

REPUBLIC OF ARMENIA EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE (EITI) REPORT 2019



“Vision, people’s unity, goal-setting and unwavering commitment to the implementation of a common idea. These are the words I would use to proudly describe the path we have taken to bring the mining industry closer to people and make it more transparent to the public, manage it efficiently and responsibly. Now that the contracts have been made public, a system for declaring beneficial owners has been developed and implemented, and the mechanism for reporting fiscal and other data has been put in place, the main challenge for all of us is to ensure the viability and continuity of these efforts as a “new normal”. The EITI and our annual reports are an important tool to reach to that end.”

Lilia Shushanyan

*Deputy Minister, Territorial Administration and Infrastructure,
Member of the Government Constituency, RA EITI Multi-Stakeholder Group*

“The continuous publication of mining data within the framework of the EITI should promote the role and significance of the sector in the public consciousness and serve as a basis for developing a clear public strategy on mining.”

Artyom Petrosyan

*Legal Director of Geopromining Gold LLC
Member of the Mining Companies’ Constituency, RA EITI Multi-Stakeholder Group*

“The EITI has created an opportunity and mechanisms to ensure transparency with regard to information on beneficial owners of companies operating in Armenia. The mechanism would be extended in the future to include not only mining, but also other industries, reducing cases of conflicts of interest and incidents of corruption.”

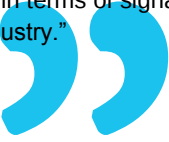
Sona Ayvazyan

*Executive Director, Transparency International Anti-Corruption Center NGO,
Member of the Civil Society Constituency, RA EITI Multi-Stakeholder Group*

“2019 was a significant year in the history of EITI implementation, since it is the year when beneficial owners were identified for the first time. This is a breakthrough not only in terms of increasing the transparency of the sector and promoting anti-corruption measures, but also in terms of signalling to potential investors that the country is committed to building a responsible mining industry.”

Narine Tadevosyan

World Bank, Mining Management Expert



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Abbreviations

VAT	Value Added Tax
MJ	Ministry of Justice
EITI	Extractive Industries Transparency Initiative
OJSC	Open Joint-Stock Company
OMP	Open Management Partnership
MSG	Multi-Stakeholder Group
EEU	Eurasian Economic Union
EEC	European Economic Community
ME	ME of the RA
wmt	wet metric ton
SRC	State Revenue Committee of the RA
GDP	Gross Domestic Product
TIN	Taxpayer Identification Number
EIA	Environmental Impact Assessment
dmt	dry metric tonne
CMC	Copper Molybdenum Combine
LLC	Limited Liability Company
LSGB	Local Self-Governance Bodies
MTAI	Ministry of Territorial Administration and Infrastructure of the RA
CJSC	Closed Joint-Stock Company
IFRS	International Financial Reporting Standards

Introduction

The Extractive Industries Transparency Initiative (EITI) is a global standard that promotes open and accountable management of the country's natural resources. The requirements of the EITI Standard relate to the main issues related to the socio-economic, as well as the environmental impact on the state as a result of subsoil exploration and natural resource extraction. This standard is required to identify how other permits and contracts in the field of subsoil use are issued, registered, who are the beneficiaries of these processes, which are the financial and legal regulations, how many products are produced, how much is the state budget income from the sector, how is that income allocated, what investment is provided in the economy.

In short, the purpose of the EITI is to create more transparent and accountable state and business systems, as well as to promote public dialogue, ensuring mutual understanding between the parties.

EITI process in Armenia

In Armenia the process of becoming a member of the EITI started in July 2015, and the membership was approved on 9 March 2017 at the meeting of the EITI Board in Bogota.¹⁸⁷

Prior to the preparation of this Report, the main results of the implementation of the EITI in Armenia were expressed in the following:

- the steps and actions aimed at the implementation of the EITI were stipulated in the Five-Year Action Plan of the RA Government for 2017-2022¹⁸⁸, as well as were included onto the anti-corruption agenda,
- large-scale legislative changes have been made to ensure the implementation of the EITI and to meet the requirements of its standard, as a result of which:
 - the companies reporting to the EITI (all subsoil users licensed to extract metal ores) as well as state bodies (ME, MTAI, SRC, provided also for submission of necessary information by other authorized bodies, such as Environmental Protection and Mining Inspection Body, Statistical Committee), have been identified;
 - the scope (volume, comprehensiveness, level of de-aggregation) of the EITI information to be provided by the reporting companies and state bodies was determined.
- the EITI official website and online reporting system has been launched, which ensure public access to the information on the EITI implementation, as well as to the online information provided by the reporting agencies and companies,
- mining contracts of metal ore mining companies, their annexes, amendments and supplements were published on the website of the authorized body,
- the legislative requirement to reveal the beneficial owners of subsoil-using companies has been defined, under which since March 2020 the information on the beneficial owners of the companies in the form of declarations is already available to the public on the website of the State Register of Legal Entities of the RA Ministry of Justice (www.e-register.am). In 2021, the online electronic platform of the beneficial owners was also launched on that web-page,
- the two national yearly reports of the RA EITI for 2016-2017 and 2018 were published, which reflected the comprehensive information required by the EITI standard,
- partnerships relations have been established with a number of international organizations, including the World Bank, with the financial support of which the main results of the EITI have been reached,
- the professional Secretariat of the EITI of Armenia was established.

These results were also evaluated by the EITI International Board, which at the EITI Global Conference held on 18 June 2019, awarded Armenia with one of the three prizes established by the participating countries for the "leadership, determination and ingenuity" shown for the implementation

¹⁸⁷ <https://eiti.org/document/36th-board-meeting-agenda-minutes>

¹⁸⁸ <https://www.gov.am/am/gov-program/>

of the EITI189. In his speech, Fredrik Reinfeld, the chairman of the EITI Board of the time, noted that Armenia started its membership with innovation and at a high pace.

The main result of the implementation of the EITI in Armenia was also stated with the first validation assessment of the country's progress in implementation of the EITI. The validation assessment is provided by the EITI International Board on the basis of a report prepared by independent ratifiers. According to the rules of the EITI, each member state, after becoming a candidate for the EITI, must go through a validation process during two and a half years, and every three years. In Armenia, the process started in September 2019. And on 9 July 2020, the EITI International Board took a decision¹⁹⁰, according to which, as a result of the conclusion of the first validation, Armenia showed the highest, satisfactory progress in the implementation of the EITI-2016 standard. Thus, Armenia became the 9th among the 53 member countries of the EITI, which was granted the status of a country with satisfactory progress. According to the validation assessment, Armenia registered a high, satisfactory progress on 20 requirements, and an excellent score on 4 requirements¹⁹¹.

In addition, on 10 June 2021 EITI Board made a decision that Armenia has made “satisfactory progress” in implementing the initial criteria for Requirement 2.5 on beneficial ownership of the EITI Standard¹⁹².

Multi-stakeholder group of the EITI of Armenian

One of the focal components of the EITI Standard implementation is the creation of a multi-stakeholder group (MSG) comprising the representatives of the government, companies and civil society, which is the main decision-making body within the frame of the Initiative. The MSG is created to manage the EITI process, to control the preparation of the EITI report and presentation of the results, as well as to encourage integration of the EITI Standard into the transparency activities ongoing in the country. The members of each faction of the MSG are elected by relevant faction according to the self-decided procedure, ensuring the independence of the MSG members. The MSG shall ensure the transparency and publicity of invitations for participation in the activities, as well as proper representation of the stakeholders, including independent civil groups, mass media, unions and relevant state organizations.

The MSG of the EITI of Armenia consists of fifteen members of the RA Government, the mining industry business sector and civil society with the following structure:

- six representatives of the RA Government,
- four representatives of the business sector of the mining industry,
- five representatives of the civil society (including one member of the scientific community).

According to the MSG Agenda¹⁹³, each MSG faction shall have at least one alternate member who must be a representative of the same sector, but no more than the total number of faction members. The MSG members and alternative members are appointed for 3 years. The current staff of the MSG and the participation of its members in the meetings of the MSG are available to the public on the official website of the EITI¹⁹⁴.

¹⁸⁹ <https://eiti.org/news/winners-of-2019-eiti-chair-awards-announced>

¹⁹⁰ https://eiti.org/board-decision/2020-39?fbclid=IwAR2vEI_YrpZexFLFouZSdMQkIHbr6qOIMuXQK0LNKkt9l3z6hjqmgD_YmZQ

¹⁹¹ <https://www.eiti.am/hy/%D5%86%D5%B8%D6%80%D5%B8%D6%82%D5%A9%D5%B5%D5%B8%D6%82%D5%B6%D5%B6%D5%A5%D6%80/2020/07/16/eiti-validation-armenia-arm/88/>

¹⁹² <https://www.eiti.am/hy/%D5%86%D5%B8%D6%80%D5%B8%D6%82%D5%A9%D5%B5%D5%B8%D6%82%D5%B6%D5%B6%D5%A5%D6%80/2021/06/10/armenia-eiti-satisfactory-progress-in-beneficial-ownership-disclosures/106/>

¹⁹³ <https://www.eiti.am/hy/%D4%B2%D5%87%D4%BD-%D5%AB-%D5%A1%D5%B7%D5%AD%D5%A1%D5%BF%D5%A1%D5%AF%D5%A1%D6%80%D5%A3>

¹⁹⁴ <https://www.eiti.am/hy/%D4%B2%D5%87%D4%BD-%D5%AB-%D5%AF%D5%A1%D5%A6%D5%B4>

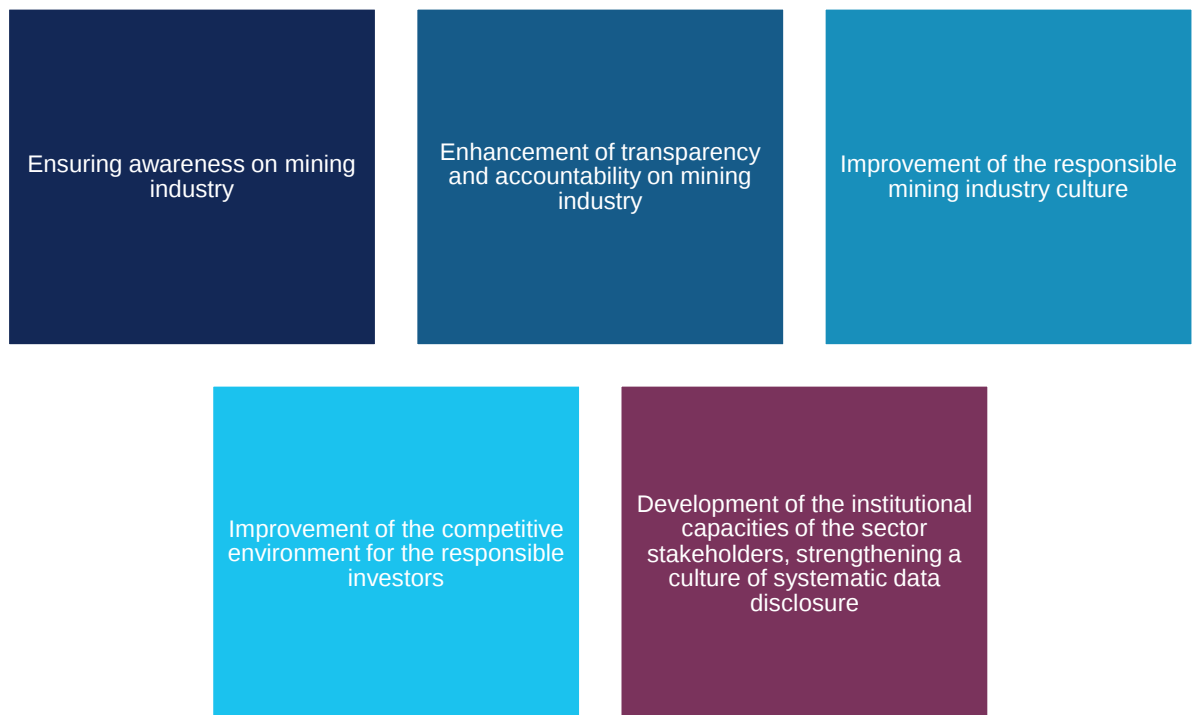
The MSG of the Armenian EITI is a trilateral discussion platform to ensure effective implementation of the EITI, it also gives an opportunity to the stakeholders to raise, freely discuss and make consensual decisions on important issues.

The Armenian Multi-Stakeholder Group stands out for its initiative to do more than required by the EITI standard, e.g. the decision of the MSG on expediency to expand the EITI framework, for which the Independent Administrator will conduct a relevant preliminary study.

National priorities and work program

The National Priorities of 2019-2020 and the EITI Work Program for 2019-2020 were approved with the MSG decision dated 5 December 2018¹⁹⁵.

The following were considered as national priorities for 2019-2020:

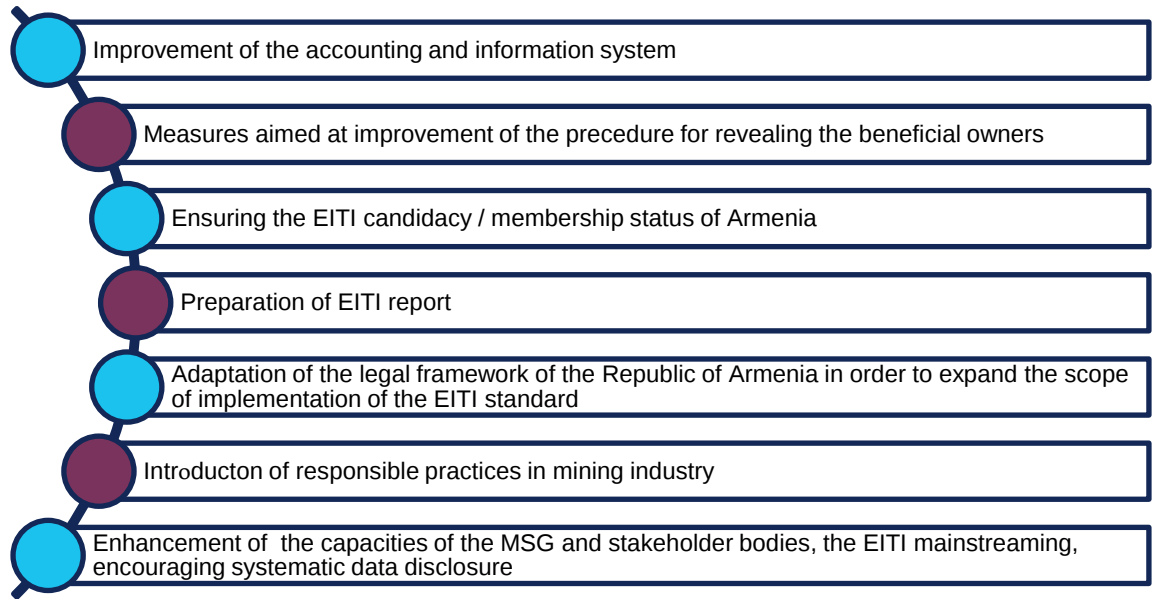


A EITI participating country prepares annual and quarterly reports for recording the progress and annual self-assessment of the EITI implementation in the country¹⁹⁶.

According to the annual report for Armenia for 2019, the main activity directions within scope of the EITI were as follows:

¹⁹⁵ <https://www.eiti.am/hy/agenda-protocols-other-related-documents>

¹⁹⁶ <https://bit.ly/3hAcQog>



The progress of the above mentioned measures is presented in details in the Annual report for 2019¹⁹⁷:

Mining industry in Armenia

Armenia's mining sector plays a key role in the national economy. According to the data provided by MTAI, as of 1 May 2021 about 900 mines with confirmed reserves are registered in the State Minerals Balance, 44 of which are metal mines. Among the mineral ores there are 7 copper-molybdenum, 4 copper, 24 gold and gold-polymetallic, 2 polymetallic, 1 molybdenum, 1 aluminum, 1 magnesium silicate rock refuse and chromite, 3 iron mines. At present, the final product for the mining and metallurgical complex of Armenia is mainly concentrates.

As of the end of the reporting year, 26 companies in Armenia have the right (permission) to extract metal ore, 2 of which have been declared bankrupt¹⁹⁸.

The entrails belong to the state in the RA and are considered the exclusive property of the latter, which is formalised in the RA Constitution¹⁹⁹. The entrails are provided to the subsoil users with the right of use for the purposes of geological studies or extraction of minerals, processing of entrails wastes.

¹⁹⁷

<https://www.eiti.am/hy/%D4%B5%D5%BC%D5%A1%D5%B4%D5%BD%D5%B5%D5%A1%D5%AF%D5%A1%D5%B5%D5%AB%D5%B6-%D5%BF%D5%A1%D6%80%D5%A5%D5%AF%D5%A1%D5%B6-%D5%B0%D5%A1%D5%B7%D5%BE%D5%A5%D5%BF%D5%BE%D5%B8%D6%82%D5%A9%D5%B5%D5%B8%D6%82%D5%B6%D5%B6%D5%A5%D6%80?page=1>

¹⁹⁸ <http://www.mtad.am/hy/mtad27.12/>

¹⁹⁹ <https://www.arlis.am/documentview.aspx?docID=102510>

1. The Methodology and Scope of the Preparation of the EITI Report

The scope of Armenia's third EITI report was defined by the MSG decision of 3 June 2020²⁰⁰, which affirmed the requirement to report on 2019 financial year for all subsoil users holding permits for extraction of metallic minerals within the framework of the EITI, except for those declared bankrupt.

Grant Thornton CJSC ("Independent Administrator") prepared this report based on the Terms of Reference for an Independent administrator. In particular, as required by the ToR, the Independent Administrator compared the essential revenue streams published by the state and mining companies.

Reported revenue streams published by the government and companies are presented on accrual basis, with the exception of payments under renting and socio-economic development obligations, which are presented on cash basis.

The procedures we performed do not constitute an audit or audit review in the context of International Auditing Standards, therefore, we do not provide assurance of revenue streams presented in the EITI report.

1.1 Companies and state bodies presented in the EITI report

The legislation of the RA defines the requirement to submit annual public reports for all subsoil users which hold permits for a metallic mineral extraction, except for those declared bankrupt. With the decisions approved by the MSG on 3 June 2020²⁰¹, the MSG confirmed the acceptance of the mentioned requirement for the MSG.

In accordance with the MSG decision, as of 1 August 2020 public reports for companies with terminated subsoil use permits should be submitted unilaterally only by the reporting state bodies. The companies that appealed the termination of the subsoil use permit, and as of 1 August 2020 the lawsuit has been accepted for court proceedings, they are still considered subsoil users, therefore, they have to submit public reports.

Thus, for the 2019 year report the following subsoil using companies were considered accountable:

Item	Company name	Mining contract number, date
1	Zangezur Copper Molybdenum Combine CJSC	PV-232, 27 November 2012
2	GeoProMining Gold LLC	PV-189, 20 October 2012
3	Chaarat Kapan CJSC	PV-183, 27 November 2012
4	Agarak CMC CJSC	PV-311, 5 April 2013
5	Teghout CJSC	PV-376, 20 February 2013
6	Akhtala Mining and Processing Enterprise CJSC	PV-103, 20 October 2012
7	Lydian Armenia CJSC	PV-245, 26 September 2012
8	Meghradzor Gold LLC	PV-057, 22 August 2012
9	Ler-Ex LLC	PV-094, 16 August 2012
10	Multi Group Concern LLC	PV-213, 20 October 2012
11	Assat LLC	PV-366, 6 June 2013
12	At-Metals LLC	P-514, 16 January 2015
13	Lichqvaz CJSC	PV-293, 22 November 2012
14	Sagamar CJSC	PV-093, October 20 2012

²⁰⁰ <https://www.eiti.am/hy/agenda-protocols-other-related-documents>

²⁰¹ <https://www.eiti.am/hy/agenda-protocols-other-related-documents>

Item	Company name	Mining contract number, date
15	Tatstone LLC	P-459, 11 February 2013
16	Geghi Gold LLC	P-544, 22 July 2016
17	Paramount Gold Mining CJSC	PV-089, 12 June 2012
18	Molibdeni Ashkhar LLC	PV-174, 7 October 2012
19	Vardani Zartonq LLC	PV-239, 27 September 2012
20	Vayq Gold LLC	P-371, 30 November 2012
21	Gharagyulyanner CJSC	P-547, 25 October 2016
22	Aktiv Lernagorts LLC	PV-425, 28 December 2012
23	Baktek Eco LLC	P-515, 22 August 2014
24	Fortune Resources LLC	PV-169, 20 October 2012

By the decision of the MSG, the state bodies submitting public reports were also re-approved, which are:

- State Revenue Committee,
- The RA Ministry of Environment,
- Communities, the reporting data of which are input to the EITI online reporting system through the RA Ministry of Territorial Administration and Infrastructure.

1.2 Taxes and payments presented in the EITI report

The following **taxes and payments** were included by the companies and state bodies in public reports submitted for the national EITI 2019 report:

Companies and the State Revenue Committee

- Profit tax
- Income tax
- Value added tax
- Excise tax
- Royalty
- Nature use payments
- Environmental taxes
- Customs duties and fees
- Duties

Companies and the Ministry of Environment

- Replenishment of environmental protection funds
- Environmental allocations to the company
- Monitoring fees
- Environmental Impact Assessment and Expertise Fee
- Penalties and fines

Companies and the Ministry of Territorial Administration and Infrastructure (communities)

- Land tax
- Property tax
- Land acquisition

- Payment of the difference of the cadastral values of land plots at the moment of changing the land purpose
- Rent payment
- Obligations related to the socio-economic development of the communities defined by the subsoil use agreement.

According to the MSG desion approved on 3 June 2020²⁰², revenue streams with a share of 1% or more in the total revenue streams from the extractive sectors are considered significant and should be reconciled. Liabilities related to the socio-economic development of communities defined by the mining contract for the purpose of mineral extraction should also be considered in the financial flows.

Thus, for the 2019 report the following revenue streams have been considered reconciled:

Paid to the State Revenue Committee

- Royalty
- Profit tax
- Income tax
- Value added tax
- Customs duties and fees

Paid to the RA communities

- Rent payments

1.3 Process of assurance in the state bodies and companies

Information published by the state bodies and companies, which is included in the EITI report or is provided by the mining companies and state bodies, is not subject to verification or control. The reliability of the data provided by the companies and state bodies is guaranteed with the signatures of the heads of the given companies and state bodies, as well as the chief accountants of the companies, in accordance with the RA Government Decree No. 666-N dated 8 June 2018. With the MSG decisions approved on 3 June 2020²⁰³ acceptability of the above mentioned procedure for the MSG was re-confirmed.

Reporting companies, as well as relevant state bodies are responsible for the completeness and accuracy of the provided data.

In case of need, the Independent administrator was making inquiries to the reporting companies and the state bodies, obtaining supporting information and documents to verify the completeness and accuracy of the provided information.

According to the actual legislation of the Republic of Armenia obligatory audit of the mining companies' financial reports is not required. The RA Laws "On Accounting", "On Audit Activity" and "On Regulation and Public Control of Accounting and Audit Activity" adopted by the RA National Assembly on 4 December 2019, entered into force on 1 January 2020. These laws defined the criteria for the companies subject to obligatory audit of the financial reports. Those criteria, among others, are the financial indicators of the companies. The financial reports of some mining companies for 2020 and later years will be subject to obligatory audit by an independent auditor, nevertheless, this will not ensure the requirement of external auditing of all the companies of the sector.

Financial reports for 2019 of 7 mining companies, out of 26, were audited by an external auditor. Information on publication as well as external audit of the financial reports of the companies is presented in Annex 1.

²⁰² <https://www.eiti.am/hy/agenda-protocols-other-related-documents>

²⁰³ <https://www.eiti.am/hy/agenda-protocols-other-related-documents>

2. Legislative and Institutional Framework in the Extractive Industry of the Republic of Armenia, Procedures for Granting Mining Permits and Contracting

2.1 Legal framework governing the mining sector (Requirement 2.1)

In the scope of the EITI 2019 Standard (hereinafter referred to as the “Standard”)¹⁷, Requirement 2, the legal and institutional framework, and the procedures for awarding contracts and licenses in the mining sector (permits for subsoil use) must be described.

In accordance with the Requirement 2 of the Standard, “The EITI requires a disclosure on the rules governing the mining sector, which enables stakeholders to understand the laws and procedures for awarding exploration and mining rights, the legal, regulatory and contractual frameworks that apply to the mining sector, and the institutional responsibilities of the State in managing the sector. In terms of the transparency of the legal framework and awarding mining rights, the EITI requirements include: (2.1) legal framework and fiscal regime; (2.2) contract and license allocations; (2.3) register of licenses; (2.4) contracts; (2.5) beneficial ownership; and (2.6) state participation in the mining sector”. Considering that the Republic of Armenia does not have a shareholding in the sector of metal mining industry, according to the decision¹⁸ of the Multi-Stakeholder Group of the EITI, Paragraph 2.6 of the Standard is not applicable to Armenia; therefore no analysis of this requirement will be given in the Report.

Considering that the EITI 2019 Armenia Report (hereinafter referred to as the “Report”) is the third report submitted within the EITI framework, the legal and institutional framework of the mining sector, as well as other key points included in the scope of the Requirement will be described only in parts not discussed in the previous two reports. To ensure the integrity of the framework, references will be made citing the previous two EITI reports, which fully describe the mechanisms for awarding mining permits, the scope and activities of responsible bodies, the legislative framework and other necessary information with regard to Requirement 2 of the Standard. This report will also discuss legal regulations amended during the current reporting period. Particularly, analysis of the newly adopted or amended legal acts, changes made in mining contracts, institutional changes will be given. Data will be provided also on the procedures, changes and other improvements made based on the recommendations suggested in the previous reports.

According to Requirement 2.1 of the EITI Standard, the State implementing the EITI shall publish a description of the legal framework and fiscal regime governing the sector, including a description of the various types of contracts and licenses regulating the exploration and use of minerals, as well as information on the roles and responsibilities of the relevant government agencies.

In accordance with the Preamble of the Constitution of the Republic of Armenia, the Declaration of Independence of Armenia constitutes the basis for the Constitution, and Clause 7 of the Declaration provides that “The national wealth of the Republic of Armenia – the land, the earth’s crust, airspace, water, and other natural resources, as well as economic and intellectual, cultural capabilities are the property of its people. The regulation of their governance, usage, and possession is determined by the laws of the Republic of Armenia”. Pursuant to the main legal act regulating the mining sector, the RA Subsoil Code, the right of ownership of the subsoil belongs to the state. The Government of the Republic of Armenia makes decisions on behalf of the people of Armenia in managing the subsoil minerals.

In general, with regard to the scope of the EITI Standard Requirements, the relevant legislative framework is quite comprehensive; there are many laws, bylaws that regulate the content of mining projects, procedures for their expertise, submission to state bodies and public discussions, issues in

¹⁷ Extractive Industries Transparency Initiative Standard 2019, available at <https://www.eiti.am/hy/%D4%B1%D5%83%D4%B9%D5%86-%D5%AB-%D5%BD%D5%BF%D5%A1%D5%B6%D5%A4%D5%A1%D6%80%D5%BF>

¹⁸ Minutes of meeting No. 12 of the multi-stakeholder group of the Extractive Industries Transparency Initiative, RA https://www.eiti.am/file_manager/EITI%20Documents/Minutes/MSG_meeting_minute_16_04_2019.pdf

terms of awarding, amending, and terminating permits, disclosure of beneficial ownership, as well as fiscal regime, administrative control and other legal relations. A substantive description of the relevant legislation has mostly been provided in the previous EITI reports¹⁹.

The RA Subsoil Code is the main legal act governing the mining sector; it comprehensively regulates the procedures of granting, changing, suspending and terminating the rights of subsoil use, the framework of rights, responsibilities and obligations of mining companies and relevant administrative bodies in the sector, the scope of liability for violations during operation, the requirements for waste management, mine closure and reclamation, the financial guarantees, and other issues relating to the sector.

The main legal acts regulating or relevant to the sector of subsoil use are the following*:

1.	RA Constitution	14.	RA Law "On Joint Stock Companies"
2.	RA Subsoil Code	15.	RA law "On State Registration of Legal Entities, Separated Divisions of Legal Entities, Institutions and Individual Entrepreneurs"
3.	RA Water Code	16.	RA Law "On Combating Money Laundering and Terrorism Financing"
4.	RA Land Code	17.	RA Law "On Organization and Conduct of Inspections in the Republic of Armenia"
5.	RA Civil Code	18.	RA Law "On Environmental Control"
6.	RA Tax Code	19.	RA Law "On Environmental Fee Rates" (expires on 1 January 2021)
7.	RA Law "On Environmental Impact Assessment and Expertise"	20.	RA Law "On Targeted Use of Environmental Payments Made by Companies"
8.	RA Law "On Waste"	21.	RA Law "On Specially Protected Nature Areas"
9.	RA Law "On Limited Liability Companies".	22.	RA Law "On State Regulation of Ensuring Technical Safety"
10.	RA Law "On State Budget"	23.	RA Law "On State Duty".
11.	RA Law "On Protection of Atmospheric Air"	24.	RA Law "On Lake Sevan"
12.	RA Administrative Procedure Code	25.	RA Law "On Public Service"
13.	RA Law "On Bankruptcy"		

*The links to the legal acts presented in the tables can be found at www.arlis.am

The non-exhaustive list of bylaws adopted for the implementation of the above-mentioned legislative acts includes the following legal acts:

1. RA Government Decree No. 1079-N dated 23 August 2012 "On approving the procedure for the use of the Nature and Environmental Protection Fund and calculation of the amounts of allocations, the composition of the professional committee, as well as on repealing the RA Government Decree No. 1128 dated 14 August 2003"
2. RA Government Decree No. 22-N dated 10 January 2013 "On the procedure for calculation and payment of fees and for implementation of monitoring 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. RA Government Decree No. 437-N dated 22 March 2012 "On approval of templates of mining contracts"

¹⁹ RA EITI 2018 Report, pages 24-26, available at <https://www.eiti.am/hy/>

4. RA Government Decree No. 399-N dated 9 April 2015 “On the procedure of the environmental impact assessment expertise of the founding documents and the planned activities”
5. RA Government Decree No. 1325-N dated 19 November 2014 “On adopting the procedure of public notifications and discussions”
6. RA Government Decree No. 408-N dated 26 March 2020 “On approving the list of data subject to publication (to be provided) included in the beneficial ownership declaration”
7. Order of the RA Minister of Justice No. 36-N dated 5 February 2020 “On approving the beneficial ownership declaration form and the procedure of filling in the declaration”
8. Resolution of the Board of the Central Bank of the Republic of Armenia No. 144-N dated 13 September 2016 “On Amendments to the Resolution of the Board of the Central Bank of the Republic of Armenia No. 20-N dated 27 January 2009”
9. Decree of the Minister of Energy and Natural Resources No. 249-N dated 30 December 2011 “On requirements for preliminary environmental impact assessment, environmental impact assessment and mine closure plan to be enclosed to the application for mining rights”
10. Order of the Ministry of Territorial Administration and Infrastructure of the Republic of Armenia No. 10-N dated 28 October 2020 “On approving the environmental project implementation reporting template”
11. Order of the Ministry of Territorial Administration and Infrastructure of the Republic of Armenia No. 01-N dated 30 January 2020 “On establishing the physical volumes of experimental extraction necessary for geological investigation”
12. RA Government Decree No. 1492-N dated 23 November 2017 “On Establishing the Maximum Limits of Concentrate Sale Turnover by Royalty Payers”
13. RA Government Decree No. 1291-N dated 5 October 2017 “On Establishing the Procedure for Submitting a Joint Tax Report for the Environmental Tax and Nature Utilization Fee”
14. Order of the Chairman of the RA State Revenue Committee No. 157-N dated 13 March 2018 “On approving the royalty tax calculation form and the procedure of filling in the form”
15. Order of the Chairman of the RA State Revenue Committee dated 17 March 2018 and No. 178-N of the Minister of Nature Protection “On approving the unified tax calculation form for the environmental tax and nature utilization fee and the procedure for filling in the form”

The changes made in the relevant legal acts to conform to the EITI Standard during the reporting year, as well as the interpretation of the legislation in the law enforcement practice (enforced judicial acts, decisions of administrative bodies) will also be studied.

The state awards a permit for the exploitation of subsoil to legal entities with the right of use. Legally, this procedure is subsoil use, which is manifested in the legal procedures for mineral extraction or geological exploration.

The nature of private legal relations in the field of granting mining permits, as well as the granting mechanisms, the scope of state and local self-government bodies related to this sector are presented in the EITI reports of 2016-2017 and 2018. Mechanisms for granting mining rights and the entities remained the same during the reporting period. However, in the legal sector, which regulates subsoil use relations, as well as in matters of subsoil use payments, fiscal regime in general and many other issues, significant amendments and additions have been made to the legislation. Fundamental changes have been made particularly in the regulations on the beneficial ownership disclosure, the regulation of the issue of subsoil use payments, the clarification of the grounds and types of liability, which will be presented in the relevant section of this Report.

This Report will also provide general information on the procedures for granting subsoil use rights, the bodies that provide them, the grounds for their suspension or termination focusing more on the issues that are part of those procedures, but have not been discussed in the previous reports. The list

of documents entailing the right of subsoil use and other related permits are described in detail and schematically in the EITI 2018 Report²⁰.

In this Report, the documents that are part of the package of subsoil use right will be presented considering the legislative amendments that have taken effect in 2019-2020. When describing legal regulations, key issues in terms of their legal certainty will also be discussed, considering their interpretation given in practice and the arising issues.

2.1.1 Legislative amendments that came into force in 2019-2020

In accordance with the EITI Standard, amendments in the legal framework related to the sector, including the fiscal regime, that is, all tax flows and non-tax flows, their rates, are subject to publication. The practical application of the relevant legislation (enforced judicial acts, decisions of administrative bodies) has also been studied among the legislative amendments.

In 2019, legislative amendments including a wide and comprehensive field of regulation were made. In this report, legislative amendments that were made and entered into force in 2020 have also been partially studied. Changes concern the substantive issues of mining contracts, the procedure for calculating subsoil use payments and their allocation mechanism, the issues of liability for violations, including the grounds for suspension and termination of subsoil use permits, the scope of authority of some state bodies, as well as the procedure of beneficial ownership disclosure and other issues.

Significant legislative amendments have been made to determine the physical volume of the experimental extraction during the geological investigation and the notices to be sent to the body that has the authority in matters of bankruptcy of the companies having subsoil use rights. According to the mentioned changes, the physical volumes of the experimental extraction required for geological investigation are established by the authorized body. The Order of the Minister of MTAI No. 01-N dated 30 January 2020 established normative regulations on the physical volumes of the experimental extraction, which set standards for metal mining (for underground and open pit mines, as well as for combined open pit and underground mining). Separate criteria have been established for the experimental extraction unit in cases of building stones, sand, gravel and similar mines. This change is important for limiting unreasonable large-scale experimental extractions.

In the reporting period, some changes were also made in the general tax legislation in relation to mining companies. The main part of the legislative amendments was in the RA Subsoil Code as the main legal act regulating the sector. There have been some changes in the RA Law "On Environmental Control", the RA Law "On state registration of legal entities, separated divisions of legal entities, institutions and individual entrepreneurs", as well as in the RA Tax Code, relating to the fiscal regime of subsoil use.

Thus, the following three important laws on amendments and additions to the RA Subsoil Code were adopted in 2019-2020:

RA Law (HO-24-N)²¹ "On making additions and amendments to the Subsoil Code of the Republic of Armenia".

The mentioned legislative amendments envisage regulations in the issues of beneficial ownership disclosure, as well as in the norms establishing liabilities for law violations. In particular, Part 1 of Article 3 of the RA Subsoil Code has been supplemented with a new clause defining the term "an

²⁰ Extractive Industries Transparency Initiative (EITI) of the Republic of Armenia 2018 Report, pp. 76-97, available at <https://www.eiti.am/hy/>

²¹ RA Law "On making additions and amendments to the Subsoil Code of the Republic of Armenia" (HO-24-N, dated April 23, 2019, entered into force on July 1, 2019), <https://www.arlis.am/DocumentView.aspx?docid=130250>

extract containing information on beneficial owners", which contains data on the declaration of beneficial owners or changed information on beneficial owners. The data to be presented in the extract must be taken from the Unified State Register of Legal Entities of the Republic of Armenia²²:

In addition, the above-mentioned legislative amendments regulate the cases entailing an obligation for the mining companies to submit an extract containing information on the beneficial owners, and the scope of responsibility for failure to do so. Particularly, when submitting an application for a geological exploration right, for the purposes of mineral extraction, or for a mineral extraction right to the authorized body, the mining company shall submit an extract containing information on the beneficial owners as of the date that is 5 days prior to the submission of the application. Moreover, in case of change of beneficial owners (after the state registration of the change) in the period after the submission of the application until the decision on the application is made, the mining company is obliged to submit to the authorized body the changed extract containing information on the beneficial owners²³. In accordance with the amendments, the mining company, which was awarded the metallic mineral extraction right or the geological exploration right for the purposes of metallic mineral extraction, is obliged to register the beneficial owners and submit an extract containing information on the beneficial owners to the authorized body within the period defined by the RA Law "On state registration of legal entities, separated divisions of legal entities, institutions and individual entrepreneurs" (by February 20 of the year following the end of the reporting year). In case of change of beneficial owners, the legal entity is obliged to submit the changed data on beneficial owners to the state register within the period (within 40 days) and in accordance with the procedure established by the same law. After the state registration of the change of beneficial owners, the legal entity entitled to subsoil use is obliged to inform the MTAI about the change within 14 days, submitting an extract containing information on the beneficial owners. The obligation to submit an extract containing information on the beneficial owners is established also in the case of relinquishment of the right of subsoil use, both in the case of the geological exploration right and the mineral extraction right²⁴.

In the title of Article 30 of the RA Subsoil Code, the term "suspension" of the subsoil use right was added; it was previously missing, and the article regulated only the issues of termination of the subsoil use right. Prior to listing the grounds for suspension or termination of the subsoil use right, it should be noted that the mining company shall be given a written warning before a decision is made on suspension or termination. The warning is an intermediate procedure that allows the mining company, within a period of time determined by the authorized body, to remedy any violations, which may become a ground for the suspension or termination of the subsoil use right. The grounds for the suspension and termination are listed by the RA Subsoil Code. The grounds for the termination of the subsoil use right had already been established in the RA Subsoil Code, while the grounds for the suspension were established through the mentioned legislative amendments²⁵. Based on the general regulations defined by the RA Law "On state registration of legal entities, separated divisions of legal entities, institutions and individual entrepreneurs" and the special regulations for mining companies under the discussed legislative amendments, the grounds for the warning are as follows:

- For a mining company, in case of geological explorations for the purposes of metallic mineral extraction:
 - did not register the beneficial owners and did not submit an extract containing information on the beneficial owners to the authorized body within the period defined by the Law "On state

²² HO-24-N, article 1

²³ HO-24-N, articles 6 and 10

²⁴ HO-24-N, articles 8 and 13

²⁵ HO-24-N, article 2

registration of legal entities, separated divisions of legal entities, institutions and individual entrepreneurs” (by February 20 of the year following the reporting year);

- did not submit an extract containing information on the change of beneficial owners to the authorized body within 14 days after the state registration of the change of beneficial owners;
- the information provided about the beneficial owners is false or incomplete;
- did not attach to the application for geological exploration for the purposes of mineral extraction an extract containing information on the beneficial owners as of the date that is 5 days prior to the submission of the application.

■ In case of metallic mineral extraction:

- did not register the beneficial owners and did not submit an extract containing information on the beneficial owners to the authorized body within the period defined by the Law “On state registration of legal entities, separated divisions of legal entities, institutions and individual entrepreneurs” (by February 20 of the year following the end of reporting year);
- did not submit an extract containing information on the change of beneficial owners to the authorized body within 14 days after the state registration of the change of beneficial owners;
- the information provided about the beneficial owners is false or incomplete;
- did not attach to the application for mineral extraction an extract containing information on the beneficial owners as of the date that is 5 days prior to the submission of the application.

In the context of beneficial ownership disclosure, it should also be noted that during the reporting year, amendments were made to the RA Law “On state registration of legal entities, separated divisions of legal entities, institutions and individual entrepreneurs”²⁶. In accordance with the amendments, the legal entity with the responsibility of disclosing beneficial owners submits a declaration (declarations) on the beneficial owners to the state register every year by February 20 of the year following the end of the reporting year, confirming the accuracy of the declared data by a signature. In case of a change in the beneficial ownership information, the legal entity is obliged to submit the changed information to the state register within 40 days. In the event of non-submission of the declaration of beneficial owners or changed information on beneficial owners, submission of false or incomplete data, the submitter shall be liable under the law. The issue of liability in the field of subsoil use is regulated by the RA Subsoil Code through suspension or termination of the subsoil use right, the regulations of which were discussed above.

In accordance with the legislative amendments to the RA Law HO-24-N in question, failure by the companies having mineral extraction rights, or geological survey rights for the purposes of mineral extraction, to submit information on changes in their financial and technical capabilities and means, financial offers or guarantees to the authorized body within 14 days, or submission of information that is false or incomplete, is also a ground for the suspension of the subsoil use right under the same procedure (first, a written warning is issued).

The right of subsoil use cannot be suspended if the mining company remedies the violation that served as a ground for the warning within 90 days. If within the 90-day period, the above-mentioned violation serving as a ground for the suspension is not remedied, the subsoil use right is suspended, which, however, cannot be for more than 120 days. In accordance with the same legislative amendments, the subsoil use right is terminated if the mining company did not remedy the violation that is the basis for suspension within the mentioned period (120 days).

²⁶ RA Law “On state registration of legal entities, separated divisions of legal entities, Institutions and Individual Entrepreneurs” (HO-25-N, dated April 23, 2019), Article 2, <http://parliament.am/legislation.php?sel=show&ID=6568&lang=arm>

RA Law (HO-256-N)²⁷ “On making amendments and additions to the Subsoil Code of the Republic of Armenia”

These legislative amendments made some other additions to the beneficial ownership disclosure and established some technical regulations.

In accordance with the mentioned amendments, when filling in the declaration of beneficial owners, the natural persons, being members of the sole and collegial management bodies (shareholders' meeting, board and executive body) of the given company, are also considered beneficial owners, and the legal regulations established by the legislation on beneficial owners apply to them as well²⁸:

The same legislative amendments have provided additional powers to the authorized body (MTAI) in the field of subsoil use and protection. Among them is the establishment of template for the administrative statistical reports “On geological exploration” (annual), “On conducting geological exploration” (quarterly), “Mineral extraction in mining” (annual) and “On mineral enrichment, metallurgical transformation, complex use of overburden and industrial stockpiles” (annual), instructions for their completion and procedures of submission for keeping administrative registers in the field of subsoil use²⁹.

When submitting the application for the right of geological exploration of the subsoil for the purposes of mineral extraction to the authorized body, one more document is added to the list of documents to be attached to the application: general and geological descriptions of the requested subsoil plot with a geological map, a layout with the final coordinates confirmed by the signature of the person who received the qualification certificate in the manner prescribed by law, as of six months prior to the submission of the application³⁰. According to MTAI, this will make it possible to solve the problem with coordinate inaccuracies at the start of the investigation phase.

Amendments have been made to the time frames for making a decision on the application for the right of geological exploration of the subsoil for the purpose of mineral extraction. Following the date of the application registration, the authorized body (MTAI) discusses the geological exploration plan attached to the application within 20 days, instead of the previous 10-day period. The Public Authority for the Environment (ME) shall provide the conclusion on the plan within 30 business days of receiving it, instead of the previous 30 calendar days. In accordance with the amendment made in the same article, after receiving the positive conclusion on the preliminary environmental impact assessment, the authorized body shall make a decision on the application within 20 days instead of the previous 60-day period. If the documents submitted by the applicant are incomplete, or the submitted geological exploration plan, as well as the information on the applicant's financial and technical capacity and means does not meet the requirements set by law, the authorized body shall notify the applicant on this within 20 days instead of the previous 10-day period³¹.

The next change concerns the rules of extension of the permit for geological exploration of the subsoil for the purposes of mineral extraction. In particular, the person entitled to geological exploration of the subsoil for mineral extraction may, at any time, but not later than at least six months before the expiration of the permit for geological exploration of the subsoil for the purposes of mineral extraction,

²⁷ RA Law HO-256-N “On making amendments and additions to the Subsoil Code of the Republic of Armenia”, (adopted on 13 November 2019, entered into force on 21 December 2019), <https://www.arlis.am/DocumentView.aspx?docid=137114>

²⁸ HO-256-N, article 1

²⁹ HO-256-N, article 3

³⁰ HO-256-N, article 7

³¹ HO-256-N, article 8

apply to the authorized body to extend the deadline for the geological exploration permit for the purposes of mineral extraction³². An obligation has been established for the mining companies to submit administrative statistical reports “On geological exploration” (annual), “On conducting geological exploration” (quarterly) to the authorized body³³.

In accordance with the amendments, the mineral extraction project shall also include the geological description of the subsoil plot, geological and block maps of confirmed reserves of the mine with corresponding sections, the mining alterations according to the yearly drawings, the master plan of the mine, the schedule of mine preparation and extraction operations³⁴.

Amendments have been made to the time frames for making a decision on the application for mineral extraction rights. In particular, following the registration date of the application, the authorized body (MTAI) discusses the project attached to the application and submits it for technical safety expertise within 40 days, instead of the previous 10-day period. According to MTAI, such a change was reasonable for setting deadlines for a project review, which was extremely difficult to do properly within 10 days.

Likewise, following the application registration date, the authorized body (MTAI) submits the plan to close the mine, the subsoil waste management plan and the relevant financial guarantee, and in cases stipulated by this Code, the subsoil waste recycling plan and the financial guarantee required for the implementation of measures under the subsoil waste recycling plan, the environmental impact assessment report with the attached documents to the environmental impact assessment expertise within 40 days, instead of the previous 10 days. Instead, the deadline for providing the EIA expert conclusion is 60 business days instead of the previous 100 days starting from the date of receipt of the environmental impact assessment report. It has also been established that “by the reasonable decision of the environmental state governance body in the sphere of environmental protection, the term of the main phase of the expert assessment may be extended, but not to such extent as to exceed half of the term defined for each category, and not more than once. After receiving the expert conclusion, the authorized body makes a decision on the application within 25 days. Under the previous regulation, it was provided that the authorized body should make a decision on the application within 180 days after the application registration date³⁵.

Amendments have also been made to the regulations of the content of the mining contract. From now on, the mining contract shall specify the envisaged deadlines by phases for the revaluation or extraction of mineral resources, disposal of subsoil waste, financial investments, creation of a mineral extraction complex, and in case of parallel supplementary exploration work, the envisaged deadline for such work as well. Prior to these changes, the mining contracts were required to have information on the confirmed reserves of the mine. The amendments stipulate that information on mine reserves must not only be confirmed but also recorded in the state balance. The mining contract shall include the plans amended as a result of the revision of the subsoil waste management and subsoil waste recycling plans, as well as the provisions for submitting the amended financial guarantee for their implementation to the environmental state governance body³⁶.

Following the mentioned legislative amendments, the companies that have been granted mining rights are also obliged to submit the administrative statistical reports “On extraction of minerals in mining”

³² HO-256-N, article 9

³³ HO-256-N, article 10

³⁴ HO-256-N, article 14

³⁵ HO-256-N, article 15

³⁶ HO-256-N, article 17

(annual) and “On mineral enrichment, metallurgical change, complex use of overburden and industrial stockpiles” (annual) to the authorized body³⁷.

RA Law HO-397-N³⁸ “On amendments and additions to the Subsoil Code of the Republic of Armenia”

With the above-mentioned law, additions have been made to the minimum requirements to the content of mining projects. It is determined that the procedures for the mining right application process also apply to the application for the relinquishment of the right to the subsoil plot considered to be the object of the mining right. It is specified that in case of refusal from the subsoil plot, EIA and technical safety examinations shall be carried out to the full extent and in accordance with the established procedures. A separate article defines the process of submitting the mine closure plan.

Legislative amendments have defined the concept of “geographically separated area of the mine”, which is characterized as a separated site of a mine registered in the state balance of minerals under a separate name and with boundary marks³⁹. A detailed regulation has been put in place for the procedure of conducting subsoil expertise. The parties involved in the expertise procedure, the scope and terms of their authority have been established⁴⁰: The authority of the competent state bodies in the scope of the subsoil expertise is discussed in more detail in the sections of the Report describing the powers of the MTAI, the RA Ministry of Nature Protection and the subsoil inspection body.

Major changes have been made to the content of the mining right application and the project itself. The mining right application may be submitted only for a mine or a geographically separated site of a mine where reserves of a mineral resource have been confirmed by subsoil exploration within 5 years prior to the filing date of the application⁴¹. In accordance with the amendments, the mining project shall include additional information on technical and economic indicators, and the amount of balance reserves. Particularly, the project shall include:

- main economic and technical indicators, as well as technological indicators for mining and processing, which served as a basis for the assessment of mine reserves, and the project compliance with those indicators;
- the estimated and confirmed total balance of reserves of the mine or geographically separated site of the mine. If the estimated and confirmed total balance of reserves of the mine or geographically separated site of the mine exceeds the 25-fold of the annual productivity of the mine, the general 25-year phased mining plan for the estimated and confirmed total balance of reserves of the mine or geographically separated site of the mine shall be prepared and submitted, detailing the first phase of the project subject to expertise.
- In case of metal ore mining:
 - a. in case of annual production of up to 500 thousand tonnes, mandatory use of the technology generating solid tailings;
 - b. mandatory use of a closed circuit system of water;

³⁷ HO-256-N, article 18

³⁸ RA Law “On amendments and additions to the Subsoil Code of the Republic of Armenia”, (HO 397-N, adopted on 16 July 2020, entered into force on 16 August 2020) <https://www.arlis.am/documentview.aspx?docid=145085>

³⁹ HO-397-N, article 1

⁴⁰ HO-397-N, article 2

⁴¹ HO-397-N, article 21

- c. in case a tailings dam is planned, description of the tailings dam site, cartographic materials and brief description of the construction method, excluding the upstream construction.

When providing a calculation of the expected time of operation of the mine based on the existing technical and economic indicators, it is obligatory to also indicate the maximum annual productivity⁴².

Amendments have been made to the norms governing the decision-making process on the mining right application, which clarify the package of documents to be submitted for an EIA expertise. According to the edited definition, within 40 days after the registration of the mining right application, the authorized body (MTAI) shall submit the mine closure plan, the subsoil waste management plan with the relevant financial guarantee, and the environmental impact assessment report, including the attached documents, to an environmental impact assessment expertise⁴³.

Legislative amendments have added supplementary requirements to the content of the mining contract. In particular, the geological exploration contract shall provide data on the Environmental Protection Fund allocations by the mining company and their payment schedule⁴⁴.

Likewise, the mining contract shall have provisions for the payments and calculation of payments for the use of the subsoil, including provisions for the payments schedule of allocations for the Environmental Protection Fund and implementation of monitoring of the mining area, location of industrial stockpiles resulted from mining, and monitoring to ensure the health and safety of the population in nearby communities⁴⁵.

An additional ground has been added for rejecting the applications for mining and geological exploration for the purposes of mining if the subsoil site or the part thereof for which the applicant has applied is an object of terminated subsoil use right, the administrative act on the termination of the given right has been appealed in court and there is no court decision that has entered into force⁴⁶. That is, if the MTAI has made a decision to terminate the subsoil use right of an economic entity and it has been challenged in court, then the MTAI is not authorized to provide the mine to another economic entity until the decision enters into force.

The amendments set additional requirements in case of extension of the subsoil use period and expansion of the subsoil site. Particularly, the term of a mining permit shall not be extended if the mining company has not extracted at least 70% of the mineral reserves provided for by the permit within the period from the date of granting the subsoil use right to the date of application for the extension. The subsoil area provided for mineral extraction cannot be expanded on the same grounds⁴⁷. According to the MTAI justification, this was done in order to ensure the reasonable, rational exploitation of the subsoil and to eliminate the practice of not exploiting the subsoil sites with granted mining rights. Also, if the mining company has not made the allocations to the Environmental Protection Fund or for monitoring by the date of submission of the application, the term of the mining permit shall not be extended. In the case of geological exploration for the purposes of mining, the term of validity of the permit may not be extended if the mining company has not performed at least 70% of each work envisaged by the geological exploration plan at the time of the permit extension

⁴² HO-397-N, article 22

⁴³ HO-397-N, article 23

⁴⁴ HO-397-N, article 14

⁴⁵ HO-397-N, article 24

⁴⁶ HO-397-N, articles 13 and 23

⁴⁷ HO-397-N, article 25

application and/or has not made the allocation to the Environmental Protection Fund to the extent required as of the permit extension application date⁴⁸. The transitional provisions of the law have set different terms with regard to these requirements and the parties involved.

The subsoil area provided for mining may not be expanded if the mining company has not made the allocations for monitoring of the mining area, location of industrial stockpiles resulted from mining, and monitoring to ensure the health and safety of the population in nearby communities to the extent required by the expansion application date⁴⁹. On the same grounds, the authorized body shall also reject the application submitted for the expansion of the subsoil site provided to the applicant for geological exploration for the purposes of mining⁵⁰. Regulations on reclamation fund and monitoring are analyzed in more detail in the sections of the Report on mining contracts and subsoil use payments.

Extensive changes have been made in the provisions regulating the issues of relinquishing the subsoil site considered to be an object of a mining right. Particularly, in accordance with the amendments, the application shall specify and include as attachments the following documents:

- documents certifying the work carried out in the subsoil site in respect of which the applicant wishes to relinquish the mining right;
- documents certifying the implementation of the reclamation program of the land disturbed by mining, including the reclamation works carried out at the time of the mine existence,
- in case of relinquishing the mining right for a part of the subsoil site, the application for relinquishment of the subsoil site shall be accompanied by the documents containing the following information:
 - all information included in the mining project;
 - the following included in the submitted mining right application: 1) the mine closure plan, 2) information on financial and technical capacity, resources, 3) financial proposals, guarantees, which must include details on the mine operation, capital and operating expenses, 4) subsoil waste management plan and relevant financial guarantee, 5) receipt of the state duty for environmental impact assessment expertise.

Within 20 days after the registration of the application for relinquishment of the subsoil site, the authorized body shall consider the mine closure plan or the modified project attached to the application, and the rules established for decision-making on a mining right application shall apply to the submitted application as well.

Upon receipt of the positive conclusion of the expertise, the authorized body shall, within 25 days, make a decision on issuing a preliminary relinquishment certificate, which shall include the conditions for relinquishing the mining right, the requirements of the expertise conclusion, and the conditions for assuring their implementation.

The authorized body shall not issue a preliminary relinquishment certificate if the mining company has not made the full allocation for the Environmental Protection Fund or for monitoring. The application shall also be rejected if a negative conclusion of the expertise has been given on a modified project

⁴⁸ HO-397-N, article 15

⁴⁹ HO-397-N, article 26

⁵⁰ HO-397-N, article 16

or a mine closure plan. Certain editorial changes have been made in the norms of relinquishment of the subsoil site with regard to the issues regulating the terms⁵¹.

The mentioned legislative amendments added a new article called "mine closure plan", which describes the content of the application on the mine closure plan in detail, the list of documents to be attached to it, the conclusion of the expertise, the regulations related to its terms⁵².

Changes have been made in the responsibilities of mining companies⁵³. The amended provisions stipulate that the person who has been granted the mining right is obliged to:

- implement the mine closure plan, fulfilling the conditions of the decision of the authorized body on the closure of the mine, the requirements of the expertise conclusion, and the conditions of assuring the reliability of their implementation,
- conduct supplementary exploration and operational exploration of the mine in parallel with mining,
- keep for at least 10 years all the samples of minerals taken during the extraction, supplementary exploration and operational exploration, and the samples taken from a concentrate or a casting for the purpose of determining the quality and quantity, as well as other properties,
- carry out checkup analysis of the samples taken during the extraction and operational exploration for the purpose of evaluation of the reliability of the data on the quality, and of the samples taken during supplementary exploration works or from a concentrate or a casting for the purpose of evaluation of the reliability of the data on the quality, quantity and other properties in cases, terms and under procedures established by the legislation of the Republic of Armenia;
- carry out the consumption calculation for the balance of mineral reserves in accordance with the calculation method specified in the report submitted for subsoil expertise and approved by the authorized body;
- concrete the entrances of all underground mine workings that are not exploited within the limits of mining allotment with a thickness of at least one meter.

Within the term set by the transitional provisions, the Government of the Republic of Armenia, the MTAI and the ME, within the scope of their competence, shall develop, define and approve additional bylaws (guidelines, methodological instructions, and calculation procedures) to regulate the procedures established by the amendments. The transitional provisions of the Law HO-397-N, which establishes the amendments to the RA Subsoil Code, also define the terms of adopting those by-laws⁵⁵. Particularly:

1) The government⁵⁶ should define and approve:

- a. procedures for calculating the use of the Environmental Protection Fund and amounts of allocations within one year after this law enters into force;
- b. procedures for calculation and recalculation of cost estimates of reclamation works within one year after the amendments to the law enter into force;
- c. guidelines for reclamation works of lands disturbed by subsoil use, closed mining waste facilities, including biological rehabilitation, within one year after the amendments to the law enter into force.

⁵¹ HO-397-N, article 27

⁵² HO-397-N, article 28

⁵³ HO-397-N, article 29

⁵⁵ HO-397-N, article 32

⁵⁶ HO-397-N, article 5

- 2) The authorized body⁵⁷ in the field of subsoil use and protection (MTAI) shall define and approve:
- minimum requirements for the mining project within six months of the entry into force of the amendments to the law;
 - instructions and methodological guidelines for the application of mineral reserves classification within two years after the amendments to the law enter into force.
- 3) with regard to subsoil use, the environmental state governance body⁵⁸ (ME) shall develop:
- procedures for calculating and recalculating the cost estimates of reclamation works;
 - guidelines for reclamation works of lands disturbed by subsoil use, closed mining waste facilities, including biological rehabilitation;
 - procedures for calculating the use of the Environmental Protection Fund and amounts of allocations.

Some changes to the ME competencies are provided in the section of the Report describing the role and functions of the ME.

Additional requirements have been put in place for the pledge of subsoil use rights. In accordance with the legislative amendments, the pledge of the subsoil use right is permitted only if it secures the obligations arising from the target loan agreement related to the subsoil use activities. The mining company submits an application to the authorized body (MTAI) to give its consent to the pledge of the subsoil use right. The application specifies and/or includes as attachments:

- the full name of the legal entity to which the subsoil use right belongs,
- an extract on beneficial owners,
- a reference on other mandatory payment obligations established by the Tax Code and other laws of the RA.
- the preliminary agreement on the pledge of the subsoil use right and the preliminary target loan agreement; the pledge of the subsoil use right aims to secure the obligations arising from these agreements. The mentioned preliminary agreement shall reflect the work and obligations, for the fulfillment of which the target loan is provided.

Within 30 days after receiving the application, the authorized body shall make a decision on giving consent or refusing to give consent for the pledge of the subsoil use right. The pledge agreement between the mining company and the pledgee is concluded after receiving the consent of the authorized body. The pledge agreement between the mining company and the pledgee concluded or changed without the consent of the authorized body becomes void. The mining company which has pledged the subsoil use right shall submit annual reports to the authorized body. An application for consent to the pledge of the subsoil use right shall be rejected if the applicant has overdue tax and other mandatory payments established by the laws of the Republic of Armenia in excess of one thousand times the minimum wage established by law, or does not meet the conditions⁵⁹ required to submit an application for consent to the pledge of the subsoil use right.

The provisions establishing liability for violations of the subsoil use right have also been substantially amended so that the administrative act on the termination or suspension of the subsoil use right could be appealed in court within the time periods set by law, repealing the regulation that existed prior to this amendment, in accordance with which, the termination of the subsoil use right could not enter into force until the legal proceedings in relation to the rights of the holder of the subsoil use right have

⁵⁷ HO-397-N, article 7

⁵⁸ HO-397-N, article 7

⁵⁹ HO-397-N, article 9

been completed. It should be noted that, in accordance with the amendments⁶⁰ to the RA Code of Administrative Procedure, in case the administrative act adopted by the state body on termination or suspension of the subsoil use right is appealed, the fact that the court accepts the lawsuit does not suspend the enforcement of the disputed administrative act, until the entry into legal force of the final legal act passed on the case. Specifically, the act adopted by the administrative body is not suspended due to the acceptance by the court of the submitted relevant appeal, even though the mining company may file such a motion in court. At the same time, the state does not grant the subsoil use rights for that site of that subsoil to another economic entity, preventing the emergence of a situation where, in the event of a court ruling in favor of the economic entity, two different economic entities would have the right of subsoil use for one and the same site.

An additional provision has been established that constitutes a ground for termination of the subsoil use right, in accordance with which the subsoil use right is terminated if the act on non-fulfillment of the order to remedy the violation registered by the inspection body conducting supervision in the environmental and subsoil sector has entered into force, and the inspection body has submitted a petition to the authorized body (MTAI) to terminate the subsoil use right.

In accordance with the mentioned legislative amendments, the subsoil use right is also terminated if the money transferred to the mining company within the framework of the target loan secured by the subsoil use right has been misused. It should be noted that in all three cases, the norm on the termination of the subsoil use right is formulated in an imperative manner. That is, in case of any of the mentioned grounds, the authorized body has the obligation to terminate the subsoil use right of the company that has committed the violation⁶¹.

Changes have been made in the calculation of payments for the use of subsoil (reclamation fund, monitoring fee), use of the reclamation fund and calculation of the amounts of allocations (more details will be provided in the section on the fiscal regime).

As a result of the amendments⁶² to the Law of the Republic of Armenia “On Bankruptcy”, a provision was established that the Bankruptcy Court should immediately notify the state body (bodies), which granted the mining right to the mining company, on declaring the company with subsoil use right bankrupt, rejecting the application or leaving the application unaddressed, as well as on dismissing the proceedings, if the application contains information on the right of subsoil use. This change is important since it would enable the authorized state bodies to be timely informed about the possible bankruptcy of the mining companies and, consequently, about the financial problems in terms of proper fulfillment of the contractual obligations.

In accordance with the amendments to the RA Law on State Duty (HO-257-N adopted on 13 November 2019), a state duty has been established for awarding a one-time permit for the extraction of non-metallic minerals, the rates of which will be given in the section describing the fiscal regime.

The RA Government Decree No. 666 dated 8 June 2018⁶³ has also been changed resulting in the adoption of a new decree of the RA Government⁶⁴. The mentioned document has changed the form

⁶⁰ RA Law “On amendments and additions to the RA Code of Administrative Procedure” (HO-399-N, adopted on July 16, 2020), <http://parliament.am/legislation.php?sel=show&ID=7298&lang=arm>

⁶¹ HO-397-N, Article 10

⁶² RA Law “On amendments and additions to the RA Law on Bankruptcy” (HO-398-N, adopted on July 16, 2020, entered into force on July 26, 2020), <http://parliament.am/legislation.php?sel=show&ID=7299&lang=arm>

⁶³ RA Government Decree No. 871-N dated 11 June 2019 “On amendments and additions to the RA Government Decree No. 666 dated 8 June 2018”, <https://www.e-gov.am/gov-decrees/item/32181/>

of the public report to be submitted by the mining companies, as well as some items of the guideline for completing the public report of the mining companies. The forms of reports to be provided by state bodies have also been changed, and there are many technical changes as well.

2.1.2 Fiscal regime

The detailed analysis of the legislative regulations for each type of tax that is part of the fiscal regime, as well as the description of the concession relations, is presented in the previous two EITI reports⁶⁴. Certain changes have been made in the fiscal relations regulating the sector. Upon that, there are significant changes both in payments for subsoil use and in general tax legislation, many of which relate to companies operating in the field of subsoil use (real estate tax, profit tax, etc.). A description of the legislative amendments will be provided below.

The regulations in this report defining the legal framework and fiscal regime of the sector will complement the information described in previous EITI reports. This will outline a more comprehensive picture of payments for subsoil use, waste management plan and required financial guarantees, as well as of product pricing mechanisms that are part of the fiscal regime. In this context, the issues regulated by the RA Tax Code and other by-laws and relating to the composition of the concentrate, moisture, presence of penalty elements, presence of other metals in the concentrate that are subject to payment will be presented. Regulations on transfer pricing will also be provided.

Subsoil use payments

Article 61 of the RA Subsoil Code defines the types of payments specific to the subsoil use sector as follows:

- environmental tax for the implementation of environmental measures;
- (recultivation) payments for the replenishment of the Environmental Protection Fund for restoration of lands disturbed in the mining process;
- monitoring payments 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;
- nature utilization payments for use of natural resources considered as state property, including royalty for extracted metallic minerals and recycling of subsoil use waste;
- state duty for provision of subsoil utilization permits.

Definitions of the environmental tax, nature utilization payment, including royalties, are specified by the Tax Code of the Republic of Armenia, according to which the environmental tax is a tax imposed on the emission of harmful substances into the atmospheric air, leakage of harmful materials and/or compounds into water resources, disposal and storage in designated areas of subsoil use, production or consumption waste, as well as on producers and importers of environmentally harmful products, paid to the state budget to generate funds necessary for the implementation of environmental measures.

The nature utilization payment is a fee paid to the state budget of the Republic of Armenia, in accordance with this section, for the efficient and comprehensive use of the state-owned natural resources, as well as to compensate for their use. The royalty is a type of nature utilization payment

⁶⁴ RA Government Decree No. 666 dated 8 June 2018 "On establishing the procedure, terms and forms of publication of information on the mineral extraction and geological exploration for the purposes of mineral extraction, the procedure, terms and forms for the submission of public reports on the activity of mining companies having the right for metallic mineral extraction, as well as the list of public bodies in relation to the subsoil use activity"

⁶⁴ Extractive Industries Transparency Initiative (EITI) of the Republic of Armenia 2018 Report, pages 19-27, available at <https://www.eiti.am/hy/>

to be made to the state budget of the Republic of Armenia, in accordance with this section, to compensate for the use of metallic minerals, as well as for the profit from the alienation of products received from the processing of metallic minerals, their waste or subsoil waste.

The concept of the state duty for the provision of subsoil use permits is established by the RA Law “On State Duty” as a state duty charged at relevant rates for issuing a permit for the use (exploitation) of subsoil and minerals, which are deemed state property.

