



MINING INDUSTRY AND LEGAL UPDATE

KALIKOVA &
ASSOCIATES
law firm

Information for effective business solutions

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Industry Update

March 23, 2015

Three companies bid for Jerooy gold deposit

Three companies bid for the award of mining rights over the Jerooy gold deposit.

In accordance with the conditions of the bidding for the right to develop the gold mine of Jerooy, as well as to conduct exploration works at the Jerooy area and the criteria for determining the winner, approved by the Government, bid applications were submitted by:

1. Vostok-Geoldobycha;
2. Aldanzoloto GRK; and
3. Kyrgyzaltyn,

<http://www.knews.kg/>

March 18, 2015

State Geology Agency launches campaign “The State Geology Agency informs!”

Starting from March 19 to May 28 of this year, the State Geology Agency plans to launch on the national radio channel a series of live broadcasts entitled “State Geology Agency Updates”.

Each Thursday, at 11:00 a.m., the heads of departments and subordinate organizations of the State Geology Agency will be on the air.

Legal Update

March 23, 2015

Kyrgyz Government approves tender conditions for Bel-Alma brown coal deposit

The Government approved the terms and conditions for the tender for mineral exploration rights over the Bel-Alma lignite deposit and the criteria for determining the winner. The respective ordinance No. 107-p of March 23, 2015 was signed by Prime Minister Djoomart Otorbaev.

Interdepartmental tender commission was instructed to hold a tender for the mineral exploration right over the Bel-Alma lignite deposit in the manner prescribed.

The tender is held for the mineral exploration right over the Bel-Alma brown coal deposit for a period of 5 years, with the subsequent extension in accordance with the engineering design provided that the winner of the tender fulfills the license terms and conditions.

<http://www.tazabek.kg/>

March 19, 2015

Parliament approves amendments excluding mining licensing from law on licensing and permitting system in Kyrgyz Republic

Parliament by its resolution No. 4915-V of March 19, 2015 approved on third reading the bill proposing amendments to the Law of the Kyrgyz

Each broadcast will be thematic and audience can ask questions in the field of geology, mining, operations of the State Geology Agency, licensing requirements, protection of mineral resources, mining industry, etc.

<http://miningnews.kg/>

March 2, 2015

Mineral rights over South-Eastern Kumbel sold for 140 thousand USD

Xing Lung Company acquired mineral rights over South-Eastern Kumbel for 140 thousand USD.

According to the State Geology Agency, an auction for mineral rights over Kumbel coal deposit was held on March 2, 2015 in Suzak village, Djalal-Abad region.

The auction was held for the Southeast and Southwest areas of the Kumbel deposit. Bids for the first lot were submitted by Xing Lung LLC and Tien Shan Georesource LLC. The starting price of the lot was 100 thousand USD. Xing Lung mining company acquired mineral rights for 140 thousand USD.

No bids were submitted for the second lot; therefore, it will be put for the second auction announced later.

<http://www.knews.kg/>

February 20, 2015

Sustainable annual production of up to 60 tons of gold to be achieved and maintained in 2018-2023 years, Ministry of Economy estimates

Sustainable annual production of gold will be achieved and maintained in 2018-2023. During this period, gold production may rise up to 40 tons per year and under favorable circumstances, up to 60 tons per year, the Ministry Industry Development Strategy 2015-2035 states.

The study shows that in the next decade gold production will lead the mining industry considering its potential for growth, but the projects will have a short life cycle.

It is assumed that all distributed and to be distributed mining licenses will be used and

Republic on licensing and permitting system in the Kyrgyz Republic, excluding mining licensing from this law.

<http://www.kenesh.kg/>

March 12, 2015

Parliament develops ways to control mines

Parliament will draft a bill proposing to strengthen the government control over the mineral wealth of the Kyrgyz Republic. This was stated at the parliamentary meeting held on March 12, 2015.

According to Asylbek Jeenbekov, the Speaker of the Parliament, parliamentary working group will start its work on March 12. The amendments will be proposed to three laws: the laws on mineral resources, on investments and on concessions. The Speaker mentioned the necessity of the systematic amending of the laws to protect mineral resources of the country.

The working group will provide its recommendations a month later.

MP Tashbolot Baltabaev noted as examples the smuggling of antimony ore in China and golden sand in Kazakhstan and expressed the view that Parliament should take control over the mineral wealth of the country.

<http://www.gezitter.org/>

March 5, 2015

Parliament Resolution No. 4863-V of March 5, 2015 approving adoption of Law proposing Amendments to Law on Public Private Partnership in Kyrgyz Republic

Parliament allowed pursuing geology projects through public private partnership.

MP Kojobek Ryspaev (Ar-Namys party) proposed amendments to the Law on Public Private Partnership in the Kyrgyz Republic, stating the scope of application and non-application of public private partnership.

Under the current law, public private partnership cannot be used in the field of mineral resources, public procurement and privatization.

