

Santo Mining Corp.
Form 10-K
November 13, 2012

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K**

**ANNUAL REPORT UNDER TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the fiscal year ended July 31, 2012**

Or

**TRANSITIONIAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the transitional period from _____ to _____
Commission file number 333-169503**

SANTO MINING CORP.

(Exact name of registrant as specified in its charter)

NEVADA

(State or other jurisdiction of incorporation or
organization)

27-0518586

(I.R.S. Employer Identification No.)

**Ave. Sarasota #20, Torre Empresarial, Suite 1103
Santo Domingo, Dominican Republic**

(Address of principal executive offices) including zip code.)

Registrant's telephone number, including area code: 1-809-535- 9443

Securities registered pursuant to Section 12(b) of the Act:

Title of Class

None

Name of exchange in which registered

None

Securities registered pursuant to section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes [] No [X]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act:
Yes [] No [X]

Indicate by check mark whether the registrant(1) has filed all reports required by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 day. **Yes [X] No []**

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to

submit and post such files). **Yes** **No**

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulations S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. []

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated filer	[]	Accelerated filer	[]
Non-accelerated filer	[]	Smaller reporting company	[X]

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). **Yes** [] **No** [X]

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter, January 31, 2012 was \$0.00.

As of November 13, 2012, the registrant had 64,352,005 shares issued and outstanding.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K (this “Report”) contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Forward-looking statements discuss matters that are not historical facts. Because they discuss future events or conditions, forward-looking statements may include words such as “anticipate,” “believe,” “estimate,” “intend,” “could,” “should,” “would,” “may,” “seek,” “plan,” “might,” “will,” “expect,” “predict,” “project,” “potential,” “continue” negatives thereof or similar expressions. Forward-looking statements speak only as of the date they are made, are based on various underlying assumptions and current expectations about the future and are not guarantees. Such statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, level of activity, performance or achievement to be materially different from the results of operations or plans expressed or implied by such forward-looking statements.

We cannot predict all of the risks and uncertainties. Accordingly, such information should not be regarded as representations that the results or conditions described in such statements or that our objectives and plans will be achieved and we do not assume any responsibility for the accuracy or completeness of any of these forward-looking statements. These forward-looking statements are found at various places throughout this Report and include information concerning possible or assumed future results of our operations, including statements about potential acquisition or merger targets; business strategies; future cash flows; financing plans; plans and objectives of management; any other statements regarding future acquisitions, future cash needs, future operations, business plans and future financial results, and any other statements that are not historical facts.

These forward-looking statements represent our intentions, plans, expectations, assumptions and beliefs about future events and are subject to risks, uncertainties and other factors. Many of those factors are outside of our control and could cause actual results to differ materially from the results expressed or implied by those forward-looking statements. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements might not occur or might occur to a different extent or at a different time than we have described. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this Report. All subsequent written and oral forward-looking statements concerning other matters addressed in this Report and attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this Report.

Except to the extent required by law, we undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, a change in events, conditions, circumstances or assumptions underlying such statements, or otherwise.

CERTAIN TERMS USED IN THIS REPORT

When this report uses the words “we,” “us,” “our,” and the “Company,” they refer to Santo Mining Corp. and its consolidated subsidiaries. “SEC” refers to the Securities and Exchange Commission.

PART I

Item 1. Business

Overview

Santo Mining Corp. is a company which acquires various mines in the Dominican Republic for the purpose of exploration and extraction. We target near-term production opportunities in the Dominican Republic, in areas geologically similar to Pueblo Viejo, one of the largest sulfide gold deposits in the Western Hemisphere. Our vision is to define deposits and extract metals from both alluvial deposits that require minimal processing and bulk-tonnage, open-pit oxide and sulfide gold deposits where poly-metallic ores with economic concentrations of precious and base metals may be extracted and transported to local or offshore processing plants and refineries.

