

MINING

Armenia



Mining

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Cassels

Quick reference guide enabling side-by-side comparison of local insights into mining industry issues, including industry overview; basis of legal, regulatory and resource/reserve reporting system; ownership and acquisition of mining rights and title; restrictions on foreign parties; state participation, expropriation and compensation mechanisms; duties, royalties and taxes, including stabilisation mechanisms; business structures; financing sources and security regime; restrictions on movement of goods, services, people and capital in connection with mining activities; environmental, closure and remediation, health and safety, labour, social and community, and international law issues; anti-bribery and corrupt practices; and recent trends.

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MINING INDUSTRY

Standing

What is the nature and importance of the mining industry in your country?

Armenia's mining sector plays a vital role in the national economy of the Republic of Armenia (RA). In 2015, the mineral industry grew by 50.4 per cent and made up to 16.7 per cent of total industrial production of Armenia. Over half of the exports from Armenia are ore concentrates and metals. In the state register of mineral resources of RA there are 670 mines of solid minerals (including 30 metal mines) as of November 2020 registered.

The largest taxpayer in Armenia is a mining company. Further companies in the industry are in the list of top taxpayers of Armenia. In the regions where mining companies operate, these are the largest employers for the residents thereof.

Law stated - 26 September 2022

Target minerals

What are the target minerals?

The subsoil of Armenia is rich in the following metal minerals: molybdenum, gold, iron, copper, zinc, silver, alum, aluminium, lead and rare, dispersed metals contained therein.

The main minerals mined are molybdenum, copper, and gold. According to the information provided by the Ministry of Territorial Administration and Infrastructure of RA, there are seven copper-molybdenum mines among metal minerals, four copper mines, 14 gold and gold-polymetallic mines, two polymetallic mines, two iron ore mines and one aluminium mine. Armenia has more molybdenum, gold and copper reserves than other countries in this region.

There is a strong interest in the renewable energy sector in Armenia, however, there has not been any specific impact on the mining sector as a result of development or promotion of renewable energy.

Law stated - 26 September 2022

Regions

Which regions are most active?

The following regions are of special importance in the mining industry of Armenia: the Teghut mine in the Lori region, which is active in various reserves of copper and molybdenum, Zangezur Copper and Molybdenum Combine in the Syunik region, the Sotk mine in the east (as a result of hostilities in 2020 this mine lost about 50 per cent of the land) and the Amulsar mine on the border of Vayots Dzor and Syunik provinces and other regions.

Law stated - 26 September 2022

LEGAL AND REGULATORY STRUCTURE

Basis of legal system

Is the legal system civil or common law-based?

Armenia's legal system is civil law-based.

Law stated - 26 September 2022

Regulation

How is the mining industry regulated?

The regulation of the Armenian mining sector is centralised.

The mining industry in Armenia is regulated only at national level by several fundamental mining laws. Regulatory responsibilities for the mining sector have been devolved to the government, which in turn has developed respective regulations, environmental laws, and standards. The respective ministry enters into subsoil use agreements with the relevant rights holders.

Law stated - 26 September 2022

What are the principal laws that regulate the mining industry? What are the principal regulatory bodies that administer those laws? Were there any major amendments in the past year?

The legal relations in the field of mining are mainly regulated by the RA Subsoil Code (entered into force on 1 January 2012).

Along with the Subsoil Code of RA, the Law of RA 'On Making Amendments to the Law of the Republic of Armenia on Environment and Nature Use Fees' was adopted, according to which the procedures for calculating and paying royalties for the sale of metallic minerals were reviewed.

The other principal laws regulating the mining industry are the following: the Water Code, Code on Administrative Offences, Law on Environmental Supervision, Law on Waste, Law on Environmental Impact Assessment and Environmental Expertise. The environmental and social regulation of the mining sector is mainly based on the RA Law on Environmental Impact Assessment and Expertise and the RA Subsoil Code. Land relations related to the mining industry are regulated by the RA Land Code (2001) and the RA Civil Code (1998).

The principal regulatory bodies that administer those laws are:

- The Ministry of Territorial Management and Infrastructures (previously the MTMI) is responsible for the administration of the mining sector, oversight of exploration and production operations, and licensing.
- The Ministry of Environment elaborates and implements the state policies in the mining sector of environmental protection and rational use of minerals, and implements the limitations determined under the environmental protection laws in the sector of environmental protection.
- The Environmental Protection and Mining Inspection Body of the Republic of Armenia (previously the EPMIB), which implements supervision and other functions prescribed by law to comply with environmental protection norms in connection with the subsoil use. The Inspectorate may apply sanctions in the field of environmental protection, as well as regarding the use and reproduction of subsoil and mineral resources.