As analyzed in the previous EITI report, the estimated amount for the implementation of monitoring to ensure the safety and health of population of the communities located on mineral extraction areas, areas of collection of extraction waste dumps and their adjoining territories is directly related to the estimated cost of monitoring foreseen in the mine closure plan. In this respect, it was also discussed that the mining contracts concluded before the new RA Subsoil Code entered into force in 2012 are problematic, since the previous legislation did not provide for the requirement to submit a mine closure plan, so those contracts lack the cost estimate for monitoring.

Even after the adoption of the new RA Subsoil Code⁶⁶ in 2011, no direct requirement for compiling a cost estimate for monitoring has been established. The provisions with regard to the conclusion of the mining contract simply set out a requirement that the mining contract should include provisions on the calculation and payment of fees during the subsoil use, provisions on the closure of a mine, as well as provisions on the amount and terms of commitments undertaken in the field of socio-economic development of the community.

In this context, it must be noted that the sample contract⁶⁷ for mineral extraction approved by the Government of the Republic of Armenia contains four annexes, one of which (Annex 2) refers to the obligations envisaged for mine closure, including the cost estimate for mine closure and monitoring. These annexes are an inseparable part of the mining contract. However, in practice, instead of making a cost estimate pursuant to these norms, many of the current mining contracts simply state that subsoil use payments will be made in accordance with the law. The legal casus in this issue is quite detailed in the previous EITI reports⁶⁸.

Payments for monitoring

A component of the accountability and fiscal regime is the implementation of monitoring and publication of its results. The RA Subsoil Code establishes legal relations⁶⁹ in terms of two types of monitoring. One of them is defined as “planned monitoring to reduce environmental losses due to subsoil use, to prevent irreversible impact”, and the other is “monitoring for ensuring the safety and health of population of the communities located on mineral extraction areas, areas of collection of extraction waste dumps and their adjoining territories.” A separate procedure is established for each of these two types of monitoring by the decrees⁷⁰ of the Government of the Republic of Armenia.

Before referring to the legal content of monitoring, it should be noted that the obligations regarding payments for the monitoring to ensure the safety and health of population of communities located on

⁶⁶ Subsoil Code of the Republic of Armenia (HO-280-N, adopted on 28 November 2011, entered into force on 1 January 2012), <https://www.arlis.am/documentview.aspx?docid=118732>

⁶⁷ RA Government Decree No. 437-N dated 22 March 2012 “On approving sample contracts for mineral extraction”, <https://www.arlis.am/documentview.aspx?docid=75220>

⁶⁸ EITI 2018 Report, pages 37-39

⁶⁹ RA Subsoil Code, Article 15.

⁷⁰ RA Government Decree No. 191-N dated 22 February 2018 “On defining the requirements for the planned monitoring to reduce environmental losses due to subsoil use and to prevent irreversible impact, **as well as the** procedure for submitting reports on the results” <https://www.arlis.am/DocumentView.aspx?docid=120135> and RA Government Decree No. 22-N, dated 10 January 2013, “On the procedure of implementation of monitoring 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, and the procedure of the calculation and payment of fees” <https://www.arlis.am/DocumentView.aspx?docid=80784>

mineral extraction areas, the areas of collection of extraction waste dumps and their adjoining territories are clarified through the amendments⁷¹ made to the RA Subsoil Code in 2020. Particularly, the amendment to Article 54 of the RA Subsoil Code stipulates in a direct text that the mining contract shall include provisions on the calculation and payment of fees for subsoil use, including schedule of payments⁷² to the Environmental Protection Fund and for monitoring to ensure 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. Thus, the amended provision does not allow the mining company to interpret the provision of the law discretely, and the mining company is obliged to have a calculation for monitoring allocations and a schedule of payments. Moreover, making allocations in the size required for monitoring is a prerequisite for extending the mining permit, expanding the subsoil area for extraction, and obtaining a subsoil relinquishment certificate.

Under the amended regulations, in case of non-payment of the full amount of fees for monitoring, the environmental state governance body in the field of environmental protection (ME) may apply to the court to confiscate the unpaid amounts⁷³.

Monitoring conducted by the mining company

The RA Subsoil Code (Article 3, Part 1, Paragraph 47) defines the concept of “planned monitoring to reduce the environmental losses due to subsoil use and to prevent irreversible impact” as a procedure implemented through regular surveys to monitor, assess and predict the state of the environment and natural resources (except for subsoil waste areas) and the factors having an impact on them. According to Article 64 of the same Code, the implementation of the mentioned monitoring must be ensured by the mining company. According to the RA Government Decree “On defining the requirements for planned monitoring to reduce environmental losses due to subsoil use, to prevent irreversible impact, as well as the procedure for submitting reports on the results”⁷⁴, mining companies submit quarterly reports on the monitoring results (in case of metallic minerals), annual summary reports (in case of metallic and non-metallic minerals) to the authorized body (ME) by paper or electronically (except for mining companies which monitor the environmental pollution with automatic measuring devices and post the measurement results on their website directly by means of data transfer from automatic measuring systems). It should be noted that none of the companies has yet introduced an automatic measurement system, so it is not possible to provide additional information on this.

The requirements for planned monitoring to reduce environmental losses due to subsoil use, to prevent irreversible impact, as well as the procedure for submitting reports on the results is established by the ME. Acceptance of the reports on monitoring results, creation of a relevant unified system, its maintenance, management and publication is ensured by the ME. However, the RA Law on Subsoil does not establish norms which envisage liabilities for improper monitoring carried out by mining companies or failure to submit reports in the prescribed manner.

Monitoring conducted by the mining company or the state body

The other type of monitoring is monitoring 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. According to Article 50 of the RA Subsoil Code, when submitting a mining project, the company is also obliged to include the monitoring program, and according to Article

⁷¹ HO-256-N

⁷² HO-397-N, Article 24

⁷³ HO-256-N, Article 30

⁷⁴ RA Government Decree No. 191-N dated 22 February 2018 "On defining the requirements for planned monitoring to reduce environmental losses due to subsoil use, to prevent irreversible impact, as well as the procedure for submitting reports on the results" <https://www.arlis.am/DocumentView.aspx?docID=120135>

17, the monitoring program is subject to approval during the EIA implementation phase. According to Article 54 of the same Code, the mining contract must contain provisions on the schedule of payments for monitoring allocations.

In practice, this type of monitoring is interlinked with the mine closure plan and must be carried out by the mining company. At the same time, in terms of the RA Government Decree 22-N regulating the relations of this type of monitoring, the monitoring can also be carried out by the authorized body in the field of nature protection. Consultations with the representatives of the RA ME have led to the conclusion that the state authorized body can conduct the monitoring only in case the mining company refuses to do so for some reason. In such case, the monitoring is carried out by the state authorized body instead of the mining company. The purpose of the monitoring payments to be made by the mining company is to create a financial basis that will allow to have sufficient financial resources to carry out the monitoring following the closure of the mine.

According to Article 61 of the Code, the monitoring fee is a type of subsoil use payment 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. In accordance with Article 59 of the Code, the mining company granted the right for mineral extraction is obliged to pay the fee for the monitoring.

Moreover, according to Article 55 of the Code, the term of a mining permit is not extended in case of non-payment of the full amount for monitoring by the mining company. As discussed above, in case of failure by the companies with terminated subsoil use right to implement reclamation works under the project, the program or the mining contract or to make full payments to the Environmental Protection Fund or for monitoring, the RA Ministry of Environment may apply to the court to confiscate the unpaid sums.

The procedural details of this type of monitoring are defined by the RA Government Decree⁷⁵ “On the procedure of implementation of monitoring 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, and calculation and payment of fees”, according to which, monitoring is conducted:

- 1) in the area of extracted minerals;
- 2) in the area of waste dumps generated during extraction.

The structure and content of monitoring, location of the observation posts and monitoring frequency is fixed in the mine closure plan and determined for each specific facility individually by considering its geological, hydrogeological and engineering-geological conditions, as well as considering the data of monitoring conducted by the mining company in the mine.

The main purpose of the monitoring is to obtain information on changes in the geological environment, hydrogeological (change of water quality and regime due to leakage from tailings dam, discharge of drainage waters) and engineering-geological (development of deformations in the mass of mountain rocks or on the surface of the earth, deformation of the mountain rocks on the sides of open pit mines and slopes of industrial landfills, activation of landslide and karst processes, occurrence of manmade earthquakes) conditions in the location of the closed mine and extraction waste dumps. The results of the conducted monitoring are summarized by the authorized body on an annual basis and submitted to the Ministries responsible for Territorial Administration and Infrastructure, Health,

⁷⁵ RA Government Decree No. 22-N dated 10 January 2013 “On the procedure of implementation of monitoring 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, and calculation and payment of fees”
<https://www.arlis.am/DocumentView.aspx?docid=80784>

Emergency Situations, Agriculture, Culture, and Urban Development within three months, and in case of danger, immediately.

A special issue in the closure of mines is the duration of the monitoring to be conducted. During the conservation of mines, monitoring will be carried out during the whole conservation period, and during the liquidation of mines, until the stabilization of geodynamic and hydrodynamic indicators, as well as indicators characterizing the possible contamination of the environment.

The estimated basic rate of monitoring is the estimated cost of the monitoring envisaged by the monitoring program, which is an integral part of the mine closure plan and is implemented by mining companies, consisting of the initial allocation and annual recurrent allocations. The initial allocation shall be made by the mining company within one month following the date of signing the corresponding mining contract in the amount that shall be set in the mining contract concluded with the respective company and shall not be less than 15 percent of the estimated basic rate of allocations for monitoring.

The funds allocated for monitoring are kept in a deposit account opened in the name of the authorized body at the Central Treasury of the Republic of Armenia. The implementation of monitoring in the given year is financed by the sums deposited in the relevant extra-budgetary account of the ME .

Thus, this type of monitoring is carried out following the closure of the mine by mining companies, which provide the collected data to the authorized body. To ensure the smooth progress of the monitoring, mining companies make regular payments, which should be used by the mining companies or the state authorized body for monitoring after the closure of the mine.

(Recultivation) Payments to the Environmental Protection Fund

The payment for replenishment of the Environmental Protection Fund made by mining companies is a type of subsoil use payment defined by the RA Subsoil Code. It is transferred to the extra-budgetary account of the Ministry of Environment in the Central Treasury.

Incomplete regulations have been discussed in the previous EITI reports in terms of determining the basic rate of the cost estimates of the recultivation fund, the procedure of calculation of payments and other issues. In particular, the provisions of Article 69 of the RA Subsoil Code, stating that the obligation of the mining company to make allocations to the Environmental Protection Fund shall be included in the mining contract, were analyzed in detail. At the same time, in accordance with the same Article 69, “the procedure of using the fund and calculating the size of allocations is defined by the Government”. Also, according to the RA Government Decree No. 1079-N dated 23 August 2012⁷⁶, the basic rate for the calculation of allocations to the Fund is determined by the “project, and/or program, and/or mining contract. And the basic rate, according to the procedure for calculating recultivation payments, is “the estimated cost of recultivation works.” It turns out that there are no legal regulations for defining the basic rates, and that in each particular case, the basic rate is defined based on project specifics and by taking into consideration the estimate presented by the project or the program. In the previous EITI report, as a legislative ambiguity, it was also mentioned that in the mining contract, often no estimated cost is calculated for the payment to the recultivation fund. It is only mentioned that the obligations will be fulfilled “in the amount defined by the legislation” and “in accordance with the procedure for payment”, while the legislation has left the calculation issue to the discretion of the mining company⁷⁷.

⁷⁶ RA Government Decree No. 1079-N dated 23 August 2012 “On approving the procedure for the use of the Nature and Environmental Protection Fund and calculation of the amounts of allocations, the composition of the professional committee, as well as repealing the RA Government Decree No. 1128 dated 14 August 2003”
<https://www.arlis.am/DocumentView.aspx?docID=77914>

⁷⁷ EITI 2018 Report, pages 34-35

The amendments⁷⁸ made to the RA Subsoil Code bring legislative clarity to this issue. First, the concept of recultivation fund established in Article 69 of the RA Subsoil Code is clearly defined, according to which, “the Environmental Protection Fund is created at the expense of allocations made by mining companies. The amounts paid by mining companies to the Environmental Protection Fund do not include the recultivation amounts for the subsoil waste facilities; they are regulated by the mechanism of financial guarantees for the management of the subsoil waste, which will be presented below. The procedure for using the funds and calculating the amount of allocations shall be established by the government”. There is also a clearly formulated requirement that the data on the calculation and schedule of payments by the mining company to the recultivation fund must be included in the mining contract, both in the case of extraction and geological explorations for such purpose.

Legislative amendments have provided a rather strict regulation for non-fulfillment or incomplete fulfillment of obligations for the payment to the recultivation fund. In particular, if the mining company has not made the allocations to the Environmental Protection Fund in the amount stipulated as of the date of application submission, the validity period of the permit may not be extended. On the same grounds, the authorized body shall reject the application submitted for the expansion of the subsoil site, which is the object of the subsoil use right, and shall not issue a relinquishment certificate in case of relinquishment of the subsoil use right.

The Government of the Republic of Armenia must, within one year after the law envisaging legislative changes enters into force, approve the procedure for using the funds and calculating the amount of allocations. In accordance with same amendments, ME is also authorized to make decisions on the use of funds, calculation and recalculation of the amount of allocations, performance of reclamation works, and refund of sums from the fund. Moreover, in case of termination of the subsoil use right, the ME may file a lawsuit to confiscate the unpaid sums in case of non-payment of the full amount payable the Environmental Protection Fund.

It should be noted here that the issue of impairment of funds allocated to the Fund is not regulated by legislative or other administrative mechanisms. Given that the need for recultivation work usually arises only after the mine is closed or long-term work is done, the accumulated amount in the Fund may be significantly impaired, which will make it impossible to carry out the previously estimated recultivation works at the expense of those funds. This issue needs a comprehensive regulation.

Royalty

Royalty is a type of nature utilization payment to be made to the state budget of the Republic of Armenia for compensation for the use of metallic minerals, and for the profit generated from alienation of outputs resulting from the processing of metallic minerals, their waste or subsoil use waste. The royalty base is the sales turnover of a delivered concentrate, a casting received instead of a concentrate or without a concentrate or subsoil use waste, ore, any final product received from the processing of a concentrate, a casting during the reporting period.

A price (percentage) rate is defined for royalty, the value of which is determined using the following formula:

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

R is the royalty rate in percentage;

⁷⁸ HO-397-N, Article 30

P is the profit before taxation in AMD, which is calculated as the positive difference of the royalty base and deductions set out in Part 6 of the Code (excluding expenses for financial activities, the royalty defined in section 10 of the Code and tax losses of previous years); and

B is the royalty base in AMD.

Detailed information on the concept of a royalty, scope of payers, calculation base, rate and other issues has been provided in previous EITI reports. A separate description has been provided for the issues regarding determination of the physical volumes of concentrates, castings, any other final product received from the processing of a casting or a concentrate, as well as products resulting from the processing of ore without receiving the concentrate, the procedures of royalty calculation, including calculation of the sales turnover in different reporting periods and other details. In this Report, it is reasonable to provide other details underlying the pricing of the product, which will further clarify the issues underlying the royalty calculation.

Thus, in order to determine the sales turnover of the metal ore (tax base), there is a quality certificate of the delivery batch prepared as a result of the laboratory examination attached to the supply contract. The quality certificate contains the name of the concentrate, weight, moisture percentage and mass percentage values of metals for the main and accompanying metals separately, as well as data on moisture, and the presence of penalty elements that reduce the price of the product.

When calculating the sales turnover of a concentrate⁷⁹, the companies have the right to sell the concentrate at prices up to 20% less than the international prices. Until 1 January 2018, this reduction was possible up to a maximum of 10%⁸⁰. When determining the sales turnover of a concentrate by royalty payers, the Government of Armenia has set certain limits: maximum limits for non-payment by the buyer with regard to paid metals, maximum limits on processing, refining or other similar costs specified in the concentrate supply contract, as well as maximum limits⁸¹ on costs for delivery of concentrates, including transportation, packaging, marking and loading costs. However, the regulation of the amount of reductions within the maximum allowable limits is left to the agreement of the parties of the supply contract within the framework of the mentioned legal restrictions, which requires serious state and public control in terms of transfer pricing.

When determining the royalty sales turnover, the moisture content of the concentrate is considered as a quantitative indicator. It usually fluctuates in the range of 7-14%, which means that the weight of the concentrate is directly reduced by the metal price of the same amount. It should be noted here that, in accordance with the decision of the RA Government⁸², when calculating the sales turnover of the concentrate, the amount of metals contained in the volume of dry metric ton (DmT) of the supplied concentrate, expressed in weight (grammes or tonnes), is taken as a basis. However, in the EITI report, production and sales volumes are calculated in the wet metric ton measurement unit, and no data is available in dry metric ton.

Gold, silver and other metals that are paid under the contract are considered for payment along with copper when determining the sales turnover of copper concentrate. At the same time, in order to determine the sales turnover of copper concentrate, the maximum buyer nonpayment threshold for the metals paid by the royalty payer, including any deductions applicable to the metals payable under

⁷⁹ RA Government Decree No. 1492-N dated 23 November 2017 "On Establishing the Maximum Limits of Concentrate Sale Turnover by Royalty Payers"

⁸⁰ RA Law HO-79-N dated 27 March 2017 "On making amendments to the Tax Code of the Republic of Armenia", <https://www.arlis.am/DocumentView.aspx?docid=112537>

⁸¹ RA Government Decree No. 1492-N dated 23 November 2017 "On Establishing the Maximum Limits of Concentrate Sale Turnover by Royalty Payers", <https://www.arlis.am/DocumentView.aspx?DocID=117760>

⁸² RA Government Decree No. 1492-N dated 23 November 2017 "On Establishing the Maximum Limits of Concentrate Sale Turnover by Royalty Payers"

the contract, are: 1 percentage point of copper contained in one dry metric ton of concentrate; the actual quantity of gold contained in one dry metric ton of concentrate, if less than 1 gram; 10% of the gold grade in one dry metric ton of concentrate, if it is not less than 1 gram; the actual quantity of silver in one dry metric ton of concentrate, if it is less than 30 grams; 10% of the actual quantity of silver contained in one dry metric ton of concentrate, if it is not less than 30 grams⁸³.

Other highly precious exclusive metals are not defined as mandatory calculated metals (rhenium, vanadium, etc.) in the metal concentrate. Taxes can be levied on the latter only if they are presented in the sales contracts together with the base metal.

The mineral raw material produced in Armenia is sold mainly in the foreign market. According to the analysis of the previous EITI reports, the products sold in the domestic market are later resold outside Armenia with or without further processing. Metallic raw minerals are sold in the form of ore, concentrate or various alloys. When determining the royalty sales turnover, the qualitative and quantitative indicators of the product influencing the pricing are taken into account.

The composition of the metal concentrate exported from Armenia, the percentage of metal content in the concentrate by mass is estimated based on the quality certificate issued by the exporting company on the composition of the concentrate for each exported batch.

Taxes

During the reporting period for this Report, mining companies pay the same types of taxes as before. Rates of taxes, duties and other payments, including changes applicable to the current reporting period, were also analyzed in detail in the EITI 2018 Report⁸⁴, so they will not be discussed in detail in this Report.

Among the sector-specific fees, mining companies pay the following taxes and duties:

- Profit tax
- Income tax
- Value added tax
- Property tax and land tax (real estate tax starting from 1 January 2021)
- Environmental tax
- Nature use fee (royalty)
- Customs fees.

Profit tax

All mining companies operating in the Republic of Armenia are subject to profit tax, which is calculated at the rate of 20 percent of the taxable profit of 2019. Profit tax rate on taxable profit was changed in accordance with the legislative amendments⁸⁵ dated 25 June 2019. An 18% rate is applied to calculate the profit tax for 2020 and for the subsequent reporting periods.

In accordance with the amendments to the RA Tax Code made by the RA Law HO-302-N dated 16 June 2020 (entered into force on 18 June 2020), the resident profit tax payer and the non-resident profit tax payer operating in the RA through a permanent establishment makes profit tax advance payments for each quarter of the current tax year (except for the cases provided for in Article 135, Part 7 of the Code) at 20% of the amount of the profit tax for the previous tax year or 2% of the income received from the supply of goods, performance of work and/or provision of services during the previous quarter, whichever the least. It should also be considered that advance payments of the

⁸³ RA Government Decree No. 1492-N dated 23 November 2017 "On Establishing the Maximum Limits of Concentrate Sale Turnover by Royalty Payers", <https://www.arlis.am/DocumentView.aspx?DocID=117760>

⁸⁴ EITI 2018 Report, pages 40-58. <https://www.eiti.am/hy/annual-reports/2020>

⁸⁵ HO-68-N <https://www.arlis.am/DocumentView.aspx?docid=131962>

profit tax are not calculated or paid for the second quarter of 2020. At the same time, the amount of the profit tax prepayment for the first quarter following July 1, 2020 is adjusted by the difference between the amount of the profit tax prepayment calculated in accordance with the procedure and in the amount defined by Article 135, Part 3 of the Code during the first quarter of 2020 and the amount calculated at 20% of the profit tax amount for 2019.

In accordance with the amendments to the RA Tax Code made by the RA Law HO-507-N dated 29 December 2020 (entered into force on 31 December 2020), from 1 July 2020 to 31 December 2021, the minimum depreciation period for the imported or acquired (constructed, processed) fixed assets is determined at the discretion of the resident profit tax payer and non-resident profit tax payer operating in the Republic of Armenia through a permanent establishment, but not for a period of less than one year.

Income tax

In 2019, the companies paid the income tax in compliance with the following rates of tax base:

- up to 150,000 AMD inclusive - 23 percent;
- from 150,000 to 2,000,000 AMD inclusive - 34,000 AMD, plus 28 percent of the amount exceeding 150,000 AMD;
- more than 2,000,000 AMD - 552,500 AMD plus 36% of the amount exceeding 2,000,000 AMD.

The RA Law HO-68-N adopted on 25 June 2019 by the RA National Assembly "On making amendments and additions to the Tax Code of the Republic of Armenia and on making amendments and additions to the RA Law HO-338-N "On making amendments and additions to the RA Law HO-266-N dated 21 December 2017 "On making amendments and additions to the Tax Code of the Republic of Armenia" (entered into force on 29 June 2019) stipulates that from 2020 to 2023 inclusive, income tax rates will be reduced by 1% each year:

- from 1 January 2020 - 23 percent;
- from 1 January 2021 - 22 percent;
- from 1 January 2022 - 21 percent;
- from 1 January 2023 - 20 percent.

Real Estate Tax

Since 1 January 2021, a single unified real estate tax has been put in place for land and land improvements instead of the property tax and the land tax. According to the RA Tax Code, the real estate tax is a local tax payable to the budgets of the communities of the Republic of Armenia in accordance with the established procedure for real estate considered an object of taxation owned by taxpayers, which does not depend on the results of taxpayers' economic activity.

As a result of the mentioned amendments, from 1 January 2021, new rates of real estate tax will come into force, but during the reporting period of 2019, the legal regimes of the property tax and the land tax were still in force. The existing legal and institutional issues of these types of taxes, as well as the procedures that were put in place for their solution are presented in detail in the EITI 2018 Report.

Customs Fees⁸⁶

- Import customs duty
- Export customs duty
- Value added tax, which is collected during import of goods into the customs territory of the Customs Union

⁸⁶ RA Law HO-241-N "On Customs Regulation" (adopted on 17 December 2014, entered into force on 2 January 2015), <https://www.arlis.am/DocumentView.aspx?DocID=121889>.

- Excise tax, which is collected during import of goods subject to excise tax into the customs territory of the Customs Union
- State duty charged for customs operations

When exporting products, mining companies pay customs fees. State duty charged for customs operations is a mandatory payment to the state budget of the Republic of Armenia (hereinafter referred to as the “State Duty”) defined by Article 47 of the Union’s Customs Code for customs operations, customs support, temporary storage of goods, as well as issuance of preliminary decisions by the customs body, to be made in the manner and size prescribed by the Law “On state duty”⁸⁷. It is calculated and charged at the following rates⁸⁸. It should be noted that the rate of customs duty on product export is defined at 0 percent⁸⁹.

- A state duty in the amount of 3.5 times the base fee is charged for customs clearance (with the exception of examination and registration of goods) of goods and transportation means (including local and foreign currencies transferred by the banks) crossing the customs border of RA.
- For examination and registration of goods, with the exception of goods transported by pipelines and electric wires, customs fees are collected:
 - for customs control of goods with the total weight of up to one ton declared in one and the same customs declaration – in the amount of the base fee;
 - for each additional (or incomplete) ton of goods, declared in one and the same customs declaration, in excess of one ton – in the amount of 0.3 times the base fee.

Rent payments to Local Self-Governance Bodies

Mining companies make payments to the Local Self-Governance Bodies (LSGB) for renting land, constructions and vehicles owned by communities. As opposed to property and equipment, mining companies must come to an agreement with Local Self-Governance Bodies on land lease. Legislation does not provide for restrictions on the amount of rent in community land lease relations, thus mining companies must be able to reach an agreement with LSGB on this issue. Land lease issues are entirely within the framework of civil law regulation.

Lease relations, including cases of providing land plots for lease with or without a tender, cases of granting construction rights, and the procedure, restrictions, minimum rent threshold, collection mechanisms of rents have been presented in the previous EITI report⁹⁰.

State duty

The rate of the state duty payable for granting subsoil use permits is defined by the RA Law “On State Duties”⁹¹.

State duty for granting a subsoil use permit

A state duty is payable for subsoil use permits at the rate defined by the RA Law⁹² “On State Duties”. The latter defines the following annual rates for the duty payable for subsoil use permits for geological

⁸⁷ HO-241-N, Article 95

⁸⁸ RA Law “On State Duty”, HO-82-N, Article 19.9

⁸⁹ HO-241-N, Article 89

⁹⁰ EITI 2018 Report

⁹¹ RA Law HO-82-N “On State Duties” (adopted on 27 December 1997, entered into force on 11 January 1998) <https://www.arlis.am/DocumentView.aspx?DocID=123571>

⁹² RA Law on “State Duties”, ref. 61, Article 19.4

exploration for mineral extraction purposes and for permits for using each mine of noble, non-ferrous and rare metals:

- for subsoil use permits for geological exploration, carried out for mineral extraction purposes 50,000 AMD;
- for permits for using each mine of noble, non-ferrous and rare metals⁹³ 10,000,000 AMD
- for permits for using (exploitation of) each mine containing raw construction materials, annual 500,000 AMD
- for a one-time permit for non-metallic mineral extraction, annual 100 times the basic duty
- for a permit for the extraction of non-metallic minerals for the construction or operation of underground storage facilities that are of key importance, annual 500 times the basic duty.

The mining company shall pay the state duty not later than within 5 business days after being properly informed about the positive decision on the application for the permit.

State duty for the water use permit

A state duty of 1,000 AMD for physical persons and 10,000 AMD for legal entities is set for each instance of granting a water use permit, extending the validity period of the permit and renewing the permit⁹⁴.

Environmental impact assessment and expertise duty

The list of state duties also includes the state duty for conducting environmental impact assessment, which the mining company must pay and attach the receipt to the application⁹⁵ for mineral extraction permit. The amount of the state duty for conducting environmental impact assessment is stipulated by the RA Law “On State Duties”⁹⁶.

It should be noted that the template for the public report to be submitted by mining companies does not contain a requirement to provide information on the payment of the expertise duty⁹⁷. In the templates of the public report to be submitted by mining companies following the amendments⁹⁸ made in 2019, there is no requirement to provide information on this type of state duty either.

Privileges granted by the state to mining companies

There are no defined special privileges for mining companies. Such privileges, as a rule, are provided by the Government of the Republic of Armenia on a case-by-case basis.

⁹³ The law does not provide for a state duty for granting permits for the operation of each mine of ferrous (black) metals.

⁹⁴ RA Law on “State Duties”, Article 19.4

⁹⁵ RA Subsoil Code, Article 49.

⁹⁶ RA Law “On State duties”, Article 19.

⁹⁷ Appendix 2 of the RA Government Decree No. 666-N dated 8 June 2018, templates of the public report to be submitted by subsoil users, Template N 2, taxes, fees and duties paid by the subsoil user, <https://www.arlis.am/DocumentView.aspx?docid=123259>.

⁹⁸ Appendix 1 of the RA Government Decree No. 871-N dated July 11, 2019, templates of the public report to be submitted by subsoil users, Template N 2, taxes, fees and duties paid by the subsoil user, https://www.e-gov.am/u_files/file/decrees/kar/2019/7/19-0871.pdf

As a result of the study of the official website of the Government of the Republic of Armenia e-gov.am, no information was found on the privileges granted by the State to metal mining companies (including customs duty exemption, extension of VAT payment periods, guarantee, “cheap” loans, and tax “holidays”) during the reporting year.

The criteria for evaluating investment programs are set by the Government of the Republic of Armenia⁹⁹ and have not changed during the reporting period. The legislation stipulates stabilization provisions both for mining companies and foreign investors in other sectors.

2.1.3 State and local self-government bodies having competencies in the sector and their authorities

During the reporting period, the state and the local self-government bodies having competencies in the mining sector are:

- RA Ministry of Territorial Administration and Infrastructure (MTAI, in accordance with the RA Law¹⁰⁰ “On Making Amendments to the Structure and Activities of the Government”, the RA Ministry of Energy Infrastructure and Natural Resources and the RA Ministry of Territorial Administration were reorganized by merging into the MTAI)
- RA Ministry of Environment
- RA Ministry of Emergency Situations
- RA Environmental Protection and Mining Inspection Body
- RA State Revenue Committee
- Center of Expertise for Environmental Impact Assessment SNCO
- National Center of Technical Security SNCO
- Republican Geological Fund SNCO
- Hydrometeorology and Monitoring Center SNCO
- Local self-government bodies.

a) RA Ministry of Territorial Administration and Infrastructure

In accordance with the RA Law¹⁰¹ “On making amendments and additions to the Law “On the structure and activities of the Government”, the RA Ministry of Energy Infrastructures and Natural Resources and the Ministry of Territorial Administration and Development were reorganized by merging into the RA Ministry of Territorial Administration and Infrastructure (MTAI). In accordance with the RA Subsoil Code, the development and implementation of the state policy in the mining sector is ensured by the MTAI¹⁰². The competencies of this body include the development and implementation of state programs for reasonable and comprehensive use, and protection of the subsoil, as well as the development of legal acts regulating legal relations in the mining sector. The MTAI is the body authorized to issue mining rights. Subsoil use projects and programs are submitted through the MTAI to the relevant state bodies for EIA and technical safety examinations. Mining contracts are concluded between the mining company and the MTAI as the authorized body in the sector. For any amendments in the mining contracts, the mining company must again apply to the MTAI. The MTAI has also the

⁹⁹ RA Government Decree No. 1118-N dated 17 September 2015 “On approving the necessary conditions for enforcement of the relief from import duty on technological

equipment, components and accessories thereof, raw material and substances imported within the frameworks of investment programs in priority sectors, and recognizing an authorized body” <https://www.arlis.am/DocumentView.aspx?docid=100765>

¹⁰⁰ HO 31-N, adopted on May 08, 2019, <https://www.arlis.am/documentview.aspx?docID=130615>

¹⁰¹ RA Law HO-31-N “On making amendments and additions to the Law “On the structure and activities of the Government” (adopted on 8 May 2019, entered into force on 1 June 2019) <https://www.arlis.am/documentView.aspx?docid=130615>

¹⁰² RA Subsoil Code, Article 17

right to suspend or terminate mining rights and to unilaterally terminate the mining contracts in cases prescribed by the law.

As to the authority of the MTAI, the legislative amendments (HO-397-N)¹⁰³ adopted on July 16, 2020 stipulate that the subsoil expertise is carried out by the MTAI. As mentioned above, the same amendment stipulates that based on the subsoil expertise, an expertise conclusion is issued, which is approved by the relevant decision of the head of the authorized body. It should also be added that, in accordance with the amendments, the requirements for the content of materials to be submitted for subsoil expertise are set forth by the MTAI. However, we can hardly say that these amendments have significantly increased the scope of the MTAI's authorities, as the subsoil expertise practically used to be carried out by the MTAI. The amendments just enshrined this practice in the law, and some procedural clarifications were made. In practice, the subsoil expertise was carried out by the Subsoil Agency of the Ministry of Energy Infrastructures and Natural Resources, which was a separate subdivision. In accordance with the MTAI Minister's Order No. 162-A dated 19 June 2019, the functions of the Subsoil Agency for carrying out subsoil expertise were transferred to the RA MTAI Mining Department. Although the mentioned structural changes were made during the reporting period, this Report will not address this issue in detail, as the establishment of the RA MTAI Mining Department, approval of the charter and the scope of authorities has already been comprehensively discussed in the EITI 2018 Report.

The other amendment clarifying the scope of authorities of the MTAI refers to the extension of mining rights, expansion of subsoil area, relinquishment of mining rights, enforcement of consequences for the improper fulfillment of the obligations for the subsoil payments by mining companies, and termination of mining rights, which have been discussed above in detail. As mentioned, these changes can be considered more as a clarification, than extension of authorities.

In the context of the amendments made during the reporting period, it is necessary to single out two legal acts. In particular, the amendments¹⁰⁴ to the RA Law "On Targeted Use of Environmental Payments Made by Companies" regulate allocations from the environmental tax paid by the companies, which extract metal ores, to the affected communities. It has been determined that these contributions should be made and shown in a separate line in the budget of the community in the territory of which the activities of the mentioned companies have adverse effects. The amount of allocations is determined based on the sum of the environmental tax actually paid to the state budget by the relevant companies in the second, third and fourth years preceding the forthcoming budget year, based on certain criteria established by law.

Based on the above-mentioned legislative amendment, Order¹⁰⁵ of the MTAI Minister was adopted on the approval of the environmental programs implementation report template, which regulates the implementation of the program defined by the RA Law "On Targeted Use of Environmental Payments Made by Companies" in the respective communities. Particularly, when filling in the report template, a brief description of the project, the start and the end of the project, the project cost, the existing problems of the community and the description of its initial condition, the objective and the anticipated direct and final results under the project, the stakeholders, the description of the actual final results and other issues must be specified.

b) *Republican Geological Fund*

¹⁰³ HO-397-N, Article 2

¹⁰⁴ RA Law HO-278-N (adopted on 27 May 2020 and entered into force on 5 June 2020) "On making amendments and additions to the RA Law "On Targeted use of Environmental Payments Made by Companies", <http://parliament.am/legislation.php?sel=show&ID=7169&lang=arm>

¹⁰⁵ Order of the Minister of RA MTAI No. 10-N dated 28 October 2020 "On approving the templates for the Environmental Program Implementation Report" <https://www.arlis.am/DocumentView.aspx?DocID=147356>

According to the RA Government Decree No. 1758-N dated 31 October 2002, “Republican Geological Fund” State Non-Commercial Organization was established and its objectives were defined. The objectives of the fund have been presented in previous EITI reports.

Digitization of about 12,000 reports and other materials included in the fund was realized during the period of 2016-2017, which were published on www.geo-fund.am website. The website contains an interactive map of Armenia's natural resources with attached reports on each mine and manifestation area with the necessary cartographic materials. The register of the provided mining rights, the register of passports of mines and manifestation areas, and other information are provided on the website.

However, due to the existing technical and technological problems, the main sections of the site have not been updated since 2018. The geological reports submitted to the Republican Geological Fund SNCO are regularly updated in the “Regional and Other Reports” section following the provisions set forth in Articles 12-13 of the RA Subsoil Code.

The information on the mining rights is published and regularly updated on the official website of the RA MTAI (on the relevant pages).

According to the information provided by the SNCO, regular technical problems with the uninterrupted operation of the site, including the updating of security certificates, etc., have been occurring and receiving short-term solutions in recent years.

The activity of the website was also restricted during the martial law. These issues, and, most importantly, those relating to the security of the whole database of the website and the fund information, the possible application of some regional access restrictions, technical upgrades of the site and some other issues related to the lack of funds, currently hinder the website's security and uninterrupted operation, the updating of many sections on the website.

c) Inspectorate for Nature Protection and Mineral Resources

The Inspectorate for Nature Protection and Mineral Resources of the RA is obliged to reveal violations of the conditions of the subsoil use permit and environmental legislation through regular inspections and apply adequate measures defined by the legislation. Mining companies are obliged to operate the subsoil site given to them by the state with the right of use in accordance with the terms of the permit, ensuring the adherence to mandatory requirements set forth by the environmental legislation and the EIA expert conclusion.

The inspections carried out by the Inspectorate are planned and carried out on the basis of the risk-based inspection system defined by the RA Law “On the organization and conduct of inspections in the Republic of Armenia”. The annual inspection plan is compiled considering the riskiness of economic entities. Based on the assessment of the criteria, which determine the degree of risks, economic entities are classified under one of the following three groups:

- a. high risk
- b. medium risk
- c. low risk.

The methodology of risk-based inspections and general description of the criteria, which determine the risk, is approved by the Government of the Republic of Armenia, and the risk calculation and assessment procedure is approved by the state body conducting the inspection. Metal ore mining companies are classified in the high risk group, which makes up at least seventy percent of the economic entities to be inspected in the given year.

The procedure for conducting inspections, the deadlines, the issues of summarizing inspection results are regulated in detail through the mentioned law. Depending on the sphere of activity of the economic

entity, the inspections are carried out by the checklist¹⁰⁶ approved by the Government of the Republic of Armenia, which in turn is adopted in accordance with the requirements of Article 3, Part 1.1 of the Law of the Republic of Armenia “On Organization and Conduct of Inspections in the Republic of Armenia”.

Checklists of inspections conducted by the Inspectorate are approved in accordance with Annexes 1-11 of the mentioned decree, which are classified according to groups, classes and subclasses of the type of economic activity index.

An inspection act and a violation report is prepared as a result of the inspection to specify the revealed violations, referencing the provisions of the law that have been violated. The size of the impact on land resources¹⁰⁷, water resources¹⁰⁸ and the atmosphere¹⁰⁹ due to economic activity, for which the relevant economic entity is required to pay, is calculated based on the assessment procedures established by the RA Government decrees. In cases provided for by the RA Code on Administrative Offenses, an administrative fine is established. In addition to financial liability measures, the inspection body assesses the non-fulfillment of environmental tax obligations and provides information to the RA SRC in writing. If any indications of a possible crime have been revealed as a result of the inspection, a report shall be filed to the law enforcement bodies. If appropriate grounds are found, the Inspectorate is also entitled to submit petitions to other authorized bodies on revoking the licenses, contracts, permits and patents issued to the inspected entities.

Depending on the results of the inspection, the Inspectorate gives instructions and deadlines to the economic entities for the elimination of the violations. After the deadline, the given economic entity may be subjected to one more inspection to check the progress of fulfilling the instructions. In case of non-fulfillment of the instruction given for the elimination of the violation registered during the inspection, a relevant separate act is issued.

As mentioned in the section describing the legislative amendments, the authority of the Inspectorate, as well as the issues of legal consequences of the act of non-fulfillment of the instruction were clarified by the amendments made to Article 30 of the RA Subsoil Code (Law HO-397-N adopted on July 16, 2020). As a result, it was determined that the relevant subsoil use right terminates when “the act on non-fulfillment of the instruction given to eliminate the violation registered by the Inspectorate has entered into force, and a petition on termination of subsoil use right has been submitted.” Here, it should be emphasized that the termination of subsoil use on these grounds is defined by an imperative norm. That is, in case the relevant act adopted by the Inspectorate enters into force and a petition is submitted on termination of the subsoil use right, the MTAI is obliged to make a decision on the termination of the relevant subsoil use right. Such legal clarities are extremely important for the proper organization of relations between departments and avoidance of potential conflicts between the authorities of the departments.

The scope of authorities of the Inspectorate has also been clarified by the amendments made to the RA Law on Environmental Control¹¹⁰. Particularly, the law lists exhaustively all the grounds for the suspension of the subsoil use right, which was not clear before and provided grounds for discretionary interpretations. As a result of the amendments in the legislation in the mining sector, the authority of

¹⁰⁶ RA Government Decree No. 1423-N dated 10 October 2019 “On approving the checklists of the inspections carried out by the RA Inspectorate for Nature Protection and Mineral Resources, and Recognizing the RA Government Decree No. 1343-N dated 19 October 2017 invalid <https://www.arlis.am/DocumentView.aspx?docID=135343>

¹⁰⁷ RA Government Decree No. 92-N dated 25 June 2005 “On approval of the regulation on assessment of the impact of economic activity on land resources” <https://www.arlis.am/DocumentView.aspx?DocID=13401>

¹⁰⁸ RA Government Decree No. 1110-N dated 14 August 2003 “On approval of the regulation on assessment of the impact of economic activity on water resources” <https://www.arlis.am/DocumentView.aspx?DocID=55551>

¹⁰⁹ RA Government Decree No. 91-N dated 25 January 2005 “On approval of the regulation on assessment of the impact of economic activity on the atmosphere” <https://www.arlis.am/DocumentView.aspx?DocID=13400>

¹¹⁰ RA Law HO-452-N (adopted on 6 October 2020 and entered into force on 17 October 2020) “On amendments and additions to the Law on Environmental Control”, <https://www.arlis.am/DocumentView.aspx?docid=146629>

the Inspectorate has been expanded to a certain extent. These changes with regard to the suspension and termination of the subsoil use right may be considered as a clarification of the authorities and procedures, not an extension. Nevertheless, it is unequivocal that the mentioned legislative amendments strengthen the role of the Inspectorate in bringing the mining companies to responsibility.

The scope of authorities of the Inspectorate has also been expanded due to the amendments made by the RA Subsoil Code. Particularly, in the context of clarifying the procedure for implementing mining expertise, certain additional authorities have been given to the inspection body. Within five business days after receiving the complete set of materials submitted for the mining expertise, the authorized body (MTAI) shall apply in writing to the inspection body conducting supervision in the environmental and subsoil sector for the comparison of the primary geological documentation materials with the actual works performed, as well as for obtaining information on their trustworthiness.

The inspection body shall provide the authorized body with the required information at its disposal within five business days. In case of lack of information, the inspection body shall start the inspection process within ten days in accordance with the procedure established by the legislation and shall inform the authorized body about the deadlines for providing information. If the primary geological documentation materials of the mining company's report are not trustworthy and do not correspond to the actual work performed according to the information provided to the MTAI by the inspection body, the authorized body shall reject the application on that ground and notify the applicant within three days.

d) RA State Revenue Committee

The authorities of the RA State Revenue Committee include the organization of collection of state taxes and payments, administration of control over taxpayers, which can be done through auditing, inspections and other control actions defined by law. During the reporting period, certain structural changes took place in the SRC that established the sphere and the rules for the activities of tax control subdivisions (RA Prime Minister's Decision No. 702-L dated 11 June 2018¹¹¹ established the RA SRC Taxpayers Current Control Tax Inspectorate-Department, the charter of which was approved by the Order of the RA SRC Chairman No. 34-L dated 17 January 2020¹¹² and the RA SRC Inspection Organization and Monitoring Department, the charter of which was approved by the Order of the RA SRC Chairman No. 76-L¹¹³ dated 11 February 2019).

It should be noted that the inspections performed by the tax authority are not based on the checklists adopted by the Government of the Republic of Armenia. Tax inspections are performed pursuant to a written order of the head of the tax authority on matters indicated in the order¹¹⁴.

The reports of tax control (inspection) results contain rather general data¹¹⁵ and do not provide substantive information on the violations revealed as a result of inspections. The tax inspection data posted on the official website of the RA SRC provide only formal information on companies that underwent a tax inspection, reinspection, or a tax audit, the time period of tax control, as well as coded

¹¹¹ RA Prime Minister's Decision No. 702-L dated 11 June 2018 "On approving the Charter of the State Revenue Committee of the Republic of Armenia" <https://www.arlis.am/DocumentView.aspx?docid=123047>

¹¹² Order of the RA SRC Chairman No. 34-L dated 17 January 2020 "On approving the charter of Audit Planning and Monitoring Department of the State Revenue Committee of the RA". https://www.petekamutner.am/Shared/Documents/src/as/Statutes/hr_hhpekn_2020_34_1.pdf

¹¹⁴ Order N80-A of the RA SRC Chairman dated 30 January 2020 "On approving the procedure for the organization, conducting and realization of tax inspections and monitoring, and on repealing Order of the RA SRC Chairman No. 765-A dated 19 December 2018"

¹¹⁵ RA Government Decree No. 1194-N dated 28 September 2017 "On approving the template of the report on the audits and inspections carried out (completed) by the tax body during the previous tax year"

data on the violated legal acts¹¹⁶. The reliability of the accounting documentation is evaluated through a comprehensive tax audit.

A separate issue is the transfer pricing tax control. The RA Tax Code defines several tools for establishing control over transfer pricing. Under the Tax Code, any transactions for the supply of goods, alienation of intangible assets, performance of work and/or provision of services between resident and non-resident affiliated taxpayers, as well as between resident taxpayers, where one of the parties is a royalty payer, is considered a controlled transaction. To check the transaction conformity with the arm's length principle, one of the following five transfer pricing methods is used:

- comparable uncontrolled price method,
- resale price method,
- cost plus method,
- transactional net margin method,
- profit split method.

The physical volumes of minerals included in the list defined by the Government of the Republic of Armenia, their product types, production and turnover of goods, as well as the actual selling prices can be used as sources of information on uncontrolled transactions.

e) *RA Ministry of Environment*

Under the RA Law¹¹⁷ "On making amendments and additions to the Law "On the structure and activities of the Government", the RA Ministry of Nature Protection has been reorganized into the RA Ministry of Environment and currently operates under the new name (hereinafter referred to as the "ME"). The Ministry has a multifaceted role in the mining sector, beginning from the regulation of sector policies and legal framework to the implementation and approval of the EIA expertise, performance of monitoring activities, and regulation of relations related to the management of the Recultivation Fund. According to the RA Subsoil Code¹¹⁸, the capacity of the authorized state body (ME) in the environmental sector, with regard to subsoil use, includes participation in the development of the environmental state policy in the mining sector, administration of subsoil use restrictions envisaged by the RA legislation, implementation of an environmental impact assessment for subsoil use projects, programs, dismantling of a mining complex, conservation of mines, closure or relinquishment plans, approval of the expertise conclusion with a relevant administrative act, adoption of decisions on the use of the Environmental Protection Fund, calculation and recalculation of the amount of allocations, performance of recultivation activities, return of funds, adoption of normative legal acts on environmental issues and many other functions.

The main functions, goals and objectives of the Ministry, as well as the issues of coordination of environmental programs implemented in the territory of communities defined by the RA Law "On Targeted Use of Environmental Payments Made by Companies" were discussed in detail in the previous EITI reports.

The amendments to the RA Subsoil Code have clarified the scope of the ME authority on certain issues. In particular, the authority includes making decisions on the use of the Environmental Protection Fund, calculation and recalculation of the size of allocations, adoption of decisions on performance of recultivation activities, return of funds, and in case of termination of the subsoil use right, filing a lawsuit for non-payment of the full amount of allocations to the Environmental Protection

¹¹⁶ Official website of the RA State Revenue Committee, tax statistics data

<https://www.petekamutner.am/Content.aspx?itn=tsTIY2019>

¹¹⁷ RA Law "On making amendments and additions to the Law "On the structure and activities of the Government"

<https://www.arlis.am/documentView.aspx?docid=130615>

¹¹⁸ RA Subsoil Code, Article 17

Fund or monitoring allocations, approval¹¹⁹ of an expertise conclusion by adopting an administrative act; in terms of subsoil use, the environmental state authorized body conducts stock-taking of closed (including abandoned) mining waste sites and performs other functions¹²⁰. In accordance with the mentioned amendments, the scope of the ME authority also includes regulation of a number of issues in the sector, including development of the procedure for calculation and recalculation of estimated costs of recultivation activities, development of the procedure for the use of the Environmental Protection Fund and calculation of allocation amounts, development of guidelines for the recultivation of lands disturbed as a result of mining activities and closed mining waste sites, including guidelines for biological rehabilitation.

f) Environmental Impact Assessment Expertise Center SNCO

Environmental Impact Assessment Expertise Center SNCO (hereinafter referred to as the “EIA Expertise Center”) is one of the structures of the ME system, the main function of which is conducting an EIA expertise under the RA Law “On Environmental Impact Assessment and Expertise”. The issues of the legal status of the EIA expertise conclusion, as well as the new legal regulations on the approval of the expertise conclusion by the ME Minister due to legislative amendments have already been analyzed above. One of the main functions of this entity that also needs to be specified is its involvement in the process of public notification and public hearings¹²¹ on mining projects, as well as its vital role¹²² in the procedure of repealing expertise conclusions.

The scope of competencies and responsibilities of the EIA Expertise Center in organizing public hearings is quite wide. According to the RA Government Decree “On defining the procedure for public notification and holding of public hearings”, the second and fourth stages of public notification and hearings are carried out by the Environmental Impact Assessment Expertise Center and the entity responsible for the hearing (affected community leader) jointly with the initiator.

g) Hydrometeorology and Monitoring Center SNCO

“Hydrometeorology and Monitoring Center” State Non-Commercial Organization (HMC SNCO) was established by the RA Government Decree No. 81-N122 dated 30 January 2020 by the merger of Environmental Monitoring and Information Center SNCO, Forest Monitoring Center SNCO and Hydrometeorology and Atmospheric Impact Services SNCO.

These changes, however, have not impacted the nature of its activities or its scope of authority in the mining sector. The subject of activity and objectives of the SNCO, as well as the activity issues were discussed in detail in the EITI 2018 Report and even more thoroughly in the EITI 2016-2017 reports. During the reporting period, no significant institutional changes were made in improving the existing capacities to exercise the authority of this body.

The Monitoring Center monitors the condition of atmospheric air, surface water and ground water, earth cover and household waste. Monitoring is carried out both through observation posts under the supervision of the SNCO and on the basis of quarterly data provided by companies. Following the monitoring, the SNCO is obliged to analyze the received information and publish it regularly, on the

¹¹⁹ HO-397-N, Article 7

¹²⁰ Database of the abandoned/ownerless industrial landfills of subsoil use waste generated as a result of metal mining operations and the closed facilities, http://env.am/storage/files/hashvetvutyun-geraka-kayq_1.pdf

¹²¹ Decree No. 1325-N dated 19 November 2014 “On defining the procedure for public notification and holding of public hearings” <https://www.arlis.am/documentview.aspx?docid=94183>

¹²² RA Government Decree No. 428-N dated 22 April 2015 “On defining the procedure for repealing an expertise conclusion” <https://www.arlis.am/documentview.aspx?docid=97404>

¹²³ RA Government Decree No. 81-N dated 30 January 2020 “On establishing Hydrometeorology and Monitoring Center SNCO as a result of the merger of Environmental Monitoring and Information Center SNCO, Forest Monitoring Center SNCO and Hydrometeorology and Atmospheric Impact Services SNCO” <https://www.arlis.am/DocumentView.aspx?docid=138543>

basis of which the Ministry of Environment should take actions within its competence to prevent or eliminate the violations.

According to the Decree of the RA Government on monitoring¹²³ of mining sites, the structure and content of monitoring, location of observation posts and monitoring frequency in each particular site is determined based on the complexity of its geological, hydro-geological, engineering-geological conditions, the method of mine processing and the location of industrial waste, the planned recultivation activities, and also the data of monitoring carried out by the mining company. In accordance with the same decision of the RA Government, monitoring is carried out in two zones affected by mining works. The first zone, which is where the immediate works of extraction have been carried out and the mining technological facilities were located, in fact coincides with the boundaries of the mining allotment. The boundaries of the second large-impact zone are determined on the basis of data on the possible impact of dangerous exogenous geological processes, the conditions of origination and development of groundwater flows, the expected violation of the hydrodynamic regime.

Similarly, the monitoring data¹²⁴ obtained by the Monitoring Center, in practice, has never served a basis for the Ministry of Environment to take action to assess the causes of pollution, to impose sanctions on companies, or to repeal an EIA expertise conclusion provided to companies, based on the RA Government Decree “On defining the procedure for repealing an expertise conclusion”. There isn’t any information on such fact either on the website of the Ministry or in any other source.

h) RA Ministry of Emergency Situations and National Center for Technical Security SNCO

The functions of the RA Ministry of Emergency Situations (hereinafter referred to as the “MES”) and the functions of National Center for Technical Security SNCO operating within the Ministry have been presented in the previous EITI reports. They play an important role in the regulation of the mining sector both at the stage of granting the subsoil use right (provision of technical safety expertise) and in the process of developing an emergency operation plan.

The technical security expertise is conducted by National Center for Technical Security SNCO or other legal entities¹²⁵ accredited in compliance with the procedure defined by the RA Government and registered by the Ministry of Emergency Situations. The templates of the technical security expertise conclusion were approved by the relevant order¹²⁶ of the Minister of Emergency Situations.

i) Local Self-Governance Bodies

Local self-governance bodies (hereinafter referred to as the “LSG Bodies”) are also granted certain authorities in the regulation of the mining sector. In the previous EITI reports, they were conditionally classified into environmental issues, financial issues, and issues of granting subsoil use rights.

The classification may also be based on the involvement of LSG bodies in the EIA expertise procedure, which includes organizing and participating in public discussions. Moreover, according to the Decree¹²⁷ of the RA Government “On defining the procedure for public notification and holding of public hearings”, the head of the affected community is the entity “responsible for the hearing” during

¹²⁴ RA Government Decree No. 22-N dated 10 January 2013 “On the procedure of implementation of monitoring 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, size calculation and payment procedure”, <https://www.arlis.am/DocumentView.aspx?docid=80784>

¹²⁴ Official website of Environmental Monitoring and Information Center SNCO of the RA Ministry of Environment, publications on RA environmental condition and monitoring results <http://armmonitoring.am/publications/cat/16?type=monthly>

¹²⁵ RA Government Decree No. 1359 dated 22 September 2011

¹²⁶ Order of the RA Minister of Emergency Situations No. 108-N dated 19 October 2011 “On approving the templates of technical safety expertise conclusion”. <https://www.arlis.am/documentview.aspx?docid=72178>

¹²⁷ RA Government Decree “On defining the procedure for public notification and holding of public hearings”. <https://www.arlis.am/documentview.aspx?docid=94183>

the public hearing process. This function is mainly manifested in the regulation of the organizational matters, such as the obligation to submit the minutes of public hearings and the video recording to the EIA Expertise enter within five working days after the hearing.

If there is more than one affected community, the organization of public notification and hearings shall be ensured by the head of the community, in the administrative district of which the mining activities are envisaged, together with the company requesting the subsoil use right, ensuring the participation of representatives of all affected communities. The list of affected communities is determined by the EIA expertise center at the preliminary examination stage. If the public hearing is hold on the environmental impact of mining activities on a certain community, it shall be organized at the office of the head of the community or in any other area or place of public importance in the same community or region, as designated by the person responsible for the public hearing.

There is also another authority assigned to LSG bodies by the RA Law¹²⁸ “On Environmental Impact Assessment and Expertise”, according to which the preliminary assessment application submitted to the EIA Expertise Center by the company applying for subsoil use right at the preliminary stage of the EIA expertise shall contain information (...) on the preliminary consent of the local self-governance bodies (...). This provision of the law is not interpreted unequivocally in practice, as a result, it became necessary to receive an official clarification¹²⁹ from the Minister of Environment. The Minister officially clarified that, according to Article 16 of the Law “On Environmental Impact Assessment and Expertise”, the preliminary stage of the examination begins with the discussion of the completeness of the submitted preliminary assessment application. If information is available on the initial agreement or disagreement of the local self-governance bodies (any of them), the application shall be returned to the company that requests the subsoil use right to make it complete.

The official reasoning part of the same official clarification provides that according to Article 3 of the Law “On Local Self-Government”, local self-government is the right and capacity of local self-governance bodies to resolve public issues of community importance on their own responsibility, in accordance with the Constitution and the laws, and in the interests of the residents of the community. Therefore, when dealing with a specific public issue of community importance, the local self-governance bodies are obliged to settle it not relying on their own will, but on the requirements of the Constitution of the Republic of Armenia, the laws, other legal acts, and on the interests of the community residents. In cases when the envisaged activities are to be carried out in the administrative areas of several communities, and some local self-governance bodies give their initial agreement, while others don't, the application shall be returned to the initiator to make it complete, since otherwise the right of the local self-governing bodies, which have not given their initial agreement, to participate in the decision-making during the procedure of the environmental impact assessment and expertise and to include the results of such participation in the relevant decision would be violated.

Thus, when carrying out any activity subject to an EIA expertise in the administrative territory of a community, the initial agreement of the latter is required at the earliest stage of the procedure. The law or the text of the official clarification does not specify the procedure by which the initial agreement of the local self-governance bodies should be discussed. It is not mentioned whether the decision on initial agreement should be made by the community head or the community council either. However, this interpretation of the provision of the law gives the administrative bodies of the community a rather influential authority to approve the activities planned in the territory of their community, in the absence of which the preliminary stage of the EIA expertise cannot commence.

¹²⁸ RA Law “On Environmental Impact Assessment and Expertise”, Article 16

¹²⁹ RA Minister of Environment, 20 February 2019, Official Clarification No. 1 on the application of Article 16, Part 4, Clause 6 of the RA Law “On Environmental Impact Assessment and Expertise”,
<https://www.arlis.am/documentview.aspx?docID=128529>

Relations pertaining to the land belonging to communities based on the right of ownership, collection of local taxes and other issues have been presented in the previous EITI reports, and there have been no significant legislative changes with regard to those issues.

2.2 Procedures for granting subsoil use rights and registration of subsoil use rights (Requirement 2.2 and 2.3)

2.2.1 Procedures for granting subsoil use rights

As described in the section introducing the MTAI functions, the MTAI is the state authorized body that issues a subsoil use right and concludes a mining contract with companies.

A detailed description of the procedure of extraction and geological exploration for the purpose of extraction, as well as the duration of each phase are given in the EITI 2018 Report¹³⁰.

Thus, while preserving the fabula for granting subsoil use right mechanism, during the reporting period, significant legislative amendments have taken place in the granting procedure, many of which have clarified both the issues arising in law enforcement practice and some of the uncertainties mentioned in the previous EITI reports. In accordance with the current regulations, the subsoil use right is based on four main documents¹³¹:

- a project (in case of mineral extraction) or a program (in case of geological exploration of subsoil for the purpose of mineral extraction) that has undergone the expertise procedure;
- a permit for subsoil use;
- mining allotment certificate;
- a mining contract.

Two of the listed documents, the subsoil use permit and the mining allotment act, are administrative acts by their legal nature. They are provided to the mining company by the state governing bodies, while the mining contract, as mentioned, is a civil law contract concluded between two subjects of law, that is, the state governance body and a private company. Therefore, the final document underlying the subsoil use right, which defines the rights and responsibilities of the parties, is a bilateral agreement between the state authorized body and the mining company and is regulated by the legislation governing civil law relations (RA Civil Law and other relevant legal acts).

According to the interpretation given in the legal practice, among the expertise conclusions necessary for granting a subsoil use right, at least the EIA expertise conclusion is not an administrative act: it is a professional opinion only, which does not in itself give rise to rights and responsibilities¹³² inherent in the administrative act. In this regard, it should be emphasized that according to another regulation of the RA Subsoil Code, “subsoil use for the purposes of mineral extraction, without a project that underwent the state expertise in the prescribed manner, is prohibited”¹³³. This regulation and many other provisions of the Code imply that all expertise conclusions, including the EIA expertise conclusion, are crucial for the granting of subsoil use rights; in case of their absence or if the conclusion is negative, the company cannot receive a subsoil use right. In practice, the EIA expertise conclusions are approved by the EIA Minister after being adopted by the EIA Expertise Center. This issue has already been discussed in the sections describing ME functions, and it has been noted that following the amendments No. 397-N in 2020, this issue has been settled, and since then the EIA

¹³⁰ Extractive Industries Transparency Initiative (EITI) of the Republic of Armenia 2018 Report, pages 82-97, available at <https://www.eiti.am/hy/>

¹³¹ RA Subsoil Code, Article 3, Part 1, Clause 8

¹³² Administrative case number No. VD/1049/05/15 of the administrative court of the Republic of Armenia. http://www.datalex.am/?app=AppCaseSearch&case_id=38562071809881426

¹³³ RA Subsoil Code, Article 50(2)

expertise conclusions are approved by the decision of the Minister as a separately adopted administrative act¹³⁴.

In the law-enforcement practice that has been formed in the course of legal proceedings, there is an approach that it is necessary to challenge not the expertise conclusion, but its approval by the Minister of Environment¹³⁵, as well as the issuance of a positive conclusion¹³⁶ to the mining project. However, the legal validity of making such requests through administrative proceedings is not unambiguous in legal terms, as the fact of approval of the expertise conclusion by the Minister or the positive conclusion of the relevant authorized body on the mining project as such cannot be considered an administrative act either. In any case, with the amendments¹³⁷ made to the RA Subsoil Code, the issue of the legal status of the EIA expertise conclusion was given a clear legislative regulation, introducing legal certainty for the interpretation of the provision of the law in the legal practice. Particularly, according to the mentioned amendment, “with regard to subsoil use, one of the competencies of the state governance authorized body in the environmental sector is to carry out environmental impact assessment and expertise for mining projects, programs, dismantling of a mining complex, conservation of mines, mine closure or relinquishment projects and to approve the expertise conclusion by a relevant administrative act”. In fact, this legislative change established that the EIA expertise conclusion, which is considered mandatory for the granting of subsoil use rights, enters into force as an administrative act by the decision adopted by the Minister of Environment, which has the status of an administrative act.

Legislative changes made during the reporting period set out additional requirements, which a mining company must fulfill when requesting subsoil use rights and when applying for an extension of the existing subsoil use right or expansion of the subsoil use area. The analysis of the amendments that have been made is provided in the section of legislative changes¹³⁸.

In the context of the new requirements set by the legislative amendments on granting of subsoil use rights, it is also important to emphasize that according to the amendments¹³⁹ made to the RA Subsoil Code back in 2016, from the date the given law came into force (on 4 May 2017), the man-made mines are considered mining waste processing sites and the operating mining companies are obliged to bring their activities in line with the requirements of this law within 60 months after the law enters into force (until 4 May 2022), submitting, at the same time, their mining waste management plans and financial guarantees to the ME in a prescribed manner. Based on these changes, Chapter 5.1 has been added to the RA Subsoil Code, obliging to provide waste management plans and their financial guarantees by the end of the above-mentioned period. It should be noted that the obligations under the waste management plans for the recultivation of mining waste sites are not the same as the subsoil use fees paid to the Environmental Protection (Recultivation) Fund. Mining waste management plans should be provided with the necessary level of financial guarantees for which standards have been developed by the government.

¹³⁴ HO 397-N, Article 7

¹³⁵ Administrative case VD/6717/05/16

http://www.datalex.am/?app=AppCaseSearch&case_id=38562071809896046

¹³⁶ Administrative case VD/1049/05/15

http://www.datalex.am/?app=AppCaseSearch&case_id=38562071809881426

¹³⁷ RA Law (HO 397-N, adopted on July 16, 2020, entered into force on 16 August 2020) “On amendments and additions to the RA Subsoil Code), Article 7(1), <https://www.arlis.am/documentview.aspx?docid=145085>

¹³⁸ HO 256-N, Articles 7 and 14

¹³⁹ RA Law (HO 161-N, adopted on 18 October 2016, entered into force on 4 May 2017) “On amendments and additions to the RA Subsoil Code), <https://www.arlis.am/DocumentView.aspx?docid=109031>

Particularly, according to the RA Government Decree¹⁴⁰, legal entities providing financial guarantees must meet the following criteria:

1) the legal entity, that is a bank, any other credit or insurance organization, must be an entity licensed by the Central Bank of the Republic of Armenia in the manner prescribed by the Law of the Republic of Armenia “On the Central Bank of the Republic of Armenia”;

2) a non-resident legal entity must be an entity rated by at least one of the following international rating agencies, and that rating must not be lower than those under the rating classification given below:

- Standard and Poor's	«A-»
- Moody's	«A3»
- AM Best	«A-»
- Fitch	«A-»

In this regard, it is important to emphasize the role of the organization that provides a financial guarantee in the issue of mining waste management, since it is the funds previously transferred by them to the extra-budgetary account of the authorized body that enable to ensure recultivation and subsequent measures of control of tailings dam in cases when mining companies fail to do so or are declared bankrupt. As in the case of allocations made to the Environmental Protection Fund, the issue of impairment of accumulated funds before their actual use is also problematic. The legislation does not provide tools to regulate this issue. The relevant authorities do not have effective mechanisms to insure funds against impairment either.

2.2.2 Changes to the subsoil use right

In the reporting year, no subsoil use rights were granted for the extraction of minerals in new mines, but certain changes were made in the existing mining contracts certifying the right to extract minerals, which will be presented in the section on mining contracts.

Before addressing the issues of termination of a subsoil use right, it should be emphasized that according to the RA Law “On making amendments and additions to the Administrative Procedure Code of the Republic of Armenia”, in cases where the administrative act on termination or suspension of a subsoil use right is challenged, acceptance of the submitted relevant dispute by the court does not suspend the execution of the disputed administrative act. This change came into force on 16 August 2020¹⁴¹, consequently, in the case of mining companies whose subsoil use right termination decision was appealed after 16 August 2020, the judicial appeal against the administrative acts on the termination of the subsoil use right did not suspend the execution of the relevant administrative acts.

In particular, Mego Gold LLC and Vayk Gold LLC appealed against the administrative acts adopted by the MTAI on the termination of the their subsoil use right before the adoption of the above-mentioned law. Subsequently, the filing of a lawsuit suspended the validity of the adopted administrative act, and to this date, these companies are subsoil users.

The MTAI website publishes detailed and regularly updated information on the granted subsoil use rights. The list also contains, in its separate lines, information on companies, which have the right to extract minerals, and the subsoil use rights of which have been terminated¹⁴². According to the data

¹⁴⁰ RA Government Decree No. 885-N dated July 20, 2017 “On defining criteria for legal entities providing financial guarantees” <https://www.arlis.am/DocumentView.aspx?DocID=115056>

¹⁴¹ HO 399-N <http://parliament.am/legislation.php?sel=show&ID=7298&lang=arm>

¹⁴² MTAI website, information on the termination or waiver of the mining right,

published on the MTAI website, the subsoil use right of Tatstone LLC in relation to the Tkhkut site of the Aygedzor copper-molybdenum mine in Syunik region of the Republic of Armenia was terminated on 7 February 2020, specifically in relation to the P-458 mining contract¹⁴³ (this company has one more mineral extraction right). Before that, on 20 September 2018, the subsoil use right of Hrahsk Metagh LLC, granted under the mining contract¹⁴⁴ PV-542, was also terminated. Decisions on these two subsoil use rights have not been appealed.

