

CONTRACT ON SUBSURFACE USE No PV-245
FOR THE PURPOSE OF MINERAL EXTRACTION

Yerevan

“26” September, 2012

This contract on subsurface use (hereinafter referred to as “Contract”) is made between the Ministry of Energy and Natural Resources of the Republic of Armenia represented by the Minister ARMEN MOVSISYAN, who acts on behalf of the Republic of Armenia within the limits of his authorization (hereinafter referred to as “Authorized body”) on the one part and “GEOTEAM” CJSC Entity (hereinafter referred to as “Subsurface user”) acting based on the Statute thereof, represented by HAYK ALOYAN, the Director on the other part, governed by the “Civil Code of the Republic of Armenia”, “Code on Subsurface Resources of the Republic of Armenia” (hereinafter referred to as “Code”) and other legal acts of the Republic of Armenia, the Statutes of the Ministry and the Entity respectively, as well as on the ground of the relevant documents prescribed by the legislation of the Republic of Armenia, the exploitation plan of the deposit allocated or of the area of the deposit allocated or of the mineral water spring or of the drill-hole.

1. General provisions

- 1.1 This Contract shall provide for the conditions and terms for allocation of the deposit or the area of the deposit or of the mineral water spring or of the drill-hole, mine allotment coordinates, or the coordinates of the mineral water spring or of the drill-hole and boundaries of sanitary zones, the rights and obligations of the parties, provisions on making payments (for nature management, environmental issues, replenishment of the fund for conservation of nature and environment, carrying out permanent observations), the environmental management plan, provisions on termination (warning, relinquishment, alteration) of right to use subsurface, on the scope of liabilities undertaken in the area of social and economic development of the community, and the time periods for fulfillment thereof, provisions with respect to mine closure, as well as other terms and conditions regulating the relationships thereof.
- 1.2 The Contract shall consist of the basic text and Annex No. 1, which shall constitute the integral part of the Contract.

1.3 Other relationships not regulated by the Contract, including other rights of the parties shall be regulated by the Code, as well as other legal acts regulating the field.

2. Subject of the Contract

2.1 Under this Contract the Authorized body shall provide Amulsar gold bearing quartzites of the RA Vayots Dzor Marz

(name of the deposit)

“Tigranes”and “Artavazdes”Areas

(name of the area or name of the mineral water spring or the number of the drill-hole)

for the purpose of annual 2600,0 thousand tonne

(quantity of the minerals, cubic meter, g/t)

mineral wealth extraction for temporary disposal and utilization from 28 December, 2009 to 03 April, 2034 to the Subsurface user (the period of first 4 years is the duration of the construction and mining and capital works of the open pit), and the Subsurface user accepts the balance reserves of the mentioned deposit for the entire period of utilization 56434 thousand tonne according to categories C₁+C₂

(main/associated quantities of minerals according to categories)

which, in the plan and according to the depth, are limited to the following coordinates:

1.X=4400442	Y=8561482	H=2850,0	(-150,0)
2.X=4400462	Y=8561721	H=2817,0	(-117,0)
3.X=4400415	Y=8561845	H=2810,0	(-110,0)
4.X=4400103	Y=8561912	H=2814,0	(-114,0)
5.X=4399789	Y=8561766	H=2886,0	(-186,0)
6.X=4399346	Y=8562042	H=2919,0	(-219,0)
7.X=4398990	Y=8561890	H=2956,0	(-256,0)
8.X=4398990	Y=8561801	H=2916,0	(-216,0)
9.X=4399136	Y=8561776	H=2927,0	(-227,0)

10.X=4399416	Y=8561439	H=2936,0	(-236.0)
11.X=4399309	Y=8561309	H=2882,0	(-182.0)
12.X=4399662	Y=8561036	H=2788,0	(-88.0)

(endpoints of borders of provided reserves)

Average contents of gold according to the C₁+C₂ grade is 0.93 g/t, C₁ grade- 1.0 g/t, C₂ grade- 0.87 g/t, average contents of silver according to the C₁+C₂ grade is 3.73 g/t, C₁ grade- 3.87 g/t, C₂ grade 3.60 g/t

(the content of main and associated components, %, g/t, etc.)

