

LAW OF THE REPUBLIC OF ARMENIA

Passed on 6th of November 2002

CODE ON THE ENTRAILS OF THE REPUBLIC OF ARMENIA

The Code on the Entrails defines the principles, the system and relations of the entrails-use in the Republic of Armenia.

PART I GENERAL PROVISIONS

Article 1. Legislation of the Republic of Armenia on the entrails

The legislation of the Republic of Armenia on the entrails consists of the Constitution of the Republic of Armenia, the Code on the Entrails, the laws concerning that field and other statutory acts.

The legislation of the Republic of Armenia regulates the entrails-use that is related to land, forested and aerial territories and water reservoirs.

Article 2. Main concepts

The following main concepts are used in this law:

Entrails: part of the earth crust that is located at a depth below the bottom of water reservoirs and water flows, terrestrial cover and land surface, in case if the terrestrial cover is missing.

Entrails-use: provision of the entrails for geological investigations, entrepreneurial activities and other purposes

Entrails area: part of the entrails located beneath an area defined on the surface

Part of the entrails as real estate: a confined entrails area that is occupied by artificially created constructions and natural caves and can be used for various purposes

Minerals: solid, liquid and gas components of the entrails, underground, sweet, mineral, thermal waters, geothermal energy, deposits of water reservoirs and water flows, and wastes fabricated as a result of the entrails-use, that are beneficial for utilization

Generally prevailing minerals: intrusive, volcanic and deposited rocks within the earth crust, and only subsoil waters from the underground waters

Mineral reserves: accumulations of minerals with defined volume, quantity, quality and geographic location

Predictable mineral resources: the anticipated accumulations of the minerals, the quantity, quality and geographic location of which are assessed on the basis of direct and indirect data and general geological premises

Geological works: geologic investigative activities - a complex of investigative works aimed at exploration and assessment of predictable mineral resources and reserves

Mineral mines: geologically and economically evaluated entrails area that includes mineral reserves and predictable resources

Display of minerals: entrails area that displays existence of minerals, the quality, quantity and industrial value of which are not yet defined

Geological provision: entrails area that has been provided for geological investigations

The balance of mineral resources: State account form (Due January 1st) on mineral resources displayed in the entrails, that includes data on the quantity, quality and percent of the investigated mine resources and changes that have taken place within the reporting period

The Cadastre on mineral mines and displays: systematized and brief information concerning mineral mines, displays and mining posts, that includes all objects regardless of their type, size, percent investigated and industrial value

Rock allocation: a limited surface and entrails area allocated for extraction of minerals and construction of underground structures

Underground water sanitary protection belts: a bordered area around the water-pumping posts and springs, where the economic activities are limited or prohibited in order to prevent underground waters from contamination and enforce their protection

Exploitation of the mineral mine: exploration of minerals from the entrails

The retrievable value of the mineral: the price for a unit of explored and processed mineral that is assessed according to the market prices on production and the normative criteria of the utilized technologies

Geological and other information on the entrails: data concerning the structure, consistence, quantity, existence of the minerals and other properties in it, and technical economic criteria of the entrails-use.

Article 3. Objectives of the Code on the Entrails of the Republic of Armenia

The objectives of the Code on the Entrails of the Republic of Armenia are the following:

- 1) Regulation of relations concerning use and protection of the entrails,
- 2) Provision for complex use and protection of the entrails, protection of the environment that is subject to harm during the entrails-use and security works implemented, in order to satisfy the needs of the economy concerning the raw material
- 3) Protection of State and Civil interests and the rights of the entrails users

Article 4. Entrails ownership rights

The entrails of the Republic of Armenia are the absolute property of the State, are not subject to privatization and can be allocated for use

The entrails areas cannot be traded, mortgaged or alienated in any other way

The rights on the entrails-use can be alienated or transferred from one user to the other, according to the procedures defined by the legislation of the Republic of Armenia

Article 5. State regulation on use and protection of the entrails

The Government of the Republic of Armenia and the State Governmental bodies that are authorized by the Government of the Republic of Armenia (Hereinafter: authorized bodies) implement the State regulation on use and protection of the entrails in accordance with the legislation of the Republic of Armenia.

Article 6. Authorities of the Republic of Armenia and the authorized bodies concerning use and protection of the entrails

1. The authorities of the Government of the Republic of Armenia on use and protection of the entrails are the following:

- 1) Guarantee of implementation of the entrails-use policy
- 2) Ownership of the entrails of the Republic of Armenia and development of procedures for disposition and use

- 3) Definition of the authorities for bodies authorized to act in the fields of the entrails-use and protection
- 4) Adaptation and guarantee of implementation of projects on entrails protection and development of actions concerning extracted raw material
- 5) Adaptation of statutory acts on regulation of relations in the fields of the entrails-use and protection
- 6) Definition of procedures for allocation of rights and delivery of license for the entrails-use on purposes not connected with geological investigation of the entrails and exploration of minerals
- 7) Definition of a procedure for creation and maintenance of a mutual geological database on the entrails
- 8) Definition of a procedure for the performance of State expertise on information concerning the entrails and the explored resources
- 9) Adaptation and prevalence of lists of strategically important minerals and the special lists of the geological investigations
- 10) Definition of procedures for State registration of provided entrails areas, maintenance of State cadastre on mineral mines and displays, State registration of geological investigation of the entrails in order to maintain the State balance on mineral resources and enforcement of the construction of underground structures and exploration of the minerals
- 11) Definition of a procedure on limitation and prohibition of the entrails-use in certain areas for national security and environmental protection
- 12) Definition of quotas for the entrails-use fees within the of authorities provided
- 13) Definition of procedures for implementation of geological investigations, use and protection of the entrails
- 14) Definition of sample contract forms for the entrails users
- 15) Enforcement of international cooperation and other authorities defined by the laws of the Republic of Armenia within the fields of the entrails geological investigations, use and protection

