenian Apostolic Church	25,200,000	Not available	-	-	-	-
“Zangezur Copper-Molybdenum Combine” CJSC	“Mission Armenia” charitable NGO	11,000,000	Not available	-	http://mission.am/en/reports/Report on MA activity 2018 am.pdf	http://mission.am/en/reports/Annual Report 2018 am.pdf	-
“Zangezur Copper-Molybdenum Combine” CJSC	“Freedom-fighter” charitable NGO	9,000,000	Not available	-	Not present	Not present	-
“Zangezur Copper-Molybdenum Combine” CJSC	Union of “Yerkrpah” volunteers NGO	7,000,000	Not available	-	Not present	Not present	-
“Zangezur Copper-Molybdenum Combine” CJSC	“Brotherhood of church-lovers of the Artsakh diocese of the Armenian Apostolic church” NGO	5,000,000	Not available	-	Not present	Not present	-
“Zangezur Copper-Molybdenum Combine” CJSC	“Union of of miners and metallurgists of Armenia” confederation of trade unions	5,600,000	Not available	-	Not present	Not present	-
“Zangezur Copper-Molybdenum Combine” CJSC	“Federation for Athletics of the Syunik region” NGO	4,788,000	Not available	-	Not present	Not present	-

Company	Non-commercial legal entity	Socio-economic investment according to the mining company report	Socio-economic investment according to the reports published by the NGOs	Discrepancies	Link to the report published by the NGO	Comments on audit procedures	Other comments
“Zangezur Copper-Molybdenum Combine” CJSC	“STR” humanitarian NGO	4,000,000	Not available	-	Not present	Not present	-
“Zangezur Copper-Molybdenum Combine” CJSC	“House of hope and faith” charitable NGO	3,300,000	Not available	-	Not present	Not present	-
“Zangezur Copper-Molybdenum Combine” CJSC	“Armenian center of international union of puppeters” NGO	2,700,000	Not available	-	Not present	Not present	-

Source: The information was provided by metal mining companies for the EITI report, The official website for public notifications in the Republic of Armenia

Table 5.3.3 Financial and non-financial donations, gifts or other contributions to natural persons by the metal mining companies in 2018 (requirement 5.1)

Companies	Number of individuals	Financial contributions	Non-financial contributions
“Agarak CMC” CJSC	17	4,973,745	-
“Lichkvaz” CJSC	140	-	678,160
“Meghradzor Gold” LLC	5	3,065,700	-
“Geopromining Gold” LLC	271	11,196,000	-
“Chaarat Kapan” CJSC	58	9,927,954	-
“Chaarat Kapan” CJSC	243	-	1,314,080
“Zangezur Copper-Molybdenum Combine” CJSC	354	91,020,801,3	-
“Zangezur Copper-Molybdenum Combine” CJSC	-	-	331,736,11
“Aktala Mining and Processing Enterprise” CJSC	4	400,000	-

Source: The information was provided by metal mining companies for the EITI report

5.4 Existing information regarding the environmental impact of the metal mining industry and the management and monitoring of this impact (requirement 6.4)

The 6.4 requirement of the 2019 EITI standard encourages implementing countries to disclose information on the management and monitoring of the environmental impact of the extractive industries.

The contractual obligations of mining companies, including those concerning the evaluation of environment impact, are presented in part 2.3 of this report.

According to the RA government decree N 191-N,²⁷¹ which sets the requirements to carry out monitoring for the prevention of environmental losses, degradation and irreversible impact as a result of mining, as well as the procedure to present reports about the results, mining companies are obligated to present quarterly and annual reports about the result of monitoring the impact on the environment.

The monitoring of the environment is carried out with regards to the types of negative impact noted in the preliminary environmental impact assessment (EIA), the main assessment report and the plans of environmental management. The monitoring plan is developed with regards to all the components of the environment – soil, atmosphere, surface and ground waters, flora and fauna.

The results of monitoring are presented to the authorized agency, the Ministry of environment, on quarterly and annual basis. The mining companies present the summary annual report before February 20th of the year following the reporting year, in email or written format. The authorized agency summarizes the quarterly reports and presents them on its official website within 10 working days.

If the mining company has a website, summarized information about the accredited (by laboratories bearing relevant certificates) results of annual monitoring conducted for the prevention of environmental losses, degradation and irreversible impact as a result of mining, are also presented in that website. The authorized agency summarizes the quarterly reports and the annual report and presents them on its official website²⁷² within 10 working days.

Once every 5 years, mining companies are obliged to review and agree with the authorized body the work plan of activities and the indicators monitored for the purpose of preventing environmental losses, degradation and irreversible impact as a result of mining. The reporting template is presented in Appendix 9.

Only 4 of the 26 companies included in the scope of EITI have presented environmental monitoring reports in 2018.²⁷³

²⁷¹ <https://www.arlis.am/DocumentView.aspx?docID=120135>

²⁷² <http://mnp.am/am/pages/233>

²⁷³ <http://mnp.am/am/pages/233>

Table 5.4.1 Environmental monitoring reports of mining companies in 2018

	Company name	i. quarter	ii. quarter	iii. quarter	iv. quarter	Annual report
1	“Lichkvaz” CJSC	-	Presented	Presented	Presented	Presented
2	“Lydian Armenia” CJSC	Presented	-	-	Presented	-
3	“Chaarat Kapan” CJSC	Presented	Presented	Presented	Presented	Presented
4	“Teghout” CJSC	-	Presented	Presented	-	-

Source: Ministry of Environment²⁷⁴

It is noteworthy that “Lydian Armenia” CJSC is the only company, which has published the results of the monitoring also on its website.²⁷⁵

According to the RA Law “On Assessing and Examining Environmental Impact”,²⁷⁶ assessment and examination are overseen by the RA Government, the Ministry of Environment, the Center of Expertise for Environmental Impact Assessment (CEEIA), the Ministry of Regional Administration and Infrastructures and local governments.

According to article 20 of the same law, without positive results of EIA, the approval of foundational documents or the commencement of intended operations is prohibited.

The results of EIA are presented on the website of the Ministry of Environment within 7 working days.²⁷⁷ The website of the Ministry also presents the applications of EIA.²⁷⁸

The information on the results of EIA is not presented on the website of the ministry in an accessible manner: the EIA reports of mining companies are not separated from the rest, it is not possible to search for reports published in 2016 and before since these are presented in archived files and the files are accessible in pdf format only. The analysis of accessibility of EIA reports of companies included in the scope of EITI are presented below:

²⁷⁴ <http://mnp.am/am/pages/233>

²⁷⁵ <https://www.lydianarmenia.am/index.php?m=publications&lang=arm&p=116>

²⁷⁶ <https://www.arlis.am/documentview.aspx?docid=91594>

²⁷⁷ <http://www.mnp.am/am/pages/66>

²⁷⁸ http://www.mnp.am/am/pages/230?Posts_page=4

Table 5.4.2 Public availability of EIA results, August 2020

N	Company name	EIA conclusion	Publication date
1	"Baktek Eco" LLC	Report containing the work-plan to build and operate a fabric for processing the gold ore of Arjut mine	06.08.2014
		Report containing the work-plan to utilize the Arjut gold mine	19.09.2015
2	"Molibdeni Ashkharh" LLC	Not presented	-
3	"Assat" LLC	Not presented	-
4	"Tatstone" LCC	Report about extraction in the Lichk copper mine	21.12.2015
5	"Ler-Ex" LLC	Application for permit to conduct geological-investigative activities (preliminary estimation) in the copper-molybdenum mine of Hankasar during 2015-2017	14.12.2015
6	"Geghi Gold" LLC	Application for the extension of permit to conduct geological exploration (preliminary estimation) in the mining field of Geghi river basin for the purposes of mineral extraction	28.12.2015
7	"Lydian Armenia" LLC	EIA report of changes in mining project of Amulsar gold-bearing quartzite	29.04.2016
8	"Geopromining Gold" LLC	Application for a permit to conduct geological-investigative activities (preliminary estimation) in the territory of Vardenis multi-metal mine during 2017-2019	04.10.2017
9	"Vardani Zartonk" LLC	Not presented	-
10	"Teghout" CJSC	Not presented	-
11	"At-Metals" LLC	Concerning the Meghrasar gold mine extraction work-plan	18.11.2014
12	"Vayk Gold" LLC	Not presented	-
13	"Gharagyulyanner" CJSC	Not presented	-
14	"Fortune Resources" LLC	Not presented	-
15	"Active Lernagorts" LLC	Not presented	-
16	"Lichkvaz" LLC	Not presented	-
17	"Marjan Mining Company" LLC	Not presented	-
18	"Meghradzor Gold" LLC	Concerning the Meghradzor gold extraction work-plan	22.04.2014
19	"Akhtala Mining And Processing Enterprise" CJSC	Report concerning the storage of trailing in the territory of the mine site of Akhtala enrichment fabric	14.11.017
20	"Mego Gold" LLC	Concerning the work-plan (updated) of exploiting the Tukhmanuk gold (central section) mine	11.12.2014
21	"Sagamar" CJSC	Alternative work-plan concerning the expansion of Armanis gold-multi-metal mine	22.05.2015
		Concerning geological-investigative activities in the basins of Yellow and Black rivers	26.03.2018

N	Company name	EIA conclusion	Publication date
22	“Zangezur Copper-Molybdenum Combine“ CJSC	Report concerning the change in the project document of Kajaran copper-molybdenum mine reserve extraction	16.12.2016
23	“Multi Group Concern” LLC	Report about the extraction from the Ertich quartzite mine.	13.04.2018
24	“Agarak CMC” CJSC	Not presented	-
25	“Chaarat Kapan” CJSC ²⁷⁹	Report concerning the elimination of consequences due to the collapse of defensive soil layer in the territory of Shahumyan gold-multi-metal mine.	22.01.2019
		Report concerning the technical document (amendment) with regards to the Shamuhyan underground gold-multi-metal mine development.	18.11.2019
26	“Paramount Gold Mining” LLC	Not presented	

Source: Ministry of Environment²⁸⁰

²⁷⁹ Formerly “Kapan Mining and Processing Company” CJSC

²⁸⁰ <http://www.mnp.am/en/pages/66>

6

RECONCILIATION PROCESS

6. RECONCILIATION PROCESS

6.1 Reconciliation methodology and scope

Publication of information on company payments and government revenues can contribute to informed public discussions on governance of extractive industries. Based on EITI standard requirement 4: “Revenue collection,” it is required to realize comprehensive reconciliation of company’s payments and the revenues received by the government and local self-governance bodies from extractive industries. For that purpose, the RA SRC, RA MTAI, RA ME as well as all the mining companies that have the right to extract metal ore as defined by law are required to comprehensively disclose information on revenues and payments by filling reports defined by the RA Government decree N 666-N dated 8 June 2018 (amended on 11 July 2018 by government decree N 871-N)²⁸¹. The Independent Administrator performs reconciliation of information on revenues and payments collected from state authorities and the companies and presents the reconciliation together with discovered discrepancies in the EITI report.

6.1.1 Determination of the list of companies to be reconciled within the EITI Report

The protocol N12²⁸² of the RA EITI MSG meeting held on 16.04.2019 states that it was unanimously agreed that all companies having metal mineral extraction permits should submit reports to be included in the EITI report. As a result of performed analysis it was determined that when applying the threshold equivalent or exceeding AMD 150 million to taxes and payments, the list of companies to be reconciled will include the companies which run intensive activity and that the taxes and payments made by these companies are material. According to the RA Government Decree N 666-N dated June 8, 2018 (amended on 11 July 2019 by government decree N 871-N),²⁸³ bankrupt companies are exempt from reporting obligations. This is also reaffirmed by the changes and amendments made to the RA code “On Subsoil” on April 23, 2019.²⁸⁴ The list of companies submitting public reports for the second EITI reports includes 26 companies.²⁸⁵ Companies, which paid taxes and payments equivalent to or exceeding 150 million AMD to the RA State Budget during the reporting fiscal year are considered as companies to be reconciled (as approved by the protocol N12 of the RA EITI MSG meeting held on 16.04.2019).²⁸⁶

The table below illustrates application of materiality threshold in relation to 26 companies for 2018 based on figures reported by the RA State Revenue Committee and the RA Ministry of Environment.

For informative purposes, the first column of the tables provides the information on RA State Budget revenue streams according to the data provided by the companies.

²⁸¹ <https://www.e-gov.am/gov-decrees/item/32181/>

²⁸² https://www.eiti.am/file_manager/EITI%20Documents/Minutes/MSG_meeting_minute_16_04_2019.pdf

²⁸³ <https://www.e-gov.am/gov-decrees/item/32181/>

²⁸⁴ <https://www.arlis.am/DocumentView.aspx?docid=130250>

²⁸⁵ https://www.eiti.am/file_manager/EITI%20Documents/Minutes/MSG_meeting_minute_16_04_2019.pdf

²⁸⁶ https://www.eiti.am/file_manager/EITI%20Documents/Minutes/MSG_meeting_minute_16_04_2019.pdf

Table 6.1 Application of Materiality

N	Company name	Total revenue streams to State Budget in 2018, thousand AMD - based on information from companies	Total revenue streams to State Budget for 2018, thousand AMD - based on information from state agencies	Share of the company in total revenue streams, % ²⁸⁷	Exceeding materiality threshold
1	"Zangezur Copper-Molybdenum Combine" CJSC	42,499,111	42,499,101	54.29%	Exceeds
2	"Geopromining Gold" LLC	15,585,782	15,566,559	19.88%	Exceeds
3	"Chaarat Kapan" CJSC ²⁸⁸	6,499,008	6,502,918	8.31%	Exceeds
4	"Agarak Copper Molybdenum Combine" CJSC	3,170,582	5,317,934	6.79%	Exceeds
5	"Lydian Armenia" CJSC	4,434,164	4,820,575	6.16%	Exceeds
6	"Teghout" CJSC	2,028,645	1,685,205	2.15%	Exceeds
7	"Akhtala Mining and Processing Enterprise" CJSC	921,149	913,004	1.17%	Exceeds
8	"Meghradzor Gold" LLC	327,204	327,204	0.41%	Exceeds
9	"Ler-Ex" LLC	185,809	185,807	0.24%	Exceeds
	Total revenue streams from companies exceeding the material threshold	75,651,454	77,818,307	99.40%	
10	"Lichkvaz" CJSC	234,724	95,402	0.12%	
11	"Sagamar" CJSC	63,088	68,479	0.09%	
12	"Multi Group Concern" LLC	61,545	61,050	0.08%	
13	"Mego-Gold" LLC	18,088	28,088	0.04%	
14	"Marjan Mining Company" LLC	17,477	27,477	0.04%	
15	"Tatstone" LLC	50,037	36,864	0.05%	
16	"Geghi Gold" LLC	(146,160)	25,027	0.03%	
17	"Molibdeni Ashkharh" LLC	19,748	19,748	0.03%	
18	"Paramount Gold Mining" CJSC	61,086	19,094	0.02%	
19	"AT-Metals" LLC	16,102	16,152	0.02%	
20	"Assat" LLC	10,000	14,395	0.02%	
21	"Vayk Gold" LLC	10,362	10,522	0.01%	
22	"Baktek Eco" LLC	10,287	10,287	0.01%	
23	"Aktiv Lernagorts" LLC	10,659	10,659	0.01%	

²⁸⁷ Calculated based on data from the RA State Revenue Committee and RA Ministry of Environment

²⁸⁸ Formerly "Kapan Mining and Processing Company" CJSC

N	Company name	Total revenue streams to State Budget in 2018, thousand AMD - based on information from companies	Total revenue streams to State Budget for 2018, thousand AMD - based on information from state agencies	Share of the company in total revenue streams, % ²⁸⁷	Exceeding materiality threshold
24	"Vardani Zartonk" LLC	10,171	10,171	0.01%	
25	"Gharagulyanner" CJSC	10,263	10,263	0.01%	
26	"Fortune Resources" LLC	4,476	4,476	0.01%	
	Total revenue streams from companies not exceeding the material threshold	461,953	468,154	0.60%	
	Total revenue streams from all companies	76,113,407	78,286,461	100.00%	

Based on the application of the materiality, it is clear that only 9 of the 26 reporting companies have paid taxes and payments in excess of 150 million AMD during the reporting year. Based on data received from the RA SRC and the RA Ministry of Environment, the total payments made by the companies during 2018 amounted to 78,286,461 thousand AMD, of which the share of taxes and payments of the mentioned 9 companies equalled 99.40% (or 77,818,307 thousand AMD).

According to the data provided by the State bodies, revenue streams from these 9 companies to the RA State and community budgets comprised 79,247,710 thousand AMD in 2018, from which 78,282,194 thousand AMD exceeding the materiality threshold. The share of revenues received from the reconciled companies in the total revenue from all the reporting mining companies (80,148,325 AMD thousand) for all types of payments in 2018 amounted to 99.19%.

Thus, based on the results of assessment of materiality of revenues in accordance with the requirements of the EITI Standard, the scope of reconciliation within the EITI Report for 2018 includes revenues from 9 material companies by 7 types of material payments (in the amount of AMD 78,282,194 thousand AMD), which comprised is 97.65% of total revenue streams from all reporting companies of the mining industry (See Table 6.3).

6.1.2 Determination of revenue streams under reconciliation within the EITI Report

According to point 4.1 of 2019 EITI standard Requirement 4 “Comprehensive Disclosure of Taxes and Revenues,” MSG is required to define which payments and revenues are considered to be material, and which are appropriate materiality definitions and thresholds. The same point explains that the payments and revenues are considered material if their omission or misstatement could significantly affect the comprehensiveness of the EITI Report. In order to meet the above mentioned requirement, before the start of the reporting process, EITI MSG has clarified the threshold of materiality to allow each revenue stream to be described with relevant definitions and thresholds. According to the decision of the MSG, the revenue streams from extractive industries, the share of which in the total revenue streams from extractive industries is 1% or above, are considered to be material and should be reconciled in the EITI report (protocol N12 of MSG meeting,²⁸⁹ 16.04.2019). The decision was based on the Scoping Study realized for RA EITI MSG by AUA Center for Responsible Mining. According to the latter, the threshold was suggested by BDO auditing company, based on business experience, as there is no accounting standard or criteria for it.

The list of material revenue streams addressed during the reconciliation process was developed based on the information on the revenues paid to the RA State and community budgets provided by the State bodies (the RA State Revenue Committee, RA MTAI, RA Ministry of Environment) (Table 6.2). Table 6.2 presents information on revenue streams provided by the mining companies, according to the list of reporting companies determined by the EITI MSG.

²⁸⁹ https://www.eiti.am/file_manager/EITI%20Documents/Minutes/MSG_meeting_minute_16_04_2019.pdf

Table 6.2 Revenue streams of the State and community budgets from reporting mining companies for 2018 (based on information received from State agencies)

Budget classification code	Title in the budget classification	Revenue streams in 2018, thousand AMD	Share in total revenue streams (%)	State Agency
1146 714612	Royalty	34,545,800	43.10%	SRC
1111 711100	Income tax	17,847,545	22.27%	SRC
1112 711200	Profit tax	15,880,462	19.81%	SRC
1141 714110	Value Added tax ²⁹⁰	6,113,921	7.63%	SRC
1112 711200	Profit tax declared, reserved and paid to the State budget from profits paid to non-resident tax agents paying profit taxes	2,054,461	2.56%	SRC
1151 715100	Customs tariffs and fees	1,225,600	1.54%	SRC
1415 741520	Property least taxes (including penalties and fines) paid during the reporting year	939,395	1.17%	MTAI
Total payments exceeding the materiality threshold		78,607,184	98.08%	
not applicable	Social and economic development contributions by the mining company defined by the mining contract	536,496	0.67%	MTAI
not applicable	Replenishment of environmental protection fund	286,453	0.36%	ME
1145 714522	State fee for utilization (exploitation) permit for each precious, non-ferrous, ferrous or rare metal mine	260,050	0.32%	SRC
1141 714110	Excise tax	186,941	0.23%	SRC
1146 714612	Nature use payments	65,723	0.08%	SRC
1131 713121, 1136 713611	Property tax	60,123	0.08%	MTAI
1145 714523	Environmental taxes, aggregation of environmental taxes and payments	50,486	0.06%	SRC
1145 714523	Environmental charges (taxes) collected for goods imported from non-member countries of the EAEU, according to the declared	24,721	0.03%	SRC
1131 713122	Land tax	23,157	0.03%	MTAI
not applicable	Monitoring Implementation Fee	22,577	0.03%	ME
not applicable	Land expropriation	16,240	0.02%	MTAI
1145 714523	Environmental charges (taxes) collected for goods imported from EAEU member countries according to the declared customs declarations	7,474	0.01%	SRC
not applicable	Penalties	700	0.00%	ME
not applicable	Environment impact assessment implementation fee	-	0.00%	ME
1145 714522	Water use permit payments	-	0.00%	SRC
not applicable	Fines	-	0.00%	ME
Total other types of streams (immaterial)		1,541,141	1.94%	
Total all types of streams		80,148,325	100.00%	

²⁹⁰According to RA Government decree N666N (amended on 11.06.2019, by N871N decree of RA Government), Value added tax is the VAT amount to be paid to the RA State budget (positive amount) or amount to be reimbursed from the RA State budget (negative amount): from the point of view of applying the materiality threshold, only VAT amounts to be reimbursed from the RA State budget are included. The amount on this line includes the sum of imports VAT and VAT.

Source: Reports provided by state agencies for the EITI report

With the exception of the stream “Replenishment of environment protection fund,” the revenue streams presented by the RA State Revenue Committee and the Ministry of Environment are directed to the state budget while the revenue streams presented by the RA Ministry of Territorial Administration and Infrastructures are directed to community budgets.

Taking into account the requirements of the EITI Standard, including Guidance note No. 13 (On defining materiality threshold, reporting threshold and reporting companies), protocol N12²⁹¹ of the RA EITI MSG meeting held on 16.04.2019 on the analysis of information on revenues by types of payments, a list of significant revenue streams (comprising 1% or above in the total revenue streams) was determined for the relevant companies to be included in the scope of the reconciliation within EITI report of the Republic of Armenia for 2018.

N	Name of income stream
1	Royalty
2	Profit tax
3	Income tax
4	Profit tax declared, reserved and paid to the State budget from profits paid to non-resident tax agents paying profit taxes*
5	Value added tax
6	Customs duties and fees
7	Lease payments

* The stream “Profit taxes declared, reserved and paid to the State budget from profits paid to non-resident tax agents paying profit taxes” exceeds the materiality threshold and but is not considered reconcilable in accordance with the MSG decision.

Thus, the total amount of revenues from the extractive companies by material types of payments in 2018 was 78,607,184 thousand AMD or 98.06% of the total payments received from mining companies.

Tables 6.3 Revenues from the reconciled companies to the RA State and community budgets in 2018, by material types of payments (based on information received from State agencies)

Budget classification code	Title in the budget classification	Revenue streams from reconciled companies for in 2018	
		Thousand AMD	%
1146 - 714612	Royalty	34,545,773	44.13%
1111 - 711100	Income tax	17,599,978	22.48%
1112 - 711200	Profit tax	15,880,303	20.29%

²⁹¹ https://www.eiti.am/file_manager/EITI%20Documents/Minutes/MSG_meeting_minute_16_04_2019.pdf

Budget classification code	Title in the budget classification	Revenue streams from reconciled companies for in 2018	
		Thousand AMD	%
	Profit tax declared, reserved and paid to the State budget from profits paid to non-resident tax agents paying profit taxes	2,053,365	2.62%
1141 - 714110	Value Added Tax	6,071,990	7.76%
1151 - 715100, 1422 - 742212, 1145 - 714511	Customs duties and fee	1,221,915	1.56%
1415 - 741520	Lease payments	908,870	1.16%
Total material payments		78,282,194	100.00%

Other non-tax payments

In the course of preparation of the RA EITI Report only one non-tax payment type – rent payments – were identified as exceeding the materiality threshold. Information about three subtypes of rent payments (property, vehicle and land) was gathered from reporting companies. According to the data obtained from RA MTAI, in 2018 the total rent payments to community budgets of 26 reporting companies amounted to 939,395 thousand AMD, of which 96.75% or 908,870 thousand AMD fell to the reconciled companies.

Data collection

The development of EITI official website is carried out by “Helix Consulting” LLP in cooperation with UN Development Program office in Armenia. “Helix Consulting” LLP has developed an online reporting platform available at <https://www.eiti.am/en/> for the purpose of gathering the information from companies and State agencies.

The point 7.1 “Public Debate” of EITI Standard 7 requires that the MSG ensure the comprehensiveness of EITI report, promote its publicity, information accessibility for the general public and contribute to public dialogue. The accessibility of EITI data and ensuring the implementation and improvement of the reconciliation are vital for implementation of this requirement. The key benefit of utilizing the online reporting system is an increased information accessibility for the general public which, in its turn, is expected to improve the transparency of EITI reporting.