As for amendments in the past year, the Minister of Territorial Administration and Infrastructure of the Republic of Armenia, by the order 06-N of 11 August 2021, adopted classification instructions for mineral resources and by the order 04-n of 3 May 2021 adopted requirements for the contents of submitted materials for mineral examination.

The acceptance of these orders in the past year is significant, as in the past the Russian classification system was used for reporting mineral resources and reserves. The Russian system in turn was based on the former Soviet system, which was no longer relevant for regulating this area of the mining sector in Armenia.

Law stated - 26 September 2022

Classification system

What classification system does the mining industry use for reporting mineral resources and mineral reserves?

In Armenia, until 2021, the system for classifying and reporting mineral resources and reserves relied on the Russian system. The Minister of Territorial Administration and Infrastructure of the Republic of Armenia adopted order 06-N on classification instructions for mineral resources on 11 August 2021. The Armenian classification system is more compatible with the the JORC international standards. Many Armenian mining companies use international systems such as JORC standards while calculating resources and reserves as there is no restriction by law. However, in all cases, it is required by the law to report it in accordance with the government's stated classification system.

Law stated - 26 September 2022

MINING RIGHTS AND TITLE

State control over mining rights

To what extent does the state control mining rights in your jurisdiction? Can those rights be granted to private parties and to what extent will they have title to minerals in the ground? Are there large areas where the mining rights are held privately or which belong to the owner of the surface rights? Is there a separate legal regime or process for third parties to obtain mining rights in those areas?

According to the legislation of RA, the subsoil is the exclusive property of the state. It can be provided to private parties only with the right of use. The use and protection of the subsoil is entirely under the control of the state.

Legal entities and citizens, without obtaining the right of subsoil use, for their own needs and without the purpose of making a profit can extract non-metallic minerals that are not registered in the state balance, up to two metres deep, as well as the construction of underground structures up to five metres deep, in accordance with the procedure established by the government, notifying the authorised body.

The right to use the subsoil is granted on a general basis or through competition, but before the organisation of the competition, a preliminary land-use agreement must be signed between the authorised body (MTMI) and the owner of the land necessary for subsoil use. A person who has been granted the right to use the subsoil may not start mining without the consent of the relevant owner of the land or a land-use agreement.

Law stated - 26 September 2022

Publicly available information and data

What information and data are publicly available to private parties that wish to engage in exploration and other mining activities? Is there an agency, or securities commission regulating public companies, which collects mineral assessment reports from private parties? Must private parties file mineral assessment reports? Does the agency or the government conduct geoscience surveys, which become part of the database? Is the database available online?

Information in the mining sector is relatively transparent. Since 2017 Armenia has been a candidate country of the

Extractive Industries Transparency Initiative (EITI) and relevant changes to the legislation of the country have been made to ensure compliance with EITI's requirements. Information and data on exploration and other mining activities are publicly available to private parties at EITI Armenia's official website, where the underlying contracts and permits (both for extraction and exploration) can be found. Furthermore, the entities holding permits in this sector shall present an annual report on their real owners. The declarations on real ownership is also made available to the public.

The Republican Geological Fund State Non-Profit Organisation is responsible for fulfilling the functions of merely storing and maintaining information on the subsurface, coordinating and analysing the subsoil information. The organisation has its official website where information on natural resources of Armenia, subsoil use rights provided for minerals extraction purposes and geological research purposes, regional reports, passports of mines and ore occurrences, and maps of metal ore reserves and metallic mineral resources can all be found.

Law stated - 26 September 2022

Acquisition of rights by private parties

What mining rights may private parties acquire? How are these acquired? What obligations does the rights holder have? If exploration or reconnaissance licences are granted, does such tenure give the holder an automatic or preferential right to acquire a mining licence or more senior tenure? What are the requirements to convert to a mining licence?

According to the legislation of RA the subsoil can be provided to private parties only with the right of use. The subsoil code determined two types of use rights: subsoil use rights provided for minerals extraction purposes and subsoil use rights for geological exploration purposes.

The rights are granted based on the first come first served principle, meaning that if two or more persons have applied for the same subsoil site, the priority is given to the applicant whose application was first registered. The persons who hold the permit for exploration have the priority right to get a permit for the territory, where they have acquired geological information at their own expense.