According to the data published on the MTAI website¹⁴⁵, the subsoil use rights of three companies were terminated during the reporting year¹⁴⁶. The three companies are: Mego Gold LLC (13 December 2019)¹⁴⁷, Marjan Mining Company LLC (December 13, 2019)¹⁴⁸ and Vayk Gold LLC (19 December 2019)¹⁴⁹. During the period from July 2020 to August 2020, pursuant to the orders of the MTAI Minister, the subsoil use rights of four more companies were terminated; the four companies are Fortune Resources LLC¹⁵⁰, Molibdeni Ashkharh LLC (July 28, 2020)¹⁵¹, Vardani Zartonk LLC (7 August 2020)¹⁵² and Paramount Gold Mining CJSC (August 07, 2020)¹⁵³. It should be noted that in 2020, the Minister of MTAI adopted one more decision on termination of the subsoil use right of Marjan Mining Company LLC (on 13 December 2019, and then on 29 July 2020), which is based on other factual circumstances¹⁵⁴. It should also be noted that according to the data published as of 15 March 2021, 21 mining rights are registered. The published list of companies, whose geological exploration right for the purposes of mineral extraction has been suspended, includes, along with Hrahsk Metagh LLC and Tatstone LLC, the following companies:

- Fortune Resources LLC
- Paramount Gold Mining CJSC
- Molibdeni Ashkharh LLC
- Vardani Zartonk LLC
- Marjan Mining Company LLC.

Thus, from 2019 to 2020, pursuant to the order of the MTAI Minister, the subsoil use rights of eight mining companies were terminated. The subsoil use right of another company had been terminated in 2018. As of 15 March 2021, the list of companies having subsoil use rights includes 21 mining

<http://www.mtad.am/hy/mtad13.02.3/>

¹⁴³ Order No. 142-A dated 7 February 2020 <http://www.mtad.am/hy/mtad27.12/>

¹⁴⁴ Order 115-A dated 20 September 2018 <http://www.mtad.am/hy/mtad27.12/>

¹⁴⁵ Ministry of Territorial Administration and Infrastructure of the Republic of Armenia, information on termination or waiver of the mining right, <http://www.mtad.am/hy/mtad13.02.3/>

¹⁴⁶ EITI website

<https://www.eiti.am/hy/%D5%86%D5%B8%D6%80%D5%B8%D6%82%D5%A9%D5%B5%D5%B8%D6%82%D5%B6%D5%B6%D5%A5%D6%80/2020/01/13/%D5%A8%D5%B6%D5%A4%D5%A5%D6%80%D6%84%D6%85%D5%A3%D5%BF%D5%A1%D5%A3%D5%B8%D6%80%D5%AE%D5%B4%D5%A1%D5%B6-%D5%AB%D6%80%D5%A1%D5%BE%D5%B8%D6%82%D5%B6%D6%84%D5%B6%D5%A5%D6%80/80>

¹⁴⁷ Order 693-A dated 13 December 2019

¹⁴⁸ Order 692-A dated 13 December 2019

¹⁴⁹ Order 711-A dated 19 December 2019

¹⁵⁰ Order 1033-A of the Minister of Territorial Administration and Infrastructure of the Republic of Armenia on termination of the subsoil use right of Fortune Resources LLC, <http://www.mtad.am/hy/mtad27.12.2/>

¹⁵¹ Order 1008-A of the Minister of Territorial Administration and Infrastructure of the Republic of Armenia on termination of the subsoil use right of Molibdeni Ashkharh LLC, <http://www.mtad.am/files/legislation/664.pdf>

¹⁵² Order 1075-A of the Minister of Territorial Administration and Infrastructure of the Republic of Armenia on termination of the subsoil use right of Vardani Zartonk LLC, <http://www.mtad.am/files/legislation/665.pdf>

¹⁵³ Order 1074-A of the Minister of Territorial Administration and Infrastructure of the Republic of Armenia on termination of the subsoil use right of Paramount Gold Mining CJSC, <http://www.mtad.am/files/legislation/666.pdf>

¹⁵⁴ Order 1018-A of the Minister of Territorial Administration and Infrastructure of the Republic of Armenia on termination of the subsoil use right of Marjan Mining Company LLC, <http://www.mtad.am/files/legislation/667.pdf>

companies, two of which have their subsoil use rights suspended, subject to appeal, and, in the context of the above-mentioned legislative regulations, they are currently considered subsoil users¹⁵⁵.

It should also be noted that two companies, Marjan Mining Company LLC and Mego Gold LLC, have been declared bankrupt by the court ruling. Specifically, Mego Gold LLC was declared bankrupt¹⁵⁶ pursuant to the decision of the Court of General Jurisdiction of Kentron and Nork-Marash administrative districts of the city of Yerevan, which entered into force on 16 December 2016. Marjan Mining Company LLC was declared bankrupt¹⁵⁷ later, pursuant to the decision of the RA Bankruptcy Court, which entered into force on 4 February 2019.

During the reporting year, no new subsoil use rights were granted for geological exploration for mineral extraction purposes. According to the data published on 25 December 2019, 28 companies had the subsoil use right, while according to the data published on 14 August 2020, 26 companies had the subsoil use right¹⁵⁸.

The register of published permits is complete, all changes, including permit terms, changes to the company names and other essential details, are provided.

Table 2.2.1

Contract numbers of the companies granted with mining permits, signing dates, company registration numbers and TINs (Tax Payer Identification Numbers) for the reporting period as of 25 December 2019¹⁵⁹

Mining company	Registration number	Taxpayer Identification Number	Contract number and signing date	Information on termination of the subsoil use right as of 14 January 2020
Chaarat Kapan CJSC	27.120.01216	09416902	PV-183 (27.11.2012)	
Geghi Gold LLC	72.110.121815	09423012	P-544 (22.07.2016)	
Baktek Eco LLC	282.110.06759	00870494	P-515 (22.08.2014)	
Gharagyulyanner CJSC	286.120.929505	02583292	P-547 (25.10.2016)	
AT-Metals LLC	271.110.738775	00118721	P-514 (16.01.2015)	
Tatstone LLC	264.110.06348	00079433	P-459 (11.02.2013)	
Tatstone LLC	264.110.06348	00079433	P-458 (11.02.2013)	Termination of the subsoil use right Order 711-A dated 19 December 2019 Not appealed
Vayk Gold LLC	264.110.111245	00114369	P-371 (30.11.2012)	Termination of the subsoil use right Order 711-A dated 19 December 2019 Appealed
Sagamar CJSC	278.120.03167	00410036	PV-093 (20.10.2012)	
Assat LLC	77.110.00569	03807664	PV-366 (06.06.2013)	
Meghradzor Gold LLC	286.110.07682	02709666	PV-057 (22.08.2012)	
Ler-Ex LLC	27.110.00893	09412188	PV-094 (16.08.2012)	
Akhtala Mining and Processing Enterprise CJSC	96.120.00632	06602309	PV-103 (20.10.2012)	
Geopromining Gold LLC	273.110.02424	01530525	PV-189 (20.10.2012)	

¹⁵⁵ MTAI website, information on the termination or waiver of the right to extract metallic minerals <http://www.mtad.am/hy/mtad13.02.3/>

¹⁵⁶ Official website of public notifications of the Republic of Armenia <https://www.azdarar.am/announcements/org/46/00233492/>

¹⁵⁷ Official website of public notifications of the Republic of Armenia <https://www.azdarar.am/announcements/org/46/00463612/>

¹⁵⁸ MTAI website <http://www.mtad.am/hy/mtad27.12.2/>

¹⁵⁹ MTAI website, mining contracts for metal ore extraction <http://www.mtad.am/hy/mtad26.12.4/>

Mining company	Registration number	Taxpayer Identification Number	Contract number and signing date	Information on termination of the subsoil use right as of 14 January 2020
Lydian Armenia LLC	264.120.07314	00091919	PV-245 (26.09.2012)	
Agarak Copper Molybdenum Combine CJSC	79.140.00036	09700039	PV-311 05.04.2013	
Teghout LLC	286.120.06078	02700773	PV-376 (20.02.2013)	
Zangezur Copper Molybdenum Combine CJSC	27.140.00009	09400818	PV-232 (27.11.2012)	
Vardani Zartonk LLC	79.110.00234	09414399	PV-239 (27.09.2012)	Termination of the subsoil use right Order No. 1075-A dated 7 August 2020 Appealed
Mego Gold LLC	77.110.00610	04213127	PV-184 (28.12.2012)	Termination of the subsoil use right Order 693-A dated 13 December 2019 Appealed
Active Lernagorts LLC	273.110.03365	01544838	PV-425 (28.12.2012)	
Lichkvaz LLC	286.120.07744	02710054	PV-293 (22.11.2012)	
Fortune Resources LLC	39.110.01312	02806526	PV-169 (20.10.2012)	Termination of the subsoil use right Order No. 1033-A dated July 31, 2020 Appealed
Paramount Gold Mining CJSC	286.120.58034	04219371	089 (12.06.2012)	Termination of the subsoil use right Order No. 1074-A dated 7 August 2020 Appealed
Multi Group Concern LLC	42.110.01460	03516447	PV-213 (20.10.2012)	
Molibdeni Ashkharh LLC	286.110.05872	02580107	PV-174 (07.11.2012)	Termination of the subsoil use right Order No. 1008-A dated July 28, 2020 Appealed
Marjan Mining Company LLC	273.110.05412	01569837	PV-398 (07.03.2013)	Termination of the subsoil use right Order 692-A dated 13 December 2019 Appealed Termination of the subsoil use right Order 1018-A dated July 29, 2020 Appealed
Hrashk Metagh LLC	51.110.844405	04226807	P-542 (15.06.2016)	Order 115-A dated 20 September 2018 Waiver certificate N50, issued on 20 September 2018, entered into force on 4 October 2018

According to the latest official data, as of 14 January 2021, the list of companies that were granted geological exploration permits for mineral extraction has been significantly reduced. This is mainly due to the expiration of the subsoil use rights, which were not further extended.

Table 2.2.2

Contract numbers of the companies granted with permits to conduct geological exploration of subsoil for the purposes of mineral extraction, signing dates, company registration numbers and TINs (Tax Payers Identification Numbers) as of 25 December 2019¹⁶⁰

Mining company	Registration number	Taxpayer Identification Number	Contract Number and signing date
Polymetal Armenia LLC (renamed to "AGRC" Armenia Gold Resources Corporation LLC)	264.110.849028	00141145	P-259 (31.01.2018)
NIG Mining LLC	273.110.965994	02662823	P-263 (04.04.2018)
Inter Mining LLC	282.110.997805	00908544	P-266 (28.03.2018)
Chudo Metal LLC	51.110.891426	042228339	P-269 (25.04.2018)
Georade CJSC	264.120.08798	00258804	PV-066 (13.07.2012)
Georade CJSC	264.120.08798	00258804	PV 278- (17.10.2019)
Geomining LLC	271.110.119888	01253043	P-098 (30.08.2012)
Tatstone LLC	264.110.06348	00079433	P-112 (12.10.2012)
Tatstone LLC	264.110.06348	00079433	P-225 (11.06.2016)
G Metals Investment Limited LLC	88.110.01068	09811529	PV-114 (20.10.2012)
Ecuivest Alliance Foundaton LLC	264.110.847218	00140736	P-212 (03.08.2015)
Ram Group LLC	273.110.856629	02637888	P-213 (22.07.2015)
Senterra Mining CJSC	286.120.840310	02633612	P-224 (25.12.1015)
Nariprof LLC	271.110.58684	01250852	P-219 (02.04.2016)
Mining Consulting LLC	273.110.846143	02635264	P-228 (02.11.2016)
Gharagulyanner CJSC	286.120.929505	02583292	P-229 (25.10.2016)
Iron Mining LLC	286.110.929307	02653565	P-236 (25.03.2017)
Premium Mining LLC	273.110.925468	02652485	P-237 (25.02.2017)
Energo Invest Holding CJSC	85.120.879763	03021382	P-238 (13.03.2017)
Mine Invest LLC			P-243 (23.05.2017)
Golden Land LLC	273.110.912900	02649955	P-245 (17.07.2017)
Metals Mining Group LLC	273.110.912899	02649947	P-246 (17.07.2017)
Harust Metagh LLC	278.110.927638	00470677	P-247 (20.10.2017)
Copper Plus LLC	286.110.944106	02657454	P-251 (13.11.2017)
Copper Plus LLC	286.110.944106	02657454	P-252 (13.11.2017)
Gevler LLC	72.110.955975	09425628	P-255 (14.12.2017)

2.2.3 Other required permits

Thus, making the documentation package that is part of the subsoil use right is an issue of first priority for the mining company to perform mining activities, but it is not yet sufficient to actually begin the mining activities envisaged by the subsoil use project or program. The mining company must also obtain other separate permits and rights, the acquisition of which is not guaranteed by the existence of the subsoil use right.

As presented in the previous EITI reports, a company must resolve the issue of acquiring the right to the land plot on the surface of the subsoil site allotted to that company and its neighboring land plots¹⁶¹. In particular, the mining allotment certificate issued together with the subsoil use permit gives the mining company the right to operate on a certain site of the subsoil, which is located under a certain part of the earth's surface. The mining allotment certificate fixes the end coordinates of the

¹⁶⁰ MTAI website, on the activities for the geological exploration of the subsoil for the extraction of metallic minerals <http://www.mtad.am/hy/mtad27.12.2/>

¹⁶¹ Extractive Industries Transparency Initiative (EITI) of the Republic of Armenia 2018 Report, page 22, the link: <https://www.eiti.am/hy/>

given subsoil site, based on the unified coordinate system, but in order to use the land on the subsoil site, the mining company is obliged to regulate the relations with the land owners independently by considering, in particular, the restrictions established by Article 26 of the RA Subsoil Code and the RA Land Code. The mining company may buy or rent those land plots to install the infrastructure that is part of the mining complex.

In practice, the issue of acquiring rights to land plots on a subsoil site often causes serious problems when the location of the land owner is unknown or when the land owner refuses to alienate it. In situations like this, sometimes the land is alienated following the legal mechanism of the so-called “overriding public interest”. However, the application of this mechanism in the Armenian practice has caused problems related to the guarantee of property rights, as a result of which litigation cases arise. This particularly concerns the issue of land valuation, on which the European Court of Human Rights has ruled in favor of the plaintiffs’ claim against compulsory seizure or alienation of their land for subsoil use¹⁶². During the reporting year, there was no change in the legal regulations regarding the acquisition of the right to the land plot on the subsoil site.

The same also applies to the legal regulation of water use permits requested for mining purposes. In fact, the application for a water use permit is submitted to the competent state body (RA Ministry of Environment) only after obtaining a subsoil use permit. The requirement to obtain a water use permit is often formulated in the EIA expert conclusion as a mandatory expertise requirement that must be met prior to the commencement of the mine operation. It should be noted that sometimes the water use permit is issued years after the actual start of operation of the mine, despite the direct requirement of the expertise conclusion to obtain it in advance and the the direct requirement set forth by law.

In practice, there are cases when a water use permit is issued for water bodies that are intended for irrigation and domestic water supply and cannot be used for mining purposes. Only the Water Resources Management Agency (WRMA)¹⁶³ operating in the RA ME system may issue a water use permit for mining purposes. The unions of different water users are not authorized to supply water for mining purposes. The RA Water Committee operating within the RA MTAI does not have such authority either¹⁶⁴.

Failure to comply with the established procedure for obtaining a water use permit for mining purposes may lead to the termination of the concluded water supply contract, which in turn may cause serious complications for the mining company.

When applying for a water use permit, it is also important to comply with the requirements of environmental legislation, in particular in terms of water intake at the expense of the environmental flow. In such situations, the process of obtaining a water use permit in the prescribed manner becomes even more complicated, leading to litigations¹⁶⁵ between the state body and the company, during which the companies having permits for subsoil use demand to satisfy the applications¹⁶⁶ submitted to the competent body for the permit to use water in the required volume.

¹⁶² European Court of Human Rights, Alikhanyan and Meliksetyan against Armenia (Complaint no. 4168/10), court judgment, Strasbourg, 14 March 2019

https://www.moj.am/storage/files/legal_acts/legal_acts_5421288125481_Case_of_Alikhanyan_and_Meliksetyan_v._Armenia_ARM.pdf

¹⁶³ Official website of the RA Ministry of Environment <http://www.mnp.am/am/page/54>

¹⁶⁴ Official website of the RA Water Committee <http://www.scws.am/>

¹⁶⁵ Administrative case number VD/9290/05/19 “On the request to enforce the administrative act considered as adopted based on the application for obtaining a water use permit submitted on July 4, 2019 with regard to obliging the granting of a water use permit corresponding to the standard form of the water use permit approved by the RA Government Decree No. 218-N dated 7 March 2003 and invalidating Order No. 353-A dated 25 October 2019”
http://www.datalex.am/?app=AppCaseSearch&case_id=38562071809939770

¹⁶⁶ Administrative case number VD/9342/05/19 “On the request to oblige the adoption of a favorable administrative act on the water use permit application submitted by Lydian Armenia CJSC to enable Lydian Armenia CJSC to use water from Arpa River in the administrative territory of Jermuk community in Vayots Dzor Region for the processes of gold extraction through

In terms of legal regulations on subsoil use permits, a rather rigid approach is applied in the event of changes to the adopted mining project. According to Article 57 of the RA Subsoil Code, “every amendment to the project shall enter into force after undergoing an examination in the prescribed manner”. The same article also stipulates that the requirements under Article 51 of the same Code, which are defined for submitting a new project, shall also apply to an application for a change in the mining project. It follows from the analysis of the law that any project change, which may have an environmental impact, shall lead to the obligation to reconduct the EIA procedure in its full scale (submission of the amended project and EIA report, organization of public discussions, etc.). The current regulation does not provide for mechanisms where project changes could be made only in relation to the changed aspects, without a complete EIA procedure, including fulfillment of all procedures required by law. In this regard, it should be noted that the new draft law on making amendments to the RA Law “On Environmental Impact Assessment and Expertise”¹⁶⁸ clarifies this procedure so far as possible and establishes a mechanism for determining whether project changes are subject to environmental impact assessment and expertise.

In fact, such a categorical legal regulation on changes to a project results in serious underperformance with regard to the law. Significant changes are often made in the mining contracts (changes in the end coordinates of a subsoil site¹⁶⁹, extension of a subsoil use period¹⁷⁰, etc.), which in terms of the RA Subsoil Code constitute a basis for a project change and, in fact, obtaining a new subsoil use permit. However, these changes are made only in the mining contract without following the procedures required by law¹⁷¹.

The issue of well-defined regulation on project changes becomes more urgent in the context of the requirement to carry out recultivation works under Article 70 of the RA Subsoil Code, according to which, in case of a project change, that is, the expansion of a subsoil site, relinquishment of the subsoil use right in relation to the entire subsoil site or any part thereof, the provisions on the amount of allocations to the Environmental Protection Fund in the mining contract must be changed accordingly. That is, the project changes have a complex impact on the entire documentary base of the mining procedure, from the issues of expertise to the issues of calculation of subsoil use fees.

development and cultivation of the Amulsar gold-bearing quartzite mine and, at the same time, to invalidate Order No. 181-A dated 17 June 2019 and Order No. 292-A dated 2 September 2019 adopted as a result of the appeal of Order No. 181-A dated 17 June 2019”

http://www.datalex.am/?app=AppCaseSearch&case_id=38562071809939772

¹⁶⁸ A unified website for publishing draft legislative acts <https://www.e-draft.am/projects/1836/justification>

¹⁶⁹ Administrative case VD/6717/05/16 http://www.datalex.am/?app=AppCaseSearch&case_id=38562071809896046

¹⁷⁰ Amendment to the mining contract for mineral extraction PV-093 dated 8 June 2015

http://www.mtad.am/u_files/file/%D4%B8%D5%86%D4%B4%D4%B5%D5%90%D5%94/5_pg_3018375290226_Paymanagir_093.pdf

¹⁷¹ Amendments to mining contracts without making changes to the project:

http://www.mtad.am/u_files/file/%D4%B8%D5%86%D4%B4%D4%B5%D5%90%D5%94/20_pg_301837529029_Paymanagir_459.pdf

http://www.mtad.am/u_files/file/%D4%B8%D5%86%D4%B4%D4%B5%D5%90%D5%94/2_pg_5687342571271_103.pdf

http://www.mtad.am/u_files/file/%D4%B8%D5%86%D4%B4%D4%B5%D5%90%D5%94/Vayq_Gold_Paymanagir_371.pdf

http://www.mtad.am/u_files/file/%D4%B8%D5%86%D4%B4%D4%B5%D5%90%D5%94/3_pg_6682404060481_245_LIDIA_N.pdf

http://www.mtad.am/u_files/file/%D4%B8%D5%86%D4%B4%D4%B5%D5%90%D5%94/5_pg_3018375290226_Paymanagir_093.pdf

http://www.mtad.am/u_files/file/%D4%B8%D5%86%D4%B4%D4%B5%D5%90%D5%94/6_pg_3018375290225_Paymanagir_094.pdf

http://www.mtad.am/u_files/file/%D4%B8%D5%86%D4%B4%D4%B5%D5%90%D5%94/10_pg_3018375290220_Paymanagir_184.pdf

http://www.mtad.am/u_files/file/%D4%B8%D5%86%D4%B4%D4%B5%D5%90%D5%94/11_pg_3018375290219_Paymanagir_189.pdf

http://www.mtad.am/u_files/file/%D4%B8%D5%86%D4%B4%D4%B5%D5%90%D5%94/13_pg_3018375290216_Paymanagir_293.pdf

http://www.mtad.am/u_files/file/%D4%B8%D5%86%D4%B4%D4%B5%D5%90%D5%94/28_pg_301837529024_Paymanagir_213.pdf

2.2.4 Registration of the subsoil use right

Information on subsoil use rights in Armenia is available and included in the public register on the MTAI website. In particular, the MTAI official website publishes regularly updated data on both mining companies having geological exploration permits and mining companies having extraction permits. According to the data posted on the MTAI website, as of 25 December 2019, there are 26 subsoil use rights for geological exploration of the soil for the purposes of metallic mineral extraction¹⁷². It should be noted that during the preparation of the Report, as of June 2021, the number of subsoil use rights for geological exploration of the soil for the purposes of metallic mineral mining has sharply decreased to 5¹⁷³.

The following information is provided in the public information on subsoil use rights for geological exploration for the purposes of mineral extraction:

- the full name of the legal entity that was granted the permit;
- the date, month, year of the application for obtaining the permit;
- the sequence number of the permit, permit issuance date, month, year, and permit term;
- the name of the mineral deposit manifestation area or the facility (for example, Khdebants gold ore manifestation, Syunik Marz, RA);
- the end coordinates of the subsoil site, the total surface;
- the name of the mineral (for example, gold-polymetallic);
- the number of the mining contract and the date, month, year of signing;
- in the event of making changes to the mining contract, the number of the relevant document for each change and the date, month, year of signing the relevant document for each change;
- in the event of a permit extension, the number of the extension document, the date, month, year of issuance of the extension document, and the extension period;
- termination of the subsoil use right.

According to the official data published as of 25 December 2019, there were 28 subsoil use rights for the metallic mineral extraction during the reporting year¹⁷². The subsection describing the changes to the subsoil use right provided detailed information on the procedures for terminating the subsoil use right of some companies.

The following information is included in the public information on subsoil use rights of mining companies having the right for mineral extraction:

- the full name of the legal entity that was granted the permit;
- the date, month, year of the application for obtaining the permit;
- the sequence number of the permit, permit issuance date, month, year, and permit term;
- the name of the mine (site) (for example, Meghradzor gold mine, Kotayk Marz, RA);
- the end coordinates of the subsoil site, the total surface;
- the name of the mineral (for example, gold, silver, tellurium, bismuth);
- the amount of the provided recoverable mineral reserves: the main and accompanying component(s) and their quantities;
- the number of the mining contract; date, month, year of signing;

¹⁷² MTAI website, data on the geological exploration activities for the extraction of metallic minerals <http://www.mtad.am/hy/mtad27.12.2/>

¹⁷³ MTAI website, data on the geological exploration activities for the extraction of metallic minerals <http://www.mtad.am/hy/mtad27.12.2/>

¹⁷² Official website of the Ministry of Territorial Administration and Infrastructure of the Republic of Armenia, data on metal ore extraction activities (the latest list as of 14 January 2021), <http://www.mtad.am/hy/mtad27.12/>

- in the event of making changes to the mining contract, the number of the relevant document for each change and the date, month, year of signing the relevant document for each change;
- in the event of a permit extension, the number of the extension document, the date, month, year of issuance of the extension document, the extension period.

Pursuant to RA Subsoil Code, geological information on minerals under the possession of state competent bodies is provided free of charge: the authorized body shall be paid only for the services rendered in connection with the provision of information, in accordance with the procedure established by the Government. Restrictions on the provision of such information apply only to the information already presented¹⁷³. The right of subsoil use is granted on a competitive basis only in the case of geological study of radioactive raw materials¹⁷⁴.

The transfer of the subsoil use right to another entity by the company granted the subsoil use right may be performed only upon agreement with the state authorized body. In such case, the subsoil use right is reissued. All transactions or actions aimed at transferring the subsoil use right without the consent of the authorized body are null and void¹⁷⁵. However, as described in the EITI 2018 Report, in case of alienation of shares or stocks of the companies having subsoil use rights to third parties, there may be a factual transfer of subsoil use rights, which is not overseen by the authorized body, the MTAI¹⁷⁶. The subsoil use right may also become the subject of collateral if the target loan is to be used to fulfill the obligations under the subsoil use right¹⁷⁷.

The authorized body (MTAI) keeps a centralized register of subsoil use rights, where information on those rights, as well as changes, transfers, collaterals, notices and terminations are logged. The centralized register of subsoil use rights is comprised of two unified logbooks: the register of geological exploration rights and the register of extraction rights. It should be noted that the procedure for providing information has become easier now: the available information to be published is simply posted online¹⁷⁸, so there is no need to send a request to the MTAI in order to obtain information from the register of subsoil use rights.

Subsoil companies submit reports on the implementation of their contractual obligations on financial matters to various public administration bodies (MTAI, ME, SRC). Following the commencement of the EITI procedure, an online network system was developed to enable submission of reports in electronic forms via www.eiti.am website, where the reports submitted by all companies, as well as the said three state bodies, for the reporting year are posted in accordance with the procedure and in the format defined by the RA Government Decree¹⁷⁹ No. 666-N dated 8 June 2018. According to that decision, the reports submitted by all mining companies¹⁸⁰ and public administration reporting bodies¹⁸¹ during the reporting year are posted on the website of the EITI. Mining companies and state bodies submit public reports no later than August 1 of the reporting year.

The content of the reports published on the mentioned online platform is extensive, which in the case of companies granted extraction rights includes information on extraction and export volumes, all paid

¹⁷³ RA Subsoil Code, Article 13

¹⁷⁴ RA Subsoil Code, Article 20.1

¹⁷⁵ RA Subsoil Code, Article 22

¹⁷⁶ Extractive Industries Transparency Initiative (EITI) of the Republic of Armenia 2018 Report, page 22, available at <https://www.eiti.am/hy/>.

¹⁷⁷ RA Subsoil Code, Article 28

¹⁷⁸ MTAI website, register of subsoil use permits <http://www.mtad.am/hy/mtad27.12.2/>

¹⁷⁹ RA Government Decree No. 666-N dated 8 June 2018 "On establishing the procedure, terms and forms of publication of information on subsoil use activities related to mineral extraction and geological exploration of the subsoil for mineral extraction purposes, the procedure, terms and forms for submission of public reports on the activities of mining companies having obtained metal ore mining permits and defining the list of state bodies" <https://www.arlis.am/DocumentView.aspx?docid=123259>

¹⁸⁰ EITI website, public reports submitted by mining companies, <https://reports.eiti.am/hy/report/search/company-pdf/>

¹⁸¹ EITI website, public reports submitted by state bodies, <https://reports.eiti.am/hy/report/search/state-body-pdf/>

taxes and other fees, charitable and other gratuitous contributions, contributions to community budgets in the scope of social responsibilities, allocations to the Environmental Protection Fund and for monitoring, as well as other payments.

Relevant international experience

As a result of the study of the international experience in ensuring publicity of subsoil use permits and contracts, the experience of Mongolia has been taken into consideration, in comparison with which Armenia is not inferior in terms of the transparency indicators¹⁸² of contracts and licenses. In the case of Mongolia, statistical analysis is important also because under conditions of a large number of mining companies and issued licenses, somewhat aggregated data are provided in the EITI reports only with regard to large companies¹⁸³.

According to the EITI 2018 Report of Mongolia, as of November 2019, there is information published on 3,447 licenses¹⁸⁴. According to the information given in the report, the data on these licenses are published in the Computerized Mining Cadastre System¹⁸⁵. According to the subsequent 2019 EITI Report of Mongolia, as of 31 December 2019, 3,266 licenses were granted to 2,093 companies¹⁸⁶. The data presented in the Mining Cadastre include the type and code of the license, company name, license issuance date, operation dates, name of the mine and size of the area in hectares.

In addition to the license cadastre, the mining contract database has been established in Mongolia, where, as of February 2021, 801 contracts¹⁸⁷ were published, while according to the EITI report of Mongolia, more than 3,000 mining licenses have been issued to more than 2,000 companies. Unlike Armenia, where the subsoil use permit (license) is incorporated in the text of the mining contract, in Mongolia, these are actually different documents.

Summing up the study of the experience of Mongolia, the accessible method of providing information on beneficial owners by means of an interactive map¹⁸⁸ may be considered as best practice. It presents the shareholders in the extractive industry, broken down by countries, companies and physical persons, enabling quick search of the necessary entity.

2.2.5 Legal grounds for the suspension and termination of mining contracts

The 2018 EITI Report covers the measures of liability applied to the mining companies, specifically, the description and legal analysis¹⁸⁹ of the subsoil use right termination and subsoil use right relinquishment. Moreover, the grounds and the procedures for the termination of the subsoil use right have been described by considering amendments made to the RA Subsoil Code on July 16, 2020. Therefore, this report addresses legislative changes to the extent they have not been discussed in the previous report.

¹⁸² Mongolia 2018 EITI Report, pages 30-34, https://eiti.org/files/documents/mongolia_2018_eiti_report_eng-12.30.pdf

¹⁸³ Mongolia 2019 EITI Report, general information on payments made by mining companies, pages 12-13
http://www.eitimongolia.mn/sites/default/files/uploads/final-reports/2020_FINAL%20EITI%2014%20Report%20EN-20210115.pdf

¹⁸⁴ Mongolia 2018 EITI Report, page 30 https://eiti.org/files/documents/mongolia_2018_eiti_report_eng-12.30.pdf

¹⁸⁵ Mining Cadastre of Mongolia <https://cmcs.mrpam.gov.mn/cmcs>

¹⁸⁶ Mongolia 2019 EITI Report, General information on payments made by mining companies, page 9
http://www.eitimongolia.mn/sites/default/files/uploads/final-reports/2020_FINAL%20EITI%2014%20Report%20EN-20210115.pdf

¹⁸⁷ Mining contracts, Mongolia <http://www.iltodgereee.mn/>

¹⁸⁸ Mongolia EITI official website <http://www.eitimongolia.mn/en/beneficial-owners>

¹⁸⁹ Extractive Industries Transparency Initiative (EITI) of the Republic of Armenia 2018 Report, pages 98-101, available at <https://www.eiti.am/hy/>

As it has already been mentioned in the sections discussing the role of authorized bodies in the sector of legislative changes and subsoil use, one of the main legislative amendments¹⁹⁰ made to the termination of the subsoil use right is that the inspection act adopted by the Inspectorate for Nature Protection and Mineral Resources (hereinafter referred to as the “Inspectorate”) serves as a ground for termination of the subsoil use right. In particular, after the adoption of the act issued as a result of a violation registered by the Inspectorate and preparation of a violation report, the inspected entity is given instructions on the elimination of the violation and deadlines. After a certain period of time, the Inspectorate is authorized to check the execution of the instruction given to eliminate the registered violation, and in case the instruction has not been fulfilled, to draw up an act on the non-fulfillment of the instruction. After the mentioned act enters into force, the inspection body submits a petition on termination of the subsoil use right of the relevant mining company to the authorized body (MTAI), which serves as a ground for the termination of the subsoil use right of the given company.

Large-scale changes have been made in terms of suspending the subsoil use right. The RA Law¹⁹¹ “On making amendments to the Subsoil Code of the Republic of Armenia”, adopted on 23 April 2019, defines the grounds for the suspension of the subsoil use right, which are detailed in the section describing the legislative changes.

In the presence of the mentioned grounds, the right of subsoil use is not suspended immediately. The authorized body gives a written notice to the holder of subsoil use right within ten days after the date of revealing the mentioned case. First, the authorized body (MTAI) may issue a written notice, and only if the grounds for the notice are not removed, the subsoil use right is suspended until the submission of the prescribed information (but not for more than 120 days). If the holder of the subsoil use right has not removed the grounds for the suspension within the mentioned period (up to 120 days), the subsoil use right shall be terminated by the decision of the authorized body.

Separate legal regulations on the suspension of the operation of the economic entity are also defined in the RA Law¹⁹² “On amendments and additions to the Law “On environmental monitoring”, which defines the legal content of the term “suspension of activity” as a procedure through which, in cases defined by the RA Law “On environmental monitoring”, the activity of the inspected entity is immediately suspended for a definite term in order to protect human rights and health, state interests, as well as the environment. The same law defines cases when the state environmental inspector has the right to immediately suspend the activity of the inspected entity based on the decision of the head of the territorial subdivision of the inspection body. Legislative amendments imperatively stipulate that the head of a territorial subdivision must make a decision to suspend the activity of the inspected entity, if during the inspection the following is revealed:

- the inspected entity uses waste of the first, second or third degree of hazard without a license;
- the inspected entity carries out water use without obtaining a water use permit in the cases and in the manner prescribed by the legislation;
- the inspected entity carries out subsoil use without obtaining a subsoil use right in the cases and in the manner prescribed by the legislation;
- the inspected entity carries out activities without a positive conclusion of the environmental impact expertise, if the law stipulates that the planned activity is subject to an environmental impact expertise;

¹⁹⁰ RA Law “On making amendments and additions to the Subsoil Code of the Republic of Armenia”, Article 10 (HO-397-N, adopted on July 16, 2020, entered into force on 16 August 2020) <https://www.arlis.am/documentview.aspx?docid=145085>

¹⁹¹ RA Law “On making amendments to the Subsoil Code of the Republic of Armenia” (HO-24-N, adopted on 23 April 2019, entered into force on July 01, 2019), Article 2 <https://www.arlis.am/DocumentView.aspx?docid=130250>

¹⁹² RA Law “On making amendments and additions to the Law “On Environmental Monitoring” (HO-452-N, adopted on 6 October 2020, entered into force on 17 October 2020) <https://www.arlis.am/DocumentView.aspx?docid=146629>

- the inspected entity carries out water use at the expense of strategic water resources or national water resources in violation of law;
- the inspected entity emits pollutants from a fixed source without permits for emission into the atmosphere of pollutants from a fixed source in the cases and in the manner prescribed by law;
- the inspected entity uses chemicals or pesticides prohibited in the Republic of Armenia.

The decision to suspend the activity shall be immediately handed over or sent to the inspected entity, and it shall be subject to immediate execution. Suspension of activity is terminated by the relevant decision of the head of the inspection body, if the inspected entity has eliminated the violations. The mentioned amendments set one more provision, which can give rise to a discretionary interpretation. The provision states that “the activities of the inspected entities shall be suspended also in cases of violations of the environmental legislation, which cause direct harm to human rights and health, state interests, as well as the environment”. Such general wording in the legislation gives rise to different interpretations, and they are problematic from the point of view of the legal certainty of the provisions of the law.

Thus, amendments made both in the RA Subsoil Code and in the RA Law on Environmental Monitoring during the reporting period clarify the scope of powers of the RA Inspectorate for Nature Protection and Mineral Resources in the field of suspending the subsoil use right. As mentioned above, the failure to fill the requirement of the instruction issued by the inspection body is also a basis for the MTAI to make a decision on the termination of the subsoil use right, based on the petition submitted by the inspection body.

In conclusion, preserving the main structure of the procedure for granting subsoil use rights, nonetheless, the legislator has set quite serious preconditions for its obtainment: clear obligations for making proper payments for the mine closure plan, Environmental Protection Fund, and for monitoring, which have been presented in more detail when discussing legislative amendments. These preconditions are subject to application in case of expansion of the subsoil area, extension of the subsoil use period, and relinquishment of the subsoil use right. The legal status of the EIA expertise conclusion and the approving administrative act has been clarified. The framework of the legal grounds and mechanisms for the suspension and termination of the subsoil use rights have been regulated by adding legal certainty to the decisions on the suspension or termination of the activity of the entity inspected by the Inspectorate for Nature Protection and Mineral Resources. These were previously strictly discretionary.

2.3 Mining contracts (Requirement 2.4)

2.3.1 Conclusion of mining contracts, current contracts

In terms of transparency of mining contracts, Armenia is among the leading EITI member countries¹⁹³ ensuring the transparency of primary sources of data. Systematic disclosure of data enables citizens and decision-makers to easily access, use and analyze the existing official information that is regularly published by the relevant bodies through their own systems.

The previous EITI reports covered a number of issues related to the legal nature of mining contracts, including the specific legal nature of the contract and the issues of legal certainty¹⁹⁴ arising from it. No changes were made to this key issue during the reporting period. On the one hand, the state bodies

¹⁹³ EITI website

<https://www.eiti.am/hy/%D5%86%D5%B8%D6%80%D5%B8%D6%82%D5%A9%D5%B5%D5%B8%D6%82%D5%B6%D5%B6%D5%A5%D6%80/2021/01/26/transparency-at-source/103/>

¹⁹⁴ Extractive Industries Transparency Initiative of the Republic of Armenia (EITI) 2018 Report, pages 20-22, available at <https://www.eiti.am/hy/>

issue the subsoil use permit, first approving the subsoil use project submitted by the company through an expertise conclusion (subsoil expertise conclusion, environmental impact assessment expertise conclusion and technical safety expertise conclusion). On the other hand, in addition to the issuance of a permit, a mining contract is signed between the responsible state agency (RA Ministry of Territorial Administration and Infrastructure) and the relevant company, the two parties being legally equal. Unlike administrative-legal relations, in the case of civil-legal relations, the state, as a party to the contract, should not have administrative supremacy in assessing the fulfillment of the other party's obligations to ensure the terms of the contract.

The previous EITI reports covered also other issues related to the content of the mining contract, such as the issues of mine closure and social mitigation measures, if not included in the mining contract or in the project. The previous EITI reports also discussed the contracts concluded before the adoption of the new Subsoil Code of the Republic of Armenia, when there was no requirement to undertake such obligations. After the approval of the model mining contract form by the decision of the Government of the Republic of Armenia, mining contracts must comply with the requirements defined by that decision. Annex 2 of the model mining contract form requires that the obligations set out in the mine closure plan be attached to the contract, while monitoring payments must be included in the cost estimate made in the scope of the plan.

As mentioned, legislative amendments¹⁹⁵ made in 2020 regulated the issue of calculation of monitoring payments and allocations, which, henceforth, must be included in the mining contract as a mandatory component of the contract content. Moreover, the proper fulfillment of payments for monitoring or to the Environmental Protection Fund is now a mandatory condition when submitting applications for the extension of subsoil use rights, expansion of the subsoil use area or relinquishment of subsoil use rights. However, these legislative changes are not reflected in the current mining contracts. In fact, in terms of the form and content, almost all mineral extraction contracts still contain the same provisions that were described in the previous EITI reports, failing to meet the requirements of the current legislation.

It is a matter of separate analysis that the mine closure plan submitted at the stage of requesting a mining permit should also include provisions on the recultivation of disturbed lands, dismantling of infrastructure, workforce social mitigation plan, monitoring activities, and financial guarantees for implementing the mine closure plan. At the same time, according to the RA Subsoil Code, the main mine closure plan is presented only two years before the closure, while there are contracts that envisage the mine closure in the 2040s. Taking into account the impairment factor, the regular payments calculated in accordance with the cost estimate produced under the mine closure plan and directed to the Environmental Protection Fund, may not be sufficient to carry out work at the time of mine closure.

In order to reflect the legislative reforms in current mining contracts and to create equal conditions for the companies granted subsoil use rights, it will be necessary to make the requirements of the current legislation, which are put in place by applying transitional provisions or other legal mechanisms, mandatory for all mining companies.

In turn, it follows from the study of mining contracts that the provisions related to the mine closure present this process in a very general way, often duplicating each other directly. Failure to envisage provisions related to the mine closure or their duplication serves as a ground to conclude that in the mentioned cases no due consideration was given to the issues of the mine closure. According to the current legislation, Annex 3 of the mining contract must include the commitments undertaken in the field of socio-economic development of the community. As presented in previous reports, most companies have not established such obligations under a mining contract or any other document

¹⁹⁵ HO 397-N, Articles 16 and 24

certifying their subsoil use rights. The companies, which have such obligations envisaged in their mining contracts, have provided an estimate in each of the mentioned annexes, presenting the amount and terms of the undertaken obligations. One of the main legal issues in this regard is that when defining social responsibilities to the communities adversely impacted as a result of mining activities, LSG bodies do not have the authority to put forward provisions based on their needs. They are not a party to the contract, since the contract is concluded between the state authorized body and a mining company, thus they do not have the legal authority to demand that the mining contract include any social responsibility.

The main obligation with regard to the social responsibility to the community defined by legislative amendments¹⁹⁶ relates to the mine closure plan, which shall also envisage the workforce social mitigation plan. It should include provisions for job creation, professional requalification and training following the mine closure. Moreover, there are no clear legislative regulations on the liabilities in case of improper fulfillment of social obligations to the community. Although, according to the RA Subsoil Code, the authorized body may issue a written warning to the legal entity granted with the subsoil use right (which may be followed by termination of the subsoil use right) if the entity does not fulfill the terms of the subsoil use right, which includes, in particular, socio-economic obligations to the community, in contrast to the allocations to the Environmental Protection Fund, the socio-economic assistance to the community is not always expressed in the form of a clear monetary obligation. Therefore, the scope of assessment of the violation is wide and discretionary to constitute a ground for application of such strict liability measures.

It should be noted that, unlike legislative amendments pertaining to non-fulfilment of obligations to the Recultivation Fund or for monitoring, the issue of liability for the failure to duly perform obligations for socio-economic development has not yet received the same full legal settlement.

2.3.2 Changes to mining contracts

Certain changes have been made to the mining contracts certifying the right to extract minerals. In particular, during the reporting year, Kapan Ore Enrichment Combine CJSC was renamed to Chaarat Kapan CJSC. On 10 June 2019, the company applied to MTAI informing that Kapan LHK CJSC was renamed to Chaarat Kapan CJSC on 29 May 2019 and enclosing the company's newly approved redrafted charter and copies of an extract from the State Register of Legal Entities of the RA Ministry of Justice. Based on the above, a corresponding change was made in the mining contract signed with the company on 29 August 2019.

Chaarat Kapan CJSC submitted a project on certain issues related to electricity supply, communication, ventilation and lighting systems to the EIA expertise. The project received the No. BP 000098 positive expertise conclusion of the EIA Expertise Center on 18 November 2019. There was no need to make changes in the mining contract.

During the reporting period, in accordance with the agreement¹⁹⁸ "On making an amendment to the mining contract PV-103 dated 20 October 2012 for mineral extraction" signed between Akhtala LHK CJSC, which operates the Shamlugh copper mine, and the RA Ministry of Energy Infrastructure and Natural Resources on 15 March 2019, the authorized body hands over the Shamlugh copper mine to the mining company for an annual extraction of 336000t ore and/or for a 10-year temporary possession and use for the processing of subsoil use waste. The contract amendments are based on the working plan for the re-equipment of the Shamlugh underground mine, according to which it is planned to extract up to 500 thousand tonnes of ore per year. According to the EIA expertise

¹⁹⁶ HO-397-N, Article 24

¹⁹⁸ Amendment to the mining contract for mineral extraction PV-103 dated 20 October 2012

http://www.mtad.am/u_files/file/%D4%B8%D5%86%D4%B4%D4%B5%D5%90%D5%94/2_pg_5687342571271_103.pdf

conclusion¹⁹⁹ BP-77 dated 17 September 2018, the design capacity of the plant is 750 thousand tonnes per year, but due to the depletion of open-pit resources, the ore processing plant can work only with an annual production capacity of 250 thousand tonnes provided by the underground mine. Therefore, in order to ensure the load of the factory of at least 67%, it is planned to increase the productivity of the underground mine up to 500 thousand tonnes per year.

It should be noted that according to the current legislation, in case of making changes to a mining contract, the mining contract does not have to be brought in line with the model mining contract, including the annexes that are part of it²⁰⁰.

In the reporting year, changes were also made to the mining contract signed with Lydian Armenia CJSC. According to the similar agreements "On making an amendment to the PV-245 mining contract for mineral extraction dated 26 September 2012" signed between the MTAI and Lydian Armenia CJSC on July 08, 2019²⁰¹, the term of the subsoil use right provided to the company was extended for six months to match the construction period (first until 31 December 2020, then until 1 June 2021), while the terms for the extraction and mine closure were extended for 9 years and 5.5 years, respectively, beginning from the end of construction.

It should be noted that all the mining contracts concluded with the companies having mining rights, including the related changes, are published on the MTAI website²⁰².

2.3.3 Comparison of relevant contractual obligations with reporting data provided by companies

Legislative amendments have already been discussed in the section on fiscal regime. These amendments contain, in particular, the requirement to include in a mining contract data on the schedule of calculation and payment of contributions by mining companies to the recultivation fund. However, prior to this amendment (HO-397-N, adopted on 16 July 2020, effective since 16 August 2020), no changes had been made to the existing mining contracts to comply with the new requirements. Hence, no changes were made to the approaches to determining the base rates of contributions to be made by mining companies during the reporting year, as set out in Table 2.1; these approaches have been discussed in the EITI previous reports.

Table 2.3.1

The sizes of actual contributions to the Fund by mining companies in 2019 and the approaches to determining the base rates, drams

No.	Mining companies	The approach of the mining company to defining the base rates and documents containing such data	Actual annual recultivation contribution, 2019, according to the EITI report of the ME
1	Agarak CMC CJSC	Table 9.7 on page 27 of nature protection section of the project (amendments to the contract were made in 2020)	190,610,000
2	Akhtala Mining and Processing Enterprise CJSC	NBP-128 expert conclusion dated 13 December 2010	29,760,500

¹⁹⁹ Environmental Impact Assessment Expertise Conclusion BP-77, issued on 17 September 2018
<http://www.mnp.am/uploads/1/153718957677-Axtala.pdf>

²⁰⁰ In the presented case, amendments to the contract with Akhtala LHK CJSC did not, in fact, set out any obligations envisaged under the mine closure plan defined by the legislative reforms. In particular, no calculations of subsoil use payments for monitoring activities or financial calculations necessary to support the socio-economic development of the community were made.

²⁰¹ Mining contract PV-245 http://www.mtad.am/u_files/file/1/NOR%20Lydian_Paymanagir%20245.PDF

²⁰² Official website of the Ministry of Territorial Administration and Infrastructure of the Republic of Armenia, mining contracts for the extraction of metallic minerals <http://www.mtad.am/hy/mtad26.12.4/>

No.	Mining companies	The approach of the mining company to defining the base rates and documents containing such data	Actual annual reclamation contribution, 2019, according to the EITI report of the ME
3	Aktiv Lernagorts LLC	Environmental protection under the project	379,810
4	Assat LLC	Pages 66-67 of the Environmental Impact Assessment Report of the project	980,000
5	AT Metals LLC	Table 9.1 on page 94 of the project presents the areas of disturbed land (in hectares), and technical reclamation is stated on page 112	45,715,050
6	Baktek Eco LLC	Environmental protection under the project, page 30	-
7	Geghi Gold LLC	Point 1 in the Table of Annex 2 to the Contract – costs required for mining and technical reclamation of the processed area of the open mine	1,717,550
8	GeoProMining Gold LLC	Point 1 in the Table of Annex 2 to the Contract – recovery of disturbed land areas	58,957,300
9	Zangezur Copper Molybdenum Combine CJSC*	Project and time table	-
10	Tatstone LLC	Page 47 of Lichq project environmental protection section	122,135
11	Tatstone LLC	Page 21 of Aygedzor project environmental protection section	149,000
12	Teghout CJSC	Points 3.1.1 and 3.1.2 of Point 3 of Annex 1 to the Contract	2,953,000
13	Ler-Ex LLC	Points 16 in the Table of Annex 1 to the Contract	23,423,820
14	Lydian Armenia CJSC **	Points 1 and 3 of Annex 2 to the 2016 amended Contract, time table	-
15	Lichqvaz CJSC	Expert conclusion NBP-60 dated 29 June 2017	1,453,947
16	Chaarat Kapan CJSC	Expert conclusion BP-000098	2,704,545
17	Gharagulyanner CJSC	Page 10 of the Environmental Impact Assessment Report of the project	467,101
18	Marjan Mining Company LLC	Expert conclusion NBP-86 dated 19 August 2008	-
19	Mego Gold LLC	As envisaged by the project	-
20	Meghradzor Gold LLC	According to page 22 of the mine-closure plan	307,740
21	Molibdeni Ashkharh LLC	-	-
22	Multi Group Concern LLC	Sub-point j) of Point 3 of the table in Annex 1 to the Contract – plant soil accumulation, reclamation	420,830
23	Paramount Gold Mining CJSC	Expert conclusion NBP-137 dated 23 December 2010	1,000,000
24	Sagamar CJSC	Page 80 of the project – damaged soil recovery costs	1,358,000
25	Vayk Gold LLC	Environmental protection under the project	-
26	Vardani Zartonk LLC	Sub-points 3.1.2 and 3.1.3 of Point 3 of Annex 1 to the Contract	-

No.	Mining companies	The approach of the mining company to defining the base rates and documents containing such data	Actual annual reclamation contribution, 2019, according to the EITI report of the ME
27	Fortune Resources LLC	Sub-points 3.1.2 and 3.1.3 of Point 3 of Annex 1 to the Contract	1,028,460

* The company made the contribution of drams 19,434,939 for the reporting year on 31 January 2020 (Source: Report submitted by the MNP under the EITI)

** The company made the contribution of drams 121,938,000 for the reporting year on 24 January 2020 (Source: Report submitted by the MNP under the EITI)

The EITI 2018 Report, as well as Chapter 5 of this report, fully present the social obligations set out in the subsoil use contracts, which have not changed during the reporting year, even in the companies where some contractual changes have been made²⁰³.

The mine closure project obligations for the reporting period under the subsoil use contracts are presented in Table 2.3.2.

Table 2.3.2

Mine closure project obligations under the subsoil use contracts

No.	Mining company	Number and date of the mining contract	Annual payment for monitoring envisaged by the mine-closure plan
1	Meghradzor Gold LLC	No. PV-057, 22 August 2012	Obligations stipulated by mine-closure plan are missing from the contract
2	Paramount Gold Mining CJSC	No. 089, 12 June 2012	Obligations stipulated by mine-closure plan are missing from the contract
3	Sagamar CJSC	No. PV-093, 20 October 2012	Drams 11,780,000
4	Ler-Ex LLC	No. PV-094, 16 August 2012	Obligations stipulated by mine-closure plan are missing from the contract
5	Akhtala Mining and Processing Enterprise CJSC	No. PV-103, 20 October 2012	Obligations stipulated by mine-closure plan are missing from the contract
6	Fortune Resources LLC	No. PV-169, 20 October 2012	Obligations stipulated by mine-closure plan are missing from the contract
7	Molibdeni Ashkharh LLC	No. PV-174, 7 November 2012	Only social mitigation activities for workers are envisaged by the contract. The company responsibility of "to prepare final mine-closure plan and submit it to the authorized body 2 years prior to completion of mine exploitation works" is also defined (point 1.3, Annex 2)
8	Chaarat Kapan CJSC	No. PV-183, 27 November 2012	Obligations stipulated by mine-closure plan are missing from the contract
9	Mego Gold LLC	No. PV-184, 28 December 2012	Obligations stipulated by mine-closure plan are missing from the contract
10	GeoPro Mining Gold LLC	No. PV-189, 20 October 2012, according to the change of 22 October 2014	Drams 6,000,000
11	Vardani Zartonk LLC	No. PV-239, 27 September 2012	Obligations stipulated by mine-closure plan are missing from the contract

²⁰³ This excludes Agarak CMC CJSC which has had contractual changes in 2020 to be presented in the next EITI report

12	Lydian Armenia CJSC	No. PV-245, 26 September 2012, according to the change of 23 May 2016	Drams 16,610,000
13	Lichqvaz CJSC	No. PV-293, 22 November 2012	Obligations stipulated by mine-closure plan are missing from the contract
14	Agarak CMC CJSC	No. PV-311, 5 April 2013, according to the change of 1 July 2013	Drams 2,500,000
15	Assat LLC	No. PV-366, 6 June 2013	Monitoring activities are not envisaged in the scopes of the obligations of the mine-closure plan stipulated by the contract
16	Vayk Gold LLC	No. P-371, 30 November 2012	Drams 250,000
17	Teghout CJSC	No. PV-376, 20 February 2013	Obligations stipulated by mine-closure plan are missing from the contract
18	Marjan Mining Company LLC	No. PV-398, 7 March 2013	Obligations stipulated by mine-closure plan are missing from the contract
19	Tatstone LLC ("Tghkut" site of Aygedzor copper – molybdenum mine)	No. P-458, 11 February 2013	Drams 2,500,000
20	Tatstone LLC (Lichk copper mine)	No. P-459, 11 February 2013, according to the changes of 10 February 2016	Drams 375,000
21	AT Metals LLC	No. P-514, 16 January 2015	Drams 5,000,000
22	Baktek Eco LLC	No. P-515, 22 August 2014	Drams 150,000
23	Geghi Gold LLC	No. P-544, 22 July 2016	Drams 2,200,000
24	Multi Group Concern LLC	No. PV-213, 20 October 2012	Obligations stipulated by mine-closure plan are missing from the contract
25	Zangezur Copper Molybdenum Combine CJSC	No. PV-232, 27 November 2012	Obligations stipulated by mine-closure plan are missing from the contract
26	Aktiv Lernagorts LLC	No. PV-425, 28 December 2012	Obligations stipulated by mine-closure plan are missing from the contract
27	Gharagulyanner CJSC	No. P-547, 25 October 2016	Drams 4,895,000

Thus, similar to the EITI previous reports, mine closure project obligations are absent from 14 subsoil use contracts for the reporting period. It is worth to note that the contracts having budget estimates for social obligations specify areas of social assistance that are mainly similar.

Some study and data comparison on mine closures and fulfillment of social obligations has also been made by non-governmental organizations for companies having the permit to extract, but not actually operating. The data on such companies are public²⁰⁴.

²⁰⁴ EcoLur Informational NGO, independent expert assessments, <https://www.ecolur.org/hy/independent-experts/>

2.4 Beneficial owners (requirement 2.5)

2.4.1 Government policy and legal framework for the identification of beneficial owners

Prior to participation in the EITI process, there was a framework for the identification of beneficial owners in the Republic of Armenia, that was operational to a certain extent in the banking system, in the procurement process, and in the securities market. Hence, there was a certain practice for collecting and archiving data on owners. The current criteria for the implementation of the beneficial owner framework in Armenia are in line with international processes aimed at open data policy and compliant with the global policy of combating money laundering and terrorism financing.

Significant progress in identifying beneficial owners has been made in the scope of the Extractive Industries Transparency Initiative (EITI). According to the EITI Standard (requirement 2.5), starting from 2020, mining companies from countries implementing the EITI must identify their beneficial owners, (including politically exposed persons), by submitting information on beneficial ownership to the State Register Agency of Legal Entities of the RA Ministry of Justice. It is worth to note that the EITI process in Armenia currently pertains exclusively to the extraction of metallic minerals.

In turn, the EITI process started as a result of the commitments undertaken by the RA Government under the Open Government Partnership (OGP). Within the framework of the 4th OGP 4-Year Action Plan²⁰⁵, the RA Government has undertaken to shape general mechanisms for identifying the beneficial owners of companies operating in all sectors by creating and launching a comprehensive open public register within the state register. The start for the fulfillment of the said commitment is set for November 2018, while the completion is scheduled for December 2020²⁰⁶.

With the introduction of the beneficial ownership disclosure framework, processes aimed at fundamental legal changes began in Armenia, resulting in amendments during 2019 to the RA Law “On state registration of legal entities, separated divisions of legal entities, enterprises and individual entrepreneurs”²⁰⁷. The first amendment to the RA Code on Subsoil²⁰⁸ first established a requirement to submit a substantive statement on beneficial owners when applying for the subsoil use permit to extract minerals or to conduct geological surveys for such purpose, measures of liability for the failure to submit or submission of false or incomplete data, etc. A subsequent amendment to the Code²⁰⁹ introduced an additional criterion for beneficial owners of companies engaged in subsoil use, effective for the legal entities having the obligation to submit a beneficial owner declaration or a statement of changes in the information about beneficial owners in the metal mining industry. According to the criterion, for the purposes of completion of the beneficial owner declaration, a beneficial owner shall also mean any individual who is a member of the sole or collegial management bodies (shareholders' meeting, board, executive body) of the given company, and the legal regulations defined by the legislation with regard to beneficial owners shall apply to them. Introduction of such provision in the RA Code on Subsoil has substantially expanded the scope of the beneficial ownership disclosure for the mining companies by adding the head of the company's executive body, the board members, and the members of the shareholders' meeting to that scope.

The concept of beneficial owner, the procedure and form for disclosing information on the beneficial owner, and the liability for the failure to submit or submission of false or incomplete information were

²⁰⁵ RA Government Decree No. 1307-L dated November 15, 2018 “On Approving the Fourth Action Plan of the Open Government Partnership Initiative of the Republic of Armenia” https://www.ogp.am/u_files/file/OGP_AP_2018_2020_ARM.pdf

²⁰⁶ Annex to the RA Government Decree No. 1307-L dated November 15, 2018 https://www.e-gov.am/u_files/file/decrees/kar/2018/1307k_voroshum.pdf

²⁰⁷ HO-25-N, Articles 6 and 10 <https://www.arlis.am/DocumentView.aspx?docid=130252>

²⁰⁸ HO-24-N, adopted on April 23, 2019 <https://www.arlis.am/DocumentView.aspx?docid=130250>

²⁰⁹ HO-256-N, Article 1 <https://www.arlis.am/DocumentView.aspx?docid=137114>

earlier discussed in the EITI 2018 Report²¹⁰, and therefore, this report will address those issues in more general terms.

The scope of legislation governing the disclosure of information on beneficial owners is quite broad. For the subsoil use, the following legal acts are worth mentioning:

- RA Law “On state registration of legal entities, separated divisions of legal entities, enterprises and individual entrepreneurs”;
- Order of the RA Minister of Justice No. 36-N dated 5 February 2020 “On Approving the Form and the Procedure for Completing and Submitting the Beneficial Owner Declaration”, including “The Form of the Beneficial Owner Declaration” in accordance with Annex 1 and “The Procedure for Completing and Submitting the Beneficial Owner Declaration” in accordance with Annex 2211;
- RA Law “On Securities Market”;
- RA Law “On Public Service”;
- RA Code on Subsoil.

Out of the mentioned legal acts, the RA Law “On state registration of legal entities, separated divisions of legal entities, enterprises and individual entrepreneurs” is the most comprehensive legal act governing the disclosure of beneficial owners, which regulates the formalities and procedures for disclosing information on beneficial owners of mining companies, as well as companies engaged in any other industry. According to that law, there is a uniform procedure for disclosing the required information for the entities having the obligation to disclose the beneficial owner information. The data are registered in the log kept in the state register. According to the same law, the change of data is subject to general rules effective for all companies.

The law also defines the concept of beneficial owner, the term “politically exposed persons”, the definitions of physical persons and legal entities affiliated with the beneficial owner, the concept of intermediary legal entities, etc.

Thus, the adopted legislative acts establish a complete and exhaustive list of criteria, determining whether the physical person should be deemed a beneficial owner, subject to the rules of disclosure in accordance with the prescribed procedure. Procedurally, the required data on the beneficial owners of companies must be submitted to the State Register Agency of Legal Entities of the RA Ministry of Justice (hereinafter the “State Register Agency”) to be further included in the general register. However, the requirement to publish the beneficial owner declaration is currently applicable only to companies extracting metallic minerals and conducting geological surveys for such purpose.

It is worth to note that one of the most challenging issues in identifying beneficial owners in Armenia, as well as in other countries that have introduced this system, is the reliability of the data and the possibility of verifying them. At the same time, the beneficial owner declarations by legal entities engaged in the extraction of metallic minerals are open to the public, thus enabling public supervision.

In this regard, it is necessary to state that an electronic system²¹² for declaring beneficial owners was created in Armenia in 2020, which provides many tools to check the reliability of beneficial ownership data. The system²¹³ is operational since March 2021. It is expected that the online submission of data on beneficial owners through the electronic declaration system will enable to compare some of the information with that from other official databases in Armenia, which will provide an opportunity to

²¹⁰ EITI 2018 Report, pages 216-224 <https://www.eiti.am/hy/annual-reports/2020>

²¹¹ Order of the RA Minister of Justice No. 36-N dated 5 February, 2020 “On Approving the Form and the Procedure for Completing and Submitting the Beneficial Owner Declaration” <http://moj.am/legal/view/article/1283/>

²¹² Beneficial owner online declaration platform <https://www.eiti.am/en/news/2020/12/04/eiti-armenia-is-testing-the-bo-online-declaration-platform/101/>

²¹³ <https://bo.e-register.am/am/auth>

check the reliability of some data, as the online platform for submitting beneficial owner declarations has the automatic verification function, reducing the risk of incorrect data entry. In particular:

- 1) Data of citizens of Armenia are automatically checked against the passport database of citizens;
- 2) Data of companies registered with the State Register of Legal Entities are automatically generated in the corresponding fields of the electronic beneficial owner declarations;
- 3) Fields of electronic beneficial owner declarations have restrictions on the data to be entered (digital, text fields).

Declarations submitted by companies are available to the public in an open data format, free of charge and in full volume (except for personal data), on the website of the State Register Agency of Legal Entities of the Ministry of Justice²¹⁴. The archive of previous declarations is available to the public as well.

In 2020, the stakeholders continued discussions to identify and eliminate gaps in the beneficial owner declaration system. In particular, the Civil Society constituency of the EITI Multi-Stakeholder Group has published its analysis and proposals²¹⁵, and there have been online consultations with companies with a commitment to declare beneficial owners, as well as video calls for testing the electronic system for declaring beneficial owners. In 2020, OGP Armenia and EITI collaborated with experts from the OpenOwnership global registry, who have provided technical advice and conducted a preliminary study²¹⁶ on the format of the declaration and the structure of the online system. Based on the anti-corruption agenda of Armenia, proposals developed as a result of the multi-stakeholder discussion, and Armenia's international commitments, the Ministry of Justice presented a legislative package in 2020, which was approved by the RA Government on 22 April 2021²¹⁷. As of the date of this report, the National Assembly adopted a law regulating the field of identification of beneficial owners (beneficiaries), which, in our opinion, can ensure a high level of transparency in the field²¹⁸.

Summing up, we refer to the draft assessment of the 1st phase of Armenia's compliance with the EITI Standard 2.5 "Identification of Beneficial Owners" submitted by the EITI International Secretariat in February 2021, which assigned the highest "satisfactory progress" rating to the fulfillment of this requirement of the Standard. According to the Assessment Report, Armenia should continue its efforts to address the existing legal barriers, including those related to the access to data on participants in closed joint stock companies.

2.4.2 Beneficial owners of mining companies

Beneficial owner declarations are posted on the website of the State Register Agency of Legal Entities of the RA MJ at www.e-register.am.

The EITI website has the beneficial owner declarations submitted by all the metal mining companies as of 3 December 2020²¹⁹. The composition of beneficial owners is shown in the table below.