2. The authorities of the bodies responsible for the use and protection of the entrails are the following: ^a

- 1) Participation in the formation of the State policy on the entrails-use
- 2) Implementation of control over the accepted norms and regulations concerning the use and protection of the entrails
- 3) Development and implementation of projects on raw material processing strategies, the entrails-use and protection
- 4) Provision of the entrails-use rights and license for activities connected to geological investigations and exploration of minerals and not connected to exploration of minerals
- 5) The implementation of State expertise on information concerning observed resources and the entrails
- 6) The maintenance of State balance on mineral resources, implementation of State registration areas allocated for extraction of minerals and construction of underground structures, maintenance of State cadastre on mineral mines and displays
- 7) Development of suggestions concerning the statutory acts on use and protection of the entrails
- 8) Development of suggestions concerning the payment quotas for the use of the entrails
- 9) Development of suggestions concerning the lists of minerals of military significance and general prevalence and the special lists of the geological investigations.
- 10) Provision of permits and agreements on land allocation, geological allocation, water-use and other activities aimed at the use of the entrails

11) Participation in the process of implementation of the international cooperation on geological investigations, use and protection of the entrails, as well as other authorities envisaged by other legal acts

Article 7. Types of the entrails-use

The entrails can be used on the purposes of:

- 1) Geological investigations.
- 2) Extraction of minerals
- 3) Creation of underground structures not on the purpose of mineral extraction

Article 8. Entrails-use restrictions

1. The use of certain areas of the entrails can be restricted or prohibited, according the legislation and other legal acts of the Republic of Armenia in order to provide for human health, national security and environmental protection

2. The use of the entrails in settlements, their vicinities, areas of communication and telecommunication can be restricted or prohibited if it harms the economic objects

Article 9. Users of the entrails

1. According to the Code on the entrails, legal entities, as well as the citizens of the Republic of Armenia (Also foreign residents) that have received permits in accordance with the legislation of the Republic of Armenia and other legal acts are considered the users of the entrails

2. Legal entities defined by the Government of the Republic of Armenia for receiving a special permit on search, observation and exploitation of radioactive substances, as well as disposal of radioactive and dangerous chemical substances and wastes will be considered the entrails users

The Government of the Republic of Armenia defines the procedures for providing special permits for the use of the entrails.

Article 10. Entrails-use license

The implementation of certain types of geological activities, exploitation of the mineral mines, construction and exploitation of underground structures in the area of the Republic of Armenia are subject to licensing.

The licensing procedures are defined by the legislation of the Republic of Armenia and other legal acts.

Article 11. Procedures for the entrails-use

1. The entrails of the Republic of Armenia are allocated for use by the authorized body, in accordance with procedures defined by the law or other legal acts

2. Geological investigative works and mine exploitation are implemented on the basis of an agreement between the authorized body and the entrails user

3. The works on creation of mineralogical, paleontological and other geological collections in certain areas, determination and description of scientific, cultural and other geological objects (Unprecedented geological formations, natural monuments, caves) will be implemented due to a written agreement of the authorized body

4. The construction and exploitation of structures not connected with mineral extraction, except the cases envisaged by Article 33 of this Code, is implemented due to a license provided by the authorized body

5. Depending on the profile, the entrails-use can be both chargeable and free of charge, according to cases under seen by Articles 44-45 of this Code

Article 12. Time restrictions on the entrails-use

1. The entrails are allocated for use on the purposes of geological investigations and mineral extraction for a limited time period and not more than for 50 years, depending upon the volume of work envisaged by the action plan and its implementation measures. The time limits for the use of the entrails are defined by certain documents: State registration, license, and/or the contract

2. The entrails-use can be unlimited, if the entrails have been allocated for exploitation of underground structures and creation of specially protected geological preserves

Article 13. Transfer of the rights on use of the entrails

1. The right on entrails-use is transferred to the new user if he has been recognized the successor of the previous user in accordance with procedures defined by the legislation of the Republic of Armenia. In this case the entrails-use contract is signed without changing its contents

2. The right on entrails-use (Fully or partially) can be transferred by the initiative of the user, the agreement of the authorized body and by the procedures defined by the legislation of the Republic of Armenia

Article 14. Mortgaging the entrails-use rights

1. The rights of the entrails user can be mortgaged

2. The mortgage contract between the entrails user and the mortgager is signed by the agreement of the authorized body that is provided in accordance with procedures defined by the Government of the Republic of Armenia

Article 15. Basis for termination of the entrails-use rights and liquidation of the contract

The rights on entrails-use are aborted and the contract liquidated in accordance with the legislation of the Republic of Armenia and principles mentioned in this law, if:

- 1) The given entrails area is taken for State and/or public use
- 2) Prominent menace to the safety of the employees and the population health condition has occurred
- 3) There is an emergency (Natural disasters, military actions and etc)
- 4) The entrails have been used not on the purposes allocated for
- 5) The requirements of the entrails-use contract have been violated
- 6) The requirements of the legislation of the Republic of Armenia have not been followed in the process of the entrails-use
- 7) The entrails user has abandoned his rights, according to procedures defined by the Civil Code of the Republic of Armenia

Article 16. Termination of the entrails-use rights and liquidation of the contract

The rights on entrails-use are aborted and the contract liquidated by the law and provisions mentioned in the 15th article of the Code on the Entrails, due to the following procedure:

1) In cases envisaged by 1-3rd points of Article 15 of this Code, the decision on termination of the rights on entrails-use is taken by the Government of the Republic of Armenia

2) In cases envisaged by 4-7th points of Article 15 of this Code, the authorized body takes the decision to abort the entrails-use rights and liquidate the contract

3) In cases envisaged by 1st point of Article 15 of this Code, after the decision the user will be provided with a period of time to terminate and conserve his activities according to procedures defined

4)) In cases envisaged by 2-3rd points of Article 15 of this Code, the entrails-use is terminated immediately after the decision on termination and written notification of the user about it