The Company plans to combine rapid exploration methodology with innovative operational and logistical approaches to ensure the efficient and effective extraction of gold and other metals in the future.

Our exploration projects create an alternative opportunity for investors. Each of our claim areas lie within high-potential geology—with the same characteristics as Pueblo Viejo, one of the world's largest sulfide gold deposit. Each claim is ideally situated for our geology team approach to exploration.

This swift mobilization and on-site sampling analysis capability was developed to drive growth and value in the near and long terms. Our claims are 100% owned, and lie in the core of the mineral rich Hispaniola Gold-Copper Back-Arc.

History

We were incorporated in the State of Nevada on July 8, 2009. From our inception, we were engaged in the operation of a website portal, www.drdentalspa.com, and www.dridentesblancos.com where both dentists and patients could access dental information, as well as operating a teeth whitening business. Recently, our management decided to redirect our business focus towards identifying and pursuing options regarding the acquisition of mineral exploration property with the focus on gold and other precious metals. Our new operational website is www.santomining.com.

From July 8, 2009 through to the date of the acquisition of our first Claim we were a designated shell company with minimal operations. As described below, on July 30, 2012, we entered into an acquisition agreement and began operations and ceased to be a shell.

On March 2, 2012, we sold 337,500 shares of common stock for \$150,000 in a private placement transaction. The shares were issued pursuant to Regulation S of the Exchange Act of 1933.

On March 19, 2012, we filed a Certificate of Amendment to our Articles of Incorporation (the "Amendment") to change our name from "Santo Pita Corporation" to "Santo Mining Corp." and to increase the authorized shares of our common stock from 100,000,000 to 450,000,000.

On March 26, 2012, we effected a 1-for-4.5 forward stock split for our common stock. On July 9, 2012 we effected a 4-for-1 reverse stock split for our common stock. Except as otherwise indicated, all of the share and per share information referenced in this Report has been adjusted to reflect the July 9, 2012 reverse stock split of our common stock.

On July 19, 2012, the Company sold 102,000 shares of the Company common stock for \$51,000.

During the year ended July 31, 2012, the Company agreed to issue 233,335 shares of common stock to a third party vendor for services. These shares were valued and recorded at their fair value of \$46,667.

On July 30, 2012 (the "Closing Date"), we entered into a mineral property acquisition agreement (the "Acquisition Agreement") with Gexplo, SRL (the "Vendor") and Rosa Habeila Feliz Ruiz, an officer and director of the Company, whereby the Company agreed to acquire from the Vendor an undivided one hundred percent (100%) interest in and to a mineral claim known as Alexia, which is located in the province of Dajabon, in the municipalities of Dajabon and Partido, specifically in the sections Chaucey, La Gorra and Partido Arriba, covering Los Indios, Pueblo Nuevo, Hatico Viejo, El Junco, La Gallina, Tahuique and Charo located in the Dajabon 5874-I (11) and Loma de Cabrera 5874-II (19) topographical sheets, complying with the terms of mining law No. 146 and its regulations (the "Alexia Claim") as described in the Acquisition Agreement (the "Acquisition").

Pursuant to the terms of the Acquisition Agreement, in consideration of an undivided 100% interest in and to the Alexia Claim, the Vendor received 6,456,600 shares of the Company's common stock transferred from Ms. Ruiz and the cancellation of the promissory note for \$59,770 from the Company to the Vendor dated May 31, 2012.

On September 17, 2012, the Company sold 600,000 shares of common stock for \$300,000.

In September 2012, 116,665 shares were issued to a third party vendor for services. These shares were valued at \$23,333.

On September 17, 2012, the Company exercised its right of first refusal to purchase two additional mineral properties, Walter (the "Walter Claim") and Maria (the "Maria Claim"), from Gexplo, SRL pursuant to the "Acquisition Agreement". In exchange for the Walter Claim and the Maria Claim, Rosa Habeila Feliz Ruiz, the Secretary of the Company, transferred 13,181,460 of her shares of the Company's common stock to the Vendor. The Vendor is owned by Alain French, our President, Chief Executive Officer and sole Director.