The obligations of the rightsholders for exploration purposes (the list is not exhaustive) are:

- to carry out the work in compliance with the extraction plan agreed with the authorised body;
- to inform the authorised body about newly discovered minerals that have not been granted a permit for geological exploration, within 14 days of their discovery;
- to provide an environmental impact assessment, including an environmental management plan and preparation of monitoring programmes;
- to submit a report on the assessment or revaluation of reserves no later than nine months before the permit for geological exploration of the subsoil expires; and
- to publish declarations of their real owners (beneficiaries).

The obligations of the rightsholders for extraction purposes (the list is not exhaustive) are:

- to carry out work in accordance with the terms of the contract and the project for the extraction of minerals;
- to comply with the requirements of standards, norms and rules adopted in the Republic of Armenia in the extraction, transportation and processing of minerals;

- to ensure compliance with the requirements of the mineral extraction project;
- to ensure the protection of natural, historical and cultural monuments from the harmful effects of works related to the use of mineral resources;
- according to the project and the contract on the extraction of minerals, to restore and improve the land plots violated as a result of subsurface use (reclamation), as well as making them suitable for use on the farm or to bring them into a safe condition;
- to implement the mine closure programme, also ensuring the conditions of the decision of the authorised body on the closure of the mine, the requirements of the expert opinion and the conditions for ensuring the reliability of their implementation;
- to ensure the payment of the payment provided for monitoring in order to ensure the safety and health of the population of the extracted mineral territory, the location of production dumps formed during extraction and the municipalities adjacent to them;
- to carry out the measures provided for by the plans for the management of subsurface use waste, and, in the cases provided for by this code, plans for the processing of subsurface use waste; and
- to publish declarations of their real owners (beneficiaries).

Law stated - 26 September 2022

Renewal and transfer of mineral licences

What is the regime for the renewal and transfer of mineral licences?

Extension: exploration permit

Overall, the exploration rights may be extended. Still, these are not permitted in certain cases including when extension of the right to use the subsoil is needed because of a violation by the subsoil user of contractual obligations or the subsoil user has not performed at least 70 per cent of work provided for by the geological study programme at the time of submitting the application for extension of the permit period, and also has not fulfilled the allocations to the environmental protection fund in the amount provided for on the day the application was filed.

Extension: extraction permit

The rightsholder can apply to the Ministry of Territorial Management and Infrastructures for an extension of the term of the right by including:

- data about residual or additionally explored mineral resources;
- information regarding changes to mining methods (if foreseen);
- the amended work plan; and
- grounds to extend the right of use period.

The definite grounds for rejection to extend the term of the extraction right overlap with the grounds for rejection of granting the initial right under the Code of Subsoil.

Transfer of permit

Generally, transfer of permit is not allowed except for two cases as follows.

1. Reorganisation of the rights holder, provided that before the transfer the consent of the authorised body has been given.

2. Enforced alienation of the rights that have been pledged (the pledge of right agreement shall be concluded exclusively with the prior consent of the authorised body).

Law stated - 26 September 2022

Duration of mining rights

What is the typical duration of mining rights? Is there a requirement to relinquish a portion of the mining rights to the government after a certain number of years?

Subsoil use rights are provided for minerals extraction purposes and exploration purposes

Subsoil use rights provided for exploration purposes is granted for a period not exceeding three years. This term is renewable and upon the right holder's application can be extended for three consecutive periods, each time for a period not exceeding two years.

The right to use the subsoil for the purpose of mineral extraction is granted for a longer period, for the entire period of the mine operation, for a period not exceeding 50 years, which may be extended.

The subsoil use right may be terminated only in cases defined by the Subsoil Code of RA, for example when the subsoil was not used for the purpose for which it was provided or the right holder did not inform the authorised body about the accumulation of minerals not mentioned in the subsoil use right, about the existence of rare objects of scientific and cultural value, and about the emergence of unforeseen ecological risks. The right of subsoil use may also be terminated for the needs of the society and the state in the manner prescribed by the legislation of the RA.

Law stated - 26 September 2022

Acquisition by domestic parties versus acquisition by foreign parties

Is there any distinction in law or practice between the mining rights that may be acquired by domestic parties and those that may be acquired by foreign parties?

According to the RA Subsoil Code, the right to subsoil use can be equally granted to domestic and foreign legal entities. The foreign entity may have a local partner, but this is not a mandatory requirement. There are no restrictions or prohibitions related to the ownership of mining rights by foreign entities.