5) In cases envisaged by 3-5th points of Article 15 of this Code, the decision on termination of the entrails-use and/or liquidation of the contract is taken in three months after a written notification of the user, in accordance with defined procedures, if the he has not revised the violations in a defined period of time

6)) In cases envisaged by 7th point of Article 15 of this Code, the user of the entrails must inform the authorized body that provides the entrails six months before, and in a written way

PART II GEOLOGICAL INVESTIGATION OF THE ENTRAILS

Article 17. Types of geological investigation of the entrails

The types of geological investigation of the entrails are:

1) Regional geological investigation that includes regional geological geophysical activities, geological mining (Cartography), geochemical, seismologic, hydro-geological, scientific investigative, paleontological and other works, aimed at general investigation of the entrails

2) Geological works aimed at investigations of the volcanic activity, creation and maintenance of a monitoring system for permanent observation of extra natal geological processes, other works implemented without the violation of the integrity of the entrails

3) Search of mineral mines, inspection and assessment that includes middle and large size geological cartography, specialized geophysical and geochemical works, passage of rock caves and drill holes, recording, sampling, investigation of petrography, mineralogical, technological and other properties of mineral raw material and covered rocks, assessment and definition of their anticipated resources

4) Mass media investigations and exploitation survey of mines exploited and prepared for exploitation, in order to reveal additional mineral resources, determine their quantity and quality and provide for the rational use and assessment

5) Geological investigation of the entrails for construction of underground structures and reveal of its structural specialties, content and properties of the rocks

6) Creation of mineralogical, paleontological and geological collections, gathering of aesthetic and semiprecious stones

7) Definition and protection of geological objects of scientific, cultural, aesthetic and other significance (Unprecedented geological formations, natural monuments, caves and etc)

Article 18. State investigation of the entrails

1. The Government of the Republic of Armenia implements the State geological investigation of the entrails, through the authorized body, whose objectives are:

- 1) Geological cartography of the Republic of Armenia
- 2) Permanent observation of the entrails condition: monitoring and anticipation of the ongoing processes (Including the extra natal) in the entrails
- 3) Search and assessment of the mineral mines
- 4) Collection and maintenance of information on the entrails
- 5) Geological investigation of areas for construction of underground structures by the State order
- 6) Implementation of other works concerning the geological investigation of the entrails, envisaged by State programs

2. According to procedures defined by the legislation of the Republic of Armenia, the State order for implementing works envisaged by the first part of this article is placed by the authorized body

Article 19. State registration and assessment of the activities concerning the geological investigation of the entrails

1. The geological investigations of the entrails are subject to State registration and assessment, according to procedures defined by the Republic of Armenia

2. Implementation of works concerning the geological investigation of the entrails without State registration is prohibited

Article 20. Procedures on geological investigation of the entrails

1. Organizations and citizens obtaining the necessary rights, according to 9th and 10th articles of this Code can implement geological investigations of the entrails of the Republic of Armenia

2. Works concerning the geological investigations of the entrails are implemented according to the following procedure:

1) Works envisaged by 1-2 points of Article 17 of this Code are implemented after the registration

During the implementation of works included in the special list adapted by the Government of the Republic of Armenia, as well as in cases when the passage of rocks and drill holes is necessary the State registration and entrails-use are allowed due to a contract between the entrails user and the authorized body

2) Works envisaged by 3-5th points of the 17th article of this Code are implemented on the basis of the contract that is signed between the entrails user and the authorized body

3) In case of geological works implemented by the investments of the entrails user, the entrails area can be allocated by the signed contract and for search, observation, assessment and future exploitation of minerals

4) The rights on implementation of works envisaged by the 4th point of the 17th article of this Code are provided to the user for the exploitation of the entrails area, on the basis of a contract signed between the user and the authorized body

5) Works on the geological investigation envisaged by 2-4th points of the second part of this article receive State registration on the basis of the legally examined and adapted work plan and the signed contract

6) Works on the geological investigation envisaged by 6-7th points of the 17th article of this Code are implemented according to the procedure defined by the 11th article of this Code

Article 21. Entrails-use contract on search, observation and assessment of mineral mines due to a State order

The entrails-use contract on search, observation and assessment of mineral mines due to a State order defines:

- 1) Geological tasks: on the basis of the law “On Budget” and by the authorized body that places the State order
- 2) The limits of geological allocations and temporary land use
- 3) Presentation of a scheduled plan for the implementation of geological investigations, the start of activities and time schedule, presentation of the geological reports
- 4) The amount and procedures for presumptive payments and payments for the implemented work
- 5) Contract deadline, according to the plan
- 6) Other requirements defining the relations between the parties and non-contradictory to the legislation

Article 22. Contract on the entrails-use aimed at search of mineral mines, observation and assessment for future extraction carried out by the financial measures of the entrails user

1. The contract between the user and the authorized body on search of mineral mines, observation and assessment for future extraction carried out by the financial measures of the entrails user is considered a legal document that, according to procedures defined the legislation and other legal acts of the Republic of Armenia, defines the rights of the user on use of the allocated entrails area within a limited period of time

2. The contract can limit the use of the entrails in accordance with principles of industrial divisions

The list of the entrails areas allocated due principles of industrial division will be defined by the Government of the Republic of Armenia

3. The contract on search of mineral mines, observation and assessment for future extraction carried out by the financial measures of the entrails user envisages:

- 1) The goal of entrails-use activities
- 2) The limits of the land-use connected to geological allocations and entrails-use
- 3) The duration of the contract, according to the plan
- 4) The types of minerals, whose search, observation, assessment and future extraction are allowed to the user

If during the implementation of works new, previously not mentioned, types of minerals are displayed, a permit on their investigation and extraction will be provided to the entrails user on the basis of his appeal and in accordance with the Code on the Entrails and procedures defined by the laws and other legal acts, after installing the necessary changes in the contract