Kojobek Ryspaev proposed to exclude mineral resources from this list, thus allowing public

secured by investments. The estimated trend reveals the possibility of the investment boost during the period before 2018, with high revenues maintained during the following 5-6 years. Starting from 2023, there is a threat of a sharp production slowdown with all negative consequences, such as loss of thousands of jobs, decrease of revenues to the state budget and the Social Fund, the document says.

Geologists comment that efficient revenue management will be an important and challenging task during the period of stable gold production.

To achieve this goal, it is necessary to use the methods of large corporations in this area. Considering high volatility of metal markets, it is required to determine an optimal limit of Government spending of revenues and to ensure that any amounts in excess of this limit be accumulated in the Stabilization Fund and partly spent on the development of geological infrastructure. It is necessary to carefully monitor and to take measures to resist the Dutch disease by encouraging the mining companies to reinvest, the Strategy says.

By 2023, the small-scale mining sector must be fully in place to support local employment growth. Simplified regulatory framework should be also in place. International experience shows that small-scale mining sector cannot function effectively under the same requirements as applied to large-scale mining. It is required to prepare deposits suitable for small-scale mining.

http://www.knews.kg/gornoe_delo/60696/

February 16, 2015

Foreign direct investments (FDI) in mining sector decreases by 90.5% compared to the same period in 2013 (18.6 million USD)

According to the National Statistics Committee, the inflow of foreign direct investments in the mining sector for the first 9 months of 2014 amounted to 1.7 million USD which is 0.39% of all FDI (443.3 million USD).

Compared to the same period in 2013 (18.6 million USD) FDI in the mining sector decreased by 90.5%. In 2013, the amount of FDI incoming receivables amounted to 26.7 million USD (2.6% of all FDI) and as compared to 2012 (27.8 million USD; 4.7% of all FDI) incoming receivables decreased by 24%.

In 2012 and 2011, FDI in mining operations

private partnerships in the field of geology. The majority of MPs supported the bill and approved it on third reading. The document will be sent to the President for signing.

<http://www.knews.kg/>

March 4, 2015

Parliament Resolution No. 4856-V of March 4, 2015 approving draft law on Industrial Explosives on first reading

On March 4, 2015, Parliament approved on first reading the draft law of the Kyrgyz Republic on Industrial Explosives, initiated by the Government of the Kyrgyz Republic (Resolution No. 629 dated November 5, 2014).

According to the draft Law on Industrial Explosives, the law provides the legal framework for circulation of explosive materials in the Kyrgyz Republic to ensure the following:

- a) use of explosion energy for peaceful purposes;
- b) individual safety of explosives workers, public safety and protection of property and the environment;
- c) prevention of criminal offenses against public safety;
- d) liability of the following persons for breach of laws of the Kyrgyz Republic in the field of turnover of explosive materials:
 - public officials;
 - officers and employees of companies engaged in turnover of explosive materials.

February 13, 2015

Government Resolution No. 60 of February 13, 2015

In order to govern environmental impact assessment activities under the Law of the Kyrgyz Republic on Environmental Audit, the Government approved the Regulations governing the procedure for conducting environmental impact assessment (EIA) in the Kyrgyz Republic, which establishes the procedure for assessing the environmental impact of the proposed project. The purpose of the EIA is to prevent and/or mitigate the environmental impact of the proposed project and related social, economic and other consequences.

remained the same (around 27.5 million USD).

In this case, in comparison to 2010, the amount of FDI in 2011 increased as much as twenty seven times.

The largest amount of FDI in the mining operations over the past decade has been achieved in 2007 and amounted to 54.6 million USD.

<http://miningnews.kg/>

January 27, 2015

Explosives licenses and permits to become temporary

The State Geology Agency proposes to prescribe that the licenses authorizing the manufacture, use, destruction of industrial explosives; sale of explosive substances (including pyrotechnic), production, repair, trade of weapons and ammunition shall be temporarily effective. It is also proposed to exclude from the category of perpetual permits the following: the production, purchase, import, export of civilian and service weapons and ammunition, purchase of highly toxic substances, transportation of dangerous goods, storage of explosive substances (including pyrotechnic), import of explosive substances into the territory of the Kyrgyz Republic (including pyrotechnic), acquisition of explosive materials.

The State Geology Agency also offers to prescribe that the receipt, formation, storage, use, or destruction of highly toxic substances is subject to licensing.

<http://www.knews.kg/>

February 6, 2015

Nurlan Jumaev appointed as Deputy Director of State Agency for Environmental Protection and Forestry under Government of Kyrgyz Republic

Nurlan Jumaev is appointed as the Deputy Director of the State Agency for Environmental Protection and Forestry under the Government of the Kyrgyz Republic. The respective order was signed by Prime-Minister Djoormart Otorbaev.

<http://www.gov.kg/>



71 Erkindik Boulevard,
Bishkek, 720040
Kyrgyz Republic

Tel.: +996 (312) 666060
Fax: +996 (312) 662788
Web: www.k-a.kg
Email: lawyer@k-a.kg

The sources of news contained in the Update are websites:
www.akipress.kg, www.tazabek.kg, www.knews.kg,
www.geology.kg, www.gov.kg, www.miningnews.kg, etc.

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