Law stated - 26 September 2022

Protection of mining rights

How are mining rights protected? Are foreign arbitration awards in respect of domestic mining disputes freely enforceable in your jurisdiction?

The Constitution of the Republic of Armenia guarantees the right of everyone to a fair, public and reasonable trial through an independent and impartial court

The protection of the mining rights is guaranteed by the legislation of the RA. According to the Subsoil Code, administrative acts on the termination or suspension of the right to subsoil use may be appealed in court within the time limits prescribed by law. Administrative disputes related to protection of mineral use rights are subject to examination in the RA administrative court.

As for the foreign arbitration awards, according to the RA Law on Commercial Arbitration, the decision of the foreign Arbitral Tribunal, which is a party to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards, is recognised as binding and is enforceable upon written application to the relevant court within three years from the effective date of the enforcement of the foreign arbitral award.

Law stated - 26 September 2022

Surface rights

What types of surface rights may mining rights holders request and acquire? How are these rights acquired? Can surface rights holders oppose these requests or does the holder of the mineral tenure have priority over surface rights use?

To acquire subsoil use permits, the applicant shall have respective rights towards the surface (ie, have the consent of the owner of the land or own the land). The rightsholders can use the surface under the following agreements: land purchase, usage, lease or servitude agreement.

Law stated - 26 September 2022

Participation of government and state agencies

Does the government or do state agencies have the right to participate in mining projects? Is there a local listing requirement for the project company?

Government and state agencies are permitted to participate in mining projects with the same rights as the commercial entities. Moreover, currently the government holds shares in one of the largest mining companies in the country.

Law stated - 26 September 2022

Government expropriation of licences

Are there provisions in law dealing with government expropriation of licences? What are the compensation provisions?

The RA law on property expropriation for the purpose of ensuring the public supreme interests. Mining rights may be subject to expropriation. The provision of preliminary and adequate compensation for the expropriation of property rights is an imperative requirement under the law. Moreover, adequate compensation is considered an amount 15 per cent greater than the estimated market value of the expropriated property.

Similar guarantees are also indicated under the RA Law on Foreign Investors.

Law stated - 26 September 2022

Protected areas

Are any areas designated as protected areas within your jurisdiction and which are off-limits to mineral exploration or mining, or specially regulated?

Specially protected nature areas are created and categories thereof are defined by the government. Under the RA law

on specially protected areas, specially protected areas are classified into state reserves, national parks, state sanctuaries and natural monuments. Under this law in the state reserves the exploitation of mineral mining and placement of mineral processing facilities are prohibited. Geological excavation works (with violation of land cover), exploitation of mineral mining, veins, placement of mineral processing facilities are also prohibited in the territory of the National Park.

Law stated - 26 September 2022

DUTIES, ROYALTIES AND TAXES

Duties, royalties and taxes payable by private parties

What duties, royalties and taxes are payable by private parties carrying on mining activities? Are these revenue-based or profit-based?

In Armenia, legal entities involved in the metal mining industry, in addition to general taxes (such as VAT and profit tax), pay nature use fees, environmental taxes and royalties.

The royalty is a payment to the state budget compensating for the use of metallic minerals, as well as for the profit from the alienation of the products obtained from the processing of metallic minerals.

A nature use fee is paid to the state budget of RA to compensate for the use of natural resources considered to be state property. Mining companies pay nature use fees for, for example, the use of surface water.

Mining companies pay environmental tax mainly for emissions of harmful substances or storage of subsoil waste. Depending on the type of material emitted and the hazard class of the entrails waste, the amount of these charges can vary considerably.

Law stated - 26 September 2022

Tax advantages and incentives

What tax advantages, tax credits and incentives are available to private parties carrying on exploration and mining activities?

The RA Tax Legislation does not establish special tax advantages, tax credits and incentives for individuals engaged in exploration and mining activities, the general tax privileges are in force, which are defined separately for each type of tax by the RA Tax Code or laws ☒

Law stated - 26 September 2022

Tax stabilisation

Does any legislation provide for tax stabilisation or are there tax stabilisation agreements in force?

Although there is no specific regulation with respect to tax stabilisation, the Law on Foreign Investment indicates warranties for foreign investors. Particularly, according to the law, in case of change of laws regulating foreign

investment within five years of making the investment, the investor may opt into the law that was in force at the moment of making the investment.