²¹⁴ <https://www.e-register.am/am/>

²¹⁵ Civil Society Constituency of the Multi-Stakeholder Group, "Proposals for addressing some of the issues in the process of identifying the beneficial owners of mining companies" <https://transparency.am/files/publications/1592836076-0-588593.pdf?v=4>

²¹⁶ https://www.openownership.org/blogs/armenia-breaks-new-ground-with-extractives-disclosures/?fbclid=IwAR2wMmeVWEVIBinAwsFguVq00PTqFGWfX5NptdYX_ixBpzbvGRJZILXLhkc

²¹⁷

<https://www.eiti.am/hy/%D5%86%D5%B8%D6%80%D5%B8%D6%82%D5%A9%D5%B5%D5%B8%D6%82%D5%B6%D5%B6%D5%A5%D6%80/2021/04/22/government-approves-bo-legal-package/105/>

²¹⁸

<https://www.eiti.am/hy/%D5%86%D5%B8%D6%80%D5%B8%D6%82%D5%A9%D5%B5%D5%B8%D6%82%D5%B6%D5%B6%D5%A5%D6%80/2021/06/23/%D5%88%D5%BE-%D5%A7-%D5%AB%D6%80%D5%A1%D5%AF%D5%A1%D5%B6-%D5%B7%D5%A1%D5%B0%D5%A1%D5%BC%D5%B8%D6%82%D5%B6/108/>

²¹⁹ EITI website, the beneficial owner declarations <https://www.eiti.am/hy/%D4%BB%D5%8D-%D5%B0%D5%A1%D5%B5%D5%BF%D5%A1%D6%80%D5%A1%D6%80%D5%A1%D5%A3%D5%A5%D6%80/?tab=88>

Company name	Beneficial owner
Chaarat Kapan CJSC	1. Martin Anderson (indirectly controls or owns 35.15% of the charter capital) 2. Davit Tovmasyan (Head of the Executive Body – Board Member) 3. Sergey Zhukov (Board Member) 4. Darin Couper (Board Member)
Geghi Gold LLC	1. Surik Sergey Khachatryan
Baktek Eco LLC	Not presented
Gharagulyanner CJSC	1. Levon Ghazazyan (25% shareholder, Head of the Executive Body) 2. Armenush Galstyan (35% shareholder) 3. Roland Ghonyan (not involved in the governing bodies of the organization can affect performance) 4. Rafael Hayrapetyan (40% shareholder)
AT Metals LLC	1. Karen Hamlet Hovsepyan (19,8% of participation) 2. Hamlet Balabek Hovsepyan (15% of participation) 3. Vardan Hamlet Hovsepyan (15% of participation) 5. Genadi Mulin (indirectly controls or owns 25,61% of the charter capital) 6. Pavel Khanchin (indirectly controls or owns 7,48% of the charter capital) 7. Sergey Aronov (indirectly controls or owns 7,48% of the charter capital) 8. Rostislav Presnov (Head of the Executive Body)
Tatstone LLC	1. Aram Yurik Safaryan (50% of participation) 2. Mikhail Mogilevski (indirectly controls or owns 48% of the charter capital) 3. Levon Poghosyan (Head of the Executive Body)
Vayk Gold LLC	Not presented
Sagamar CJSC	1. Dmitri Korzhev (controls or owns 29,66% of the charter capital) 2. Dmitri Troitski (controls or owns 70,34% of the charter capital) 3. Samvel Chobanyan (Head of the Executive Body)
Assat LLC	1. Aram Osikyan (100% of shares) 2. Gevorg Osikyan (Head of the Executive Body)
Meghradzor Gold LLC	1. Vardan Volodia Margaryan (100% of shares)
Ler-Ex LLC	1. Thomas Peter Heil (indirectly controls or owns 12,5% of the charter capital) 2. Mikhail Zurabov (indirectly controls or owns 12,5% of the charter capital) 3. Mher Poloskov (indirectly controls or owns 7,5% of the charter capital) 4. Narek Ambaryan (indirectly controls or owns 2,5% of the charter capital) 5. Karen Hakobyan (indirectly controls or owns 2,5% of the charter capital) 6. Suren Voskanyan (Head of the Executive Body)
Akhtala Mining and Processing Enterprise CJSC	1. Vahe Hakobyan (indirectly controls or owns 100% of the charter capital, Board Member)
GeoProMining Gold LLC	1. Siman Povarenkin (indirectly controls or owns 50,32% of the charter capital, Board Member) 2. Roman Trotsenko (indirectly controls or owns 48,18% of the charter capital) 3. Roman Khudoli (Board Member) 4. Anatoli Gogotin (Head of the Executive Body, Board Member) 5. Oleg Belyayev (Member of the General Meeting of Shareholders, Board Member)
Lydian Armenia CJSC	1. Hayk Aloyan (Head of the Executive Body)
Agarak CMC CJSC	1. Siman Povarenkin (indirectly controls or owns 50,32% of the charter capital, Board Member)

Company name	Beneficial owner
	2. Roman Trotsenko (indirectly controls or owns 48,18% of the charter capital) 3. Roman Khudoli (Board Member) 4. Andrei Sinyakov (Head of the Executive Body) 5. Andrei Kishinski (Board Member)
Teghout CJSC	1. Norik Petrosyan (indirectly controls or owns 20,5% of the charter capital, Board Member) 2. Pavel Korichnev (indirectly controls or owns 20,5% of the charter capital, Member of the General Meeting of Shareholders) 3. Sunarto Ltd, (listed)
Zangezur Copper Molybdenum Combine CJSC	1. Thomas Peter Heil (indirectly controls or owns 12,5% of the charter capital, Board Member) 2. Mikhail Zurabov (indirectly controls or owns 12,5% of the charter capital) 3. Mher Poloskov (indirectly controls or owns 7,5% of the charter capital, Head of the Executive Body) 4. Narek Ambaryan (indirectly controls or owns 2,5% of the charter capital, Board Member) 5. Karen Hakobyan (indirectly controls or owns 2,5% of the charter capital) 6. Vahe Hakobyan (Board Member) 7. Parag Johannes Bhat (Board Member)
Vardani Zartonk LLC	1. Hrachya Suren Hovhannisyan (40% of participation) 2. Artashes Filiko Kakoyan (20% of participation) 3. Suren Vardan Ayvazyan (40% of participation)
Mego Gold LLC	Not presented
Aktiv Lernagorts LLC	1. Vardan Margaryan (100% of shares)
Lichqvaz CJSC	1. Sasun Avetisyan (100% shareholder and Head of the Executive Body)
Fortune Resources LLC	Not presented
Paramount Gold Mining CJSC	1. Siman Povarenkin (indirectly controls or owns 25,7% of the charter capital) 2. The page containing the name has been deleted (indirectly controls or owns 24,6%, of the charter capital) 3. Tigran Arzakantsyan (indirectly controls or owns 29% of the charter capital) 4. Smbat Nasibyan (indirectly controls or owns 20% of the charter capital) 5. Artyom Petrosyan (Head of the Executive Body, board member)
Multi Group Concern LLC	1. Gagik Kolya Tsarukyan (65,83% of participation) 2. Samvel Tsarukyan (34,17% of participation) 3. Sedrak Arustanyan (Head of the Executive Body)
Molibdeni Ashkharh LLC	1. Samvel Chobanyan (Head of the Executive Body) 2. Dmitri Korzhev (controls or owns 29,66% of the charter capital) 3. Dmitri Troitski (controls or owns 70,34% of the charter capital)
Marjan Mining Company LLC	Not presented

Source: State Register Agency of Legal Entities of the RA Ministry

Owners of mining companies having extraction permits

For the purposes of this report, we consider it necessary to present, as part of the available information, the list of shareholders and participants of legal entities having subsoil use permits in the metal mining industry. It should be noted that the register of shareholders of companies with the legal status of a closed joint stock company is maintained by special registrars, and the information on

shareholders is not publicly available. The Independent administrator contacted the mining companies having the legal status of a CJSC to request information about the owners. As a result, the following information has been obtained from the companies included in the list below:

List of shareholders of metal mining Closed Joint Stock Companies (CJSCs):

Company name	Shareholders
Agarak CMC CJSC	Karlou B.V. - 100%
Akhtala Mining and Processing Enterprise CJSC	MASKO MINE CJSC – 100%
Sagamar CJSC	Ara Berberyan (the amount of share is not mentioned) Dmitri Korzhev (the amount of share is not mentioned) Dmitri Troitski (the amount of share is not mentioned)

The table below presents information on the participants of mining companies with the legal status of a Limited Liability Company under the State Register Agency of Legal Entities:

List of participants of metal mining Limited Liability Companies (LLC):

Subsoil users	Registration number	Taxpayer identification number	As of 31.12.2019	As of 15.03.2021
Geghi Gold LLC	72.110.121815	09423012	SURIK KHACHATRYAN (100%)	SURIK KHACHATRYAN (100%)
Baktek Eco LLC	282.110.06759	00870494	GRIGOR BADIYAN (100%)	GRIGOR BADIYAN (100%)
AT Metals LLC	271.110.738775	00118721	1. AVIATECHNOLOGIA GROUPP LLC (25.1%) 2. AVIATECHNOLOGIA GAM CJSC (25.1%) 3. 3KAREN HAMLET HOVSEPYAN (19.8%) 4. HAMLET BALABEK HOVSEPYAN (15%) 5. VARDAN HAMLET HOVSEPYAN (15%)	1. AVIATECHNOLOGIA GROUPP LLC (25.1%) 2. AVIATECHNOLOGIA GAM CJSC (25.1%) 3. KAREN HAMLET HOVSEPYAN (19.8%) 4. HAMLET BALABEK HOVSEPYAN (15%) 5. VARDAN HAMLET HOVSEPYAN (15%)
Tatstone LLC	264.110.06348	00079433	1. RED METAL CJSC (50%) 2. ARAM YURIK SAFARYAN (50%)	1. RED METAL CJSC (50%) 2. ARAM YURIK SAFARYAN (50%)
Vayk Gold LLC	264.110.111245	00114369	1. GOLDFIELDS HOLDING LIMITED LLC (80%) 2. NORAYR ARARAT ZOHRABYAN (20%)	1. GOLDFIELDS HOLDING LIMITED LLC (80%) 2. NORAYR ARARAT ZOHRABYAN (20%)
Assat LLC	77.110.00569	03807664	1. ARAM OSIYAN (100%)	MVI IRELAND LLC (100%)
Meghradzor Gold LLC	286.110.07682	02709666	VARDAN VOLODIA MARGARYAN (100%)	VARDAN VOLODIA MARGARYAN (100%)
Ler-Ex LLC	27.110.00893	09412188	ZANGEZUR COPPER MOLYBDENUM COMBINE CJSC (100%)	ZANGEZUR COPPER MOLYBDENUM COMBINE CJSC (100%)

Subsoil users	Registration number	Taxpayer identification number	As of 31.12.2019	As of 15.03.2021
GeoProMining Gold LLC	273.110.02424	01530525	GPM ARMENIA BV LTD (100%)	KARLOU B.V. (100%)
Vardani Zartonk LLC	79.110.00234	09414399	1. ARTASHES FILIKO KAKOYAN (20%) 2. HRACHYA SUREN HOVHANNISYAN (40%) 3. SUREN VARDAN AYVAZYAN (40%)	HRACHYA SUREN HOVHANNISYAN (100%)
Mego Gold LLC	77.110.00610	04213127	GGCR- MINING LLC (100%)	GGCR- MINING LLC (100%)
Aktiv Lernagorts LLC	273.110.03365	01544838	VARDAN MARGARYAN (100%)	VARDAN MARGARYAN (100%)
Fortune Resources LLC	39.110.01312	02806526	1. SUREN VARDAN AYVAZYAN (28%) 2. CASPIAN BOUNTY STEEL LIMITED (72%)	1. SUREN VARDAN AYVAZYAN (28%) 2. CASPIAN BOUNTY STEEL LIMITED (72%)
Multi Group Concern LLC	42.110.01460	03516447	1. GAGIK KOLYA TSARUKYAN (65.83%) 2. SAMVEL STYOPA TSARUKYAN (34.17%)	1. GAGIK KOLYA TSARUKYAN (65.83%) 2. SAMVEL STYOPA TSARUKYAN (34.17%)
Molibdeni Ashkharh LLC	286.110.05872	02580107	GLOBAL METALS (ARM) LIMITED (100%)	GLOBAL METALS (ARM) LIMITED (100%)
Marjan Mining Company LLC	273.110.05412	01569837	GLOBAL GOLD MINING LLC (100%)	GLOBAL GOLD MINING LLC (100%)

3. Extraction, production and sale in the metal mining sector

3.1 Exploration of reserves in the mining industry (Requirement 3.1)

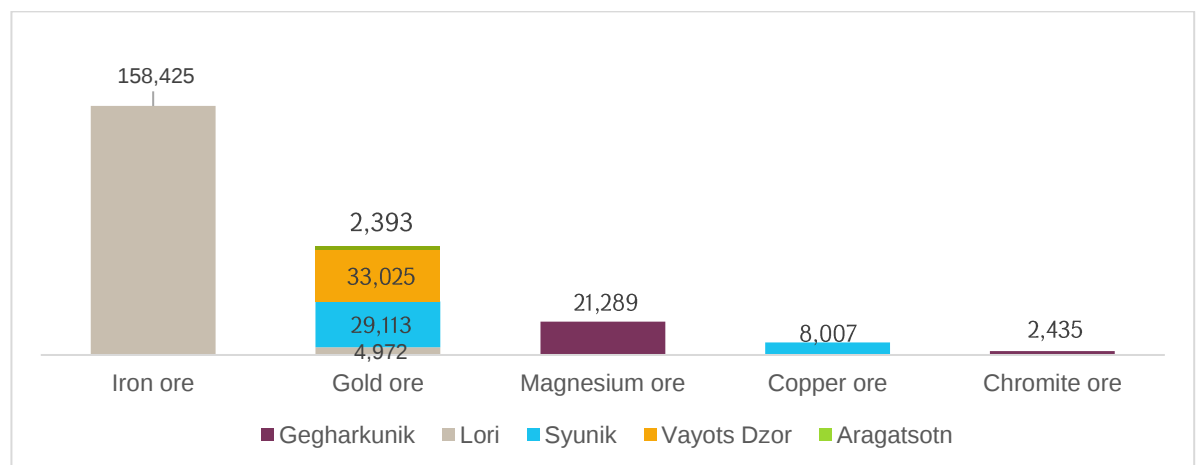
Metallic mineral Reserves in the mining industry

During 2010-2019, the largest volume of metallic minerals confirmed in the territory of the Republic of Armenia is of iron, followed by gold, magnesium, copper and chromite. In this period, metallic mineral reserves of molybdenum, lead and zinc, as well as accompanying components, such as tellurium, bismuth, rhenium, platinum, palladium, sulfur, selenium were confirmed.

In accordance with the information provided by the Ministry of Territorial Administration and Infrastructure, no new metal mines were discovered in 2019, no mineral reserves were assessed and confirmed, therefore the information on confirmed metal ores in the territory of the Republic of Armenia presented in the 2018 EITI report remained unchanged. Below is the distribution of mineral ore reserves confirmed in the territory of the Republic of Armenia as of 2019 by regions.

Figure 3.1.1

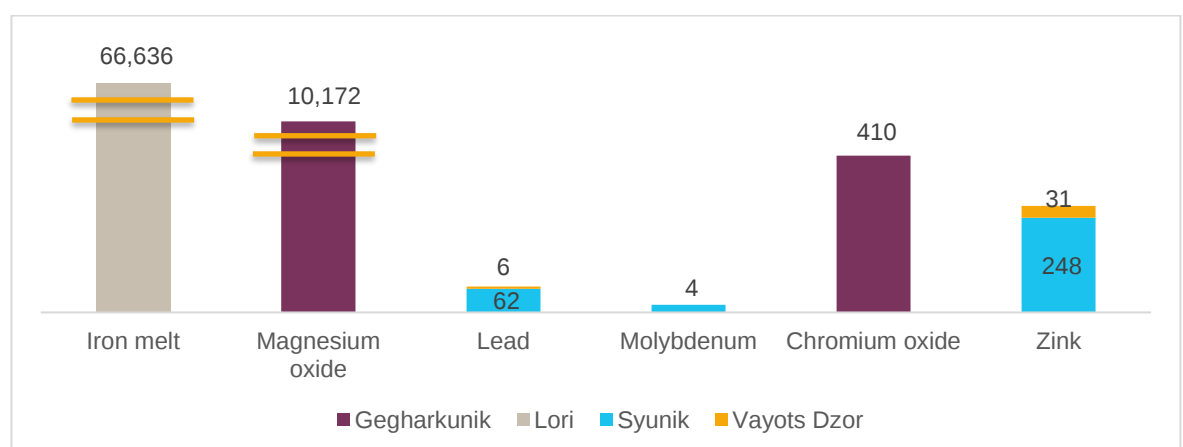
Confirmed amounts of metal ore by regions during 2010-2019, thousand tonnes



Source: Information provided by the Ministry of Territorial Administration and Infrastructure to the EITI

Figure 3.1.2

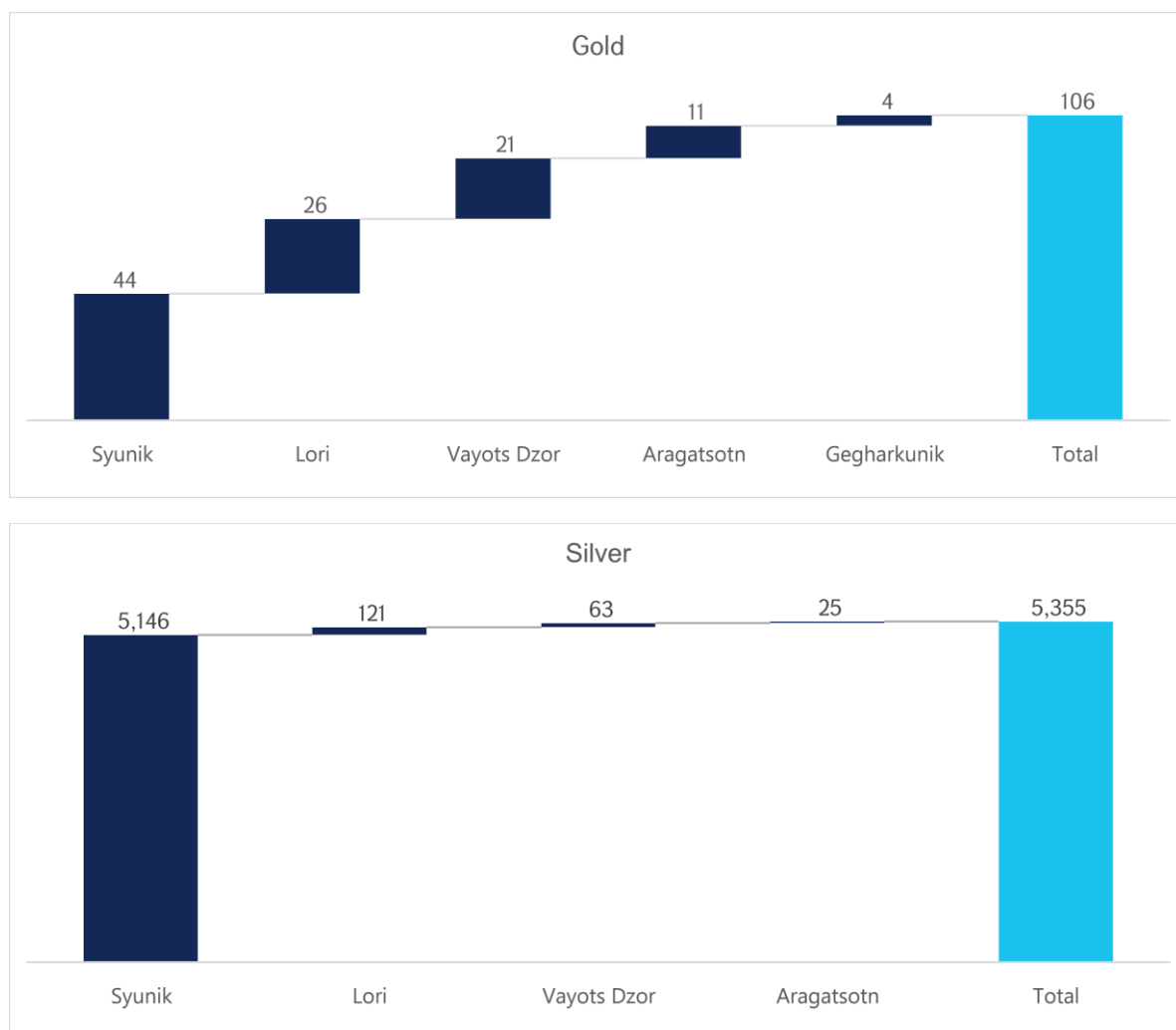
Confirmed reserves of metallic minerals by regions during 2010-2019, thousand tonnes



Source: Information provided by the Ministry of Territorial Administration and Infrastructure to the EITI

Figure 3.1.3

Confirmed reserves of gold and silver by regions during 2010-2019, thousand tonnes



Source: Information provided by the Ministry of Territorial Administration and Infrastructure to the EITI

Geological studies

According to the RA Subsoil Code (hereinafter referred to as the “Code”), geological survey is a complex of subsoil geological works, the purpose of which is to study the structure of the earth crust, subsurface rock formation conditions, external geological processes, volcanic activity, as well as to discover and evaluate or reevaluate mineral reserves²²⁰:

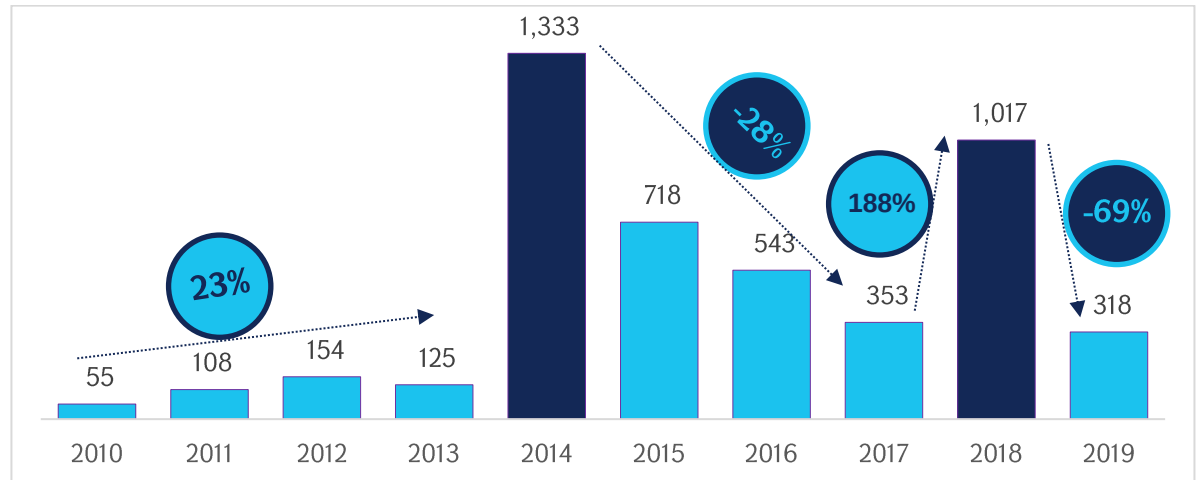
The number of geological studies and the investments made for that purpose are important preconditions for the development of the mining industry. They provide an opportunity to discover new mines, which can help expand the scope of activities in the sector.

Below is the amount of geological work done and the annual changes in the last decade.

²²⁰ RA Subsoil Code, Clause 1 of Article 3, <https://www.arlis.am/documentView.aspx?docid=146898>

Figure 3.1.4

Volume of geological works in 2010-2019 and the average annual growth rates of the observed periods, million drams



Source: Statistical Committee of the RA: armstat.am²²¹

In the recent ten years, the volume of geological works was 4,724 million drams, with 28% and 22% accounting for 2014 and 2018 respectively. At that, the growth registered in 2014 is due to the number of studies conducted, and the growth in 2018 is due to the search for precious metals in the amount of 1,008 million drams due to the transition to a costlier stage of work. In 2018, the increase in the volume of work was 188% compared to the previous period, and in 2019 the decrease in the volume of geological works was 69%. It is noteworthy that in 2019, prospecting, prospecting and evaluation, preliminary exploration, detailed exploration and other works were carried out, which were mainly aimed at regional geological, geophysical, hydrogeological works, as well as the works for the thorough exploration of precious metals. According to the comments provided by the Ministry of Territorial Administration and Infrastructure, the decrease in 2019 is conditioned by the goals and activities of the companies carrying out geological works. However, it should be noted that the list of companies licensed for geological exploration for mineral extraction has been significantly reduced, due to the expiration of the mining rights. The total volume of geological studies in 2019 amounted to 317.53 million drams. These works were carried out entirely at the expense of mining companies.

²²¹ Geological studies: https://armstat.am/file/article/eco_book_2019_3.pdf

Table 3.1.1

Geological studies in 2019 by fields and stages of work, million drams²²²

Field	Total	Stage of work				
		Prospecting	Prospecting and evaluation	Preliminary exploration	Detailed exploration	Other works
Non-ferrous metals	11.47	-	-	-	9.52	1.95
Precious metals	139.54	-	-	57.10	75.66	6.77
Non-metals	19.96	0.55	1.0	8.02	9.78	0.61
Regional geological, geophysical, hydrogeological works	145.63	145.63	-	-	-	-
Hydrogeological and engineering geological works	0.4	-	-	-	0.3	0.1
Other works	0.53	-	-	-	-	0.53
Total volume of geological studies	317.53	146.18	1.0	65.12	95.27	9.96

Source: Statistical Committee of the RA: armstat.am²²³

Works carried out in the scope of geological surveys that have been extended three times (for two years each time) in accordance with the procedure prescribed by law are in the final stages of exploration works. Therefore, these works are of paramount importance, as there is a high probability that the respective resources will be confirmed as a final result.

According to the information posted on the official website of the Ministry of Territorial Administration and Infrastructure²²⁴, in 2019 there was no extension of the permits for geological surveys.

During 2019, compared to 2018, the geological study programs carried out in the areas for which mining rights have been provided have not changed. Information on the programs being implemented as of 2018 is available in the EITI 2018 Report²²⁵.

²²² **Prospecting:** The purpose of this stage is to provide a sufficient geological basis for the forecast evaluation of minerals. As a result of this stage, structures, formations and areas that are favorable for the detection of minerals are determined, geological maps of the 1:1 500,000 - 1:50,000 scale are created, minerals belonging to classes P2 and P3 are evaluated.

Prospecting and evaluation: At this stage, a geological study of the area is carried out, and mineral deposits are discovered. The result of this phase is a comprehensive study of the geological structure of the site, the promising areas and the resources of classes P1 and P2.

Preliminary exploration: At this stage, the assessment of the industrial value of the mine is carried out. The result of this phase is a feasibility study on the industrial value of the mine, assessment of reserves and resources belonging to classes C1, C2 and P1.

Detailed exploration: At this stage, the study of the geological structure of the mine, qualitative and technological properties of minerals, hydro-geological and engineering-geological conditions of the site is carried out. As a result, we get a feasibility study for the development of the mines and the conditions of the mineral resources belonging to the categories A, B, C1 and C2.

²²³ Geological studies: https://armstat.am/file/article/eco_book_2019_3.pdf

²²⁴ <http://mtad.am/hy/mtad27.12.2/>

²²⁵ https://www.eiti.am/files/annul_reports/main/1/2018_EITI_Report_Armenia_arm.pdf, page 154

The table presented in Annex 2 provides information on activities for geological studies of subsoil for the purposes of extraction of minerals. This information is available on the official website of the Ministry of Territorial Administration and Infrastructure²²⁶.

3.2 Extraction and production in the metal mining industry (Requirement 3.2)

The main minerals extracted in Armenia are copper, molybdenum, gold and zinc. According to the data provided by the Ministry of Territorial Administration and Infrastructure, as of 31 December 2019, 900 mines (43 metallic, 789 non-metallic, 44 groundwater freshwater, 24 mineral groundwater) and 578 mineral occurrences (129 metallic, 449 non-metallic) are registered in the State Cadastre of Deposits and Occurrences of Minerals maintained by the Republican Geological Fund. For the registered metal ores, the quantities of mines are as follows:

- 16 gold mines;
- 7 gold-polymetallic mines;
- 7 copper-molybdenum mines;
- 1 copper mine;
- 3 iron mines;
- 2 polymetallic mines;
- 1 molybdenum mine;
- 1 secondary quartzite and propylite mine;
- 1 magnesium silicate rock and chromite mine;
- 1 nepheline syenite (aluminum raw material) mine.

The information on the mines exploited by each mining company in 2019 is summarized in the table below.

Table 3.2.1

Mines (sites) of metallic minerals exploited by mining companies in 2019

N	Name of mining company	Region of mine	Name of mine	Main mineral(s)
1	Agarak Copper Molybdenum Combine CJSC	Syunik	Copper-molybdenum mine of Agarak	copper, molybdenum
2	Akhtala Mining And Processing Enterprise CJSC	Lori	Copper mine of Shamlugh	copper
3	Aktiv Lernagorts LLC	Syunik	Central site of copper-molybdenum mine of Aygedzor	copper, molybdenum
4	Assat LLC	Lori	Central site of gold mine of Qaraberd	gold, silver
5	AT-Metals LLC	Syunik	Gold mine of Meghrasar	gold, silver
6	Baktek Eco LLC	Lori	Gold mine of Arjut	gold, silver, copper
7	Geghi Gold LLC	Syunik	Gold-polymetallic mine of Voskedzor	gold, silver, copper, zinc
8	Geopromining Gold LLC	Gegharkunik	Central site of gold mine of Sotk	gold, silver, selenium, tellurium
9	Zangezur Copper Molybdenum Combine CJSC	Syunik	Copper-molybdenum mine of Kajaran	copper, molybdenum
10	Tatstone LLC	Syunik	Copper mine of Lichk	copper

²²⁶ Information on activities for the extraction of metallic minerals: <http://mtad.am/hy/mtad27.12/>

N	Name of mining company	Region of mine	Name of mine	Main mineral(s)
11	Tatstone LLC	Syunik	Teghout site of copper-molybdenum mine of Aydedzor	copper, molybdenum
12	Teghout CJSC	Lori	Copper-molybdenum mine of Teghout	copper, molybdenum
13	Ler-Ex LLC	Syunik	Central site of copper-molybdenum mine of Hankasar	copper, molybdenum
14	Lydian Armenia CJSC	Vayots Dzor	Tigranes, Artavazdes and Erato sites of Amulsar golden quartzites mine ²²⁷	gold, silver
15	Lichkvaz CJSC	Syunik	Gold mine of Lichkvaz-Tey	gold, silver, copper
16	Gharagulyanner CJSC	Syunik	Central site of Vardanidzor gold-polymetallic mine	gold, silver, copper, zinc, lead
17	Marjan Mining Company LLC	Syunik	gold-polymetallic mine of Marjan ²²⁸	gold, silver, copper, zinc, lead
18	Mego Gold LLC	Aragatsotn	Central site of Tukhmanuk gold mine	gold, silver
19	Meghradzor Gold LLC	Kotayk	Meghradzor gold mine	gold, silver, tellurium
20	Molibdeni Ashkharh LLC	Syunik	Copper-molybdenum mine of Dastakert (Central site) ²²⁹	copper, molybdenum
21	Multi Group Concern LLC	Lori	Gold mine of Mghart	gold, silver
22	Chaarat Kapan CJSC	Syunik	gold-polymetallic mine of Shahumyan	gold, silver, copper, zinc, lead
23	Paramount Gold Mining CJSC	Kotayk	Lusajour site of Meghradzor gold mine	gold, silver, tellurium, bismuth
24	Sagamar CJSC	Lori	Gold-polymetallic mine of Armanis	gold, silver, copper, zinc, lead
25	Vayk Gold LLC	Vayots Dzor	Gold-polymetallic mine of Azatek	gold, silver, copper, zinc, lead, antimony
26	Vardani Zartonqy LLC	Vayots Dzor	Gold-polymetallic mine of Sofi-Bina	gold, silver, lead, zinc
27	Fortune Resources LLC	Kotayk	Iron mine of Hrazdan	iron

Source: Information provided by the Ministry of Territorial Administration and Infrastructure

In 2019, the majority of extraction in the metal ore industry is due to copper or copper-molybdenum ore, which in turn is rich in gold and silver, considered to be paid. In 2019, seven mining organizations carried out extraction. In 2018, extraction was carried out by eight companies, of which Lichkvaz CJSC did not carry out extraction in 2019. Below are the main products produced by the metal ore industry, their volume and value, broken down by mining companies.

²²⁷ The Amulsar golden quartzites mine registered in the State Cadastre of Deposits and Occurrences of Minerals includes the Tigranes and Artavazdes sites and the Erato site of the Amulsar golden quartzites mine. The Tigranes and Artavazdes sites are not registered as separate mining sites in the cadastre.

²²⁸ Registered in the State Cadastre of Deposits and Occurrences of Minerals as occurrences of minerals

²²⁹ Registered in the State Cadastre of Deposits and Occurrences of Minerals as the Central site of the Dastakert copper-molybdenum mine

Table 3.2.2

Main products of the metal ore industry, their volume and value in 2019, broken down by companies

	Company	Product type	Unit of measurement	Volume	Value (million drams)
1	Agarak Copper-Molybdenum Combine CJSC	Copper concentrate	wmt	38,345	14,524
2	Agarak Copper Molybdenum Combine CJSC	Molybdenum concentrate	wmt	824	2,919
3	Akhtala Mining And Processing Enterprise CJSC	Copper concentrate	wmt	14,030	4,612
4	Geopromining Gold LLC	Dore bars containing gold and silver	gramme	4,815,679	52,731
5	Zangezur Copper Molybdenum Combine CJSC	Ferromolybdenum	tonne	8,811	48,103
6	Zangezur Copper Molybdenum Combine CJSC	Copper concentrate	wmt	330,802	79,709
7	Zangezur Copper Molybdenum Combine CJSC	Molybdenum concentrate	wmt	498	1,116
8	Teghout CJSC	Copper concentrate	wmt	53,065	17,340
9	Teghout CJSC	Molybdenum concentrate	wmt	737	1,675
10	Meghradzor Gold LLC	Concentrate of precious metal containing gold	tonne	3,274	1,681
11	Chaarat Kapan CJSC	Copper concentrate	tonne	9,471	26,103
12	Chaarat Kapan CJSC	Zinc concentrate	tonne	11,239	7,579
Total					258,090

Source: Reports provided by companies to the EITI

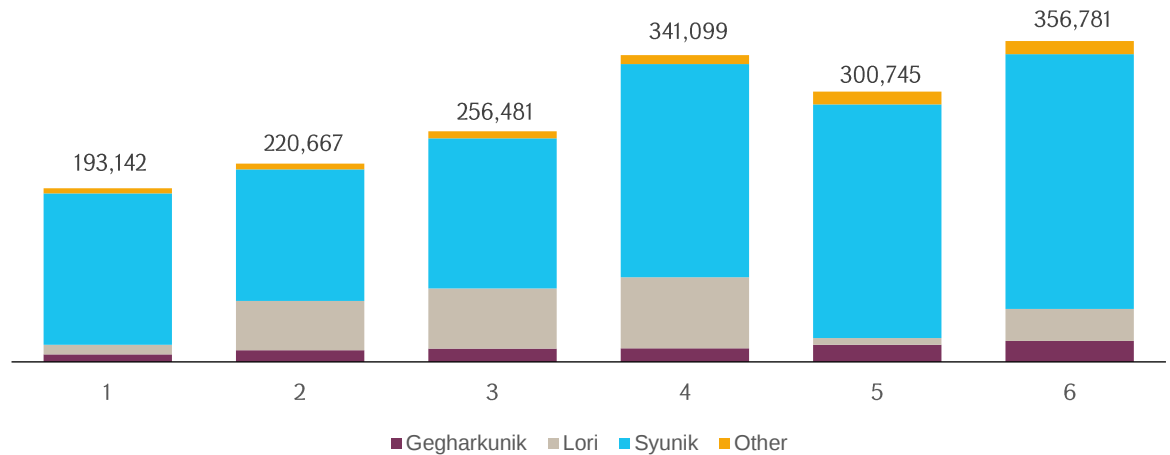
According to the publication of the Statistical Committee of the RA, metal ore production in 2019 amounted to 342,655 million drams, which is a 25.5% increase over the previous year. The value of mining products in the same year amounted to 356,781 million drams, which is a 24.6% increase over the previous period. Overall, the value of mining products was 17% of the total value of industrial products. The average annual growth rate in the mining industry was 10.8% in 2014-2019.

In 2019, 79.4% of the output of the metal mining industry was generated in Syunik region. Lori region is in the second place with 10% (2% in the previous period), and Gegharkunik region is in the third place with 6.5%. The growth in Lori region is driven by the resumption of the activity of Teghout CJSC. The company did not carry out production from February 2018 to June 2019. In 2018, Teghout CJSC produced 3,497 wmt of products (copper and molybdenum concentrate), amounting to 2,384 million drams, and in 2019, the company produced 53,802 wmt of products, amounting to 19,015 million drams.

The main product of the metal ore industry in Armenia is copper concentrate. In addition to copper concentrate, molybdenum, ferromolybdenum and zinc is produced. Out of precious metals, gold ore and gold and silver alloys are produced in Armenia as well. The distribution of the cost of mining products by RA regions, as well as the annual changes expressed in drams are summarized in the figure and table below.

Figure 3.2.1

Volumes of regional production in the mining industry in 2014-2019 in monetary expression, million drams



Source: "Regions of the Republic of Armenia and the City of Yerevan in Numbers" Publication of the Statistical Committee of the RA for the respective years²³⁰

Table 3.2.3

Volume of production in the field of metal ore mining at current prices, broken down by regions, in 2014-2019, million drams

Region	2014	2015	2016	2017	2018	2019
Gegharkunik	8,279	12,855	14,854	15,089	18,886	23,165
Percentage change compared to the previous year	-14.9%	0.6%	7.8%	-12.6%	21.5%	29%
Lori	10,695	54,899	66,515	79,088	7,263	35,456
Percentage change compared to the previous year	17.9%	6.6 times	13%	2.3%	-91.5%	5.1 times
Kotayk	1,099	1,599	2,547	1,517	1,567	1,750
Percentage change compared to the previous year	-72.3%	88%	48.6%	-48.7%	0.3%	17.4%
Syunik	168,165	146,159	167,184	236,667	259,558	282,285
Percentage change compared to the previous year	-6.9%	12.3%	6.7%	21.9%	6.5%	14.4%
Total	188,238	215,512	251,099	332,362	287,274	342,655
Percentage change compared to the previous year	-7.5%	47.9%	8.7%	13.9%	-16.1%	25.5%

Source: "Regions of the Republic of Armenia and the City of Yerevan in Numbers" Publication of the Statistical Committee of the RA for the respective years

²³⁰ "Regions of the Republic of Armenia and the City of Yerevan in Numbers" Publication of the Statistical Committee of the RA by years:

2015: https://www.armstat.am/file/article/marz_2015_10.pdf

2016: https://www.armstat.am/file/article/marz_2016_10.pdf

2017: https://www.armstat.am/file/article/marz_2017_10.pdf

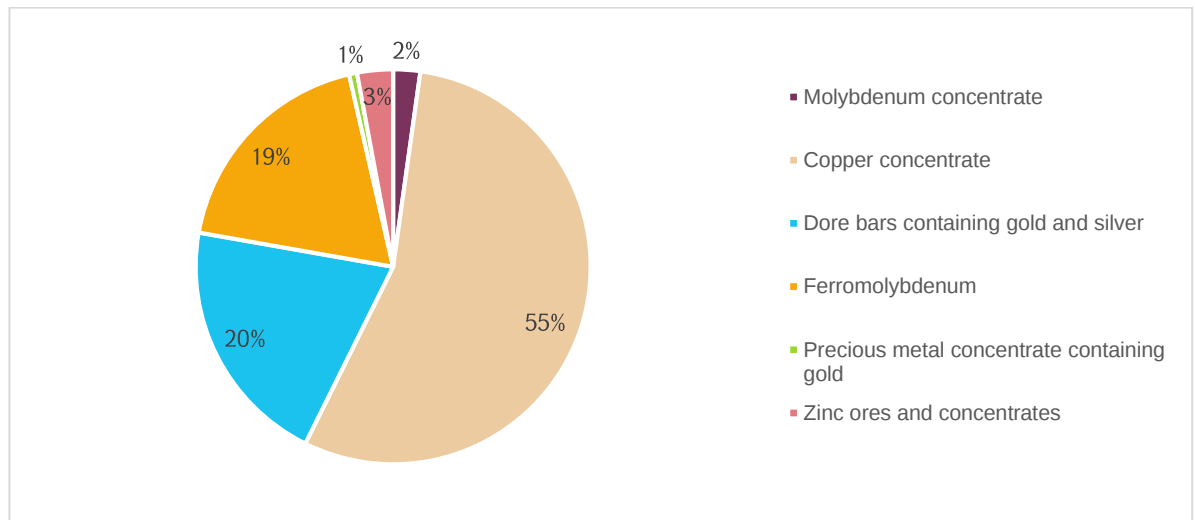
2018: https://www.armstat.am/file/article/marzer_2018_11.pdf

2019: https://www.armstat.am/file/article/marzer_2019_11.pdf

2020: https://www.armstat.am/file/article/marzer_2020_11.pdf

Figure 3.2.2

Shares of the sales value of the main types of products of the metal mining industry in 2019



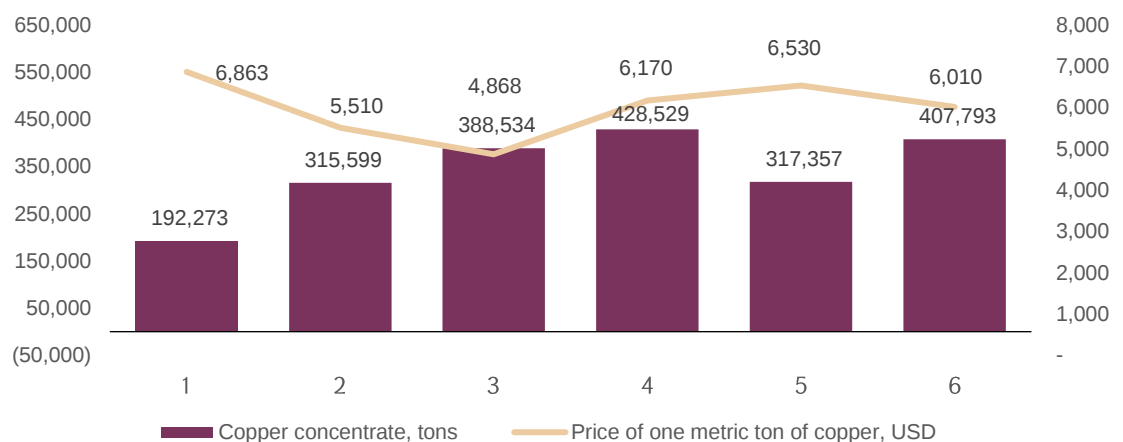
Source: Reports provided by companies to the EITI

Copper concentrate production and international price

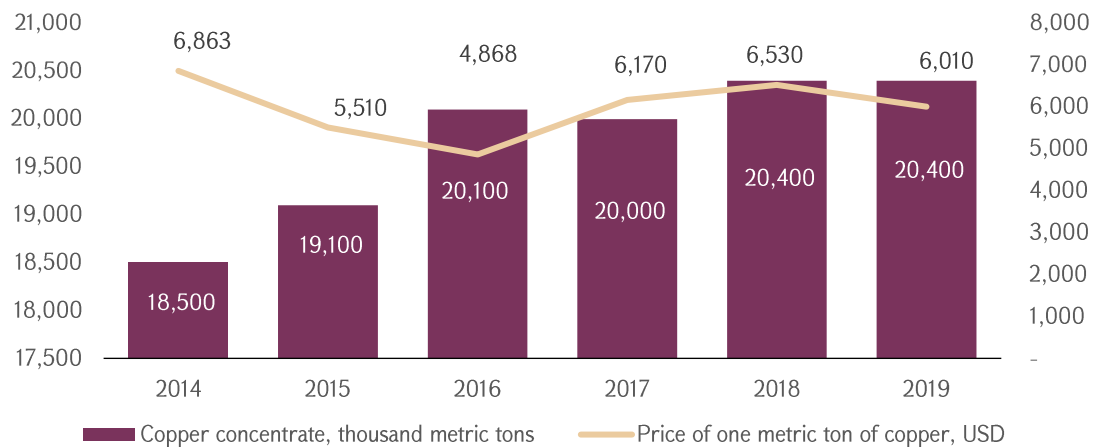
The leading product in the mining industry of Armenia is copper. In 2019, seven copper-molybdenum and four copper mines were exploited in the territory of the Republic of Armenia. According to the publication of the Statistical Committee of the RA, 407,793 tonnes of copper concentrate were extracted in 2019. During 2014-2017, the average annual growth of copper concentrate extraction was 22%, with the volume of extraction reaching 428,529 tonnes in 2017. The extraction quantity in 2018 decreased by 26% (317,357 tonnes), which was conditioned by the termination of the Teghout mine due to the financial problems of Teghout CJSC and the technical problems of Teghout tailing dump. In 2019, Teghout CJSC increased the extraction volumes compared to the previous year (15 times in terms of copper extraction), due to which the copper extraction quantity increased by 28% in 2019. Below are the data for copper concentrate production and international copper prices during 2014-2019.

Figure 3.2.3

Copper concentrate production in the RA and international copper price in 2014-2019



Copper concentrate production in the world and international copper price in 2014-2019



Source:

- 1) "Industry" section of the "Statistical yearbook of Armenia, 2020" publication of the Statistical Committee of the RA²³¹;
- 2) World Bank data on international prices²³²;
- 3) <https://www.statista.com/statistics/254839/copper-production-by-country/>

The leader in copper concentrate production in 2019 was Zangezur Copper Molybdenum Combine CJSC, accounting for 74% of the total copper concentrate produced. The next company with the largest share in the list is Teghout CJSC, accounting for 12%. Overall, in accordance with the reports submitted by the mining companies, five companies were engaged in copper mining in 2019, producing 446,820 wmt of products amounting to 142,288 million drams.

International mining prices have some impact on the volumes of production of copper and other ores, however there is no clear direct or inverse correlation in the international markets or in Armenia over the period under review.

In contrast to the trend of changes in mining volumes in Armenia, the change in copper production volumes in international markets in 2017-2019, due to international prices, shows a different behavior. In 2019, the international price of copper decreased by 8%, from USD 6,530 down to USD 6,010 per metric ton of copper.

Zangezur Copper Molybdenum Combine CJSC increased extraction by 23% amid the 2019 international copper price drop (8%). There was no significant change in extraction volumes of Agarak Copper Molybdenum Combine CJSC and Akhtala Mining And Processing Enterprise CJSC, while Chaarat Kapan CJSC increased the production by about 7%²³³. Below is the data on the production of copper concentrate in 2019, broken down by companies.

²³¹ Statistical yearbook of Armenia, 2020, "Industry": <https://www.armstat.am/file/doc/99520938.pdf>

²³² <https://databank.worldbank.org/databases/commodity-price-data>

²³³ Information on the previous year extraction by the companies is from the 2018 EITI Report

Table 3.2.4

Copper concentrate production in 2019 by companies

Company	Region	Volume, wmt	Value, in million drams
Agarak Copper Molybdenum Combine CJSC	Syunik	38,345	14,524
Akhtala Mining And Processing Enterprise CJSC	Lori	14,030	4,612
Zangezur Copper Molybdenum Combine CJSC	Syunik	330,802	79,709
Teghout CJSC	Lori	53,065	17,340
Chaarat Kapan CJSC	Syunik	10,578	26,103
Total		446,820²³⁴	142,288

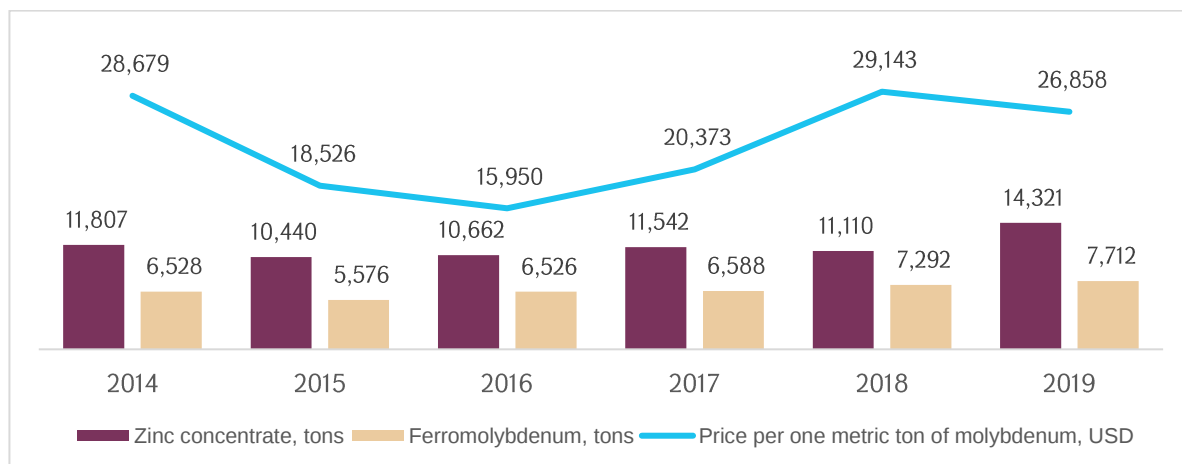
Source: Reports provided by companies to the EITI

Molybdenum concentrate and ferromolybdenum production and international prices

Out of molybdenum products, molybdenum concentrate and ferromolybdenum are produced in the RA. During 2014-2019, the growth of molybdenum concentrate extraction averaged 3.3% per year, and only in 2019, compared to the previous year, the extraction growth was 29%, which is perhaps the highest growth rate recorded since 2019. Ferromolybdenum extraction volumes also increased during the observed period by an average of 2.8% per year, and only in 2019 the growth was 6% compared to the previous year. The international price of molybdenum decreased in 2014-2016, and it subsequently increased in 2016-2018 by an average of 22% per year. Thereafter, in 2019, international molybdenum prices fell by 8% compared to the previous period. Below is information on molybdenum concentrate and ferromolybdenum production and international molybdenum prices for 2014-2019.

Figure 3.2.4

Molybdenum concentrate and ferromolybdenum production and international molybdenum prices in 2014-2019



Source:

- 1) "Industry" section of the "Statistical yearbook of Armenia, 2020" publication of the Statistical Committee of the RA;
- 2) Data on molybdenum international prices are from [tradingeconomics.com](https://tradingeconomics.com/commodity/molybden)²³⁵

²³⁴ The reasons for inconsistencies between the information provided by the mining companies and the information published by the Statistical Committee of the RA are presented in the "Comparison of information from mining companies and the UN COMTRADE statistics" subsection.

²³⁵ <https://tradingeconomics.com/commodity/molybden>

Table 3.2.5

Molybdenum concentrate production in 2019, broken down by companies

Company	Region	Volume, wmt	Value, in million drams
Agarak Copper Molybdenum Combine CJSC	Syunik	824	2,919
Zangezur Copper Molybdenum Combine CJSC	Syunik	498	1,116
Teghout CJSC	Lori	737	1,675
Total		2,059	5,709

Source: Reports provided by companies to the EITI

Ferromolybdenum production in 2019, broken down by companies

Company	Region	Volume, wmt	Value, in million drams
Zangezur Copper Molybdenum Combine CJSC	Syunik	8,811	48,103

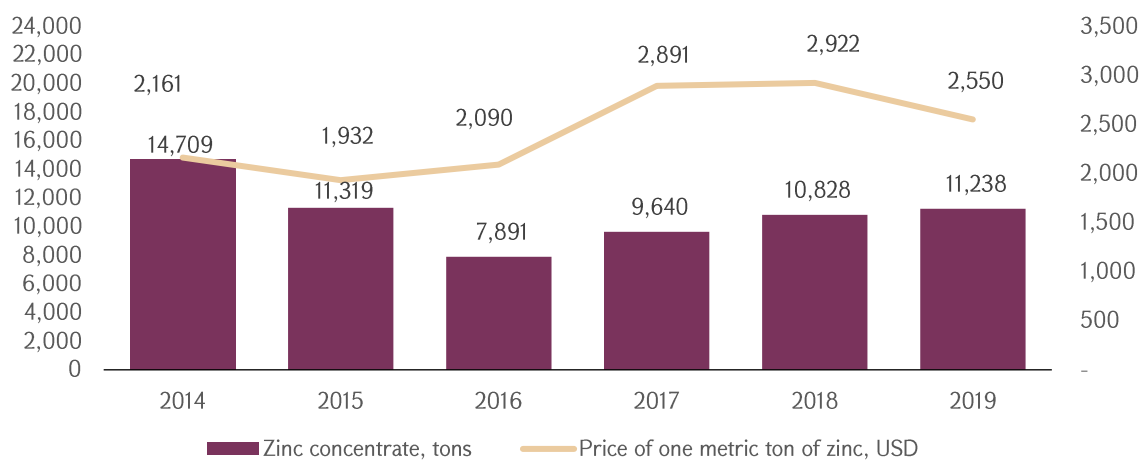
Source: Reports provided by companies to the EITI

Zinc concentrate production and international price

Only Chaarat Kapan CJSC (formerly Kapan Mining and Processing Plant CJSC) is engaged in zinc extraction in the RA. Zinc concentrate is produced as a byproduct of copper-polymetallic ore. This explains why the correlation between the volumes of zinc metal production and the international price is not clear-cut. Zinc extraction volumes in 2016 decreased by about 1.9 times compared to those of 2014. During 2016-2019, the volume of extraction began to increase, recording an average annual growth of 9.2%. In 2019, the international zinc price was USD 2,550 per metric ton, which is 13% less than the price in the previous period (USD 2,922). Below is the data on the production of zinc concentrate and international zinc prices in 2014-2019, as well as the production of zinc concentrate in terms of volume and value in 2019.

Figure 3.2.5

Zinc concentrate production and international zinc price in 2014-2019



Source:

- 1) "Industry" section of the "Statistical yearbook of Armenia, 2020" publication of the Statistical Committee of the RA;
- 2) World Bank data on international prices

Table 3.2.6
Zinc concentrate production by companies in 2019

Company	Region	Volume, wmt	Value, in million drams
Chaarat Kapan CJSC	Syunik	12,446 ²³⁶	7,579

Source: Reports provided by companies to the EITI

Comparison of information from companies and the Statistical Committee

Product type	Production volume, according to the Statistical Committee of the RA, tonne	Production volume, according to companies, wmt	Difference
Copper concentrate	407,793	446,820	-8.7%
Molybdenum concentrate	14,431	2,059	7 times
Ferromolybdenum	7,712	8,811	-12.5%
Zinc concentrate	11,239	12,446	-9.7%

Source: Reports provided by companies to the EITI and publications by the Statistical Committee of the RA

There are discrepancies between the information published by mining companies and the Statistical Committee of the RA in terms of production volumes of copper, molybdenum, zinc concentrates and ferromolybdenum. The difference is 8.7% for copper concentrate, 12.5% for ferromolybdenum, and 9.7% for zinc concentrate. In response to the inquiry on the discrepancies, the Statistical Committee of the RA stated that the indicators are presented in tonnes (dmt) to the Statistical Committee, while in the framework of the EITI report, the organizations presented the wet weight of the products (wmt).

The situation is different with regard to molybdenum concentrate, where the difference of the volume of extracted molybdenum concentrate is about 7 times. According to the information provided by the Statistical Committee of the RA, Zangezur Copper Molybdenum Combine CJSC, one of the companies producing molybdenum concentrate, presented only the volume of ferromolybdenum processed by another company, which caused the discrepancy in the volume of molybdenum concentrate according to different sources. It follows that Zangezur Copper-Molybdenum Combine CJSC involved other companies (without a subsoil use license) to produce ferromolybdenum and presented the volume of molybdenum produced as a final result within the framework of the EITI report. These companies are Plant of Pure Iron OJSC and AMP Holding LLC, with which a contract has been signed.

Precious metal concentrate and bars extraction and international gold price

During 2015-2019, the price of one troy ounce of gold increased by an average of 3.7% annually. In 2019, it amounted to USD 1,392, which is 9.7% more than in 2018. In 2019, there was one company in Armenia, GeoProMining Gold LLC, which produced dore bars containing gold and silver. The production volume was 4.8 tonnes, which is 4.3% more than the volume for the previous period. Production of precious metal concentrate containing gold in 2019 was carried out by one company, Meghradzor Gold LLC, whose production volume increased by 13.6% compared to 2018, amounting to 3,274 tonnes.

The Statistical Committee of the RA does not publish more detailed data, broken down by precious metals (e.g., gold, silver), since in accordance with the subclause f) of the clause 3 of the article 9 of the RA Law "On State and Official Secret"²³⁷, information on precious metals and precious stones is classified as a state and official secret. For this reason, only the data on gold extracting in 2019

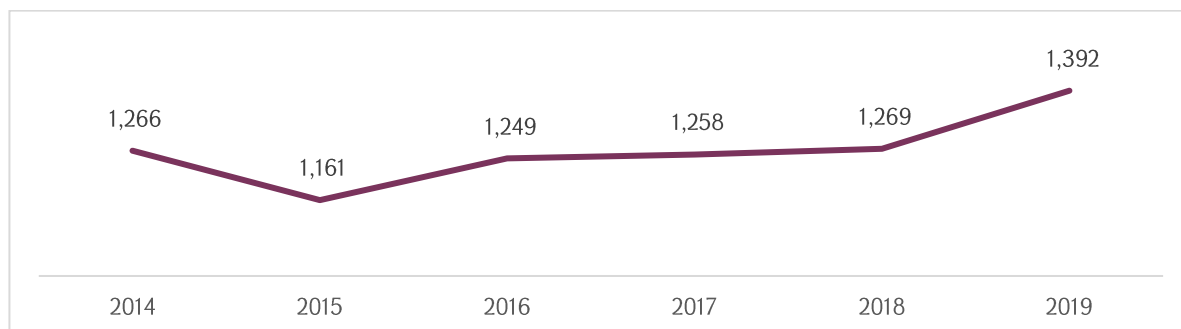
²³⁶ According to the information provided by Chaarat Kapan CJSC, the dry weight of extracted zinc concentrate was 11,238 tonnes.

²³⁷ RA Law "On State and Official Secret": <https://www.arlis.am/documentview.aspx?docid=140399>

presented by the companies within the framework of the EITI report are available, which are presented below, together with the dynamics of the international gold price in 2014-2019.

Figure 3.2.6

Price of one troy ounce of gold in 2014-2019, US dollars



Source: World Bank data on international prices

Table 3.2.7

Gold production by companies in 2019

Company	Region	Product type	Volume, tonne	Value, in million drams
GeoProMining Gold LLC	Gegharkunik	Dore bars containing gold and silver	4.8	52,731
Meghradzor Gold LLC	Kotayk	Precious metal concentrate containing gold	3,274	1,681

Source: Reports provided by companies to the EITI

Domestic sales

Domestic sale of metal ores and concentrate in 2019 amounted to AMD 757 million or USD 1.57 million, which is about 7 times less than in the previous year and is 0.2% of the volume of products produced in the metal ore extracting sector. The difference is mainly explained by the fact that in 2019 there was no domestic sales of copper, while in 2018 the domestic sales of copper amounted to AMD 5.2 billion, i.e., more than 80% of the sales volume. Two of the purchasing organizations are not mining companies and they bought molybdenum concentrate and ferromolybdenum at the amount of AMD 380 million. Precious metal concentrate containing gold was purchased by companies with subsoil use licenses at the amount of AMD 366 million. Below is the distribution of domestic sales by companies in 2019.

Table 3.2.8

Domestic sales by companies in 2019

Company	Product type	Volume, wmt	Value, in million drams	Buying company
AT-Metals LLC	Precious metal concentrate containing gold	9,203	294	Chaarat Kapan CSJC
Meghradzor Gold LLC		166	82	Assat LLC
Teghout CJSC	Molybdenum concentrate	102	373	AFZ Production LLC
Zangezur Copper Molybdenum Combine CJSC	Ferromolybdenum	0.7	7	Asce Group OJCS

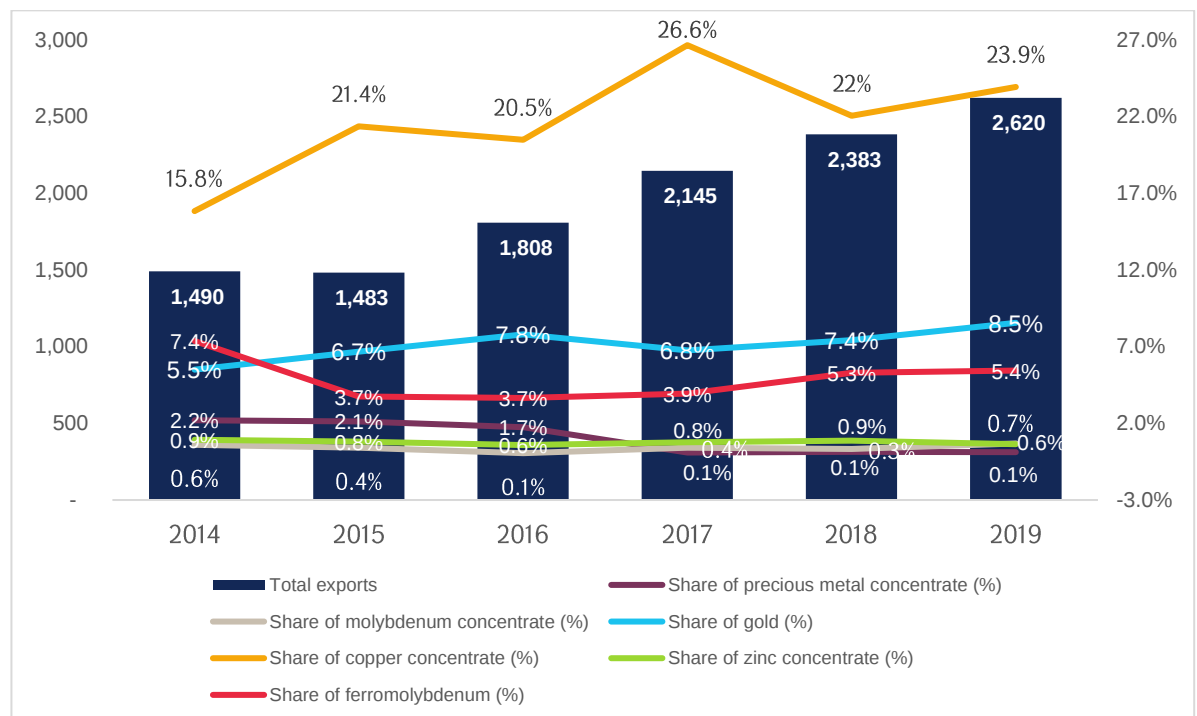
Source: Reports provided by companies to the EITI

3.3 Export in metal mining industry (Requirement 3.3)

In 2019, the share of the metal mining industry in the total export of Armenia was 39.3% (USD 1.031 million), according to the UN COMTRADE statistics. Of this, 23.9% was copper concentrate, 8.5% was gold, 5.4% was ferromolybdenum, 0.7% was molybdenum concentrate, 0.6% was zinc concentrate and 0.1% was precious metal concentrate. During 2014-2019, the export of metal products increased, and the average annual growth rate was 13.5%. Exports of metal products in kind increased by an average of 23.6% per year during 2014-2017, but in 2018 decreased by 9.8% compared to the previous period. In 2019, the export of 3 metal products in kind amounted to 558 thousand tonnes or 31.5% more than in the previous period. Below are the total exports during 2014-2019 and the share of metal products in them, the export of metal products in monetary expression and in kind.

Figure 3.3.1

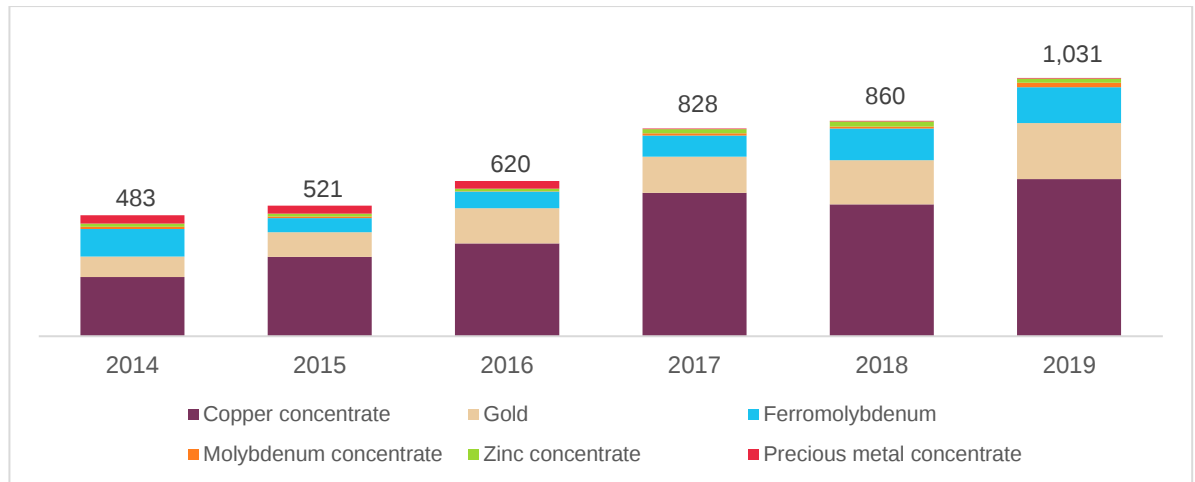
Total exports and the share of metal products in exports in 2014-2019, US dollars



Source: The UN COMTRADE statistics²³⁸

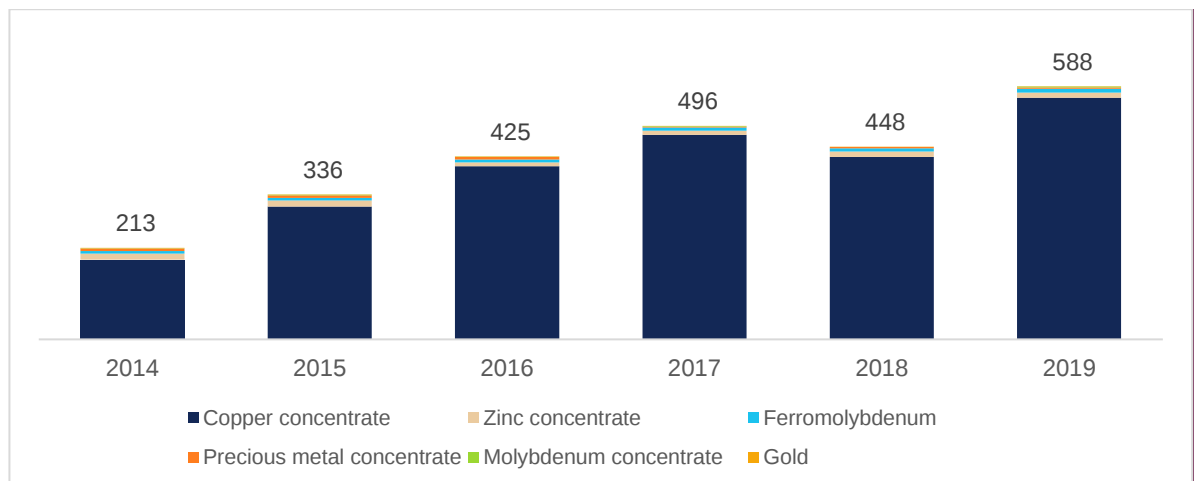
²³⁸ The product classification of the UN COMTRADE statistics is based on Harmonized Commodity Description and Coding Systems, which, in the case of copper, molybdenum, precious metals and zinc, use the "ores and concentrates" classification for the given metal products. The same approach is used in the "Classification of Industrial Products by Types of Activity" of the Statistical Committee of the RA, which is based on "Classification of Products by Activity" (CPA-2008), "Classification of Industrial Products of the European Community" (PRODCOM-2009) developed by the European Community and Methodological Approaches to the "Product Statistical Classifier" (CPK-2) developed by the Statistical Committee of the CIS member states. However, since there is no export of copper, molybdenum or zinc ore from the Republic of Armenia, and only concentrate is exported, the word "concentrate" is used in this report to describe the export of the mentioned metal products.