Gold- 52664 kg, Silver- 210.51 t

(types (varieties) of mineral reserves)

Boundaries of mine allotment in the plan and according to the depth (Annex) shall be in compliance with Mine Allotment Act No. LV-245

(number of the act)

Annex No. 1 shall specify the financial proposals of the Subsurface user and the payments for subsurface use made thereby.

The Contract, as necessary, may have other annexes including time periods for activities of mineral extraction and reprocessing of the raw materials, in phases, and, in case of parallel implementation of geological exploration works, by the schedule of implementation thereof.

- 2.2 The Authorized Body shall guarantee, that the deposit or the deposit area specified in the paragraph 2.1 of the Contract is not put in pledge, is not leased or granted for a gratuitous use, is not built-up or burdened with building leasehold, as well as is not under arrest.
- 2.3 During the effectiveness of the Contract the profit received by the Subsurface user as a result of the exploitation of the deposit shall be considered the property thereof.

3. The rights and obligations of the parties

- 3.1 **The Authorized body shall have the right to:**
- 3.1.1 require from the Subsurface user to exploit the deposit in compliance with the adopted standards, norms and rules in the field of use and conservation of subsurface resources;
 - 3.1.2 notify in writing and early terminate the Contract in compliance with article 30 of the Code;
 - 3.1.3 check the full maintenance of geological and markscheiderian documentation in the process of subsurface use, fulfillment of requirements of the procedure for registration of the flows of mineral reserves and for information submission;
 - 3.1.4 check the fulfillment of requirements of the procedure for the calculation of the quantities of actual volumes considered to be object of payments for subsurface use and payments, as well as for submission of estimation-reports;
 - 3.1.5 check the fulfillment of liabilities provided for by the Contract on subsurface use and fulfillment of the requirements of the plan, with the exception of powers of the Authorised body of public administration in the field of environmental protection within the scope of nature and environmental conservation;
 - 3.1.6 require from the Subsurface user the complete extraction of mineral reserves and reasonable and complex use of main and co-occurring minerals and of their associated components or the reservation and storage thereof;
 - 3.1.7 require from the Subsurface user to hand over the geological information under their disposal to the Authorised body within a period of 3 months upon expiration of the the right to use subsurface or in case of waiver thereof;
 - 3.1.8 conduct geological explorations in the allocated subsurface area for the purpose, other than discovery of mineral resources, notifying the holder of the right to use subsurface about it in writing at least 14 days before;
 - 3.1.9 freely enter the office, production, storage, laboratory and other areas and subdivisions of the Entity being inspected accompanied by the representative of the Entity;
 - 3.1.10 require from the Entity being inspected documents, data, explanations, references during the inspection, as well as take test samples, perform sealing and measurements that are directly related to inspection purposes;
 - 3.1.11 exercise state control over the use and conservation of subsurface resource through inspection checks, checks and examinations in the manner prescribed by the Law

of the Republic of Armenia “On organising and conducting inspections in the Republic of Armenia» and in compliance with the provisions of the “Code on Subsurface Resources of the Republic of Armenia”.

3.2 The Authorized body shall be obliged to:

- 3.2.1 provide the Subsurface user the documents concerning the deposit in the manner prescribed;
- 3.2.2 notify the Subsurface user in writing at least 14 days before about the consent given by point 5 of Article 3 of the Code for conducting geological exploration works in the allocated subsurface area.