Law stated - 26 September 2022

Carried interest

Is the government entitled to a carried interest, or a free carried interest in mining projects?

There are no restrictions in the legislation.

Law stated - 26 September 2022

Transfer taxes and capital gains

Are there any transfer taxes or capital gains imposed regarding the transfer of licences?

A licence is considered an intangible act, the disposition of which is referred to as the provision of services and is, therefore, a VAT transaction.

Law stated - 26 September 2022

Distinction between domestic parties and foreign parties

Is there any distinction between the duties, royalties and taxes payable by domestic parties and those payable by foreign parties?

There is a unified tax system in the RA, which is based on the principle of equality, so that the legal acts regulating tax relations are equally applied to all taxpayers. In terms of applying the RA Tax Code, taxpayers are also foreign-registered organisations, so there is no difference between local and foreign parties.

Law stated - 26 September 2022

BUSINESS STRUCTURES

Principal business structures

What are the principal business structures used by private parties carrying on mining activities?

Overall, business structures in Armenia include limited liability companies (LLC), joint stock companies (JSC), cooperatives and partnerships. Still, the most commonly used business structures are the JSCs and LLCs.

Law stated - 26 September 2022

Local entity requirement

Is there a requirement that a local entity be a party to the transaction?

The legislation of RA does not indicate nationality-related preconditions or requirements to have a local partner in order to be able to engage in the mining industry as a rightsholder or service provider.

Law stated - 26 September 2022

Bilateral investment and tax treaties

Are there jurisdictions with favourable bilateral investment treaties or tax treaties with your jurisdiction through which foreign entities will commonly structure their operations in your jurisdiction?

Armenia is a party to 42 bilateral investment treaties and 48 double taxation treaties with countries allowing the foreign investors that come from these countries to get respective incentives and guarantees when entering Armenian jurisdiction. Further, Armenia is a party to the Eurasian Economic Union.

Law stated - 26 September 2022

FINANCING

Principal sources of financing

What are the principal sources of financing available to private parties carrying on mining activities? What role does the domestic public securities market play in financing the mining industry?

The main source of financing are the funds available through local and international banks. The law allows pledging of mining rights if the loan is provided to implement mining projects.

Law stated - 26 September 2022

Direct financing from government or major pension funds

Does the government, its agencies or major pension funds provide direct financing to mining projects?

Although this is not prohibited under the law, currently it is not common for state agencies to provide direct financing to mining projects in the country.

Law stated - 26 September 2022

Security regime

Please describe the regime for taking security over mining interests.

The right to use the subsoil may be subject of a pledge, if this secures the obligations arising from a target loan agreement, if, within the framework of this target loan, the loan is provided for the purpose of carrying out the works and complying with obligations indicated under the subsoil use permit, plan or project, subsoil use agreement or the mine allotment act. The prior consent of the authorised body is required before agreement of pledge of the mining rights is concluded, or the respective agreement is somehow changed. This agreement is null and void without consent.

Law stated - 26 September 2022

RESTRICTIONS

Importation restrictions

What restrictions are imposed on the importation of machinery and equipment or services required in connection with exploration and extraction?

There are no specific restrictions for importing machinery to the industry of mining. Still, the engaged entities may be obliged to pay additional taxes and duties, depending on the nature of the equipment imported. For example, nature protection tax may need to be paid in importing or selling goods that are harmful for the environment. Payment for goods imported into Armenia that are hazardous for the environment is calculated based on the customs value of these goods.

Law stated - 26 September 2022

Standard conditions and agreements

Which standard conditions and agreements covering equipment supplies are used in your jurisdiction?

Overall, the Civil Code of RA regulates the imperative and dispositive norms regarding supply agreements. The legislation is balanced with no specific priority given either to buyer or the seller.

Regarding the standard agreements, FIDIC is very widely used in development of infrastructure products, especially in the cases when state authorities are engaged.

As to dispute resolution trends, although resolution of disputes through courts remains the most preferred mechanism for resolution of disputes, parties also opt in for arbitration especially in cases when foreign parties are involved. Parties widely opt in arbitration clauses that include ad hoc or institutional arbitration with location both in Armenia and overseas.

Law stated - 26 September 2022

Mineral restrictions

What restrictions are imposed on the processing, export or sale of minerals? Are there any export quotas, licensing or other mechanisms that prevent producers from freely exporting their production?

No specific requirement for export of minerals is indicated. Export licences are needed for the export of precious metals, but in general, there are no restrictions on sales, exports, and imports, including no restrictions of processing any specific types of minerals domestically. Producers are free to export their production.