In the context of EITI, that information is considered to be public, which can be freely used, reused and distributed by everyone retaining the copyright. In accordance with the principle of open information, ensuring the accessibility of EITI information can inform individuals, civil society, media, entrepreneurs and science-educational institutions about the metal mining industry and form a platform of informed debate.

According to open information policy of the RA EITI (December, 2017),²⁹² the following are the main principles of publishing information collected in the scope of EITI: completeness of information, source disclosure, actuality, accessibility, machine recognition, non-discriminative usage, sustainability of data, open license of usage, free usage and feedback. The National Secretariat of the RA EITI and RA EITI MSG are guided by these principles during the implementing of the RA EITI work programs, publishing of EITI national reports, ensuring the accessibility of information and data under EITI, while also promoting responsible government agencies and other interested parties to pursue the principle of public information when publishing appropriate information.

Use of the online platform is expected to reduce the time required for collecting information and the probability of inaccurate information in reports. The system has introduced regulations for maximal reduction of technical errors, for example, the limitation of filling in digits or letters, availability of mandatory and non-mandatory fields, the logic of filling related fields, etc. Even so, a number of companies encountered various technical issues during the uploading of the reports (e.g. after indicating volumes of products and confirming entry, only product types would be saved, after confirming report entry, the generated .pdf version would not show the amount of some payments etc.), which were addressed on the go and significantly slowed down the published of data on the platform.

The process of published reports on the platform

The responsible persons of State agencies and companies authorized to sign the reports register in the online platform by selecting the name of their company or government agency from the menu and filling remaining mandatory fields for registration. After clicking the command “Register” a confirmation mail is automatically sent to the e-mail provided during registration which instructs to confirm the accuracy of the e-mail and activate the account. The registration e-mail is also sent to the system administrator, which checks the accuracy of the information, confirms the registration and grants login access. After being granted a login access the State agencies and companies can complete electronic reports. The formats of electronic reports were developed based on templates and instructions approved by the RA Government Decree No. 666-N (amended on 11 July 2019 by RA government decree N871N).²⁹³

The next phase of the procedure of gathering the information from extractive companies and government entities includes completion of electronic reports by the responsible persons of the companies and government agencies; approving and validating the correctness of the inputted data via application of e-signature. The submitted reports are then collected on the CMS portal becoming available for the Independent Administrator. The reports cannot be edited after being e-signed by the responsible person of government entities and companies. At the data collection phase, the Independent Administrator prepares reconciliation data from the database in Microsoft Excel and PDF formats. After approving reports uploaded by the Independent Administration, these are immediately published on the website of RA EITI secretary²⁹⁴ and are made publicly accessible.

²⁹² https://www.eiti.am/file_manager/EITI%20Documents/Minutes/EITI_Open_Data_Policy_Armenia_arm.pdf

²⁹³ <https://www.e-gov.am/gov-decrees/item/32181/>

²⁹⁴ <https://reports.eiti.am/hy/>

The Independent Administrator performs initial review of the submitted reports and, within the deadlines, provides the list of companies, which have provided reports, to the MTAI²⁹⁵ which monitors implementation of reporting and deadline adherence requirements. Based on the information obtained from the Independent Administrator, the Ministry of Territorial Administration and Infrastructures initiates proceedings towards reporting companies, which failed to submit reports within the set deadlines.

The current standards do not require the Independent Administrator to perform detailed check of the initial documents in order to identify omissions. The Independent Administrator considers the information provided by the reporting entities and State agencies to be comprehensive and reliable, since it is confirmed by the electronic signatures of the heads or chief accounts of the companies and State agencies, or by persons authorized by the latter.

The individuals stated above also bear relevant responsibility for submission of tax reports to the State Revenue Committee using the online report submission system for implementation of tax monitoring processes, which also provides for the accuracy of information provided to the Independent Administrator and the compliance with legal bases.

Information on the availability of financial statements and audit opinion by extractive companies is provided in Annex 1.

Independent administrator compares the State's and companies' data collected based on the above-mentioned reporting templates. Initial discrepancies are identified after the comparison of the data.

As agreed with the MSG within Inception report, the Independent Administrator applied the following thresholds to identify the data subject to reconciliation:

all companies that have a permit for metal mineral extraction shall be included in the EITI Report, and companies paying taxes and equivalent to or exceeding 150 million AMD during the reporting fiscal year to the RA State Budget are considered reconcilable companies;

the revenue streams from the extractive sector whose share in the total revenue streams from extractive sector is 1 % or more are material and should be reconciled in the EITI Report.

The Independent Administrator has developed reconciliation variance template containing data reported initially by both company and State bodies to be reconciled and requires from the companies and State agencies to confirm whether numbers stated in the additional circularization template comply with numbers initially reported by each entity. In order to identify any information gaps or discrepancies, as required under the EITI Standard, the Independent Administration directly contacts the responsible persons from reconciled companies and State bodies with the request to provide further information on declarations and calculations reported on revenue streams in order to determine the reason for discrepancy.

²⁹⁵ Previously this link would be provided to the Ministry of Energy Infrastructures and Natrual Resources (MEINR)

In case of identifying discrepancies in the bilaterally disclosed financial flows, the consultant shall address and provide explanations for those cases when the identified discrepancies make up 4% or more of the financial data, but are not less than 1 million AMD. The basis for the calculation is considered the smallest data presented by either of the parties.

Once the Independent Administrator identifies the discrepancies matching with the standards mentioned above, it rejects the reports on the CMS platform and returns them to reporting companies and State agencies. As a result of returning the reports, the relevant company or State agency receives an opportunity for editing the report and making necessary adjustment in the electronic platform. Where applicable, initial differences exceeding variance threshold were adjusted in accordance with the additional explanations provided by the entities.

Explanations of discrepancies arising from the reconciliation of data reported by the companies and State bodies were categorized and presented in Annex 4.

There are certain limitations during the preparation of the Report. The effectiveness of the procedure was affected by the technical issues of the electronic platform. In spite of that, the mentioned limitations did not impact the comprehensiveness of reports and data due to activities implemented for decreasing the impact of these factors in cooperation with the Secretary.

6.2 Completeness of the reconciliation process

All 26 reporting extractive companies participating in Extractive Industries Transparency Initiative submitted reports for 2018 by the submission deadline.

All the companies subject to reconciliation provided information about their tax and other payments to the State and community budgets. Based on the obtained information, the payments to the State made by the companies amounted to 78,282,194 thousand AMD in 2018 and were fully reconciled. The initial reconciliation identified material discrepancies for 6 out of 9 companies between the data provided by the reconciled companies and the State agencies. With regard to these cases, a second inquiry was made for further clarification and adjustment of information.

6.3 Results of reconciliation

According to the data of initial reports of the State agencies, the total revenues of the RA State and community budgets received from 9 reconciled companies amounted to 76,125,949 thousand AMD while according to the companies, the payments amounted to 73,479,267 thousand AMD. The net discrepancies amounted to 3.60% (or 2,646,682 thousand AMD). The gross discrepancies amounted to 4.17% (or 3,061,895 thousand AMD).

After the reconciliation process according to the data provided by the State bodies, the total revenues of the RA State and community budgets received from reconciled 9 companies amounted to 76,228,830 thousand AMD while according to the companies these amounts equalled to 73,698,136 thousand AMD.

Based on findings of reconciliation and further adjustments of data, the net discrepancies amounted to 3.43% (or 2,530,694 thousand AMD) and gross discrepancies amounted to 3.49% (2,570,965 thousand AMD). If we separate out the amounts, which were appealed by court, the net discrepancies will amount to 0.05% (or 37,061 thousand AMD) and gross discrepancy 0.10% (or 77,332 thousand AMD). Details of all discrepancies and reasons for adjustments for each mining company are provided in Appendix 6.

The most common discrepancies and reasons for their adjustments are as follows:

Companies and the RA State Revenue Committee applied different approaches for calculation of value added tax, specifically, the factually paid amounts were presented instead of the declared ones.

Some companies had not included amounts set out in the tax inspection acts in the reports because the latter were appealed in court and there were lower court decisions favoring the companies.

While calculating the amount of custom duties and fees, some payments were accidentally left out or incorrect payments were presented due to mechanical mistakes.

There were cases when rent payments of some communities were presented in the contractual amount and not the amount paid during the reporting year by the RA MTAI and/or companies or payments not related to rent were accidentally included.

Several cases of discrepancies exceeding the materiality threshold between the data provided by the companies and RA SRC in their final reports were identified as a result of reconciliation. All such cases together with their explanations are also provided in Annex 4.

Table 6.4.1 Results of reconciliation of material revenues of the State and community budgets by types in 2018

Type of payment	Initial data, thousand AMD			Final data, thousand AMD		
	Reported by State agency	Reported by companies	Discrepancies	Reported by State agency	Reported by companies	Discrepancies
Royalty	34,545,773	32,542,668	2,003,105	34,545,773	32,542,668	2,003,105
Income tax	17,599,978	17,223,346	376,632	17,599,978	17,208,175	391,803
Profit tax	15,880,303	15,781,579	98,724	15,880,303	15,781,579	98,724
Value added tax	6,071,990	5,814,184	257,806	6,071,990	6,086,195	(14,205)
Customs duties and fee	1,119,009	1,240,317	(121,308)	1,221,915	1,221,015	900
Rent payments	908,896	877,173	31,723	908,871	858,504	50,367
Total	76,125,949	73,479,267	2,646,682	76,228,830	73,698,136	2,530,694

Source: According to reports provided in the scope of EITI

Royalty

According to the initial data of the RA SRC, the amount of royalty payments made by reconciled companies comprised 34,545,773 thousand AMD in 2018, while according to the reconciled companies this amount equalled 32,542,668 thousand AMD. Total discrepancy between the initial data provided by the RA SRC and the companies was 2,003,105 AMD thousand and was unchanged after reconciliation. The difference is ascribed entirely to one company and is represented by a tax inspection act. The mentioned act, which concerns royalty payments, have been appealed by the company in court and were nullified by the first instance court and court of appeals. The parties are currently awaiting the decision of the court of cassation.

Royalty, 2018			
			thousand AMD
	Initial data	Adjustments	Final data after reconciliation
Reported by the RA SRC	34,545,773	-	34,545,773
Reported by companies	32,542,668	-	32,542,668
Discrepancy	2,003,105	-	2,003,105

Income tax

According to the initial data of the RA SRC, the amount of income tax received from reconciled mining companies comprised 17,599,978 thousand AMD in 2018, and according to the data provided by mining companies it comprised 17,223,346 thousand AMD. Total discrepancy between the initial data provided by the RA SRC and the companies was 376,632 thousand AMD and equalled to 391,803 thousand AMD after reconciliation. The majority of the discrepancy is ascribed to two companies and is due to tax inspection fines. The mentioned tax inspection fines, which were in connection to income tax, were appealed by the companies in court and were nullified by the first instance court and court of appeals. The parties are currently awaiting the decision of the court of cassation.

Income tax, 2018			
			thousand AMD
	Initial data	Adjustments	Final data after reconciliation
Reported by the RA SRC	17,599,978	-	17,599,978
Reported by companies	17,223,346	(15,171)	17,208,175
Discrepancy	376,632	15,171	391,803

Profit tax

According to the initial data of the RA SRC, the amount of profit tax received from reconciled mining companies comprised 15,880,303 thousand AMD in 2018, and according to the data provided by mining companies it comprised 15,781,579 thousand AMD. Total discrepancy between the initial data provided by the RA SRC and the companies was 98,724 thousand AMD and was unchanged after reconciliation. The entirety of the discrepancy is ascribed to one company and is due to tax inspection fines. The mentioned tax inspection fine, which was in connection to profit tax, were appealed by the companies in

court and were nullified by the first instance court and court of appeals. The parties are currently awaiting the decision of the court of cassation.

Profit tax, 2018			
			thousand AMD
	Initial data	Adjustments	Final data after reconciliation
Reported by the RA SRC	15,880,303	-	15,880,303
Reported by companies	15,781,579	-	15,781,579
Discrepancy	98,724	-	98,724

Value added tax

According to the initial data of the RA SRC, the amount of value added tax received from reconciled mining companies comprised 6,071,990 thousand AMD in 2018, and according to the data provided by mining companies it comprised 5,814,184 thousand AMD. Total discrepancy between the initial data provided by the RA SRC and the companies was 257,806 thousand AMD and (14,205) thousand AMD after reconciliation. The difference both before and after reconciliation is entirely ascribed to import value added tax.

Value added tax, 2018			
			thousand AMD
	Initial data	Adjustments	Final data after reconciliation
Reported by the RA SRC	6,071,990	-	6,071,990
Reported by companies	5,814,184	272,011	6,086,195
Discrepancy	257,806	(272,011)	(14,205)

Customs duties and fees

According to the initial data of the RA SRC, the amount of customs duties and fees received from reconciled mining companies comprised 1,119,009 thousand AMD in 2018, and according to the data provided by mining companies it comprised 1,240,317 thousand AMD. Total discrepancy between the initial data provided by the RA SRC and the companies was (121,308) thousand AMD and 900 thousand AMD after reconciliation.

Customs duties and fees, 2018			
			thousand AMD
	Initial data	Adjustments	Final data after reconciliation
Reported by the RA SRC	1,119,009	102,906	1,221,915
Reported by companies	1,240,317	(19,302)	1,221,015
Discrepancy	(121,308)	122,208	900

Rent payments

According to the initial data of the RA MTAI, the amount of rent payments received from reconciled mining companies comprised 908,896 thousand AMD in 2018, and according to the data provided by mining companies it comprised 877,173 thousand AMD. Total discrepancy between the initial data provided by the RA MTAI and the companies was 31,723 thousand AMD and 50,367 thousand AMD after reconciliation.

Rent payments, 2018			
			thousand AMD
	Initial data	Adjustments	Final data after reconciliation
Reported by the RA MTAI	908,896	(25)	908,871
Reported by companies	877,173	(18,669)	858,504
Discrepancy	31,723	18,644	50,367

7 RECOMMENDATIONS FOR IMPROVING THE EITI REPORTING PROCESS

7. RECOMMENDATIONS FOR IMPROVING THE EITI REPORTING PROCESS

Armenia's second EITI report (2018) was drafted based on the new (2019) EITI standard, as countries publishing EITI reports after January 1st will undergo validation according to the new standard.

The compliance of this report to the new requirements in 2019 EITI Standard is described below:

- ▶ The 4.1 requirement of the Standard encourages EITI implementing countries to publish the reports on respective websites alongside with publishing hard copies of reports by state agencies and mining companies. As per RA MSG decision in 2019 April 16th session²⁹⁶ that defined the terms of reference of EITI report, the public reports will be presented in online EITI reporting system. Hence this requirement is not applicable.
- ▶ The second amendment in the Standard refers to the requirement 4.7 disclosure of financial streams and information on project level. The purpose of the new requirement is to disaggregate the information by financial streams. For example, it is impossible to disaggregate the profit tax paid by metal mining companies on project level. This requirement applies to those financial streams, that can be presented on project level. The new requirement is reflected in the section 7.4 of this report.
- ▶ The third amendment refers to the requirement 2.4, the transparency of mining contracts. After January 1st, 2021 all metal mining contracts and amendments are subject to public disclosure. For this requirement Armenia is encouraged to present the existing contracts, and the fulfillment of contractual obligations. Section 2.3 of this report presents the information based on requirement.
- ▶ The amendment of the requirement 6.3 suggests that the women and marginal groups have little influence on the governance in the mining sector. Therefore, ensuring the disclosure of their involvement in the sector is necessary. In RA MSG meeting held on April 16, 2019²⁹⁷ it was decided Armenia's second EITI report will reflect not only on the proportions of male female employment in the sector, but also will analyse the data by managerial functions of female employees. The data is presented in the section 5.2.
- ▶ Fifth amendment is about environmental reports in the requirement 6.1. Which implies that mandatory environmental payments defined as material by MSG should be disclosed. The voluntary environmental payments are also subject to disclosure by MSG decisions. 4.3 and 5.4 sections of this report present the required information.

Based on the disclosure of Armenia's EITI National Report, the Scoping Study conducted in 2017 and other analyses and discussions, the MSG decided that the requirements of the EITI Standard and the financial flows non-applicable within the scope of the RA EITI Report shall be as follows:

1. There are no state-owned enterprises or companies in which the state owns shares, operating in the metal mining industry in Armenia, therefore, the requirements of the EITI Standard (2.6.a) applicable to

²⁹⁶ https://www.eiti.am/file_manager/EITI%20Documents/Minutes/MSG_meeting_minute_16_04_2019_EN.pdf

²⁹⁷ Ibid

the rules and practices relating to the financial relations between the state and the government agencies (GA) are not applicable in Armenia. These are: financial transfers among GAs, non-distributed profits, reinvestment and third-party financing, dividends, as well as changes in ownership levels in subsidiaries and joint ventures and, during the reporting period, in companies, the payments of the GAs to the government and material revenues collected by GAs on behalf of the government.

2. In-kind revenues from the sector;
3. Quasi-fiscal expenditures, provisions on infrastructure and arrangements for barter (4.3);
4. Material transportation revenues (4.4); and
5. Artisanal and small-scale mining.

Further analysis reaffirmed the arguments presented in RA EITI 2016-2017 report that the foregoing financial streams are not applicable.²⁹⁸

7.1 Recommendation for improving the reporting templates in the following years

The reporting templates for Armenia's second EITI report were changed based on changes of RA tax legislations, the recommendations of the Independent Administrator in the first EITI reports and MSG's decision concerning the Second EITI reports. These amendments were approved by RA Government decree N871N in 11.07.2019.²⁹⁹

In the RA EITI 2018 Inception Report, the consultant evaluated the implementation of recommendations in the 2016-2017 EITI report and presented new recommendation for refining the reporting templates of the following years.

Below are presented the evaluation of the implementation of recommendations in the previous EITI report and new recommendations for refining the reporting templates of the following years:

²⁹⁸ See RA EITI report 2016-2017 pages 252-253 <https://www.eiti.am/en/annual-reports/2018/>

²⁹⁹ <https://www.e-gov.am/gov-decrees/item/32181/>

Public Report Template for Mining Companies

N	Field	Recommendation presented in the first EITI report	The status of the recommendation in the template intended for 2018	Recommendation
1.	Link to the Audit Report and Opinion	According to Article 13 of the RA Law “On Auditing,” an audit report shall be prepared in cases provided for in the contract or upon the initiative of the audit entity. Simultaneously, according to Article 16 of the law, the audit report is a document containing a commercial secret. It is therefore suggested to reformulate the mentioned point to sound as follows: link to the financial reports and audit opinion.	The recommendation has been taken into account. For more details, please see point 2.	not applicable
2.	Link to the Audit Report and Opinion	We recommend to change the question as follows: “Link to the of the audit report and opinion, electronic version of the documents or, in case the reports are published in printed media – the electronic version of the latter”.	The recommendation has been taken into account. According to RA Government decree N871N (point 1, sub-point 5) of July 11, 2019, the question was changed in the following manner: “Link to the of the audit report and opinion, in case the reports are published in printed media – the electronic version of the latter”: Despite the fact that our recommendation was taken into account and the adoption of a respective changed by a RA Government decree, the question was somewhat changed in the reporting template: “Link to financial reports and audit opinion.”	We suggest to change the formulation of the question in the reporting template in accordance with the RA government decree.
3.	Rent payments	Replace the formulation of “Paid during the reporting year” Rent Payment field with “Paid during the reporting year (excluding penalties and fines)” field as indicated in the template of public report to be submitted by the head of the community to the Ministry of Territorial Administration and Development.	The recommendation has been taken into account. The phrasing was changed to, “Paid during reporting year (including penalties and fines).”	Not applicable
4.	Social-economic contribution	Add “Payment date (for each payment) ” and “Number and date of payment supporting	The recommendation has not been taken into account.	In order to ensure the reconciliation of data from companies and state

N	Field	Recommendation presented in the first EITI report	The status of the recommendation in the template intended for 2018	Recommendation
		document” fields in the “Social-economic contribution” section as indicated in the template of public report to be submitted by the head of the community to the Ministry of Territorial Administration and Development.		agencies, we recommend to implement this change for the reporting template of following years.
5.	-	In case of absence of data from other sources, we recommend adding questions regarding the beneficial owners of the company to the questionnaire.	The recommendation has not been taken into account.	not applicable
6.	Value Added Tax and Excise tax	In order to simplify the data collection process to separate and include different fields for tax related data calculated by tax authorities and the State Revenue Committee.	The recommendation has been taken into account. According to RA Government decree N871-N dated July 11, 2019, the column taxes and payments presents value added tax and import value added tax as well as excise tax and import excise tax separately.	not applicable
7.	Paid during the reporting year (without penalties and fines)	Taken the fact that starting from 2018 a unified tax system is applied, we recommend removing the columns relating to actual payments from report template and RA Government Decree No. 666-N dated June 8, 2018 and add a line “Payment submitted to the unified system of treasury account according to the payment schedule”.	The recommendation has been taken into account. According to RA Government decree N871-N dated July 11, 2019, the following expression was added: “Settled (paid) during the reporting year from the joint account and other treasury accounts as well as paid in the customs agency (including penalties and fines).”	not applicable
8.	-	In the Guidance, we recommend clarifying the procedure for submitting information on “Tax calculation (declaration) for the reporting year,” so that the amount reflects the sum of tax liabilities from tax calculations (in case of setting-off of VAT the amount should be null), the tax liabilities reflected in the customs declarations and the tax liabilities reflected in the tax returns. It’s worth mentioning, that only the deferred VAT payable	The recommendation has been taken into account with partial modification. All the clarification we recommended were applied to the Guidance with the exception of one difference, name that in the line “Value Added tax,” instead of indicating zero for the repayment amount, the actual amount is indicated (negative amount). During the application of materiality threshold to the	We suggested to include two lines for presenting the Value Added tax amount in the following years. 1. VAT amount to be paid. 2. VAT amount to be repaid.

N	Field	Recommendation presented in the first EITI report	The status of the recommendation in the template intended for 2018	Recommendation
		during the current year should be included in the tax calculation of the reporting period.	income streams, only VAT amounts to-be-paid were taken into account as a VAT obligation.	
9.	Replenishment of environmental protection fund	In order to match this field with the principles of filling information regarding payments made in the reporting year in other tables of the public report, we suggest changing the wording in Armenian in the field to the precise equivalent of “Actual payments to the fund for the reporting year.”	The recommendation has not been taken into account	We suggest to implement these changes in the templates of the following years.
10.	Profit Tax	We recommend separating the fields for entering the profit tax paid for non-residents.	The recommendation has been taken into account The following formulation was added in the template for reporting the amounts in connection to non-resident profit tax: “ “Profit tax declared, reserved and paid to the State budget from profits paid to non-resident tax agents paying profit taxes.”	not applicable
11.	-	We recommend including in the report for the following year a question on the quality (on average)/class of the exported or sold concentrate/casting.	The recommendation has not been taken into account	We suggest to implement these changes in the templates of the following years.
13.	-	In the reporting templates add a question on the distribution of employees by regions of RA.	The recommendation has been taken into account.	not applicable

New recommendations for the refinement of the report templates presented by metal mining companies for the following years are presented in the table below:

N	Field	Comment
1.	-	<p>According to sub-points 5b) and 5d) of point 2 of the Guidance for filling the public reports by metal mining companies as defined by RA Government decree N666-N (amended July 11, 2019, decree N871-N), the nature use payment and environmental taxes are filled without penalties and fines. Meanwhile, the Guide for filling the public reports presented by the State Revenue Service (3rd point, sub-points 3 and 5), the nature use payment and environmental taxes include penalties and fines.</p> <p>In order to ensure the reconcilability of the data presented by the companies and the state agencies, we suggest to implement relevant changes in the Guide – defined by RA Government decree N666-N (amended July 11, 2019, decree N871-N) – for filling the reports presented by metal mining companies.</p>
2.	Environmental Impact Assessment implementation fee	In the table for the Environmental Impact Assessment implementation fee, we suggest changing the phrase “Amount paid” to “Paid during the reporting year.”
3.	Socio-economic contribution	For comprehensive analysis of mandatory socio-economic contributions by mining contract we suggest adding the option of “Socio-economic contribution to third parties.”
4.	Production (by products)	We suggest creating a drop-down list in the respective column, so the companies can choose from the product list rather than writing on their own. This will allow to group and present the data more accurately.