Exports of metal products in 2014-2019 in monetary expression, million US dollars



Source: The UN COMTRADE statistics

Exports of metal products in kind in 2014-2019, thousand tonnes



Source: The UN COMTRADE statistics

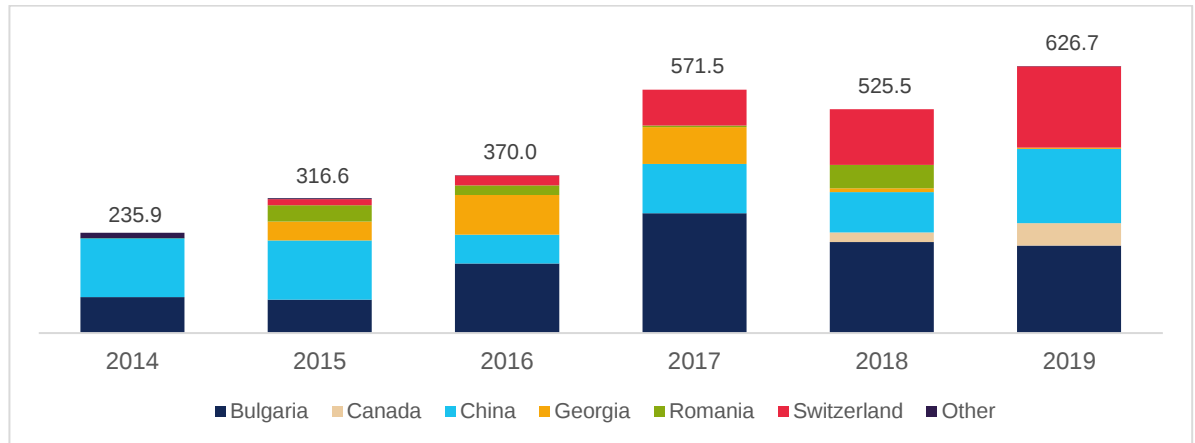
Exports of copper concentrate

In the metal mining industry, the extraction and export of copper ore and concentrate is of essential importance to the RA economy. The share of copper in total exports in monetary expression was 23.9% (USD 626.7 million) in 2019, according to the UN Comtrade statistics. Overall, exports of copper concentrate in 2014-2019 increased by 17.7% on average annually, and only in 2019 the growth was 19.3%, compared to the previous period. The growth is due to the increase of exports to Canada, China and Switzerland by 134%, 84% and 47% respectively, compared to the previous year. According to the data on the companies' activities, Teghout CJSC exported copper concentrate at the amount of USD 53.1 million, while it did not have exports in 2018. The exports of Chaarat Kapan CJSC in value terms increased by 28%, compared to the previous period.

The main export directions in 2019 remained unchanged. In 2019, Bulgaria accounted for the largest share in the export of copper concentrate in monetary expression - 33% or USD 206 million. In monetary expression, Switzerland had the second highest share of exports with its 31% (USD 192 million), and China was the third with its 28% share (USD 174 million). Exports of copper concentrate to Canada began in 2018. In 2019, exports to Canada amounted to USD 53 million, which is 8% of the total. Exports to other destinations in 2019 were less than 1% of the total export value of copper concentrate. Below is the distribution of copper concentrate exports by countries in 2014-2019.

Figure 3.3.2

Distribution of copper concentrate exports by countries in 2014-2019, million US dollars



Source: The UN COMTRADE statistics

The leader in terms of copper concentrate exports in 2019 was Zangezur Copper Molybdenum Combine CJSC, whose destinations were Bulgaria and China. Akhtala Mining and Processing Enterprise CJSC and Agarak Copper Molybdenum Combine CJSC had exports to Bulgaria and China, respectively. In 2019, Chaarat Kapan CJSC and Teghout CJSC made exports to Canada and Switzerland, respectively. Below is the distribution of copper concentrate exports by companies in 2019.

Table 3.3.1

Distribution of copper concentrate exports by companies and by main destinations in 2019

Region	Company	Country of exports	Volume	Value, in million drams	Value, in thousand US dollars ²³⁹
Syunik	Agarak Copper Molybdenum Combine CJSC	China	38,791 (wmt)	18,281	38,067
	Zangezur Copper Molybdenum Combine CJSC	China	118,328 (tonne)	57,012	118,715
	Zangezur Copper Molybdenum Combine CJSC	Bulgaria	212,644 (wmt)	102,455	213,341
	Chaarat Kapan CJSC	Canada	11,494 (tonne)	28,077	58,464
Lori	Akhtala Mining and Processing Enterprise CJSC	Bulgaria	13,948 (wmt)	6,008	12,509
	Teghout CJSC	Switzerland	48,522 (wmt)	25,527	53,154
Total			443,727	237,358	494,251

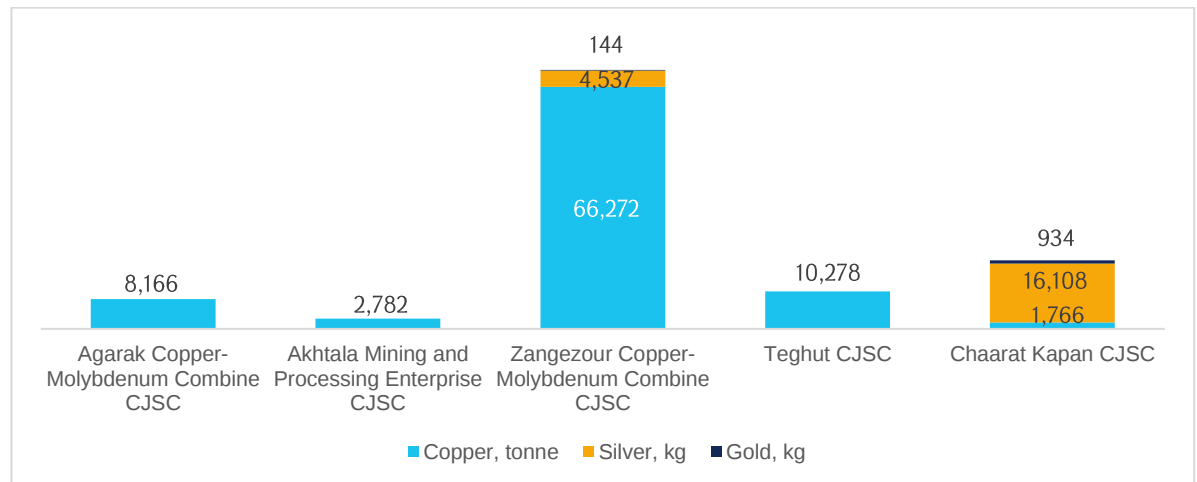
Source: Reports provided by companies to the EITI

Copper concentrate, in addition to copper, contains quantities of precious metals (gold and silver) considered to be paid. Below are the export volumes of companies which extract copper concentrate by final content of metals.

²³⁹ According to the exchange rate data published by the Central Bank of the RA, the average exchange rate of one US dollar was AMD 480.2387 in 2019. Source: <https://www.cba.am/AM/SitePages/ExchangeArchive.aspx>

Figure 3.3.3

Final content of metals considered to be paid for in copper concentrate exported by companies in 2019



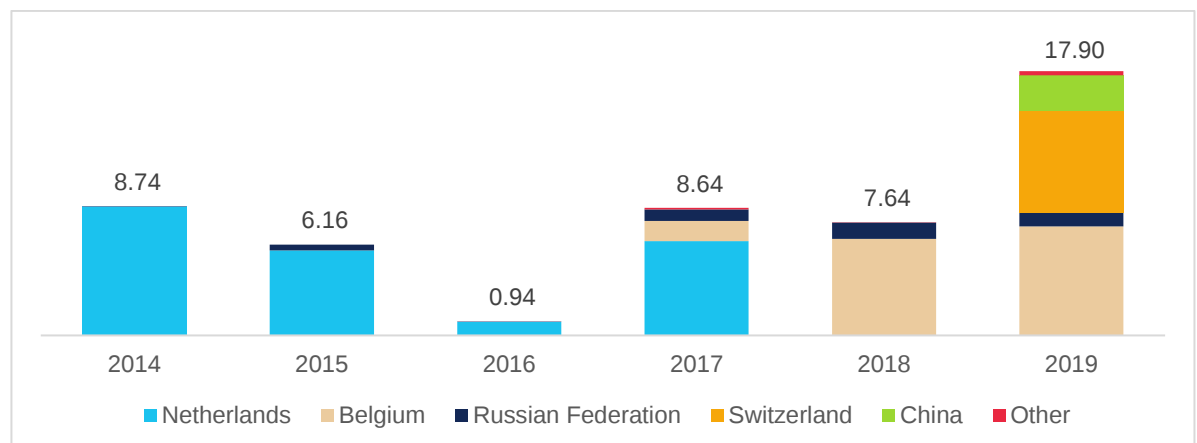
Source: Reports provided by companies to the EITI

Exports of molybdenum concentrate and ferromolybdenum

In 2019, the exports of molybdenum concentrate made 0.7% of the total exports or USD 17.9 million in monetary expression, which is 0.3% or USD 7.64 million more than the 2018 indicator. In 2016, molybdenum exports volume decreased in value, down to USD 0.94 million, which was due to the fall in international molybdenum prices. In terms of value, the indicator increased almost 9 times during the subsequent period. In 2014-2017, the destination with the largest share of molybdenum concentrate exports in monetary expression was the Netherlands, where there were no molybdenum exports in 2018-2019. In 2017, Belgium joined the list of the molybdenum concentrate export destinations. In 2018, products at the amount of USD 6.5 million were exported to Belgium, accounting for 86%. In 2019, exports to Belgium increased to USD 7.4 million, while the share in total exports of the product decreased to 41%. In 2019, the new destinations for molybdenum concentrate exports were Switzerland and China, where molybdenum concentrate amounting to USD 6.87 million and USD 2.42 million was exported. In 2018-2019 molybdenum concentrate amounting to USD 1.1 and USD 0.9 million was exported to the Russian Federation. Below is the distribution of molybdenum concentrate exports by countries during 2014-2019.

Figure 3.3.4

Distribution of molybdenum concentrate exports in 2014-2019 by countries, in million US dollars

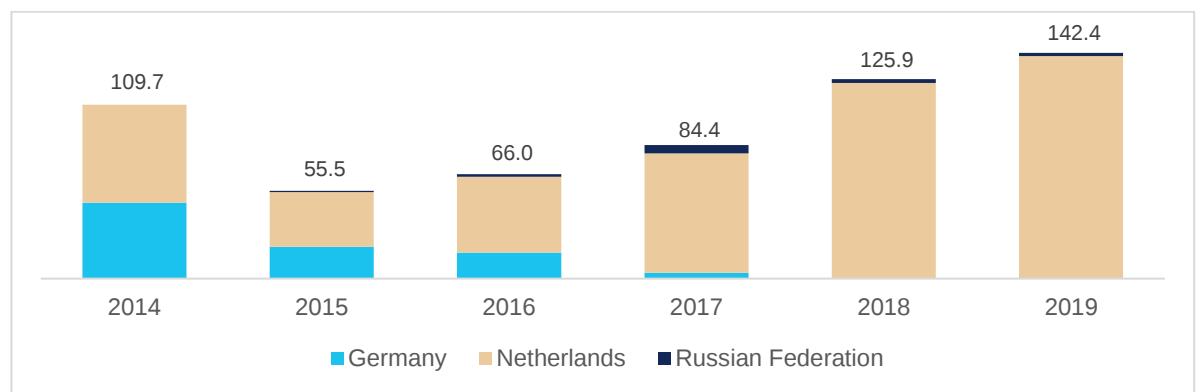


Source: The UN COMTRADE statistics

As for ferromolybdenum, the value of exports in 2015 halved compared to the previous period, but in 2015-2019 the annual growth rate was 21%, and the value of exports reached USD 142.4 million in 2019, which is USD 16.5 million or 13% more than in the previous period. In 2014-2019, the export destinations were the Netherlands, Germany and Russia. The Netherlands is the main export destination of ferromolybdenum, where both the volume and the share of total exports increased in 2015. As opposed to the Netherlands, in 2014-2017, the volume and share of exports decreased in Germany, one of the main destinations for ferromolybdenum exports, and in 2018-2019, there were no exports to that country. Exports of ferromolybdenum to the Netherlands in 2019 amounted to USD 140.5 million or 99% of the export value of ferromolybdenum. Exports of ferromolybdenum to Russia in 2019 amounted to USD 1.9 million (1%). Below is the distribution of ferromolybdenum exports by countries during 2014-2019.

Figure 3.3.5

Distribution of ferromolybdenum concentrate exports in 2014-2019, in million US dollars



Source: The UN COMTRADE statistics

In 2019, Agarak Copper Molybdenum Combine CJSC exported molybdenum concentrate to the EU countries, Zangezur Copper Molybdenum Combine CJSC to China and Teghout CJSC to Switzerland. Ferromolybdenum was exported only by Zangezur Copper Molybdenum Combine CJSC to the Netherlands and the Russian Federation. Below is the distribution of molybdenum concentrate and ferromolybdenum exports by companies in 2019.

Table 3.3.2

Distribution of molybdenum concentrate and ferromolybdenum export by companies and destinations in 2019

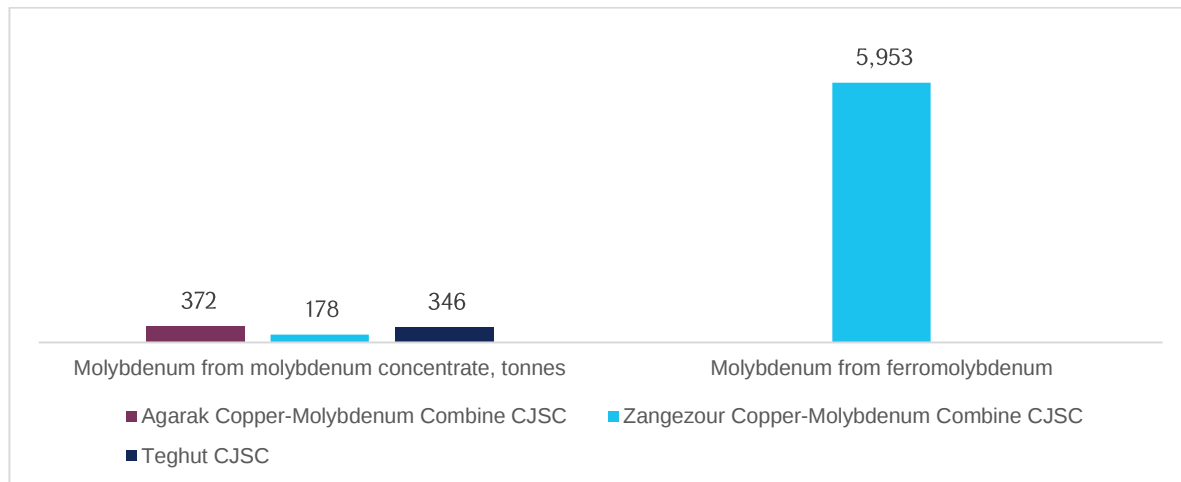
Product type	Region	Company	Export country	Volume, wmt	Value, in million drams	Value, in thousand US dollars
Molybdenum concentrate	Syunik	Agarak Copper Molybdenum Combine CJSC	The EU countries	779	3,559	7,411
		Zangezur Copper Molybdenum Combine CJSC	China	441	1,293	2,693
	Lori	Teghout CJSC	Switzerland	811	3,272	6,813
Ferromolybdenum	Syunik	Zangezur Copper Molybdenum Combine CJSC	The Netherlands, the Russian Federation	8,850	68,290	142,200

Source: Reports provided by companies to the EITI

Molybdenum concentrate and ferromolybdenum do not contain other product types considered to be paid.

Figure 3.3.6

Final content of molybdenum considered to be paid for in exported molybdenum concentrate and ferromolybdenum in 2019



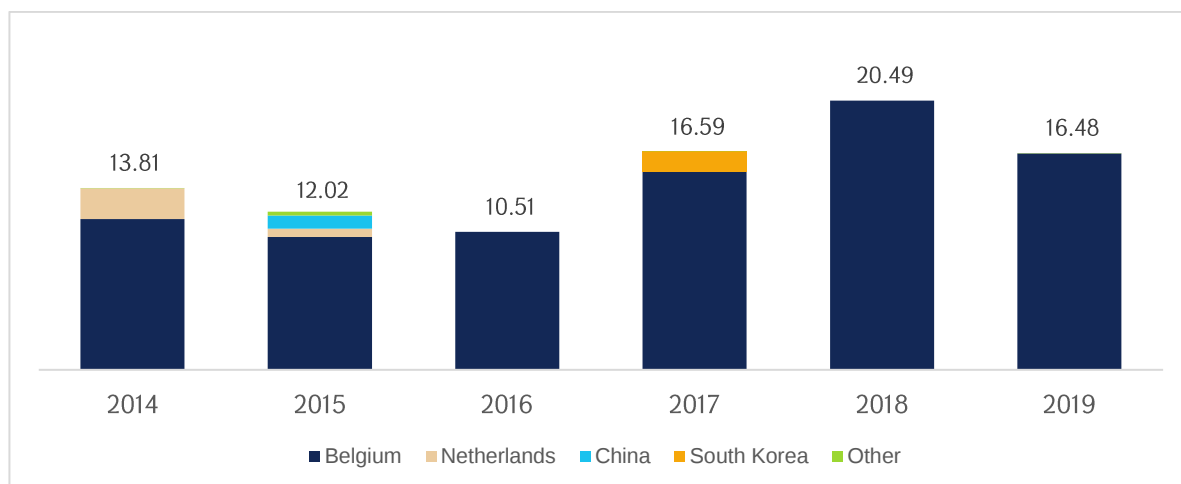
Source: Reports provided by companies to the EITI

Exports of zinc concentrate

The value of zinc exports in 2019 amounted to USD 16.48 million, having decreased by 19.6% compared to the previous period. This decline is mainly due to the decrease in the international zinc price in 2019 (13%), whereas the volume of exports fell by only 2.5%, from 12.5 million tonnes (2018) down to 12.2 million tonnes (2019). The exports of zinc decreased by an average of 8.7% per annum in 2014-2016, and increased by an average of 24.9% per annum in 2016-2018. Overall, the exports of zinc concentrate are not diversified, with Belgium being the main importer, and in 2018-2019 zinc concentrate exports amounted to USD 20.49 million and USD 16.48 million, respectively. Prior to that, the list of trade partners included the Netherlands, China and South Korea. Below is the distribution of zinc concentrate exports by countries in 2014-2019.

Figure 3.3.7

Distribution of zinc concentrate exports by countries in 2014-2019, in million US dollars



Source: The UN COMTRADE statistics

Chaarat Kapan CJSC is the only company, which extracts and exports zinc concentrate.

Table 3.3.3

Data on zinc concentrate exports by companies in 2019

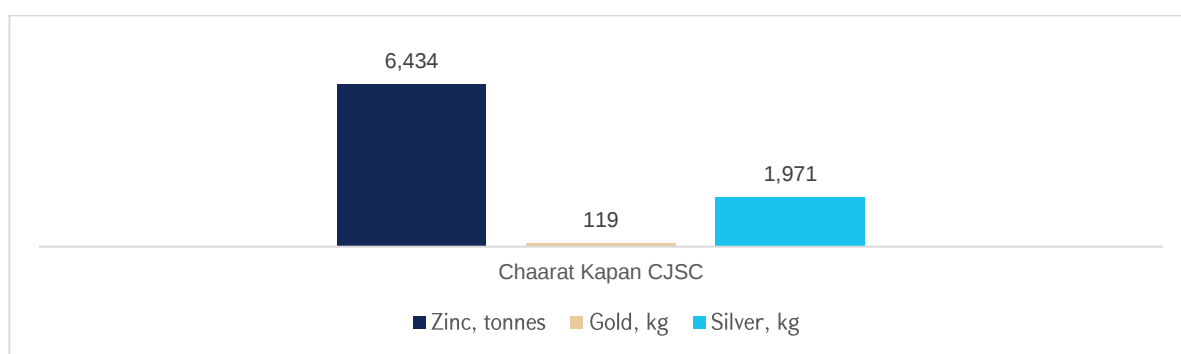
Region	Company	Export country	Volume, wmt	Value, in million drams	Value, in thousand US dollars
Syunik	Chaarat Kapan CJSC	Belgium	12,158	7,924	16,500

Source: Reports provided by companies to the EITI

Zinc concentrate also contains quantities of precious metals considered to be paid for. Below is the final content of metals considered to be paid for in export zinc concentrate in 2019.

Figure 3.3.8

Final content of metals considered to be paid for in export zinc concentrate in 2019



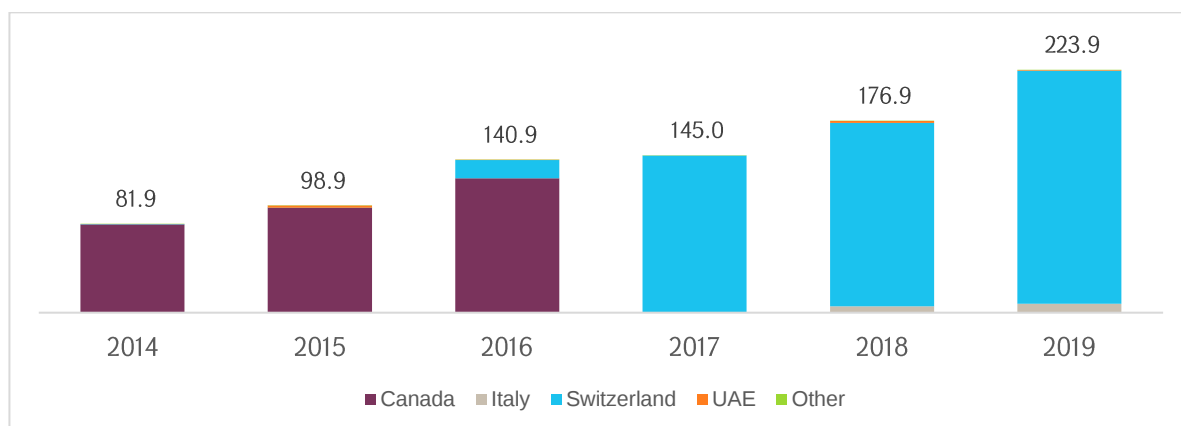
Source: Reports provided by companies to the EITI

Exports of precious metal products

During 2014-2019, the value of exports of crude and semi-processed gold increased by an average of 18.3% per annum, and only in 2019, compared to the previous period, the growth rate was 26.6%. In 2014-2016, Canada was the main destination for crude and semi-processed gold exports, however, in the subsequent years, there were no exports to Canada. Instead, Switzerland became the main destination for the exports of crude and semi-processed gold in 2017, and products amounting to about USD 223.9 million (96%) were exported there in 2019. Another destination for the export of crude and semi-processed gold is Italy, where products amounting to USD 8.4 million (3.7%) were exported in 2019. Below is the distribution of crude and semi-processed gold exports in 2014-2019 by countries.

Figure 3.3.9

Distribution of crude gold exports in 2014-2019 by countries, million US dollars

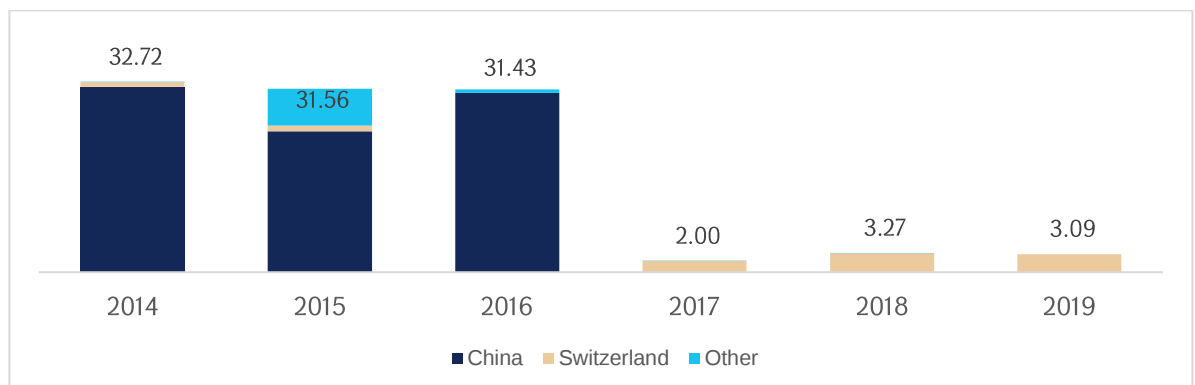


Source: The UN COMTRADE statistics

Exports of precious metal concentrate sharply decreased (by about 15 times) in 2017. Prior to that, the main export destination was China. During 2017-2019, the main destination for the export of precious metal concentrate was Switzerland, where products amounting to USD 2 million, USD 3.27 million and USD 3.09 million, respectively, were exported annually. Below is the distribution of precious metal concentrate exports by countries in 2014-2019.

Figure 3.3.10

Distribution of precious metal concentrate exports by countries in 2014-2019, million US dollars



Source: The UN COMTRADE statistics

In 2019, GeoProMining Gold LLC and Meghradzor Gold LLC exported gold alloy and precious metal concentrate containing gold, respectively, and the export destination was Switzerland.

Table 3.3.4

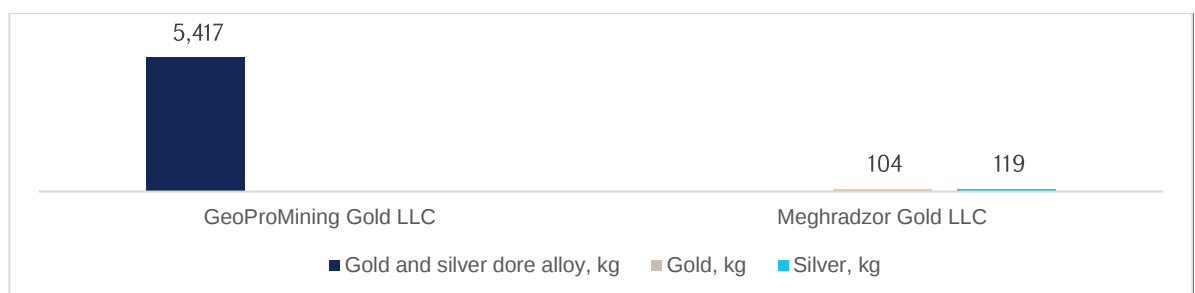
Distribution of export of gold alloy and metal concentrate containing gold by companies and main export destinations in 2019

Region	Company	Product type	Export country	Volume	Value, in million drams	Value, in thousand US dollars
Gegharkunik	GeoProMining Gold LLC	Dore bars containing gold, silver	Switzerland	5,417 kg	103,685	215,903
Kotayk	Meghradzor Gold LLC	Precious metal concentrate containing gold	Switzerland	3,108,000 kg	1,599	3,329

Source: Reports provided by companies

Figure 3.3.11

Final content of metals considered to be paid for in exported gold alloy and precious metal concentrate containing gold in 2019



Source: Reports provided by companies to the EITI

Comparison of information from mining companies and the UN COMTRADE statistics

No discrepancies have been identified in the comparison of the information available in the UN COMTRADE statistics and the foreign trade database of the Statistical Committee of the RA. At the same time, there are a number of differences between the reports submitted by mining companies and the official statistics.

Table 3.3.5

Comparison of the export value (million USD) of copper, precious metals, zinc and molybdenum concentrates, crude or semi-processed gold and ferromolybdenum in 2019

Product type	The UN COMTRADE statistics	Statistical Committee of the RA	Companies	Differences (Company-Statistical Committee)
Molybdenum concentrate	17.9	17.9	16.9	-5.6%
Ferromolybdenum	142.4	142.4	142.4	0.0%
Copper concentrate	626.7	626.7	494.3	-21.1%
Crude or semi-processed gold	223.94	223.94	215.9	-3.6%
Precious metal concentrate containing gold	3.1	3.1	3.3	6.5%
Zinc concentrate	16.5	16.5	16.5	0.0%

Source:

- 1) The UN COMTRADE statistics;
- 2) Foreign trade database of the Statistical Committee of the RA;
- 3) Reports provided by companies to the EITI

The comparison of the received information shows that there is a difference in the monetary expression of the volumes of exports of the above-mentioned products from Armenia according to different sources. These differences are due to the following general circumstances:

- differences between companies' product export declaration and actual export periods;
- differences due to exchange rate fluctuations.

4. State revenues from the metal mining sector and their distribution

According to the 4th requirement of the EITI standard, all significant payments of companies and all significant government revenues from the mining industries should be comprehensively disclosed. Although according to the requirement of the standard only significant revenues should be disclosed, according to the decision²⁴⁰ of the MSG metal mining companies and state bodies disclose the relevant taxes and payments **without thresholds** in respective reports.

4.1 The contributions of metal mining companies to the state budget (requirement 4.1)

As mentioned in Chapter 1 of this report, the taxes and payments made to the State budget by metal mining companies are:

State Revenue Committee	Ministry of Environment
• Profit tax • Income tax • Value-added tax • Excise tax • Royalties • Nature use payments • Environmental taxes • Customs duties and fees • Duties	• Replenishment of environmental protection fund* • Monitoring fees* • Environmental Impact Assessment and Expertise fee • Penalties and fines

* These payments are factually made to the central treasury to the ME extra-budgetary account but are included in the financial analysis of this section to ensure data integrity.

According to the information provided by state bodies, in 2019, taxes and payments to be paid to the State budget by metal mining companies increased by 8.3% compared to the previous year, amounting to drams 84,996,250 thousand, which amounted to 5.4% of the total budgetary income in 2019.

²⁴⁰ <https://www.eiti.am/hy/agenda-protocols-other-related-documents>

4.1.1 Figure

The share of taxes paid to the State budget by metal mining companies in the State budget revenues in 2019

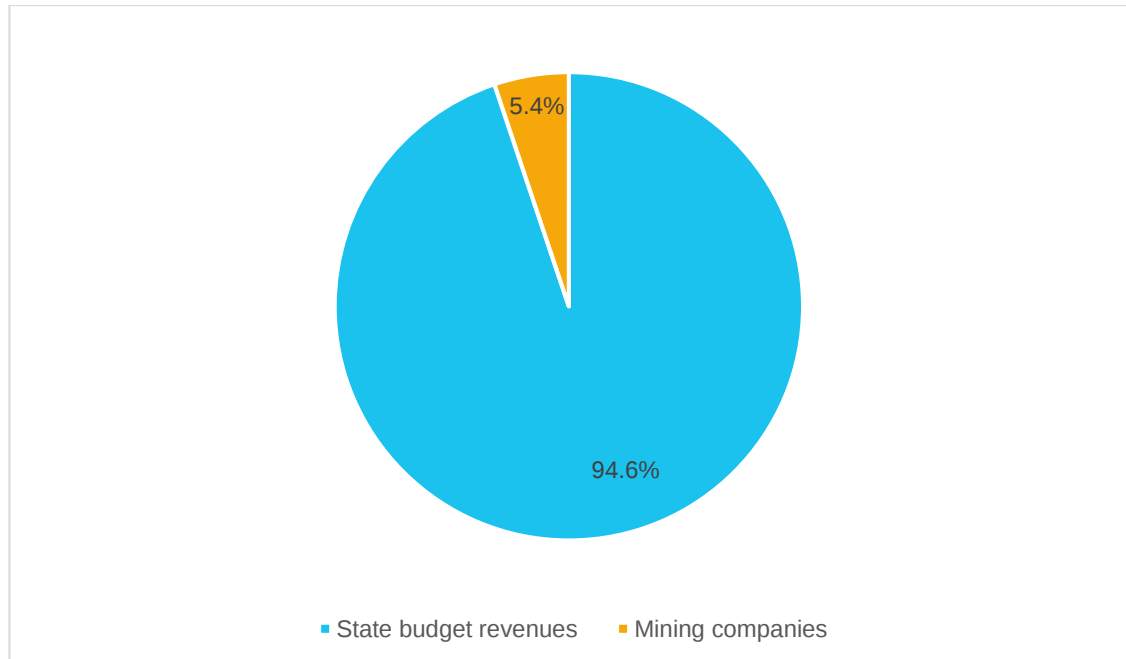


Table 4.1.1

The share of taxes and payments declared by the metal mining companies to the State budget in the total State budget revenues in 2019 (thousand drams)

Name of tax or payment	Total calculated amount	The share in the state budget revenues
Royalties	37,426,583	2.4%
Income tax	19,059,200	1.2%
Profit tax	17,975,927	1.1%
VAT	5,626,338	0.4%
Non-resident profit tax	2,348,971	0.2%
Customs duty, customs fee	1,471,747	0.1%
Other	1,087,484	0.0%
Total	84,996,250	5.4%
Total State budget revenues	1,565,488,917²⁴¹	100%

Source: Reports submitted by state bodies within the framework of the EITI

As in the previous year, the leading company by the amount of payments to the State budget is Zangezur Copper Molybdenum Combine CJSC in 2019, which accounted for 54.5% of all payments declared by metal mining companies. In 2019 calculated taxes and fees of Zangezur Copper Molybdenum Combine CJSC were drams 46,305,461 thousand, which amounted to 2.9% of the State budget revenues.

²⁴¹ https://minfin.am/hy/page/petakan_byujei_hashvetvutyun_2019_t_tarekan

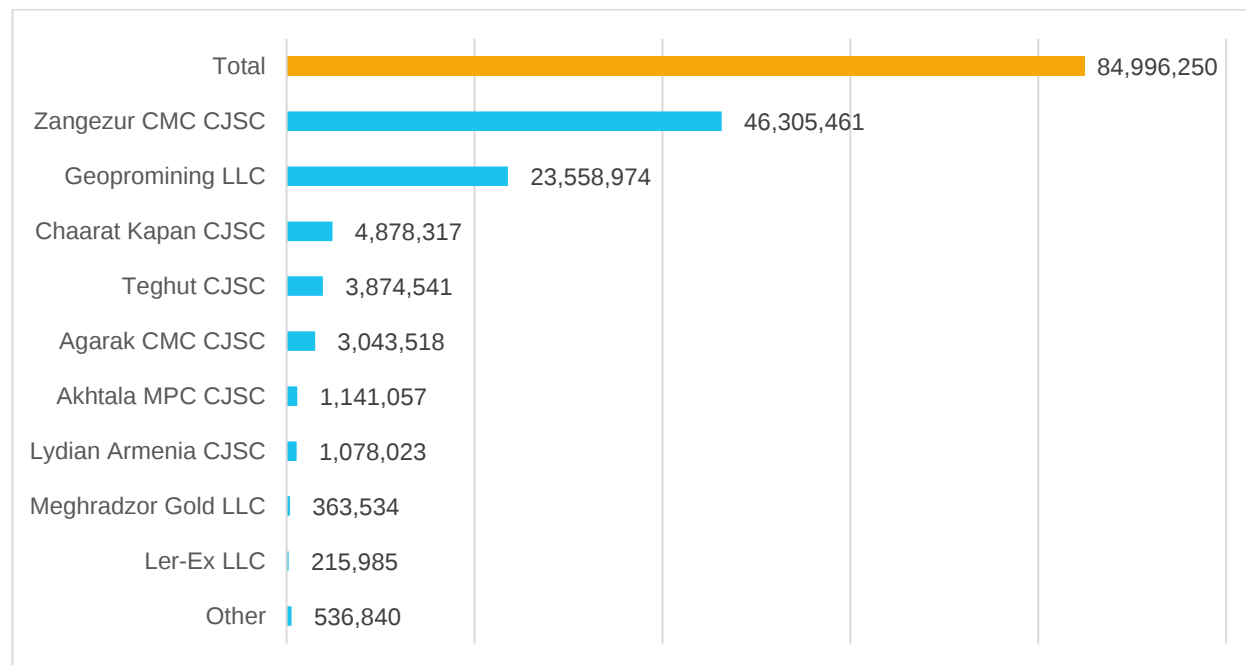
GeoProMining Gold LLC is the second by the total amount of taxes and payments declared to the State budget, which accrues 27.7% of all declared payments of mining companies in 2019. Declared taxes and payments of GeoProMining Gold LLC amounted to drams 23,558,974 thousand in 2019, which complied 1.5% of the State budget revenues.

Chaarat Kapan CJSC is the third by the total amount of taxes and payments declared to the State budget in 2019, which accounts for 5.7% of all declared taxes and payments of metal mining companies in 2019, drams 4,878,317 thousand. The share of the company's declared taxes and payments in the State budget revenues was 0.3%.

The figure below shows the amounts of taxes and payments made to the State budget by 9 large metal mining companies.

Figure 4.1.2

Taxes and payments declared by large metal mining companies to the State budget in 2019 (thousand drams)

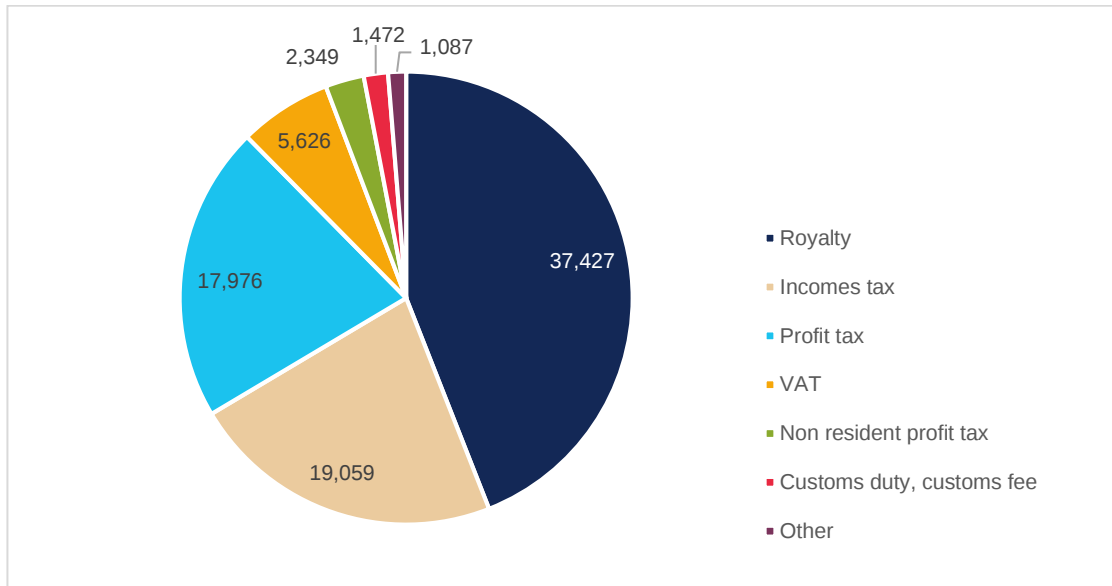


Source: Reports submitted by state bodies within the framework of the EITI

Below are the results of taxes and payments made to the State budget by metal mining companies in 2019.

Figure 4.1.3

Taxes and payments declared by metal mining companies to the State budget in 2019 (million drams)



Source: Reports submitted by SRC and ME within the framework of EITI

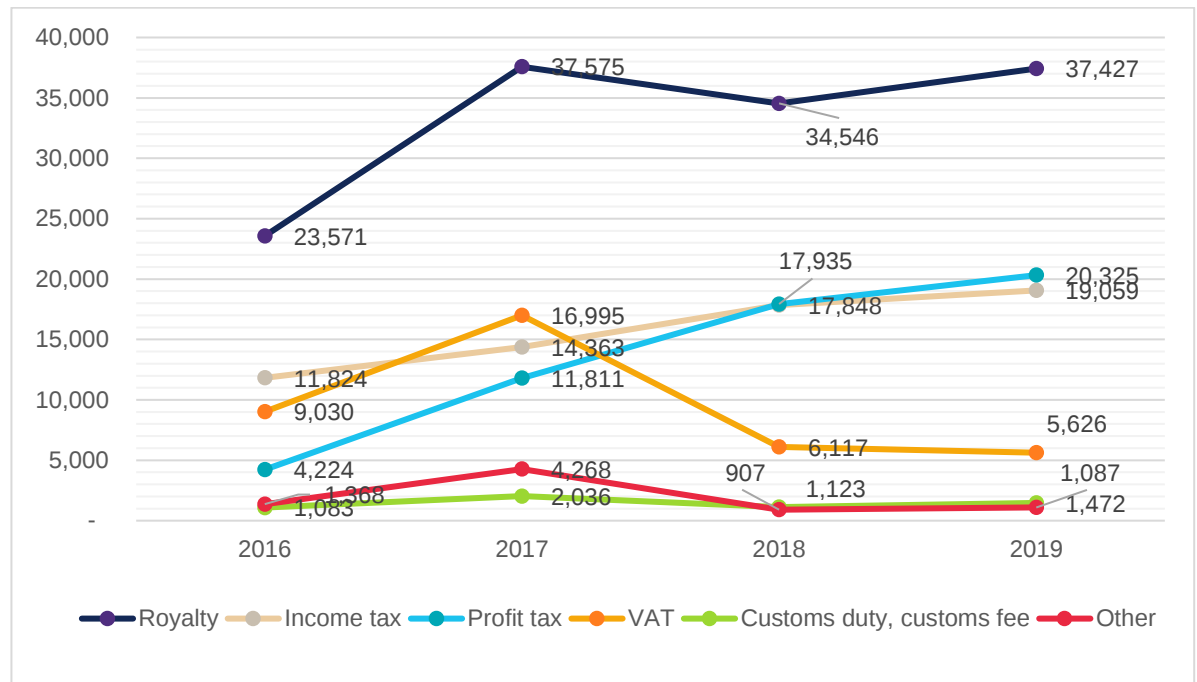
Like in 2018, in the reporting year, royalties accounted for the largest share of taxes paid to the State budget by metal mining companies. The share of royalties in the total accrued taxes was 44% (drams 37.427 million). The second largest type of tax is the income tax, the share of which was 22% (drams 19.059 million), which is compliant with 2018. Profit tax share is the third largest with 21% (drams 17.976 million).

In general, as mentioned above, compared to the previous year, payments made by metal mining companies have increased in 2019, which is due to the growth of both production and sales in the reporting year. Moreover, growth was registered in regard to almost all types of taxes. More detailed information on the extraction and sale of metallic minerals is provided in Chapter 3 of this report.

Below is the dynamics of taxes paid to the State budget by metal mining companies from 2016 to 2019.

Figure 4.1.4

Taxes paid to the State budget by metal mining companies from 2016 to 2019 (million drams)



Source: Reports submitted by the SRC and the ME within the framework of the EITI

4.2 The contributions of metal mining companies to community budgets

According to the adjusted reports of the RA Ministry of Territorial Administration and Infrastructure provided for the EITI statement, the amount of declared taxes and payments to community budgets by metal mining companies amounted to drams 1,380,151 thousand, which includes payments²⁴² related to the fulfillment of mandatory socio-economic obligations under the mining contracts. According to the preliminary reports, the taxes and payments declared to the community budgets amounted to drams 1,418,151 thousand, and the payments related to the fulfillment of the mandatory socio-economic obligations included in the contracts amounted to drams 418,080 thousand.

As a result of the analysis, it became clear that in the reports of some communities, the charitable payments made by the metal mining companies were considered as fulfillment of contractual obligations and were included in the relevant line of the EITI report, while such obligations are not defined in the mining contracts of these companies. The total amount of this deviation was drams 398,750 thousand, of which drams 38,000 thousand were adjusted in the final reports.

The reconciliation of the payments related to the fulfillment of the mandatory socio-economic obligations defined by the mining contracts according to the preliminary and final reports is presented below:

²⁴² Reports submitted by the MTAI within the framework of the EITI

Table 4.2.1

Reconciliation of payments related to the fulfillment of mandatory socio-economic obligations defined by mining contracts according to preliminary and final reports in 2019 (thousand drams)

	Amount
Reflected as contractual payments in the final reports	380,080
Actual contractual payments	19,330
Unadjusted error	360,750

Source: Reports submitted by the MTAI within the framework of the EITI

Thus, the actual payments made by the metal mining companies on the socio-economic obligations defined by the metal mining use contracts amounted to drams 19,330 thousand in 2019. As payments related to the fulfillment of mandatory socio-economic obligations are not considered reconcilable flows and were not included in the Independent administrator reconciliation procedures, no complete adjustment of this difference was made in the public reports.

A detailed analysis of the socio-economic obligations under the mining contracts and the description of voluntary donations by companies is presented in Chapter 5 of this report.

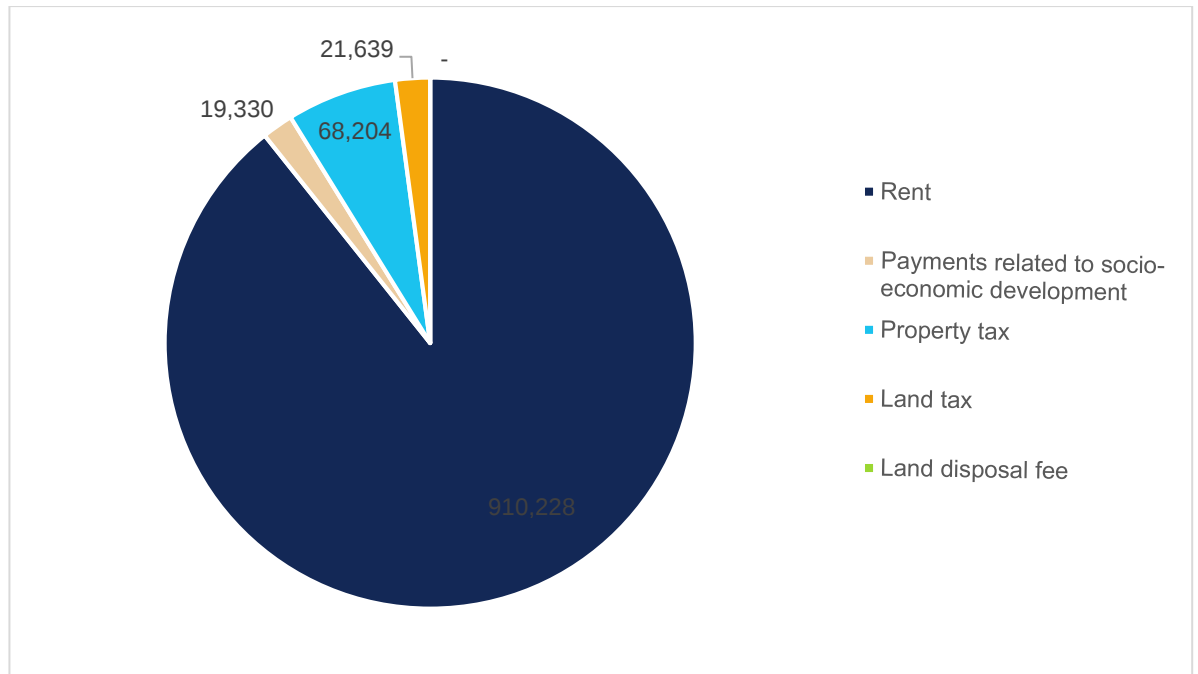
The further analyzes presented in this section are performed taking into account the correct amounts of socio-economic obligations stipulated in the contracts.

Taxes and payments declared by the metal mining companies to the community budgets amounted to drams 1,019,401 thousand in 2019, which complied 1.2% of the total revenues of the community budgets.

The main part of the payments made by the metal mining companies to the community budgets came from rent amounting to 89.3% of the total payments of 2019. The other significant payment is the property tax, which was 6.7% in 2019. Other taxes and payments, including land tax and payments related to the fulfillment of mandatory socio-economic obligations under the mining contracts accounted for 4% of the total amount paid by the metal mining companies to the community budgets. The next figure presents the amount of taxes and payments declared by the metal mining companies to the community budgets in 2019 classified by the type of payments.

Figure 4.2.2

Taxes and payments declared by metal mining companies to community budgets in 2019 (thousand drams)

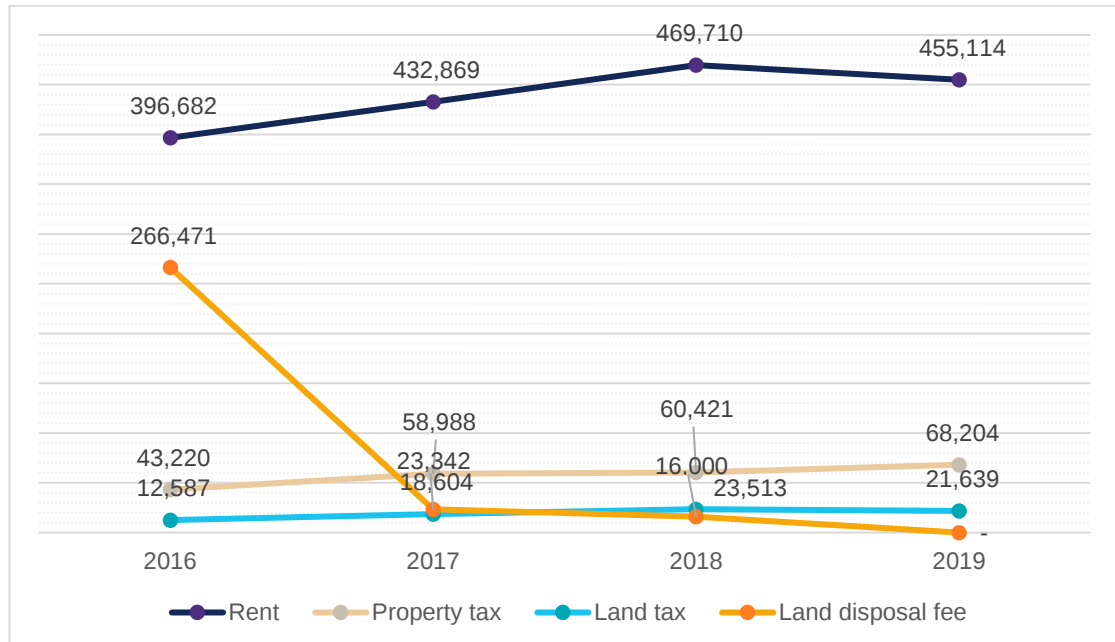


Source: Reports submitted by the MTAI within the framework of the EITI

In general, over the last four years, there has been a steady increase in the amount of rent, property tax and land tax declared and paid by the metal mining companies to the community budgets. Below is the dynamics of rent, property tax, land tax and land alienation payments made to communities from 2016 to 2019.

Figure 4.2.3

Taxes and payments declared by metal mining companies to community budgets except payments related to the fulfillment of mandatory socio-economic obligations defined by mining contracts from 2016 to 2019 (thousand drams)

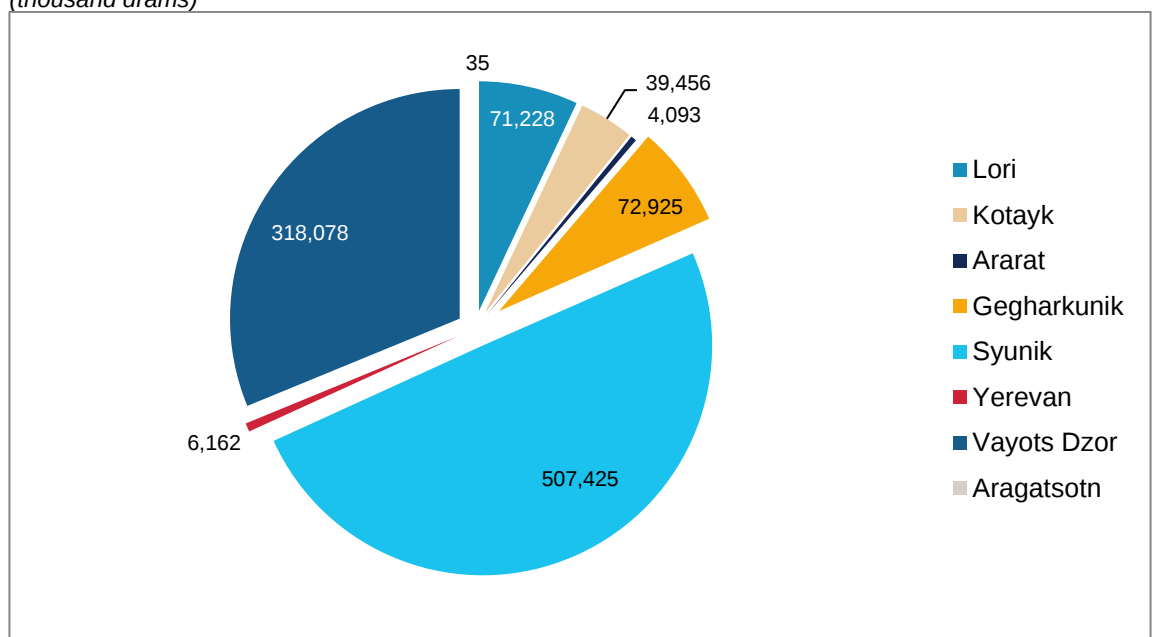


Source: Reports submitted by the MTAI within the framework of the EITI

Below are the taxes and payments made by the metal mining companies to the community budgets by regions.

Figure 4.2.4

The contributions of metal mining companies to community budgets in 2019 by regions and Yerevan city (thousand drams)



Source: The information was provided by the MTAI based on the EITI reports

As can be seen from the chart, the majority of taxes paid by metal mining companies went to the Syunik region, including drams 182,361 thousand to the Kapan community, drams 135,930 thousand to the Kajaran community, and drams 77,354 thousand to the Meghri community. Vayots Dzor region is the second, where drams 128,782 thousand were paid to the budget of Zaritap community and drams 188,871 thousand to the budget of Jermuk community. Lori region is the third, where drams 56,723 drams was paid to the budget of Akhtala community.

The table below presents the general budgets of the communities, taxes and payments made by the metal mining companies.

Table 4.2.2

Share of taxes and payments declared by metal mining companies to community budgets in 2019 (thousand drams)

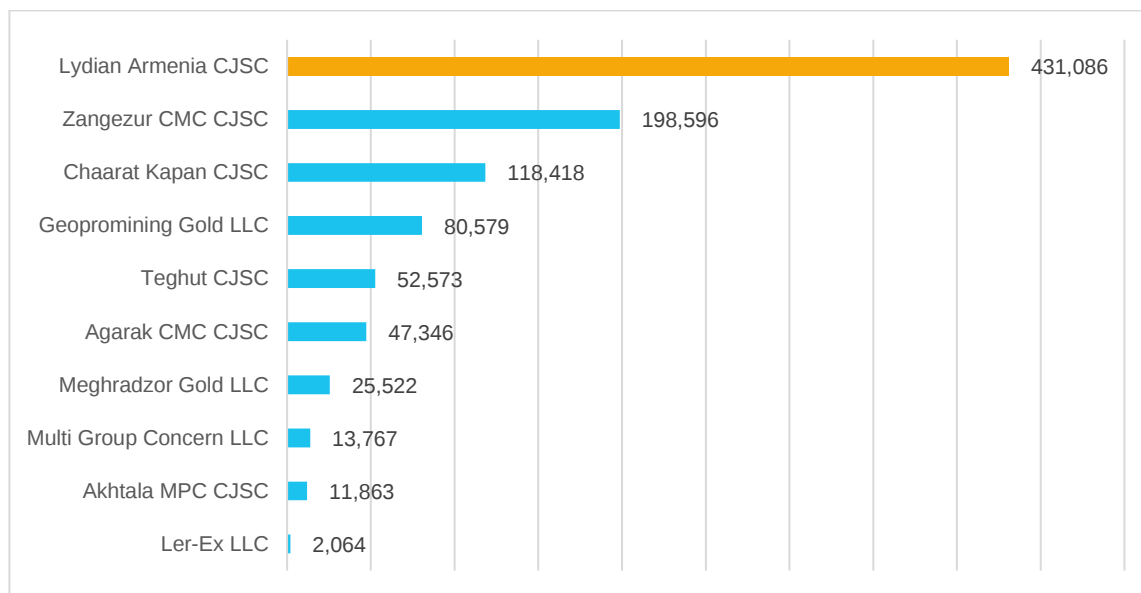
Community	Actual income of the community	Taxes and fees declared by metal mining companies	Share in community revenues
Akhtala	422,645	56,723	13.42%
Arinj	260,208	13,767	5.29%
Ararat	227,448	4,093	1.80%
Arjut	33,256	606	1.82%
Geghamasar	534,637	72,925	13.64%
Gorayk	210,315	111,717	53.12%
Yerevan	75,030,673	6,162	0.01%
Zaritap	297,605	128,782	43.27%
Kapan	2,346,946	182,361	7.77%
Meghradzor	188,755	25,689	13.61%
Meghri	738,251	77,354	10.48%
Shnogh	199,873	7,713	3.86%
Jermuk	515,077	188,871	36.67%
Sisian	1,533,316	61	0.00%
Spitak	429,817	439	0.10%
Stepanavan	477,588	5,747	1.20%
Vayk	232,164	426	0.18%
Kajaran	912,803	135,930	14.89%
Melikgyugh	6,630	35	0.53%
Total	84,598,007	1,019,401	1.20%

Source: Information provided by the MTAI

The following chart shows the payments made to the community budgets by metal mining companies.

Figure 4 .2.3

Taxes and payments declared by large metal mining companies to community budgets (thousand drams)



4.3 Income distribution (requirement 5.1, 5.2, 5.3)

The EITI requires revelation of revenue distribution information that will enable stakeholders to understand how revenues are contributed to State and local government budgets.

It is encouraged to reveal additional information on revenue management and costs, including a description of all revenues from the mining sector for specific projects or geographies.

The allocations to the communities from the amounts of environmental tax paid by the metal mining companies are made in accordance with the RA Law “On Targeted Use of Environmental Payments Made by Companies”, according to which the contributions from the environmental taxes to the administrative-fund budgets of the communities are targeted means and are used solely for the implementation of environmental programs in the territory of the given communities. The list of beneficiary communities and the amount of money allocated from environmental taxes to their administrative-fund budgets for each year is approved by the law on the State budget of the given year, and the contributions are reflected in a separate line in the budgets of the respective communities.

The activities and measures to be taken by the authorized bodies within the framework of the process of providing subsidies for the implementation of environmental programs to the affected communities and the terms of their implementation are defined by the RA Prime Minister's decision on starting the budgeting process for the respective year.

According to the law, the environmental program design is being developed by the community head on the basis of development of the given region or community or local environmental action plans or other documents of program or strategic significance.

The program includes activities related to the solution of environmental problems due to the land, water and air activities of metal mining companies within the administrative boundaries of the community, measures aimed at environmental protection, activities of metal mining companies related

to measures aimed at protecting the health of the community population, priorities for the implementation of program activities and their funding ratios.

The provisions of the RA Law “On Targeted Use of Environmental Payments Made by Companies” as well as the details of the process of providing subsidies for the implementation of environmental programs to the affected communities are presented in the 2018 report.

The EITI 2016-2017 report and meetings of the Ratification Mission in Armenia identified a number of gaps in the existing arrangements. Therefore, the Ministry of Territorial Administration and Infrastructure developed the bill on making amendments and additions to the RA law “On Targeted Use of Environmental Payments Made by Companies” and got approved by the Government of the Republic of Armenia on 27 February 2020 and adopted on 27 May 2020. The law stipulates that:

- From 2021, all companies eligible for mining for the extraction of metallic minerals will receive environmental tax deductions for the implementation of projects in the communities in the area where the activities of these companies have a detrimental effect.
- To increase the efficiency of local self-governance bodies, improve the quality of performance, accountability and ensure transparency, the approved programs of the communities should be published every year on the website of the municipality and/or on the website of the relevant regional administration with the presentation of the community head.
- Calculation of allocation of the withdrawals for each community is done by the authorized body of the environmental sector in accordance with the procedures established by the Government of the Republic of Armenia.
- The head of the community should make a report on the implemented program. The report on the implemented program approved by the Council of Elders must be published by March 1 of the following year on the website of the community municipality and/or the relevant regional administration. The report must be approved by the Ministry of Territorial Administration and Infrastructure.

The procedure for calculating the distribution of contributions to communities or settlements shall be established by the Government of the Republic of Armenia within six months. The changes are presented in more detail in Chapter 2 of this report. Based on the aforementioned legislative amendment, the Minister of the MTAI adopted an order to approve the report on the implementation of environmental programs, which regulates the implementation of the program defined by the RA Law “On Targeted Use of Environmental Payments Made by Companies” in the respective communities. In particular, when filling out the report form, a brief description of the project, the beginning and end of the project, the design cost, community problems and description of the initial situation, the purpose, direct final expected results, beneficiaries, description of actual final results, and other issues.

According to the the Republic of Armenia Law "On Targeted Use of Environmental Payments Made by Companies", among other companies, 5 companies with the metal ore extraction right, such as Akhtala Mining and Processing Enterprise CJSC, Chaarat Kapan CJSC, GeoProMining Gold LLC Zangezur Copper Molybdenum Combine CJSC and Agarak Copper-Molybdenum Combine CJSC paid environmental tax allocations for the implementation of environmental and health programs in the affected communities.

Below is the data on the distribution of the environmental tax amount among the communities.

Table 4.3.1

Proportions of the distribution of the amount of the environmental tax among the communities affected by the detrimental effects of the companies defined by the RA Law "On Targeted Use of Environmental Payments Made by Companies" in 2019

Company Name	The proportion of environmental tax amount distribution (% of total)	The names of the communities adversely affected
From environmental payments charged for discharge of hazardous wastes and compounds into environment (water basin).		
Lori region		
Akhtala Mining and Processing Enterprise CJSC	65	Akhtala
	7	Shnogh
Syunik region		
Zangezur Copper Molybdenum Combine CJSC	60	Kajaran
	40	Kapan
Agarak Copper Molybdenum Combine CJSC	100	Meghri
Chaarat Kapan CJSC	100	Kapan
Gegharkunik region		
GeoProMining Gold LLC	100	Geghamasar
Tavush region		
Akhtala Mining and Processing Enterprise CJSC	19	Airum
	2	Koghb
	7	Noyemberyan
From environmental payments charged for discharge of hazardous wastes into environment (air).		
Lori region		
Akhtala Mining and Processing Enterprise CJSC	100	Akhtala
Syunik Region		
Zangezur Copper Molybdenum Combine CJSC	100	Kajaran
Agarak Copper Molybdenum Combine CJSC	100	Meghri
Chaarat Kapan CJSC	100	Kapan
Ararat region		
GeoProMining Gold LLC	15	Ararat
Gegharkunik region		
GeoProMining Gold LLC	85	Geghamasar
From charges for disposal of environmentally hazardous production and consumption wastes in compliance with the defined order.		
Lori region		

Company Name	The proportion of environmental tax amount distribution (% of total)	The names of the communities adversely affected
Akhtala Mining and Processing Enterprise CJSC	100	Akhtala
Syunik region		
Zangezur Copper Molybdenum Combine CJSC	30	Kajaran
	70	Kapan
Agarak Copper Molybdenum Combine CJSC	100	Meghri
Chaarat Kapan CJSC	100	Kapan
Ararat region		
GeoProMining Gold LLC	100	Ararat

Source: Information provided by the ME

According to the RA Law “On Targeted Use of Environmental Payments Made by Companies,” 6 communities were provided with subsidies for the implementation of environmental programs amounting to drams 144,277 thousand.

Information on the amounts of available, planned, and actually provided subsidies provided by the State budget is presented below:

Table 4.3.2

Amounts allocated from the State budget to the communities in accordance with the RA Law “On Targeted Use of Environmental Payments Made by Companies” in 2019 (thousand drams)

Name of the community	Declared amount available *	Planned by the State budget **	Actually provided **	% performance in relation to plan
Ararat Region, RA	3,178	3,178	3,124	98%
Ararat community	3,178	3,178	3,124	98%
Environmental program of Ararat city	3,178	3,178	3,124	
Lori Region, RA	132,249	128,938	103,863	81%
Alaverdi community	100,467	100,467	76,266	76%
Environmental protection and population health restoration program of the town of Alaverdi	100,467	6,330	5,913	
Environmental protection and population health restoration program of the settlements of Alaverdi, Akori, and Haghpate		94,138	70,353	
Odzun Community	28,470	28,470	27,597	97%
Environmental protection and population health restoration program of the settlements of Odzun and Hagvi	28,470	22,077	21,352	
Environmental protection and population health restoration program of the settlement of Odzun		6,394	6,245	
Akhtala community	3,311	-	-	-
Syunik Region, RA	40,174	40,148	37,289	93%

Kajaran community	22,646	22,620	21,109	93%
Environmental protection and population health restoration program of the town of Kajaran	22,646	22,620	21,109	
Meghri community	1,090	1,090	1,088	100%
Environmental protection and population health restoration program of the towns of Meghri and Agarak	1,090	1,090	1,088	
Kapan community	16,438	16,438	15,093	92%
Environmental protection and population health restoration program of the town of Kapan	16,438	16,438	15,093	
Gegharkunik Region, RA	12,695	-	-	-
Geghamasar community	12,695	-	-	-
Total	188,296	172,264	144,277	

* The information is published on the website of the EITI ²⁴³

** The information is published on the website of the Ministry of Finance ²⁴⁴

Information on environmental and health programs implemented in the communities is available on the websites of the respective communities at the following links.