5) The time period for implementation of works in phases – the time schedule for implementation of geological observational works, presentation of the collected data for State examination, approximate time limits for determination of mineral mines and reprocessing of the raw material

- 6) Measures for environmental protection
- 7) The procedures for reimbursement of harm caused by the process of entrails-use
- 8) The procedures for harm reimbursement between parties are enabled due to provisions of the 61st article of the Code on the Entrails
- 9) The procedures and basis for the untimely liquidation of the contract

10) The duty of the entrails user to provide for the employment of the population of the Republic of Armenia in accordance with and not less than the defined percentage of workplaces

11) The duty of the entrails user is to use a certain portion of production, work and services implemented by the organizations of the Republic of Armenia

12) The procedure on presentation of reports and control over works envisaged by statutes active within the area of the Republic of Armenia

A contract signed by mutual agreement can include other terms that do not violate the legislation and are for the regulation of relations between the parties.

4. After presentation of information for State examination and determination of the mineral resources, an additional agreement will be signed between the parties on:

1) The time periods for planning and construction of enterprises extracting and reprocessing minerals

2) The limits of rock allocation

3) The time schedules for the extraction of minerals

4) The procedure for industrial divisions, if envisaged by the contract

5) The payment quotas and procedures for entrails-use fees, according to the laws and other legal acts of the Republic of Armenia

5. The agreement will be attached to a preliminarily signed contract and considered its inseparable part

Article 23. Contract for the investigation of the entrails area envisaged for the construction of underground structures by the financial measures of the entrails user

1. The contract for the investigation of the entrails area envisaged for the construction of underground structures by the financial measures of the entrails user is signed between the user and the authorized body, in accordance with procedures defined by the Government of the Republic of Armenia

2. The contract includes:

1) Objectives, implementation time and principles of the works

2) The limits of land-use and geological allocations

3) The time schedule of work implementation and contract validity

4) Presentation of the necessary information to the authorized body in accordance with defined procedures

Article 24. Procedure on geological allocation

The geological allocation is performed by the authorized body, in accordance with procedures defined by the Government of the Republic of Armenia

Article 25. Main requirements for the geological investigation of the entrails

It is necessary to provide for the following aspects within the process of geological investigation of the entrails:

1) Implementation of requirements, envisaged by the laws and other legal acts of the Republic of Armenia, for the protection and geological investigation of the entrails

2) The correspondence of performed works to the adapted plan

3) Initial geological recording, maintenance of rock samples and mineral substances

4) Correct and fair information received on conditions of processing of hydro-geological, environmental, technical and mineral mines and construction of underground structures not connected to the extraction of minerals

- 5) Correct assessment of quantity and quality of mineral resources and their particles located to the area
- 6) Implementation of working methods for excluding unreasoned losses of mineral mines and decrease in their quality
- 7) Presentation of overview information (reports) on the results of the geological investigation of the entrails to the authorized body for State examination
- 8) Implementation of methods and working styles guaranteeing the security of the population and environmental protection
- 9) Implementation of other responsibilities envisaged by the contract

Article 26. Geological and other information on the entrails

1. The State disposes information received as a result of geological investigations of the entrails by State financial measures; including initial geological, geophysical and other recordings, data on their overview and analysis, as well as rock samples, drilling meal, and layer sludge

The above-mentioned information is irrevocably provided to the authorized body in accordance with procedures defined by the Government of the Republic of Armenia

2. The State and the entrails user dispose the geological and other information on the entrails, received by the financial means of the user

3. The overview information is irrevocably provided to the authorized body, and the initial information is maintained in accordance with procedures defined by the Republic of Armenia

4. The entrails user can freely and irrevocably use the information on the entrails, received by his financial means, but he does not dispose the authority to provide that information to the third party, without an agreement from the authorized body

5. The entrails user can define limits for the use of information and its publication by the third party, according to the signed contract

By an appeal from the entrails user and agreement of the parties the time limits for the provision of information can be extended not more than for three years.

6. The entrails user is deprived of the right to dispose information, if after the accomplishment of geological investigative works and within defined time limits he does not sign an additional contract with the authorized body on approval of the time schedule for activities on planning and performance of mineral extraction objects (enterprise) or underground structures

7. The officials must provide for the reticence of the information in the processes of its collection, registration, protection, transfer and use

8. The entity implementing geological investigations of the entrails has the right to use geological and other information on the entrails received in the work process on scientific and educational purposes, if no other provisions are envisaged by the contract

Article 27. Geological economic assessment of the mineral mines

1. In order to determine the industrial significance of the mineral mines, choose the most efficient and safe ways of their processing, and register mineral resources, geological economic assessment of the mines will be implemented in accordance with criteria and requirements of the authorized body

2. The geological economic assessment of the mineral mines is implemented by the financial means of the entrails user, according to procedures defined by the Government of the Republic of Armenia

Article 28. State examination of geological and other information on the entrails

1. The geological and other information on mineral resources, structure and properties of areas allocated for underground constructions are subject to State examination that is implemented by the authorized body

2. Provision of the entrails on the purpose of mineral extraction is permitted according to the results of State examination of the resources located to the entrails and approval of the authorized body concerning the quality and quantity of observed and preliminarily assessed resource, given in accordance with defined procedures

3. The results of State examination of mineral resources serve as a base for encountering them into the State balance

4. The State examination can be implemented at any phase of the geological investigation of the mine, in accordance with defined procedures, if the data presented for examination allows objective assessment of quantity, quality, and industrial value, mine technical, hydro-geological and environmental conditions of the mineral resources

5. The geological information on the beneficial areas of construction of underground structures not connected to mineral extraction is also subject to State examination. Allocation of such areas for use is permitted only after State examination of the geological information.