3.3 The Subsurface user shall have the right to:

- 3.3.1 conduct geological explorations within the boundaries of the mining allotment, and mineral extraction in the allocated subsurface area enjoying exclusive right thereon;
- 3.3.2 enter the subsurface area and carry out all the works envisaged by the plan for the purpose of mineral extraction and exploration;
- 3.3.3 build the necessary buildings, structures, communication paths for the purpose of mineral extraction, install equipment, transport and process the minerals extracted;
- 3.3.4 dispose of the minerals extracted;
- 3.3.5 use the industrial waste stockpiles generated from its own activity while holding the right to mineral extraction in compliance with the requirements of the Code;
- 3.3.6 involve third parties by concluding civil law contracts for the purpose of geological exploration within the scope of the right to mineral extraction granted thereto;
- 3.3.7 apply to the Authorized body to amend the contractual conditions, in case substantially new, previously unintended circumstances occur;
- 3.3.8 early waive the right to mineral extraction fulfilling all the liabilities provided for by the Contract and the Code.

3.4 The Subsurface user shall be obliged to:

- 3.4.1 carry out works in compliance with the terms and conditions of the Contract on mineral extraction and the exploitation plan;
- 3.4.2 carry out instructions issued by the Authorised body or other competent state authorities to ensure the compliance with the requirements of the legislation;
- 3.4.3 fulfill the requirements of standards, norms and rules to be followed during extraction, transportation and processing of raw materials adopted in the Republic of Armenia;
- 3.4.4 ensure fulfillment of the requirements of the mineral extraction plan;
- 3.4.5 maintain geological, markscheiderian and other documentation; preserve them during all types of works of subsurface use;
- 3.4.6 maintain the registry of daily flows of mineral reserves;
- 3.4.7 submit to the Authorised body quarterly and annual reports on flows of mineral reserves;
- 3.4.8 deliver the necessary geological information to the Authorised body;
- 3.4.9 collect, store and submit to the Authorised body the data on mineral reserves explored, extracted and those left in ground, their components, their quality and quantity;
- 3.4.10 ensure the operational safety related to subsurface use;
- 3.4.11 ensure the protection of subsurface, air, soil, forests, water and other environmental medium, as well as buildings and other structures from the harmful effect of works related to subsurface use;
- 3.4.12 ensure the protection of nature, historical and cultural monuments from the harmful effect of works related to subsurface use;
- 3.4.13 ensure that conditions envisaged by the opinion of expert examination on environmental impact are in place;
- 3.4.14 rehabilitate and re-cultivate the disturbed lands as a result of subsurface use in compliance with the plan and contract on mineral extraction, as well as reclaim them for further use in economy or bring them to a safer condition;

- 3.4.15 inform the Authorised body about discovery of accumulation of minerals not specified in the contract on mineral extraction within 14 days following the discovery thereof;
- 3.4.16 carry out reservation of newly discovered minerals in compliance with the procedure defined by the Government in case of not carrying out extraction thereof;
- 3.4.17 ensure the implementation of activities envisaged by the mine closure project, including those targeted at social mitigation of workforce after the mine closure;
- 3.4.18 ensure implementation of planned activities targeted at social and economic mitigation of communities situated in the immediate impact zone of the mine being closed;
- 3.4.19 ensure making of payments envisaged for permanent observations of the extracted area of minerals, location of industrial waste stockpiles generated during extraction and for the purpose of securing the safety and health of the populations of communities adjacent thereto;
- 3.4.20 conduct re-assessment of quality requirements and reserves in the deposit (area) being exploited and submit for the re-confirmation of the Authorised body not later than once in every five years;
- 3.4.21 hand over the geological information under disposal thereof to the Authorised body within a period of 3 months upon expiration of the the right to subsurface use or in case of waiver thereof;
- 3.4.22 inform the Authorized body about legal succession of the right to use subsurface within a period of 14 days upon registration of reorganization;
- 3.4.23 start the implementation of the works in the manner prescribed after the granting the land allotment right;
- 3.4.24 allow the Authorised body to freely enter the office, production, storage, laboratory and other areas and subdivisions for inspection purposes;
- 3.4.25 provide the Authorised body any documents, data, explanations, references required during the inspection, as well as take test samples, perform sealing and measurements that are directly related to inspection purposes;
- 3.4.26 fulfill all the obligations prescribed by the laws of the Republic of Armenia.