On October 12, 2012, we amended the Acquisition Agreement (the "Amendment") with Gexplo, SRL and Rosa Habeila Feliz Ruiz, an officer and director of the Company. Pursuant to the Amendment, the Company would no longer have right of first refusal to purchase the Shalee and Daniel claims and instead would have right of first refusal to purchase the Henry, Francesca, Eliza, and Nathaniel claims.

On October 12, 2012, the Company exercised its right of first refusal to purchase four additional mineral properties, Henry (the “Henry Claim”), Francesca (the “Francesca Claim”), Eliza (the “Eliza Claim”) and Nathaniel (the “Nathaniel Claim”), from the Vendor pursuant to the Acquisition Agreement. In exchange for the Claims, Rosa Habeila Feliz Ruiz transferred 12,644,943 of her shares of the Company’s common stock to the Vendor. The Vendor is owned by Alain French, our President, Chief Executive Officer and Director.

Business Strategy

The Company’s business strategies are as follows:

- Concentrating its exploration and mining efforts in regions that have favorable commercial and fiscal terms.
- Stable locations that provide extensive existing infrastructure.
- Regions that have an experienced and trained workforce.
- Santo Mining Corp. will use new technical advances in exploration.
- These exploration techniques will help Santo Mining Corp. identify structures and formations previously unidentified using older techniques.
- Focus on identifying further major gold deposits equivalent in size to Barrick’s Pueblo Viejo; one of the largest gold deposits in the Western Hemisphere.
- Target bulk tonnage, open pit oxide and sulphide gold deposits.
- Fully committed to a “Fast Track” production taking advantage of gold's unprecedented prices.

Strategy

Santo Mining Corp. looks at creating shareholder value by:

- Investing in our claims to identify and to discover and delineate economic gold resources
- Advancing promising gold deposits through to engineering and feasibility stage and partnering with leading mining companies and end user companies to finance and manage operations
- Searching for accretive merger and acquisition projects

Strategic Goals for 2012-2013

- Commenced exploration program in September, 2012 with the objective of testing samples
- Test new target areas in early 2013 with the objective of outlining new gold resources
- Start drilling to test new surface discoveries and expand any found deposits
- Conduct additional metallurgical work
- Examine M&A and regional consolidation opportunities

Competitive Strengths

○ The Company is located in The Dominican Republic which is experiencing an unprecedented gold mining rush. During the last three years it is estimated total investment in the mining sector is between \$4-5 Billion. New exploration around Spanish Colonial metal workings and some Greenfield locations resulted in a proliferation of near-term gold production opportunities.

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- The Company has claims in the mineral rich Hispaniola Gold-Copper Back-Arc, rising to 10,000 feet, cuts a diagonal swath across the island where Taino Indians collected gold nuggets from the river and later Columbus was first to systematically extract gold. Today the island is literally peppered with historical gold, silver and copper works. Some of these former sites have been explored and resulted in major discoveries; while others have yet to be investigated.
- There have been some major and significant mineral discoveries where the Company owns claims within a very close proximity to some proven reserves. These include Barrick Gold's world class "Pueblo Viejo" mine with reported probable and proven reserves of 25.3 million ounces of gold valued at \$40 Billion at current prices. This mine is expected to produce more than 1 million ounces a year once production ramps up in 2013 (source: Barrick Gold Corp). Others include, Meanwhile Perilya's "Cerro de Maimón" produces 130,000 ounces of gold every year valued at \$204.5 million at recent current prices. Not far to the west is Falcondo Xstrata's enormous 49.6 million ton Nickel complex, formerly the World's second largest nickel mine (Source: Falcondo Xstrata).
- The Dominican Republic is a democratic country with similar political structure to USA. Santo Domingo is a modern bustling city with all the amenities and technologies of its US counterparts. Following recent presidential elections, the new republican president installed his cousin Mr. Alexander Medina (Former Falconbridge executive) as the new Director of the Mining Management Office and Mr. Lisandro Lember as Vice-Minister of Mines and Energy. Both appointments have been received well by the mining sector and both are making significant improvements to their respective agencies.
- The Company has precious and base metal claims in the heart of the mineral rich geology, an agile exploration team with over 100 years of local experience, a pipeline of highly prospective claims, close ties with many community leaders, and field efforts supported by seasoned financial consultants.
- Our officers and directors include highly experienced and respected executives with extensive experience in both the senior and junior mining industry.
- The Company has been financed to get it through its first stage of development.