Article 29. Displayers of mineral mines

1. Entities that officially present exact information on mineral displays in certain areas and existence of a new mineral raw material of industrial significance at an already utilized mine, observe and assess a new, previously unknown mineral mine, find new mineral resources that noticeably increase their industrial value, are considered the displayers of mineral mines

2. The authorized body analyses the appeal and provides a corresponding notification on approval of the recognition as a displayer of a mineral mine. The existence of the notification is taken into consideration in the process of providing the given mine by tender

PART III USE OF THE ENTRAILS ON PURPOSES OF MINERAL EXTRACTION AND FOR ACTIVITIES NOT CONNECTED WITH EXTRACTION OF MINERALS

Article 30. Methods and types of entrails-use aimed at construction of underground structures or mineral extraction and not connected with mineral extraction

1. The methods of entrails-use aimed at mineral extraction are:

1) Underground method of exploitation of the mineral mines; the extraction of the mineral is performed by a system of drilling holes without a noticeable alteration of the earth surface

2) Open method of exploitation of the mineral mines; the extraction of the minerals is performed from the surface through a system of open rock pits

3) Drill-hole method of exploitation of the mineral mines; the extraction of the minerals is performed by a system of exploited drill-holes

4) Combined method of exploitation of the mineral mines; the extraction of the minerals is performed by the combination of the above-mentioned methods

The extraction can also be performed for re-processing of wastes, man-made mines (Minerals and rocks, as well as waste accumulations of metallurgical and other reprocessing enterprises).

Physical, chemical, biochemical and other types of mineral extraction can be used in the methods listed above.

2. The types of entrails-use not connected with mineral extraction:

- 1) Construction of underground structures
- 2) Creation of transportation ways
- 3) Placement of industrial wastes

Article 31. Procedure on entrails-use aimed at mineral extraction

1. The physical and legal entities that have obtained the rights to exploit mines of minerals, as well as gas, oil and underground waters, extraction and reprocessing of mineral raw material, and processing of wastes accumulated within those processes within the area of the Republic of Armenia, according to 9-10th articles of the Code on the Entrails are considered the entrails users

2. The physical and legal entities that observe and assess mineral mines by their financial measures will be granted absolute rights on the exploitation of that mine, by signing an additional agreement with the authorized body, according to the 22nd article of the Code on the Entrails

3. The mineral mines are allocated for exploitation according to procedures defined by the legislation of the Republic of Armenia

Article 32. Construction of underground structures for entrails-use not connected with mineral extraction

Construction of underground structures (As well as transportation ways and placements of industrial wastes) for entrails-use not connected with mineral extraction is allowed by the authorized body, according to procedures defined by the Government of the Republic of Armenia.

Article 33. Entrails-use in land areas allocated to the legal entities and citizens

The legal entities and citizens have the rights to extract general prevalence minerals, not mentioned in the State balance and located to their (Independently from the type of property) land areas, for their economical and economic needs, and to construct underground structures, according to procedures defined by the Republic of Armenia.

Article 34. Entrails-use contract for extraction of minerals from reserved mines

1. Observed and registered in the State balanced but not allocated for exploitation or abandoned mineral mines are considered the reserved mines

2. For the exploitation of the reserved mines, the user and the authorized body sign an entrails-use contract - a document that defines the relations between the two parties and includes the following:

- 1) The objectives of work to be carried out by the entrails user
- 2) Terms of the contract
- 3) Time limits for the use of the entrails
- 4) Regional borders of the entrails area allocated for use and the limits of land and rock allocation
- 5) The time schedule for implementation of works in phases, start of the works, performance of the enterprise, enforcement of the plan and etc.
- 6) The minimum amount of the extracted raw material
- 7) Agreement on distribution of the production, if the latter is envisaged
- 8) Entrails-use fees and entrails protection expenses

- 9) The time schedule and expenses for implementation of environmental protection measures
 - 10) The requirements for collection, maintenance and presentation of information received in the process of the entrails-use
 - 11) The necessary entrails-use reports, their contents and presentation deadlines
 - 12) The terms of control over the entrails-use
 - 13) The duty of the user to reimburse harm caused during the entrails-use
 - 14) The procedure for reimbursement of expenditures performed by the entrails user, in case of an untimely termination of the entrails-use by the entrails provider
 - 15) The basis for installation of changes in the entrails-use contract
 - 16) The procedure on termination of rights on entrails-use and liabilities arising from it
3. The mutually agreed contract can include other provisions that do not violate the law and regulate the relations between the parties

Article 35. License for the use of the entrails aimed at construction of underground structures not connected with mineral extraction

The license for entrails-use not connected with mineral extraction envisages:

- 1) The objective of the underground structure
- 2) Terms of license provision
- 3) Time schedule for the works to be carried out in phases, start and finish of the construction works
- 4) The territorial borders and rock allocation borders of the entrails area allocated for use
- 5) The calculated time limit for the exploitation and maintenance of the structure
- 6) Entrails-use fees and entrails protection expenses
- 7) The time schedule and expenses for the implementation of environmental protection measures
- 8) The special requirements and other terms of exploitation of underground structures

Article 36. Procedure for rock allocation

1. The rock allocation for exploitation of mineral mines (Except underground sweet and mineral waters), as well as for the construction of underground structures is performed on the basis of a license contract signed by the authorized body, according to procedures defined by the Government of the Republic of Armenia

2. The rock allocation is performed in accordance with constructional plans on mine exploitation and underground structures. The necessary document (Rock allocation act) is attached to the license contract as its inseparable part

3. Rock allocation before the defined procedural signature and registration of the license agreement is prohibited

4. The entrails user obtains absolute rights on implementation of activities within the allocated rock area; performance of any other entity within that area can be possible only by the agreement of the entrails user

Article 37. Sanitary protection belts for the mines of underground (Sweet and mineral) water

1. According to the legislation of the Republic of Armenia, in order to protect the underground (Sweet and mineral) water mines and aquifers from contamination and provide for their protection sanitary protection belts (SPB) will be established around the springs and

water intake points. Measures for prevention of contamination of the land, water, atmosphere and green areas will be undertaken within the SPB-s