Template for the Public Report of the State Revenue Committee

N	Field	Recommendation presented in the first EITI report	The status of the recommendation in the template intended for 2018	Recommendation
1.	“Taxes and Payments” table	<p>We recommend discussing and reviewing the reporting template and specify the frequency of submission of data on each type of tax as well as the number of fields for data completion. Below are some of the considerations:</p> <ol style="list-style-type: none"> 1. Profit Tax - 1 row 2. Value Added Tax - 12 rows 3. Excise tax - 12 rows 4. Royalty - 1 row 	<p>The recommendation has been taken into account partially. Based on our recommendation, a relevant quantity of fields for the frequency of data submission were added with the exception of royalty. Even so, there were no amendments in the RA government decree in connection with data submission frequency.</p>	<p>We suggest implementing this change with a relevant RA government decree. In order to ensure the reconciliation of data from companies and state agencies, we recommend to also implement similar changes in the reporting templates submitted by the metal mining companies in the following years.</p>
2.	Profit Tax	<p>Add a sub-field “Profit tax paid for non-residents”.</p>	<p>The recommendation has been taken into account. For disclosing the non-resident’s profit tax, the following phrase was added in the reporting template: “Profit tax declared, reserved and paid to the State budget from profits paid to non-resident tax agents paying profit taxes.”</p>	<p>not applicable</p>
3.	<p>Taxes calculated (declared) for the reporting year</p> <p>Paid in the reporting year (without penalties and fines)</p> <p>Set-offs in the reporting year</p>	<p>Since there can be time period difference between payment and accrual and/or set-off, it must be specified to which periods do the taxes pertain. Thus we recommend adding the phrase “opened as per the reporting period” in these fields.</p>		
4.	Value Added Tax and Excise tax	<p>In these rows, add fields to fill in the amounts calculated by the customs authorities separately.</p>	<p>The recommendation has been taken into account. According to RA Government decree N871-N dated July 11, the fields “Import value added tax” and “Import excise tax” were added to reporting template. The recommendation has been fully taken into account.</p>	<p>not applicable</p>

5.	-	<p>In the Guidance we recommend clarifying the procedure for submitting information on “Tax calculation (declaration) for the reporting year”, so that the amount reflects the sum of tax liabilities from tax calculations (in case of setting-off of VAT the amount should be null), the tax liabilities reflected in the customs declarations and the tax liabilities reflected in the tax returns. It’s worth mentioning, that only the deferred VAT payable during the current year should be included in the tax calculation of the reporting period.</p>	<p>The recommendation has been taken into account with partial modification. All the clarification we recommended were applied to the Guidance with the exception of one difference, name that in the line “Value Added tax,” instead of indicating zero for the repayment amount, the actual amount is indicated (negative amount). During the application of materiality threshold to the income streams, only VAT amounts to-be-paid were taken into account as a VAT obligation.</p>	<p>We suggested to include two lines for presenting the Value Added tax amount in the following years. 1. VAT amount to be paid. 2. VAT amount to be repaid.</p>
6.	Export by types of products	<p>In the Guidance we recommend clarifying the information provision process in order to fill in the export related data by each export country.</p>	<p>The recommendation has not been taken into account.</p>	<p>We suggest to implement these changes in the templates of the following years.</p>
7.	Fines and penalties	<p>We recommend adding a field which will allow to identify taxes and payments to which fines and penalties were applied to. In case of the absence of the information on the inspection act, examination or protocols, we recommend specifying the date of the infringement in a mandatory completion field.</p>	<p>The recommendation has not been taken into account. This recommendation is not anymore relevant given the implementation of updated reporting templates with a joint tax account (whereby different types of tax are presented together with penalties and fines).</p>	<p>not applicable</p>
8.	Customs duty, customs fee and road tax (payment) collected by customs service	<p>We suggest reviewing the effects of other payments on the revenue streams of customs bodies and considering involving these payments in the report. Thus, for example, it is suggested to include in the RA SRC fees the antidumping payments and environmental protection payments associated with the pollution of air with hazardous substances.</p>	<p>The recommendation has not been taken into account.</p>	<p>We suggest reviewing the effects of other payments on the revenue streams of customs bodies and considering involving these payments in the report if these become material.</p>

New

Recommendations for the refinement of the report templates presented by State Revenue Committee for the following years are presented in the table below:

N	Field	Comment
1.	Fees	In order to ensure the reconciliation of data from companies and state agencies, we suggest adding the following columns in the table about fees: “Calculated by inspection act (acts) (examination protocol),” “Date (dates) of inspection act (acts) (inspection protocol),” “Number (numbers) of inspection act (acts) (inspection protocol).”

Public Report Template for The Ministry of Environment

N	Field	Recommendation presented in the first EITI report	The status of the recommendation in the template intended for 2018	Recommendation
1.	Replenishment of environmental protection fund	We recommend unifying the reporting templates of the Ministry of Environment and the companies. We recommend removing the following fields: “Calculated total amount to be paid to the fund as of December 31 of the year preceding the reporting year” and “Total amount paid to the fund as of December 31 of the year preceding the reporting year” from the report template for the Ministry of Environment.	The recommendation has been taken into account. The relevant fields were removed from the reporting template of the Ministry of Environment.	not applicable
2.	Allocations from Environmental Protection Fund to the Company	We recommend removing the question related to the dates of the payments.	The recommendation has not been taken into account.	We suggest to implement these changes in the reporting templates of following years or to add a column about payment dates in the reporting templates submitted by the companies.
3.	Monitoring Implementation Fee	We recommend unifying the reporting templates of the Ministry of Environment and the companies. We recommend removing the field “Total amount of payment made as of December 31 of the year preceding the reporting year” from the report template for the Ministry of Environment.	The recommendation has been taken into account. The relevant fields were removed from the reporting template of the Ministry of Environment.	not applicable
4.	-	We recommend including Inspectorate for Nature Protection and Mineral Resources in the list of	The recommendation has been taken into account.	not applicable

N	Field	Recommendation presented in the first EITI report	The status of the recommendation in the template intended for 2018	Recommendation
		reporting entities for the following year in order to obtain information on penalties and fines.	Though the Inspectorate for Nature Protection and Mineral Resources is not included in the list of reporting state agencies, the N9 protocol of EITI MSG Meeting of 16.04.2019 clarifies that by the deputy prime minister's order, the Inspectorate for Nature Protection and Mineral Resources will submit data about environmental penalties and fines to the Ministry of Environment through a pre-approved template.	
5.	Replenishment of environmental protection fund	In order to match this field with the principles of filling information regarding payments made in the reporting year in other tables of the public report, we suggest changing the wording in Armenian in the field to the precise equivalent of "Actual payments to the fund for the reporting year."	The recommendation has been taken into account. We suggest to change the phrase "Actual amount of money paid for the replenishment of environmental protection fund during the reporting year" with "Actual payments for the replenishment of environmental protection fund during the reporting year" in order to match the principles of filling information regarding payments made in the reporting year in other tables of the public reports.	not applicable

7.2 Recommendations on resolving the issues related to the online data collection system

N	Field	Comment
1.	Adjustments discovered as a result of the reconciliation	After the report is reject by the Independent Administrator, we recommend adding a mandatory field, which will contain a brief description of reasons of adjustments in the tables of public reports as a result of reconciliation process.
2.	Guide for the users of the electronic platform	We recommend developing and publishing on the website a guideline on technical difficulties faced by the users, which will contain frequently asked questions regarding the registration on the website, restoration of personal data, filling in the report fields, saving the work and use of digital signature.
3.	Viewing the reports	We recommend providing the reporting entities with the opportunity to extract and save the Excel version of the public report before approving it by a digital signature.
4.	https://reports.eiti.am/hy/ website	In the website, when using the “Select company” search list, once the user scrolls down further then the initially visible list of companies and selects a company, the list automatically scrolls up forcing the user to scroll down again for selecting the next company. We recommend correcting this error.
5.	https://reports.eiti.am/hy/ website	We recommend displaying monetary sums with comma separation of digits as the presentation of numbers with commas renders the comprehension of the amount difficult.
6.	https://reports.eiti.am/hy/ website	We recommend adding filtering (from large to small and vice versa) in the table displayed.
7.	https://reports.eiti.am/hy/ website	For rent payments, we suggest to group data by communities and types of rent payments per each company.

7.3 Short overview and recommendations on improving the 2020-2021 EITI working plan

1. To make the process more logical and centralized. According to international best practice and the EITI Guidance, the working place must be based on country-specific priorities as well as relevant goals and coordinated activities. It would be useful to synchronize the EITI national priorities with the EITI working plan. In addition, it would be useful to group activities in accordance with EITI Standards.
2. Budget and sources of financing. It is advised to determine the estimate budgets and sources of financing for each activity. If the activity does not require a budget, it may be advisable to think about removing it from the working plan. Determining the source of financing increases the reliability and practicality of the working plan.
3. EITI 2019 Standard. It is advisable to include in the working place those activities, which pertain to the addition in the requirements of the EITI, specifically, to gender, environmental reporting etc.

7.3 Short overview and recommendations on improving the 2020-2021 EITI working plan

4. To make the process more logical and centralized. According to international best practice and the EITI Guidance, the working place must be based on country-specific priorities as well as relevant goals and coordinated activities. It would be useful to synchronize the EITI national priorities with the EITI working plan. In addition, it would be useful to group activities in accordance with EITI Standards.
5. Budget and sources of financing. It is advised to determine the estimate budgets and sources of financing for each activity. If the activity does not require a budget, it may be advisable to think about removing it from the working plan. Determining the source of financing increases the reliability and practicality of the working plan.
6. EITI 2019 Standard. It is advisable to include in the working place those activities, which pertain to the addition in the requirements of the EITI, specifically, to gender, environmental reporting etc.

7.4 Recommendation on implementation of project-level reporting in Armenia

Pursuant to EITI Standard 2019, certain amendments have been made to the requirement 4.7 (level of disaggregation), in particular, the revised version provides as follows:

“It is required that EITI data is disaggregated by each individual project, company, government entity and revenue stream. A project is defined as operational activities that are governed by a single contract, license, lease, concession or similar legal agreement, and form the basis for payment liabilities with a government. Nonetheless, if multiple such agreements are substantially interconnected, the multi-stakeholder group must clearly identify and document which instances are considered a single project. Substantially interconnected agreements are a set of operationally and geographically integrated

contracts, licenses, leases or concessions or related agreements with substantially similar terms that are signed with a government, giving rise to payment liabilities. Such agreements can be governed by a single contract, joint venture, production sharing agreement or other overarching legal agreement. Where a payment covered by the scope of EITI disclosures is levied at entity level rather than at project level, the company may disclose the payment at the entity level.” ”

During the meeting held on July 30, 2018 (protocol N10)³⁰⁰ MSG has made a decision that in the framework of the 2018 EITI Report activities held on the basis of mining right/permit will be considered as projects.

EITI guidance note 29 published in November 2019 (“Guidance 29 on project-level reporting”) clarifies that the MSG is advised to follow the following steps:

- Step 1** – Identifying legal agreements under the definition of “project”
- Step 2** – Identifying which revenue streams should be reported by project
- Step 3** – Identifying who should report what
- Step 4** – Agreeing a reporting framework and templates

As a preliminary note, we highlight that due to certain considerations, which were presented in details in the First Report, and which we reiterate here as well, there is no material necessity for implementing project level reporting in Armenia, thus we will limit our analysis only to the Steps 1 and 2.

1. Step 1 – Identifying legal agreements under the definition of “project”

- (i) What are the types of legal instruments governing the extractive activities in the Armenia?*

Under the Mining Code the right for subsoil use is granted through the following tools:

- ▶ Mineral extraction permit;
- ▶ Land use act;
- ▶ Mining/subsoil use contract.

The mineral extraction permit stipulates, inter alia, the date of permit issue, validity period, the amount of the granted mineral reserves by their classes, annual productivity of the mine, coordinates of the outline of the subsoil site, names of the minerals and accompanying elements. The mineral extraction project, mining contract and the land use act that have undergone relevant expertise, are attached to the mineral extraction permit and are considered inalienable parts of the latter.

The land use act testifies the granting of exclusive title (land use rights) over a specified site of land for implementation of mining activities.

The mineral extraction permit, mining contract, land use act and the project that has undergone all relevant expertizes are jointly considered the documents affirming the mining rights of a subject.

³⁰⁰ The protocol of the meeting is available at https://www.eiti.am/file_manager/EITI%20Documents/Minutes/MSG_meeting_minute_31_07_%202018.pdf

Guidance 29 clarifies: “In a production-sharing regime, a project is typically the contract that gives rise to payment liabilities. In a tax/royalty regime, a project is typically the license that gives rise to payments.”.

The current regime applied in the Republic of Armenia is a clear tax/royalty regime, however connection of the “project level” with the mineral extraction permit will be technically ineffective given that the base for royalty calculation is the turnover of sales of supplied concentrate, casting or mining wastes, ores, concentrate and any final product received as a result of processing the casting, and not the legal agreement or the specific permit as such.

(ii) Whether substantially interconnected legal agreements are an issue in the Armenia?

According to Guidance 29, substantially interconnected legal agreements are those which allow for multiple legal agreements to be grouped together to form one project in cases where all of the following criteria apply: the legal agreements are both operationally and geographically integrated and have substantially similar terms.

The only entity, however, that as of now has more than one mining contract is “Tatstone” LLC (registration number: 264.110.06348, TIN: 00079433), which however has held only the 752nd position on the list of top tax payers during the first quarter of 2018 and has even not included in the list of the first 1000 largest taxpayers for the first half of 2018.

Also, only one entity in the market – “Multi Group Concern” LLC (registration number: 42.110.01460, TIN: 03516447) which together with mining activities is also involved in other industries. However, at least royalty payments made by the latter are clearly discernible from any other budgetary obligations.

Based on the aforementioned, we conclude that substantially interconnected legal agreements are not an issue for the Republic of Armenia.

(iii) Documenting the relevant legal instruments

As it was mentioned in the First Report, and here as well, we reiterate that there is no material necessity for providing a definition of a “project” for Armenia.

This conclusion is based on the foregoing considerations:

- ▶ predominant majority of companies in the metal mining industry have one permit (mining contract) only and are not involved in other industries, thus government revenues from the majority of projects are publicly available and benefits generated from each project are obvious;
- ▶ Substantially interconnected legal agreements are not an issue for the Republic of Armenia;
- ▶ Although Armenia has a tax/royalty regime, the base for the calculation of royalty is the turnover of the supplied concentrate and not the legal agreement (or the specific permit).

Until further major changes in the mining sector, the reporting in Armenia is *ipso facto* project-level. This does not exclude, however, the possibility of one of the current major mining companies obtaining a second permit. Implementation of project-level reporting in that case will require major legislative changes, since technically it will be impossible to disaggregate government revenues from each project

under the local regulations. Such changes, *inter alia*, would need to address the royalty calculation base and link it with the mining contracts (as well as make amendments to the mining contract templates), introduce separate book-keeping requirements for each project, and other issues.

Nevertheless, the definition of the “project” has been presented in the minutes of the RA EITI MSG meeting as of 16 April 2019, i.e. “A project is defined as operational activities that are governed by a single permit/mining contract.”³⁰¹.

2. Step 2 – Identifying which revenue streams should be reported by project

We once again reiterate that there is no significant need for implementation of project level reporting in Armenia, nevertheless, below in response to the requirement of Guidance 29, we present types of taxes and payments relevant to the mining industry of the Republic of Armenia, as well as **potentially possible** segregation per project and legal entity.

Table 7.4.1. Taxes and payments relevant to the mining industry of the Republic of Armenia

No.	Type of tax or payment	Per Project	Per Entity
1	Royalty		✓
2	Income tax		✓
3	Profit tax		✓
4	Import VAT		✓
5	VAT		✓
6	Profit tax declared, reserved and paid to the State budget from profits paid to non-resident tax agents paying profit taxes		✓
7	Custom duties and fees	✓	
8	State fee for utilization (exploitation) permit for each precious, non-ferrous, ferrous or rare metal mine		✓
9	Import excise tax	✓	
10	Environmental taxes, aggregation of environmental taxes and payments	✓	
11	Environment payments		✓
12	Environmental payments (taxes) for imported goods from non-EEU countries		✓
13	Environmental payments (taxes) for imported goods from EEU countries	✓	
14	Monitoring	✓	
15	Fines		✓

During the meeting of RA EITI MSG as of 07 November 2019, *inter alia*, the issue of segregation of environmental tax has been discussed.³⁰² In particular, pursuant of the opinion expressed, environmental tax is segregated to some extent as per following types, i.e. unified tax account of nature protection tax and nature utilization payments, environmental taxes for imported goods from non-EEU countries -

³⁰¹ The minutes of the RA EITI MSG meeting as of 16 April 2019 are available at https://www.eiti.am/file_manager/EITI%20Documents/Minutes/MSG_meeting_minute_16_04_2019.pdf

³⁰² Minutes of the meeting are available at https://www.eiti.am/file_manager/EITI%20Documents/MSG%20Procedures/MSG_meeting_minute_07_11_2019_arm.pdf

pursuant to customs declarations, Environmental payments (taxes) for imported goods from EEU countries - pursuant to customs declarations.

Despite the fact that calculations for environmental taxes are submitted separately, existence of unified account as prescribed by RA Tax Code, does not allow to segregate actually paid amounts of the environmental tax per separate types of taxes, since they are considered to be as one general obligation, hence, information can be provided only with regard to the calculations, rather than actual payments.

7.5 Progress in the area of Responsible Mining

One of the EITI national priorities in Armenia is to introduce and strengthen the culture of responsible mining (RM) as a component of sustainable development of the country. In 2018-2019 the Multi-Stakeholder Group (MSG) made a significant progress in developing a comprehensive approach of how responsible mining practices should be implemented. Particularly, in 2018 the MSG developed the Roadmap³⁰³, detailing specific activities aimed at the introduction of responsible mining practices in Armenia. The roadmap implementation is also included in the 2019-2020 EITI Work Plan of Armenia.

The body responsible for addressing the Roadmap activities is the MSG RM working group, which has demonstrated diligence in delivering its objectives. Indeed, the working group developed a concept paper³⁰⁴, which identifies best international practices in RM introduction, that are most relevant to Armenia given historic and economic circumstances surrounding its mining sector. Overall, the concept of responsible mining integrates five target areas, such as integrity of the state, integrity in the business environment, planning for positive heritage, social responsibility and environmental responsibility. In the context of Armenian mining sector, the priorities were identified as:

- ▶ Elimination of gaps and contradictions in legislation relevant to the mining sector as well eradication of corruption risks (Integrity of the state target area);
- ▶ Effective management of the mining sector and protection of human rights (Integrity in the Business Environment target area);
- ▶ Planning for the rehabilitation of soils and mine closure, as well as assistance to affected communities and distribution of benefits (Planning of the positive heritage target area);
- ▶ Ensuring decent working conditions, as well as health and safety for the affected community (Social responsibility target area);
- ▶ Effective management of mining waste and water management (Environmental responsibility target area).

³⁰³ See Responsible Mining Roadmap:

https://www.eiti.am/file_manager/EITI%20Documents/MSG%20Procedures/Responsible_Mining_Roadmap_ARM.pdf

³⁰⁴ See Concept paper documenting the approach of the MSG of Armenia in connection with responsible mining:

https://www.eiti.am/file_manager/EITI%20Documents/Responsible_mining_concept_paper.pdf

To achieve the 2020 objectives of the Roadmap, the RM working group is expected to contribute to the development of a Mineral Sector Policy Development and collaborate with state bodies on drafting new legal acts.

Although the Roadmap seems to outline a strong set of actions aimed to address the gap in the legislation, the Independent Administrator however observed that it reflects only one of the five target areas highlighted in the Concept Paper - Integrity of the state. The Independent Administrator therefore recommends the MSG to update the Roadmap in a way that would incorporate the main findings of the Concept Paper and develop activities in accordance to the rest of the target areas. It is also recommended that the same level of details is applied in the 2019-2020 EITI Work Plan section on responsible mining.

7.6 Data accessibility

After the first EITI report the MSG together with different partners has undertaken steps for public data disclosure.

In February 2018 the EITI Board agreed on recommendations on systematic disclosures by 2018-8/BM-39/BP-39-4-A decision.³⁰⁵ The systematic disclosure implies the implementation of EITI standards by systematic disclosures in the systems of mining companies and state agencies

In particular, in order to raise Stakeholders' interest or capacity in analyzing the financial data disclosed through the EITI with the support of German Development Cooperation via Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) a training on "The Mining Industry's Fiscal Regime in Armenia and EITI Requirements of Financial Flows' Transparency" took place on March 6-8 2020³⁰⁶. Among the attendees were representatives of the RA Audit Chamber, State Revenue Committee, Ministry of Environment, Ministry of Territorial Administration and Infrastructure, Ministry of Finance, Inspectorate for Nature Protection and Mineral Resources, MSG.

With the support of GIZ the the EITI mainstreaming feasibility study is being conducted as well.

After the start of the Validation, following the recommendation of the EITI MSG of Armenia, approved environmental and health projects/programs for 2016-2018 have been published on the websites of the affected communities.

³⁰⁵ <https://eiti.org/document/board-agreed-on-recommendations-on-systematic-disclosures>

³⁰⁶ <https://www.eiti.am/en/news/2020/03/09/eiti-fiscal-regime-training-6-8-march-2020-eng/82/>

Table 7.6.1 The availability of confirmed health and environmental projects in affected communities for 2018

Region	Link	Notes
Lori	http://alaverdi.am/Pages/DocFlow/Def.aspx?nt=1&a=v&g=99c3d7f2-1ed0-4b66-9de9-67b9f70aaa21	
Syunik	http://kapan.am/Pages/DocFlow/Def.aspx?nt=1&a=v&g=dcb80711-ac39-4abe-9538-fbec1b5db10d	
Syunik	http://kapan.am/Pages/DocFlow/Default.aspx?a=v&g=bdf07905-6c90-4139-9bc1-3ab31af630b5	Decision of the Council of Elders
Ararat	http://araratcity.am/Pages/DocFlow/Def.aspx?nt=1&a=v&g=9fd81fd5-77dc-423b-9c92-fa59be270839	
Kotayk (Charentsavan)	http://37.252.66.134/Pages/DocFlow/Default.aspx?nt=1&a=v&g=50c4cd8d-81fe-4b38-a43b-352578a771ae	
Kotayk (Tsaghkadzor)	http://212.34.229.98/Pages/Misc/Announces/view.aspx?reclD=356#.XrRc8mgzZPZ	

The EITI Armenia website³⁰⁷ presents a number of references to the legal acts governing the metal mining sector, the “Republican Geological Fund,” the mining contracts for mineral extractions, the mining registry and EIA as well as a number of analyses and infographics about the metal mining sector. However, the information presented in the EITI Armenia website does not fully cover all issues in the value chain of the EITI standards. The creation of a unitary web portal, which can be the Secretariat’s website, can ease the access of information for the users. The data or references will be presented on that website continuously.

Table 7.6.2 Public report forms for metal mining companies

Report	Legal basis	Link
Public report forms	RA Government Decree N 666-N	https://www.egov.am/u_files/file/decrees/kar/2019/7/19-0871.pdf
Declaration on beneficial owners	RA Law “On state registration of legal entities, separated divisions of legal entities, enterprises and individual entrepreneurs”	https://www.arlis.am/DocumentView.aspx?DocID=138750
Templates for presenting quarterly and annual environmental monitoring results	RA government decree N 191-N, <small>308</small>	https://www.arlis.am/DocumentView.aspx?docID=120135

The table below present the types of data and their characteristics, which are published by the RA State agencies.