Law stated - 26 September 2022

Import of funds restrictions

What restrictions are imposed on the import of funds for exploration and extraction or the use of the proceeds from the export or sale of minerals?

Generally, Armenia does have foreign exchange control legislation, which mainly applies to the restrictions of concluding transactions with foreign currency. Particularly, local entities shall conclude the transactions exclusively in AMD, but if a foreign entity is engaged in the transaction, it may be concluded in foreign currency.

Law stated - 26 September 2022

ENVIRONMENT

Principal applicable environmental laws

What are the principal environmental laws applicable to the mining industry? What are the principal regulatory bodies that administer those laws?

The environmental and social regulation of the mining sector is mainly based on the Law on Environmental Impact Assessment and Expert Examination and On the RA Subsoil Code. It includes almost all regulations related to the prediction, prevention and mitigation of possible adverse effects on the environment and human health during the operation of the mine, including closure. Public administration of assessment and expert examination must be carried out by the RA government and authorised body in the area of environmental impact.

Law stated - 26 September 2022

Environmental review and permitting process

What is the environmental review and permitting process for a mining project? How long does it normally take to obtain the necessary permits?

According to the Law on Environmental Impact Assessment and Environmental Expertise the assessment and expertise are carried out before obtaining a right of subsoil use for extracting mineral resources. The procedure for conducting the examination is set out by the government. The types of activities subject to assessment and environmental impact assessment are divided into categories A, B and C. The activities of subsoil use enter under categories A as activities with most impact on the environment.

The environmental assessment and expertise process is carried out in two stages:

- the preliminary stage, during which the application for preliminary evaluation is examined (is carried out within 30 working days from the day of the submitting); and
- the initial stage, during which the main evaluation report is examined (the terms in case of mining activity should not exceed 60 working days).

Law stated - 26 September 2022

Sustainability

Do government agencies or other institutions in your jurisdiction provide incentives or publish environmental and social governance (ESG) guidelines for green projects?

According to the five-year plan (2021-2026) of the RA government, one of the priority areas of environmental management is the development and implementation of policies aimed at promoting the long-term goal of green economy and sustainable development.

The environmental and social regulations of Armenia's mining sector are mainly based on the Subsoil Code and the Law on Environmental Impact Assessment and Expertise (EIAE) adopted in 2014. There is a general lack of guidelines to facilitate the implementation of the EIAE Law. Guidelines or methodologies for assessing environmental, social and health impacts are needed. This is partially due to the fact that the EIAE Law includes the assessment procedure.

According to the Subsoil Code, applicants and operators of mining projects must implement environmental protection, measures to protect water basins, soil, flora and fauna, respect the regime of specially protected national parks. Before carrying out any activity leading to possible impacts on the environment in Armenia, it is necessary to obtain a positive conclusion of the Environmental Impact Assessment expertise.

EIAE includes the concepts of environmental impact, its prevention and reduction, and environmental impact monitoring programme during the entire operation of the mine, including during closure, regulates the public relations in the field of environmental impact assessments, including cross-border and state environmental impact assessment in the RA. The operation of the EIAE extends to the subjects, who develop, adopt, or implement the planned activity of a founding document with a possible impact on the environment and human health. In addition to the general principles and procedures of environmental impact assessment, this law also introduces the concept of strategic assessment and defines the actions subject to it (such as, for example, land use).

The EIAE Law defines strategic assessment as the process of assessing the potential monetary impacts of a proposed project.

Law stated - 26 September 2022

Closure and remediation process

What is the closure and remediation process for a mining project? What performance bonds, guarantees and other financial assurances are required?

In the process of acquisition of permit for extraction of minerals, the applicants must present plans for closing of the mine, including financial guarantees for ensuring the available funds for carrying out this plan. The plan of closure shall include:

- the programme of physical closure of the mine, including the dismantling of infrastructure, machinery, equipment and structures;
- the programme of reclamation of land plots violated as a result of mining, including reclamation during the existence of the mine (based on the method of exploitation of the deposit);
- the programme of social mitigation of labour force in accordance with the procedure established by law;
- monitoring programme to ensure the safety and health of the population of the extracted mineral territory, the location of production dumps formed during mining and adjacent municipalities;
- confirmation of the final programme for the closure of the mine two years before the completion of the field operation; and
- financial guarantees for the implementation of the closure plan.