Region/community	Program link
Syunik Region	
Kapan community	http://kapan.am/Pages/DocFlow/Def.aspx?nt=1&a=v&q=ee4271ac-03ad-4b97-8d28-f98159fc24bf
Purpose of the programs 1. Reduction of soil pollution 2. Improvement of atmospheric air 3. Strengthening the capacity of the healthcare system 4. Disease prevention	
Kajaran community	http://kajaran.am/Pages/DocFlow/Def.aspx?nt=1&a=v&q=598a2c61-1be0-437f-acf3-fe4f883f1dae
Purpose of the programs 1. Energy efficient modernization of community infrastructure 2. Use of renewable energy in community buildings 3. Development of environmental education and information 4. Improvement of sanitary and hygienic condition of the community settlements 5. Improvement of community-based medical services 6. Supporting the development of mass physical education	
Meghri community	http://meghri.am/Pages/DocFlow/Def.aspx?nt=1&a=v&q=392f18c1-c380-4641-ac48-9d0b49e18df8

²⁴³

<https://www.eiti.am/hy/%D4%B2%D5%B6%D5%A1%D5%BA%D5%A1%D5%B0%D5%BA%D5%A1%D5%B6%D5%A1%D5%AF%D5%A1%D5%B6-%D5%B6%D5%BA%D5%A1%D5%BF%D5%A1%D5%AF%D5%A1%D5%B5%D5%AB%D5%B6-%D5%AE%D6%80%D5%A1%D5%A3%D6%80%D5%A5%D6%80?tab=87>

²⁴⁴ https://minfin.am/hy/page/petakan_byujei_hashvetvutyun_2019_t_tarekan

Region/community Program link	
Purpose of the program 1. Providing additional food to preschool children	
Lori Region	
Alaverdi community	http://alaverdi.am/Pages/DocFlow/Def.aspx?nt=1&a=v&q=4d45b5b4-e143-4bd7-bde7-7048a8f4f434
Purpose of the programs 1. Creating living conditions for residents in accordance with environmental standards 2. Reducing the risk of floods 3. Ensuring the normal sanitary condition of garbage collection in the streets and green areas of the community 4. Ensuring the safety of residents and protection of the natural environment (green areas) 5. Modernization of community street lighting 6. Maintaining and strengthening the health of the community population, especially children 7. Healthy generation of the community population 8. Ensuring the restoration of health, strengthening and disease prevention of the population of Alaverdi, Akori, and Haghpats settlements of the Alaverdi community 9. Ensuring normal sanitary-hygienic conditions in Alaverdi community 10. Rooting the idea of a healthy lifestyle among the population, ensuring healthy, favorable living conditions	
Odzun community	http://www.odzun.am/Pages/DocFlow/Def.aspx?nt=1&a=v&q=e62654ce-c05a-483d-930b-cd4f34ceae4
Purpose of the programs 1. Construction of energy saving system of street lighting in Odzun and Hagvi settlements 2. Cleaning of floodgates in the streets of the Odzun settlement 3. Providing additional food to the preschoolers of the Odzun settlement	

Public control over the distribution of revenues from the sector

The process of using state-community budget payments from the metal mining sector is largely uncontrolled by the public, as those are accumulated in state and community budgets and are spent on a general basis, along with other tax payments from other sectors. Expenditures from revenues from the metal mining sector are available to the public as a tool for controlling only environmental payments made within the framework of the RA Law "On Targeted Use of Environmental Payments Made by Companies." In particular, according to the mentioned law, the contributions made to the administrative and fund budgets of the communities are targeted means, used solely for the implementation of environmental and health programs in the territory of the given communities.

Allocations to communities are made in the form of subsidies, in accordance with the RA Government Decision "On Approving the Procedure for Development (Design) of Environmental Programs," according to which the program is developed on the basis of a pre-approved technical task, with prior coordination with the ME or the Ministry of Health. According to the RA Law "On Targeted Use of Environmental Payments Made by Companies," the program is published by the community leader (each community publishes the relevant program on its website, as a result of which the program

becomes available to the public). According to the decision of the RA Government "On approving the procedure for elaboration (design) of environmental programs," before the approval of the project design documents, the state body implementing environmental programs informs the public within 15 days through mass media (including electronic means) (local state radio, television, newspaper), program and project demonstrations, publications, posting on websites, and public with discussions. The state bodies implementing environmental programs inform the public about those programs and their implementation by providing the relevant community leaders with the documents related to the mentioned programs. Companies, as well as other legal entities and individuals, can submit written recommendations to the community leader on the draft design within fifteen days after its publication. This mechanism has been described in detail in previous EITI reports, thus there is no need to dwell on it in detail.

5. The socio-economic and environmental impact of the mining industry

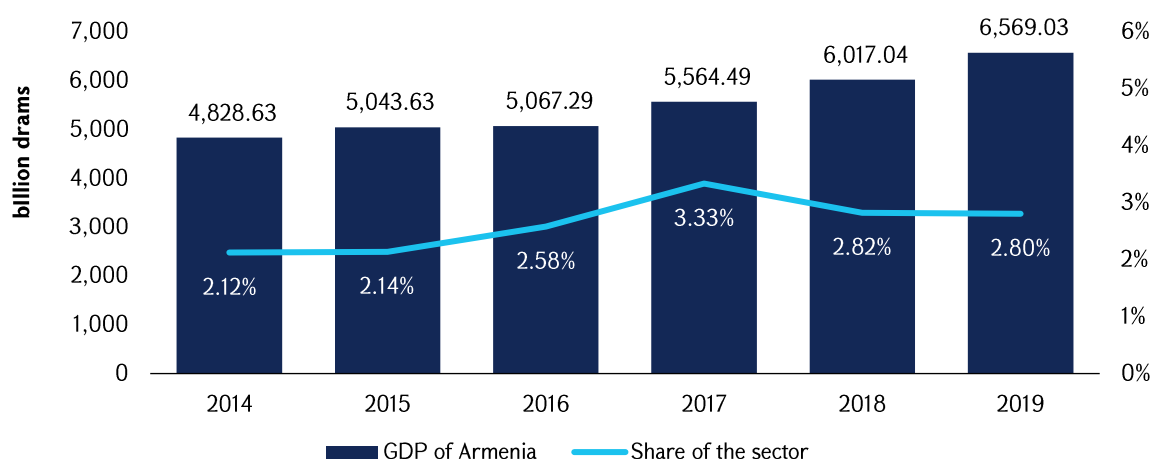
5.1. The role of the mining industry in the economy of the RA (Requirement 6.3)

In accordance with the information published by the Statistical Committee of the Republic of Armenia, the metal mining industry share was 2.8% of the country's GDP, amounting to AMD 184.23 billion in 2019. In 2019, the growth of the mining sector over the previous period made 8.5%. Overall, the average annual growth rate of the mining sector in the period of 2014-2019 was 10.3%. In comparison, the average annual GDP growth rate in the same period was 5.3%. It should be noted that in 2014-2017, the proportion of the mining industry in the country's GDP grew continuously, reaching 3.3% (the highest level of the observed period) in 2017. The termination of the Teghout mine in Lori region was a factor contributing to the reduction of the sector's share in 2018. The value of the mining industry in 2018 amounted to AMD 169.8 billion, which is 8.5% less than in 2017.

The mining and quarrying industry held the 13th position among the 20 industries presented in the GDP structure by the Statistical Committee of the Republic of Armenia in the reporting year.

5.1.1 Figure

Share of the mining and quarrying industry in the GDP of Armenia, 2014-2019



Source: Statistical yearbook of Armenia of the Statistical Committee of the Republic of Armenia for the respective years²⁴⁵

In 2019, the GDP increased by drams 552 billion, where the growth of the mining industry amounted to drams 14.44 billion.

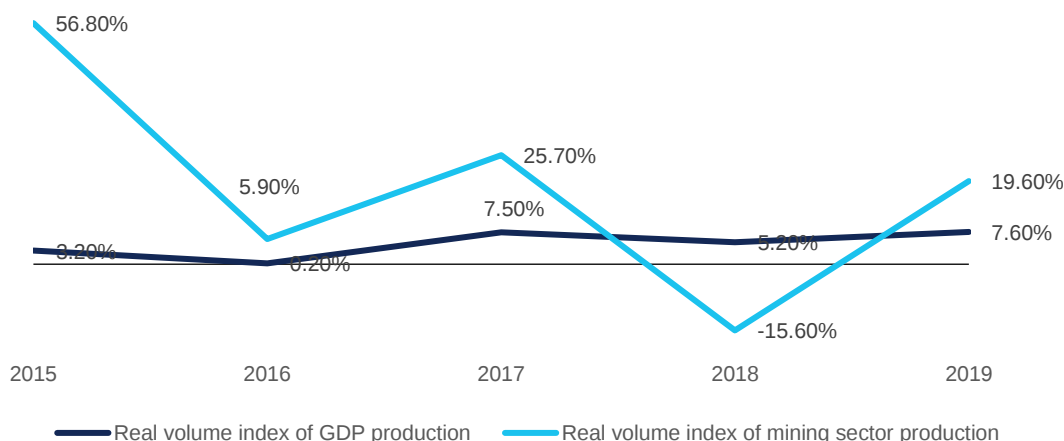
²⁴⁵ "System of National Accounts" section of the statistical yearbook published by the Statistical Committee of the Republic of Armenia for the respective years:

2014-2015: <https://www.armstat.am/file/doc/99499428.pdf>

2016-2019: <https://www.armstat.am/file/doc/99520928.pdf>

5.1.2 Figure

Real GDP and mining output indices, 2015-2019



Source: Statistical yearbook of Armenia of the Statistical Committee of the Republic of Armenia for the respective years²⁴⁶

Nominal GDP increased significantly in absolute terms in 2014-2019, whereas the gross added value of the metal mining industry continued to fluctuate, increasing from drams 103 billion in 2014 to drams 184.2 billion in 2019.

The share of the industry in the GDP of Armenia in 2019 has not changed in percentage terms compared to the previous year, but there has been an increase in gross added value in absolute value terms. The GDP increased by AMD 552 billion, while the gross added value of the mining and quarrying industry increased by AMD 14.44 billion.

Below is the share of the mining and quarrying industry and open mining pit sector in the GDP of the RA in 2014-2019, compared to the top five sectors.

5.1.1 Table

Share of the mining and quarrying industry and open mining pit sector in the GDP of the RA, compared to the top five sectors, 2014-2019

Billion drams	2014	2015	2016	2017	2018	2019
RA GDP	4,828.63	5,043.63	5,067.29	5,564.49	6,017.04	6,569.03
Agriculture, forestry and fishery	872.63	868.67	830.55	834.35	838.91	787.52
Share of the sector	18.1%	17.2%	16.4%	15.0%	13.9%	12.0%
Manufacturing industry	466.76	464.33	521.15	591.57	678.24	771.16
Share of the sector	9.7%	9.2%	10.3%	10.6%	11.3%	11.7%
Wholesale and retail; automobile and motorcycles repair	570.37	551.48	499.04	614.99	692.65	755.69
Share of the sector	11.8%	10.9%	9.8%	11.1%	11.5%	11.5%
Production taxes (less subsidies)	546.34	535.80	508.80	572.08	639.23	745.19

²⁴⁶ "System of National Accounts" section of the statistical yearbook published by the Statistical Committee of the RA for the respective years

2014-2015: <https://www.armstat.am/file/doc/99499428.pdf>

2016-2019: <https://www.armstat.am/file/doc/99520928.pdf>

<i>Share of the sector</i>	11.3%	10.6%	10.0%	10.3%	10.6%	11.3%
Activity related to real estate	403.72	437.50	434.59	436.49	459.86	493.08
<i>Share of the sector</i>	8.4%	8.7%	8.6%	7.8%	7.6%	7.5%
Mining and quarrying industry and exploitation of open mining pits	102.55	107.72	130.84	185.51	169.80	184.23
<i>Share of the sector</i>	2.1%	2.1%	2.6%	3.3%	2.8%	2.8%

Source: Statistical yearbook of Armenia of the Statistical Committee of the RA for the respective years

Artisanal and small-scale mining

As in the 2018 Report²⁴⁷, this report examines available relevant judicial acts and decrees of administrative bodies related to informal activities for the purpose of analyzing artisanal and small-scale mining activities. The 2019 annual activity report published by the Nature Protection and Subsoil Inspection Body of the Republic of Armenia does not mention any cases of recording informal activities in the metal mining industry. No judicial cases related to informal activities in the field of mining have been revealed.

Given the scale of the sector, legislation, control and reporting requirements, it is expected that there should be no informal activity in this sector.

Geography of the sector by companies' activities

Syunik region is the leader in the number of companies engaged in metal mining in the RA; 11 mining companies operate in the region. These companies are: Aktiv Lernagorts LLC, Agarak Copper Molybdenum Combine CJSC, AT-Metals LLC, Chaarat Kapan CJSC, Geghi Gold LLC, Gharagulyanner CJSC, Ler-Ex LLC, Lichkvaz CJSC, Molibdeni Ashkharh LLC, Tatstone LLC and Zangezour Copper Molybdenum Combine CJSC.

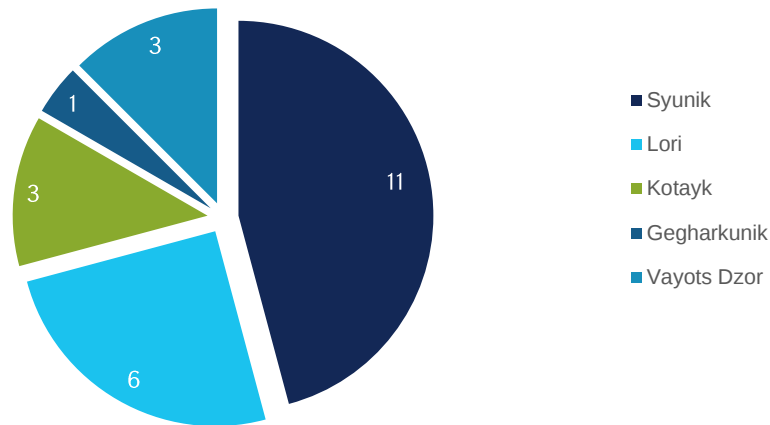
Lori region is in the second place, with six companies operating there: Akhtala Mining and Processing Enterprise CJSC, Assat LLC, Baktek Eco LLC, Multi Group Concern LLC, Sagamar CJSC and Teghout CJSC.

The number of companies engaged in mining is three both for Vayots Dzor and Kotayk regions. The following companies operate in Vayots Dzor: Lydian Armenia CJSC, Vardani Zartongy LLC and Vayk Gold LLC. The mining companies operating in Kotayk region are: Fortune Resources LLC, Meghradzor Gold LLC and Paramount Gold Mining CJSC. There is one mining company operating in Gegharkunik region - Geopromining Gold LLC.

²⁴⁷ The EITI second report, https://www.eiti.am/files/annul_reports/main/1/2018_EITI_Report_Armenia_arm.pdf, page 211

Figure 5.1.3

Distribution of mining companies by the regions of Armenia



Source: Reports provided by the companies to the EITI

5.2. Employment in the metal mining industry (Requirement 6.3)

The industry is the third sector in the Armenian economy in terms of employment, after the service and agriculture sectors. In 2018, 125.2 thousand people or 13.8% of the total number of those employed worked for the sector. In 2019, the share of the sector did not change, but the absolute values of those employed in the general and industrial sectors have both increased.

Table 5.2.1

Employment in the RA, 2014–2019

Thousand people	2014	2015	2016	2017	2018	2019
Employed, total	1,133.5	1,072.6	1,006.2	1,011.7	907.5	1,077.4
Industry	131.0	120.8	121.4	132.9	125.2	149.0
Share of industry, %	11.6%	11.3%	12.1%	13.1%	13.8%	13.8%

Source: Statistical yearbook of Armenia of the Statistical Committee of the RA for the respective years²⁴⁸

In 2017-2018, the share of the mining sector in the total employment of industry was 6.9% and 7.3%, respectively, and the total number of employees was 9.2 thousand people. In 2019, the share of the sector decreased to 5.8%, and the total number of employees made 8.7 thousand, according to the Statistical Committee of the Republic of Armenia.

²⁴⁸ "Labor Market" section of the statistical yearbook published by the Statistical Committee of the RA for the respective years:

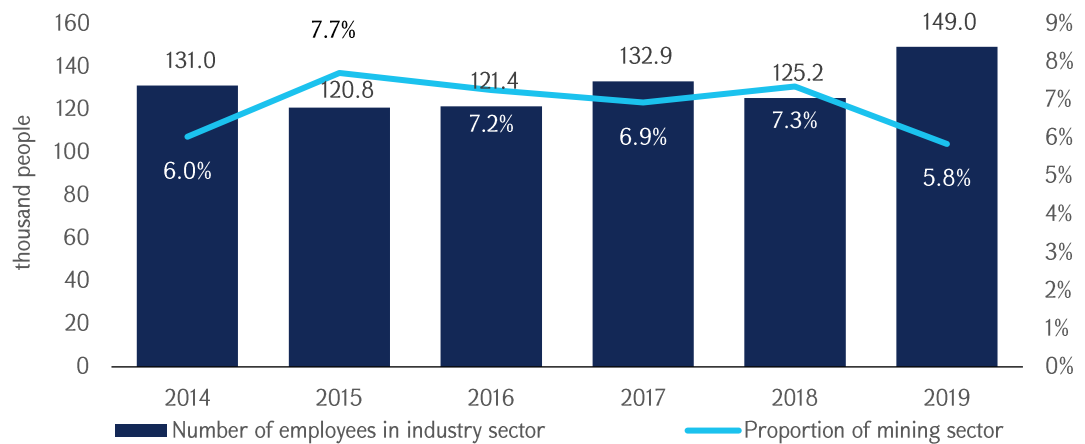
2014-2015: <https://www.armstat.am/file/doc/99493603.pdf>

2016-2017: <https://www.armstat.am/file/doc/99504348.pdf>

2018-2019: <https://www.armstat.am/file/doc/99521073.pdf>

Figure 5.2.1

Share of mining in the total number of those employed in the industry sector, 2014– 2019



Source: Statistical Committee of the RA

According to the data provided by mining companies, in the reporting period, more than 98% of those employed in the metal mining sector are citizens of the RA, 94% have a permanent employment contract, and about 82% are male.

Table 5.2.2

Structure of employment in mining companies in 2019

	Female	Male	RA citizen	Foreign citizen	Permanent	Temporary	Total
Number of employed	1,806	8,495	10,115	186	9,711	590	10.301

Source: Reports provided by the companies to the EITI

In 12 out of the 24 reporting companies, at least one woman is represented in the management. During the reporting year, only Chaarat Kapan CJSC and Zangezur Copper Molybdenum Combine CJSC had ten or more female employees in the management, while Zangezur Copper Molybdenum Combine CJSC is also the leader in the inclusion of women. The management of the mentioned companies includes 10 and 57 female employees, respectively.

The total number of women represented in the management of mining companies is 92, which is about 5% of the employed women. In comparison with the previous year, there was a small increase in the number of women in the management, however, their share in the number of women employed in the sector remained unchanged.

Six companies account for the majority of the jobs created in the sector (about 94%). The table below summarizes the data on the number of jobs created by mining companies.

Table 5.2.3

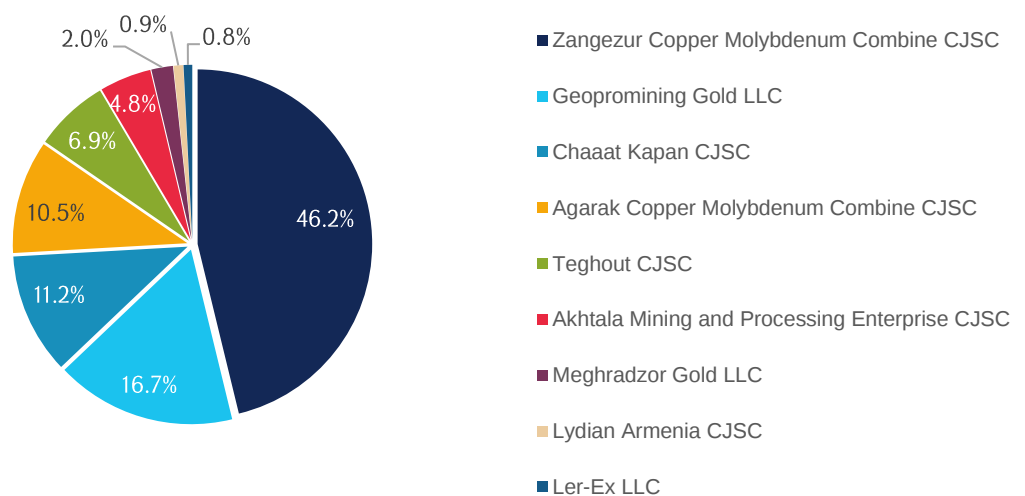
Number and share of employees of mining companies in 2019

Company name	Number of employees	Share
Zangezur Copper Molybdenum Combine CJSC	4,626	44.91%
Geopromining Gold LLC	1,673	16.24%
Chaarat Kapan CJSC	1,120	10.87%
Agarak Copper Molybdenum Combine CJSC	1,051	10.20%
Teghout CJSC	691	6.71%
Akhtala Mining And Processing Enterprise CJSC	481	4.67%
Meghradzor Gold LLC	196	1.90%
Multi Group Concern LLC	141	1.37%
Lydian Armenia CJSC	93	0.90%
Ler-Ex LLC	77	0.75%
Sagamar CJSC	55	0.53%
Lichkvaz CJSC	21	0.19%
AT-Metals LLC	18	0.17%
Assat LLC	16	0.16%
Geghi Gold LLC	14	0.14%
Tatstone LLC	11	0.11%
Gharagulyanner CJSC	5	0.05%
Molibdeni Ashkharh LLC	5	0.05%
Paramount Gold Mining CJSC	3	0.03%
Aktiv Lernagorts LLC	1	0.01%
Baktek Eco LLC	1	0.01%
Fortune Resources LLC	1	0.01%
Vardani Zartongy LLC	1	0.01%
Vayk Gold LLC	1	0.01%
Total	10,301	100%

Source: Reports provided by the companies to the EITI

Figure 5.2.2

Shares of comparable mining companies by number of employees, 2019



Source Reports provided by the companies to the EITI

The information on employment in the metal mining industry provided by the Statistical Committee of the Republic of Armenia differs from the data provided by mining companies.

In accordance with the data provided by the companies, in 2019, 10.3 thousand people worked in mining companies, whereas, according to the Statistical Committee of the Republic of Armenia, that number is 8.7 thousand. This difference is due to the methodology of collecting information. In particular, the employment statistics provided by the Statistical Committee are based on a sample survey of the household labor force, while the employment data of the companies reflect the average number of employees during the reporting year (average of the average number of payroll employees for each of 12 months of the reporting year). Similar differences were also observed during the previous reporting years.

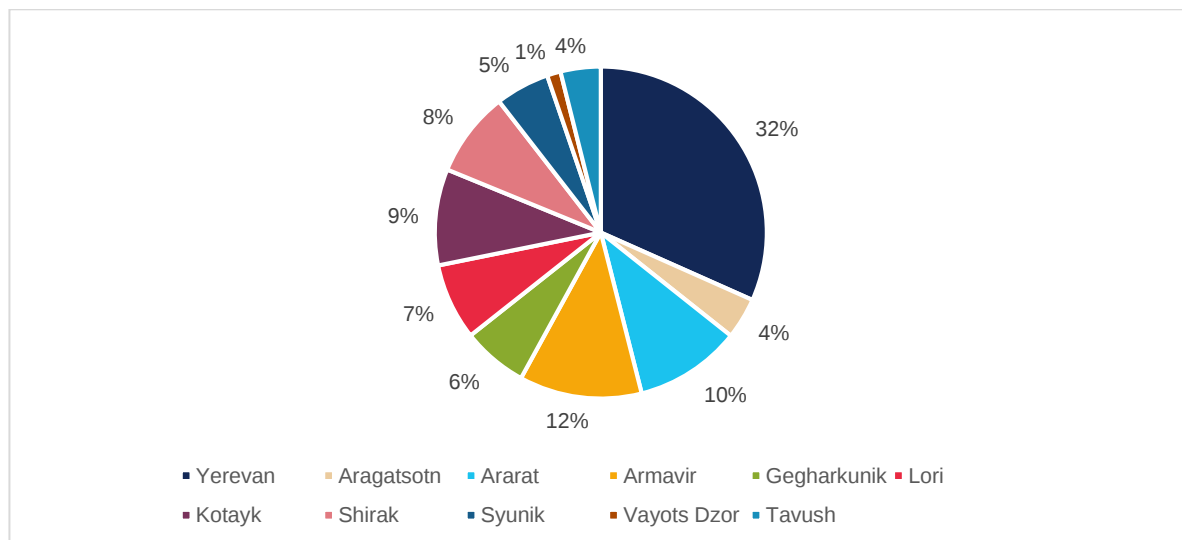
According to the 2018 EITI Report, no reliable information on informal employment in the mining industry was published in publicly available sources. Furthermore, given the specifics of the metal mining industry, including the high level of public attention, strict legislative regulations, control and reporting requirements, the level of informal employment in this sector can generally be considered non-risky.

Sector's geography by employment

The distribution of employment in the field of metal ore extraction is significantly different from that of general employment in Armenia. According to the Statistical Committee of the Republic of Armenia, Yerevan accounts for 32% of the total number of those employed in 2019. Armavir region is the second with its 12% share, and Ararat region accounts for 10% of those employed.

Figure 5.2.3

Percentage distribution of those employed in all sectors by regions and the capital in 2019

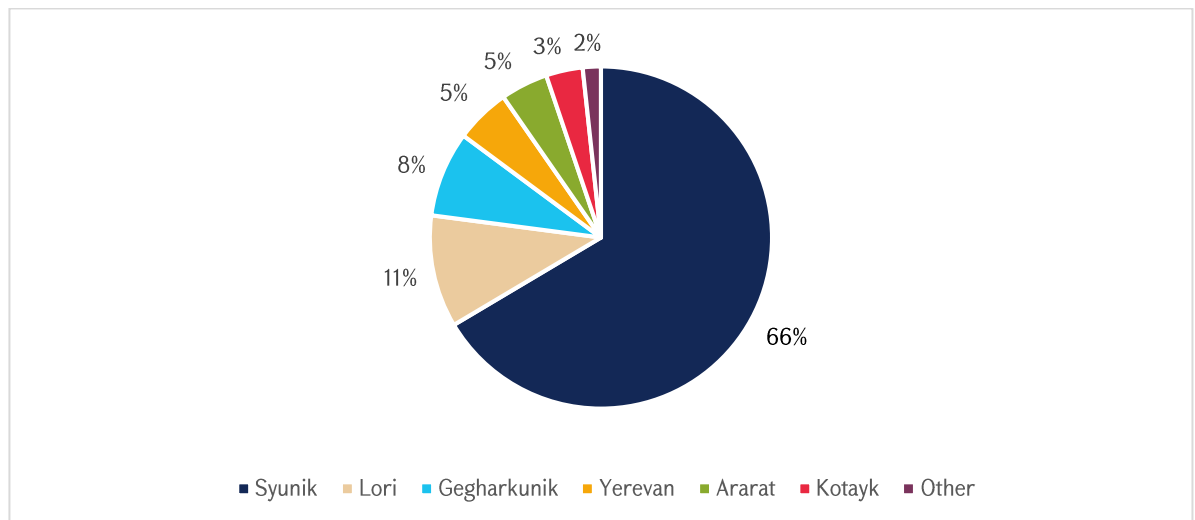


Source: "Regions of the Republic of Armenia and the City of Yerevan in Numbers, 2020" Publication of the Statistical Committee of the RA

Based on the reports submitted by mining companies, 66% of those employed are registered in Syunik region, where the three largest cities in the metal mining sector are located: Kajaran, Kapan, Meghri. Lori accounts for 11% and Gegharkunik accounts for 8% of those employed. 5% of the employees of the mining companies are registered in Yerevan. Besides, there are many cases when the employees are registered in Yerevan, but perform their functions in Syunik, Lori or Gegharkunik.

Figure 5.2.3

Percentage distribution of people employed in mining companies by regions and the capital in 2019



Source: Reports provided by companies to the EITI

5.3. Socio-economic activities carried out by mining companies (Requirement 6.1)

The social costs incurred by mining companies in accordance with the legislation or in the scope of a contract signed with the government, are to be disclosed according to the requirements of the EITI Standard. Under the contract, mining companies have an obligation to implement socio-economic programs in the affected communities.

There have been no changes in the contractual obligations of companies in 2019 in terms of socio-economic development allocations. As of 2018, the social obligations set out in the mining companies' contracts are presented in that year's report²⁴⁹.

Under 13 mining contracts, 12 companies have undertaken an obligation related to socio-economic development in communities. During 2019, the implementation of the obligations by these mining companies is represented by financial (not in kind) contributions, which were transferred to the community budget, and not to a third party. The list of companies that have undertaken an obligation under mining contracts, the amount of the obligation, the fulfillment of such obligations during 2019, based on the reports submitted by the companies and the communities, is presented below.

Table 5.3.1

Implementation of obligations under mining contracts in 2019, thousand Armenian drams

Company	Contractual obligation, annual	Contractual obligation, with other terms *	Company's report	Community's report	Difference
Agarak Copper Molybdenum Combine CJSC	3,300	7,000	8,500	8,500	-

²⁴⁹ The EITI second report, https://www.eiti.am/files/annul_reports/main/1/2018_EITI_Report_Armenia_arm.pdf,

Company	Contractual obligation, annual	Contractual obligation, with other terms *	Company's report	Community's report	Difference
Assat LLC	1,000	-	-	-	-
AT-Metals LLC	3,600	-	-	-	-
Baktek Eco LLC	250	400	-	-	-
Geghi Gold LLC	650	-	500	500	-
Geopromining Gold LLC	-	13,200	4,800	4,800	-
Tatstone LLC (copper-molybdenum site of Aygedzor)	3,000	-	3,000	3,000	-
Tatstone LLC (copper site of Lichk)	3,000	-	2,030	2,030	-
Lydian Armenia CJSC	61,500	-	-	-	-
Gharagulyanner CJSC	1,000	250	500	1,000	(500)
Molibdeni Ashkharh LLC	12,800	-	-	-	-
Sagamar CJSC	1,000	5,000	-	-	-
Vayk Gold LLC	3,000	-	-	-	-

Source: Reports provided by companies and communities to the EITI

Notes: * Contractual obligations can be set for different periods, e.g., 3 years, 5 years, etc.

The difference between the reports submitted by Gharagulyanner CJSC and Meghri Municipality is due to the faulty completion of the report by the company. The company presented the amount of difference at AMD 500 thousand as a donation to the community.

In addition to the obligations under mining contracts, mining companies make donations to communities, other organizations and individuals. Below is a summary of all the companies and their contributions to the affected communities both within and outside the scope of their contractual obligations, as well as charitable donations provided through legal entities and individuals in Armenian drams.

Table 5.3.2

Socio-economic obligations and donations by companies in 2019

Company	Fulfillment of obligations under mining contracts	Charity allocations and donations to the community	Donations to non-commercial legal entities and individuals
Agarak Copper Molybdenum Combine	8,500,000	82,197,535	32,493,852
Akhtala Mining and Processing Enterprise CJSC	-	60,000,000	3,140,000
AT-Metals LLC	-	1,698,500	-
Geopromining Gold LLC	4,800,000	-	115,278,667
Zangezur Copper Molybdenum Combine CJSC	-	4,063,696,935	5,042,587,783
Tatstone LLC	5,030,000	-	-
Teghout CJSC	-	6,504,689	6,603,329
Lichkvaz CJSC	-	25,000,000	-
Gharagulyanner CJSC	500,000	500,000	-

Company	Fulfillment of obligations under mining contracts	Charity allocations and donations to the community	Donations to non-commercial legal entities and individuals
Chaarat Kapan CSJC	-	71,714,800	51,614,408
Geghi Gold LLC	500,000	-	150,000
Ler-Ex LLC	-	-	150,000
Meghradzor Gold LLC	-	-	9,721,175
Multi Group Concern LLC	-	-	18,181,000
Sagamar CJSC	-	-	251,550
Aktiv Lernagorts LLC	-	-	-
Assat LLC	-	-	-
AT-Metals LLC	-	-	-
Baktek Eco LLC	-	-	-
Lydian Armenia CJSC	-	-	-
Marjan Mining Company LLC	-	-	-
Mego Gold LLC	-	-	-
Molibdeni Ashkharh LLC	-	-	-
Paramount Gold Mining CJSC	-	-	-
Vayk Gold LLC	-	-	-
Vardani Zartongy LLC	-	-	-
Fortune Resources LLC	-	-	-
Total	19,330,000	4,311,312,459	5,280,171,764

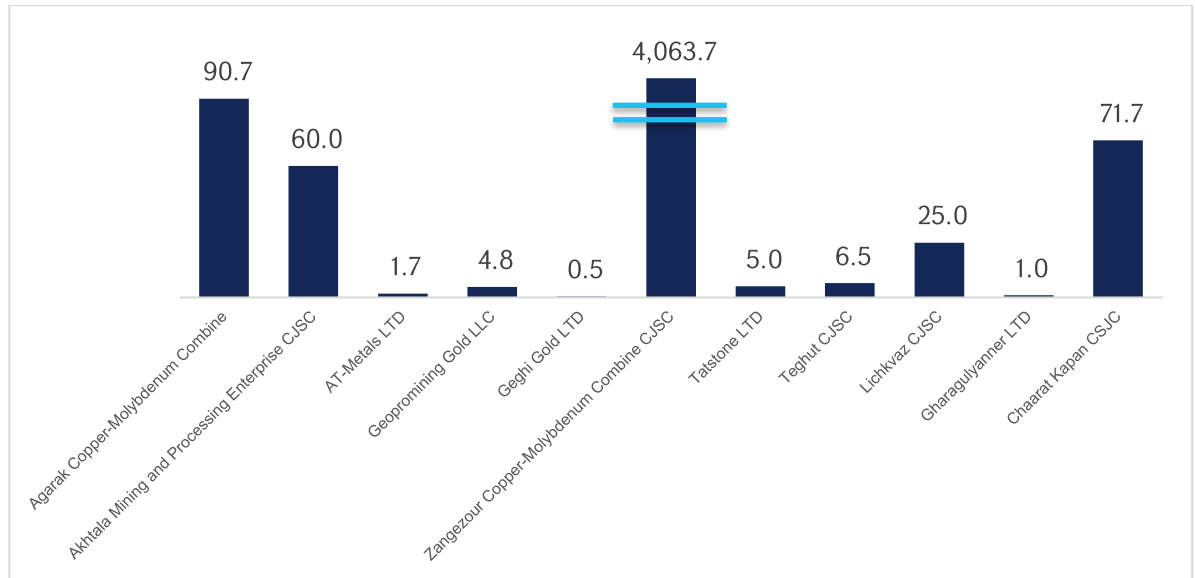
Source: Reports provided by companies to the EITI

Implementation of the socio-economic development commitments and donations to the affected communities by 11 mining companies amounted to AMD 4.3 billion in 2019.

Zangezur Copper Molybdenum Combine CJSC is the leader in monetary expression regarding the projects implemented by mining companies with AMD 4.064 million. Agarak Copper Molybdenum Combine CJSC (AMD 91 million) is in the second place, and the next is Chaarat Kapan CJSC (AMD 72 million). Contributions under the commitments for the socio-economic development of the affected communities and donations to the communities in 2019 in monetary expression are presented below.

Figure 5.3.1

Contributions under the commitments for the socio-economic development of the affected communities and donations to the communities in 2019, million drams

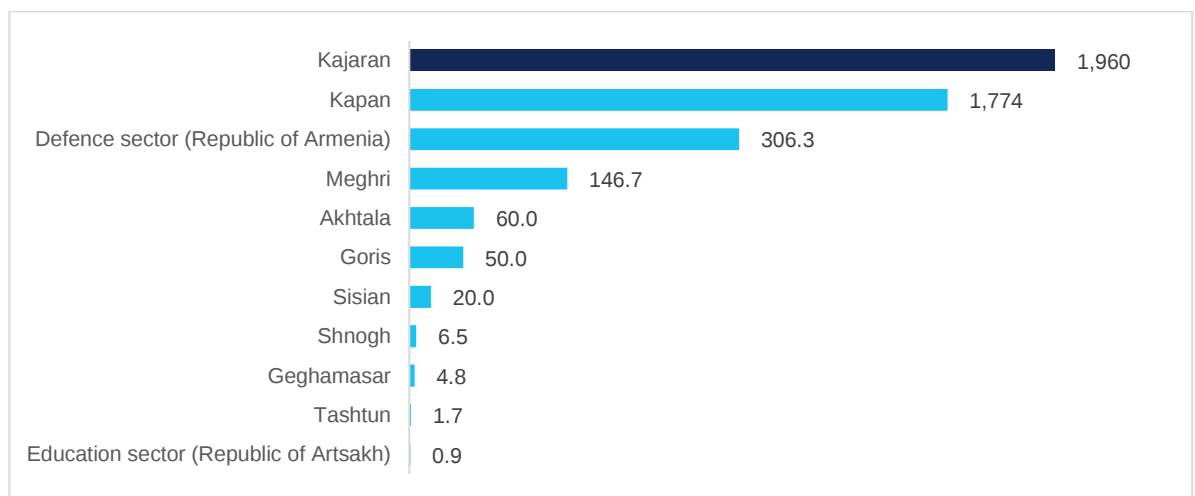


Source: Reports provided by the companies to the EITI

In accordance with the reports submitted by the mining companies, obligations for the socio-economic development were fulfilled and charitable donations were made for the nine communities of the Republic of Armenia and Nor Kharkhaput community of the Republic of Artsakh (sphere of education), as well as for the Ministry of Defense of the Republic of Armenia (sphere of defense). Among the communities, Kajaran is the leader in terms of projects implemented in monetary expression with AMD 1,960 million, followed by Kapan and Meghri communities with AMD 1,774 million and AMD 147 million respectively. Below is the total of the projects in monetary expression implemented by the mining companies in the affected communities in 2019.

Figure 5.3.2

Contributions in the scope of contractual obligations and charitable donations made by mining companies for the affected communities in 2019 in monetary expression, million drams



Source: Reports provided by the companies to the EITI

According to the reports submitted by the mining companies, in 2019, the mining companies implemented about 50 projects in the affected communities by fulfilling contractual obligations and making charitable donations. Major projects in monetary expression include the financing of the construction of infrastructure for the reopening of Kapan Airport, funding of the defense, education, culture and healthcare sectors, contractual obligations, etc. Below are all the projects implemented by the mining companies in the affected communities in 2019.

Table 5.3.3

All projects (including obligations set forth in mining contracts) implemented by the mining companies in the affected communities in 2019

Company	Community	Objective	Value in drams
Agarak Copper Molybdenum Combine CJSC	Meghri	Asphalt paving	18,097,535
Agarak Copper Molybdenum Combine CJSC	Meghri	Installation of gas facilities	3,600,000
Agarak Copper Molybdenum Combine CJSC	Meghri	Implementation of socio-economic development commitments	8,500,000
Agarak Copper Molybdenum Combine CJSC	Meghri	Donation	60,500,000
Akhtala Mining And Processing Enterprise CJSC	Akhtala	Donation	60,000,000
AT-Metals LLC	Tashtun	Non-financial donation	1,698,500
Geopromining Gold LLC	Geghamasar	Implementation of socio-economic development commitments	4,800,000
Geghi Gold LLC	Kajaran	Implementation of socio-economic development commitments	500,000
Zangezur Copper Molybdenum Combine CJSC	Nor Kharkhaput	Assistance in education sector	939,120
Zangezur Copper Molybdenum Combine CJSC	Goris	Cofunding of subvention projects	50,000,000
Zangezur Copper Molybdenum Combine CJSC	Kapan	Funding of school heating	53,602,359
Zangezur Copper Molybdenum Combine CJSC	Kapan	Provision of sports and cultural assets	139,496
Zangezur Copper Molybdenum Combine CJSC	Kapan	Assistance	34,000,000
Zangezur Copper Molybdenum Combine CJSC	Kapan	Assistance	46,893,181
Zangezur Copper Molybdenum Combine CJSC	Kapan	Assistance	840,000
Zangezur Copper Molybdenum Combine CJSC	Kapan	Funding of healthcare sector	9,477,927
Zangezur Copper Molybdenum Combine CJSC	Kapan	Cofunding of medical remunerations	7,730,775
Zangezur Copper Molybdenum Combine CJSC	Kapan	Improvement	4,800,000
Zangezur Copper Molybdenum Combine CJSC	Kapan	Support to the media	17,146,939
Zangezur Copper Molybdenum Combine CJSC	Kapan	Cofunding of street lighting	29,500,000
Zangezur Copper Molybdenum Combine CJSC	Kapan	Funding of infrastructures of Kapan airport	1,411,593,022

Company	Community	Objective	Value in drams
Zangezur Copper Molybdenum Combine CJSC	Kapan	Repair of Kavsakan bridge	5,090,770
Zangezur Copper Molybdenum Combine CJSC	Kapan	Assistance to the RA Kapan police department	1,203,540
Zangezur Copper Molybdenum Combine CJSC	Kapan	Cofunding of subvention projects	80,000,000
Zangezur Copper Molybdenum Combine CJSC		Assistance to defense sector	306,313,603
Zangezur Copper Molybdenum Combine CJSC	Meghri	Cofunding of subvention projects	25,000,000
Zangezur Copper Molybdenum Combine CJSC	Sisian	Cofunding of subvention projects	20,000,000
Zangezur Copper Molybdenum Combine CJSC	Kajaran	Funding of healthcare sector	14,023,500
Zangezur Copper Molybdenum Combine CJSC	Kajaran	Transportation – school and kindergarten	42,104,210
Zangezur Copper Molybdenum Combine CJSC	Kajaran	Assistance to defense sector	124,602,000
Zangezur Copper Molybdenum Combine CJSC	Kajaran	Assistance	45,853,511
Zangezur Copper Molybdenum Combine CJSC	Kajaran	Funding of garbage collection in Lernadzor	4,200,000
Zangezur Copper Molybdenum Combine CJSC	Kajaran	Donation for socio-economic development	118,000,000
Zangezur Copper Molybdenum Combine CJSC	Kajaran	Cofunding of subvention projects	152,000,000
Zangezur Copper Molybdenum Combine CJSC	Kajaran	Assistance to garbage collection	8,192,016
Zangezur Copper Molybdenum Combine CJSC	Kajaran	Funding of healthcare sector	8,363,675
Zangezur Copper Molybdenum Combine CJSC	Kajaran	Cofunding of medical remuneration	19,368,000
Zangezur Copper Molybdenum Combine CJSC	Kajaran	Assistance to the Palace of Culture	187,572,618
Zangezur Copper Molybdenum Combine CJSC	Kajaran	Assistance to preschool education	399,793,300
Zangezur Copper Molybdenum Combine CJSC	Kajaran	Improvement	645,242,819
Zangezur Copper Molybdenum Combine CJSC	Kajaran	Organization of sports and cultural events	40,315,000
Zangezur Copper Molybdenum Combine CJSC	Kajaran	Assistance - sport complex exploitation	149,795,554
Tatstone LLC	Meghri	Implementation of socio-economic development commitments	5,030,000
Teghout CJSC	Shnogh	Assistance - stationery	816,367
Teghout CJSC	Shnogh	Assistance - pipe, computer equipment	1,559,139
Teghout CJSC	Shnogh	Assistance - maintenance of road	3,174,183
Teghout CJSC	Shnogh	Assistance - chess accessories	530,000
Teghout CJSC	Shnogh	Assistance - compensation of transportation expenses	425,000

Company	Community	Objective	Value in drams
Lichkvaz CJSC	Meghri	Donation in the scope of corporate social responsibility	25,000,000
Gharagulyanner CJSC	Meghri	Implementation of socio-economic development commitments	500,000
Gharagulyanner CJSC	Meghri	School and kindergarten renovation	500,000
Chaarat Kapan CSJC	Kapan	Within the scope of the Socio-Economic Cooperation Agreement signed with the community	70,000,000
Chaarat Kapan CSJC	Kapan	Preschool building renovation in Geghanush village	1,714,800

Source: Reports provided by the companies to the EITI

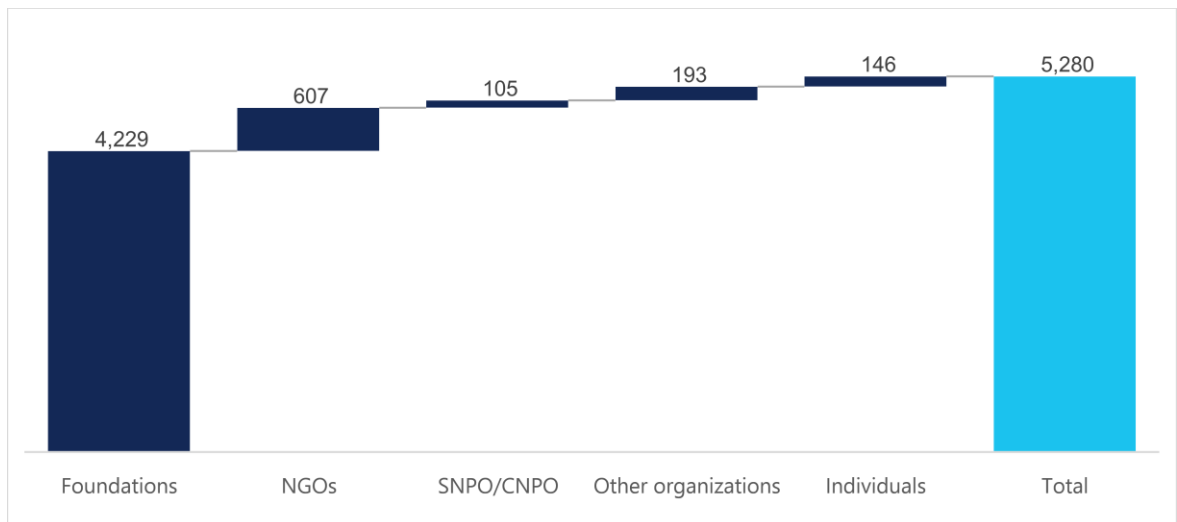
Notes: The colored lines represent the implementation of the obligations under mining contracts

5.4. Donations by mining companies

During 2019, 11 of the mining companies made donations, allocations or other contributions to non-commercial legal entities, and seven companies made such donations, allocations or other contributions to individuals. In general, donations to foundations, legal entities and individuals in 2019 amounted to AMD 5.28 billion, of which AMD 5.13 billion to legal entities and AMD 150 million to individuals. The basis for the classification of the beneficiary entities by their organizational and legal type was the information contained in the reports submitted by the mining companies.

Figure 5.4.1

Donations by the mining companies in 2019, broken down by types of beneficiaries, million drams



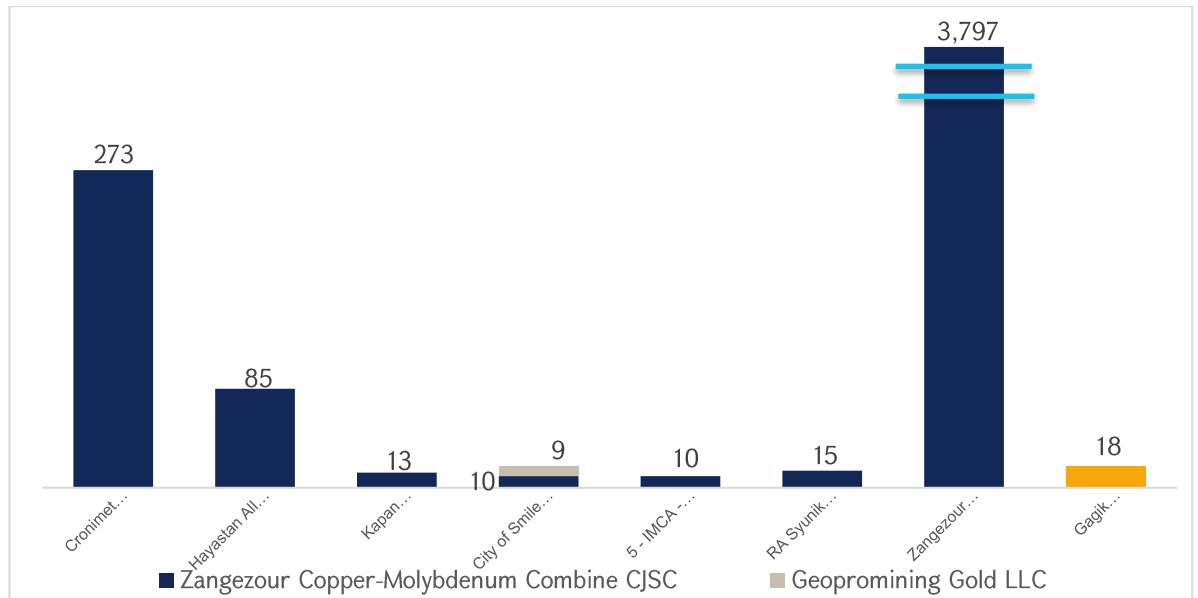
Source: Reports provided by the companies to the EITI

Donations to foundations

In 2019, the total amount of donations to foundations amounted to AMD 4.23 billion (about 80% of total donations). Four companies made donations to foundations. Below are the donations to foundations by the mining companies, which total amount of donations exceeds AMD 1 million.

Figure 5.4.2

Donations to foundations by mining companies in 2019, million drams



Source: Reports provided by the companies to the EITI

Table 5.4.1

Voluntary donations, allocations and other contributions to foundations by mining companies in 2019

Company	Foundation	Socio-economic contribution according to the report submitted by the mining company	Socio-economic contribution according to the report submitted by the foundation	Difference	Link to the report submitted by the foundation	Comments regarding audit
Geopromining Gold LLC						
	City of Smile Charitable Foundation	8,500,000	8,500,000	-	https://cityofsmile.org/hy/%D5%B0%D5%A1%D5%B7%D5%BE%D5%A5%D5%BF%D5%BE%D5%B8%D6%82%D5%A9%D5%B5%D5%B8%D6%82%D5%B6%D5%B6%D5%A5%D6%80/	N/A
Zangezur Copper Molybdenum Combine CJSC						
	5 - IMCA - 2019 Health Foundation	10,000,000	Not reflected	-	https://www.petekamutner.am/shared/Reports/Report2019-00190884-vh.pdf	N/A
	Zangezur Copper Molybdenum Combine CJSC	3,796,522,410	3,796,522,410	-	https://www.petekamutner.am/shared/Reports/Report2019-09424487-vh.pdf	N/A
	Kapan Charitable Foundation	13,000,000	13,000,000	-	https://www.azdarar.am/announcements/org/131/00654421/	https://www.azdarar.am/announcements/org/131/00654421/
	All Armenian Fund	85,104,250	Not reflected	-	https://www.petekamutner.am/shared/Reports/Report2019-02507456-vh.pdf	https://www.himnadram.org/files/2020/07/5260626.pdf

Company	Foundation	Socio-economic contribution according to the report submitted by the mining company	Socio-economic contribution according to the report submitted by the foundation	Difference	Link to the report submitted by the foundation	Comments regarding audit
	Union of Manufacturers and Businessmen NGO	2,757,000	Not reflected	-	N/A	N/A
	RA Syunik Region Development and Investment Foundation	14,750,000	Not reflected	-	https://www.petekamutner.am/shared/Reports/Report2019-09425412-vh.pdf	N/A
	City of Smile Charitable Foundation	10,000,000	10,000,000	-	https://cityofsmile.org/hy/%D5%B0%D5%A1%D5%B7%D5%BE%D5%A5%D5%BF%D5%BE%D5%B8%D6%82%D5%A9%D5%B5%D5%B8%D6%82%D5%B6%D5%B6%D5%A5%D6%80/	N/A
	Cronimet Charity Foundation	273,000,000	Not reflected	-	https://www.petekamutner.am/shared/Reports/Report2019-02600555-vh.pdf	N/A
Multi Group Concern LLC						
	Gagik Tsarukyan Charity Foundation	18,181,000	Not reflected	-	https://www.petekamutner.am/shared/Reports/Report2019-02568189-vh.pdf	N/A
Chaarat Kapan CJSC						
	Syunik Marz Child and Family Support Fund	255,000	Not reflected	-	https://www.petekamutner.am/shared/Reports/Report2019-09420443-vh.pdf	N/A

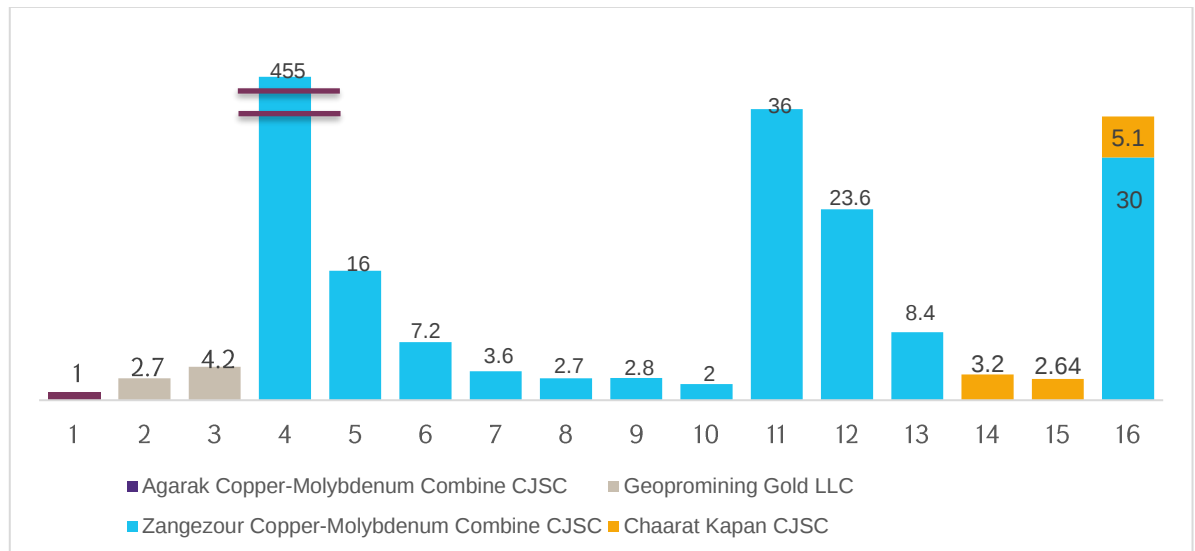
Source : Websites of the companies, azdarar.am, website of the State Revenue Committee of the Republic of Armenia

Donations to non-governmental organizations

In 2019, the donations made by mining companies to non-governmental organizations amounted to drams 607 million (about 11.5% of the total donations). Six companies made donations. Below are the donations to non-governmental organizations, the amount of which is over drams 1 million.

Figure 5.4.3

Financial and non-financial donations made by mining companies to non-governmental organizations in 2019, million drams²⁶⁷



Source: Reports provided by the companies

Note: Non-governmental organizations presented in the figure by sequence numbers:

- 1 Meghri Regional Horticulture Development NGO
- 2 Power and Right NGO
- 3 Mas Wrestling Federation of Armenia
- 4 Public Diplomacy Charitable NGO
- 5 Mission Armenia Charitable NGO
- 6 Protection of the Rights of the Families of the Killed and Wounded Freedom Fighters of Kapan Charitable NGO
- 7 House of Hope and Faith Charitable NGO
- 8 Armenian Center of International Union of Puppets NGO
- 9 Union of Manufacturers and Businessmen NGO
- 10 Syunik Region Athletic Federation NGO
- 11 Unity Charitable NGO
- 12 Parnas Cultural NGO
- 13 Kajaran regional department of Union of Yerkrpah Volunteers PO
- 14 Freedom-Fighter Committee
- 15 Syunik branch of Red Cross Armenia
- 16 Diocese of Syunik

²⁶⁷ The figure shows only non-governmental organizations whose financial and non-financial donation amount exceeds drams 1 million

Table 5.4.2
Voluntary donations, allocations and other contributions to NGOs by mining companies in 2019

Company	NGO	Socio-economic contribution according to the report submitted by the mining company	Socio-economic contribution according to the report submitted by the NGO	Difference	Link to the report submitted by the NGO	Comments regarding audit
Agarak Copper Molybdenum Combine CJSC						
	Meghri Regional Horticulture Development NGO	1,000,000	Not reflected	-	N/A	N/A
Akhtala Mining and Processing Enterprise CJSC						
	You Are Not Alone NGO	150,000	Not reflected	-	N/A	N/A
	Echo NGO	130,000	Not reflected	-	N/A	N/A
Geopromining Gold LLC						
	Mas Wrestling Federation of Armenia	4,150,000	Not reflected	-	N/A	N/A
	Power and Right NGO	2,715,000	Not reflected	-	N/A	N/A
Zangezur Copper Molybdenum Combine CJSC						
	Mission Armenia NGO	16,000,000	Not reflected	-	N/A	N/A
	Protection of the Rights of the Families of the Killed and Wounded Freedom	7,200,000	Not reflected	-	N/A	N/A

Company	NGO	Socio-economic contribution according to the report submitted by the mining company	Socio-economic contribution according to the report submitted by the NGO	Difference	Link to the report submitted by the NGO	Comments regarding audit
	Fighters of Kapan Charitable NGO					
	Union of Manufacturers and Businessmen NGO	2,757,000	Not reflected	-	N/A	N/A
	Public Democracy Charitable NGO	455,000,000	Not reflected	-	N/A	N/A
	House of Hope and Faith Charitable NGO	3,600,000	Not reflected	-	N/A	N/A
	Unity Charitable NGO	36,000,000	Not reflected	-	N/A	N/A
	Parnas Cultural NGO	23,614,800	Not reflected	-	N/A	N/A
	Syunik Region Athletic Federation NGO	2,000,000	Not reflected	-	N/A	N/A
	Chess Federation of Syunik Region NGO	9,000	Not reflected	-	N/A	N/A
	Armenian Center of International Union of Puppets NGO	2,700,000	Not reflected	-	N/A	N/A
Ler-Ex LLC			Not reflected	-	N/A	N/A
	Echo NGO	150,000				

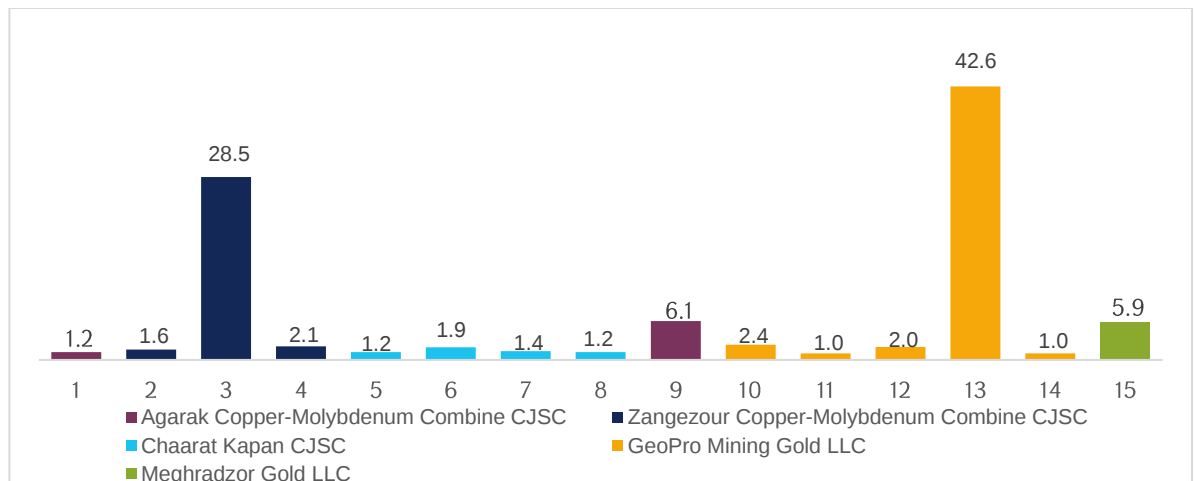
Source : Websites of the companies, azdarar.am, website of the State Revenue Committee of the Republic of Armenia

Donations to state and community not-profit organizations

In 2019, the amount of donations made by mining companies to state and community not-profit organizations is drams 105 million (about 2% of total donations), of which drams 91 million to community and drams 14 million to state organizations. Below are the donations to state and community not-profit organizations, the amount of which is over drams 1 million.

Figure 5.4.4

Financial and non-financial donations made by mining companies to state and community not-profit organizations in 2019, million drams



Source: Reports provided by the companies to the EITI

Note: State and community not-profit organizations presented in the figure by sequence numbers:

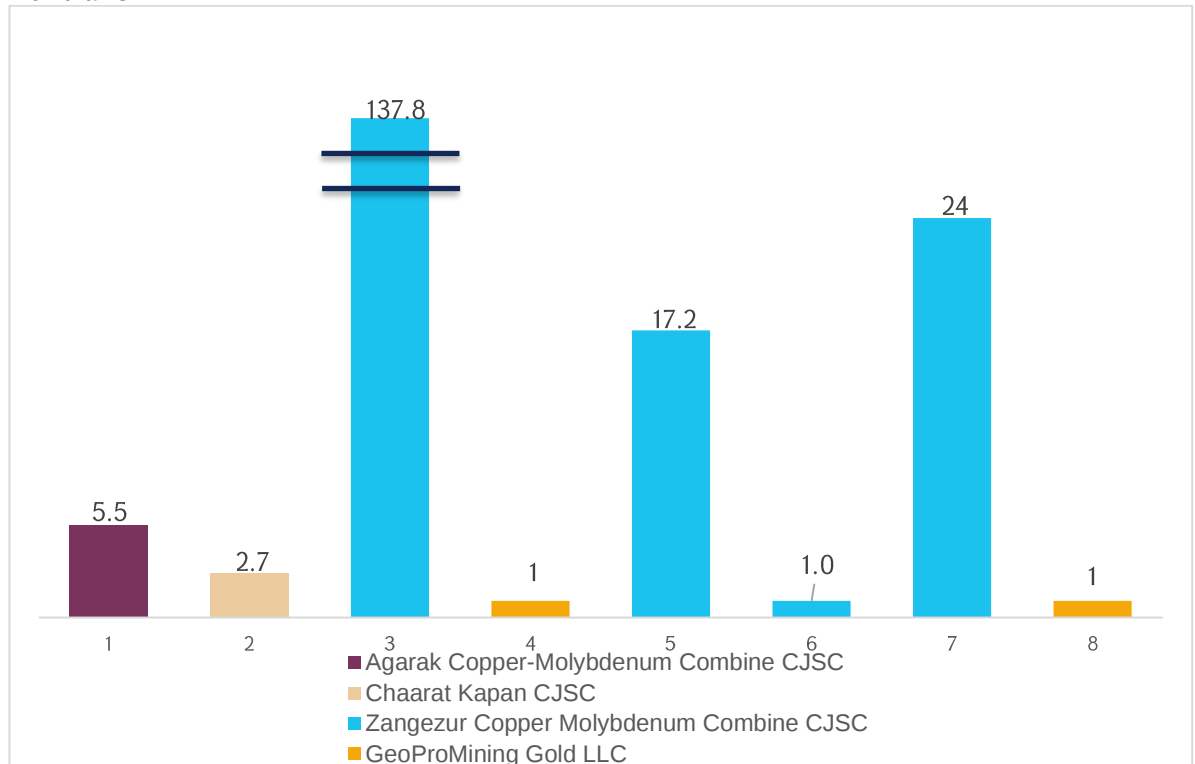
- 1 Agarak Kindergarten No. 1 CNPO
- 2 Gyumri Symphony Orchestra SNPO
- 3 Kapan Public Utility Services CNPO
- 4 Kajaran Secondary School No. 2 SNPO
- 5 Geghanush Secondary School SNPO
- 6 Kapan High School N 9 SNPO
- 7 Kapan Basic School N 1 SNPO
- 8 Kapan History Museum after Shmavon Movsisyan CNPO
- 9 Banereges Sports School
- 10 Secondary School of Sotk SNPO
- 11 Ararat Sports School CNPO
- 12 Secondary School No. 3 of Ararat Village CNPO
- 13 Ararat Kindergarten No. 1 CNPO
- 14 Ararat Cultural Center CNPO
- 15 Meghradzor Nursery after L. Galstyan CNPO

Donations to other organizations

In addition to the organizations observed above, mining companies have made financial and non-financial donations to entities of other organizational and legal types, including government agencies, labor union organizations, commercial organizations, etc. Overall, the amount of donations made to these organizations was drams 193 million (about 3.7% of total donations) in 2019. Below are the donations of the organizations, the amount of which is over drams 1 million.

Figure 5.4.5

Financial and non-financial donations made by mining companies to other non-profit organizations in 2019, million drams



Source: Reports provided by companies to the EITI

Note: Organizations presented in the figure by sequence numbers:

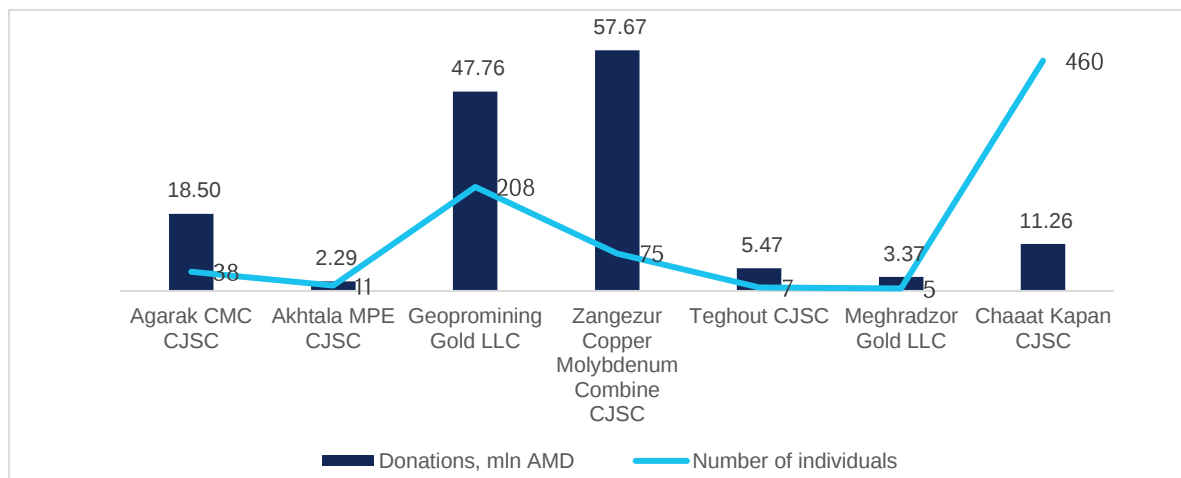
- 1 Agararak CMC CJSC
- 2 BUAT CJSC
- 3 ZCMC CJSC
- 4 My Step for Region
- 5 Kapan MC CJCS
- 6 Rescue Service of Syunik of the Ministry of Emergency Situations
- 7 Syunik Regional Psychiatric-Neurological Dispensary CJSC
- 8 Staff of the head of Vardenis

Donations to individuals

In 2019, mining companies made donations to 804 individuals at drams 146 million (about 2.8% of total donations). The donations were made by seven mining companies. Below is the total amount of donations made by mining companies and the number of individuals in 2019.