³⁰⁷ See the website of the EITI Armenia Secretariat <https://www.eiti.am/en/helpful-materials/>

³⁰⁸ <https://www.arlis.am/DocumentView.aspx?docID=120135>

Table 7.6.3 Data disclosed in the framework of EITI

N	Description of Data	State Agency that owns the data	Data structure (data description)	Periodicity of receiving data	Data Quality	Continuous disclosure of data	Source of Data	Method of collection
1	Registry of contracts	RA MTAI	Excel format	within 10 days after signing	Not applicable	Yes	RA MTAI	paper-based
2	Publishing of contracts	RA MTAI	scanned, in pdf format	within 10 days after signing	Not applicable	Yes	RA MTAI	paper-based
3	Registry of final beneficiaries	RA Ministry of Justice, Agency for State Register of Legal Entities	Not applicable	The first disclosure must happen before 20.02.2020	Not applicable	Not applicable	Agency for State Register of Legal Entities	not applicable
4	Extraction	RA EITI Secretariat	Excel format	Annual, before August 1 of the following year	Mandatory audit was not required for the month of November, 2019	Yes	Mining companies	electronic
5	Production	RA EITI Secretariat	Excel format	Annual, before August 1 of the following year	Mandatory audit was not required for the month of November, 2019	Yes	Mining companies	electronic
6	Realization of products in the domestic market	RA EITI Secretariat	Excel format	Annual, before August 1 of the following year	Mandatory audit was not required for the month of November, 2019	Yes	Mining companies	electronic
7	Exports	SRC, RA EITI Secretariat	Excel format	Annual, before August 1 of the following year	Mandatory audit was not required for the month of November, 2019	Yes	Mining companies, SRC	electronic

N	Description of Data	State Agency that owns the data	Data structure (data description)	Periodicity of receiving data	Data Quality	Continuous disclosure of data	Source of Data	Method of collection
8	Payments to the state budgers (taxes, payments and duties)	SRC, RA EITI Secretariat	Excel format	Annual, before August 1 of the following year	Mandatory audit was not required for the month of November, 2019	Yes	Mining companies, SRC	electronic
9	Profit tax	SRC	SRC electronic system	Annual, before April 20 of the following year	Mandatory audit was not required for the month of November, 2019	Yes	Mining companies	electronic
10	Non-resident's profit tax	SRC	SRC electronic system	Quarterly, before the 20 th of the month following the quarter	Mandatory audit was not required for the month of November, 2019	Yes	Mining companies	electronic
11	Income tax	SRC	SRC electronic system	Monthly, before the 20 th of the following month	Mandatory audit was not required for the month of November, 2019	Yes	Mining companies	electronic
12	Valude added tax	SRC	SRC electronic system	Monthly, before the 20 th of the following month	Mandatory audit was not required for the month of November, 2019	Yes	Mining companies	electronic
13	Import value added tax	SRC	RA Customs Service electronic system	On import	Mandatory audit was not required for the month of November, 2019	Yes	Mining companies	electronic

N	Description of Data	State Agency that owns the data	Data structure (data description)	Periodicity of receiving data	Data Quality	Continuous disclosure of data	Source of Data	Method of collection
14	Excise tax	SRC	SRC electronic system	Monthly, before the 20 th of the following month	Mandatory audit was not required for the month of November, 2019	Yes	Mining companies	electronic
15	Import excise tax	SRC	RA Customs Service electronic system	On import	Mandatory audit was not required for the month of November, 2019	Yes	Mining companies	electronic
16	Royalty	SRC	SRC electronic system	Annual, before April 1 of the following year	Mandatory audit was not required for the month of November, 2019	Yes	Mining companies	electronic
17	Nature use payments	SRC	SRC electronic system	Quarterly, before the 20 th of the month following the quarter	Mandatory audit was not required for the month of November, 2019	Yes	Mining companies	electronic
18	Environmental tax	SRC	SRC electronic system	Quarterly, before the 20 th of the month following the quarter	Mandatory audit was not required for the month of November, 2019	Yes	Mining companies	electronic
19	Environmental charges collected for goods imported from non-member countries of the EAEU	SRC	SRC electronic system	Monthly, before the 20 th of the following month	Mandatory audit was not required for the month of November, 2019	Yes	Mining companies	electronic

N	Description of Data	State Agency that owns the data	Data structure (data description)	Periodicity of receiving data	Data Quality	Continuous disclosure of data	Source of Data	Method of collection
20	Environmental charges collected for goods imported from EAEU member countries	SRC	RA Customs Service electronic system	On import	Mandatory audit was not required for the month of November, 2019	Yes	Mining companies	electronic
21	Customs duties and fee	SRC	RA Customs Service electronic system	On import/export	Mandatory audit was not required for the month of November, 2019	Yes	Mining companies	electronic
22	Duties	SRC MTA	Excel format	Annual, before August 1 of the following year	Mandatory audit was not required for the month of November, 2019	Yes	Mining companies, SRC	electronic
23	Replenishment of the Environmental protection fund	MoE	Excel format	Annual, before August 1 of the following year	Mandatory audit was not required for the month of November, 2019	Yes	Mining companies, MoE	electronic
24	Monitoring fee	MoE	Excel format	Annual, before August 1 of the following year	Mandatory audit was not required for the month of November, 2019	Yes	Mining companies, MoE	electronic
25	EIA implantation fee	MoE	Excel format	Annual, before August 1 of the following year	Mandatory audit was not required for the month of November, 2019	Yes	Mining companies, MoE	electronic
26	Environmental penalties and fines	MoE	Excel format	Annual, before August 1 of the following year	Mandatory audit was not required for the month of November, 2019	Yes	Mining companies, MoE	electronic

N	Description of Data	State Agency that owns the data	Data structure (data description)	Periodicity of receiving data	Data Quality	Continuous disclosure of data	Source of Data	Method of collection
27	Local taxes and payments	MTAI/Local self-government bodies	Excel format	Annual, before August 1 of the following year	Mandatory audit was not required for the month of November, 2019	Yes	Mining companies, local self-government bodies	electronic
28	Property tax, land tax	MTAI/Local self-government bodies	On templates	Biannual before the 20 th of the month following the year halve	Mandatory audit was not required for the month of November, 2019	Yes	Mining companies	paper-based
29	Socio-economic contributions	MTAI/Local self-government bodies	Excel format	Annual, before August 1 of the following year	Mandatory audit was not required for the month of November, 2019	Yes	Mining companies, local self-government bodies	electronic
30	Employment	RA EITI Secretariat, SC	Excel format	Annual, before August 1 of the following year	Mandatory audit was not required for the month of November, 2019	Yes	Mining companies	electronic
31	Share in GDP	SC	Through www.armstat.am	Quartely	Not applicable	Yes	SC	electronic
32	Share in state revenues	SRC	Not accessible	Annual	Not applicable		SRC	electronic
33	Share in exports	SRC	Not accessible	Annual	Not applicable		SRC	electronic
34	Share in employment	SC	Through www.armstat.am	Annual	Not applicable	Yes	SC	electronic

8 FINDINGS IDENTIFIED IN THE FRAMEWORK OF EITI REPORT

8. FINDINGS IDENTIFIED IN THE FRAMEWORK OF EITI REPORT

A number of legislative gaps and discrepancies revealed by the Independent Administrator have been addressed in this EITI Report, as well as certain legal issues have been identified with regard to the legal acts adopted in the Reporting year. All of the said findings are summarized below:

1. The issue with regard to the private nature of relations arising from nature use payments remains pertinent. Furthermore, the Constitutional Court through the recent decision reiterated that nature use payment, as a payment for use of property, shall be considered as an element of civil-legal relations. Meanwhile, the Constitutional Court found that the state, as the owner of subsoil, is entitled to supervise performance of contractual obligations through, *inter alia*, inspections.
Besides, the issue of internal collisions in the RA Law “On Arrangement and Conducting of Inspections in the Republic of Armenia” remains pertinent as well, which, according to the Constitutional Court, shall be solved in practice through applicable interpretation rules.
2. Despite the clear regulations for transferring and alienating the mining right, trading of shares/stocks of mining entities is not subject to any regulation and control by the MTAI.
3. The legislation does not specifically stipulate the grounds for refusing the transfer of mining rights, rather than it refers to the grounds for refusal of requests for mining rights. However, we believe, that it is not reasonable to address such significant issue with reference provision only, hence we suggest to envisage separate provision which shall directly establish the grounds for refusing the transfer of mining rights.
4. Obvious practical issues are faced by the mining entities as a result of the fact that granting the mining right in no way guarantees that the company will necessarily be granted other rights mandatorily required for application of the mentioned right (water use right, land use right).
5. The discretion of the head of the community has a significant role in the process of changing the designated purpose of the land, which cannot be considered to be positive for the development of mining industry and investment environment, in general.
6. Although the local communities are the primary beneficiaries of the social-economical obligations taken over by the mining companies, the Legislation does not stipulate any certain mechanism for participation of the Local Self-Governance bodies representing the community in the process of formulating and clarifying the scopes of the social-economical obligations of the companies.
7. Although the Code stipulates that the employee social mitigation plan is developed “in compliance with the procedure prescribed by the Law”, however no procedures for actual implementation of employee social mitigation plan, procedures for clarifying the scopes of activities, as well as supervision over implementation of such activities and criteria for assessing their effectiveness are defined by RA legislation.

8. A number of legal gaps are observed in the context of regulating the payments made to the Fund. In particular, the Code does not stipulate any criteria for defining the scopes of environmental activities and the fact of their implementation by the mining companies, as well as any criteria for assessing the harm caused to the environment. The base rate for recultivation payments is not defined in the majority of the existing mining contracts, which results in legal uncertainty: the legislation makes a reference to contracts (as well as projects/plans), while the contracts do not envisage any liability and only make a reference to “the size” and “payment order stipulated by the legislation”.
9. Legal uncertainties are available in mining contracts signed in the mining sector as a result of reformulating previously granted licenses. Taken that the previous Code on Subsoil applicable for the period of 2002-2012 did not envisage legal requirement for submitting a mine-closure plan, in case of the majority of reformulated permits mine-closure plans are missing. Therefore, the estimate price for monitoring, as well as employee mitigation plan and the action plan for social-economical mitigation for communities located on the territory of the direct impact of the closing mines are not available. In case of some of the contracts the Annex 2 titled “Mine-Closure Plan” defines only obligations for implementation of employee social mitigation activities and social-economical activities for communities located on the territory of the direct impact of the mines (without specifying the nature of these activities), while no mention is made on monitoring implementation fees. In case of another group of contracts, in Annex 2 titled “Mine-Closure Plan” which speaks about social mitigation activities, an action plan is also provided at the end of the Annex in form of a table, which in their essence are rather ecological than social.
10. Lack of the authority of the State Register Agency of Legal Entities of the Ministry of Justice of the Republic of Armenia to check the reliability of the information received, makes it impossible to be aware of the information on the beneficial owners of the legal entities being not accurate, manifestly false or not complete, and, therefore, to report thereon to respective authorities .

Production in metal mining sector

The comparison of information from both stated sources shows that there is a noticeable difference in the production volumes of copper, molybdenum, ferromolybdenum and zinc.

In case of copper and zinc concentrates, the volumes of production by companies are greater than the parallel figures from RA SC by respectively 5.8% and 12.6%: Discussion with the representatives of RA SC has shown that the difference can be explained by the utilization of different units of measurement. In particular, the companies have measured production volumes in wet metric tons (wmt) while the calculations of RA SC are based on dry metric tons (dmt).

The situation is different in case of ferromolybdenum and molybdenum concentrate. The production volumes of ferromolybdenum and molybdenum concentrate as recorded by the SC are greater by 55% and 14-fold respectively when compared to the parallel figures from the companies. The difference is caused by the fact that, within the scope of the EITI report, ZCMC reported only ferromolybdenum as a

final product of production while it reported production of molybdenum concentrate to the SC. ZCMC involved a third-party contractor company in order to produce ferromolybdenum from molybdenum concentrate. The said third party was not involved in the scope of the EITI report though it did report ferromolybdenum production to the SC. Apart from this, discussions with the RA SC have revealed that there are other companies involved in the production of ferromolybdenum, which were not involved in the scope of EITI.

Export in metal mining sector

The comparison of information from the both stated sources shows that there is a noticeable difference in the values of total exports of copper ore and concentrate expressed in monetary value. This difference makes up 29.3%. The difference in values of molybdenum concentrate was 16.9% while the difference in values of unprocessed and semi-processed gold and gold containing precious metal concentrate is 10%.

The difference in the export volumes of copper concentrates is due to the fact that one exporting company, “Mining metal institute” LLC, which is not a metal mining company and hence was not included in the scope of Armenia’s EITI report of 2018. The said company exported 116.4 mln USD (around 98% of the difference) worth of copper ore in 2018. The remaining difference can be ascribed to the different methodological solutions employed by the companies and SC. The identified differences are mostly related to the fact, that some part of the products which were sold in domestic market are also exported by other companies directly or after some processing.

Socio-economic obligations

Significant differences were registered between the data provided by mining companies and the communities, which can be explained by the following factors:

- ▶ Socio-economic contributions set by bilateral contracts with the communities were also reported as mandatory payments by metal mining companies, although they are considered to be voluntary contributions. In particular, “Lichkvaz” CJSC has reported socio-economic payments made by the framework agreement from December 12th, 2016 with Meghri community as mandatory.
- ▶ The option of presenting the mandatory socio-economic contributions to the third parties is missing from the reporting templates for metal mining companies. That is the reason why in some cases mandatory socio-economic contributions were reported as voluntary. For example, “Gharagulyanner” CJSC has a contractual obligation of 250,000 AMD for a quarterly student tuition fee and 500,000 AMD for renovation of community school and kindergarden which couldn’t be presented as mandatory in the reporting templates.
- ▶ Very often communities don’t have the description and cost estimation of implemented projects or provided services and goods in case of non-financial contributions. This can explain why communities didn’t report the non-financial contributions made by “Lydian Armenia” CJSC in the reporting year. Those contributions are presented as voluntary in this report.

Revenues for special programs or geographical areas

Certain regulatory gaps have been identified in the EITI Report 2016-2017, which now are regulated by legislative amendments described in Chapter 4.3, however, as mentioned in the said chapter, more comprehensive assessment can be made only upon adoption of the said Government decrees.

ANNEXES

ANNEX 1. INFORMATION ON CONDUCTING EXTERNAL FINANCIAL AUDIT IN THE COMPANIES

N	Company name	An external financial audit was carried out	Reference to the audit report and opinion
1	“Agarak Copper Molybdenum Combine” CJSC	Yes	https://iravunk.com/news/87720
2	“Akhtala Mining and Processing Enterprise” CJSC	No	-
3	“Aktiv Lernagorts” LLC	No	-
4	“Assat” LLC	No	-
5	“At-Metals” LLC	No	-
6	“Baktek Eco” LLC	No	-
7	“Geghi Gold” LLC	No	-
8	“Geopromining Gold” LLC		«Gortsyntats» newspaper 26.06.2019 N259
9	“Zangezur Copper-Molybdenum” CJSC	Yes	https://www.azdarar.am/announcements/cat/261/00512844/
10	“Tatstone” LLC	No	-
11	“Teghout” CJSC	Yes	http://vallexgroup.am/vm-about-us/
12	“Ler-Ex” LLC	Yes	https://www.azdarar.am/announcements/cat/129/00512834
13	“Lydian Armenia” CJSC	Yes	https://www.lydianarmenia.am/img/uploadFiles/57b118e212f420036ae1FS_LydianArmeniaCJSC_2018_arm.pdf
14	“Lichkvaz” CJSC	No	-
15	“Chaarat Kapan ³⁰⁹ ”	No	-
16	“Gharagulyanner” CJSC	No	-
17	“Marjan Mining Company” LLC	No	-
18	“Mego-Gold” LLC	No	-
19	“Meghradzor Gold” LLC	Yes	In 2018 an external financial audit was not conducted, and the Financial reports were published without an audit opinion in “Republic of Armenia” daily, No 115(7099), 26-06-2019
20	“Molibdeni Ashkharh” LLC	No	In 2018 an external financial audit was not conducted, and the Financial reports were published without an audit opinion, “Novoye Vremya” newspaper 19/06/2019

³⁰⁹ Formerly “Kapan Mining and Processing Company” CJSC” CJSC

N	Company name	An external financial audit was carried out	Reference to the audit report and opinion
21	"Multi Group" Concern LLC	No	In 2018 an external financial audit was not conducted, and the Financial reports were published on Azdarar.am website without audit opinion, https://www.azdarar.am/announcements/org/129/00513573/
22	"Paramount Gold Mining" CJSC	No	-
23	"Sagamar" CJSC	Yes	In 2018 an external financial audit was not conducted, and the Financial reports were published without an audit opinion in the "Novoe Vremya" newspaper, 19/06/2019.
24	"Vayk Gold" LLC	No	-
25	"Vardani Zartonk" LLC	No	-
26	"Fortune Resources" LLC	No	-

ANNEX 2. THE BASIC RATE OF RECULTIVATION PAYMENTS DETERMINED BY SUBSOIL USE CONTRACTS, SIZES OF INITIAL AND ANNUAL CONTRIBUTIONS BASED ON REPORTS PROVIDED BY THE MINING COMPANIES AND THE MINISTRY OF ENVIRONMENT

N	Metal mining company	Number and date of subsoil use agreement	According to the metal mining companies, 2018, AMD			According to the Ministry of Environment, 2018, AMD				
			Basic rate for calculation	Amount payable to the fund	Actual payments to the fund	Basic rate for calculation	Amount payable to the fund calculated for the reporting year	Actual payments to the fund for the reporting year	Amount payable to the fund as of December 31 of the year preceding the reporting year	Actual payments to the fund as of December 31 of the year preceding the reporting year
1	"Agarak Copper Molybdenum Combine" CJSC	No PV-311, 2013 April 5	428,690,000	26,027,607	-	428,689,820	26,027,607	-	194,441,470	3,833,300
2	"Akhtala Mining and Processing Enterprise" CJSC	No PV-103, 2012 October 20	190,968,000	32,466,000	32,466,000	190,981,500	32,466,000	89,580,000	58,854,000	2,250,000
3	"Aktiv Lernagorts" LLC	No PV-425, 2012 December 28	379,810	379,880	379,880	11,620,000	379,880	3,415,000	4 022,280	607,350
4	"Assat" LLC	No PV-366, 2013 June 6	420,000	420,000	420,000	1,698,800	144,400	-	976,820	-
5	"At-Metals" LLC	No P-514, 2015 January 16	-	-	-	119 919,500	15,681,780	35,000,000	65,033,270	-
6	"Baktek Eco" LLC	No P-515, 2014 August 22	697,840	697,840	697,840	2,440,000	82,960	697,840	697,840	-
7	"Geghi Gold" LLC	No P-544, 2016 July 22	12,224,500	12,224,500	12,224,500	58,597,000	1,717,498	12,224,500	12 224,548	-
8	"Geopromining Gold" LLC	No PV-189,2012 October 20	901,700,000	58,957,300	117,914,600	901,700,000	58,957,300	58,957,300	253,169,600	253,169,600
9	"Zangezur Copper-Molybdenum" CJSC	No PV-232, 2012 November 27	548,751,230	19,434,939	21,264,739	548 751,230	19,434,940	21,264,740	203,495,243	109,313,943
10	"Tatstone" LLC	No P-458, No P-459, 2013 February 11	241,245	241,245	271,135	5,830,733	247,125	271,135	2,110,210	1,839,570
11	"Teghout" CJSC	No PV-376,2013 February 20	20,841,300	2,953,000	2,953,000	20,841,300	2,953,000	2,953,000	23,794,300	26,577,000

N	Metal mining company	Number and date of subsoil use agreement	According to the metal mining companies, 2018, AMD			According to the Ministry of Environment, 2018, AMD				
			Basic rate for calculation	Amount payable to the fund	Actual payments to the fund	Basic rate for calculation	Amount payable to the fund calculated for the reporting year	Actual payments to the fund for the reporting year	Amount payable to the fund as of December 31 of the year preceding the reporting year	Actual payments to the fund as of December 31 of the year preceding the reporting year
12	"Ler-Ex" LLC	No PV-094, 2012 August 16	-	-	-	31,278,420	1,107,780	-	17,985,120	100,000
13	"Lydian Armenia" CJSC	No PV-245, 2012 September 26	1,864,926,000	121,938,000	121,938,000	1,864,926,000	121,938,000	121,938,000	523,614,000	525,669,870
14	"Lichkvaz" CJSC	No PV-293, 2012 November 22	32,500,000	1,453,947	1,453,947	10,571,000	480,518	9,236,841	1,916,170	2,190,000
15	"Chaarat Kapan" CJSC	No PV-183, 2012 November 27	105,000,000	2,704,545	23,863,635	-	-	23,863,635	-	-
16	"Gharagulyanner" CJSC	No P-547, 2016 October 25	9,891,560	233,511	1,717,245	9,891,560	233,550	1,717,245	1,950,570	-
17	"Marjan Mining Company" LLC	No PV-398, 2013 March 7	-	-	-	7,853,000	290,170	-	3,789,480	1,179,000
18	"Mego-Gold" LLC	No PV-184, 2012 December 28	-	-	-	3,070,670	435,000	-	3,505,670	2,325,000
19	"Meghradzor Gold" LLC	No PV-057, 2012 August 22	307,740	307,740	307,740	3,385,200	307,740	615,480	2,354,020	2,416,700
20	"Molibdeni Ashkharh" LLC	No PV-174, 2012 November 7	16,916,000	1,561,152	1,561,152	-	-	1,561,152	-	10,543,152
21	"Multi Group" Concern LLC	No PV-213, 2012 October 20	6,315,000	233,380	-	6,315,000	233,381	2,100,430	3,747,811	1,180,630
22	"Paramount Gold Mining" CJSC	No 089, 2012 June 12	-	-	-	25,176,600	891,680	6,241,600	10,909,930	3,776,490
23	"Sagamar" CJSC	No PV-093, 2012 October 20	-	-	-	46,500,450	1,001,440	-	8,836,240	7,621,000
24	"Vayk Gold" LLC	No P-371, 2012 November 30	-	-	-	6,826,533	241,780	1,715,900	2,232,880	517,000
25	"Vardani Zartonk" LLC	No PV-239, 2012 September 27	2,616,800	735,000	735,000	2,616,700	171,100	735,000	1,761,300	342,200
26	"Fortune Resources" LLC	No PV-169, 2012 October 20	-	1,028,460	1,028,460	27,829,000	1,028,460	7,084,000	13,430,490	6,345,760

ANNEX 3. TABLES OF FIGURES AND GRAPHS PRESENTED IN THE REPORT

Chapter 3 Extraction, production and realization in the metal mining industry

Figure 3.3.1 Territorial volumes of production in the mining and quarrying sector in monetary expression, mln AMD

	2013	2014	2015	2016	2017	2018
Gegharkunik	9,170	8,307	12,877	14,877	15,098	18,943
Lori	8,761	10,820	55,013	66,672	79,220	7,416
Syunik	169,935	168,343	146,386	167,275	236,940	260,104
Other	8,913	5,672	6,294	7,657	9,841	14,282

Source: RA SC's publication "The regions of the Republic of Armenia and the city of Yerevan" for relevant years³¹⁰

Figure 3.3.3 Copper concentrate production and international average annual price of copper in 2013–2018

	2013	2014	2015	2016	2017	2018
Copper concentrate production, tons	184,494	192,273	315,600	388,500	428,500	317,400
Price of copper, average annual, USD/tons	7,332	6,863	5,510	4,868	6,170	6,530

Source: RA SC publication "Output of Main Commodities in the Industrial Organizations (in kind)" for relevant years,³¹¹ Data regarding international prices was extracted from the databases of the World Bank³¹²

Figure 3.3.4 Molybdenum concentrate and ferromolybdenum production, 2013 – 2018, tons, according to Statistical Committee

	2013	2014	2015	2016	2017	2018
Molybdenum concentrate production, tons	11,635	11,807	10,440	10,662	10,961	11,110
Production of Ferromolybdenum	6,619	6,528	5,576	6,518	6,588	7,275
Price of molybdenum, average annual, USD/tons	21,914	24,566	17,547	13,988	14,750	16,006

Source: RA SC publication "Output of Main Commodities in the Industrial Organizations (in kind)" for relevant years, Data regarding international prices was extracted from the databases of the World Bank

³¹⁰ https://www.armstat.am/file/article/marzer_2018_11.pdf pages 35–43

³¹¹ RA SC publication "Output of Main Commodities in the Industrial Organizations (in kind)" for relevant years

2013թ.՝ <https://www.armstat.am/am/?nid=82&id=2135>

2014թ.՝ https://www.armstat.am/file/article/bnaxen_12_2014.pdf

2015թ.՝ <https://armstat.am/am/?nid=82&id=1740>

2016թ.՝ https://www.armstat.am/file/article/bnaxen_12_2016.pdf

2017թ.՝ https://www.armstat.am/file/article/bnaxen_12_2017.pdf

2018թ.՝ https://armstat.am/file/article/bnaxen_12_2018.pdf

³¹² <https://databank.worldbank.org/databases/commodity-price-data>

Figure 3.3.5 Zinc concentrate production and average annual price in 2013-2018, tons

	2013	2014	2015	2016	2017	2018
Zinc concentrate production, tons	15,950	14,709	11,319	7,891	9,640	10,828
Price of zinc, average annual, USD/tons	1,910	2,161	1,932	2,090	2,891	2,922

Source: RA SC publication “Output of Main Commodities in the Industrial Organizations (in kind)” for relevant years, Data regarding international prices was extracted from the databases of the World Bank

Figure 3.3.6 International average annual price of gold in 2013-2018

	2013	2014	2015	2016	2017	2018
Price of gold, average annual, USD/toz	1,411	1,266	1,161	1,249	1,258	1,269

Source: The World Bank report “Commodity Markets Outlook” for 2017 and 2018

Figure 3.4.1 Total export and the share of metal ores and concentrates in total exports in 2018, mln USD

	2013	2014	2015	2016	2017	2018
Total exports	1,468	1,490	1,483	1,808	2,145	2,383
The share of copper ore and concentrate (%)	19.1%	15.8%	21.4%	20.5%	26.6%	22.0%
The share of ferromolybdenum (%)	7.0%	7.4%	3.7%	3.7%	3.9%	5.3%
The share of gold (%)	5.0%	5.5%	6.7%	7.8%	6.8%	7.4%
The share of molybdenum concentrate (%)	0.5%	0.6%	0.4%	0.1%	0.4%	0.3%
The share of zinc ore and concentrate (%)	1.2%	0.9%	0.8%	0.6%	0.8%	0.9%

Source: ITC calculations, which are based on the statistics of UN Comtrade

Figure 3.4.2 The volume of exports of metal ores and concentrates expressed in kind in 2018, thousand tons

	2013	2014	2015	2016	2017	2018
The share of copper ore and concentrate	173,207	185,089	309,184	402,589	475,759	424,816
The share of ferromolybdenum	6,659	6,500	5,582	6,660	6,797	7,111
The share of gold	3	4	3	4	4	5
The share of molybdenum concentrate	780	900	984	210	1215	0
The share of zinc ore and concentrate	18,344	14,338	14,137	9,569	10,193	12,473