Sources of Available Land for Mining and Exploration

Much of the desirable land for mining and exploration in the Dominican Republic has been claimed by mining companies including Barrick Gold, Xstrata Falconado, Brigus, Perilya, Unigold, Goldquest, Goldstar and others. We have a pipeline of promising Claims owned by Gexplo,SRL, several of which are immediately adjacent or close to the above mentioned mining company claims.

The Alexia Claim totals 2,775 mining hectares. The Walter Claim totals 200 mining hectare. The Maria Claim totals 1,486 mining hectares. The Henry Claim totals 1,900 mining hectares. The Francesca claim totals 2,120 mining hectares. The Eliza Claim totals 243.75 mining hectares. The Nathaniel claim totals 475 mining hectares.

Competition

We are a mineral resource exploration company. We compete with other mineral resource exploration companies for financing and for the acquisition of new mineral properties. Many of the mineral resource exploration companies with whom we compete have greater financial and technical resources than those available to us. Accordingly, these competitors may be able to spend greater amounts on acquisitions of mineral properties of merit, on exploration of their mineral properties and on development of their mineral properties. In addition, they may be able to afford more geological expertise in the targeting and exploration of mineral properties. This competition could result in competitors having mineral properties of greater quality and interest to prospective investors who may finance additional exploration. This competition could adversely impact on our ability to finance further exploration and to achieve the financing necessary for us to develop our mineral property.

Government Regulation

We are committed to complying with and are, to our knowledge, in compliance with, all governmental and environmental regulations applicable to our Company and our property. Permits from a variety of regulatory authorities are required for many aspects of mine operation and reclamation. We cannot predict the extent to which these requirements will affect our company or our property if we identify the existence of minerals in commercially exploitable quantities. In addition, future legislation and regulation could cause additional expense, capital expenditure, restrictions and delays in the exploration of our property.

As per information obtained from the Central Bank of the Dominican Republic and the General Director of Mining, mining activities in the Dominican Republic focus mainly on mining of ferronickel and gold. The Dominican Republic has a very active mineral exploration sector, with the mining of minerals, both metallic and non-metallic, being an important aspect of the economy. The dominant producers are Perilya Gold and Falcondo Xstrata Nickel, which mine deposits in central Dominican Republic as well as Barrick Gold's scheduled production of gold at the Pueblo Viejo mine in the Cotui area. The government sees the mining industry as representing one of the main sources for socio-economic development of the Dominican Republic. Government policy concerning the mining industry is geared towards the protection of the environment and the integration of affected communities to the mining projects. The major mining opportunities in the Dominican Republic are found in ferronickel, marble, salt and plaster, construction aggregates (such as limestone), gold and silver. According to a speech in February 2012 by President Leonel Fernandez the Dominican Republic's economy expanded 4.5 percent in 2011 behind "astronomical growth" in the mining sector and further growth is expected in 2012 due to continued extraction expansion and of nickel at the Xstrata Plc Falcondo mine and the beginning of gold production this year at the Pueblo Viejo mine by the Barrick Gold Corp.