2. Drafting of the SPB-s is performed in accordance with the environmental protection requirements (Hydro-geological, hydrological and sanitary norms) that are considered the inseparable part of the draft on exploitation and water supply for the mines and water aquifers and are agreed with the authorized body, in accordance with procedures defined by the Government of the Republic of Armenia

3. The entrails user obtains an absolute right on implementation of activities within the sanitary belts, and any activity by other entities can be performed by the agreement of the entrails user

Article 38. Extraction of minerals without rock allocation and special sanitary protection belts

The extraction of minerals without rock allocation and special sanitary protection belts is permitted:

1) During the observation of mines in accordance with approved plans, on purposes of trial exploitation of one of its parts, in accordance with the time schedule and the contract

2) In cases envisaged by the 33rd article of the Code on the Entrails, during the extraction of minerals of general prevalence

Article 39. Drafting of objects (Enterprises) for extraction of minerals and reprocessing the mineral raw material and underground structures not connected with mineral extraction

1. The drafting of mineral extraction objects (enterprises) and underground structures is performed on the basis of geological and other type of State examined information on the entrails area allocated for use

2. The entrails-use on the purposes of exploitation of mineral mines (Gas, oil and underground waters), reprocessing of the extracted mineral raw material and construction of underground structures not connected with mineral extraction without the procedurally defined State examination of the draft is prohibited

3. Drafting of underground structures not under seen for mineral extraction is performed on the basis of geological investigation data

Article 40. Main requirements for drafting, construction and performance of mineral extraction and mineral raw material reprocessing objects (Enterprises) and underground structures not under seen for mineral extraction

1. The drafts of mineral extraction and mineral raw material reprocessing objects (Enterprises) and underground structures not under seen for mineral extraction must include:

1) Methods of displaying and systems of exploitation of mineral mines that provide for the most complete, complex and economically reasonable extraction of main and secondary mineral resources, as well as the use or conservation of covered rocks parallel separating from the bulk, safe and long-term use of constructions

2) Conservation and protection of the removed soil and parallel extracted, temporarily not used minerals

3) Requirements for preparation of surveyor documents geological data on the entrails during the construction and performance of planned objects (Enterprises)

4) Target use of the empty area occurred as a result of mine extraction

- 5) Provision of norms and rules defined for the safety of work and environmental protection
 - 6) Protection and rehabilitation of the altered land
2. It is necessary to envisage operational surveys and measures for protection of water resources from consumption and contamination in the drafts of underground water exploitation objects

Article 41. Independent examination of geological and other investigation on the entrails

1. The entrails user has the right to implement, by his own financial measures, independent examination of the geological and other information on the entrails area allocated to him
2. In cases, when the geological economic evaluation of the mine and the perceptions of the geological structure and other properties of the entrails area envisaged for underground constructions are noticeably changed after the independent examination, the entrails user can apply to the authorized body for implementing the corresponding changes in the entrails-use contract. The authorized body must discuss the appeal and take a decision in a month
3. The independent examination of the geological information can be performed during exploitation of mineral mines and development of underground construction drafts, if such a necessity has occurred as a result of new approaches to information and obtainment of new data
4. The independent examination is implemented in accordance with procedures defined by the Government of the Republic of Armenia

Article 42. Main rights and responsibilities of the entrails users

1. The entrails users have the right to:
 - 1) Dispose the results of their activities according to laws and other legal acts of the Republic of Armenia
 - 2) Use their rock mine and related activity wastes, if no other provisions are envisaged by the contract
 - 3) Limit the construction area within the borders of rock allocation
 - 4) Implement the geological investigation of the entrails, by their own financial measures, and within the area of the rock allocation
 - 5) Apply to the authorized body that provides the entrails for changing the terms of entrails-use, if new, previously not envisaged issues have occurred
 - 6) Untimely abort the rights on entrails-use, following the requirements envisaged by the contract
2. The entrails users must provide for:
 - 1) Correspondence to standards, norms and rules of the Republic of Armenia concerning extraction, transfer and reprocessing of mineral raw material
 - 2) Implementation of requirements for entrails-use drafts, plans and mechanisms for development of mining works
 - 3) Maintenance of geological, surveyor and other data, its protection during all types of the entrails-use works
 - 4) Presentation of the necessary geological information to the authorized body
 - 5) Collection, maintenance and provision of complete information on mineral resources observed, extracted or left in the entrails, their properties, quantity and quality, as well as on entrails-use not connected with mineral extraction to the authorized body
 - 6) Safety of works connected with entrails-use

7) Protection of the entrails, atmosphere, land, forests, waters and other environmental objects, as well as constructions and other structures from the negative impact of works connected with entrails-use

8) The protection of natural, historical and cultural monuments from the negative impact of works connected with entrails-use

9) According to the draft and the contract, rehabilitation of land altered as a result of entrails-use and making the land beneficial for use in the economy

10) Implementation of all responsibilities envisaged by the contract

Article 43. Freezing and liquidation of rock wells and attached constructions under seen for mineral extraction and not under seen for mineral extraction

Freezing and liquidation of rock wells and attached constructions for mineral extraction and not under seen for mineral extraction is performed due to a special draft, according to procedures defined by the Government of the Republic of Armenia.

PART IV ENTRAILS-USE FEES

Article 44. Fees for the use of the entrails

The entrails-use is chargeable, exceptionally for cases envisaged by the 45th article of the Code on the Entrails.