Figure 5.4.6

Donations by mining companies to individuals and their number in 2019, million drams



Source: Reports provided by the companies to the EITI

5.5. Existing information regarding the environmental impact of the metal mining industry and the management and monitoring of this impact (Requirement 6.4)

In accordance with the requirement 6.4 of the EITI Standard, implementing countries are encouraged to disclose information on the management and monitoring of the environmental impact of the extractive industries. This may include information on environmental impact evaluation, the role and responsibilities of relevant government bodies in enforcing rules and regulations, as well as information on regular environmental monitoring procedures, government administrative and sanctioning processes, environmental commitments, remediation and pollution control projects.

According to Clause 47) of Article 3 of the RA Subsoil Code, the subsoil user is obliged to carry out “planned monitoring in order to reduce environmental losses due to subsoil use and prevent irreversible impact”. In compliance with this requirement and in accordance with Article 59 of the Subsoil Code of the Republic of Armenia, in relation to the subsoil use for metallic minerals, a mining company is obliged to present to the ME quarterly statements (and after the end of each year, until February 20 of the following year, - a summary annual report) on the results of the planned monitoring to reduce environmental losses due to mining and prevent any irreversible impact, assessed in accredited laboratories bearing relevant certificates.

According to the Decree²⁶⁸ of the Government of the Republic of Armenia “On defining the requirements for monitoring activities planned for mitigation of environmental losses resulting from mining activities and prevention of irreversible impacts, as well as the procedure for submission of reports on results”, monitoring indicators are developed in parallel with subsoil geological study and mineral extraction work programs, based on the indicators set out in geological study activity program, mineral extraction working plan, preliminary environmental impact assessment request and impact assessment report. The initial data for the development of the monitoring program are the data on the actual environmental pollution submitted in the preliminary application for the environmental impact

²⁶⁸ Decree of the Government of the Republic of Armenia No. 191-N dated 22 February 2018 “On defining the requirements for monitoring activities planned for mitigation of environmental losses resulting from mining activities and prevention of irreversible impacts, as well as the procedure for submission of reports on results”
<https://www.arlis.am/DocumentView.aspx?docID=120135>

assessment and the main report. In case of negative deviations from the indicators fixed in the above-mentioned documents, it is necessary to take the required steps to eliminate the consequences.

The monitoring program pertains to all natural components of the environment: soil cover, atmospheric air, surface and groundwater, flora and fauna. Laboratory testing of samples taken for pollution study is carried out in accredited laboratories bearing relevant certificates. Once every five years, mining companies are obliged to review and agree with the authorized body the plan of works to reduce environmental losses and prevent irreversible impacts as a result of mining and the indicators for the monitoring of the implementation of such works.

After receiving the quarterly reports and summary annual reports, the authorized body (ME) shall summarize them and post them within ten working days on the official website of the authorized body. If the mining company has a website, the summary annual report on the results of the monitoring shall be posted on that website. Mining companies which monitor environmental pollution with automatic calibrated measuring devices post the measurement results on their website by directly transmitting data from automatic measuring systems.

Thus, the obligation to carry out this type of monitoring in the prescribed manner and ensure the availability of data shall be fully borne by a mining company, for which no monitoring fee is paid. Table 5.5.1 below shows the companies that submitted reports on the said monitoring during the reporting year.

Table 5.5.1

Environmental monitoring reports by mining companies for 2019

	First quarter	Second quarter	Third quarter	Fourth quarter	Annual report
Chaarat Kapan CJSC	Presented	Presented	Presented	Presented	-
Teghout CJSC ²⁶⁹	Presented	Presented	Presented	Presented	Presented
Zangezur Copper Molybdenum Combine CJSC	-	-	-	Presented	Presented
Tatstone LLC	-	Presented	Presented	-	Presented
Geopromining Gold LLC	-	-	-	-	Presented
Meghradzor Gold LLC	-	-	-	-	Presented
Akhtala Mining And Processing Enterprise CJSC	-	-	-	Presented	-

Source: The Ministry of Environment²⁷⁰

According to Part 5, Article 20 of the Republic of Armenia Law “On Assessment and Expertise of Environmental Impact”, “the expertise conclusion is posted on the official website of the authorized body within seven working days”. Following the wording of the provision of the law, all expertise conclusions must be published by posting on the website of the ME. However, a review of the ME

²⁶⁹ The company was not engaged in the industry during the first and second quarters

²⁷⁰ <http://www.env.am/am/pages/233>

website reveals that not all of the expertise conclusions of the EIA reports on mining projects are published on the website.

Moreover, according to Part 4, Article 26 of the same law, “the notification, the conceptual and draft documents shall be placed on the official website of the authorized body at least seven working days prior to the hearings”. It follows from the study of the ME website that not all draft documents are posted on the website. Below are the draft documents and the EIA expertise conclusions published on the ME website.

It should be noted that the ME has established an information database on abandoned/ownerless production waste dumps and closed facilities originated as a result of the extraction of metallic minerals. It is planned to carry out stock-taking of mining waste generated as a result of geological study and extraction of metallic minerals in 2019-2022.

Table 5.5.2

Availability of the EIA expertise conclusion and draft documents on the ME website as of February 2021²⁷¹

N	Company Name	The EIA expertise conclusion	Publication date
1	Agarak CMC CJSC	The EIA report on re-equipment of Agarak Copper Molybdenum Combine and extension of the site provided by Agarak Copper-Molybdenum mining permission No. ShATV-29/311	24.06.2020
2	Akhtala Mining and Processing Enterprise CJSC	Report on the tailing dump in the territory of the open-pit mining site of Akhtala processing plant	14.11.2017
3	Aktiv Lernagorts LLC	Not published	-
4	Assat LLC	Not published	-
5	AT-Metals LLC	Concerning the Meghrasat gold mine extraction work plan	18.11.2014
6	Baktek Eco LLC	Report on the work plan to build and operate the Arjut gold ore processing plant	06.08.2014
		Report on the work plan to exploit the Arjut gold mine	19.09.2015
7	Geghi Gold LLC	Application for the extension of the permit to conduct geological exploration (preliminary assessment) in the mining field of Geghi river basin for the purposes of mineral extraction	28.12.2015
8	GeoProMining Gold LLC	Application for a permit to conduct geological exploration (preliminary assesment) in the territory of Vardenis multi-metal mine during 2017-2019	04.10.2017
9	Zangezur Copper Molybdenum Combine CJSC	Report on the change in the project document for Kajaran copper-molybdenum mine reserve extraction	16.12.2016
10	Tatstone LLC	Report on extraction on the Lichk copper mine	21.12.2015
11	Teghout CJSC	Not published	-
12	Ler-Ex LLC	Application for a permit to conduct geological exploration activities (preliminary assessment) in the	15.12.2015

²⁷¹ Due to technical problems, the archive data is not available on the website of the ME. Therefore, the relevant information of the 2018 EITI Report was taken as a basis, and it was updated with the 2020 data available on the website of the ME.

N	Company Name	The EIA expertise conclusion	Publication date
		copper-molybdenum mine of Hankasar during 2015-2017	
13	Lydian Armenia CJSC	EIA report of changes in the Amulsar gold-bearing quartzite mining project Expertise conclusion http://www.mnp.am/uploads/1/151152174735-Geotim.pdf	29.04.2016
14	Lichqvaz CJSC	Not published	-
15	Hrashk Metagh LLC	Not published	-
16	Gharagulyanner CJSC	Not published	-
17	Marjan Mining Company LLC	Not published	-
18	Mego Gold LLC	Concerning the work plan (updated) of exploiting the Tukhmanuk gold (central section) mine	11.12.2014
19	Meghradzor Gold LLC	Concerning the Meghradzor gold recovery work plan	22.04.2014
20	Molibdeni Ashkharh LLC	Not published	-
21	Multi Group Concern LLC	Report on the extraction from the Ertich quartzite mine	13.04.2018
22	Chaarat Kapan CJSC	Report concerning the elimination of consequences of the collapse of the defensive soil layer in the territory of Shahumyan gold-polymetallic mine Report concerning the technical document (amendment) with regard to the Shahumyan underground gold-polymetallic mine development	22.01.2019 18.11.2019
23	Paramount Gold Mining CJSC	Not published	-
24	Sagamar CJSC	Work plan concerning the expansion of Armanis gold-polymetallic mine Concerning geological exploration activities in the basin of Deghin and Sev rivers	22.05.2015 26.03.2018
25	Vayk Gold LLC	Not published	-
26	Vardani Zartonk LLC	Not published	-
27	Fortune Resources LLC	Not published	-

Source: The Ministry of Environment²⁷²

²⁷² <http://www.mnp.am/am/pages/66>

6. Reconciliation process

6.1 Reconciliation methodology and scope

According to the EITI Standard requirement 4, any disclosure on revenues made by the Government and companies are subject to reliable independent audit.

The SRC, the MTAI (on behalf of communities), the 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 the report defined by the RA Government Decree No.666-N dated 8 June 2018. We reconciled the information on revenues and payments obtained from state bodies and companies and present below the results of reconciliation and discrepancies found.

Reconciled information was collected from online reporting system, from the reports for year 2019 submitted by state bodies and companies. We established a direct contact with the reporting state bodies and companies to clarify on information gaps or discrepancies.

According to the MSG decision, the discrepancies of those financial streams shall be investigated for reconciliation, which exceed 4% of the financial data, but not less than drams 1 million.

The calculation was based on the smaller data provided.

For each found essential discrepancy, upon demand, we requested additional information from relevant state bodies or reporting companies, in order to reveal the details and reasons of discrepancies. Depending on the reason of discrepancy, corresponding correction was recommended.

In case of impossibility to verify or disagreement between the state bodies and the companies, as well as in case of lack of clarification on the reasons of discrepancy, the disclosed discrepancies have been kept and included in this report.

6.2 List of reconciled companies

In accordance with the decisions adopted by the MSG on 3 June 2020²⁷³, all companies having metallic mineral extraction permits are considered as companies reporting for the 2019 national EITI report, with the exception of those declared bankrupt.

Based on the same decision of the MSG, for the companies with mining permits terminated as of 1 August 2020, the public reports shall be submitted unilaterally, only by reporting state bodies. The companies that appealed the termination of mining permit and as of 1 August 2020 the lawsuit has been accepted for court proceedings, are still considered mining companies, therefore, they shall submit public reports.

The mining permits of the following companies as of 1 August 2020 have been terminated by the Orders of the Minister of Territorial Administration and Infrastructure:

1. Tatstone LLC, Tghkut site of Aygedzor copper-molybdenum mine
2. Mego Gold LLC
3. Vayq Gold LLC (appealed)
4. Marjan Mining Company LLC

The two of the above mentioned companies, Mego Gold LLC and Marjan Mining Company LLC have been declared bankrupt as of 1 August 2020.

Thus, the number of mining companies is 26, of which 24 are reporting ones.

By the decision of the MSG dated 3 June 2020²⁷⁴, companies are considered reconciled for the 2019 fiscal year, if they have paid taxes and payments equivalent to or exceeding drams 150 million to the RA State budget during the reporting year.

²⁷³ <https://www.eiti.am/hy/agenda-protocols-other-related-documents>

²⁷⁴ <https://www.eiti.am/hy/agenda-protocols-other-related-documents>

The table below shows the taxes and payments paid by the mining companies to the state and community budgets as per the materiality, based on the data reported by the SRC, the ME and the MTAI.

Table 6.2.1.

Total revenue streams paid to the RA state and community budgets in 2019 as per the materiality (drams)

	Company name	Paid to the State budget	Paid to the community budgets	Total	Share
1	Zangezur Copper Molybdenum Combine CJSC	46,305,461,340	422,496,420	46,727,957,760	54.1%
2	GeoProMining Gold LLC	23,558,974,150	75,779,368	23,634,753,518	27.4%
3	Chaarat Kapan CJSC	4,878,317,047	188,417,637	5,066,734,684	5.9%
4	Agarak Copper Molybdenum Combine CJSC	3,043,517,621	90,145,977	3,133,663,598	3.6%
5	Teghout CJSC	3,874,540,993	52,572,628	3,927,113,621	4.5%
6	Akhtala Mining and Processing Enterprise CJSC	1,141,056,829	71,863,224	1,212,920,053	1.4%
7	Lydian Armenia CJSC	1,040,571,765	431,085,792	1,471,657,557	1.7%
8	Meghradzor Gold LLC	363,534,003	31,872,373	395,406,376	0.5%
9	Ler-Ex LLC	215,985,041	2,063,609	218,048,650	0.3%
	Total exceeding materiality threshold	84,421,958,789	1,366,297,028	85,788,255,817	99.3%
10	Multi Group Concern LLC	135,426,462	13,766,521	149,192,983	0.2%
11	Assat LLC	83,752,346	426,209	84,178,555	0.1%
12	At-Metals LLC	69,536,835	2,733,100	72,269,935	0.1%
13	Lichqvaz CJSC	47,480,731	2,602,525	50,083,256	0.1%
14	Sagamar CJSC	42,658,784	5,746,796	48,405,580	0.1%
15	Tatstone LLC	37,824,334	24,101,547	61,925,881	0.1%
16	Geghi Gold LLC	20,651,016	28,340	20,679,356	0.0%
17	Paramount Gold Mining CJSC	17,283,336	-	17,283,336	0.0%
18	Molibdeni Ashkhar LLC	14,567,626	3,613	14,571,239	0.0%
19	Vardani Zartongy LLC	12,591,387	-	12,591,387	0.0%
20	Vayq Gold LLC	12,265,064	-	12,265,064	0.0%
21	Gharagyulyaner CJSC	11,262,418	1,000,000	12,262,418	0.0%
22	Aktiv Lernagorts LLC	11,038,380	181,800	11,220,180	0.0%
23	Baktek Eco LLC	10,303,080	606,000	10,909,080	0.0%
24	Fortune Resources LLC	5,454,923	-	5,454,923	0.0%
25	Mego Gold LLC	2,628,139	157,400	2,785,539	0.0%
26	Marjan Mining Company LLC	2,115,274	-	2,115,274	0.0%
	Total not exceeding materiality threshold	536,840,135	51,353,851	588,193,986	0.7%
	Total revenue streams	84,958,798,924	1,417,650,879	86,376,449,803	100%

Thus, based on application of materiality threshold, 9 companies the share of which in the total revenue streams paid to the state budget made 99.4%, were selected for reconciliation.

According to the data provided by the state bodies, the revenue streams paid by these 9 companies in 2019 to the RA state and community budgets made drams 85,788,256, of which drams 84,466,741 are material payments. The share of the reconciled companies in the received revenue streams makes 99.3% of all the revenue streams received from the reporting mining companies.

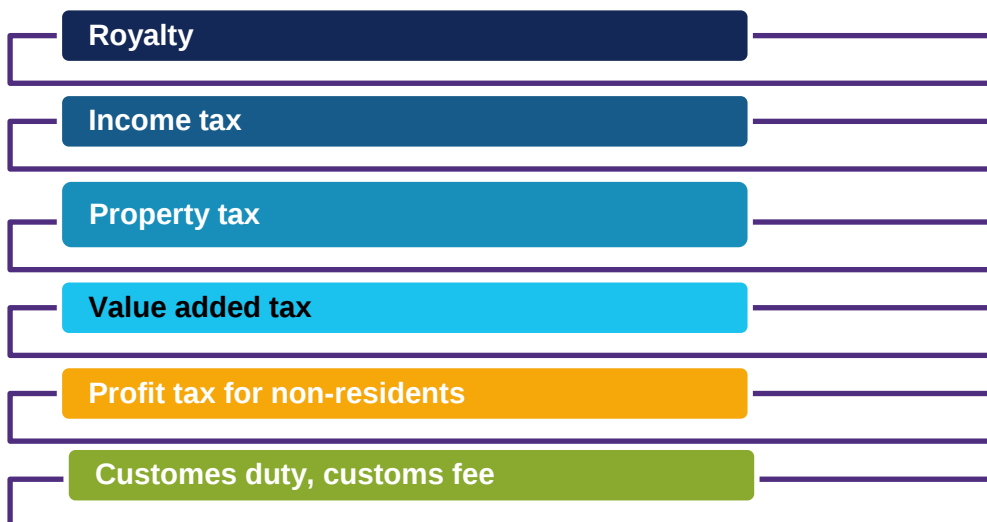
6.3 Reconciled revenue streams

According to the decision approved by the MSG on 3 June 2020²⁷⁵, those revenue streams are considered material and are subject to reconciliation, the share of which in the total revenue streams received from the extraction sector makes 1% and more. In the financial streams **the obligations related to the socio-economic development of the communities defined by the mining contract for the purpose of mineral extraction** also shall be considered.

In this case actual cash payments shall be reconciled.

Thus, the 2019 report the following revenue streams have been considered:

Paid to the RA State Revenue Committee



Paid to the RA Ministry of Territorial Administration and Infrastructure (communities)



²⁷⁵ <https://www.eiti.am/hy/agenda-protocols-other-related-documents>

The following table presents the total revenue streams as per the materiality.

Table 6.3.1.

Total revenue streams according to the initial reports as per the materiality drams)

Budget classification code	Revenue stream name	Amount accrued in 2019 (AMD)	Share	State agency
1146 714612	Royalty	37,426,583,083	43.3%	SRC
1111 711100	Income tax	19,021,748,747	22.0%	SRC
1112 711200	Profit tax	17,975,927,113	20.8%	SRC
1141 714110	Value added tax	5,626,338,328	6.5%	SRC
1112 711200	Profit tax for non-residents	2,348,971,301	2.7%	SRC
1151 715100	Customs duty, customs fee	1,471,747,490	1.7%	SRC
1415 741520	Rent payments	910,227,845	1.1%	MTAI (communities)*
Total reconciled streams		84,781,543,907	98.2%	
	Socio-economic development contributions by the mining companies defined by mining contract	417,580,000	0.5%	MTAI (communities)*
1145 714522	Duties	314,892,323	0.4%	SRC
	Replenishment of environmental protection fund	307,671,701	0.4%	ME
1142 714200	Excise tax	285,546,864	0.3%	SRC
1146 714612	Nature use payments	60,064,386	0.1%	SRC
1131 713121, 1136 713611	Property tax	68,204,327	0.1%	MTAI (communities)*
1145 714523	Environmental taxes	54,258,439	0.1%	SRC
	Monitoring implementation fee	32,610,786	0.0%	ME
1145 714523	Environmental taxes for goods imported from EAEU countries	7,107,411	0.0%	SRC
1131 713122	Land tax	21,638,707	0.0%	MTAI (communities)*
1145 714523	Environmental charges (taxes) collected for goods imported from the EAEU non-member countries	23,580,953	0.0%	SRC
	Penalties and fines	1,250,000	0.0%	ME
	Environmental impact assessment implementation fee	500,000	0.0%	ME
	Allocations from Environmental Protection Fund to company	-	0.0%	ME
	Land alienation fees	-	0.0%	MTAI (communities)*
Total non-reconciliated streams		1,594,905,896	1.8%	
Total revenue streams		86,376,449,803	100%	

**On behalf of the communities the public reports were submitted by the RA MTAI*

In accordance with the RA Government Decree No.666-N dated 8 June 2018, the lines for Value added tax and Excise tax include also amounts calculated by customs authorities.

For the purposes of this report the line for Value added tax included only accrued VAT amounts subject to payment.

6.4 Reconciliation process description and results

As stated above, 9 companies were selected for reconciliation, for which 7 types of taxes and payments were reconciled.

According to the initial reports submitted by the state bodies, the reconciled revenues received from the 9 reconciled companies into the state and community budgets were drams 84,466,741 thousand. According to the data provided by the companies, this amount was drams 84,659,874 thousand. The net difference was 0.2% (or drams 193,133 thousand). In accordance with the data provided by the state bodies after the reconciliation, the reconciled revenues received from the 9 reconciled companies into the state and community budgets were 84,504,193 thousand, whereas the data provided by the companies showed drams 84,527,491 thousand. The difference was drams 23,299 thousand or 0.03%.

The summary results of reconciliation are presented below.

Table 6.4.1.

Results of reconciliation of the reports submitted by state bodies and companies (thousand drams)

Type of tax/payment	According to initial reports			According to adjusted reports		
	State bodies	Companies	Difference	State bodies	Companies	Difference
Royalty	37,426,583	37,450,399	(23,816)	37,426,583	37,450,399	(23,816)
Income tax	18,845,263	18,875,607	(30,344)	18,882,714	18,875,607	7,107
Profit tax	17,975,905	17,975,905	-	17,975,905	17,975,905	-
Value added tax	5,544,796	5,703,803	(159,007)	5,544,796	5,553,643	(8,848)
Profit tax for non-residents	2,348,969	2,346,305	2,663	2,348,969	2,346,305	2,663
Customs duty, customs fee	1,443,972	1,399,194	44,778	1,443,972	1,443,453	519
Rent payments	881,254	908,661	(27,407)	881,254	882,178	(924)
Total	84,466,741	84,659,874	(193,133)	84,504,193	84,527,491	(23,299)

In accordance with the MSG decision, for the purpose of reconciliation the Independent administrator investigated the differences of the revenue streams, which amounted to at least 4% of financial data and exceeded drams 1 million at the same time. This threshold was applied for each reconciled revenue stream of each company.

All material differences revealed in result of verification procedures, were adjusted in the final reports submitted by state bodies and companies.

The table below presents the adjustments provided in the reports of state bodies and companies.

Table 6.4.2.

Adjustments of reports submitted by state bodies and companies (thousand drams)

Type of tax/payment	Difference as per the initial report	Difference as per the adjusted report	Net adjustment
Royalty	(23,816)	(23,816)	-
Income tax	(30,344)	7,107	(37,451)
Profit tax	-	-	-
Value added tax	(159,007)	(8,848)	(150,159)
Profit tax for non-resident	2,663	2,663	-
Customs duty, customs fee	44,778	519	44,259
Rent payments	(27,407)	(924)	(26,483)
Total	(193,133)	(23,299)	(169,834)

Based on results of reconciliation, the differences between the initial and adjusted data reported by the state bodies and companies didn't exceed the materiality threshold.

The reasons of disclosed differences are different, the main description thereof is brought below.

Income tax

The difference of drams 30,344 thousand between the data reported by the RA SRC and the companies is mainly caused by omission made by the RA SRC related to the tax amount accrued in December for one of the companies. An adjustment of drams 37,451 thousand was provided in the RA SRC report, after which the net difference amounted to drams 7,107 thousand.

Value added tax

Related to this type of tax, differences were detected in almost all the companies. Material differences were disclosed in 3 companies, the highest deviation occurred because the actually paid amount of VAT was presented instead of the accrued one. Differences occurred also because the companies, after uploading the reports on the EITI webpage, submitted the adjusted VAT calculations for 2019 to the RA SRC and didn't make relevant corrections in the EITI reports. As a result of reconciliation, adjustments provided in these reports amounted drams 150,159 thousand, after which the net difference between the data reported by the RA SRC and companies amounted to drams 8,848 thousand.

Customs duty, customs fee

Related to these payments, differences were again detected in almost all the companies. Material differences were disclosed in 4 companies, mainly caused by mechanical errors. As a result of reconciliation, adjustments provided in the reports were drams 44,259 thousand, after which the net difference between the data reported by the RA SRC and companies amounted to drams 519 thousand.

Rent payments

The difference between the reports submitted by the RA MTAI and the companies amounting thousands 27,407 thousand mainly relates to one company, and it occurred because the accrued rent payment amount was reported instead of the actually paid rent amount. Adjustment amounting drams 26,483 thousand was made in the company's report, after which the net difference was drams 924 thousand.

7. Observations and Recommendations for Improving the EITI Reporting Process

7.1 Recommendations for improving the reporting templates

The templates of public reports submitted by metal mining companies and State bodies within the framework of the EITI have been defined by the RA Government decision No. 666-N dated 8 June 2018, in which amendments and additions were made on 11 July 2019 (decision No.871-N) based on the recommendations of the EITI first report, the decisions of the MSG, and the recommendations of the beneficiaries.

Recommendations for refining public reporting templates were presented in Armenia's EITI's 2nd report, too. The status of the previous year's recommendations as of 31 December 2019, as well as those of the current year are presented below.

7.1.1 Status of recommendations of the previous year

Public report submitted by the State Revenue Committee

N	Field	Recommendation presented in the previous report	The status in the reporting template intended for the current year	Comment
1	Duties	In order to ensure the reconciliation of data from companies and state bodies, 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)."	Not implemented	The MSG will consider the recommendation in 2020 during the public reporting process

Public report submitted by metal mining companies

N	Field	Recommendation presented in the previous report	The status in the reporting template intended for the current year	Comment
1	Environmental Impact Assessment implementation fee	We suggest replacing the phrase "Amount Paid" with the phrase "Amount Paid during the Reporting Year" in the Environmental Impact Assessment implementation fee table.	Not implemented	The MSG will consider the recommendation in 2020 during the public reporting process
2	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."	Not implemented	The MSG will discuss the issues related to the payment of socio-economic obligations stipulated in the mining contracts, including the need to make changes in the reporting templates during 2021.
3	Production products) (by	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.	Not implemented	MSG will consider the proposal during the public reporting process in 2020

7.1.2 Recommendations of the current year

The recommendations for refining the reporting templates submitted by the State bodies and metal mining companies for the following years are presented below.

Public report submitted by the State Revenue Committee ²⁷⁶

N	Field	Recommendation
1	Taxes and payments (applies to all taxes included in the section, except for "Customs duty, customs fee")	As the "Payments" column is intended to reflect the amounts calculated in the tax calculation (declaration) for the reporting year, we suggest replacing the title in the "Payments" column with the heading "Calculated with the tax calculation (declaration) of the reporting year" to eliminate misunderstandings.
2	General consideration	Although the public reporting page contains a note on the unit of measurement (i.e., the amounts must be written in drams), the report template exported from the online system does not specify the unit of amount presented (drams). We suggest introducing appropriate settings in the online system, so that the exported reports reflect the units of amounts presented.

Public report submitted by the Ministry of Territorial Administration and Infrastructure

N	Field	Recommendation
1	Property tax, land tax	Taking into account the changes made in the RA Tax Code, as a result of which the property tax and land tax is united under one type of tax, which is real estate tax, it is necessary to make a corresponding change in the public reporting template, replacing "Property tax" and "Land tax" two separate fields with one joint "Real estate tax" field. It should be noted that this change will be implemented in annual periods beginning on 1 January 2021, therefore it will not be implemented in 2020 reports.
2	General consideration	Although the public reporting page contains a note on the unit of measurement (i.e., the amount must be written in drams), the report template exported from the online system does not specify the unit of amount presented (drams). We suggest introducing appropriate settings in the online system so that the exported reports reflect the units of amounts presented.

Public report submitted by the Ministry of Environment Public

N	Field	Recommendation
1	General consideration	Although the public reporting page contains a note on the unit of measurement (i.e., the amount must be written in drams), the report template exported from the online system does not specify the unit of amount presented (drams). We suggest introducing an appropriate regulation in the online system, so that the exported reports reflect the units of amounts presented.

²⁷⁶ Recommendations refer to the format of the EITI online reporting system in Armenia

Public report submitted by metal mining companies

N	Field	Recommendation
1	Property tax, land tax	Taking into account the changes made in the RA Tax Code, as a result of which the property tax and land tax is united under one type of tax, which is real estate tax, it is necessary to make a corresponding change in the public reporting template, replacing "Property tax" and "Land tax" two separate fields with one joint "Real estate tax" field. It should be noted that this change will be implemented in annual periods beginning on 1 January 2021, therefore it will not be implemented in 2020 reports.
3	Donations from non-commercial legal entities	Add a field in the section of donations made to non-commercial legal entities and individuals in the reporting template which will allow to separate the payments made within the framework of the obligations defined by the mining contract.
4	General consideration	Although the public reporting page contains a note on the unit of measurement (i.e., the amount must be written in drams), the report template exported from the online system does not specify the unit of amount presented (drams). We suggest introducing an appropriate regulation in the online system, so that the exported reports reflect the units of amounts of money presented.

7.2 Recommendations for the online data collection system

Field	Observation	Recommendation
Format of input numbers	The figures presented in the public reports, in particular the amounts of taxes and fees, are reflected without the decimal point, which makes it difficult to understand the numbers.	We suggest presenting the amounts included in the reports with a comma separating the thousands to make the numbers easier to understand.
Production, export and domestic sales	In their reports, metal mining companies present the volumes of production, export and domestic consumption in different units of measurement (wmt, dmt).	We suggest introducing appropriate settings for data entry on the website in order to make the information presented by the companies on the volumes in the reporting template uniform.
Data filling fields	During the reconciliation, there were cases when the amounts of taxes and payments were filled in incorrectly, for example, the amount of tax actually paid was included instead of the amount declared and vice versa, which led to significant deviations.	Although the procedure for filling in public reports is clearly defined in the RA Government's decision No. 666-N of 8 June 2018, which contains a detailed guide to filling in public reports, we propose to cover the fields of tax and payment amounts in the online system with a brief description of filling in each field, for example by placing an "i" in the upper right corner of each field, clicking on which will open a separate window with a brief description of the field.

Field	Observation	Recommendation
Introduction of an automated data analysis and submission system	According to our observation, the data analysis system available on the website does not allow to perform multi-factor and in-depth analysis.	Install a data analysis and presentation tool (Tableau, Power BI, Alteryx, QlikView) on the EITI website, which, after receiving information from the system, will present it to the user in visual form (Visual analytics). Such a tool will allow the EITI website visitor to deeply analyze the information available in the system, receive the necessary report in an accessible, efficient way, saving time. The user will be able to apply a number of parameters, see export directions through an interactive map, study international metal prices, production volumes by companies, correlate various factors, etc. These tools work with the data exported from the system, as well as connect directly to the servers. Tools may not store information, and data security and leakage risks are manageable. Tools include elements of pictorial data analysis, machine learning and artificial intelligence elements and prices vary depending on the type of tool, the number of licenses, and whether the tool is used inhouse or outsourced.

7.3 Proposals for alternative reconciliation method

According to the requirement 4.9 of the EITI Standard, it is required to assess whether taxes and payments made by companies are subject to an independent audit. It is also required that the submitted revenue streams be reconciled by a reliable, independent administrator.

Examining the results of the reconciliation of the previous years made by the independent administrator, as well as analyzing the results of the reconciliation of the current year, it becomes obvious that the discrepancies between the data presented by the State bodies and companies are decreasing. It is safe to say that these discrepancies will be further reduced if the metal mining companies' annual financial statements are subject to an independent audit. Of course, the audit of financial statements will not provide a complete audit of the amounts paid to State bodies by companies based on the sampling nature of auditing, but it is safe to say that significant differences will be revealed.

Mechanical errors, such as incorrect transfer of data from the accounting system of companies to the online system of the EITI, can also be a source of discrepancy between the amounts presented by mining companies and State bodies in public reports.

Taking into account the aforementioned, as well as the possibility of auditing the annual financial statements of metal mining companies, alternative procedures for income streams reconciliation can be considered. One of them can be the development of an automated system which will allow to automate the reconcile of data entered by companies and state bodies and prepare an appropriate report on the differences identified.

Once the differences are identified, they will need to be analyzed and adjusted accordingly in the system. This problem can also be solved through software, for example, the system in "real-time" mode can automatically send a letter to both parties at the same time, notifying the detected discrepancy.

The involvement of the EITI National Secretariat can also be considered in the process of analyzing and correcting discrepancies in the transition period of systematic disclosures. The EITI National Secretariat team may include staff with relevant financial and tax expertise to carry out this process.

7.4 Recommendations on implementation of project-level reporting in Armenia

Pursuant to the provisions of requirement 4.7 of the EITI Standard, it is necessary that the EITI data be disaggregated according to the project, company, State organization, and revenue stream.

A project is defined as an operation that is governed by a single contract, license, lease, concession, or similar legal agreements and is the basis for payment liabilities to the government. However, if more than one such contract is substantially interlinked, the multi-stakeholder group should clearly identify and document which cases are considered a single project.

According to the guide²⁷⁷ about the project level of accountability published by the International Secretariat of the EITI in November 2019 the MSG must be guided by the following four steps, in order to define the term "project level":

Step 1 – Identifying legal agreements under the term "project"

Step 2 – Identifying which revenue streams should be reported in each project

Step 3 – Identifying which accountable person should report on what

Step 4 – Agreeing a reporting framework and templates

A detailed analysis of these steps is presented in the 2018 report.

According to the decision²⁷⁸ of the MSG dated 3 June 2019, within the framework of the national report, the activities carried out with the right of subsoil use right/permit were considered as a project.

²⁷⁷ https://eiti.org/GN29#EITI_Requirements_covering_project-level_reporting

²⁷⁸ <https://www.eiti.am/hy/agenda-protocols-other-related-documents>

From the point of view of the 2019 report, the accountability was actually implemented at the project level, as of the end of the year 2019 only 2 of the reporting companies, Tatstone LLC and Multi Group Concern LLC, could have a problem with data aggregation.

In the case of Tatstone LLC, during the reporting year, the company had two mining contracts, one of which, the P-458 contract that defined the subsoil use rights, was terminated by the order 142-A of the Minister of Territorial Administration and Infrastructure on 7 February 2020, in addition, the company did not declare and pay royalties, thus they did not carry out mining activities.

In the case of Multi Group Concern LLC, the company is engaged in other business activities in addition to mining, but they also did not declare or pay royalties in the reporting year, which indicates that the company was not engaged in mining activities.

Thus, it can be stated that in accountability of 2019 was actually implemented at a project level.

The content of the request for publications at the project level is described in detail in the previous EITI report. The existing problems in that issue are presented, as well as the priority of the settlement of the issue for Armenia.

The current accountability system in the RA, in particular the requirements for completing tax calculations, cannot ensure accountability at the project level. Under the current legislation, the distribution of state revenues at the project level is impossible, so the introduction of project level accountability will require legislative changes.

For companies with more than one subsoil use right, it will be necessary to make significant changes in the reporting systems of the SRC and other State bodies, as well as in the accounting systems of mining companies.

Within the framework of this report it should be noted that during the reporting year no legislative changes were made to ensure accountability at the project level.

Table 7.4.1

Distribution of taxes and payments made by metal mining companies according to the project and company level

Name of revenue stream	Project level	Company level
Royalty	■	
Income tax		■
Profit tax		■
Value added tax		■
Non-resident profit tax		■
Custom duties and fees		■
Rents payments (particularly for plots of land)	■	
Obligation fulfillment payments by mining companies related to the socio-economic development of the communities defined under the mining contract	■	
State fee for utilization (exploitation) permit for each precious, non-ferrous, ferrous, or rare metal mine	■	
Replenishment of the environment protection fund	■	
Excise tax		■
Nature use payments	■	
Property tax		■

Environmental payments	■	
Monitoring fee	■	
Environmental taxes on goods imported from EEU countries		■
Land tax		■
Environmental payments (taxes) levied on goods imported from non-EEU countries		■
Environmental penalties and fines	■	
Environmental Impact Assessment fee	■	

7.5 Progress towards responsible mining

Responsible mining is one of the national priorities of the EITI Armenia based on the principles set out in the EITI Standard, including ensuring sustainable economic growth through the rational use of natural resources, poverty alleviation, transparency and accountability in the country. The multifaceted introduction of the culture of responsible mining should address the environmental, social and health problems that are a priority for Armenia, ensure transparency in the sector, and develop criteria for comprehensive assessment of the socio-economic benefits and harms resulting from mining.

In 2018 the MSG has developed a roadmap²⁷⁹ for the implementation of responsible mining practices. According to the mentioned document, the principles of responsible mining should be taken into account in the process of developing a new strategy in the field of mining developed by the RA Government.

During the reporting year, a document²⁸⁰ on responsible mining was adopted, which outlined the scope of responsible mining, the main directions, as well as the priorities for Armenia, which will allow to identify and correct the existing legislative, social-environmental, administrative, and even technological problems in the field of metal mining. The conceptual document defines responsible mining as a combination of responsible work of all stakeholders in the sector – metal mining companies, public administration bodies, local self-governance bodies, the population of the affected community, civil society. Moreover, the responsibility is distributed among these stakeholders by improving the appropriate mechanisms for the effective organization of their respective rights, powers, and responsibilities.

The conceptual document stipulates that responsible mining is a set of legal norms, institutions, and practices that ensure responsible mining based on the principles of environmental protection, potential risk assessment, mitigation, damage prevention and elimination of consequences, economic benefit-loss ratio assessment²⁸¹, the creation and equitable distribution of benefits for the mining companies, State, and population, application of the best available technologies, positive impact on the socio-economic life of the affected communities, transparent and accountable work, provision of safe and healthy working conditions.

The constant guideline for responsible mining should be a combination of sustainable development, economic efficiency, and responsibility for generations.

²⁷⁹ https://www.eiti.am/file_manager/EITI%20Documents/MSG%20Procedures/Responsible_Mining_Roadmap_ARM.pdf

²⁸⁰ https://www.eiti.am/file_manager/EITI%20Documents/Responsible_mining_concept_paper.pdf

²⁸¹ According to the document, the assessment of the economic benefit-loss ratio will be carried out according to the standard which will be introduced by the legislation of the Republic of Armenia as an applicable criterion.

According to the mentioned conceptual document, five directions have been singled out, which, according to the MSG, will lead to the introduction of a culture of responsible mining in the sphere. These are:

- Integrity of the state (elimination of legislative gaps and corruption risks, improvement of professional capacities of the state system, provision of laboratory and technical equipment),
- Integrity of the business environment (effective management of the mining sector: ensuring high technological level of raw material extraction, assimilation, processing, maximum reduction of impoverishment-loss rate, as well as human rights, including protection of the working environment and responsibility),
- Positive heritage planning (planning for land rehabilitation, mine closure, financial support, support to affected communities, targeted and effective distribution of benefits),
- Social responsibility (ensuring proper working conditions, ensuring the health and safety of the affected community),
- Environmental responsibility (effective management of mining waste and mining waste objects, effective water management).

Although the document on responsible mining does not set a clear timetable and action plan, the roadmap preceding it set out a series of actions to achieve these goals, which were to be implemented in 2019-2020. These activities are the development of the "Armenia's EITI multi-stakeholder group approach to Responsible Mining" document, participation in the economic analysis of the mining sector, participation in the environmental and health assessment of the Armenian mining sector to support the development of the mining industry strategy, development of a mining strategy, and participation in the development of new legal acts circulating with state bodies.

In assessing the progress in responsible mining we can single out the legislative changes made in 2019-2020 out of the five areas set by the MSG, which show positive tendencies to increase the social and environmental responsibility of the sector, clarify the scope of responsibility of government agencies, which is progress in terms of public welfare. However, the effectiveness of legislative changes can be assessed by ensuring the effective implementation of the provisions enshrined in it, which can be assessed in the reports developed for the following reporting years.

7.6 Open data policy and progress towards systematic data disclosure

In order to meet the requirement 7.1 of the EITI Standard, it is necessary to ensure the availability and reconciliation of the EITI data. In order to meet this requirement, it is important to fully and effectively implement an online reporting system to ensure public access to information and thus increase the transparency of the sector. This process is called "open data" policy. Data that may be freely used, reused, or disseminated by anyone while retaining copyrights is considered open.

As already presented in the previous EITI reports, the open data policy of the RA EITI developed in 2017 defines the main principles of publication of data collected within the framework of the EITI (data integrity, source presentation, timeliness, accessibility, machine readability, non-discriminatory use, data stability, open license, free use, and contact). The RA EITI National Secretariat, The RA EITI MSG should be guided by those principles during the implementation of the RA EITI work programs, the publication of the EITI national reports, the accessibility of information and data within the EITI, as well as the responsible State bodies and other stakeholders should be encouraged to follow an open data approach when publishing relevant information.

The EITI reports also suggested that, as part of the open data policy, steps be taken to ensure the systematic disclosure of the EITI-compliant data in public systems to ensure the timeliness, quality and availability of data. A meeting was held on 2 October 2019 on the feasibility study of the

systematic disclosure of the RA EITI data to assess the ability to systematically disclose the EITI data and necessary measures²⁸² taken by government agencies and mining companies.

The main focus of the EITI's work in recent years has been to encourage governments and corporations to make "systematic disclosures" of information, which involves publishing data independently through their own systems. In terms of the principle of "good governance", such systems are considered an important factor in identifying errors or lack of information in government or company reports, which allows the system to identify weaknesses of the system that no third party report can do. The EITI International Secretariat has also developed a set of tools to assess countries' progress in this area. At the initial stage, the tool was based on data from 25 countries, including Armenia, as a result of which our country has registered a good progress²⁸³.

In the framework of the verification of the EITI process in Armenia, the EITI International Secretariat also referred to Armenia's progress in systematic data disclosure, noting that one of the goals of the 2019-2020 work program is to encourage systematic data disclosure and strengthen popularization opportunities, within the framework of which Armenia has fulfilled more than the minimum requirement, ensuring the expansion of the implementation of the EITI in the national priorities and work program, including responsible mining. The Board also assesses Armenia's steps towards systematic disclosures, including regular disclosures²⁸⁴ of metal mining contracts.

²⁸²

<https://www.eiti.am/hy/%D5%86%D5%B8%D6%80%D5%B8%D6%82%D5%A9%D5%B5%D5%B8%D6%82%D5%B6%D5%B6%D5%A5%D6%80/2019/10/03/mauritania/77/>

²⁸³

<https://www.eiti.am/hy/%D5%86%D5%B8%D6%80%D5%B8%D6%82%D5%A9%D5%B5%D5%B8%D6%82%D5%B6%D5%B6%D5%A5%D6%80/2021/01/26/transparency-at-source/103/>

²⁸⁴

<https://www.eiti.am/hy/%D5%86%D5%B8%D6%80%D5%B8%D6%82%D5%A9%D5%B5%D5%B8%D6%82%D5%B6%D5%B6%D5%A5%D6%80/2020/07/16/eiti-validation-armenia-arm/88/>

Table 7.6.1

Data disclosed in the framework of EITI

N	Description of Data	State bodie 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	Active subsoil use rights registry	RA MTAI	Excel format	Within 10 days after signing	Not applicable	Yes	RA MTAI	Paper-based
2	Contracts registry	RA MTAI	Scanned, in PDF format	Within 10 days after signing	Not applicable	Yes	RA MTAI	Paper-based
3	Registry of beneficial owners	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, SC	Excel format	Annual, before 1 August of the following year	Mandatory audit was not required for the month of August 2020	Yes	Mining company, RA SC	Electronic
5	Production	RA EITI Secretariat	Excel format	Annual, before 1 August of the following year	Mandatory audit was not required for the month of August 2020	Yes	Mining company	Electronic
6	Realization of production in domestic market	RA EITI Secretariat	Excel format	Annual, before 1 August of the following year	Mandatory audit was not required for the month of August 2020	Yes	Mining company	Electronic
7	Export	SRC, RA EITI Secretariat, SC	Excel and PDF formats	Annual, before 1 August of the following year	Mandatory audit was not required for the month of August 2020	Yes	Mining company, SRC, SC, UN Contrade Database	Electronic

N	Description of Data	State bodie 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 budget (taxes, payments and duties)	SRC, RA EITI Secretariat	Excel format	Annual, before 1 August of the following year	Mandatory audit was not required for the month of August 2020	Yes	Mining company, SRC	Electronic
9	Profit tax	SRC	SRC electronic system	Annual, before 20 April of the following year	Mandatory audit was not required for the month of August 2020	Yes	Mining company	Electronic
10	Profit tax for non-resident	SRC	SRC electronic system	Quarterly, before the 20 th of the month following the quarter	Mandatory audit was not required for the month of August 2020	Yes	Mining company	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 August 2020	Yes	Mining company	Electronic
12	Value added tax	SRC	SRC electronic system	Monthly, before the 20 th of the following month	Mandatory audit was not required for the month of August 2020	Yes	Mining company	Electronic
13	Import value added tax	SRC	RA Customs Service electronic system	On import	Mandatory audit was not required for the month of August 2020	Yes	Mining company	Electronic
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 August 2020	Yes	Mining company	Electronic
15	Import excise tax	SRC	RA Customs Service electronic system	On import	Mandatory audit was not required for the month of August 2020	Yes	Mining company	Electronic

N	Description of Data	State bodie that owns the data	Data structure (data description)	Periodicity of receiving data	Data Quality	Continuous disclosure of data	Source of Data	Method of collection
16	Royalty	SRC	SRC electronic system	Annual, before 20 April of the following year	Mandatory audit was not required for the month of August 2020	Yes	Mining company	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 August 2020	Yes	Mining company	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 August 2020	Yes	Mining company	Electronic
19	Environmental charges collected for goods imported from non-member countries of EAEU	SRC	SRC electronic system	Monthly, before the 20 th of the following month	Mandatory audit was not required for the month of August 2020	Yes	Mining company	Electronic
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 August 2020	Yes	Mining company	Electronic
21	Customs duties and fee	SRC	RA Customs Service electronic system	On import/export	Mandatory audit was not required for the month of August 2020	Yes	Mining company	Electronic

N	Description of Data	State bodie that owns the data	Data structure (data description)	Periodicity of receiving data	Data Quality	Continuous disclosure of data	Source of Data	Method of collection
22	Duties	SRC	RA Customs Service electronic system	Annual, before 1 August of the following year	Mandatory audit was not required for the month of August 2020	Yes	Mining company, SRC	Electronic
23	Replenishment of the Environmental protection fund	ME	Excel format	Annual, before 1 August of the following year	Mandatory audit was not required for the month of August 2020	Yes	Mining company, ME	Electronic
24	Monitoring fee	ME	Excel format	Annual, before 1 August of the following year	Mandatory audit was not required for the month of August 2020	Yes	Mining company, ME	Electronic
25	EIA implementation fee	ME	Excel format	Annual, before 1 August of the following year	Mandatory audit was not required for the month of August 2020	Yes	Mining company, ME	Electronic
26	Environmental penalties and fines	ME	Excel format	Annual, before 1 August of the following year	Mandatory audit was not required for the month of August 2020	Yes	Mining company, ME	Electronic
27	Local taxes and payments	MTAI/LSGB	Excel format	Annual, before 1 August of the following year	Mandatory audit was not required for the month of August 2020	Yes	Mining company, LSGB	Electronic
28	Property tax, land tax	MTAI/LSGB	On templates	Biannual before the 20 th of the month following the year half	Mandatory audit was not required for the month of August 2020	Yes	Mining company	Paper-based
29	Socio-economic contributions	MTAI/LSGB, RA EITI secretariat	Excel and PDF formats	Annual, before 1 August of the following year	Mandatory audit was not required for the month of August 2020	Yes	Mining company, LSGB, mining contracts	Electronic

N	Description of Data	State bodies that own the data	Data structure (data description)	Periodicity of receiving data	Data Quality	Continuous disclosure of data	Source of Data	Method of collection
30	Entrails use sphere employment	RA EITI secretariat, SC	Excel and PDF formats	Annual, before 1 August of the following year	Mandatory audit was not required for the month of August 2020	Yes	Mining company	Electronic
31	Share in GDP	RA SC	PDF format	Quarterly	Not applicable	Yes	SC	Electronic
32	Share in state revenues	SRC	Not accessible	Annual	Not applicable	Yes	SRC	Electronic
33	Share in exports	SRC	Not accessible	Annual	Not applicable	Yes	SRC	Electronic
34	Industrial employment sphere	RA SC	PDF format	Annual	Not applicable	Yes	SC	Electronic

Possibilities of involving the Audit Chamber in the reconciliation process

In the context of the transition to systematic data disclosures, the involvement of the Audit Chamber can be considered, taking into account the relevant observations of the International Secretariat of the EITI. This refers to the recommendation according to which the audit chambers in the countries implementing the EITI can carry out audit of the financial flows received by the state from the mining industry.

Audit Chamber

After gaining independence, in the conditions of new political and economic relations developing in Armenia, the Control Chamber of the National Assembly of the Republic of Armenia was established, as a new system of state financial control which tasks were to carry out comprehensive, professional audit over the efficient spending of state revenues and resources, ensuring the transparency of their use.

With the 2015 constitutional changes, the third modern stage of the development of the supreme audit institution of the RA, the Audit Chamber, started. Previously the Control Chamber was given a control mandate, whereas the Audit Chamber undertook an external state audit, i.e. inspection mandate that should be consistent with the standards adopted by INTOSAI, the ISSAIs. The new constitutional amendments further increased the independence of the Chamber. If previously the National Assembly approved the annual activity program of the Chamber, according to the new law, the annual activity program is approved by the Audit Chamber²⁸⁵.

According to the RA Law "On the Audit Chamber" (in the section representing the functions of the Audit Chamber, hereinafter referred to as the law)²⁸⁶, the latter is an independent state body conducting external state auditing, the purpose of which is providing timely, professional and impartial information about state-community budget funds in the sphere of public finances and property, received loans and credits, the legality and effectiveness of the use of state-community property to the National Assembly and the public. The same legislative regulations stipulate that the Audit Chamber conducts audits in state and local self-governance bodies and institutions financed from the state-community budgets. The law stipulates that the Audit Chamber does not conduct audits in state and local self-governance bodies and institutions not financed from the state-community budgets. The purpose of the audit is to find out whether the principles of legality and economy, target-cost efficiency are maintained. By conducting audit the Audit Chamber examines the effectiveness of the internal audit system of the audited entity.

The law further clarifies the scope of powers of the Audit Chamber, stating that this body performs the following functions to ensure the purpose of its activities:

- 1) conducting audits of lawfulness and effectiveness of the use of the funds of the State Budget and community budgets, loans and credits received, state- and community-owned property, in the field of public finances and property;
- 2) conducting inspection in cases prescribed by law.

That is, audit (in its 3 types) and inspection are the main mechanisms of the Audit Chamber. External audit (hereinafter referred to as audit) is a process by which the maintenance of criteria and requirements defined by legal acts regulating the subject of audit or transactions concluded within the framework of civil law relations by the audited entity is estimated. The estimation is carried out after the end of the period or stage defined by the relevant transactions. **The law defines three types of audit:** financial aud, compliance audit, performance audit, which are carried out through review,

²⁸⁵ Official website of the Audit Chamber of the Republic of Armenia <http://armsai.am/hy/history>

²⁸⁶ RA Law "On Audit Chamber" (adopted on 16.01.2018, entered into force on 09.04.2018)

monitoring, inquiry, external approval, analytical procedure, recalculation, and re-processing procedures.

Financial audit:

Type of audit conducted by the Audit Chamber, which determines the fulfillment of funds of the state and community budgets, received loans and credits, state and community property use documentation requirements and the reliability of result reports.

Compliance audit:

The type of audit carried out by the Audit Chamber, which determines the compliance of funds of the state and community budgets, received loans and credits, use of state and community property with the legislative acts, and also with the criteria and requirements set by other transactions concluded within the framework of civil law relations.

Performance audit:

The type of auditing carried out by the Audit Chamber, which determines the thriftiness, expediency and cost-effectiveness of use of funds the state and community budgets, received loans and credits, use of state and community property.

An inspection is an assessment of the criteria and requirements maintenance set by the legislative acts regulating the subject of the inspection, transactions concluded within the framework of civil law relations, which is carried out after completion of the relevant period or stage.

The law also provides for the cases when the Audit Chamber is authorized to conduct inspections at legal entities. The inspection is carried out by the legal entities related to the object of audit, through the procedures of inspection, monitoring, inquiry, external approval, recalculation and re-processing. In particular, within the framework of the audit, this body carries out an inspection with a legal entity if:

- the non-commercial legal entity was established by the Republic of Armenia or the community;
- more than 50% of the charter capital of a commercial legal entity is with state or community participation;
- the legal entity is authorized by a legal act and contract to perform the functions of a state or local self-governance body at the expense of state or community budgets;
- the legal entity has received loans from the state budget under the contract, as well as loans secured by the state guarantee of the Republic of Armenia or other funds, only related to the use of those funds;
- the legal entity has received grants or subsidies from state or local self-governance bodies and institutions under a contract, only related to the use of those funds.

Each year the Audit Chamber approves the annual action plan, at least one month prior to the end of the previous activity program of the Audit Chamber. The activity program consists of the following parts:

- 1) audit of the three-month, six-month, nine-month and annual execution of the state budget;
- 2) audit according to the auditable activities identified by the risk-based methodology, auditees, audit conducting structural subdivisions;
- 3) program of internal processes of the Audit Chamber: issues related to continuous development of professional capacities of the Audit Chamber, quality management system, personnel management and training, international cooperation and other issues assigned to the Audit Chamber by law.

The Audit Chamber cooperates with the supreme external auditing bodies, their international organizations, to exchange accounting methodology, best experience for its implementation and can develop guidelines, methodology guided by the standards of the International Organization of Supreme Audit Institutions (INTOSAI). According to the law, the Audit Chamber is authorized to study the effectiveness²⁸⁷ of the internal audit system of the auditee bodies. In this regard, certain requirements are set for the qualification of a member of the Audit Chamber. In particular, a member of the Audit Chamber, including the Chairperson of the Chamber, may be elected from citizens complying with the requirements for the deputy of the National Assembly, with higher education, qualified as an auditor in accordance with the legislation of the Republic of Armenia, having at least five years of work experience, of which at least one as a manager of the legal entity entitled to provide audit services according to the legislation of the RA.

The Audit Chamber submits an annual report on its activities to the National Assembly of the Republic of Armenia, a conclusion on the implementation of the state budget, and current conclusions in cases defined by law, and is also authorized to study the effectiveness of the internal audit system of the auditee bodies. Moreover, the annual financial statements of the Audit Chamber are subject to annual external audit by a competitively selected external audit organization, the selection of which is organized by the staff of the National Assembly in accordance with the the RA Law “On Procurement”.

When discussing the possible role of the Audit Chamber in the context of the EITI, it should be noted that the Audit Chamber does not currently perform the functions that are subject to consideration within the framework of the EITI report. However, it should be noted that being a state body carrying out auditing activities, it can play a role as a state body carrying out other functions within the framework of the EITI after certain legislative, institutional changes and its prosperity. At present, however, the activities of this body are not related to the evaluation of any component of the activities of the private sector.

From the information provided it follows that according to the current legislation, the functions of the Audit Chamber include only the issues of assessing the lawfulness and effectiveness of the use of public funds. The Audit Chamber is not empowered by law to carry out such functions which are required for an independent administrator performing other functions within the framework of the EITI. Although the Audit Chamber is able to carry out audit functions, the implementation of the functions of an independent administrator within the framework of EITI will require a radical change in legislation, as well as capacity building. In the context of the EITI report compilation, the capabilities of the Audit Chamber are also presented in the EITI Armenia Ratification Report, prepared by the EITI International Secretariat.

According to the mentioned report²⁸⁸, the Stakeholders noted that the Audit Chamber has capability issues and need support. According to the mentioned report, capacity building of the Audit Chamber is important to make systematic disclosure of revenue data possible. Accordingly, the International Secretariat of the EITI urges the MSG to cooperate with the Audit Chamber by agreeing on capacity building plan and the issue of conducting independent audit of revenues of the extractive industries, considering appropriate the cooperation between the Audit Chamber and the EITI.

²⁸⁷ HO-58-N Article 5

²⁸⁸ Ratification of the EITI process in Armenia. Report on preliminary data and consultations with Stakeholders https://eiti.org/system/files/documents/arm_armenia_validation_2019_initial_assessment_march_2020.pdf

7.7 Other observations and recommendations

Within the framework of this report, a number of issues have been raised by the Independent Administrator, which are presented below. Recommendations are also presented for the solution of the identified issues.

1. Definition of beneficial owners and legal regime of disclosure

Observation According to the RA Law “On state registration of legal entities, separate subdivisions of legal entities, state registration of institutions and individual entrepreneurs” the definition characterizing the beneficial owners does not include the heads of the executive body among them. The provision that considers the head of the executive body of companies operating in the field of entrails use as the beneficial owner is enshrined with the amendment made to the RA Subsoil Code and it refers only to entrails use companies. As a result, a disagreement arises between the legal act regulating the subsoil use sector and the general regulation act.

Recommendation It is found necessary to consider that regulation by making an amendment to the RA Subsoil Code and not to consider the head of the company's executive body as the beneficial owner. Taking into account the existence of a number of legal acts regulating the issues of disclosure of beneficial owners (subsoil, financial-credit system, money laundering, registration of legal entities), we suggest regulating the disclosure of beneficial owners and/or share structure in a single legal regime. In this regard, it should be noted that the Government of the Republic of Armenia has developed and submitted to the National Assembly of the Republic of Armenia a legislative package ensuring the identification of real beneficiaries, which envisages a comprehensive settlement of the issue. During the elaboration of this Report, the mentioned legislative package was adopted by the RA National Assembly in the first reading.

2. Mining contracts

Observation In this regard, it should be noted that the Government of the Republic of Armenia has developed and submitted to the National Assembly of the Republic of Armenia a legislative package ensuring the disclosure of real beneficiaries, which envisages a comprehensive settlement of the issue. During the elaboration of this report, the mentioned legislative package was adopted by the RA National Assembly in the first reading.

Recommendation It is necessary to define transitional provisions in the RA Subsoil Code, which will establish an obligation for companies with subsoil use rights to bring the documents (permit, contract, mining deed) in line with new conditions defined by legislative amendments, defining certain time or stages. This is important from the point of view of actually of implementation of the legislative changes, ensuring equal conditions for all entrails users.

3. Fulfillment of obligations related to the socio-economic development of the communities defined by the mining contract

Observation There is no clear regulation in the current legislation on flexible measures of liability in case of non-payment or improper payment of socio-economic obligations to the community. At present, this issue is regulated by general provisions, according to which such behavior is considered a breach of contract and the "warning / termination" mechanism defined by Article 30 of the RA

Subsoil Code operates. However, such a measure of implementation for non-payment of socio-economic obligations is not used in practice, considering it disproportionate. Consequently, the disproportion of the measures of responsibility hinders their application, which also leads to the reduction of their preventive effect.

Recommendation It is necessary to establish additional financial liability measures for non-fulfillment or improper fulfillment of the socio-economic obligations undertaken towards the community. It is necessary to establish precedent practice in order to apply proportionately and flexible measures of responsibility through administrative and/or judicial means. The authorized state body (MTAI) that is a party to the subsoil use agreement must be endowed with the necessary institutional and financial resources to detect violations, to call to account, to implement the social programs of the communities at a full, proper level.

4. Data quality and reliability

Observation As described in chapter 1, the current legislation of the Republic of Armenia does not require a mandatory audit of the financial statements of mining companies. The RA Laws "On Accounting", "On Auditing activity", "On Regulation of Public Control" came into force on January 1, 2020, which established the criteria for companies subject to mandatory auditing of financial statements. Financial indicators of the company is one of the criteria. Thus, the financial statements of some mining companies for 2020 and later years will be subject to mandatory audit by an independent auditor, however, this will not meet the requirement for all companies in the industry to undergo an external audit. Observations on the need for mandatory external audit of entrails companies were also submitted by the International Secretariat of the EITI within the framework of the EITI ratification process in Armenia.

Recommendation Based on the recommendations of the International Secretariat of the EITI, it is proposed to establish a mandatory external audit requirement for all mining companies involved in the metal mining industry, the results of which will also be published on the relevant websites.

Observation As described in Section 4.2 of this report, during the preparation of the report, it became clear that some communities and entrails companies misrepresented the amounts of payments related to the socio-economic obligations under the entrails use contracts, in particular, voluntary payments and donations were presented as contract payments, which caused a significant error. It should be noted that errors in these payments were also detected in previous years. As payments related to the fulfillment of mandatory socio-economic obligations are not considered as reconciled flows and were not included within the framework of Independent Administrator reconciliation procedures, no complete adjustment of this difference was made in the public reports.

Recommendation In order to exclude such errors in the final reports of the following years, we suggest:

a) Conduct regular trainings in the communities for responsible persons involved in the report preparation process. Although in the early stages of the EITI process MTAI provided training for community members involved in report preparation process, we believe that such trainings should be continuous to avoid reporting errors in the future.

b) In our opinion, socio-economic contributions are significant in terms of information disclosed within the framework of the EITI, if not monetary, then qualitative. Therefore, we propose to include the payments related to the fulfillment of the socio-economic obligations stipulated in the subsoil use agreements within the report reconciliation framework, regardless of the amount presented.

5. Payments to the Environmental Protection Fund

Observation

According to the RA Subsoil Code, the payments made to the Environmental Protection Fund are calculated and approved at the stage of granting the entrails use right, while the mine is usually operated for decades. Carrying out such calculations requires appropriate knowledge to make accurate estimates of future costs. The legislation doesn't foresee regulations to protect the accumulated funds from devaluation, and as a result, these funds may not be sufficient to carry out necessary activities during the reclamation phase.

Recommendation

a) Costs of reclamation activities should be calculated on the basis of a conclusion issued by specialized companies or similar organizations, taking into account the time of those costs and the time value of money.

b) In order to manage the devaluation of money, as well as to attract additional investments in the economy, it would be expedient to transfer the money accumulated in the fund to the managers of a private fund on a competitive basis and under certain conditions.

6. Data reconciliation obstacles

Observation

The Statistical Committee of the RA does not publish data on the degree of lower disintegration of precious metals (for example, information on gold raw materials), as according to Article 9 of the RA law "On State Secrets", these data are classified as state secrets. For this reason, only the data on gold production revealed by the companies are available in the EITI reports.

Recommendation

Taking into account the fact that these data are nevertheless presented and published by companies, it would be advisable to remove them from state secret information list, allowing data reconciliation.

7. Study of the possibilities of involving the Audit Chamber in the reconciliation process, existence of legal bases

In the context of transfer to the systematic disclosure of data, for involvement of the RA Audit Chamber in the process of reconciliation of the EITI reports, it is necessary to apply fundamental legislative and institutional improvements and empower the Audit Chamber for auditing budget inflows from mining activities. Based on the assessment of the capacities of the Audit Chamber provided in the Ratification report on the EITI process in Armenia, it is necessary to strengthen the capacity base of this body, which will allow the Audit Chamber to conduct an independent audit of the revenues of the extractive industries.