The legal framework that governs mining operations in the Dominican Republic is comprised of the following legal provisions: the Constitution of the Dominican Republic, and the various laws of the mining operations of the Dominican Republic, herein referred to "Law"; Law No. 146 of 1971, also known as the Dominican Mining Law, and its regulation for enforcement; and presidential decrees (Decree No. 613-00, regarding the creation of the National Council for Mining Development; Decree No. 839-00 dated 26 September 2000, regarding the declaration of mining as an activity of the highest priority of the Dominican state, thereby instructing the Corporate Mining Authority to enter into certain agreements regarding the development of certain mining sectors of the country; and Decree No. 947-01 dated 19 September 2001, regarding the creation of Industrial mining parks for whom the tax incentives of the Dominican Industrial Free Zone Law No. 8-90 are extended to). Law No. 123-71, along with its regulation of enforcement, also regulates certain mining activities, namely the extraction of sand, gravel, chippings, rocks and similar materials.

As in most nations, the Constitution of the Dominican Republic is the general framework that establishes broad norms for the functioning of the state. The Constitution enshrines the protection of property and the inviolability of such in article 51. However, article 17 of the same sets forth that "mining and hydrocarbon deposits and, in general, all non-renewable resources, may only be explored or exploited by private parties, under sustainable environmental criterion, in accordance with concessions, agreements, licenses, permits or quotas, under the conditions determined by law". Thus, any person seeking to undertake mining operations in the Dominican Republic must take into account that the Dominican state is a necessary participant in any mining operation, and that the property of the minerals is that of the state, although the entity awarded with a concession has the right to profit from the extracted minerals. Property of the state, as may be construed from the provisions set forth in Law No. 146's Regulation for Application refers to the mineral reserve, and not the extracted minerals which belong to the concessionaire. The Dominican Mining Law No. 146 of 4 June 1971 ("Law 146") is the legislation currently in force in the Dominican Republic relating to the exploration and exploitation of mining materials. The Law is complemented by its Regulation for enforcement number 207-98 of 3 June 1998, which clarifies certain aspects of the Law and establishes specific administrative processes in order to implement the norms contained in the Law.

Law 146, as well as its regulation, establish that the state is the owner of all mineral deposits, of any nature, on Dominican soil and that the exploitation or mining of such deposits are undertaken by means of concessions or agreements granted exclusively by the government. Furthermore, the Law is highly protective of the local legal regime providing that all concessions granted within national territory are exclusively governed by the laws and courts of the Dominican Republic, and when foreigners are the concessionaires, such concessionaires are deemed to have validly waived any right to diplomatic protection in relation to the concession. The Law also creates the General Mining Directorate, which is the administrative body in charge of implementing the Law and regulating mining activities in the Dominican Republic.

We should also point out that our General Environmental and Natural Resources Law No. 64-00 (Law 64-00), which governs all environmental related issues in the Dominican Republic also plays an important role with respect to mining activities in said country. The purpose of this law is to set the general rules towards the conservation, protection, improvement and restoration of the environment and the natural resources, intending to assure a sustainable use having unified segregated rules concerning environmental protection and creating a governmental authority - the Ministry of Environment and Natural Resources - with wide authority to oversee and regulate the application of Law 64-00. Article 38 of Law 64-00 establishes the process of environmental evaluation, in order to prevent, control and mitigate the impacts over the environment and natural resources caused by works, projects and other activities. According to the list published by the Ministry of Environment and Natural Resources regarding projects that require environmental impact studies in order to obtain an environmental license, the activities involving the mining sector are the following: development, exploitation and processing of metallic and non metallic mining; exploration and mining prospection; extractive metallurgy and mining parks.