The following fees are charged during the use of the entrails

- 1) For participation at tender
- 2) For provided information on the entrails
- 3) For the entrails-use (Nature fees, royalty)
- 4) For reimbursement of expenses made during geological investigative works implemented by the financial measures of the State budget

Article 45. Free of charge entrails-use, full or partial exemption for the payment of fees

1. The following categories (Groups) of the entrails users will be exempt from payment of fees for the use of the entrails of the Republic of Armenia:

1) Legal entities and citizens that implement extraction of general prevalence minerals within areas allocated for their needs and according to the 33rd article of the Code on the Entrails; and create underground structures on economical purposes

2) Entrails users that implement:

- Regional geological investigations,
- Geological investigations (Environmental monitoring and etc) of special significance, without breaking the integrity of the entrails,
- Creation of mineralogical, paleontological and other collections,
- Investigation, maintenance and protection of unprecedented geological formations and natural monuments
- Geological investigation of the entrails on State order

3) Exploitation of underground structures not under seen for mineral extraction, if not performed for income or profit-making

Article 46. Definition of the entrails-use fees and payment procedures

The law of the Republic of Armenia defines the fees envisaged by the 44th article of the Code on the Entrails.

PART V STATE REGISTRATION OF MINERAL RESOURCES AND MINES, DISPLAYS AND ENTRAILS AREAS ALLOCATED FOR USE NOT FOR MINERAL EXTRACTION

Article 47. State entrails-use funds

1. The State entrails-use funds are:
 - 1) Fund of mineral mines and displays
 - 2) Fund of entrails areas allocated for construction of underground structures
2. The mineral mines and displays observed in the area of the Republic of Armenia are included in one general fund, that encounters exploited, reserved and investigated mines, as well as displays, their investigated and preliminarily assessed resources and predictable resources
3. The fund of entrails areas allocated for construction of underground structures includes rock allocations provided for construction of underground structures not connected with mineral extraction, and caves provided for use

Article 48. State registration of mineral resources, mines and displays

1. Mineral resources, mines and displays are subject to State registration by means of a cadastre on State balance of mineral resources, mines and displays
2. The authorized body maintains the State balance of mineral resources and State cadastre on mines and displays
3. The State balance of mineral resources is formed and regularly changed on the basis of approved amount of resources and procedurally defined provision of corresponding information (Reports) by the entrails users. It must contain information on quantity, quality and investigation status of all types of mineral resources, of industrial significance, in the mines and the sufficient supply of investigated and preliminarily assessed mineral resources for the performing or drafting enterprises
4. The State cadastre on mineral mines and displays is maintained on the basis of information obtained by the authorized body. It contains information that describes the geological structure of each mine and display, investigated and preliminarily assessed mineral resources in them, technical, hydro-geological, ecological and other terms of the mine exploitation, and the geological economic assessment
5. The State cadastre on mineral mines and displays and the State balance are maintained by practices defined by the authorized body

Article 49. Release of balance mineral resources

1. The mineral resources registered in the State balance are subject to release, if they:
 - 1) Have been extracted
 - 2) Have been lost in the process of extraction
 - 3) Have lost their industrial significance due to technical, economic and other reasons
 - 4) Have not been approved for future geological investigative and mine processing works
2. The release of the lost (Extracted and left in the entrails) is performed on the basis of information presented by the entrails user
3. The release of mineral resources that have lost their industrial significance and have not been approved during the following activities is performed by the procedurally defined

examination of the necessary information. The result of the examination serves as a base for installation of changes in the State balance of mineral resources

Article 50. State registration of entrails areas allocated not for mineral extraction

The entrails areas, allocated for construction and exploitation of underground structures not on the purpose of mineral extraction, are subject to State registration in one general fund, according to defined procedures. It contains the geological features of each area, rock allocation placement and territorial borders, the objective of the structure, the phase of works on entrails-use (Drafting, construction, exploitation), as well as the envisaged time periods for the exploitation of the structure.

PART VI PROTECTION OF THE ENRAILS

Article 51. Main requirements for the protection of the entrails

The entrails of the Republic of Armenia are subject to protection

1. The main requirements for the protection of the entrails are:

1) Provision of correct information on the structure of the entrails, quantity, quality and other properties of minerals in it, on the basis of a complete and complex geological investigation

2) Maintenance of defined procedures on entrails allocation and prohibition of unauthorized use of the entrails

3) Provision of correct accounting of the changes in mineral resources

4) Complete extraction of the mineral resources and efficient use of the main and coexisting mineral resources and their particles

5) Elimination of the negative impact from the works concerning the entrails-use

6) Prevention of unauthorized construction of mineral mines' surface areas, and protection of the defined procedures for the use of that surface during other activities

7) Protection of the mineral mines from fire, flood and other factors decreasing the quality of minerals and the industrial value of the mines; or complicating their exploitation

8) Prevention of the entrails contamination by disposal of oil, gas and other substances, by harmful substances and industrial wastes (Including radioactive wastes) and drainage of mudflows

2. In case of violating the requirements of this article, the authorized body limits, terminates or prohibits the entrails-use, in accordance with procedures defined by the Government of the Republic of Armenia

Article 52. Terms for constructions on the mineral mines and the underground structures installation surfaces

1. The construction and planning of residential, industrial and other objects on mineral mines and underground structures installation surfaces

2. If there is a necessity, the permit for construction on the surface of the reserved mines is provided by the Government of the Republic of Armenia, with the agreement of the authorized body

Article 53. Protection of the entrails areas of scientific and scientific-cultural significance

1. The status and protection regimes for rare geological displays, mineralogical formations, paleontological objects and other entrails areas of scientific and scientific-cultural significance are defined by the Government of the Republic of Armenia

2. In case of reveal of rare geological displays and mineralogical formations, meteorites, other objects of paleontological, scientific and scientific-cultural significance, the entrails users must terminate the works in the given areas and notify the authorized body

Article 54. Participation of social unities and citizens in the process of entrails protection

According to procedures defined by the legislation of the Republic of Armenia, the social unities and citizens participate in the discussions concerning entrails protection.