Source: ITC calculations, which are based on the statistics of UN Comtrade

Figure 3.4.3 Exports of copper ore and concentrates by country, 2013-2018, mln USD

	2013	2014	2015	2016	2017	2018
Bulgaria	151	85	79	163	281	214
Canada	-	-	-	-	-	22
China	65	138	139	68	116	95
Georgia	-	-	44	93	87	9
Romania	-	-	38	23	3	55
Serbia	6	13	-	-	-	-
Spain	9	-	-	-	-	-
Switzerland	12	-	15	24	84	131
Other	-	-	2	0	0	0

Source: ITC calculations, which are based on the statistics of UN Comtrade

Figure 3.4.4 Exports of molybdenum ore and concentrates by country, 2013-2018, mln USD

	2013	2014	2015	2016	2017	2018
Belgium	-	-	-	-	1.4	6.5
The Netherlands	6.7	8.7	5.8	-	6.4	-
RF	-	-	-	-	-	1.1
Other	-	-	0.4	0.9	0.8	-

Source: ITC calculations, which are based on the statistics of UN Comtrade

Figure 3.4.5 Exports of ferromolybdenum by country, 2013-2018, mln USD

	2013	2014	2015	2016	2017	2018
Germany	44.4	47.9	20.1	16.5	3.7	-
The Netherlands	58.0	61.8	34.6	47.9	75.3	123.6
RF	-	-	0.8	1.7	5.4	2.3

Source: ITC calculations, which are based on the statistics of UN Comtrade

Figure 3.4.6 Exports of zinc ore and concentrates by country, 2013-2018, mln USD

	2013	2014	2015	2016	2017	2018
Belgium	15.3	11.5	10.1	10.5	15.1	20.5
China	-	-	1.0	-	-	-
The Netherlands	-	2.3	-	-	-	-
South Korea	-	-	-	-	1.5	-
Switzerland	1.6	-	-	-	-	-
Other	0.2	-	0.9	-	-	-

Source: ITC calculations, which are based on the statistics of UN Comtrade

Figure 3.4.7 Exports of semi-processed and unprocessed gold and gold containing precious metal concentrate 2013-2018 by country

	2013	2014	2015	2016	2017	2018
Canada	73	82	97	124	-	-
Italy	-	-	-	-	-	6
UAE	-	-	2	-	-	2
Belgium	-	-	-	1	-	-
China	-	32	24	31	-	-
Japan	-	-	3	-	-	-
Malaysia	-	-	3	-	-	-
Other	-	-	-	-	1	-

Source: ITC calculations, which are based on the statistics of UN Comtrade

Part 4. State revenues from the metal mining sector and their distribution

Figure 4.1.1 The share of taxes and payments declared by metal mining companies to the State budget in 2018

	Share
Taxes and payments declared by metal mining companies to the State budget	5.79%
Other income of the State budgets	94.21%
Total	100%

Source: The information was provided by the RA SRC and Ministry of Environment for the EITI report

Figure 4.1.2 Taxes and payments declared by metal mining companies to the State budget in 2018, mln AMD

	Share in total	State revenues, USD ³¹³	State revenues, mln AMD
Royalty	2.57%	71,947,933	34,545.8
Income tax	1.33%	37,170,770	17,847.5
Profit tax	1.18%	33,073,961	15,880.5
VAT	0.45%	12,739,105	6,113.9
Non-resident's profit tax	0.15%	4,278,790	2,054.5
Customs duties and fees	0.08%	2,553,535	1,225.6
State fee for utilization (exploitation) permit for each precious, non-ferrous, ferrous or rare metal mine	0.01%	541,602	260.1
Other	0.01%	760,919	358.6
Total	5.78%	163,045,842	78,286.5

*Profit tax declared, reserved and paid to the State budget from profits paid to non-resident tax agents paying profit taxes

**The presented amount is the sum of VAT and import VAT

Source: The information was provided by the RA SRC and Ministry of Environment for the EITI report

Figure 4.1.3 Taxes and payments declared by metal mining companies to the State budget in 2018, mln AMD

	Share in total	Total declared taxes and payments, USD	Total declared taxes and payments, mln AMD
"Zangezur Copper-Molybdenum Combine" CJSC	54.29%	88,475,988	42,499
"Geopromining Gold" LLC	19.88%	32,408,178	15,567
"Chaarat Kapan" CJSC	8.31%	13,537,317	6,503
"Lydian Armenia" CJSC	6.16%	10,001,384	4,821
"Agarak Copper Molybdenum Combine" CJSC	6.79%	11,071,346	5,318
"Teghout" CJSC	2.15%	3,508,543	1,685
"Akhtala Mining and Processing Enterprise" CJSC	1.17%	1,900,427	913
"Meghradzor Gold" LLC	0.42%	680,401	327
"Ler-Ex" LLC	0.24%	386,846	186
Other	0.60%	970,941	466
Total declared taxes and payments		162,941,370	78,286

Source: The information was provided by RA SRC for the EITI report

Figure 4.2.1 Taxes and payments declared by the metal mining companies to the community budgets in 2018

	Share
Taxes and payments declared by metal mining companies to the State budget	0.9%
Other incomes of community budgets	99.1%
Total	100%

Source: The information was provided by the RA Ministry of Territorial Administration for the EITI report

Figure 4.2.2 The revenues of communities in 2018 from taxes and payments declared by metal mining companies by the structure of streams, mln AMD

³¹³ For the purposes of the Report, the exchange rate was calculated by averaging all the exchange rates for a given year published by the Central Bank of RA. In 2018, the average annual exchange rate for 1 USD was 480.315 AMD.

	Total declared taxes and payments, USD	Total declared taxes and payments, AMD
Rent payments	1,955,788	939,394,521
Social economic payments	276,803	132,952,400
Property tax	125,098	60,086,488
Land tax	33,811	16,240,000
Land expropriation payments	48,213	23,157,244
Total declared taxes and payments	2,439,713	1,172,016,939

Source: The information was provided by the RA Ministry of Territorial Administration for the EITI report

Figure 4.2.5 The revenues of community budgets from the taxes and payments declared by metal mining companies in 2018 classified according to leading communities, mln AMD

	Total declared taxes and payments, USD	Total declared taxes and payments, AMD
Jermuk	386,015	185,408,665
Kajaran	349,953	168,087,579
Kapan	337,334	162,026,527
Zaritap	278,529	133,781,508
Gorayk	253,731	121,870,875
Shnogh	187,533	90,075,018
Meghri	184,178	88,463,636
Masrik	141,574	68,000,000
Sisian	125,284	60,176,014
Meghradzor	86,951	41,763,998
Other	108,630	52,176,833
Total	2,439,713	1,171,830,653

Source: The information was provided by the RA Ministry of Territorial Administration for the EITI report

Figure 4.2.6 The revenues of communities in 2018 from taxes and payments declared by metal mining companies classified by leading companies mln AMD

	Total declared taxes and payments, USD	Total declared taxes and payments, AMD
“Lydian Armenia” CJSC	911,291	437,706,781
“Zangezur Copper-Molybdenum Combine” CJSC	375,139	180,184,961
“Chaarat Kapan” CJSC	239,580	115,073,977
“Teghout” CJSC	187,533	90,075,018
“Geopromining Gold” LLC	162,470	78,036,885
“Agarak CMC” CJSC	149,405	71,761,251
“Multi Group” Concern CJSC	22,762	10,932,751
“Molibdeni Ashkharh” LLC	125,284	60,176,014
“Akhtala Mining and Processing Enterprise” CJSC	24,699	11,863,224
“Tatstone” LLC	87,202	41,884,455
Other	154,357	74,321,622
Calculated total taxes and payments	2,439,713	1,172,016,939

Source: The information was provided by the RA Ministry of Territorial Administration for the EITI report

Part 5 The socio-economic and environment impact of the metal mining industry

Figure 5.1.1 The gross added value of the mining and quarrying sector and its share in GDP

	2012	2013	2014	2015	2016	2017	2018
Gross added value – mln AMD	114,327	102,687	102,553	107,718	130,836	176,989	169,795
Share in GDP (%)	2.7%	2.3%	2.1%	2.1%	2.6%	3.3%	2.8%

Source: RA Statistical Committee ³¹⁴

Figure 5.2.1 The share of mining and quarrying sector in employment

	2011	2012	2013	2014	2015	2016	2017	2018
Total employment, 1000 people	1,175.1	1,172.8	1,163.8	1,133.5	1,072.6	1,006.2	1,011.7	907.6
Total employment in industry, 1000 people	128.7	138.3	131.9	131.0	120.8	121.4	132.9	125.2
Employment in mining and quarrying sector, 1000 people	10.4	10.0	9.4	7.9	9.3	8.8	9.2	9.2

Source: RA Statistical Committee yearbooks ³¹⁵

³¹⁴ https://armstat.am/file/article/sv_03_20a_112.pdf

³¹⁵ 2011-2012 https://www.armstat.am/file/article/trud_13_6.pdf
 2012-2013 https://www.armstat.am/file/article/trud_14_6.pdf
 2014-2015 https://www.armstat.am/file/article/9.trud_2016_4.1.pdf
 2016-2017 https://www.armstat.am/file/article/trud_18_4.1.pdf
 2018 <https://armstat.am/file/doc/99516743.pdf>

ANNEX 4 ADJUSTMENTS MADE BASED ON RECONCILIATION AND COMMENTARY ON ADJUSTMENTS MADE FOR 2018

Company Name	Presented by a state body (preliminary report)	Presented by the company (preliminary report)	Presented by a state body (final report)	Presented by the company (preliminary report), thousand AMD	Final discrepancy between the data provided by State body and the company, thousand AMD	The share of final discrepancy by relevant company indicator	Adjustment reason
Royalty							
"Agarak Copper Molybdenum Combine" CJSC	3,268,106	1,265,001	3,268,106	1,265,001	2,003,105	158.35%	The tax inspection fines, which were in connection to royalty, were appealed by the company in court and were nullified by the court. The parties are currently awaiting the decision of the court of cassation.
Profit Tax							
"Lydian Armenia" CJSC	2,426,447	2,043,193	2,426,447	2,043,193	383,254	18.76%	The tax inspection fines, which were in connection to income tax, were appealed by the company in court and were nullified by the court, bringing the amount subject to be paid to 0 AMD.
"Geopromining Gold" LLC	2,860,663	2,875,834	2,860,663	2,860,663	0	0.00%	A discrepancy in the amount of 15,171,495 AMD was created in connection with income tax due to the payments for work inability sheets. The Company presented the calculated income tax without deducting the payments for work inability. As a result of the reconciliation, the amount was reviewed and corrected by the Company.
"Agarak Copper Molybdenum Combine" CJSC	1,195,458	1,186,908	1,195,458	1,186,908	8,549	0.72%	The tax inspection fines, which were in connection to profit tax, were appealed by the company in court and were nullified by the court, bringing the amount subject to be paid to 0 AMD. The parties are currently awaiting the decision of the court of cassation.
Profit Tax							
"Agarak Copper Molybdenum Combine" CJSC	98,724	0	98,724	0	98,724	100.00%	The tax inspection fines, which were in connection to profit tax, were appealed by the company in court and were nullified by the court. The parties are currently awaiting the decision of the court of cassation.
Value Added tax							
"Meghradzor Gold" LLC	9,623	15,423	9,623	9,623	0	0.00%	The discrepancy is due to a mechanical error by the company (a wrong number was inputted into the report). As a result of

Company Name	Presented by a state body (preliminary report)	Presented by the company (preliminary report)	Presented by a state body (final report)	Presented by the company (preliminary report), thousand AMD	Final discrepancy between the data provided by State body and the company, thousand AMD	The share of final discrepancy by relevant company indicator	Adjustment reason
							the reconciliation, the amount was reviewed and corrected by the company.
"Lydian Armenia" CJSC	1,028,903	750,849	1,028,903	1,028,902	1	0.00%	In the preliminary report the company presented an imported value added tax of 750,849 thousand AMD, which included only the factually paid VAT amount while the amount indicated in the customs declared equaled 1,028,902 thousand AMD. As a result of the reconciliation, the amount was reviewed and corrected by the company.
Customs duties and fees							
"Agarak Copper Molybdenum Combine" CJSC	64,269	46,166	64,269	63,974	295	0.46%	The discrepancy is due to a mechanical error by the company. As a result of the reconciliation, the amount was reviewed and corrected by the company.
"Lydian Armenia" CJSC	335,661	363,501	335,661	335,661	0	0.00%	In the preliminary report, the 363,501 thousand AMD customs duties and fees presented by the Company was later decreased by the customs agencies to the final amount of 335,661 thousand AMD, with which the Company agreed.
"Akhtala Mining and Processing Enterprise" CJSC	6,967	19,250	6,967	6,967	0	0.00%	In the preliminary report, the company had also included prepayments for following years. As a result of the reconciliation, the amount was reviewed and corrected by the company.
"Meghradzor Gold" LLC	11,643	9,740	11,643	11,643	0	0.00%	The discrepancy is due to a mechanical error by the company (a wrong number was inputted into the report). As a result of the reconciliation, the amount was reviewed and corrected by the company.
"Geopromining Gold" LLC	325,508	324,399	325,508	325,508	0	0.00%	Was corrected by the company, was due to a technical error.
"Zangezur Copper-Molybdenum Combine" CJSC	215,449	318,355	318,355	318,355	0	0.00%	In the preliminary report, RA SRC did not reflect a paid amount of customs duties. As a result of the reconciliation, the amount was reviewed and corrected by the latter.
Rent payments							
"Akhtala Mining and Processing Enterprise" CJSC	9,624	9,574	9,624	9,574	50	0.52%	In the preliminary report, the Company had included payments for the rent of water pipelines in a separate line, while the community had included it under the line "rent payments for real estate." As a result of the reconciliation, the mistake was corrected by the Company.

Company Name	Presented by a state body (preliminary report)	Presented by the company (preliminary report)	Presented by a state body (final report)	Presented by the company (preliminary report), thousand AMD	Final discrepancy between the data provided by State body and the company, thousand AMD	The share of final discrepancy by relevant company indicator	Adjustment reason
"Lydian Armenia" CJSC	426,810	446,621	426,785	426,992	-207	-0.05%	The company declared 195,787,597 AMD payments for land rent to Jermuk community actually paying 176,158,155 AMD. The Company presented the declared amount in the initial report instead of the factually paid one, an error that was corrected as a result of the reconciliation.
"Teghout" CJSC	82,247	31,273	82,247	31,273	50,974	163.00%	"Teghout" CJSC paid to Shnogh community's "900265146085" account 33,534,000 AMD on 05.06.2018 indicating in the "purpose" field "financial assistance in place of land rent". On 25.12.2018, the Company transferred 12,400,00 and 5,040,000 AMD to the same amount indicated in the "purpose" field "financial reimbursement in place of land rent. This was due to not have a contract with the community and the Company placed these amounts in the "Charity donations, contributions or other allocations made to the communities without compensation by the mining company" line while the Community presented these amounts in the "rent payments" field. The above-described is left in place in the final report.

ANNEX 5. DATA PROVIDED BY THE REPORTING MINING COMPANIES FOR 2019 (DECLARED)

TIN 2001 Code		1112 711200						1111 711100		
Name of the Taxpayer (in English)	Tax calculation for the reporting year (by declaration)	Profit Tax			Profit tax declared, reserved and paid to the State budget from profits paid to non-resident tax agents paying profit taxes			Income tax		
		Calculated by inspection act (acts) (examination protocol) (including penalties and fines)	Total		Tax calculation for the reporting year (by declaration)	Calculated by inspection act (acts) (examination protocol) (including penalties and fines)	Total	Tax calculation for the reporting year (by declaration)	Calculated by inspection act (acts) (examination protocol) (including penalties and fines)	Total
1	“Chaarat Kapan” CJSC	667,547,338	(56,762,288)	610,785,050	5,095,797	-	5,095,797	1,414,374,838	-	1,414,374,838
2	“Agarak CMC” CJSC	-	-	-	22,310,517	-	22,310,517	1,186,908,080	-	1,186,908,080
3	“Zangezur Copper-Molybdenum Combine” CJSC	11,202,048,502	-	11,202,048,502	581,328,568	-	581,328,568	8,169,370,123	-	8,169,370,123
4	“Teghout” CJSC	-	-	-	213,766,431	-	213,766,431	880,160,024	-	880,160,024
5	“Akhtala Mining and Processing Enterprise” CJSC	11,562,008	-	11,562,008	4,084,503	-	4,084,503	389,134,786	-	389,134,786
6	“Geopromining Gold” LLC	3,957,183,394	-	3,957,183,394	227,146,140	-	227,146,140	2,860,662,609	-	2,860,662,609
7	“Lydian Armenia” CJSC	-	-	-	999,633,217	-	999,633,217	2,043,193,249	-	2,043,193,249
8	“Ler-Ex” LLC	-	-	-	-	-	-	91,263,436	-	91,263,436
9	“Meghradzor Gold” LLC	-	-	-	-	-	-	173,107,378	-	173,107,378
10	“Fortune Resources” LLC	-	-	-	-	-	-	4,006,476	-	4,006,476
11	“Vayk Gold” LLC	-	-	-	-	-	-	197,136	-	197,136
12	“Vardani Zartok” LLC	-	-	-	-	-	-	171,228	-	171,228
13	“Tatstone” LLC	-	-	-	-	-	-	15,220,104	-	15,220,104
14	“AT-Metals” LLC	-	-	-	-	-	-	1,307,011	728,310	2,035,321
15	“Geghi Gold” LLC	(171,290,596)	-	(171,290,596)	-	-	-	15,130,222	-	15,130,222
16	“Multi Group Concern” LLC	-	-	-	1,116,666	-	1,116,666	22,412,496	-	22,412,496
17	“Sagamar” CJSC	-	-	-	-	-	-	49,712,359	-	49,712,359
18	“Baktek Eco” LLC	-	-	-	-	-	-	286,641	-	286,641
19	“Molibdeni Ashkharh” LLC	-	-	-	-	-	-	9,747,950	-	9,747,950
20	“Paramount Gold Mining” CJSC	-	41,837,958	41,837,958	-	-	-	9,248,000	-	9,248,000

TIN 2001 Code		1112 711200						1111 711100		
Name of the Taxpayer (in English)	Tax calculation for the reporting year (by declaration)	Profit Tax			Profit tax declared, reserved and paid to the State budget from profits paid to non-resident tax agents paying profit taxes			Income tax		
		Calculated by inspection act (acts) (examination protocol) (including penalties and fines)	Total		Tax calculation for the reporting year (by declaration)	Calculated by inspection act (acts) (examination protocol) (including penalties and fines)	Total	Tax calculation for the reporting year (by declaration)	Calculated by inspection act (acts) (examination protocol) (including penalties and fines)	Total
21	"Lichkvaz" CJSC	-	-	-	-	-	-	83,588,590	-	83,588,590
22	"Marjan Mining Company" LLC	-	-	-	-	-	-	17,477,480	-	17,477,480
23	"Aktiv Lernagorts" LLC	-	-	-	-	-	-	276,000	-	276,000
24	"Gharagulyanner" CJSC	-	142,508	142,508	-	-	-	4,848	-	4,848
25	"Mego-Gold" LLC	-	-	-	-	-	-	18,087,858	-	18,087,858
26	"Assat" LLC	-	-	-	-	-	-	-	-	-

TIN 2001 Code		1141 714110						
Name of the Taxpayer (in English)	Tax calculation for the reporting year (by declaration)	Value Added Tax			Import Value Added Tax			
		Calculated by inspection act (acts) (examination protocol) (including penalties and fines)	Total		VAT moneys subject to reimbursement by the State	Tax calculation for the reporting year (by declaration)	Calculated by inspection act (acts) (examination protocol) (including penalties and fines)	Total
1	"Chaarat Kapan" CJSC	-	515,710,384	515,710,384	-	439,522,593	-	439,522,593

TIN 2001 Code		1141 714110						
Name of the Taxpayer (in English)	Value Added Tax				Import Value Added Tax			
	Tax calculation for the reporting year (by declaration)	Calculated by inspection act (acts) (examination protocol) (including penalties and fines)	Total	VAT moneys subject to reimbursement by the State	Tax calculation for the reporting year (by declaration)	Calculated by inspection act (acts) (examination protocol) (including penalties and fines)	Total	
2	“Agarak CMC” CJSC	-	-	-	-	603,389,710	-	603,389,710
3	“Zangezur Copper-Molybdenum Combine” CJSC	-	-	-	(18,844,497,448)	1,496,675,379	-	1,496,675,379
4	“Teghout” CJSC	256,176,928	-	256,176,928	-	157,013,961	-	157,013,961
5	“Akhtala Mining and Processing Enterprise” CJSC	-	-	-	-	31,164,032	-	31,164,032
6	“Geopromining Gold” LLC	-	-	-	(6,329,985,849)	1,463,491,798	-	1,463,491,798
7	“Lydian Armenia” CJSC	-	-	-	-	1,028,902,000	-	1,028,902,000
8	“Ler-Ex” LLC	84,525,511	-	84,525,511	-	-	-	-
9	“Meghradzor Gold” LLC	-	-	-	(82,708,495)	9,623,132	-	9,623,132
10	“Fortune Resources” LLC	420,000	-	420,000	-	-	-	-
11	“Yayk Gold” LLC	137,500	-	137,500	-	-	-	-
12	“Yardani Zartonk” LLC	-	-	-	-	-	-	-
13	“Tatstone” LLC	10,931,791	-	10,931,791	-	-	-	-
14	“AT-Metals” LLC	-	4,971,874	2,180,383	(2,791,491)	-	1,886,704	1,886,704
15	“Geghi Gold” LLC	-	-	-	(1,153,873)	-	-	-
16	“Multi Group Concern” LLC	-	-	-	-	-	-	-
17	“Sagamar” CJSC	-	-	-	(32,287,403)	24,316,906	-	24,316,906
18	“Baktek Eco” LLC	-	3,290,051	3,290,051	-	-	-	-
19	“Molibdeni Ashkharh” LLC	-	-	-	-	-	-	-
20	“Paramount Gold Mining” CJSC	-	-	-	-	-	-	-
21	“Lichkvaz” CJSC	-	-	-	-	-	-	-
22	“Marjan Mining Company” LLC	138,646,929	-	138,646,929	-	631,568	-	631,568
23	“Aktiv Lernagorts” LLC	-	-	-	-	-	-	-
24	“Gharagulyanner” CJSC	-	-	-	-	-	-	-
25	“Mego-Gold” LLC	-	-	-	-	-	-	-
26	“Assat” LLC	-	-	-	-	-	-	-

TIN 2001 Code		1142 714200					
	Name of the Taxpayer (in English)	Excise tax			Import excise tax		
		Tax calculation for the reporting year (by declaration)	Calculated by inspection act (acts) (examination protocol) (including penalties and fines)	Total	Tax calculation for the reporting year (by declaration)	Calculated by inspection act (acts) (examination protocol) (including penalties and fines)	Total
1	“Chaarat Kapan” CJSC	-	-	-	363,027	-	363,027
2	“Agarak CMC” CJSC	-	-	-	-	-	-
3	“Zangezur Copper-Molybdenum Combine” CJSC	-	-	-	87,845,796	-	87,845,796
4	“Teghout” CJSC	-	-	-	19,608	-	19,608
5	“Akhtala Mining and Processing Enterprise” CJSC	-	-	-	-	-	-
6	“Geopromining Gold” LLC	-	-	-	82,036,110	-	82,036,110
7	“Lydian Armenia” CJSC	-	-	-	-	-	-
8	“Ler-Ex” LLC	-	-	-	-	-	-
9	“Meghradzor Gold” LLC	-	-	-	-	-	-
10	“Fortune Resources” LLC	-	-	-	-	-	-
11	“Vayk Gold” LLC	-	-	-	-	-	-
12	“Vardani Zartonk” LLC	-	-	-	-	-	-
13	“Tatstone” LLC	-	-	-	-	-	-
14	“AT-Metals” LLC	-	-	-	-	-	-
15	“Geghi Gold” LLC	-	-	-	-	-	-
16	“Multi Group Concern” LLC	-	-	-	-	-	-
17	“Sagamar” CJSC	-	-	-	-	-	-
18	“Baktek Eco” LLC	-	-	-	-	-	-
19	“Molibdeni Ashkharh” LLC	-	-	-	-	-	-
20	“Paramount Gold Mining” CJSC	-	-	-	-	-	-
21	“Lichkvaz” CJSC	-	-	-	-	-	-
22	“Marjan Mining Company” LLC	-	-	-	-	-	-
23	“Aktiv Lernagorts” LLC	-	-	-	-	-	-
24	“Gharagulyanner” CJSC	-	-	-	-	-	-
25	“Mego-Gold” LLC	-	-	-	-	-	-
26	“Assat” LLC	-	-	-	-	-	-