4. Warning

- 4.1 The Authorized body may issue a warning to the Subsurface user in compliance with Article 30 of the Code in case the Subsurface user:
- 4.1.1 fails to fulfill the obligations provided for by the legislation;
 - 4.1.2 fails to fulfill the conditions of the right to subsurface use, including conditions related to fulfillment of liabilities envisaged by the Contract, plan, right to subsurface use, except for cases prescribed by the Code;
 - 4.1.3 has failed to make the payments defined by law within a period of one month starting from the date defined.
- 4.2 The Authorized body shall not have the right to make a decision on termination of the right to subsurface use in case the right holder has eliminated the mentioned grounds within a period of not more than 90 days after receipt of notification on warning.

5. Reports and information

- 5.1 The holder of the right to subsurface use shall be obliged to submit to the Authorized body the following reports and information in compliance with the procedure defined by the Code and other laws:
- 5.1.1 Estimation-report on nature management payments in the area of subsurface use;
 - 5.1.2 Annual report on mineral reserves (5- OHPH)
 - 5.1.3 _____
- 5.2 In case the forms of reports are modified, the Authorized body shall be obliged to notify the Subsurface user about it within the period of one month upon making modifications.
- 5.3 The Subsurface user shall submit the information on making payments prescribed within time periods and in compliance with the procedure and manner prescribed by the legislation of the Republic of Armenia.

6. Entry into force, period of validity and termination of the Contract

- 6.1 The Contract shall enter into force from the date of its signing and shall be valid for the entire period of effectiveness of the permit, in case the Contract has not been early terminated on the grounds specified by the Contract.
- 6.2 The Contract shall be effective also in case the term or the area of the subsurface allocated by the permit are changed in the manner prescribed. In case it has been prolonged with changes in the permit conditions, the Contract shall continue to be effective taking into account the changes made.
- 6.3 The Contract may be terminated:
 - 6.3.1 on initiative of the Authorized body, in case provisions of the Contract has been violated by the Subsurface user;
 - 6.3.2 on initiative of the Subsurface user, when an application in case of abandonment of the entire area of the subsurface deemed to be the object of the right to subsurface use is submitted by the Subsurface user, as well as abandonment certificate is issued by the Authorized body;
 - 6.3.3 in case of expiration of the date of the permit.
- 6.4 If the permit has been early terminated by the Authorised body in the cases and in compliance with the procedure defined by the Code, the Contract shall be deemed to be terminated.

7. Grounds for making amendments to the Contract

In case of significant change in reserves in the deposit as a result of supplementary exploration and/or operational prospecting, considerable change in mining and geological, technical and economic conditions, the Authorised body— at the suggestion of the Subsurface user— may make relevant amendments to the documents constituting the right to subsurface use. The amended terms and conditions of exploitation of the deposit shall be presented separately (Annex___).

8. Events of Force Majeure

In the event of failure to perform the obligations under the Contracts in whole or in part the parties shall be released from the responsibility in case it was caused by the event of Force Majeure, which have emerged after signing this Contract and which the parties could not predict or prevent. Such events include: fires, floods, earthquakes, tempests and other natural disasters, as well as explosions, acts of wars, terrorism, civil wars, riots, rebellions, nationalisation and other events that make the performance of obligations under this Contract impossible.

9. Settlement of disputes

Disputes between the parties shall be settled through negotiations. In case parties shall not come to an agreement the disputes shall be settled in a judicial proceeding.

10. Notification

Notifications, communications made between the parties during the period of contract effectiveness shall be considered proper, in case they are made in writing and submitted on hand, or sent by a prescribed letter or an e-mail or have been faxed to the address of the party mentioned below, or to another address mentioned by the party for that purpose. Besides, in both cases a written receipt should be available, which may be sent by e-mail or fax.

