



MINING INDUSTRY AND LEGAL UPDATE

KALIKOVA &
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Industry Update

25 March 2016

Kazakh company Kamal-Oil won the tender on Kutessay II and Kalesay

Kazakh company Kamal-Oil won the tender for subsoil use right for Kutessay II (rare earth metals, bismuth, molybdenum and silver) and Kalesay (beryllium, lead) deposits – obtained the license for their development.

So, Kamal-Oil LLP won the tender from a Kyrgyz company Armeks Group LLC, by earning 329 points. The opponent got 237 points.

The winner of the tender proposed \$ 10 million for the licenses for deposits.

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

16 March 2016

Kumtor reports basic operating results for 2015

Kumtor Gold Company has reported basic operating results for 2015.

In 2015, the Kumtor mine's gold production reached 520,694 ounces or 16,195.4 kg (one Troy ounce equals to 31.10348 grammes). Gold sales in 2015 were 520,517 ounces or 16,189.9 kg with a revenue totaling \$604.5 million.

During the twelve months of 2015, contributions to the national budget in taxes, deductions to the Social Fund and other mandatory payments exceeded \$123 million, which according to the KR National Bank's exchange rate as at December 31, 2015, amounts to approximately 9.373 billion

Legal Update

11 February 2016

Government Order of February 11, 2016 No. 52-p

The Government issued an order proposing to grant concession over Kara-Keche deposit and Ak-Ulak section of Min-Kush brown coal deposit in accordance with Concession and Concessionary Enterprise Law, Investments Law, and Mineral Resources Law, in order to develop the energy potential of the Kyrgyz Republic and attract investment in the overall development of Kara-Keche deposit and Ak-Ulak section of Min-Kush brown coal deposit.

According to the approved Terms and Conditions and Procedure for conducting competition in respect of Kara-Keche deposit and Ak-Ulak section of Min-Kush brown coal deposit development, the application fee is 15 million soms. It is also required to pay the fee for geological information package in an amount of 2.3 million soms. Also, the applicants must pay a security deposit of 76 million soms. The applications are accepted until April 15.

The winning bidder will sign the concessionary agreement with the government for development of Kara-Keche deposit and Ak-Ulak section of Min-Kush brown coal deposit and construction of thermal power plant at Kara-Keche deposit with the capacity of 1200 MW and Balyckchi – Kochkor – Kara-Keche railway. Concession means that the government will grant to the winner the right to use natural resources, infrastructure assets, enterprises and equipment. In return, it will receive compensation in the form of single or periodic payments (royalty).

According to the terms of the tender, the investor

soms.

Contributions made within the Kyrgyz Republic in 2015 (including taxes, refining, domestic suppliers, infrastructure, charities, etc.) exceeded \$256 million.

In all, contributions made within the Kyrgyz Republic between 1994 and 2015 exceeded \$2.964 billion.

According to preliminary reports of the KR National Statistics Committee,

- Kumtor's share in KR GDP in 2015 was 6.8 %;
- Kumtor's share in the aggregate industrial output was 22.5 %;
- Gold's share in the national exports in 2015 was 39.7 %.

<http://24.kg/>

16 March 2016

Kyrgyzstan and Mongolia to launch geology cooperation

Memorandum of Cooperation between the State Agency for Geology and Mineral Resources of the Kyrgyz Republic and the Mineral Resources Authority of the Government of Mongolia was signed on March 16 in Ulan-Bator.

By this memorandum, the parties agreed to share their experiences and knowledge in the field of state education system, mineral resources and industrial safety development issues, etc.

Also, the geologists of the two countries plan to make onsite visits to mineral deposits, implement programmes and projects, and share experiences in the attraction of foreign investment in the exploration and mining industry.

The memorandum is signed by the Chairman of the State Agency for Geology and Mineral Resources of Kyrgyzstan Duyshenbek Zilaliyev and General Director of the Mineral Resources Authority of Mongolia Ms. Dombon Uuriintuya.

<http://kyrtag.kg/>

11 March 2016

Jonas Moberg: Steering Geology Agency towards greater transparency will facilitate investor interest in mining industry

"Steering the Geology Agency towards greater transparency and reducing bureaucracy will facilitate investor interest in the mining industry,"

will invest about \$2.5 billion in the construction of TPP at the mine. In such case, 20% share in the enterprise created for development of coal deposits will belong to the government.

29 January 2016

Government Resolution approving Regulation on special account of Geology Agency of January 29, 2016 No. 40

On January 29, 2016, the Government of the Kyrgyz Republic issued a resolution approving the Regulation on special account of the Geology Agency.

According to the approved Regulation, the funds of the Special Account are treated as the funds received by the Geology Agency in addition to amounts allocated from the republican budget of the Kyrgyz Republic. The funds of the special account must be spent strictly for the intended purposes. The said funds will be included in the state budget of the Kyrgyz Republic and accounted as budget revenues and expense separately.

Special account of the Geology Agency is opened with the following purposes:

- To develop mineral materials base of the Kyrgyz Republic;
- To create necessary material and technical conditions for the activity of the Geology Agency, its structural subdivisions and enterprises;
- To ensure social security and guarantees, to improve qualification of employees of the central office of the Geology Agency.