	Name of the Taxpayer (in English)	Royalty			Nature use payments		
		Tax calculation for the reporting year (by declaration)	Calculated by inspection act (acts) (examination protocol) (including penalties and fines)	Total	Tax calculation for the reporting year (by declaration)	Calculated by inspection act (acts) (examination protocol) (including penalties and fines)	Total
1	“Chaarat Kapan” CJSC	2,310,845,117	1,068,271,424	3,379,116,541	594,000	-	594,000
2	“Agarak CMC” CJSC	1,265,000,825	-	1,265,000,825	-	-	-
3	“Zangezur Copper-Molybdenum Combine” CJSC	20,566,080,584	-	20,566,080,584	34,251,314	-	34,251,314
4	“Teghout” CJSC	124,296,597	-	124,296,597	128,013	-	128,013
5	“Akhtala Mining and Processing Enterprise” CJSC	446,647,949	-	446,647,949	1,195,732	-	1,195,732
6	“Geopromining Gold” LLC	6,639,749,203	-	6,639,749,203	3,214,410	-	3,214,410
7	“Lydian Armenia” CJSC	-	-	-	80,329	-	80,329
8	“Ler-Ex” LLC	-	-	-	-	-	-
9	“Meghradzor Gold” LLC	121,776,115	-	121,776,115	-	-	-
10	“Fortune Resources” LLC	-	-	-	-	-	-
11	“Vayk Gold” LLC	27,500	-	27,500	-	-	-
12	“Vardani Zartonk” LLC	-	-	-	-	-	-
13	“Tatstone” LLC	-	-	-	-	-	-
14	“AT-Metals” LLC	-	-	-	-	-	-
15	“Geghi Gold” LLC	-	-	-	-	-	-
16	“Multi Group Concern” LLC	-	-	-	-	-	-
17	“Sagamar” CJSC	-	-	-	-	-	-
18	“Baktek Eco” LLC	-	-	-	-	-	-
19	“Molibdeni Ashkharh” LLC	-	-	-	-	-	-
20	“Paramount Gold Mining” CJSC	-	-	-	-	-	-
21	“Lichkvaz” CJSC	-	-	-	-	-	-
22	“Marjan Mining Company” LLC	-	-	-	-	-	-
23	“Aktiv Lernagorts” LLC	-	-	-	-	-	-
24	“Gharagulyanner” CJSC	-	-	-	-	-	-
25	“Mego-Gold” LLC	-	-	-	-	-	-
26	“Assat” LLC	-	-	-	-	-	-

TIN 2001 Code		1145 714523			1145 714523		
Name of the Taxpayer (in English)		Environmental taxes, aggregation of environmental taxes and payments			Environmental charges (taxes) collected for goods imported from non-member countries of the EAEU, according to the provided customs declarations		
		Tax calculation for the reporting year (by declaration)	Calculated by inspection act (acts) (examination protocol) (including penalties and fines)	Total	Tax calculation for the reporting year (by declaration)	Calculated by inspection act (acts) (examination protocol) (including penalties and fines)	Total
1	“Chaarat Kapan” CJSC/ “Kapan Mining and Processing Company” CJSC	4,895,433	-	4,895,433	54,740	-	54,740
2	“Agarak CMC” CJSC	14,852,649	-	14,852,649	3,417,908	-	3,417,908
3	“Zangezur Copper-Molybdenum Combine” CJSC	25,465,196	-	25,465,196	148,356	-	148,356
4	“Teghout” CJSC	281,591	-	281,591	10,858	-	10,858
5	“Akhtala Mining and Processing Enterprise” CJSC	1,727,699	-	1,727,699	10,158,265	-	10,158,265
6	“Geopromining Gold” LLC	5,827,708	-	5,827,708	9,534,968	-	9,534,968
7	“Lydian Armenia” CJSC	83,325	-	83,325	-	-	-
8	“Ler-Ex” LLC	18,812	-	18,812	-	-	-
9	“Meghradzor Gold” LLC	562,972	-	562,972	94,292	-	94,292
10	“Fortune Resources” LLC	-	-	-	-	-	-
11	“Vayk Gold” LLC	-	-	-	-	-	-
12	“Yardani Zartonk” LLC	-	-	-	-	-	-
13	“Tatstone” LLC	1,430,254	-	1,430,254	-	-	-
14	“AT-Metals” LLC	-	-	-	-	-	-
15	“Geghi Gold” LLC	-	-	-	-	-	-
16	“Multi Group Concern” LLC	19,800	-	19,800	17,842	-	17,842
17	“Sagamar” CJSC	-	-	-	-	-	-
18	“Baktek Eco” LLC	-	-	-	-	-	-
19	“Molibdeni Ashkharh” LLC	-	-	-	-	-	-
20	“Paramount Gold Mining” CJSC	-	-	-	-	-	-
21	“Lichkvaz” CJSC	1,029,132	-	1,029,132	-	-	-
22	“Marjan Mining Company” LLC	-	-	-	-	-	-
23	“Aktiv Lernagorts” LLC	-	-	-	-	-	-
24	“Gharagulyanner” CJSC	-	-	-	-	-	-
25	“Mego-Gold” LLC	-	-	-	-	-	-
26	“Assat” LLC	-	-	-	-	-	-

TIN 2001 Code		1145 714523			1151 715100, 1422 742212, 1145, 714511	1145 714522	
Name of the Taxpayer (in English)	Environmental charges (taxes) collected for goods imported from EAEU member countries according to the provided customs declarations				Customs fees and duties	State duty for granting a permit for using (exploiting) each mine of precious, non-ferrous, ferrous and rare metals	State duty for granting Water Use Permit
		Tax calculation for the reporting year (by declaration)	Calculated by inspection act (acts) (examination protocol) (including penalties and fines)	Total	Paid during the reporting year from the joint account and other treasury accounts as well as paid in the customs agency (including penalties and fines)	Calculated amount of payment	Calculated amount of payment
1	“Chaarat Kapan” CJSC	643,357	-	643,357	116,110,915	10,000,000	-
2	“Agarak CMC” CJSC	728,029	-	728,029	63,973,831	10,000,000	-
3	“Zangezur Copper-Molybdenum Combine” CJSC	4,775,860	-	4,775,860	318,354,500	10,000,000	10,000
4	“Teghout” CJSC	-	-	-	42,796,441	10,000,000	-
5	“Akhtala Mining and Processing Enterprise” CJSC	175,731	-	175,731	6,967,437	10,000,000	-
6	“Geopromining Gold” LLC	1,001,959	-	1,001,959	325,508,237	10,000,000	-
7	“Lydian Armenia” CJSC	-	-	-	335,661,000	10,000,000	-
8	“Ler-Ex” LLC	-	-	-	-	10,000,000	-
9	“Meghradzor Gold” LLC	-	-	-	11,642,950	10,000,000	-
10	“Fortune Resources” LLC	-	-	-	-	50,000	-
11	“Vayk Gold” LLC	-	-	-	-	10,000,000	-
12	“Yardani Zartonk” LLC	-	-	-	-	10,000,000	-
13	“Tatstone” LLC	-	-	-	-	20,000,000	-
14	“AT-Metals” LLC	-	-	-	-	10,000,000	-
15	“Geghi Gold” LLC	-	-	-	-	10,000,000	-
16	“Multi Group Concern” LLC	-	-	-	3,661,286	10,000,000	-
17	“Sagamar” CJSC	-	-	-	86,000	10,000,000	-
18	“Baktek Eco” LLC	-	-	-	-	10,000,000	-
19	“Molibdeni Ashkharh” LLC	-	-	-	-	10,000,000	-
20	“Paramount Gold Mining” CJSC	-	-	-	-	10,000,000	-
21	“Lichkvaz” CJSC	-	-	-	-	10,000,000	-
22	“Marjan Mining Company” LLC	-	-	-	-	-	-
23	“Aktiv Lernagorts” LLC	-	-	-	-	10,000,000	-
24	“Gharagulyanner” CJSC	-	-	-	-	10,000,000	-
25	“Mego-Gold” LLC	-	-	-	-	-	-
26	“Assat” LLC	-	-	-	-	10,000,000	-



	TIN 2001 Code	1131 713121, 1136 713611			1131 713122			
		Name of the Taxpayer (in English)	Property tax			Land tax		
			Tax calculation for the reporting year (by declaration)	Calculated by inspection act (acts) (examination protocol) (excluding penalties and fines)	Total	Tax calculation for the reporting year (by declaration)	Calculated by inspection act (acts) (examination protocol) (including penalties and fines)	Total
1	“Chaarat Kapan” CJSC	3,824,418	-	3,824,418	1,370,607	-	1,370,607	
2	“Agarak CMC” CJSC	6,977,628	-	6,977,628	60,112	-	60,112	
3	“Zangezur Copper-Molybdenum Combine” CJSC	28,171,901	-	28,171,901	1,145,715	-	1,145,715	
4	“Teghout” CJSC	3,842,356	-	3,842,356	3,985,662	-	3,985,662	
5	“Akhtala Mining and Processing Enterprise” CJSC	1,873,631	-	1,873,631	302,226	-	302,226	
6	“Geoproming Gold” LLC	5,006,445	-	5,006,445	4,202,092	-	4,202,092	
7	“Lydian Armenia” CJSC	1,645,733	-	1,645,733	9,275,908	-	9,275,908	
8	“Ler-Ex” LLC	233,122	-	233,122	25,218	-	25,218	
9	“Meghradzor Gold” LLC	262,725	-	262,725	351,001	-	351,001	
10	“Fortune Resources” LLC	-	-	-	-	-	-	
11	“Vayk Gold” LLC	-	-	-	-	-	-	
12	“Vardani Zartonk” LLC	-	-	-	-	-	-	
13	“Tatstone” LLC	-	-	-	224	-	224	
14	“AT-Metals” LLC	-	-	-	-	-	-	
15	“Geghi Gold” LLC	33,620	-	33,620	-	-	-	
16	“Multi Group Concern” LLC	12,742,355	-	12,742,355	2,137,147	-	2,137,147	
17	“Sagamar” CJSC	2,309,196	-	2,309,196	2,037,600	-	2,037,600	
18	“Baktek Eco” LLC	-	-	-	-	-	-	
19	“Molibdeni Ashkharh” LLC	-	-	-	3,619	-	3,619	
20	“Paramount Gold Mining” CJSC	-	-	-	-	-	-	
21	“Lichkvaz” CJSC	16,320	-	16,320	-	-	-	
22	“Marjan Mining Company” LLC	-	-	-	-	-	-	
23	“Aktiv Lernagorts” LLC	-	-	-	-	-	-	
24	“Gharagulyanner” CJSC	-	-	-	-	-	-	
25	“Mego-Gold” LLC	122,200	-	122,200	35,200	-	35,200	
26	“Assat” LLC	-	-	-	-	-	-	



TIN 2001 Code		1415 741520				
	Name of the Taxpayer (in English)	Land acquisition	Rent payments paid during the reporting year (including penalties and fines)			
		Value specified in the contract	Real estate	Transportation	Land	Total
1	“Chaarat Kapan” CJSC	-	-	-	109,878,797	109,878,797
2	“Agarak CMC” CJSC	-	-	-	31,723,512	31,723,512
3	“Zangezur Copper-Molybdenum Combine” CJSC	12,844,910	-	450,000	153,203,425	153,653,425
4	“Teghout” CJSC	-	-	-	31,273,010	31,273,010
5	“Akhtala Mining and Processing Enterprise” CJSC	-	3,600,000	-	5,974,008	9,574,008
6	“Geopromining Gold” LLC	-	960,000	-	68,000,000	68,960,000
7	“Lydian Armenia” CJSC	-	-	-	426,991,814	426,991,814
8	“Ler-Ex” LLC	-	-	-	1,538,700	1,538,700
9	“Meghradzor Gold” LLC	16,240,000	-	-	24,910,272	24,910,272
10	“Fortune Resources” LLC	-	-	-	-	-
11	“Vayk Gold” LLC	-	-	-	-	-
12	“Vardani Zartok” LLC	-	-	-	-	-
13	“Tatstone” LLC	-	-	-	18,852,172	18,852,172
14	“AT-Metals” LLC	-	-	-	-	-
15	“Geghi Gold” LLC	-	-	-	-	-
16	“Multi Group Concern” LLC	186,937,382	22,107,888	-	6,793,369	28,901,257
17	“Sagamar” CJSC	-	-	-	1,400,004	1,400,004
18	“Baktek Eco” LLC	-	-	-	-	-
19	“Molibdeni Ashkharh” LLC	-	-	-	-	-
20	“Paramount Gold Mining” CJSC	-	-	-	-	-
21	“Lichkvaz” CJSC	-	-	-	5,186,930	5,186,930
22	“Marjan Mining Company” LLC	-	-	-	-	-
23	“Aktiv Lernagorts” LLC	-	-	-	181,400	181,400
24	“Gharagulyanner” CJSC	-	-	-	-	-
25	“Mego-Gold” LLC	-	-	-	-	-
26	“Assat” LLC	-	-	-	-	-



	Name of the Taxpayer (in English)	Obligations related to social-economic development of communities defined by the mining contract	Replenishment of environmental protection fund		
		Paid amounts	Basic rate for calculation	Amount to be paid to the fund calculated for the reporting year	The factual payment made to the fund during the reporting year
1	“Chaarat Kapan” CJSC	140,325,000	105,000,000	2,704,545	23,863,635
2	“Agarak CMC” CJSC	33,000,000	428,690,000	26,027,607	-
3	“Zangezur Copper-Molybdenum Combine” CJSC	-	548,751,230	19,434,939	21,264,739
4	“Teghout” CJSC	-	-	2,953,000	2,953,000
5	“Akhtala Mining and Processing Enterprise” CJSC	-	190,968,000	32,466,000	32,466,000
6	“Geopromining Gold” LLC	-	901,700,000	58,957,300	117,914,600
7	“Lydian Armenia” CJSC	-	1,864,926,000	121,938,000	121,938,000
8	“Ler-Ex” LLC	-	-	-	-
9	“Meghradzor Gold” LLC	-	307,740	307,740	307,740
10	“Assat” LLC	-	1,028,460	1,028,460	1,028,460
11	“Vayk Gold” LLC	15,000,000	-	-	-
12	“Vardani Zartonk” LLC	-	-	735,000	735,000
13	“Tatstone” LLC	23,030,000	241,245	241,245	271,135
14	“AT-Metals” LLC	-	-	-	35,000,000
15	“Geghi Gold” LLC	500,000	12,224,500	12,224,500	12,224,500
16	“Multi Group Concern” LLC	-	6,315,000	233,380	-
17	“Sagamar” CJSC	-	-	-	-
18	“Baktek Eco” LLC	-	-	-	-
19	“Molibdeni Ashkharh” LLC	60,172,400	16,916,000	1,561,152	1,561,152
20	“Paramount Gold Mining” CJSC	-	-	-	-
21	“Lichkvaz” CJSC	16,133,019	32,500,000	1,453,947	1,453,947
22	“Marjan Mining Company” LLC	-	-	-	-
23	“Aktiv Lernagorts” LLC	-	379,810	379,810	379,810
24	“Gharagulyanner” CJSC	1,250,000	9,891,560	233,511	1,717,245
25	“Mego-Gold” LLC	-	-	-	-
26	“Assat” LLC	-	420,000	420,000	420,000



	Name of the Taxpayer (in English)	Monitoring Implementation Fee			Environmental Impact Assessment Fee	Penalties	Fines
		Basic rate for calculation	Amount to be paid to the fund calculated for the reporting year	The actual payment made to the fund during the reporting year	The actual payment made to the fund during the reporting year	The amount of penalties and fines (including the amount calculated by the inspection act (examination protocol) during the reporting year)	The amount of penalties and fines (including the amount calculated by the inspection act (examination protocol) during the reporting year)
1	“Chaarat Kapan” CJSC	28,799,400	741,818	741,818	1,000,000	-	-
2	“Agarak CMC” CJSC	-	-	-	-	-	-
3	“Zangezur Copper-Molybdenum Combine” CJSC	77,850,000	2,757,188	2,757,188	-	-	-
4	“Teghout” CJSC	-	-	-	-	343,994,116	-
5	“Akhtala Mining and Processing Enterprise” CJSC	1,500,000	255,000	255,000	3,072,000	-	5,003,974
6	“Geopromining Gold” LLC	6,000,000	425,000	850,000	-	-	-
7	“Lydian Armenia” CJSC	16,610,000	16,610,000	16,610,000	-	-	-
8	“Ler-Ex” LLC	-	-	-	-	2,517	-
9	“Meghradzor Gold” LLC	396,670	396,670	396,670	-	-	-
10	“Fortune Resources” LLC	-	-	-	-	-	-
11	“Yayk Gold” LLC	-	-	-	-	-	-
12	“Vardani Zartonk” LLC	-	-	-	-	-	-
13	“Tatstone” LLC	213,451	213,451	214,000	400,000	357,072	1,484,563
14	“AT-Metals” LLC	-	-	-	-	-	-
15	“Geghi Gold” LLC	-	-	-	-	-	-
16	“Multi Group Concern” LLC	-	-	-	-	-	-
17	“Sagamar” CJSC	-	-	-	-	-	-
18	“Baktek Eco” LLC	-	-	-	-	-	-
19	“Molibdeni Ashkharh” LLC	-	-	-	-	-	-
20	“Paramount Gold Mining” CJSC	-	-	-	-	-	-
21	“Lichkvaz” CJSC	18,500,000	827,600	827,600	-	-	-
22	“Marjan Mining Company” LLC	-	-	-	-	-	-
23	“Aktiv Lernagorts” LLC	382,500	382,500	382,500	-	-	-
24	“Gharagulyanner” CJSC	4,895,000	115,577	849,827	-	-	-
25	“Mego-Gold” LLC	-	-	-	-	-	-

	Name of the Taxpayer (in English)	Monitoring Implementation Fee			Environmental Impact Assessment Fee	Penalties	Fines
		Basic rate for calculation	Amount to be paid to the fund calculated for the reporting year	The actual payment made to the fund during the reporting year	The actual payment made to the fund during the reporting year	The amount of penalties and fines (including the amount calculated by the inspection act (examination protocol) during the reporting year)	The amount of penalties and fines (including the amount calculated by the inspection act (examination protocol) during the reporting year)
26	"Assat" LLC	-	-	-	-	-	-

Data provided by reporting mining companies in 2018 (expressed in US dollars)

	TIN 2001 Code	1112 711200						1111 711100		
		Profit Tax			Profit tax declared, reserved and paid to the State budget from profits paid to non-resident tax agents paying profit taxes			Income tax		
		Tax calculation for the reporting year (by declaration)	Calculated by inspection act (acts) (examination protocol) (including penalties and fines)	Total	Tax calculation for the reporting year (by declaration)	Calculated by inspection act (acts) (examination protocol) (including penalties and fines)	Total	Tax calculation for the reporting year (by declaration)	Calculated by inspection act (acts) (examination protocol) (including penalties and fines)	Total
1	"Chaarat Kapan" CJSC	1,381,995	(117,513)	1,264,483	10,550	-	10,550	2,928,121	-	2,928,121
2	"Agarak CMC" CJSC	-	-	-	46,189	-	46,189	2,457,206	-	2,457,206
3	"Zangezur Copper-Molybdenum Combine" CJSC	23,191,135	-	23,191,135	1,203,500	-	1,203,500	16,912,707	-	16,912,707
4	"Teghout" CJSC	-	-	-	442,552	-	442,552	1,822,159	-	1,822,159
5	"Akhtala Mining and Processing Enterprise" CJSC	23,936	-	23,936	8,456	-	8,456	805,610	-	805,610
6	"Geopromining Gold" LLC	8,192,392	-	8,192,392	470,251	-	470,251	5,922,311	-	5,922,311
7	"Lydian Armenia" CJSC	-	-	-	2,069,499	-	2,069,499	4,229,938	-	4,229,938
8	"Ler-Ex" LLC	-	-	-	-	-	-	188,939	-	188,939
9	"Meghradzor Gold" LLC	-	-	-	-	-	-	358,377	-	358,377
10	"Fortune Resources" LLC	-	-	-	-	-	-	8,294	-	8,294
11	"Vayk Gold" LLC	-	-	-	-	-	-	408	-	408
12	"Yardani Zartok" LLC	-	-	-	-	-	-	354	-	354
13	"Tatstone" LLC	-	-	-	-	-	-	31,510	-	31,510
14	"AT-Metals" LLC	-	-	-	-	-	-	2,706	1,508	4,214
15	"Geghi Gold" LLC	(354,616)	-	(354,616)	-	-	-	31,323	-	31,323
16	"Multi Group Concern" LLC	-	-	-	2,312	-	2,312	46,400	-	46,400
17	"Sagamar" CJSC	-	-	-	-	-	-	102,917	-	102,917
18	"Baktek Eco" LLC	-	-	-	-	-	-	593	-	593
19	"Molibdeni Ashkharh" LLC	-	-	-	-	-	-	20,181	-	20,181

TIN 2001 Code		1112 711200						1111 711100		
Name of the Taxpayer (in English)	Tax calculation for the reporting year (by declaration)	Profit Tax			Profit tax declared, reserved and paid to the State budget from profits paid to non-resident tax agents paying profit taxes			Income tax		
		Calculated by inspection act (acts) (examination protocol) (including penalties and fines)	Total		Tax calculation for the reporting year (by declaration)	Calculated by inspection act (acts) (examination protocol) (including penalties and fines)	Total	Tax calculation for the reporting year (by declaration)	Calculated by inspection act (acts) (examination protocol) (including penalties and fines)	Total
20	"Paramount Gold Mining" CJSC	-	86,615	86,615	-	-	-	19,146	-	19,146
21	"Lichkvaz" CJSC	-	-	-	-	-	-	173,050	-	173,050
22	"Marjan Mining Company" LLC	-	-	-	-	-	-	36,183	-	36,183
23	"Aktiv Lernagorts" LLC	-	-	-	-	-	-	571	-	571
24	"Gharagulyanner" CJSC	-	295	295	-	-	-	10	-	10
25	"Mego-Gold" LLC	-	-	-	-	-	-	37,447	-	37,447
26	"Assat" LLC	-	-	-	-	-	-	-	-	-

TIN 2001 Code		1141 714110						
Name of the Taxpayer (in English)	Tax calculation for the reporting year (by declaration)	Value Added Tax			VAT moneys subject to reimbursement by the State	Import Value Added Tax		
		Calculated by inspection act (acts) (examination protocol) (including penalties and fines)	Total			Tax calculation for the reporting year (by declaration)	Calculated by inspection act (acts) (examination protocol) (including penalties and fines)	Total
1	"Chaarat Kapan" CJSC	-	1,067,654	1,067,654	-	909,925	-	909,925
2	"Agarak CMC" CJSC	-	-	-	-	1,249,173	-	1,249,173
3	"Zangezur Copper-Molybdenum Combine" CJSC	-	-	-	(39,012,979)	3,098,505	-	3,098,505
4	"Teghout" CJSC	530,352	-	530,352	-	325,059	-	325,059
5	"Akhtala Mining and Processing Enterprise" CJSC	-	-	-	-	64,518	-	64,518
6	"Geopromining Gold" LLC	-	-	-	(13,104,706)	3,029,806	-	3,029,806
7	"Lydian Armenia" CJSC	-	-	-	-	2,130,093	-	2,130,093
8	"Ler-Ex" LLC	174,990	-	174,990	-	-	-	-
9	"Meghradzor Gold" LLC	-	-	-	(171,228)	19,922	-	19,922
10	"Fortune Resources" LLC	870	-	870	-	-	-	-
11	"Yayk Gold" LLC	285	-	285	-	-	-	-

12	“Vardani Zartonk” LLC	-	-	-	-	-	-	-
13	“Tatstone” LLC	22,632	-	22,632	-	-	-	-
14	“AT-Metals” LLC	-	10,293	4,514	(5,779)	-	3,906	3,906
15	“Geghi Gold” LLC	-	-	-	(2,389)	-	-	-
16	“Multi Group Concern” LLC	-	-	-	(66,843)	50,342	-	50,342
17	“Sagamar” CJSC	-	6,811	6,811	-	-	-	-
18	“Baktek Eco” LLC	-	-	-	-	-	-	-
19	“Molibdeni Ashkharh” LLC	-	-	-	-	-	-	-
20	“Paramount Gold Mining” CJSC	-	-	-	-	-	-	-
21	“Lichkvaz” CJSC	287,035	-	287,035	-	1,308	-	1,308
22	“Marjan Mining Company” LLC	-	-	-	-	-	-	-
23	“Aktiv Lernagorts” LLC	-	-	-	-	-	-	-
24	“Gharagulyanner” CJSC	-	-	-	-	-	-	-
25	“Mego-Gold” LLC	-	-	-	-	-	-	-
26	“Assat” LLC	-	-	-	-	-	-	-