The entity who has the right to extract a mineral, two years before the expiration of the permit for the extraction of a mineral, applies to the authorised body to conduct an examination of the mine closure programme in accordance with the procedure established by law. The plan must be signed off by an expert before it can be implemented.

Law stated - 26 September 2022

Restrictions on building tailings or waste dams

What are the restrictions for building tailings or waste dams?

In accordance with the RA Subsoil Code, when constructing a new subsoil waste facility or modifying an existing facility, the subsoil use rightholder must do the following.

- consider the geological, hydrological, hydro-geological, seismic and geotechnical factors of the subsurface waste site;
- construct, manage and maintain the subsoil waste facility in a manner that minimize damage to the landscape,
- take appropriate measures for internal control and, in the event of instability or immediate action in the event of water or soil pollution, damage to flora and fauna;
- have a management plan in compliance with the resulting technical criteria, conditioned by the particularities of the object classification; and
- take appropriate measures to implement the necessary measures after the closure of the entrails waste facility.

Law stated - 26 September 2022

HEALTH AND SAFETY, AND LABOUR ISSUES

Principal health and safety, and labour laws

What are the principal health and safety, and labour laws applicable to the mining industry? What are the principal regulatory bodies that administer those laws?

The principal health and safety, and labour law sources that are applicable to the mining industry are the Labour Code of RA, the Code of Subsoil and the law on the State Regulation of the Maintenance of Technical Security.

The principal regulatory body is the RA Health and labour Inspection body, which can impose sanctions regarding the spheres workers' health and safety. In the case of any violation of health and safety and labour rights in mining industry, employees can file a complaint to this body.

Law stated - 26 September 2022

Management and recycling of mining waste

What are the rules related to management and recycling of mining waste products? Who has title and the right to explore and exploit mining waste products in tailings ponds and waste piles?

The Subsoil Code of RA includes general provisions relating to the management of mine waste in the sense that it requires the subsoil use rightsholders to ensure processing, assessing, eliminating and minimising mine waste and comply with the norms and rules on waste collection, transportation, preservation, processing and burying. The management of entrails waste is carried out by rightsholders at their own expense in accordance with the entrails waste management plan.

Subsoil waste management shall be carried out without causing harm to human health; applying such processes or technologies that will minimise the damage caused to the environment: water, atmospheric air, soil, fauna, and flora; minimising the negative impact on the landscape or places of special significance (historical, cultural, ethnographic and specially protected areas).

Use of domestic and foreign employees

What restrictions and limitations are imposed on the use of domestic and foreign employees in connection with mining activities?

State guarantees of labour rights and freedoms of foreign citizens are defined by the RA Labour Code. Foreign citizens in Armenia have the same labour rights as RA citizens, unless otherwise provided by law and their labour rights may be restricted only by law if it is necessary for the protection of state (public safety, public order, public health and morals, rights, freedoms and reputation).

Foreign employees must get a work permit before they can work for resident companies. Further, the labor contracts can be concluded only with a fixed term of the work permit, therefore, the foreign employees do not have the guarantee of having a labour agreement without indication of the term thereof.

Law stated - 26 September 2022

SOCIAL AND COMMUNITY ISSUES

Community engagement and CSR

What are the principal community engagement or corporate and social responsibility (CSR) laws applicable to the mining industry? What are the principal regulatory bodies that administer those laws?

The Subsoil Code requires rightsholders in the industry to carry out certain activities and have CSR policies. Particularly, the plan for extraction shall include a social impact plan, that includes:

- conditions for social improvement in case of necessity of relocation;
- conditions for improvement of life quality; and
- warranties for ensuring participation and social economic development.

As the plan forms a part of the mining licence of the rightsholders, the Ministry of Territorial Administration is the one supervising compliance with these requirements.

Law stated - 26 September 2022

Rights of aboriginal, indigenous or disadvantaged peoples

How do the rights of aboriginal, indigenous or currently or previously disadvantaged peoples affect the acquisition or exercise of mining rights?

Not applicable.

Law stated - 26 September 2022

International law

What international treaties, conventions or protocols relating to CSR issues are applicable in your jurisdiction?

No treaty or convention on CSR has been ratified by Armenia and there is no corresponding legislation specific to these obligations.

Law stated - 26 September 2022

ANTI-BRIBERY AND CORRUPT PRACTICES

Local legislation

Describe any local legislation governing anti-bribery and corrupt practices.