11. Other provisions

11.1 The Annexes of this Contract shall constitute the integral part thereof.

11.2 This Contract is executed in 3 copies having equal legal force, in Armenian.

11.3 Annex No.1. *Financial proposals and payments for subsurface use* is attached to the Contract: 3(three) pages

12. Registered addresses, bank details and signatures of the parties

Authorized body: The RoA Ministry of Energy and Natural Resources,
Republic of Armenia, Yerevan 0010, Republic Square, Government House 2,
Tel.: 521-964; Fax: (37410) 526-365; Bank account: 900011009082 Operational
Department of the Ministry of Finance

Subsurface user: “GEOTEAM” CJSC, Yerevan, Aygedzor 1st lane, h. 22, apt. 37,
Tel.: 58-55-55; “HSBC Bank Armenia”, Bank account: 001252600001; TIN: 00091919

**RA MINISTER OF ENERGY AND
NATURAL RESOURCES:**

ARMEN MOVSISYAN
(name, surname)

(signature)

“ 26” September,2012

SUBSURFACE USER:
“GEOTEAM” CJSC
(name of the company)

HAYK ALOYAN
(name, surname)

(signature)

“26” September, 2012

of the Contract on Subsurface Use

of “ _____ ”

for Mineral Extraction

FINANCIAL PROPOSALS AND PAYMENTS FOR SUBSURFACE USE**1. Financial proposals made by the Subsurface user for the purpose of mineral extraction**

No.	Names of activities	Anticipated investments thousand AMD	Schedule
1.	Geological prospecting works a) exploitation, prospecting and supplementary prospecting works	2.460.000	2013-2014
	b) making, approving geological summary reports and feasibility study	200.000	2012-2014
2.	Compilation of the package of subsurface use documents: a) the amount of annual state duty for mineral extraction licence (special licence)	30.000	2012-2016
	b) developing a subsurface use plan, conducting expert examination		
3.	Preparation of the deposit for the exploitation a) building roads and communication paths	270.000	2012-2014
	b) passing opening trenches	250.000	2012-2015
	c) building production and operating platform	250.000	2013-2015
	d) constructing buildings, structures and auxiliary facilities	60.000.000	2013-2015
	e) acquisition of the required mining equipment and transport vehicles	2.500.000	2013-2015
	f) ensuring electric power supply	650.000	2013-2014
	g) preparing the allocation of storages for stockpiles and ores	8.500.000	2013-2016

	h) cumulating humus, recultivation	50.000	2015
	Total	75.180.000	

2. Payments of state duty and for subsurface use

2.1 Obligatory payments (environmental, nature management or royalty) shall be made by Subsurface users to the State Budget of the Republic of Armenia for subsurface use in compliance with the procedure and in the amount defined by the RA Law "On Environmental and Nature Management Payments".

2.2 Annual state duty shall be paid by Subsurface users to the State Budget of the Republic of Armenia for a permit for subsurface use in compliance with the procedure and in the amount defined by the RA Law "On State Duty".

3. Payments for the fund for conservation of nature and environment and for the permanent observations of the extracted area of minerals, the location of industrial waste stockpiles generated during extraction and for the purpose of securing the safety and health of the populations of communities adjacent thereto

3.1 Payments for permanent observations of the extracted area of minerals, the location of industrial waste stockpiles generated during extraction and for the purpose of securing the safety and health of the populations of communities adjacent thereto in the amount and in compliance with the payment procedure defined by the legislation of the Republic of Armenia.

**RA MINISTER OF ENERGY AND
NATURAL RESOURCES:**

SUBSURFACE USER:
"GEOTEAM" CJSC
(name of the company)

ARMEN MOVSISYAN

(name, surname)

(signature)

“ 26” September,2012

HAYK ALOYAN

(name, surname)

(signature)

“26” September, 2012