The State officials must take the suggestions of the social unities and citizens in the process of implementation of the entrails protection measures

Article 55. Financing of measures aimed at the entrails protection

1. The financing of the measures aimed at the protection of the entrails is performed by the financial measures of the entrails users

2. In separate cases, important protection measures can be implemented through State financial measures by the budget or other sources, as a part of a general nature protection program

PART VII STATE CONTROL OVER THE ENTRAILS-USE AND PROTECTION

Article 56. Objectives of State control over entrails-use and protection

The objectives of State control over the entrails-use and protection are:

1) Provision of implementation of the procedures on the entrails-use, defined by the legislation of the Republic of Armenia

2) Provision of implementation of procedures defined by the legislation of the Republic of Armenia on removal of the mineral resources, State registration and reports on mines

3) Provision of implementation of norms, rules and standards defined the entrails legislation

Article 57. Bodies implementing State control over the entrails-use and protection

According to procedures defined by the laws and other statutory legal acts of the Republic of Armenia, the authorized body implements control over the entrails-use and protection.

Article 58. State geological control over the entrails-use and protection

All types of works on the entrails-use and protection in the Republic of Armenia, independently from their financial sources and property types of the performing entities, are subject to State geological control implemented by the authorized body in accordance with procedures defined by laws and other legal acts of the Republic of Armenia

Article 59. Implementation of State control over entrails-use and protection

1. State bodies that implement control over use and protection of the entrails, check:

1) The maintenance of the procedure on entrails-use, protection and allocation

2) The maintenance of procedures on implementation of geological investigations, exploitation of mineral mines, and use of the entrails on other purposes

3) Properness of geological and surveyor documentation in the process of the entrails-use, and fairness of information presented on balance of mineral resources extracted and lost in the entrails

4) Correspondence of the performed works to the adapted plan

5) Maintenance of norms and rules concerning the security of works on the entrails-use

6) Existence of harmful impact on the environment and implementation of nature protection measures during the use of entrails

7) Maintenance of procedures on entrails-use fees

8) Implementation of other responsibilities envisaged by the contract or the license of the entrails users

2. State bodies that implement control over the entrails-use and protection have the right to:

1) Terminate the activities of the entrails users within a given area, if the rules of use and protection are violated and the working security norms are not followed

2) Terminate the illegal use of the entrails and unauthorized construction on the surface of the mineral mine

3) Give obligatory implementation orders for elimination of violations of norms and rules of the entrails-use

4) Impose legally defined liabilities on the entrails users violating the requirements of the legislation

PART VIII LIABILITY FOR VIOLATING THE LEGISLATION OF THE REPUBLIC OF ARMENIA ON THE ENTRAILS

Article 60. Liability for the violation of the requirements of the Code on the Entrails

Operations violating the requirements of the Code on the Entrails on the property rights and the allocation and use of the entrails will be considered invalid.

The violation of the requirements of the Code on the Entrails creates liability, in accordance with procedures defined by the laws and other legal acts of the Republic of Armenia.

Article 61. Harm reimbursement

1. Confiscation of the entrails area for State and/or community needs (Article 15, point 1), when the entrails-use right is untimely terminated the harm caused to the user (Also the lost income) must be reimbursed from the State budget

2. In case of untimely termination of the entrails-use rights for violating the requirements of the contract (Article 15, points 3-5) the harm caused to the user will not be reimbursed

3. Harm caused to the entrails user during the activity of the State governance bodies will be reimbursed by the State, if the provisions of Code on the Entrails of the Republic of Armenia have been violated; the user have been provided with incorrect data, or the requirements of the contract have not been followed. In this case the amount of the reimbursement will be decided by the court.

4. Harm, caused to the entrails user as a result of alteration of the natural properties of the entrails, complications of the possibility for complete and partial use of the entrails in future created by legal entities and citizens, will be reimbursed from the financial measures of those legal entities and the citizens

5. Harm caused to the State as a result of the activities of the entrails user on selective processing of the mines, presentation of incorrect data on the entrails-use (Including mineral resources extracted and lost in the entrails), that resulted in damage of the mine and complete or partial elimination of the possibility to use the entrails area in future, will be reimbursed by the financial measures of the user. He will have to pay the defined royalty for the whole amount of resources registered in the State balance and provided for use due to the use contract

6. Unauthorized use of the entrails and construction of the surface areas of the mineral mines will be terminated without reimbursing the expenses already made

7. The laws and legal acts of the Republic of Armenia define the procedures for harm reimbursement

PART IX RESOLUTION OF DISPUTES ARISING DURING THE USE OF THE ENTRAILS

Article 62. Procedures for dispute resolution

Disputes arising in the process of the entrails-use will be solved by procedures defined by the laws and other legal acts of the Republic of Armenia.

PART X INTERNATIONAL AGREEMENTS

Article 63. International agreements

If the international agreements of the Republic of Armenia envisage norms other than mentioned in the Code on the Entrails, then the norms of the international agreements will be enabled.

PART XI CONCLUDING AND TRANSITIONAL PROVISIONS

Article 64. Procedures on validation of the Code on the Entrails of the Republic of Armenia

1. The Code on the Entrails of the Republic of Armenia will be valid on the 10th day after the official publication

2. The Code on the Entrails of the Republic of Armenia will be enacted after the validation and over the entrails relations

3. Before the adaptation of the legal acts descending from the Code on the Entrails, the previous legal acts on the entrails will be valid

Article 65. Transitional provisions

1. After the inaction of the Code on the Entrails of the Republic of Armenia and in a year, the entrails users will have to reregister the documents proving the rights on the entrails-use: permits, licenses and contracts by reconciling them to the requirements of the Code on the Entrails

2. Consider invalid:

1) The Code on the Entrails of the Republic of Armenia, passed on 19th of March 1992

2) The decree of the Supreme Soviet of the Republic of Armenia on “Implementation of the Code on the Entrails of the Republic of Armenia” passed on 25th of February 1992

The President of the Republic of Armenia

R. Kocharyan
December the 2nd, 2002
Yerevan