The local legislation in Armenia, which regulates the fight against corruption and anti-bribery, is fully implemented and complies with the provisions of international treaties and conventions governing this area.

This field is regulated by the following local legislation:

- the RA Law on Confiscation of property of Illicit Origin;
- the RA Law on the Anti-Corruption Commission (2018);
- the Criminal Code of RA (2003);
- the RA law on Commission of Prevention of Corruption (2017); and
- the RA law on Public service (2018),

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Foreign legislation

Do companies in your country pay particular attention to any foreign legislation governing anti-bribery and foreign corrupt practices in your jurisdiction?

Foreign legislation on anti-corruption and foreign bribery practices in Armenia is as follows:

- the Civil Law Convention on Bribery (which entered into force on 1 May 2005);
- the UN Convention against Bribery (in force from 7 April 2007);
- the Criminal Convention on Bribery (which entered into force on 1 May 2006); and
- the Additional Protocol to the Criminal Convention on Bribery (in force from 1 May 2006).

Law stated - 26 September 2022

Disclosure of payments by resource companies

Has your jurisdiction enacted legislation or adopted international best practices regarding disclosure of payments by resource companies to government entities in accordance with the Extractive Industries Transparency Initiative (EITI) Standard?

On 3 September 2017, Armenia became a candidate country of the Extractive Industries Transparency Initiative (EITI).

Furthermore, respective changes in the legislation were made for the initiative. In particular, mining companies must provide detailed declarations on their real owners, which are subsequently published and are available to third parties. The changes of law based on the initiative have gained a broader scope, since February 2022 they are also partially applicable to companies irrespective of the industry they operate in. From 2023, the requirements will apply to all companies operating in the country.

Law stated - 26 September 2022

FOREIGN INVESTMENT

Foreign ownership restrictions

Are there any foreign ownership restrictions in your jurisdiction relevant to the mining industry?

The law does not indicate any restrictions as to the foreign ownership in the industry. The law provides a definition of a rightsholder, which includes foreign entities. No restrictions are applicable to foreign entities in the mining industry.

Law stated - 26 September 2022

INTERNATIONAL TREATIES

Applicable international treaties

What international treaties apply to the mining industry or an investment in the mining industry?

Treaties and convention applicable to the industry include:

- The Aarhus Convention on Access to Information, Public Participatory Decision-Making and Access to Justice (ratified in 2001). The Aarhus Convention is based on the principle that citizens, future generations, and the public have the right to access environmental information and to live in a healthy environment.
- The Kiev Protocol on Strategic Environmental Assessment, which complements the UN Economic Commission for Europe Convention on Environmental Impact Assessment in a Transboundary Context (ratified in 2011).
- The Extractive Industries Transparency Initiative.
- The Paris Agreement under the United Nations Framework Convention on Climate Change.
- The New York Convention on the Recognition and Enforcement of Foreign Arbitral Award.
- The UN Convention on International Settlement Agreements Resulting from Mediation (Singapore Convention) in 2019.

Law stated - 26 September 2022

UPDATE AND TRENDS

Recent developments

What were the biggest mining news events over the past year in your jurisdiction and what were the implications? What are the current trends and developments in your jurisdiction's mining industry (legislation, major cases, significant transactions)?

Currently, Armenian courts are examining the largest corporate dispute in the history of the country among the shareholders of the largest mining company in Armenia. The dispute relates to the rights of shareholders, including tackling a recent donation of part of the shares to the government.

Jurisdictions

| | | |
|-------------------------------------------------------------------------------------|---------------------|----------------------------------------|
|  | Angola | VdA |
|  | Argentina | Allende & Brea |
|  | Armenia | Concern Dialog Law Firm |
|  | Canada | Cassels |
|  | East Timor | VdA |
|  | Ecuador | Tobar ZVS |
|  | Finland | Kalliolaw Asianajotoimisto Oy |
|  | Ghana | Kimathi & Partners Corporate Attorneys |
|  | Greenland | Nuna Law Firm |
|  | India | Trilegal |
|  | Indonesia | Satrio Law Firm |
|  | Ireland | Whitney Moore LLP |
|  | Mexico | RB Abogados |
|  | Mozambique | VdA |
|  | Nigeria | ENR Advisory |
|  | Philippines | Cruz Marcelo & Tenefrancia |
|  | South Africa | Beech Veltman Inc |
|  | Sweden | Foyen Advokatfirma |
|  | Thailand | Chandler MHM Limited |
|  | USA | Haynes and Boone LLP |