TIN 2001 Code		1142 714200						1146 714612		
Name of the Taxpayer (in English)	Tax calculation for the reporting year (by declaration)	Excise tax			Import excise tax			Royalty		
		Calculated by inspection act (acts) (examination protocol) (including penalties and fines)	Total	Tax calculation for the reporting year (by declaration)	Calculated by inspection act (acts) (examination protocol) (including penalties and fines)	Total	Tax calculation for the reporting year (by declaration)	Calculated by inspection act (acts) (examination protocol) (including penalties and fines)	Total	
1	“Chaarat Kapan” CJSC	-	-	752	-	752	4,784,046	2,211,598	6,995,644	
2	“Agarak CMC” CJSC	-	-	-	-	-	2,618,879	-	2,618,879	
3	“Zangezur Copper-Molybdenum Combine” CJSC	-	-	181,863	-	181,863	42,577,101	-	42,577,101	
4	“Teghout” CJSC	-	-	41	-	41	257,326	-	257,326	
5	“Akhtala Mining and Processing Enterprise” CJSC	-	-	-	-	-	924,677	-	924,677	
6	“Geopromining Gold” LLC	-	-	169,836	-	169,836	13,745,997	-	13,745,997	
7	“Lydian Armenia” CJSC	-	-	-	-	-	-	-	-	
8	“Ler-Ex” LLC	-	-	-	-	-	-	-	-	
9	“Meghradzor Gold” LLC	-	-	-	-	-	252,108	-	252,108	
10	“Fortune Resources” LLC	-	-	-	-	-	-	-	-	
11	“Vayk Gold” LLC	-	-	-	-	-	57	-	57	
12	“Vardani Zartonk” LLC	-	-	-	-	-	-	-	-	
13	“Tatstone” LLC	-	-	-	-	-	-	-	-	
14	“AT-Metals” LLC	-	-	-	-	-	-	-	-	
15	“Geghi Gold” LLC	-	-	-	-	-	-	-	-	
16	“Multi Group Concern” LLC	-	-	-	-	-	-	-	-	
17	“Sagamar” CJSC	-	-	-	-	-	-	-	-	
18	“Baktek Eco” LLC	-	-	-	-	-	-	-	-	
19	“Molibdeni Ashkharh” LLC	-	-	-	-	-	-	-	-	
20	“Paramount Gold Mining” CJSC	-	-	-	-	-	-	-	-	
21	“Lichkvaz” CJSC	-	-	-	-	-	-	-	-	
22	“Marjan Mining Company” LLC	-	-	-	-	-	-	-	-	
23	“Aktiv Lernagorts” LLC	-	-	-	-	-	-	-	-	
24	“Gharagulyanner” CJSC	-	-	-	-	-	-	-	-	
25	“Mego-Gold” LLC	-	-	-	-	-	-	-	-	
26	“Assat” LLC	-	-	-	-	-	-	-	-	

TIN 2001 Code		1146 714612			1145 714523		
	Name of the Taxpayer (in English)	Nature use payments			Environmental taxes, aggregation of environmental taxes and payments		
		Tax calculation for the reporting year (by declaration)	Calculated by inspection act (acts) (examination protocol) (including penalties and fines)	Total	Tax calculation for the reporting year (by declaration)	Calculated by inspection act (acts) (examination protocol) (including penalties and fines)	Total
1	“Chaarat Kapan” CJSC	1,230	-	1,230	10,135	-	10,135
2	“Agarak CMC” CJSC	-	-	-	30,749	-	30,749
3	“Zangezur Copper-Molybdenum Combine” CJSC	70,909	-	70,909	52,720	-	52,720
4	“Teghout” CJSC	265	-	265	583	-	583
5	“Akhtala Mining and Processing Enterprise” CJSC	2,475	-	2,475	3,577	-	3,577
6	“Geopromining Gold” LLC	6,655	-	6,655	12,065	-	12,065
7	“Lydian Armenia” CJSC	166	-	166	173	-	173
8	“Ler-Ex” LLC	-	-	-	39	-	39
9	“Meghradzor Gold” LLC	-	-	-	1,165	-	1,165
10	“Fortune Resources” LLC	-	-	-	-	-	-
11	“Vayk Gold” LLC	-	-	-	-	-	-
12	“Yardani Zartonk” LLC	-	-	-	-	-	-
13	“Tatstone” LLC	-	-	-	2,961	-	2,961
14	“AT-Metals” LLC	-	-	-	-	-	-
15	“Geghi Gold” LLC	-	-	-	-	-	-
16	“Multi Group Concern” LLC	-	-	-	41	-	41
17	“Sagamar” CJSC	-	-	-	-	-	-
18	“Baktek Eco” LLC	-	-	-	-	-	-
19	“Molibdeni Ashkharh” LLC	-	-	-	-	-	-
20	“Paramount Gold Mining” CJSC	-	-	-	-	-	-
21	“Lichkvaz” CJSC	-	-	-	2,131	-	2,131
22	“Marjan Mining Company” LLC	-	-	-	-	-	-
23	“Aktiv Lernagorts” LLC	-	-	-	-	-	-
24	“Gharagulyanner” CJSC	-	-	-	-	-	-
25	“Mego-Gold” LLC	-	-	-	-	-	-
26	“Assat” LLC	-	-	-	-	-	-

TIN 2001 Code		1145 714523			1145 714523			1151 715100, 1422 742212, 1145, 714511
Name of the Taxpayer (in English)		Environmental charges (taxes) collected for goods imported from non-member countries of the EAEU, according to the provided customs declarations			Environmental charges (taxes) collected for goods imported from EAEU member countries according to the provided customs declarations			Customs fees and duties
		Tax calculation for the reporting year (by declaration)	Calculated by inspection act (acts) (examination protocol) (including penalties and fines)	Total	Tax calculation for the reporting year (by declaration)	Calculated by inspection act (acts) (examination protocol) (including penalties and fines)	Total	Paid during the reporting year from the joint account and other treasury accounts as well as paid in the customs agency (including penalties and fines)
1	“Chaarat Kapan” CJSC	113	-	113	1,332	-	1,332	240,380
2	“Agarak CMC” CJSC	7,076	-	7,076	1,507	-	1,507	132,442
3	“Zangezur Copper-Molybdenum Combine” CJSC	307	-	307	9,887	-	9,887	659,076
4	“Teghout” CJSC	22	-	22	-	-	-	88,600
5	“Akhtala Mining and Processing Enterprise” CJSC	21,030	-	21,030	364	-	364	14,424
6	“Geopromining Gold” LLC	19,740	-	19,740	2,074	-	2,074	673,886
7	“Lydian Armenia” CJSC	-	-	-	-	-	-	694,905
8	“Ler-Ex” LLC	-	-	-	-	-	-	-
9	“Meghradzor Gold” LLC	195	-	195	-	-	-	24,104
10	“Fortune Resources” LLC	-	-	-	-	-	-	-
11	“Vayk Gold” LLC	-	-	-	-	-	-	-
12	“Vardani Zartok” LLC	-	-	-	-	-	-	-
13	“Tatstone” LLC	-	-	-	-	-	-	-
14	“AT-Metals” LLC	-	-	-	-	-	-	-
15	“Geghi Gold” LLC	-	-	-	-	-	-	-
16	“Multi Group Concern” LLC	37	-	37	-	-	-	7,580
17	“Sagamar” CJSC	-	-	-	-	-	-	178
18	“Baktek Eco” LLC	-	-	-	-	-	-	-
19	“Molibdeni Ashkharh” LLC	-	-	-	-	-	-	-
20	“Paramount Gold Mining” CJSC	-	-	-	-	-	-	-
21	“Lichkvaz” CJSC	-	-	-	-	-	-	-
22	“Marjan Mining Company” LLC	-	-	-	-	-	-	-
23	“Aktiv Lernagorts” LLC	-	-	-	-	-	-	-
24	“Gharagulyanner” CJSC	-	-	-	-	-	-	-
25	“Mego-Gold” LLC	-	-	-	-	-	-	-
26	“Assat” LLC	-	-	-	-	-	-	-

TIN 2001 Code		1145 714522				
	Name of the Taxpayer (in English)	State duty for granting a permit for using (exploiting) each mine of precious, non-ferrous, ferrous and rare metals	State duty for granting Water Use Permit	Replenishment of environmental protection fund		
		Calculated amount of payment	Calculated amount of payment	Basic rate for calculation	Amount to be paid to the fund calculated for the reporting year	The factual payment made to the fund during the reporting year
1	"Chaarat Kapan" CJSC	20,703	-	217,377	5,599	49,404
2	"Agarak CMC" CJSC	20,703	-	887,499	53,884	-
3	"Zangezur Copper-Molybdenum Combine" CJSC	20,703	21	1,136,057	40,235	44,024
4	"Teghout" CJSC	20,703	-	-	6,113	6,113
5	"Akhtala Mining and Processing Enterprise" CJSC	20,703	-	395,353	67,213	67,213
6	"Geopromining Gold" LLC	20,703	-	1,866,752	122,057	244,114
7	"Lydian Armenia" CJSC	20,703	-	3,860,891	252,443	252,443
8	"Ler-Ex" LLC	20,703	-	-	-	-
9	"Meghradzor Gold" LLC	20,703	-	637	637	637
10	"Fortune Resources" LLC	104	-	2,129	2,129	2,129
11	"Vayk Gold" LLC	20,703	-	-	-	-
12	"Yardani Zartonk" LLC	20,703	-	-	1,522	1,522
13	"Tatstone" LLC	41,405	-	499	499	561
14	"AT-Metals" LLC	20,703	-	-	-	72,459
15	"Geghi Gold" LLC	20,703	-	25,308	25,308	25,308
16	"Multi Group Concern" LLC	20,703	-	13,074	483	-
17	"Sagamar" CJSC	20,703	-	-	-	-
18	"Baktek Eco" LLC	20,703	-	-	-	-
19	"Molibdeni Ashkharh" LLC	20,703	-	35,020	3,232	3,232
20	"Paramount Gold Mining" CJSC	20,703	-	-	-	-
21	"Lichkvaz" CJSC	20,703	-	67,283	3,010	3,010
22	"Marjan Mining Company" LLC	-	-	-	-	-
23	"Aktiv Lernagorts" LLC	20,703	-	786	786	786
24	"Gharagulyanner" CJSC	20,703	-	20,478	483	3,555
25	"Mego-Gold" LLC	-	-	-	-	-
26	"Assat" LLC	20,703	-	870	870	870

	Name of the Taxpayer (in English)	Monitoring Implementation Fee			Environmental Impact Assessment Fee
		Basic rate for calculation	Amount to be paid to the fund calculated for the reporting year	The actual payment made to the fund during the reporting year	The actual payment made to the fund during the reporting year
1	“Chaarat Kapan” CJSC	59,622	1,536	1,536	2,070
2	“Agarak CMC” CJSC	-	-	-	-
3	“Zangezur Copper-Molybdenum Combine” CJSC	161,170	5,708	5,708	-
4	“Teghout” CJSC	-	-	-	-
5	“Akhtala Mining and Processing Enterprise” CJSC	3,105	528	528	6,360
6	“Geopromining Gold” LLC	12,422	880	1,760	-
7	“Lydian Armenia” CJSC	34,387	34,387	34,387	-
8	“Ler-Ex” LLC	-	-	-	-
9	“Meghradzor Gold” LLC	821	821	821	-
10	“Fortune Resources” LLC	-	-	-	-
11	“Yayk Gold” LLC	-	-	-	-
12	“Yardani Zartonk” LLC	-	-	-	-
13	“Tatstone” LLC	442	442	443	828
14	“AT-Metals” LLC	-	-	-	-
15	“Geghi Gold” LLC	-	-	-	-
16	“Multi Group Concern” LLC	-	-	-	-
17	“Sagamar” CJSC	-	-	-	-
18	“Baktek Eco” LLC	-	-	-	-
19	“Molibdeni Ashkharh” LLC	-	-	-	-
20	“Paramount Gold Mining” CJSC	-	-	-	-
21	“Lichkvaz” CJSC	38,300	1,713	1,713	-
22	“Marjan Mining Company” LLC	-	-	-	-
23	“Aktiv Lernagorts” LLC	792	792	792	-
24	“Gharagulyanner” CJSC	10,134	239	1,759	-
25	“Mego-Gold” LLC	-	-	-	-
26	“Assat” LLC	-	-	-	-

TIN 2001 Code		1131 713121, 1136 713611			1131 713122			Land acquisition
Name of the Taxpayer (in English)		Property tax			Land tax			Value specified in the contract
		Tax calculation for the reporting year (by declaration)	Calculated by inspection act (acts) (examination protocol) (excluding penalties and fines)	Total	Tax calculation for the reporting year (by declaration)	Calculated by inspection act (acts) (examination protocol) (including penalties and fines)	Total	
1	"Chaarat Kapan" CJSC	7,918	-	7,918	2,838	-	2,838	-
2	"Agarak CMC" CJSC	14,445	-	14,445	124	-	124	-
3	"Zangezur Copper-Molybdenum Combine" CJSC	58,323	-	58,323	2,372	-	2,372	26,592
4	"Teghout" CJSC	7,955	-	7,955	8,251	-	8,251	-
5	"Akhtala Mining and Processing Enterprise" CJSC	3,879	-	3,879	626	-	626	-
6	"Geopromining Gold" LLC	10,365	-	10,365	8,699	-	8,699	-
7	"Lydian Armenia" CJSC	3,407	-	3,407	19,204	-	19,204	-
8	"Ler-Ex" LLC	483	-	483	52	-	52	-
9	"Meghradzor Gold" LLC	544	-	544	727	-	727	33,621
10	"Fortune Resources" LLC	-	-	-	-	-	-	-
11	"Vayk Gold" LLC	-	-	-	-	-	-	-
12	"Yardani Zartonk" LLC	-	-	-	-	-	-	-
13	"Tatstone" LLC	-	-	-	0	-	0	-
14	"AT-Metals" LLC	-	-	-	-	-	-	-
15	"Geghi Gold" LLC	70	-	70	-	-	-	-
16	"Multi Group Concern" LLC	26,380	-	26,380	4,424	-	4,424	387,009
17	"Sagamar" CJSC	4,781	-	4,781	4,218	-	4,218	-
18	"Baktek Eco" LLC	-	-	-	-	-	-	-
19	"Molibdeni Ashkharh" LLC	-	-	-	7	-	7	-
20	"Paramount Gold Mining" CJSC	-	-	-	-	-	-	-
21	"Lichkvaz" CJSC	34	-	34	-	-	-	-
22	"Marjan Mining Company" LLC	-	-	-	-	-	-	-
23	"Aktiv Lernagorts" LLC	-	-	-	-	-	-	-
24	"Gharagulyanner" CJSC	-	-	-	-	-	-	-
25	"Mego-Gold" LLC	253	-	253	73	-	73	-
26	"Assat" LLC	-	-	-	-	-	-	-

TIN 2001 Code	1415 741520			
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	Name of the Taxpayer (in English)	Rent payments paid during the reporting year (including penalties and fines)				Obligations related to social-economic development of communities defined by the mining contract	Penalties	Fines
		Real estate	Transportation	Land	Total	Paid amounts	The amount of penalties and fines (including the amount calculated by the inspection act (examination protocol) during the reporting year)	The amount of penalties and fines (including the amount calculated by the inspection act (examination protocol) during the reporting year)
1	“Chaarat Kapan” CJSC	-	-	227,478	227,478	290,509	-	-
2	“Agarak CMC” CJSC	-	-	65,676	65,676	68,319	-	-
3	“Zangezur Copper-Molybdenum Combine” CJSC	-	932	317,171	318,102	-	-	-
4	“Teghout” CJSC	-	-	64,743	64,743	-	712,157	-
5	“Akhtala Mining and Processing Enterprise” CJSC	7,453	-	12,368	19,821	-	-	10,360
6	“Geopromining Gold” LLC	1,987	-	140,778	142,765	-	-	-
7	“Lydian Armenia” CJSC	-	-	883,983	883,983	-	-	-
8	“Ler-Ex” LLC	-	-	3,186	3,186	-	5	-
9	“Meghradzor Gold” LLC	-	-	51,571	51,571	-	-	-
10	“Fortune Resources” LLC	-	-	-	-	-	-	-
11	“Vayk Gold” LLC	-	-	-	-	31,054	-	-
12	“Vardani Zartok” LLC	-	-	-	-	-	-	-
13	“Tatstone” LLC	-	-	39,029	39,029	47,678	739	3,073
14	“AT-Metals” LLC	-	-	-	-	-	-	-
15	“Geghi Gold” LLC	-	-	-	-	1,035	-	-
16	“Multi Group Concern” LLC	45,769	-	14,064	59,833	-	-	-
17	“Sagamar” CJSC	-	-	2,898	2,898	-	-	-
18	“Baktek Eco” LLC	-	-	-	-	-	-	-
19	“Molibdeni Ashkharh” LLC	-	-	-	-	124,572	-	-
20	“Paramount Gold Mining” CJSC	-	-	-	-	-	-	-
21	“Lichkvaz” CJSC	-	-	10,738	10,738	37,540	-	-
22	“Marjan Mining Company” LLC	-	-	-	-	-	-	-
23	“Aktiv Lernagorts” LLC	-	-	376	376	-	-	-
24	“Gharagulyanner” CJSC	-	-	-	-	2,588	-	-
25	“Mego-Gold” LLC	-	-	-	-	-	-	-
26	“Assat” LLC	-	-	-	-	-	-	-

ANNEX 6. ENVIRONMENT PAYMENT RATES

Environmental payment rates set by the RA Law “On Environmental Payments” for the emission of 1 ton of dust, carbon monoxide, nitric oxide, sulfuric anhydrite, chlorine, chloroprene and other substances harmful for the atmospheric air are:

Hazardous substances ejected to atmospheric air	Rate for 1 ton of ejected substance during the reporting period (AMD)
Dust	1,800 AMD
Carbon monoxide	240 AMD
Nitric oxide (recalculated based on nitrogen dioxide)	14,800 AMD
Sulfuric anhydrite	1,800 AMD
Chlorine	12,000 AMD
Chloroprene	90,000 AMD
Substances harmful for the atmospheric air (not mentioned in this column), the emissions of which exceed the permitted volumes of harmful substance emission as set by the law or for which there are no permissions of harmful substances emission into the air or such permission do not specify limitary permitted concentration of emissions.	$D_{air} = 900 \text{ AMD/LPC}$, where LPC is the limitary permitted concentration of the given substance in the air

The environment tax for emissions of harmful substances into the air by cargo vehicles registered in RA, that is, environment tax for emissions of harmful substances into the air from mobile sources is calculated with the following rates in relation to the tax bases for the groups of these vehicles:

Group of truck transportation vehicle	Annual rate (AMD)
Cargo vehicle the mass of which does not exceed 3.5 tons	5,000
Cargo vehicle with a mass exceeding 3.5 tons but not exceeding 12 tons	10,000
Cargo vehicle with a mass exceeding 12 tons	15,000

The rates, set by the Tax Code, for releasing 1 ton of suspended materials, ammonia nitrogen, oil products, copper, zinc, sulfates, chlorides, nitrites, nitrates, general phosphorus, detergents, heavy metal salts as well as cyanide and cyanide compound into the water resource directly and (or) centralized water networks or other water networks.

Hazardous materials and substances emitted	Rate for 1 ton of emitted substance during the reporting period (AMD)
Suspended materials	5,300 AMD
Ammonia nitrogen	5,100 AMD
Biological need for oxygen	18,400 AMD
Oil products	204,600 AMD
Copper	1,023,900 AMD
Zinc	1,023,900 AMD
Sulfates	100 AMD
Chlorides	30 AMD
Nitrites	511,500 AMD
Nitrates	1,100 AMD
General phosphorus	40,000 AMD
Detergent (chemical washing) substances	102,300 AMD
Heavy metal salts	511,500 AMD
Cyanide and cyanide compounds	511,500 AMD
Harmful substances and compounds (not mentioned in this column), the factual release of which exceeds the limitary permitted volumes of harmful substances and compounds in drainage as set by water use permits or for which there are no water use permits or these permits do not specify limitary permitted volumes or if the rules of water network utilization and the standards of water treatment do not specify permitted drainage volume.	$D_{\text{water}} = 10000 \text{ AMD}/LPC_{\text{fish}}$ where LPC_{fish} is the limitary permitted concentration of the given substance in the water body, which is used for fishing purposes

The environment tax rates for placing production and (or) consumption waste in specially allocated locations, such as waste distribution locations, polygons, waste facilities, garbage location, complexes and (or) construction will be calculated with the following rates.

Production and (or) consumption waste by the degree of hazardousness	Rate for 1tons
Waste of 1 st degree of hazard	48,000 AMD
Waste of 2 nd degree of hazard	24,000 AMD
Waste of 3 rd degree of hazard	4,800 AMD

Production and (or) consumption waste by the degree of hazardousness	Rate for 1tons
Waste of 4 th degree of hazard (with the exception sorted and unsorted consumption waste generated by physical persons for waste management and sanitary activities operators)	1,500 AMD
Non-hazardous waste (with the exception of mining waste and sorted and unsorted consumption waste generated by physical persons for waste management and sanitary activities operators)	600 AMD
For waste management and sanitary activities operators, sorted and unsorted consumption waste generated by physical persons	60 AMD

Starting January 1, 2021, the environment tax for one-time keeping of mining waste in specially allocated locations, such as production territories, production and (or) consumption waste (with the exception of mining waster), will be calculated with the following rates.

Production and (or) consumption waste by the degree of hazardousness	Rate (AMD) for each ton kept during the reporting year
Waste of 1 st degree of hazard	62,400
Waste of 2 nd degree of hazard	31,200
Waste of 3 rd degree of hazard	6,240
Waste of 4 th degree of hazard	1,950
Non-hazardous waste	780

Before the entry into force for the above-mentioned, the base tax rate calculation for the placement (holding) of waste in production territories is done with the following rates

	Rate (AMD) by the length of placement		
	in case of keeping no longer than 1 year	in case of keeping between 1 and 3 years	in case of keeping for more than 3 years 3
Waste of 1 st degree of hazard	0	16,000	48,000
Waste of 2 nd degree of hazard	0	8,000	24,000
Waste of 3 rd degree of hazard	0	1,600	4,800
Waste of 4 th degree of hazard	0	500	1,500
Non-hazardous waste (with the exception of non-hazardous waste place by legal entities engaged in mining)	0	200	600

Starting January 1, 2021, the environment tax for placing or keeping mining waste in specially allocated locations, such as trailings, production piles, spilling rocks and (or) similar locations will be calculated with the following rates.