8. Annexes

Annex 1

Information on the external audit of the financial statements of the reporting companies according to the public reporting data submitted by the companies

	Company name	Existence of external audit report for the reporting year	Link to the publication of the auditor's report	Independent Administrator Comment
1	Aktiv Lernagorts LLC	no		
2	Agarak CMC CJSC	yes	https://iravunk.com/news/115123	
3	Tatstone LLC	no		
4	Lydian Armenia CJSC	yes	https://www.lydianarmenia.am/img/uploadFiles/a6a3ade13156b4c185d7FS_Lydian2019arm.pdf	
5	Vayk Gold LLC	no		
6	AT Metals LLC	no		
7	Sagamar CJSC	no		
8	Baktek Eco LLC	no		
9	GeoProMining Gold LLC	yes	Gortsyntats newspaper, 11.06.2020 #277	
10	Molibdeni Ashkharh LLC	no	Novoe Vermia Daily, N29), 25/06/2020	The company's financial statements for 2019 have not been audited externally, the company has filled in the data related to the published financial statements in the "Link to the publication of the Auditor's report" field.
11	Gharagulyanner CJSC	no		
12	Teghout CJSC	yes		According to the company representative, the audit of the financial statements for 2019 has been carried out, but the auditor's report has not been published as of the date of this report.
13	Meghradzor Gold LLC	no	REPUBLIC OF ARMENIA DAILY #117(7329) 26.06.2020	The company's financial statements for 2019 have not been audited externally, the company has filled in the data related to the published

	Company name	Existence of external audit report for the reporting year	Link to the publication of the auditor's report	Independent Administrator Comment
				financial statements in the "Link to the publication of the Auditor's report" field.
14	Lichqvaz CJSC	no		
15	Fortune Resources LLC	no		
16	Multi Group Concern LLC	no		
17	Assat LLC	no		
18	Paramount Gold Mining CJSC	no		
19	Akhtala Mining and Processing Enterprise CJSC	no		
20	Zangezur Copper Molybdenum Combine CJSC	yes	https://azdarar.am/announcements/org/161/00698998/	
21	Ler-Ex LLC	yes	https://www.azdarar.am/announcements/org/161/00698998/	
22	Vardani Zartonk LLC	no		
23	Chaarat Kapan CJSC	no		
24	Geghi Gold LLC	yes	Publication of statements in Gortsyntats newspaper	

Annex 2

Information on geological study activities of the subsoil for mineral extraction purposes as of 28.07.2020

N	Name of the legal entity obtained permission	Date, month, date of the application for permission	Number of permission	Date of permission	Maturity date of permission	Name of mineral occurrences or object	Total area
1	Equivest Alliance Foundation LLC	02.03.2015	ԵՀԹ-29/212	27.07.2015	3 years	Urut mine of Stepanavan mine region, Lori region, RA	3290,0 ha
2	Harust Metagh LLC	09.03.2017	ԵՀԹ-29/247	07.10.2017	3 years	Privolnoye mine area of Stepanavan mining region, Lori region, RA	102,9 km ²
3	Copper Plus LLC	25.08.2017	ԵՀԹ-29/251	24.10.2017	3 years	Ttujur multi-metal ore manifestation area, Gegharkunik region, RA	15,9 km ²
4	Copper Plus LLC	17.05.2017	ԵՀԹ-29/252	24.10.2017	3 years	Sarikar-Kutakan multi-metal ore manifestation area, Gegharkunik region, RA	129,6 km ²
5	Polymetal Armenia LLC	26.10.2017	ԵՀԹ-29/259	31.01.2018	3 years	Kapan plateau area, Syunik region, RA	286,0 km ²

N	Name of the legal entity obtained permission	Date, month, date of the application for permission	Number of permission	Date of permission	Maturity date of permission	Name of mineral occurrences or object	Total area
6	NIG Mining LLC	29.09.2017	ԵՀԹ-29/263	04.04.2018	3 years	Khdebants gold ore manifestation area, Syunik region, RA	529,2 ha
7	Inter Mining LLC	08.02.2018	ԵՀԹ-29/266	28.03.2018	3 years	Tsarasar gold ore manifestation area, Gegharkunik region, RA	1205,0 ha
8	Chudo Metal LLC	08.02.2018	ԵՀԹ-29/269	25.04.2018	3 years	Borders of Arjizdor gold-multimetal ore manifestation are, Syunik region RA	292,8 ha
9	Georaid CJSC	30.07.2018	ԵՀԹ-29/278	17.10.2019	2 years 6 months	Area of the north-eastern slope of Salvard mountain, Syunik region, RA	800 ha

Annex 3

Data provided by reporting mining companies for the year ended 31 December 2019 (drams)

TIN 2001 Code	1112 711200						1111 711100		
Company name	Profit tax			Profit tax paid for non-residents			Income tax		
	Calculated based on the tax report for the reporting year	Calculated based on tax (inspection) act(s) (by study protocol) (including fines and penalties)	Total	Calculated based on the tax report for the reporting year	Calculated based on tax (inspection) act(s) (by study protocol) (including fines and penalties)	Total	Calculated based on the tax report for the reporting year	Calculated based on tax (inspection) act(s) (by study protocol) (including fines and penalties)	Total
Aktiv Lernagorts LLC	-	-	-	-	-	-	276,000	-	276,000
Agarak CMC CJSC	-	-	-	76,229,186	-	76,229,186	1,299,617,320	-	1,299,617,320
Tatstone LLC	-	-	-	-	-	-	15,657,570	-	15,657,570
Lydian Armenia CJSC	-	-	-	111,814,166	-	111,814,166	507,606,796	-	507,606,796
Vayk Gold LLC	-	-	-	-	-	-	200,796	-	200,796
AT Metals LLC	-	-	-	-	-	-	20,252,994	-	20,252,994
Sagamar CJSC	-	-	-	-	-	-	41,596,856	-	41,596,856
Baktek Eco LLC	-	-	-	-	-	-	215,020	-	215,020
GeoProMining Gold LLC	6,939,229,485	-	6,939,229,485	727,767,424	-	727,767,424	3,615,658,570	-	3,615,658,570
Molibdeni Ashkharh LLC	-	-	-	-	-	-	4,561,126	-	4,561,126
Gharagulyanner CJSC	-	-	-	-	-	-	875,170	-	875,170
Teghout CJSC	-	-	-	827,156,856	-	827,156,856	1,048,187,655	-	1,048,187,655
Meghradzor Gold LLC	-	-	-	-	-	-	184,362,255	-	184,362,255
Lichqvaz CJSC	-	-	-	-	-	-	35,896,435	-	35,896,435
Fortune Resources LLC	-	-	-	-	-	-	4,006,476	-	4,006,476
Multi Group Concern LLC	-	-	-	2,403	-	2,403	30,056,578	-	30,056,578
Assat LLC	22,513	-	22,513	-	-	-	4,053,910	-	4,053,910
Paramount Gold Mining CJSC	-	-	-	-	-	-	6,391,656	-	6,391,656
Akhtala Mining and Processing Enterprise CJSC	163,347,327	-	163,347,327	1,297,919	-	1,297,919	407,521,803	-	407,521,803
Zangezur Copper Molybdenum Combine CJSC	10,308,540,754	-	10,308,540,754	540,530,051	-	540,530,051	10,113,235,488	-	10,113,235,488
Ler-Ex LLC	-	-	-	-	-	-	155,775,352	-	155,775,352
Vardani Zartonk LLC	-	-	-	-	-	-	171,228	-	171,228
Chaarat Kapan CJSC	564,787,034	-	564,787,034	61,509,866	-	61,509,866	1,543,641,437	-	1,543,641,437
Geghi Gold LLC	-	-	-	-	-	-	8,519,088	-	8,519,088
Total	17,975,927,113	-	17,975,927,113	2,346,307,871	-	2,346,307,871	19,048,337,579	-	19,048,337,579

TIN 2001 Code	1141 714110			1142 714200		
Company name	VAT, including import VAT			Excise tax, including import excise tax		
	Calculated based on the tax report for the reporting year	Calculated based on tax (inspection) act(s) (by study protocol) (including fines and penalties)	Total	Calculated based on the tax report for the reporting year	Calculated based on tax (inspection) act(s) (by study protocol) (including fines and penalties)	Total
Aktiv Lernagorts LLC	-	-	-	-	-	-
Agarak CMC CJSC	599,714,409	-	599,714,409	21,704,466	-	21,704,466
Tatstone LLC	-	-	-	-	-	-
Lydian Armenia CJSC	222,203,123	-	222,203,123	75,730	-	75,730
Vayk Gold LLC	-	-	-	-	-	-
AT Metals LLC	-	-	-	-	-	-
Sagamar CJSC	898,999	-	898,999	-	-	-
Baktek Eco LLC	-	-	-	-	-	-
GeoProMining Gold LLC	1,873,271,463	-	1,873,271,463	118,379,262	-	118,379,262
Molibdeni Ashkharh LLC	-	-	-	-	-	-
Gharagulyanner CJSC	-	-	-	-	-	-
Teghout CJSC	561,471,563	-	561,471,563	94,992	-	94,992
Meghradzor Gold LLC	5,932,342	-	5,932,342	-	-	-
Lichqvaz CJSC	4,626,398	-	4,626,398	-	-	-
Fortune Resources LLC	420,000	-	420,000	-	-	-
Multi Group Concern LLC	60,567,890	-	60,567,890	-	-	-
Assat LLC	-	-	-	-	-	-
Paramount Gold Mining CJSC	-	-	-	-	-	-
Akhtala Mining and Processing Enterprise CJSC	44,558,499	1,346,807	45,905,306	-	-	-
Zangezur Copper Molybdenum Combine CJSC	1,976,758,874	-	1,976,758,874	110,036,180	-	110,036,180
Ler-Ex LLC	49,081,393	-	49,081,393	-	-	-
Vardani Zartonk LLC	-	-	-	-	-	-
Chaarat Kapan CJSC	220,651,765	-	220,651,765	35,253,604	-	35,253,604
Geghi Gold LLC	243,702	-	243,702	-	-	-
Total	5,620,400,420	1,346,807	5,621,747,227	285,544,234	-	285,544,234

TIN 2001 Code	1146 714612			1146 714612			1145 714523		
Company name	Royalty			Nature Use Payments			Nature Protection Payments		
	Calculated based on the tax report for the reporting year	Calculated based on tax (inspection) act(s) (by study protocol) (including fines and penalties)	Total	Calculated based on the tax report for the reporting year	Calculated based on tax (inspection) act(s) (by study protocol) (including fines and penalties)	Total	Calculated based on the tax report for the reporting year	Calculated based on tax (inspection) act(s) (by study protocol) (including fines and penalties)	Total
Aktiv Lernagorts LLC	-	-	-	-	-	-	-	-	-
Agarak CMC CJSC	949,647,538	-	949,647,538	-	-	-	15,600,080	-	15,600,080
Tatstone LLC	-	-	-	-	-	-	-	-	-
Lydian Armenia CJSC	-	-	-	-	-	-	-	-	-
Vayk Gold LLC	-	-	-	-	-	-	-	-	-
AT Metals LLC	-	-	-	-	-	-	-	-	-
Sagamar CJSC	-	-	-	-	-	-	30,488	-	30,488
Baktek Eco LLC	-	-	-	-	-	-	-	-	-
GeoProMining Gold LLC	9,777,640,803	-	9,777,640,803	2,630,378	-	2,630,378	6,949,625	-	6,949,625
Molibdeni Ashkharh LLC	-	-	-	-	-	-	-	-	-
Gharagulyanner CJSC	-	-	-	-	-	-	5	-	5
Teghout CJSC	1,194,956,782	-	1,194,956,782	6,911,153	-	6,911,153	1,631,476	-	1,631,476
Meghradzor Gold LLC	153,037,198	-	153,037,198	-	-	-	614,152	-	614,152
Lichqvaz CJSC	-	-	-	-	-	-	212,682	-	212,682
Fortune Resources LLC	-	-	-	-	-	-	-	-	-
Multi Group Concern LLC	-	-	-	-	-	-	-	-	-
Assat LLC	-	-	-	-	-	-	26,700	-	26,700
Paramount Gold Mining CJSC	-	-	-	-	-	-	-	-	-
Akhtala Mining and Processing Enterprise CJSC	461,986,594	-	461,986,594	1,103,896	-	1,103,896	1,757,842	-	1,757,842
Zangezur Copper Molybdenum Combine CJSC	22,556,261,860	-	22,556,261,860	37,860,000	-	37,860,000	37,574,959	-	37,574,959
Ler-Ex LLC	-	-	-	-	-	-	20,520	-	20,520
Vardani Zartonk LLC	-	-	-	-	-	-	-	-	-
Chaarat Kapan CJSC	2,356,868,472	-	2,356,868,472	647,110	-	647,110	745,191	-	745,191
Geghi Gold LLC	-	-	-	-	-	-	-	-	-
Total	37,450,399,247	-	37,450,399,247	49,152,537	-	49,152,537	65,163,720	-	65,163,720

TIN 2001 Code	1145 714523			1145 714523		
Company name	Environmental taxes for goods imported from EEU member states			Environmental fees (taxes) for goods imported from non EEU member states		
	Calculated based on the tax report for the reporting year	Calculated based on tax (inspection) act(s) (by study protocol) (including fines and penalties)	Total	Calculated based on the tax report for the reporting year	Calculated based on tax (inspection) act(s) (by study protocol) (including fines and penalties)	Total
Aktiv Lernagorts LLC	-	-	-	-	-	-
Agarak CMC CJSC	406,215	-	406,215	3,122,587	-	3,122,587
Tatstone LLC	-	-	-	-	-	-
Lydian Armenia CJSC	-	-	-	152,155	-	152,155
Vayk Gold LLC	-	-	-	-	-	-
AT Metals LLC	-	-	-	-	-	-
Sagamar CJSC	-	-	-	-	-	-
Baktek Eco LLC	-	-	-	-	-	-
GeoProMining Gold LLC	808,391	-	808,391	17,806,804	-	17,806,804
Molibdeni Ashkharh LLC	-	-	-	-	-	-
Gharagulyanner CJSC	-	-	-	-	-	-
Teghout CJSC	-	-	-	1,302,898	-	1,302,898
Meghradzor Gold LLC	-	-	-	23,894	-	23,894
Lichqvaz CJSC	-	-	-	-	-	-
Fortune Resources LLC	-	-	-	-	-	-
Multi Group Concern LLC	-	-	-	90,865	-	90,865
Assat LLC	-	-	-	-	-	-
Paramount Gold Mining CJSC	-	-	-	-	-	-
Akhtala Mining and Processing Enterprise CJSC	-	-	-	663,673	-	663,673
Zangezur Copper Molybdenum Combine CJSC	4,413,460	-	4,413,460	417,998	-	417,998
Ler-Ex LLC	-	-	-	-	-	-
Vardani Zartonk LLC	-	-	-	-	-	-
Chaarat Kapan CJSC	1,410,136	-	1,410,136	1,474,490	-	1,474,490
Geghi Gold LLC	-	-	-	-	-	-
Total	7,038,202	-	7,038,202	25,055,364	-	25,055,364

TIN 2001 Code	1151 715100	1145 714522		
Company name	Custom duties and fees	Duties		
	Repaid (paid) from the unified account and other treasury accounts, as well as paid to the customs authority (including fines & penalties) in the reporting year	Calculated amount of duty	Calculated based on the tax report for the reporting year	Total
Aktiv Lernagorts LLC	-	10,000,000	-	10,000,000
Agarak CMC CJSC	64,929,225	10,000,000	-	10,000,000
Tatstone LLC	-	10,000,000	-	10,000,000
Lydian Armenia CJSC	82,284,869	10,000,000	-	10,000,000
Vayk Gold LLC	-	10,000,000	-	10,000,000
AT Metals LLC	-	10,000,000	-	10,000,000
Sagamar CJSC	-	10,000,000	-	10,000,000
Baktek Eco LLC	-	10,000,000	-	10,000,000
GeoProMining Gold LLC	411,248,515	10,000,000	-	10,000,000
Molibdeni Ashkharh LLC	-	10,000,000	-	10,000,000
Gharagulyanner CJSC	-	10,000,000	-	10,000,000
Teghout CJSC	224,070,517	10,000,000	-	10,000,000
Meghradzor Gold LLC	8,859,757	10,000,000	-	10,000,000
Lichqvaz CJSC	-	10,000,000	-	10,000,000
Fortune Resources LLC	-	50,000	-	50,000
Multi Group Concern LLC	27,772,332	10,000,000	-	10,000,000
Assat LLC	-	10,000,000	-	10,000,000
Paramount Gold Mining CJSC	-	-	-	-
Akhtala Mining and Processing Enterprise CJSC	15,658,000	10,000,000	-	10,000,000
Zangezur Copper Molybdenum Combine CJSC	585,594,755	10,000,000	-	10,000,000
Ler-Ex LLC	-	10,000,000	-	10,000,000
Vardani Zartonk LLC	-	10,000,000	-	10,000,000
Chaarat Kapan CJSC	50,807,777	10,000,000	25,246,000	35,246,000
Geghi Gold LLC	-	10,000,000	-	10,000,000
Total	1,471,225,747	220,050,000	25,246,000	245,296,000

TIN 2001 Code				
Company name	Replenishment of environmental protection fund	Monitoring implementation fee	Environmental impact assessment and expertise fee	Fines
	Amount payable to the fund calculated for the reporting ear	Amount payable calculated for the reporting ear	Paid amount	The amount of calculated fine calculated based on tax (inspection) act(s) (by study protocol)
Aktiv Lernagorts LLC	379,810	382,500	-	-
Agarak CMC CJSC	26,027,607	-	-	-
Tatstone LLC	241,245	213,451	-	-
Lydian Armenia CJSC	121,938,000	16,610,000	-	-
Vayk Gold LLC	-	-	-	-
AT Metals LLC	-	-	-	-
Sagamar CJSC	396,953	-	-	-
Baktek Eco LLC	697,840	-	-	-
GeoProMining Gold LLC	58,957,300	425,000	-	213,789,959
Molibdeni Ashkharh LLC	1,561,152	-	-	-
Gharagulyanner CJSC	233,511	115,577	-	-
Teghout CJSC	2,953,000	-	-	-
Meghradzor Gold LLC	307,740	396,670	-	-
Lichqvaz CJSC	1,453,947	827,600	-	800,000
Fortune Resources LLC	1,028,460	-	-	-
Multi Group Concern LLC	233,380	-	-	-
Assat LLC	144,400	42,500	-	-
Paramount Gold Mining CJSC	-	-	-	-
Akhtala Mining and Processing Enterprise CJSC	32,466,000	255,000	3,072,000	-
Zangezur Copper Molybdenum Combine CJSC	19,434,939	2,757,188	-	382,431,552
Ler-Ex LLC	1,108,000	-	-	-
Vardani Zartonk LLC	735,000	-	-	-
Chaarat Kapan CJSC	6,868,584	2,428,175	500,000	-
Geghi Gold LLC	1,717,550	523,470	-	-
Total	278,884,418	24,977,131	3,572,000	597,021,511

TIN 2001 Code	1131 713121, 1136 713611			1131 713122		
Company name	Property tax			Land tax		
	Calculated based on the tax report for the reporting year	Calculated based on tax (inspection) act(s) (by study protocol) (including fines and penalties)	Total	Calculated based on the tax report for the reporting year	Calculated based on tax (inspection) act(s) (by study protocol) (including fines and penalties)	Total
Aktiv Lernagorts LLC	-	-	-	-	-	-
Agarak CMC CJSC	7,062,355	-	7,062,355	60,112	-	60,112
Tatstone LLC	-	-	-	224	-	224
Lydian Armenia CJSC	1,716,610	-	1,716,610	9,275,908	-	9,275,908
Vayk Gold LLC	-	-	-	-	-	-
AT Metals LLC	-	-	-	100,000	-	100,000
Sagamar CJSC	2,309,196	-	2,309,196	2,037,600	-	2,037,600
Baktek Eco LLC	-	-	-	-	-	-
GeoProMining Gold LLC	5,489,083	-	5,489,083	4,202,092	-	4,202,092
Molibdeni Ashkharh LLC	-	-	-	3,615	-	3,615
Gharagulyanner CJSC	-	-	-	-	-	-
Teghout CJSC	3,876,356	-	3,876,356	3,998,788	-	3,998,788
Meghradzor Gold LLC	261,100	-	261,100	351,001	-	351,001
Lichqvaz CJSC	6,380	-	6,380	-	-	-
Fortune Resources LLC	-	-	-	-	-	-
Multi Group Concern LLC	11,141,043	-	11,141,043	1,291,547	-	1,291,547
Assat LLC	-	-	-	110,000	-	110,000
Paramount Gold Mining CJSC	-	-	-	-	-	-
Akhtala Mining and Processing Enterprise CJSC	1,853,384	-	1,853,384	302,226	-	302,226
Zangezur Copper Molybdenum Combine CJSC	29,288,854	-	29,288,854	1,046,790	-	1,046,790
Ler-Ex LLC	305,497	-	305,497	25,218	-	25,218
Vardani Zartonk LLC	-	-	-	-	-	-
Chaarat Kapan CJSC	3,819,575	-	3,819,575	1,376,209	-	1,376,209
Geghi Gold LLC	28,340	-	28,340	-	-	-
Total	67,157,773	-	67,157,773	24,181,330	-	24,181,330

TIN 2001 Code	1415 741520				
Company name	Payments (including fines and penalties)				Contributions paid for implementation of obligations for socio- economical development of communities defined by the extractive company in the mining contract
	Real estate	Vehicle	Land plot	Total	Paid amount
Aktiv Lernagorts LLC	-	-	181,400	181,400	-
Agarak CMC CJSC	31,723,512	-	-	31,723,512	8,500,000
Tatstone LLC	-	-	19,071,503	19,071,503	5,030,000
Lydian Armenia CJSC	-	-	420,300,003	420,300,003	-
Vayk Gold LLC	-	-	-	-	-
AT Metals LLC	2,625,000	110,000	-	2,735,000	-
Sagamar CJSC	-	-	1,400,004	1,400,004	-
Baktek Eco LLC	-	-	2,424,000	2,424,000	-
GeoProMining Gold LLC	960,000	-	68,000,000	68,960,000	4,800,000
Molibdeni Ashkharh LLC	-	-	-	-	-
Gharagulyanner CJSC	-	455,000	826,102	1,281,102	500,000
Teghout CJSC	-	-	44,710,610	44,710,610	-
Meghradzor Gold LLC	-	-	24,910,272	24,910,272	-
Lichqvaz CJSC	-	-	5,215,261	5,215,261	-
Fortune Resources LLC	1,190,472	-	-	1,190,472	-
Multi Group Concern LLC	-	-	5,253,638	5,253,638	-
Assat LLC	-	-	-	-	-
Paramount Gold Mining CJSC	-	-	-	-	-
Akhtala Mining and Processing Enterprise CJSC	3,600,000	-	5,974,008	9,574,008	-
Zangezur Copper Molybdenum Combine CJSC	-	600,000	166,637,801	167,237,801	-
Ler-Ex LLC	-	-	1,540,296	1,540,296	-
Vardani Zartonk LLC	-	-	-	-	-
Chaarat Kapan CJSC	-	-	113,221,853	113,221,853	-
Geghi Gold LLC	-	-	-	-	500,000
Total	40,098,984	1,165,000	879,666,751	920,930,735	19,330,000

Data provided by reporting mining companies for the year ended 31 December 2019 (US dollars)*

TIN 2001 Code	1112 711200			1112 711200			1111 711100		
Company name	Profit tax			Profit tax paid for non-residents			Income tax		
	Calculated based on the tax report for the reporting year	Calculated based on tax (inspection) act(s) (by study protocol) (including fines and penalties)	Total	Calculated based on the tax report for the reporting year	Calculated based on tax (inspection) act(s) (by study protocol) (including fines and penalties)	Total	Calculated based on the tax report for the reporting year	Calculated based on tax (inspection) act(s) (by study protocol) (including fines and penalties)	Total
Aktiv Lernagorts LLC	-	-	-	-	-	-	564	-	564
Agarak CMC CJSC	-	-	-	155,789	-	155,789	2,656,020	-	2,656,020
Tatstone LLC	-	-	-	-	-	-	31,999	-	31,999
Lydian Armenia CJSC	-	-	-	228,514	-	228,514	1,037,393	-	1,037,393
Vayk Gold LLC	-	-	-	-	-	-	410	-	410
AT Metals LLC	-	-	-	-	-	-	41,391	-	41,391
Sagamar CJSC	-	-	-	-	-	-	85,011	-	85,011
Baktek Eco LLC	-	-	-	-	-	-	439	-	439
GeoProMining Gold LLC	14,181,663	-	14,181,663	1,487,334	-	1,487,334	7,389,300	-	7,389,300
Molibdeni Ashkharh LLC	-	-	-	-	-	-	9,322	-	9,322
Gharagulyanner CJSC	-	-	-	-	-	-	1,789	-	1,789
Teghout CJSC	-	-	-	1,690,456	-	1,690,456	2,142,175	-	2,142,175
Meghradzor Gold LLC	-	-	-	-	-	-	376,780	-	376,780
Lichqvaz CJSC	-	-	-	-	-	-	73,361	-	73,361
Fortune Resources LLC	-	-	-	-	-	-	8,188	-	8,188
Multi Group Concern LLC	-	-	-	5	-	5	61,426	-	61,426
Assat LLC	46	-	46	-	-	-	8,285	-	8,285
Paramount Gold Mining CJSC	-	-	-	-	-	-	13,063	-	13,063
Akhtala Mining and Processing Enterprise CJSC	333,832	-	333,832	2,653	-	2,653	832,850	-	832,850
Zangezur Copper Molybdenum Combine CJSC	21,067,505	-	21,067,505	1,104,678	-	1,104,678	20,668,361	-	20,668,361
Ler-Ex LLC	-	-	-	-	-	-	318,357	-	318,357
Vardani Zartonk LLC	-	-	-	-	-	-	350	-	350
Chaarat Kapan CJSC	1,154,252	-	1,154,252	125,707	-	125,707	3,154,731	-	3,154,731
Geghi Gold LLC	-	-	-	-	-	-	17,410	-	17,410
Total	36,737,298	-	36,737,298	4,795,136	-	4,795,136	38,928,977	-	38,928,977

TIN 2001 Code	1141 714110			1142 714200		
Company name	VAT, including import VAT			Excise tax, including import excise tax		
	Calculated based on the tax report for the reporting year	Calculated based on tax (inspection) act(s) (by study protocol) (including fines and penalties)	Total	Calculated based on the tax report for the reporting year	Calculated based on tax (inspection) act(s) (by study protocol) (including fines and penalties)	Total
Aktiv Lernagorts LLC	-	-	-	-	-	-
Agarak CMC CJSC	1,225,633	-	1,225,633	44,357	-	44,357
Tatstone LLC	-	-	-	-	-	-
Lydian Armenia CJSC	454,115	-	454,115	155	-	155
Vayk Gold LLC	-	-	-	-	-	-
AT Metals LLC	-	-	-	-	-	-
Sagamar CJSC	1,837	-	1,837	-	-	-
Baktek Eco LLC	-	-	-	-	-	-
GeoProMining Gold LLC	3,828,394	-	3,828,394	241,931	-	241,931
Molibdeni Ashkharh LLC	-	-	-	-	-	-
Gharagulyanner CJSC	-	-	-	-	-	-
Teghout CJSC	1,147,476	-	1,147,476	194	-	194
Meghradzor Gold LLC	12,124	-	12,124	-	-	-
Lichqvaz CJSC	9,455	-	9,455	-	-	-
Fortune Resources LLC	858	-	858	-	-	-
Multi Group Concern LLC	123,782	-	123,782	-	-	-
Assat LLC	-	-	-	-	-	-
Paramount Gold Mining CJSC	-	-	-	-	-	-
Akhtala Mining and Processing Enterprise CJSC	91,064	2,752	93,816	-	-	-
Zangezur Copper Molybdenum Combine CJSC	4,039,891	-	4,039,891	224,880	-	224,880
Ler-Ex LLC	100,307	-	100,307	-	-	-
Vardani Zartonk LLC	-	-	-	-	-	-
Chaarat Kapan CJSC	450,945	-	450,945	72,048	-	72,048
Geghi Gold LLC	498	-	498	-	-	-
Total	11,486,380	2,752	11,489,132	583,565	-	583,565

TIN 2001 Code	1146 714612			1146 714612			1145 714523		
Company name	Royalty			Nature Use Payments			Nature Protection Payments		
	Calculated based on the tax report for the reporting year	Calculated based on tax (inspection) act(s) (by study protocol) (including fines and penalties)	Total	Calculated based on the tax report for the reporting year	Calculated based on tax (inspection) act(s) (by study protocol) (including fines and penalties)	Total	Calculated based on the tax report for the reporting year	Calculated based on tax (inspection) act(s) (by study protocol) (including fines and penalties)	Total
Aktiv Lernagorts LLC	-	-	-	-	-	-	-	-	-
Agarak CMC CJSC	1,940,789	-	1,940,789	-	-	-	31,882	-	31,882
Tatstone LLC	-	-	-	-	-	-	-	-	-
Lydian Armenia CJSC	-	-	-	-	-	-	-	-	-
Vayk Gold LLC	-	-	-	-	-	-	-	-	-
AT Metals LLC	-	-	-	-	-	-	-	-	-
Sagamar CJSC	-	-	-	-	-	-	62	-	62
Baktek Eco LLC	-	-	-	-	-	-	-	-	-
GeoProMining Gold LLC	19,982,508	-	19,982,508	5,376	-	5,376	14,203	-	14,203
Molibdeni Ashkharh LLC	-	-	-	-	-	-	-	-	-
Gharagulyanner CJSC	-	-	-	-	-	-	0	-	0
Teghout CJSC	2,442,126	-	2,442,126	14,124	-	14,124	3,334	-	3,334
Meghradzor Gold LLC	312,761	-	312,761	-	-	-	1,255	-	1,255
Lichqvaz CJSC	-	-	-	-	-	-	435	-	435
Fortune Resources LLC	-	-	-	-	-	-	-	-	-
Multi Group Concern LLC	-	-	-	-	-	-	-	-	-
Assat LLC	-	-	-	-	-	-	55	-	55
Paramount Gold Mining CJSC	-	-	-	-	-	-	-	-	-
Akhtala Mining and Processing Enterprise CJSC	944,159	-	944,159	2,256	-	2,256	3,592	-	3,592
Zangezur Copper Molybdenum Combine CJSC	46,098,101	-	46,098,101	77,374	-	77,374	76,792	-	76,792
Ler-Ex LLC	-	-	-	-	-	-	42	-	42
Vardani Zartonk LLC	-	-	-	-	-	-	-	-	-
Chaarat Kapan CJSC	4,816,718	-	4,816,718	1,322	-	1,322	1,523	-	1,523
Geghi Gold LLC	-	-	-	-	-	-	-	-	-
Total	76,537,163	-	76,537,163	100,453	-	100,453	133,175	-	133,175

TIN 2001 Code	1145 714523			1145 714523		
Company name	Environmental taxes for goods imported from EEU member states			Environmental fees (taxes) for goods imported from non EEU member states		
	Calculated based on the tax report for the reporting year	Calculated based on tax (inspection) act(s) (by study protocol) (including fines and penalties)	Total	Calculated based on the tax report for the reporting year	Calculated based on tax (inspection) act(s) (by study protocol) (including fines and penalties)	Total
Aktiv Lernagorts LLC	-	-	-	-	-	-
Agarak CMC CJSC	830	-	830	6,382	-	6,382
Tatstone LLC	-	-	-	-	-	-
Lydian Armenia CJSC	-	-	-	311	-	311
Vayk Gold LLC	-	-	-	-	-	-
AT Metals LLC	-	-	-	-	-	-
Sagamar CJSC	-	-	-	-	-	-
Baktek Eco LLC	-	-	-	-	-	-
GeoProMining Gold LLC	1,652	-	1,652	36,392	-	36,392
Molibdeni Ashkharh LLC	-	-	-	-	-	-
Gharagulyanner CJSC	-	-	-	-	-	-
Teghout CJSC	-	-	-	2,663	-	2,663
Meghradzor Gold LLC	-	-	-	49	-	49
Lichqvaz CJSC	-	-	-	-	-	-
Fortune Resources LLC	-	-	-	-	-	-
Multi Group Concern LLC	-	-	-	186	-	186
Assat LLC	-	-	-	-	-	-
Paramount Gold Mining CJSC	-	-	-	-	-	-
Akhtala Mining and Processing Enterprise CJSC	-	-	-	1,356	-	1,356
Zangezur Copper Molybdenum Combine CJSC	9,020	-	9,020	854	-	854
Ler-Ex LLC	-	-	-	-	-	-
Vardani Zartonk LLC	-	-	-	-	-	-
Chaarat Kapan CJSC	2,882	-	2,882	3,013	-	3,013
Geghi Gold LLC	-	-	-	-	-	-
Total	14,384	-	14,384	51,206	-	51,206

TIN 2001 Code	1151 715100	1145 714522		
Company name	Custom duties and fees	Duties		
	Repaid (paid) from the unified account and other treasury accounts, as well as paid to the customs authority (including fines and penalties) in the reporting year	Calculated amount of duty	Calculated based on the tax report for the reporting year	Total
Aktiv Lernagorts LLC	-	20,437	-	20,437
Agarak CMC CJSC	132,695	20,437	-	20,437
Tatstone LLC	-	20,437	-	20,437
Lydian Armenia CJSC	168,165	20,437	-	20,437
Vayk Gold LLC	-	20,437	-	20,437
AT Metals LLC	-	20,437	-	20,437
Sagamar CJSC	-	20,437	-	20,437
Baktek Eco LLC	-	20,437	-	20,437
GeoProMining Gold LLC	840,466	20,437	-	20,437
Molibdeni Ashkharh LLC	-	20,437	-	20,437
Gharagulyanner CJSC	-	20,437	-	20,437
Teghout CJSC	457,932	20,437	-	20,437
Meghradzor Gold LLC	18,107	20,437	-	20,437
Lichqvaz CJSC	-	20,437	-	20,437
Fortune Resources LLC	-	102	-	102
Multi Group Concern LLC	56,758	20,437	-	20,437
Assat LLC	-	20,437	-	20,437
Paramount Gold Mining CJSC	-	-	-	-
Akhtala Mining and Processing Enterprise CJSC	32,000	20,437	-	20,437
Zangezur Copper Molybdenum Combine CJSC	1,196,777	20,437	-	20,437
Ler-Ex LLC	-	20,437	-	20,437
Vardani Zartonk LLC	-	20,437	-	20,437
Chaarat Kapan CJSC	103,836	20,437	51,595	72,032
Geghi Gold LLC	-	20,437	-	20,437
Total	3,006,735	449,716	51,595	501,311

TIN 2001 Code				
Company name	Replenishment of environmental protection fund	Monitoring implementation fee	Environmental impact assessment and expertise fee	Fines
	Amount payable to the fund calculated for the reporting ear	Amount payable calculated for the reporting ear	Paid amount	The amount of calculated fine calculated based on tax (inspection) act(s) (by study protocol)
Aktiv Lernagorts LLC	776	782	-	-
Agarak CMC CJSC	53,192	-	-	-
Tatstone LLC	493	436	-	-
Lydian Armenia CJSC	249,204	33,946	-	-
Vayk Gold LLC	-	-	-	-
AT Metals LLC	-	-	-	-
Sagamar CJSC	811	-	-	-
Baktek Eco LLC	1,426	-	-	-
GeoProMining Gold LLC	120,491	869	-	436,921
Molibdeni Ashkharh LLC	3,191	-	-	-
Gharagulyanner CJSC	477	236	-	-
Teghout CJSC	6,035	-	-	-
Meghradzor Gold LLC	629	811	-	-
Lichqvaz CJSC	2,971	1,691	-	1,635
Fortune Resources LLC	2,102	-	-	-
Multi Group Concern LLC	477	-	-	-
Assat LLC	295	87	-	-
Paramount Gold Mining CJSC	-	-	-	-
Akhtala Mining and Processing Enterprise CJSC	66,351	521	6,278	-
Zangezur Copper Molybdenum Combine CJSC	39,719	5,635	-	781,573
Ler-Ex LLC	2,264	-	-	-
Vardani Zartonk LLC	1,502	-	-	-
Chaarat Kapan CJSC	14,037	4,962	1,022	-
Geghi Gold LLC	3,510	1,070	-	-
Total	569,954	51,046	7,300	1,220,129

TIN 2001 Code	1131 713121, 1136 713611			1131 713122		
Company name	Property tax			Land tax		
	Calculated based on the tax report for the reporting year	Calculated based on tax (inspection) act(s) (by study protocol) (including fines and penalties)	Total	Calculated based on the tax report for the reporting year	Calculated based on tax (inspection) act(s) (by study protocol) (including fines and penalties)	Total
Aktiv Lernagorts LLC	-	-	-	-	-	-
Agarak CMC CJSC	14,433	-	14,433	123	-	123
Tatstone LLC	-	-	-	-	-	-
Lydian Armenia CJSC	3,508	-	3,508	18,957	-	18,957
Vayk Gold LLC	-	-	-	-	-	-
AT Metals LLC	-	-	-	204	-	204
Sagamar CJSC	4,719	-	4,719	4,164	-	4,164
Baktek Eco LLC	-	-	-	-	-	-
GeoProMining Gold LLC	11,218	-	11,218	8,588	-	8,588
Molibdeni Ashkharh LLC	-	-	-	7	-	7
Gharagulyanner CJSC	-	-	-	-	-	-
Teghout CJSC	7,922	-	7,922	8,172	-	8,172
Meghradzor Gold LLC	534	-	534	717	-	717
Lichqvaz CJSC	13	-	13	-	-	-
Fortune Resources LLC	-	-	-	-	-	-
Multi Group Concern LLC	22,769	-	22,769	2,640	-	2,640
Assat LLC	-	-	-	225	-	225
Paramount Gold Mining CJSC	-	-	-	-	-	-
Akhtala Mining and Processing Enterprise CJSC	3,788	-	3,788	618	-	618
Zangezur Copper Molybdenum Combine CJSC	59,857	-	59,857	2,139	-	2,139
Ler-Ex LLC	624	-	624	52	-	52
Vardani Zartonk LLC	-	-	-	-	-	-
Chaarat Kapan CJSC	7,806	-	7,806	2,813	-	2,813
Geghi Gold LLC	58	-	58	-	-	-
Total	137,250	-	137,250	49,419	-	49,419

TIN 2001 Code	1415 741520				
Company name	Payments (including fines and penalties)				Contributions paid for implementation of obligations for socio-economical development of communities defined by the extractive company in the mining contract
	Real estate	Vehicle	Land plot	Total	Paid amount
Aktiv Lernagorts LLC	-	-	371	371	-
Agarak CMC CJSC	64,833	-	-	64,833	17,371
Tatstone LLC	-	-	38,976	38,976	10,280
Lydian Armenia CJSC	-	-	858,965	858,965	-
Vayk Gold LLC	-	-	-	-	-
AT Metals LLC	5,365	225	-	5,590	-
Sagamar CJSC	-	-	2,861	2,861	-
Baktek Eco LLC	-	-	4,954	4,954	-
GeoProMining Gold LLC	1,962	-	138,971	140,933	9,810
Molibdeni Ashkharh LLC	-	-	-	-	-
Gharagulyanner CJSC	-	930	1,688	2,618	1,022
Teghout CJSC	-	-	91,375	91,375	-
Meghradzor Gold LLC	-	-	50,909	50,909	-
Lichqvaz CJSC	-	-	10,658	10,658	-
Fortune Resources LLC	2,433	-	-	2,433	-
Multi Group Concern LLC	-	-	10,737	10,737	-
Assat LLC	-	-	-	-	-
Paramount Gold Mining CJSC	-	-	-	-	-
Akhtala Mining and Processing Enterprise CJSC	7,357	-	12,209	19,566	-
Zangezur Copper Molybdenum Combine CJSC	-	1,226	340,557	341,783	-
Ler-Ex LLC	-	-	3,148	3,148	-
Vardani Zartonk LLC	-	-	-	-	-
Chaarat Kapan CJSC	-	-	231,391	231,391	-
Geghi Gold LLC	-	-	-	-	1,022
Total	81,950	2,381	1,797,770	1,882,101	39,505

* The amounts in Armenian drams were converted into US dollars using the average annual exchange rate set by the Central Bank of Armenia

Annex 4

Tables of Figures and graphs presented in the Report

Chapter 3. Extraction, production and sale in the metal mining sector

Figure 3.1.1

Confirmed amounts of metal ore by regions during 2010-2019, thousand tonnes

Region	Iron ore	Gold ore	Magnesium ore	Copper ore	Chromite ore
Gegharkunik	-	-	21,289	-	2,435
Lori	158,425	4,972	-	-	-
Syunik	-	29,113	-	8,007	-
Vayots Dzor	-	33,025	-	-	-
Aragatsotn	-	2,393	-	-	-

Source: Information provided by the MTAI to the EITI

Figure 3.1.2

Confirmed reserves of metallic minerals by regions during 2010-2019, thousand tonnes

	Iron melt	Magnesium oxide	Lead	Molybdenum	Chromium oxide	Zink
Gegharkunik	-	10,172	-	-	410	-
Lori	66,636	-	-	-	-	-
Syunik	-	-	62	4	-	248
Vayots Dzor	-	-	6	-	-	31

Source: Information provided by the MTAI to the EITI

Figure 3.1.3

Confirmed reserves of gold and silver by regions during 2010-2019, thousand tonnes

Region	Gold	Silver
Syunik	44	5,146
Lori	26	121
Vayots Dzor	21	63
Aragatsotn	11	25
Gegharkunik	4	-
Total	106	5,355

Source: Information provided by the MTAI to the EITI

Figure 3.1.4

Volume of geological works in 2010-2019 and the average annual growth rates of the observed periods, million AMD

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Value, million AMD	55	108	154	125	1,333	718	543	353	1,017	318

Source: Statistical Committee of the RA: armstat.am

Figure 3.2.1

Volumes of regional production in the mining industry in 2014-2019 in monetary expression, million AMD

Region	2014	2015	2016	2017	2018
Gegharkunik	8,307	12,877	14,877	15,098	18,943
Lori	10,820	55,013	66,672	79,220	7,416
Syunik	168,343	146,387	167,275	236,940	260,104
Other	5,672	6,390	7,657	9,841	14,282
Total	193,142	220,667	256,481	341,099	300,745

Source: "Regions of the Republic of Armenia and the City of Yerevan in Numbers" Publication of the Statistical Committee of the RA for the respective years

Figure 3.2.2

Shares of the sales value of the main types of products of the metal mining industry in 2019

Types of products	Sales value, ,million AMD	Share
Molybdenum concentrate	5,709	2%
Copper concentrate	142,288	55%
Dore bars containing gold and silver	52,731	20%
Ferromolybdenum	48,103	19%
Precious metal concentrate containing gold	1,681	1%
Zinc ores and concentrates	7,579	3%

Source: Reports provided by companies to the EITI

Figure 3.2.3

Copper concentrate production in the RA and international copper price in 2014-2019

Name	2014	2015	2016	2017	2018	2019
Copper concentrate, tonnes	192,273	315,599	388,534	428,529	317,357	407,793
Price of one metric tonne of copper, US dollars	6,863	5,510	4,868	6,170	6,530	6,010

Copper concentrate production in the world and international copper price in 2014-2019

Name	2014	2015	2016	2017	2018	2019
Copper concentrate, thousand metric tonnes	18,500	19,100	20,100	20,000	20,400	20,400
Price of one metric tonne of copper, US dollars	6,863	5,510	4,868	6,170	6,530	6,010

Source:

- 1) "Industry" section of the "Statistical yearbook of Armenia, 2020" publication of the Statistical Committee of the RA;
- 2) World Bank Data on international prices;
- 3) <https://www.statista.com/statistics/254839/copper-production-by-country/>

Figure 3.2.4

Molybdenum concentrate and ferromolybdenum production and international molybdenum prices in 2014-2019

Name	2014	2015	2016	2017	2018	2019
Molybdenum concentrate	11,807	10,440	10,662	11,542	11,110	14,431
Ferromolybdenum, tonnes	6,528	5,576	6,526	6,588	7,292	7,712
Price of one metric tonne of molybdenum, US dollars	28,679	18,526	15,950	20,373	29,143	26,858

Source:

- 1) "Industry" section of the "Statistical yearbook of Armenia, 2020" publication of the Statistical Committee of the RA;
- 2) Data on molybdenum international prices are from tradingeconomics.com

Figure 3.2.5

Zinc concentrate production and international zinc price in 2014-2019

Name	2014	2015	2016	2017	2018	2019
Zinc concentrate, tonnes	14,709	11,319	7,891	9,640	10,828	11,238
Price of one metric tonne of zinc, US dollars	2,161	1,932	2,090	2,891	2,922	2,550

Source:

- 1) "Industry" section of the "Statistical yearbook of Armenia, 2020" publication of the Statistical Committee of the RA;
- 2) World Bank Ddata on international prices

Figure 3.2.6

Price of one troy ounce of gold in 2014-2019, US dollars

Name	2014	2015	2016	2017	2018	2019
Price of one troy ounce of gold	1,266	1,161	1,249	1,258	1,269	1,392

Source: World Bank Ddata on international prices

Figure 3.3.1

Total exports and the share of metal products in exports in 2014-2019, US dollars

Name	2014	2015	2016	2017	2018	2019
Share of precious metal concentrate (%)	2.2%	2.1%	1.7%	0.1%	0.1%	0.1%
Share of molybdenum concentrate (%)	0.6%	0.4%	0.1%	0.4%	0.3%	0.7%
Share of gold (%)	5.5%	6.7%	7.8%	6.8%	7.4%	8.5%
Share of copper concentrate (%)	15.8%	21.4%	20.5%	26.6%	22%	23.9%
Share of zinc concentrate (%)	0.9%	0.8%	0.6%	0.8%	0.9%	0.6%
Share of ferromolybdenum (%)	7.4%	3.7%	3.7%	3.9%	5.3%	5.4%
Total exports, million US dollars	1,490	1,483	1,808	2,145	2,383	2,620

Source: The UN COMTRADE statistics

Exports of metal products in 2014-2019 in monetary expression, million US dollars

Type of product	2014	2015	2016	2017	2018	2019
Copper concentrate	236	317	370	571	525	627
Gold	82	99	141	145	177	224
Ferromolybdenum	110	56	66	84	126	142
Molybdenum concentrate	9	6	1	9	8	18
Zinc concentrate	14	12	11	17	20	16
Precious metal concentrate	33	32	31	2	3	3
Total	483	521	620	828	860	1,031

Source: The UN COMTRADE statistics

Exports of metal products in kind in 2014-2019, thousand tonnes

Type of product	2014	2015	2016	2017	2018	2019
Copper concentrate	185	309	403	476	425	562
Zinc concentrate	14	14	10	10	12	12
Ferromolybdenum	7	6	7	7	7	9
Precious metal concentrate	6	6	6	2	3	3
Molybdenum concentrate	1	1	-	1	-	2
Gold	-	-	-	-	-	-
Total	213	336	425	496	448	588

Source: The UN COMTRADE statistics

Figure 3.3.2

Distribution of copper concentrate exports by countries in 2014-2019, million US dollars

Country	2014	2015	2016	2017	2018	2019
Bulgaria	85	79	163	281	214	206
Canada	-	-	-	-	22	53
China	138	139	68	116	95	174
Georgia	-	44	93	87	9	2
Romania	-	38	23	3	55	-
Switzerland	-	15	24	84	131	192
Other	13	2	-	-	-	-
Total	236	317	370	572	526	627

Source: The UN COMTRADE statistics

Figure 3.3.3

Final content of metals considered to be paid for in exported copper concentrate exported by companies in 2019

Company	Copper, tonnes	Silver, kg	Gold, kg
Agarak Copper Molybdenum Combine CJSC	8,166	-	-
Akhtala Mining and Processing Enterprise CJSC	2,782	-	-
Zangezur Copper Molybdenum Combine CJSC	66,272	4,537	144
Teghout CJSC	10,278	-	-
Chaarat Kapan CJSC	1,766	16,108	934

Source: Reports provided by companies to the EITI

Figure 3.3.4

Distribution of molybdenum concentrate exports in 2014-2019 by countries, million US dollars

Country	2014	2015	2016	2017	2018	2019
Netherlands	9	6	1	7	-	-
Belgium	-	-	-	1	7	7
Russian Federation	-	-	-	1	1	1
Switzerland	-	-	-	-	-	7
China	-	-	-	-	-	2
Other	-	-	-	-	-	-
Total	9	6	1	9	8	18

Source: The UN COMTRADE statistics

Figure 3.3.5

Distribution of ferromolybdenum concentrate exports in 2014-2019, in million US dollars

Country	2014	2015	2016	2017	2018	2019
Germany	48	20	17	4	-	-
Netherlands	62	35	48	75	124	140
Russian Federation	-	1	1	5	2	2
Total	110	56	66.0	84	126	142

Source: The UN COMTRADE statistics

Figure 3.3.6

Final content of molybdenum considered to be paid for in exported molybdenum concentrate and ferromolybdenum in 2019

Type of product	Agarak CMC CJSC	Zangezur Copper Molybdenum Combine CJSC	Teghout CJSC
Molybdenum from molybdenum concentrate, tonnes	372	178	346
Molybdenum from ferromolybdenum, tonnes	-	5,953	-

Source: Reports provided by companies to the EITI

Figure 3.3.7

Distribution of zinc concentrate exports by countries in 2014-2019, million US dollars

Country	2014	2015	2016	2017	2018	2019
Belgium	12	10	11	15	20	17
Netherlands	2	1	-	-	-	-
China	-	1	-	-	-	-
South Korea	-	-	-	2	-	-
Other	-	-	-	-	-	-
Total	14	12	11	17	20	17

Source: The UN COMTRADE statistics

Figure 3.3.8

Final content of valuable metals considered to be paid for in export zinc concentrate in 2019

Country	Zinc, tonnes	Gold, kg	Silver, kg
Chaarat Kapan CJSC	6,434	119	1,971

Source: Reports provided by companies to the EITI

Figure 3.3.9

Distribution of crude gold exports in 2014-2019 by countries, million US dollars

Country	2014	2015	2016	2017	2018	2019
Canada	82	97	124	-	-	-
Italy	-	-	-	1	6	9
Switzerland	-	-	17	144	169	215
UAE	-	2	-	-	2	-
Other	-	-	-	-	-	-
Total	82	99	141	145	177	224

Source: The UN COMTRADE statistics

Figure 3.3.10

Distribution of precious metal concentrate exports by countries in 2014-2019, million US dollars

Country	2014	2015	2016	2017	2018	2019
China	32	24	31	0	-	-
Switzerland	1	1	-	2	3	3
Other	-	7	-	-	-	-
Total	33	32	31	2	3	3

Source: The UN COMTRADE statistics

Figure 3.3.11

Final content of metals considered to be paid for in exported gold alloy and precious metal concentrate containing gold in 2019

Company	Gold and silver dore alloy, kg	Gold, kg	Silver, kg
GeoProMining Gold LLC	5,417	-	-
Meghradzor Gold LLC	-	104	119

Source: Reports provided by companies to the EITI

Chapter 4. State revenues from the metal mining sector and their distribution

Figure 4.1.1

The share of taxes paid to the State budget by metal mining companies in the State budget revenues in 2019

	Amount	Share
Taxes and payment declared by metal mining companies	84,996,250	5.4%
Other income of the State budget	1,565,488,917	94.6%

Figure 4.1.2

Taxes and payments declared by large metal mining companies to the State budget in 2019 (thousand drams)

Company name		Total state revenues in 2019
1	Zangezur Copper Molybdenum Combine CJSC	46,305,461
2	GeoProMining Gold LLC	23,558,974
3	Chaarat Kapan CJSC	4,878,317
5	Teghout CJSC	3,874,541
4	Agarak CMC CJSC	3,043,518
6	Akhtala Mining and Processing Enterprise CJSC	1,141,057
7	Lydian Armenia CJSC	1,078,023
8	Meghradzor Gold LLC	363,534
9	Ler-Ex LLC	215,985
10	Other	536,840
Total		84,459,410

Source: Reports submitted by state bodies within the framework of the EITI

Figure 4.1.3

Taxes and payments declared by metal mining companies to the State budget in 2019 (million drams)

Type of tax	Amount	Share
Royalty	37,427	44%
Income tax	19,059	22%
Profit tax	17,976	21%
Import VAT	5,626	7%
Non-resident profit tax	2,349	3%
Customs duty, customs fee	1,472	2%
Other	1,087	1%

Source: Reports submitted by the SRC and the ME within the framework of the EITI

Figure 4.1.4

Taxes paid to the State budget by metal mining companies from 2016 to 2019 (million AMD)

Type of tax	Amount			
	2016	2017	2018	2019
Royalty	23,571	37,575	34,546	37,427
Income tax	11,824	14,363	17,848	19,059
Profit tax	4,224	11,811	17,935	20,325
VAT	9,030	16,995	6,117	5,626
Customs duty, customs fee	1,083	2,036	1,123	1,472
Other	1,368	4,268	907	1,087

Source: Reports submitted by the SRC and the ME within the framework of the EITI

Figure 4.2.1

Taxes and payments declared by metal mining companies to community budgets in 2019 (thousand drams)

Name of the revenue stream	Accrued/paid amount in 2019
Rent payments	910,228
Socio-economic payments	19,330
Property tax	68,204
Land tax	21,639
Land expropriation payment	-

Source: Reports submitted by the MTAI within the framework of the EITI

Figure 4.2.2

Taxes and payments declared by metal mining companies to community budgets except payments related to the fulfillment of mandatory socio-economic obligations defined by mining contracts from 2016 to 2019 (thousand drams)

Type of tax	Amount			
	2016	2017	2018	2019
Rent payments	793,363	865,737	939,420	910,228
Property tax	43,220	58,988	60,421	68,204
Land tax	12,587	18,604	23,513	21,639
Land expropriation payment	266,471	23,342	16,000	-

Source: Reports submitted by the MTAI within the framework of the EITI

Figure 4.2.3

The contributions of metal mining companies to community budgets in 2019 by regions (thousand drams)

Region	Amount
Lori	71,228
Kotayk	39,456
Ararat	4,093
Gegharkunik	72,925
Syunik	507,425
Yerevan	6,162
Vayots Dzor	318,078
Aragatsotn	35

Source: The information was provided by the MTAI based on the EITI reports

Figure 4.2.4

Taxes and payments declared by large metal mining companies to community budgets (thousand drams)

Company name	Paid to community budgets in 2019
Ler-Ex LLC	2,064
Akhtala Mining and Processing Enterprise CJSC	11,863
Multi Group Concern LLC	13,767
Meghradzor Gold LLC	25,522
Agarak CMC CJSC	47,346
Teghout CJSC	52,573
GeoProMining Gold LLC	80,579
Chaarat Kapan CJSC	118,418
Zangezur Copper Molybdenum Combine CJSC	198,596
Lydian Armenia CJSC	431,086

Chapter 5. The socio-economic and environmental impact of the mining industry

Figure 5.1.1

Share of the mining and quarrying industry in the GDP of Armenia, 2014-2019

Name	2014	2015	2016	2017	2018	2019
The GDP of Armenia	4,829	5,044	5,067	5,564	6,017	6,569
Share of industry	2.1%	2.1%	2.6%	3.3%	2.8%	2.8%

Source: Statistical yearbook of Armenia of the Statistical Committee of the Republic of Armenia for the respective years

Figure 5.1.2

Real GDP and mining output indices, 2015-2019

Name	2015	2016	2017	2018	2019
Change in the GDP, billion AMD	3.20%	0.20%	7.50%	5.20%	7.60%
Change in mining industry, billion AMD	56.80%	5.90%	25.70%	-15.60%	19.60%

Source: Statistical yearbook of Armenia of the Statistical Committee of the Republic of Armenia for the respective years

Figure 5.1.3

Distribution of mining companies by the regions of Armenia

Region	Number of companies
Syunik	11
Lori	6
Kotayk	3
Geharkunik	1
Vayots Dzor	3

Source: Reports provided by the companies to the EITI

Figure 5.2.1

Share of mining in the total number of those employed in the industry, 2014– 2019

Name	2014	2015	2016	2017	2018	2019
Number of those employed in the industry, thousand people	131	121	121	133	125	149
Share of the mining industry	6.0%	7.7%	7.2%	6.9%	7.3%	5.8%

Source: Statistical Committee of the RA

Figure 5.2.2

Shares of comparable mining companies by number of employees, 2019

Company name	Number of employees	Share
Zangezur Copper Molybdenum Combine CJSC	4,626	46.2%
GeoProMining Gold LLC	1,673	16.7%
Chaarat Kapan CJSC	1,120	11.2%
Agarak CMC CJSC	1,051	10.5%
Teghout CJSC	691	6.9%
Akhtala Mining and Processing Enterprise CJSC	481	4.8%
Meghradzor Gold LLC	196	2.0%
Lydian Armenia CJSC	93	0.9%
Ler-Ex LLC	77	0.8%

Source: Reports provided by the companies to the EITI

Figure 5.2.3

Percentage distribution of those employed in all sectors by regions and the capital in 2019

Region	Share
Yerevan	32%
Armavir	12%
Ararat	10%
Kotayk	9%
Shirak	8%
Lori	7%
Gegharkunik	6%
Syunik	5%
Aragatsotn	4%
Tavush	4%
Vayots Dzor	1%

Source: "Regions of the Republic of Armenia and the City of Yerevan in Numbers, 2020" Publication of the Statistical Committee of the RA

Figure 5.2.4

Percentage distribution of people employed in subsoil mining companies by regions and the capital in 2019

Region	Number	Share
Syunik	6,646	66%
Lori	1,061	11%
Gegharkunik	807	8%
Yerevan	519	5%
Ararat	448	5%
Kotayk	347	3%
Other	171	2%

Source: Reports provided by companies to the EITI

Figure 5.3.1

Contributions under the commitments for the socio-economic development of the affected communities and donations to the communities in 2019, million drams

Company	Million AMD
Agarak CMC CJSC	91
Akhtala Mining and Processing Enterprise CJSC	60
AT-Metals LLC	2
GeoProMining Gold LLC	5
Zangezur Copper Molybdenum Combine CJSC	4,064
Tatstone LLC	5
Teghout CJSC	7
Lichkvaz CJSC	25
Gharagulyanner CJSC	1
Chaarat Kapan CSJC	72

Source: Reports provided by the companies to the EITI

Figure 5.3.2

Contributions in the scope of contractual obligations and charitable donations made by mining companies for the affected communities in 2019 in monetary expression, million drams

Destination	Million AMD
Kajaran	1,960
Kapan	1,774
Defence sector (Republic of Armenia)	306.3
Meghri	146.7
Akhtala	60.0
Goris	50.0
Sisian	20.0
Shnogh	6.5
Geghamasar	4.8
Tashtun	1.7
Education Sector (Republic of Artsakh)	0.9

Source: Reports provided by the companies to the EITI

Figure 5.4.1

Donations by the mining companies in 2019, broken down by types of beneficiaries, million drams

Destination	Million drams
Foundations	4,229
NGOs	607
SNPO/CNPO	105
Other legal entities	193
Individuals	146
Total	5,280

Source: Reports provided by the companies to the EITI

Figure 5.4.2

Donations to foundations by mining companies in 2019, million drams

Foundation name	Amount of socio-economic investment
Zangezur Copper and Molybdenum Combine Charitable Foundation	3,797
Cronimet Charity Foundation	273
All Armenian Fund	85
Gagik Tsarukyan Charity Foundation	18
RA Syunik Region Development and Investment Foundation	15
Kapan Charitable Foundation	13
City of Smile Charitable Foundation	10
5 - IMCA - 2019 Health Foundation	10
City of Smile Charitable Foundation	9
Syunik Marz Child and Family Support Fund	0.26

Source: Reports provided by the companies to the EITI

Figure 5.4.3

Financial and non-financial donations made by mining companies to non-governmental organizations in 2019, million drams

NGO	Company	Donation
Meghri Regional Horticulture Development NGO	Agarak AMC CJSC	1
Power and Right NGO	GeoProMining Gold LLC	3
Mas Wrestling Federation of Armenia	GeoProMining Gold LLC	4
Public Diplomacy Charitable NGO	Zangezur Copper Molybdenum Combine CJSC	455

NGO	Company	Donation
Mission Armenia Charitable NGO	Zangezur Copper Molybdenum Combine CJSC	16
Protection of the Rights of the Families of the Killed and Wounded Freedom Fighters of Kapan Charitable NGO	Zangezur Copper Molybdenum Combine CJSC	7
House of Hope and Faith Charitable NGO	Zangezur Copper Molybdenum Combine CJSC	4
Armenian Center of International Union of Puppets NGO	Zangezur Copper Molybdenum Combine CJSC	3
Union of Manufacturers and Businessmen NGO	Zangezur Copper Molybdenum Combine CJSC	3
Syunik Region Athletic Federation NGO	Zangezur Copper Molybdenum Combine CJSC	2
Unity Charitable NGO	Zangezur Copper Molybdenum Combine CJSC	36
Parnas Cultural NGO	Zangezur Copper Molybdenum Combine CJSC	24
Kajaran regional department of Union of Yerkrpah Volunteers PO	Zangezur Copper Molybdenum Combine CJSC	8
Diocese of Syunik	Zangezur Copper Molybdenum Combine CJSC	30
Freedom-Fighter Committee	Chaarat Kapan CJSC	3
Syunik branch of Red Cross Armenia	Chaarat Kapan CJSC	3
Diocese of Syunik	Chaarat Kapan CJSC	5

Source: Reports provided by the companies to the EITI

Figure 5.4.4

Financial and non-financial donations made by mining companies to state and community not-profit organizations in 2019, million drams

Receiving organization	Amount of socio-economic investment
Ararat Kindergarten No. 1 CNPO	43
Kapan Public Utility Services CNPO	29
Banereges Sports School	6
Meghradzor Nursery after L. Galstyan CNPO	6

Receiving organization	Amount of socio-economic investment
Secondary School of Sotk SNPO	2
Kajaran Secondary School No. 2 SNPO	2
Secondary School No. 3 of Ararat Village CNPO	2
Kapan High School N 9 SNPO	2
Gyumri Symphony Orchestra SNPO	2
Kapan Basic School N 1 SNPO	1
Geghanush Secondary School SNPO	1
Agarak Kindergarten No. 1 CNPO	1
Kapan History Museum after Shmavon Movsisyan CNPO	1
Ararat Sports School CNPO	1
Ararat Cultural Center CNPO	1

Source: Reports provided by the companies to the EITI

Figure 5.4.5

Financial and non-financial donations made by mining companies to other non-profit organizations in 2019, million drams

Receiving organization	Value
Zangezur Copper Molybdenum Combine CJSCPA	138
Syunik Regional Psychiatric-Neurological Dispensary	24
Kapan MC CJCS	17
Agarak CMC CJSC PA	6
BUAT CJSC	3
My Step for Region	1
Rescue Service of Syunik of the Ministry of Emergency Situations	1
Staff of the head of Vardenis	1

Source: Reports provided by the companies to the EITI

Figure 5.4.6

Donations by mining companies to individuals and their number in 2019, million drams

Company	Number of individuals	Amount of donation, million AMD
Agarak CMC CJSC	38	19
Akhtala Mining and Processing Enterprise CJSC	11	2
GeoProMining Gold LLC	208	48
Zangezur Copper Molybdenum Combine CJSC	75	58
Teghout CJSC	7	6
Meghradzor Gold LLC	5	3
Chaarat Kapan CSJC	460	11

Source: Reports provided by the companies to the EITI

Annex 5

Persons involved in the preparation of the EITI report

RA EITI multi-stakeholder group

Government constituency

Tigran Avinyan, Deputy Prime-minister, EITI MSG chairman
Lilia Shushanyan, Deputy Minister of Territorial Administration and Infrastructure
Arman Poghosyan, Deputy Minister of Finance (MSG alternate member)
Artur Manukyan, Deputy Head of the State Revenue Committee (MSG alternate member)

Mining companies' constituency

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Armen Stepanyan, Vice President on Sustainability, Lydian Armenia CJSC
Artyom Petrosyan, Legal Director, GeoProMining Gold LLC
Manvel Yeghiazaryan, Chief Accountant, Meghradzor Gold LLC
Vahe Vardanyan, General Manager, Geomining LLC (MSG alternate member)
Aram Osikyan, General Director Assat LLC (MSG alternate member)
Andranik Aghabalyan, Deputy General Director, Geoeconomic CJSC (MSG alternate member)
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Civil society constituency

Sona Ayvazyan, Executive Director, Transparency International Anti-Corruption Center NGO
Gohar Ghazinyan, Expert of environmental/ecological issues, Armenian Lawyers' Association NGO
Oleg Dulgaryan, President, Centre for Community Mobilization and Support NGO

Nazeli Vardanyan, Director, 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

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Shushanik Kerobyan	Head of the mining sector policy development of mining department
Vachagan Harutyunyan	Chief Expert of formation of subsoil use right and centralized bookkeeping of mining department
Parandzem Darbinyan	Head of territorial programs and monitoring division of territorial administration department
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RA Ministry of Environment

Ararat Aghabekyan	Chief Expert of the department of land and underground resources policy
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Head of Business Register, Sample and Classifiers department

Annex 6

Compliance of the Armenia EITI Report with the EITI Standards

EITI requirement	Standard	Section of the EITI Report
2.1		Legal framework and fiscal regime Description of regulatory and fiscal regime of the extractive industries, as well as the main areas of reform are presented in Section 2 of the Report, including: - Review of the legislation regulating extractive industry, including regulations in the field of taxation – Section 2.1 - Reforms in the extractive industry regulatory framework and fiscal regime– Section 2.1.1 - Fiscal regime, including social and environmental payments – Section 2.1.2 - Functions and the scope of powers of relevant public authorities – Section 2.1.3
2.2		Contract and license allocations Description of the procedures for mining permits (including for geological exploration and extraction) is presented in Section 2.2 - Legal framework and procedures for mining permits are described in Section 2.2.1 - Legal requirements and procedures of changes of mining right are presented in Section 2.2.2 - The information on existing permits are presented in the in Tables 2.2.1 and 2.2.2 - Legal requirements to obtain other related permits for conducting mining activity (water permit, etc.) and responsible state institutions are presented in Section 2.2.3
2.3		Register of licenses The information on the registration of mining rights and the data available in the registry is provided in Sections 2.2.4 and 2.2.5 , including: - Scope of information disclosed in the registrar - Information on the state body, which manages the registrar - Information on the content of reports presented by the owners of mining rights (mining companies) - Relevant international practice on systemic disclosures - Legal grounds and procedures of suspension or termination of mining rights
2.4		Contracts The information on mining contracts and requirements for disclosure is presented in Section 2.3 , including: - the content of the mining contracts, practical issues of existing contracts and the issues of compliance of the latter to newly adopted legal requirements, legal and institutional aspects for making amendments in mining contracts - Section 2.3.1 - Practice of amendments in the mining contracts during the reporting year Section 2.3.2 - Information on the social and environmental commitments of the mining companies set out by the mining contracts and other relevant documents is analyzed in Section 2.3.3 and presented in Tables 2.3.1 and 2.3.2
2.5		Beneficial ownership The information on the legal framework and state policies for disclosure of data on beneficial owners is presented in Section 2.4 including: - Definition of beneficial owner and the scope of industrial sector (e.g. metallic mining industry) obliged to disclose the information about beneficial owners - Regulatory framework - Recent developments on data disclosure (establishment of system for electronic data declaration) - Information on most recent legal developments concerning disclosure of beneficial owners

	- Assessment of progress of Armenia on this issue by the EITI International Secretariat - Registrar of beneficial owners, etc.
3.1	Exploration Information on mining exploration, including information on metallic mineral resources and geological studies, is provided in Section 3.1. Data on metallic mineral resources by regions are provided by the MTAI, and information on geological studies is available on the website of the RA SC.
3.2	Extraction Section 3.2 presents extraction and production of the metallic mining industry, including domestic sales. This section particularly presents: - Information on mines of metallic minerals provided by the MTAI; - Main products of the metal ore extraction industry and data on domestic sales, based on the reports provided by the companies to the EITI; - Information available on the official website of the RA SC on the volumes of products produced in the sector of metal ore extraction - Data on production of each product type
3.3	Exports Exports of the metal mining sector are presented in Section 3.3. According to the UN COMTRADE statistics, the export of metal products is presented in monetary terms and in kind. Based on data provided by the COMTRADE and companies, export data for each product are also presented separately
4.1	Comprehensive disclosure of taxes and revenues The information on taxes and other state revenue from the extractive industries is presented in Section 4, as well as in Annex 3. Specifically, Section 4 describes types of taxes and payments paid to the state budget, as well as the list of top payers.
4.6	Payments to local government bodies Payments to local government bodies are described in Section 4.2. The Section describes the taxes paid and payments made to the community budgets by types of taxes and payments made. The section lists the major regions of Armenia the taxes were paid in by the mining companies, as well as the top payers.
4.7	Level of disaggregation The report presents disaggregated information on government revenues from the extractive industries by type of payment and reporting companies (Annex 3)
4.8	Data timeliness Company and state bodies reports are published on EITI Armenia web site by 1 August of the following year.
4.9	Data quality and assurance Information on the disclosure and availability of the audit of financial statements of the extractive companies according to international standards is disclosed in Annex 1. More details on the audit procedure in mining companies and government agencies are described in Section 1.3.
5.1	Distribution of extractive industry revenues The information on the distribution of tax revenues between the budgets of different levels is provided in Section 4.3
5.2	Transfers to local government bodies The information on transfers to local government bodies is provided in Section 4.3
	Revenue management and expenditures

5.3	A description of extractive revenues earmarked for specific programs or geographic is provided in Section 4.3 .
6.1	Social and environmental expenditures by companies The socio-economic activity of the companies is presented in Sections 5.3 and 5.4. The following is presented in Section 5.3: ▪ Obligations under the mining contract and their fulfillment according to the companies and information provided by the communities; ▪ Socio-economic liabilities and donations by the companies; ▪ Projects implemented in the affected communities by mining companies. Section 5.4 refers to donations made by companies, in particular: foundations, SNPOs/CNPOs, other legal entities, individuals.
6.3	The contribution of the extractive sector to the economy The Contribution of the extractive sector to the RA economy is presented in Section 5.1. This section focuses on the following points: ▪ The share of the mining industry in the GDP of Armenia, according to the information published by the RA SC; ▪ Artisanal and small-scale extraction in the mining sector; ▪ Geography of the sector by companies' activities. A separate section provides information on employment in the sector (Section 5.2), in particular the share of mining among those employed in the industry, the structure of employment in companies, the number of employees, as well as the geography of the sector by employment.
6.4	Environmental impact of extractive activities The impact of metal mining industry on the environment is described in Section 5.5. This section provides information on environmental monitoring and EIA expert conclusion.

*The standards not included in the table are not applicable in the framework of the 2019 Report



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