Law 146 regulates investments in mining activities, although there is also a general foreign investment law (Law No. 16-95 and its amendments), which requires registration of foreign investments for statistical purposes. Under Law 146 mining rights may be acquired both by domestic and foreign parties; however, foreign investors in these activities are required to incorporate a Dominican subsidiary prior to holding exploration concessions over mineral rights. The possibility of operating through a branch, in lieu of a Dominican subsidiary may be reached through special

agreements entered with the executive branch and subject to Congress approval. Although Law 146 provides for certain rules governing the exemption to foreign exchange requirements, such provisions are no longer relevant as per freedom of convertibility and transferability principles in force since 2002 with the enactment of our current Monetary and Financial Law No. 183-02. Accordingly, in connection with foreign exchange regulations, including the external debt service, no approvals are currently required from any governmental authorities for purposes of assuming debt in foreign currencies, accessing the currency exchange markets or transferring funds abroad, provided that such exchange and transfer activities are done through duly authorized financial and exchange intermediation entities of the Dominican Republic.

The Dominican Republic is party to numerous international investments and free-trade treaties including DR-CAFTA; however, none apply specifically to mining activities, and such operations sometimes are excluded from these treaties in most cases. As to dispute resolution mechanisms we should point out that the Dominican Republic is a party to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (New York Convention), and that arbitration clauses are not in contradiction of or subject to restrictions under the laws of the Dominican Republic, except for judicial homologation (exequatur) requirements.

Law 146 recognizes two distinct types of concessions that may be granted by the state: concessions for the exploration of mining materials; and concessions for the mining itself or exploitation of the mining materials. Article 17 allows additionally, the creation of 'fiscal reserves' by the executive branch, within a determined mining zone, and following such creation, allow the exploration and evaluation of mining sources, and allow exploitation activities through special contracts. The process of obtaining a mining concession is relatively straightforward, and is contained in articles 143 through 176 of Law 146, as well as certain other provisions of Regulation 207-98. In summary, the entity interested in mining a piece of land must fulfill the requirements established by Law 146, Regulation 207-98, and those of the General Mining Directorate. The General Mining Directorate then either approves the concession or rejects it. If approval is granted, the Ministry of Industry and Commerce proceeds to issue a resolution authorizing the concession. The General Mining Directorate also grants any and all rights of passage and rights of use of the land of third parties once the concession is granted, notwithstanding if the permit is granted either for exploration purposes or for mining operations. If a foreign entity seeks to receive a concession for exploration purposes only, then it is allowed to do so as a foreign entity, though it must prove its existence to the General Mining Directorate through the filing of certain documents. However, the Law expressly establishes that foreign entities that seek mining (or exploitation) concessions must do so through the incorporation of a Dominican company fulfilling all the requirements under Dominican law. Nevertheless, if the foreign entity had begun exploration operations as such, and requested the granting of a mining concession, while the incorporation of the Dominican company is being undertaken, the foreign entity may initiate mining activities. The concession granted is *intuitu personae*, and consequently, may not be assigned without prior written approval from Ministry of Industry and Commerce.

Pursuant to the provisions of Law No. 146, a mining concession gives the exclusive right over all substances found within the perimeter thereof, to explore, exploit or develop such substances in accordance with the provisions of applicable laws.

Among the obligations of the holder of a concession are the following, which may be construed as covenants to maintain its concession:

- Protection of life and health of the workers;
- Submission of semi-annual progress and annual operation reports;
- Compliance with environmental standards;
- Payment of annual patents, royalty fees and income taxes;
- keeping of legal accounting books in accordance with applicable accounting rules;
- Execution of works in accordance to methods and techniques avoiding damages to the landowner and to the adjoining concessionaires; and
- Starting the works within six months after the date of the granting of the concession, under sanction of forfeiture.

The executive branch may declare a mining zone as a fiscal reserve, and grant exploitation rights over such reserve through special contracts. The requirement for such exploitation rights, as per the provisions of article 19 of Law 146, is that any such mining exploitation within a fiscal reserve, must be granted by means of a public bidding process. Congress approval is not necessary for these purposes; however, such Congress approval becomes mandatory when tax incentives are provided through the special contract. The use of the fiscal reserve and 'special contract' combination, although not uncommon, is treated as the exceptio