1) for non-metal mineral mines:

Mining waste by degrees of hazardousness	Rate (AMD) for each ton keep during the reporting year
Waste of 1 st degree of hazard	62,400
Waste of 2 nd degree of hazard	31,200
Waste of 3 rd degree of hazard	6,240
Waste of 4 th degree of hazard	1,950
Non-hazardous waste (including stripping rocks)	780

2) for metal mineral mines:

Mining waste by degrees of hazardousness	Rate (AMD) for each ton keep during the reporting year
Waste of 1 st degree of hazard	250
Waste of 2 nd degree of hazard	120
Waste of 3 rd degree of hazard	25
Waste of 4 th degree of hazard	8
Non-hazardous waste (including stripping rocks)	3

ANNEX 7. INFORMATION ON GEOLOGICAL STUDY ACTIVITIES OF THE SUBSOIL FOR MINERAL EXTRACTION PURPOSES AS OF 25.12.2019³¹⁶

N	Name of the legal entity granted a license	Date of application for license	License No	License Issuance Date	Validity period	Name of the mineral manifestation of the site	Total Surface
1	"GEORAIID" CJSC	11.06.2012	GELR 29/066	13.07.2012	30.06.2019	Mutsk (Bardzravan) Multi-metal ore manifestation site, Syunik Region, RA	600,0 ha
2	"GEOMINING" LLC	04.07.2012	GEL-29/098	30.08.2012	31.08.2019	Vardenis Multi-metal ore manifestation, Vayots Dzor region, RA	882,0 ha
3	"TATSTONE" LLC	20.09.2012	GEL-29/112	12.10.2012	30.09.2019	Side-parts and lower levels of Tghkut area of Aygedzor copper-molybdenum mining area, Syunik region, RA	130,1 ha
4	"G METALS INVESTMENT LIMITED" LLC	03.09.2012	GELR-29/114	20.10.2012	30.12.2019	Southern part of Dastakert region, Syunik region, RA	405,0 ha
5	"EQUIVEST ALLIANCE FOUNDATION" LLC NO CHANGES	02.03.2015	GEL-29/212	27.07.2015	3 years	Urut mine of Stepanavan mine region, Lori region, RA	3290,0 ha
6	"RAM GROUP" LLC	20.05.2015	GEL-29/213	22.07.2015	3 years	Gold bearing ore manifestation of the middle section of Sotk river basin, Gegharkunik region, RA	526,6 ha
7	"CENTERRA MINING" CJSC NO CHANGES	15.07.2015	GEL-29/224	25.12.2015	3 years	Kapuyt multi-metal ore manifestation area, Vayots Dzor region, RA	18,9 km ²
8	"NARIPROF" LLC NO CHANGES	11.11.2015	GEL-29/219	02.04.2016	3 years	Nrnadzor (Nyuvand) Copper-gold ore manifestation area, Syunik region, RA	100,0 ha
9	"TATSTONE" LLC	25.03.2016	GEL-29/225	11.06.2016	3 years	Lichk multi-metal mine, Syunik region, RA	22,84 km ²
10	"MINING CONSULTING" LLC NO CHANGES	18.12.2015	GEL-29/228	02.11.2016	3 years	Vaghashen multi-metal ore manifestation area, of Vayots Dzor region, RA	199,3 km ²
11	"GHARAGYULYANNER" CJSC NO CHANGES	04.03.2016	GEL-29/229	25.10.2016	3 years	Verin Vardanidzor gold-multi-metal mine area, Syunik region, RA	2134,09 ha

³¹⁶ The information was taken from The Ministry of Territorial Administration and Infrastructures <http://mtad.am/hy/mtad27.12.2/>

N	Name of the legal entity granted a license	Date of application for license	License No	License Issuance Date	Validity period	Name of the mineral manifestation of the site	Total Surface
12	"IRON MINING" LLC	14.12.2016	GEL-29/236	23.03.2017	3 years	Bazum iron ore manifestation, Lori region, RA	540,5 ha
13	"PREMIUM MINING" LLC NO CHANGES	29.09.2016	GEL-29/237	25.02.2017	3 years	Karnut-Sarnaghbyur copper-multi-metal mining area, Tavush region, RA	8355,17 ha
14	"ENERGO-INVEST HOLDING" CJSC NO CHANGES	19.01.2017	GEL-29/238	13.03.2017	3 years	Murkhuz multi-metal ore manifestation, Tavush region, RA	96,24 km ²
15	"MINE INVEST" LLC NO CHANGES	25.08.2016	GEL-29/243	03.05.2017	2 years 6 months	Secondary quartzite (metallic) ore manifestation of Lusajur area of Meghradzor mine, Kotayk region, RA	24,23 ha
16	"GOLDEN LAND" LLC, NO CHANGES	01.03.2017	GEL-29/245	28.06.2017	3 years	Arevis multi-metal mine area, Syunik region, RA	792,6 ha
17	"METALS MINING GROUP" LLC NO CHANGES	01.03.2017	GEL-29/246	28.06.2017	3 years	Shambi multi-metal ore manifestation area, Syunik region, RA	877,0 ha
18	"HARUST METAGH" LLC NO CHANGES	09.03.2017	GEL-29/247	07.10.2017	3 years	Privolnoye mine area of Stepanavan mining region, Lori region, RA	102,9 km ²
19	"COPPER PLUS" LLC NO CHANGES	25.08.2017	GEL-29/251	24.10.2017	3 years	Ttujur multi-metal ore manifestation area, Gegharkunik region, RA	15,9 km ²
20	"COPPER PLUS" LLC NO CHANGES	17.05.2017	GEL-29/252	24.10.2017	3 years	Sarikar-Kutakan multi-metal ore manifestation area, Gegharkunik region, RA	129,6 km ²
21	"GEVLER" LLC NO CHANGES	13.10.2017	GEL-29/255	14.12.2017	2 years	The area of mineralized water outflow at the exit of the new transport mine-path of the central mine of Kapan copper mine, Syunik Region RA	0,12 ha
22	"POLYMETAL ARMENIA" LLC	26.10.2017	GEL-29/259	31.01.2018	3 years	Kapan plateau area, Syunik region, RA	286,0 km ²
23	"NIG MINING" LLC NO CHANGES	29.09.2017	GEL-29/263	04.04.2018	3 years	Khdebants gold ore manifestation area, Syunik region RA	529,2 ha
24	"INTER MINING" LLC NO CHANGES	08.02.2018	GEL-29/266	28.03.2018	3 years	Tsarasar gold ore manifestation area, Gegharkunik region, RA	1205,0 ha
25	"CHUDO METAL" LLC NO CHANGES	08.02.2018	GEL-29/269	25.04.2018	3 years	Borders of Arjidzor gold-multi-metal ore manifestation are, Syunik RA	292,8 ha
26	"GEORAIID" CJSC	30.07.2018	GEL-29/278	17.10.2019	2 years 6 months	North-eastern region of Salvard mountain of RA Syunik region	800,0 ha

ANNEX 8. FINANCIAL AND NON-FINANCIAL CHARITY ALLOCATIONS, GRANTS OR OTHER CONTRIBUTIONS REALIZED BY THE COMPANIES TO COMMUNITY WITHOUT THE NEED FOR COMPENSATION³¹⁷

Mining company	Amount, AMD	Community	Type of donation	Goods/Services
“Agarak Copper Molybdenum Combine” CJSC	26,500,000	Meghri	financial	Implementation of socio-economic responsibilities towards the community of Meghri
“Agarak Copper Molybdenum Combine” CJSC	1,200,000	Meghri	financial	N 1 kindergarden of Meghri
“Agarak Copper Molybdenum Combine” CJSC	720,000	Meghri	financial	“Agarak Copper Molybdenum Combine” CJSC trade union
“Agarak Copper Molybdenum Combine” CJSC	1,565,000	Meghri	financial	“Agarak Copper Molybdenum Combine” CJSC trade union
“Agarak Copper Molybdenum Combine” CJSC	4,973,745	Meghri	financial	-
“Agarak Copper Molybdenum Combine” CJSC	100,000	Meghri	financial	Secondary school of Vardanidzor
“Agarak Copper Molybdenum Combine” CJSC	100,000	Meghri	financial	Secondary school of Alvank
“Agarak Copper Molybdenum Combine” CJSC	217,893	Meghri	non-financial	Fire-rescue detachment of Meghri
“Agarak Copper Molybdenum Combine” CJSC	1,4794,25	Meghri	non-financial	N 1 secondary school of Agarak
“Akhtala Mining And Processing Enterprise” CJSC	45,000,000	Akhtala	financial	-

³¹⁷ According to the data of EITI reports collected by metal mining companies

Mining company	Amount, AMD	Community	Type of donation	Goods/Services
“Akhtala Mining And Processing Enterprise” CJSC	100,000	Akhtala	financial	N1 school of Akhtala
“GeoProMining Gold” LLC	11,000,000	Ararat	financial	Community administration of Ararat
“GeoProMining Gold” LLC	4,200,000	Ararat	non-financial	Furniture for the kindergarden N1 of Ararat city
“GeoProMining Gold” LLC	1,500,000	Masrik	financial	Kindergarden of Masrik
“GeoProMining Gold” LLC	12,500,000	Ararat	non-financial	Partial reconstruction of the kindergarden N1 of Ararat city
“GeoProMining Gold” LLC	3,000,010	Ararat	non-financial	Renovation of the roof for fire rescue detachment
“Zangezur Copper and Molybdenum Combine” CJSC	20,126,100	Kapan	financial	N1 school of Kapan
“Zangezur Copper and Molybdenum Combine” CJSC	108,000,000	Kajaran	financial	Contribution for Kajaran’s socio-economic development
“Zangezur Copper and Molybdenum Combine” CJSC	13,860,000	Kajaran	financial	Financing construction the citizen service center
“Zangezur Copper and Molybdenum Combine” CJSC	12,315,000	Kajaran	financial	Financing a drinking water infrastructure development in Geghi village
“Zangezur Copper and Molybdenum Combine” CJSC	9,363,000	Kajaran	financial	Financing sports and cultural events and projects in Kajaran
“Zangezur Copper and Molybdenum Combine” CJSC	1,000,000	Kajaran	financial	Financing socio-economic projects in Kajaran
“Zangezur Copper and Molybdenum Combine” CJSC	24,000,000	Kapan	financial	Financing street lighting in Kapan
“Zangezur Copper and Molybdenum Combine” CJSC	20,000,000	Goris	financial	Co-financing construction and renovation in the city of Goris
“Zangezur Copper and Molybdenum Combine” CJSC	3,453,012	Meghri	financial	Financing the “Development of Meghri’s infrastructure” project
“Zangezur Copper and Molybdenum Combine” CJSC	401,127,690	Kajaran	non-financial	Financing construction and renovation projects in Kajaran

Mining company	Amount, AMD	Community	Type of donation	Goods/Services
“Zangezur Copper and Molybdenum Combine” CJSC	160,171,432	Kajaran	non-financial	Co-financing renovation of Arts school of Kajaran
“Zangezur Copper and Molybdenum Combine” CJSC	73,110,000	Kajaran	non-financial	Financing sports and cultural projects in Kajaran
“Zangezur Copper and Molybdenum Combine” CJSC	57,473,556	Kajaran	non-financial	Financing the renovation of memorial to freedom fighters in Kajaran
“Zangezur Copper and Molybdenum Combine” CJSC	36,209,200	Kajaran	non-financial	Financing landscaping in Kajaran
“Zangezur Copper and Molybdenum Combine” CJSC	35,583,031	Kajaran	non-financial	Financing/co-financing health sector activities
“Zangezur Copper and Molybdenum Combine” CJSC	33,938,200	Kajaran	non-financial	Financing the healthcare for the residents of affected communities
“Zangezur Copper and Molybdenum Combine” CJSC	24,000,000	Kajaran	non-financial	Installation of a bronze statue in Kajaran
“Zangezur Copper and Molybdenum Combine” CJSC	22,363,070	Kajaran	non-financial	Financing third party service provider for transportation service of the kindergarden students of Kajaran
“Zangezur Copper and Molybdenum Combine” CJSC	14,339,565	Kajaran	non-financial	Provision of the equipment for playground in Kajaran
“Zangezur Copper and Molybdenum Combine” CJSC	10,000,000	Kajaran	non-financial	Financing of renovation of water supply station in Kajaran
“Zangezur Copper and Molybdenum Combine” CJSC	6,586,080	Kajaran	non-financial	Provision of equipments for streetlights in Kajaran
“Zangezur Copper and Molybdenum Combine” CJSC	4,200,000	Kajaran	non-financial	Financing garbage collection in the village of Lernadzor
“Zangezur Copper and Molybdenum Combine” CJSC	2,364,006	Syunik Regional Administration	non-financial	Fuel to the Syunik regional administration
“Zangezur Copper and Molybdenum Combine” CJSC	121,900	Syunik Regional Administration	non-financial	Tiers to the Syunik regional administration

Mining company	Amount, AMD	Community	Type of donation	Goods/Services
“Zangezur Copper and Molybdenum Combine” CJSC	984,000	Sisian	non-financial	Fuel to the community administration of Sisian
“Zangezur Copper and Molybdenum Combine” CJSC	63,369,435	Meghri	non-financial	Financing the reconstruction of a building damaged by fire in the community of Meghri
“Zangezur Copper and Molybdenum Combine” CJSC	35,249,083	Kapan	non-financial	Financing the reopening of Kapan airport
“Zangezur Copper and Molybdenum Combine” CJSC	43,886,776	Kapan	non-financial	Financing the healthcare sector in the community of Kapan
“Zangezur Copper and Molybdenum Combine” CJSC	2,085,914	Kapan	non-financial	Financing sports and cultural events in the community of Kapan
“Zangezur Copper and Molybdenum Combine” CJSC	600,000	Kapan	non-financial	Financing the heating system installation in the secondary school of Achanan
“Zangezur Copper and Molybdenum Combine” CJSC	2,500,000	Republic of Artsakh	non-financial	Financing socio-economic development projects in the Republic of Artsakh
“Zangezur Copper and Molybdenum Combine” CJSC	1,769,304	Republic of Artsakh	non-financial	New Year gifts
“Zangezur Copper and Molybdenum Combine” CJSC	873,000	Republic of Artsakh	non-financial	Baptizing bathtub
“Zangezur Copper and Molybdenum Combine” CJSC	864,164,788	Republic of Artsakh	non-financial	Support to the defence sector
“Zangezur Copper and Molybdenum Combine” CJSC	2,906,400	Kajaran	non-financial	Computer and supporting systems for N 1 secondary school of the community of Kapan
“Zangezur Copper and Molybdenum Combine” CJSC	144,880,000	-	financial	“Zangezur Copper and Molybdenum Combine” CJSC trade union
“Teghout” CJSC	97,691,000	Shnogh	financial	-

Mining company	Amount, AMD	Community	Type of donation	Goods/Services
“Lydian Armenia” CJSC ³¹⁸	7,997,000	Jermuk, Zarithap, Gorayk	non-financial	Community development model through 50-50% cost contribution by community and the Company. The objective of the project is to improve rural infrastructure and address community needs through equal contributions by both parties. During the first phase of the Project, training events were organized on community appraisals, identifying and prioritizing community needs, the role of the community in addressing these needs, fund raising technologies, etc. After the trainings, the second component of the Project was to implement community-based activities through the suggested model (50-50% contributions each).
“Lydian Armenia” CJSC	4,700,000	Eghegnadzor	non-financial	Youth education through sport - renovation of rooms and entrance to serve as Chess center for children and youth, to provide education opportunities for them.
“Lydian Armenia” CJSC	886,000	Jermuk, Zarithap, Gorayk	non-financial	Youth education - Student support program to study metalurgy and mining at Universities in Yerevan. The Company covered annual fees for local students recruited from the affected communities. Project objective - prepare local specialists in mining and related area, as potential workforce for Amulsar and other projects.
“Lydian Armenia” CJSC	630,000	Jermuk	non-financial	Continuous support to Children's Choir, to promote youth education through art.
“Lydian Armenia” CJSC	1,267,465	Zarithap	non-financial	Children/youth education through sport - continuous support to Karate classes (free of charge).
“Lydian Armenia” CJSC	1,267,465	Jermuk	non-financial	Children/youth education through sport: continuous support to Karate classes at school, free for students. Regular classes were held at School - no Karate classes existed in the community before.
“Lydian Armenia” CJSC	5,653,847	Jermuk	non-financial	Tourism development and capacity building: training events on tourism and hospitality for local business and hospitality representatives - challenges, community potential for tourism, various models, case discussions, marketing, etc.

³¹⁸ It should be noted that majority of the non-financial contributions by Lydian Armenia, were implemented through cash transfer to various local, regional or other implementing partners, as per Implementation Agreements: construction companies, NGOs, private sector entities, individual experts, etc. Partners were then providing quarterly progress and financial reports to Lydian, as part of their accountability. Affected communities and their population benefited from Company's community investments, although project resources were not transferred directly to respective beneficiary community or local government - it is therefore, "non-financial" assistance for them.

Mining company	Amount, AMD	Community	Type of donation	Goods/Services
“Lydian Armenia” CJSC	1,600,000	Gorayk	non-financial	Youth education and capacity building - setting English language center. Objective - organize language courses for youth, to raise their employability opportunities. Five computers were provided to the community to serve the Center.
“Lydian Armenia” CJSC	1,050,000	Gorayk	non-financial	Children/youth education through art - continuous support to dance group. Children were provided with dance uniforms. Regular classes were conducted.
“Lydian Armenia” CJSC	284,000	Gorayk	non-financial	Livestock and cattle breeding development - provision of artificial insemination supplies to local vets to provide services.
“Lydian Armenia” CJSC	15,546,305	Jermuk	non-financial	Livestock development and upgrade of rural infrastructure: new barn was constructed for cattle and daily herders, who take their cattle to pastures during the season. This is part of an international commitment within land acquisition (not required by the Armenian legislation): it is intended to provide a barn for the affected herders, because portion of pasture land used by them could not be used any more, as they fell under the mine project area. The Company thus, built a barn, in close coordination with local government and herders (location, size, etc.).
“Lydian Armenia” CJSC	11,809,000	Jermuk	non-financial	Agricultural development as means for income generation and economic growth: introducing a model of commercial /organic production whereby investments would be covered by the Company and the landowner (50-50%). A 1 hectare field was selected for commercial growth of traditional and new crops, to generate income via organic growth and new technologies. Another objective - demonstrate the benefits of organic growth; introduce and promote new/commercial crops as local production business and show in practice that agriculture and mining is compatible. Finally, reduce dependency on the mine, through strengthening local businesses and steady income. This model and 50-50% contribution scheme was suggested to farmers. The project provided seedlings, organic treatment fertilizers, technical advice.
“Lydian Armenia” CJSC	2,849,762	Jermuk, Zaritap, Gorayk	non-financial	Business skills development - Training and capacity building program for local businesses and interested persons on marketing and business diversification. This project was part of the international commitment within land acquisition. The training activities were designed for the affected landowners in Gndevaz/Jermuk, but they were also conducted in Saravan and Gorayk communities.

Mining company	Amount, AMD	Community	Type of donation	Goods/Services
“Lydian Armenia” CJSC	7,200,000	Zaritap, Gorayk	non-financial	Continuous support to the dental facility for community residents, set by the Company. Project objective - ensure accessibility to quality services. The project provided services to local population of Gorayk and Saravan, who now do not have to travel to Goris, Sisian or elsewhere for health services.
“Lydian Armenia” CJSC	2,400,000	Jermuk, Zaritap, Gorayk	non-financial	Primary healthcare aimed at improved outreach and accessibility of health services. Financial support was provided to community members, to address their health issues (surgery, tests, treatment, etc.).
“Lichkvaz” CJSC	18,133,019	Meghri	financial	-
“Lichkvaz” CJSC	355,863	-	non-financial	“Zangezur Biosphere Complex” NPO, fuel
“Meghradzor Gold” LLC	5,400,000	Meghradzor	financial	Kindergarden after L. Galstyan of Meghradzor
“Chaarat Kapan” CJSC	138,300,000	Kapan	financial	-
“Chaarat Kapan” CJSC	2,025,000	Kapan	financial	-
“Chaarat Kapan” CJSC	12,065,000	Kapan	financial	“Kapan medical center”
“Chaarat Kapan” CJSC	2,400,000	Kapan	financial	“Azatamart” regional center
“Chaarat Kapan” CJSC	199,000	Kapan	non-financial	Technical equipment to N 9 school of Kapan (loudspeakers, microphone etc.)
“Chaarat Kapan” CJSC	210,000	Kapan	non-financial	Copying maching for N11 school of Kapan
“Chaarat Kapan” CJSC	300,000	Երևան	financial	Armenian State Archive NPO
“Chaarat Kapan” CJSC	780,000	Kapan	financial	Scondary school of Achanan
“Chaarat Kapan” CJSC	673,000	Kapan	financial	N8 secondary school of Kapan
“Chaarat Kapan” CJSC	303,840	Kapan	non-financial	Construction materials, cultural center of Kapan
“Chaarat Kapan” CJSC	200,000	-	financial	Hamazgayin State Theater named after Sos Sargsyan
“Chaarat Kapan” CJSC	1,425,000	Kapan	financial	Syunik secondary school
“Chaarat Kapan” CJSC	158,000	Kapan	non-financial	Laptop for Kapan N2 school
“Chaarat Kapan” CJSC	291,875	Kapan	financial	Kapan youth council
“Chaarat Kapan” CJSC	199,000	Kapan	non-financial	Technical equipment to N2 school of Kapan (loudspeakers, microphone etc.)
“Chaarat Kapan” CJSC	918,000	Kapan	financial	Sports school of Kapan
“Chaarat Kapan” CJSC	530,000	Kapan	financial	“Children’s center of Kapan” NPO

Mining company	Amount, AMD	Community	Type of donation	Goods/Services
“Chaarat Kapan” CJSC	1,650,000	Kapan	financial	Kapan State Drama Theater After Alexander Shirvanzade
“Chaarat Kapan” CJSC	332,000	Kapan	financial	“Youth creativity center of Kapan” NPO
“Chaarat Kapan” CJSC	700,000	Erevan	financial	“Mher Mkrtchyan” artistic theatre Community Non-Profit Organization (NPO)
“Sagamar” CJSC	888,651	Stepanavan	non-financial	Water supply to the school, Armanis
“Sagamar” CJSC	165,874	Stepanavan	non-financial	Organization of New Year event and gifts, Armanis
“Sagamar” CJSC	226,689	Stepanavan	non-financial	Organization of New Year event and gifts, Armanis
Total	2,722,791,270	-	-	-

ANNEX 9. PEOPLE INVOLVED IN THE PROCESS OF EITI REPORT

Republic of Armenia's EITI MSG

Government constituency	<p>Tigran Avinyan, Deputy Prime Minister, EITI MSG chairman Karen Isakhanyan, Deputy Minister of Territorial Administration and Infrastructure Lilia Shushanyan, Deputy Minister of Territorial Administration and Infrastructure Irina Ghaplanyan, Deputy Minister of Environment Srbuhi Galyan, Deputy Minister of Justice Davit Ananyan, Head of the State Revenue Committee (<i>MSG member until June 5, 2020</i>) Arman Poghosyan, Deputy Minister of Finance (<i>MSG alternate member</i>) Artur Manukyan, Deputy Head of the State Revenue Committee (<i>alternate member</i>)</p>
Mining companies' constituency	<p>Artur Nikoghosyan, Administrative director, "Agarak Copper Molybdenum Combine" CJSC Armen Stepanyan, Vice President on Sustainability, "Lydian Armenia" CJSC Artyom Petrosyan, Legal director, "Geopromining Gold" LLC Manvel Yeghiazaryan, Chief accountant "Meghradzor Gold" LLC Gagik Shahnazaryan, Deputy general director, "Akhtala OPC" CJSC (<i>alternate member</i>) Vahe Vardanyan, General Manager of "Geomining" LLC (<i>alternate member</i>) Aram Osikyan, General director, "Assat" LLC (<i>alternate member</i>) Andranik Aghabalyan, Deputy general director, "Goeconomic" CJSC (<i>alternate member</i>) Perch Khachatryan, Head of legal department "Zangezur Copper and Molybdenum Combine" CJSC (<i>former member</i>)</p>
Civil society constituency	<p>Sona Ayvazyan, Executive Director of "Transparency International Anti-Corruption Center" NGO Gohar Ghazinyan, Expert of environmental/ecological issues, "Armenian Lawyers' Association" NGO Oleg Dulgaryan, President of "Centre for Community Mobilization and Support" NGO Nazeli Vardanyan, Director of "Forests of Armenia" environmental NGO Suren Nersesyan, Associate Professor of Faculty of Geography and Geology - Chair of Regional Geology and Minerals Survey of the Yerevan State University, Candidate of Geological Sciences Artur Hambardzumyan, Board Member of "Civil Voice" NGO (<i>alternate member</i>) Viktorya Burnazyan, Expert of "Ecolur" Information NGO (<i>alternate member</i>)</p>

Harutyun Movsisyan, Associate Professor of the Department of Prospecting and Exploration of Mineral Deposits of the Yerevan State University, Director of RA TAI “Republican Geological Fund” SNCO since June 1, 2020 (*former member*)

Inga Zarafyan, President of “Ecolur” Information NGO (*former member*)

RA Extractive Industries Transparency Initiative national secretariat

Lusine Tovmasyan Head of the EITI national secretariat
Anahit Arustamyan Expert of the EITI national secretariat
Hasmik Manukyan Expert of the EITI national secretariat

RA Ministry of Territorial Administration and Infrastructures

Sergey Abrahamyan Head of mining department
Shushanik Kerobyan Head of the mining sector policy development of mining department
Seda Hakobyan Main specialist of the mining sector policy development of mining department
Parandzem Darbinyan Head of territorial programs and monitoring division of territorial administration department
Lilia Alaverdyan Head of accounting and information department of RA TAI “Republican Geological Fund” SNCO

RA Ministry of Environment

Qristine Baghdasaryan Acting head of the department of land and underground resources policy
Aramayis Avagyan General specialist of underground resources policy division of land and underground resources policy department

RA Ministry of Justice

Klara Gasparyan Assistant to deputy minister
Ani Varderesyan Expert of RA Ministry of Justice “Centre for Legislation Development and Legal Research” Foundation

RA Ministry of Finance

Ori Alaverdyan Head of revenue policy and administration methodology department

RA Ministry of Economy

Armen Yeganyan Head of the industrial development department
Samvel Paranyan General specialist of the industrial development department

RA Ministry of Emergency Situations

Karapet Karapetyan Head of the man-made accidents division of the department for protection of the population and elimination of consequences of disasters of the rescue service, Colonel

RA Ministry of Health

Nune Bakunts Deputy general director of “National Center for Disease Control and Prevention” State Non-Commercial Organization (SNCO)

Karine Gabrielyan Acting head of the public health department

RA State Revenue Committee

Lusine Mkrtchyan Deputy head of the organization and control department

Lusine Ayvazyan Head of the information systems change management and impact assessment of the information technology department

Ashkhen Papoyan Deputy head of the information change and management of the information technology department

Mariam Yesayan Senior tax inspector of the No. 2 department of taxes and mandatory payments methodology

RA Statistical Committee

Anahit Avetisyan Head of the department of industry and energy statistics

Lusya Khachatryan Head of the department of macroeconomic indicators and national accounts

Kristine Poghosyan Head of the department of balance of payments and foreign trade statistics

RA Inspectorate for Nature Protection and Mineral Resources

Narek Julhakyan State inspector of subsoil exploitation control division of subsoil control department of the inspection body



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