In addition, the said resolution proposes amendments to the Regulation on procedure for holding tender for mineral rights. In particular, amendments refer to the involvement of an international consultant. Thus, for certain mineral deposits of national significance, the Government of the Kyrgyz Republic may decide to involve the international consultant having expertise in developing the terms and conditions of competitions. The hiring of the international consultant will be the responsibility of the Geology Agency subject to the requirements of the government procurement legislation of the Kyrgyz Republic and his fee will be paid with the funds on the special account and will be reimbursed from the proceeds of the application fee.

Jonas Moberg, Head of Extractive Industries Transparency Initiative (EITI) Secretariat said at the meeting with Oleg Pankratov, Deputy Prime Minister of the Kyrgyz Republic.

Deputy Prime Minister underlined the importance of the mining industry as one of the strategic sectors of the Kyrgyz economy accounting for 8% of the total GDP. In this regard, particular significance is attached to the development of this industry and promotion of productions using the most advanced technologies in this area.

Jonas Moberg pointed out that one of the EITI's key goals is to ensure the development of the mining industry by attracting bona fide investors. "Greater transparency and reduced bureaucracy will facilitate investor interest in the mining sector which has serious prospects for development," Jonas Moberg added.

<http://24.kg/>

9 March 2016

Two companies shortlisted to compete for Kutessay II and Kalesay deposits development

Two companies have been shortlisted for the Kutessay II and Kalesay deposits development competition. This was announced today after a meeting of the interdepartmental tender commission.

Kutessay II (rare earth metals, bismuth, molybdenum and silver) and Kalesay (beryllium, lead) were offered at the initial price of \$ 10 million.

Armeks Group LLC (registered in the Alamudun district of the Chui region) and Kamal-Oil LLP (located in the Burlin district of Kazakhstan) were shortlisted for the second round of competition.

The second round of the competition will be held on March 25. The bidders will provide information on their mine development plans, social package, and past performance.

<http://24.kg/>

3 March 2016

Kyrgyzstan's mining sector to receive \$300,000 grant for enhancing accountability and transparency in extractive industries

On March 3, the Parliament of the Kyrgyz Republic has approved the third reading of the draft grant agreement signed in Bishkek on July 6, 2015

29 January 2016

Draft resolution approving rules for protection and use of mineral resources during mining operations

The Geology Agency proposed for public debate the draft resolution approving the rules for protection and use of mineral resources during the mining operations. This draft resolution was developed for the purposes of establishing uniform requirements for efficient and overall use and protection of mineral resources.

The aim of the draft resolution is to establish:

- state supervision over protection of mineral resources within the limits of the exploration, mining or land claim;
- state control over the use and protection of mineral resources during exploration and mining operations;
- measures ensuring protection and efficient use of mineral resources;
- requirements for protection of mineral resources;
- requirements for use of mining technologies that do not endanger the health and safety of employees and population, and do not cause irreparable damage to the environment and loss of mineral reserves.

<http://geology.kg/index.php/pi/pi-10/241-2015-12-03-09-44-42>

between Kyrgyzstan and IDA (International Development Association) for the implementation of the Extractive Industries Transparency Initiative (EITI) project.

The mining sector of Kyrgyzstan will receive \$ 300,000 as a grant for the purposes of enhancing accountability and transparency in the extractive industries. The grant aims to improve governance of extractive industries of the Kyrgyz Republic by introducing the new EITI standard requiring disclosure of revenue, licenses and payments. Under the grant agreement, the public and private stakeholders will be offered training and consultation services with respect to the production of high-quality reconciliation reports, their verification by an external auditor and subsequent publication.

In addition, the grant will be used to finance seminars raising public awareness on extractive industries.

<http://24.kg/>

29 February 2016

180 mineral licenses annulled in 2015

The biggest number of mineral licenses has been issued to the companies engaged in mining non-ore mineral resources.

According to the data of the Geology Agency', in 2015, 231 mineral licenses were suspended and 180 mineral licenses were annulled.

At the beginning of the year, there were issued 1,886 licenses, among them are 964 mining licenses, 230 exploration licenses, and 692 prospecting licenses. As regards gold, there were granted 60 mining licenses, 113 exploration licenses, and 116 prospecting licenses. As regards metals, there were granted 21 mining licenses, 27 exploration licenses, and 37 prospecting licenses.

As regards non-ore mineral resources, the Geology Agency issued 411 mining licenses, 31 exploration license and 412 prospecting licenses.

As regards coal, the Geology Agency issued 169 mining licenses, 15 exploration licenses, 115 prospecting licenses.

As regards oil and gas, there were issued 64 mineral licenses: 19 mining licenses, 43 exploration licenses, and 2 prospecting licenses.

<http://knews.kg/>

2 February 2016

Geology Agency presents interactive map of license areas

The online interactive map of license areas was presented at the meeting of the Geology Agency attended by the Deputy Prime Minister O.M. Pankratov; it can be viewed on the official website of the Geology Agency at: <http://info.geology.kg/lic/>. The map is developed with the financial support from the EITI Trust Fund – EITI compliance stage II. The map of the license areas is a supplement to the online map of the mineral deposits and occurrences developed by the Geology Agency and available at <http://dolpha-001-site1.smarterasp.net/>.

The map of the license areas will provide online access to any data about the companies holding mineral licenses in the Kyrgyz Republic.

Director of the Geology Agency D.T. Zilaliev, during the presentation of the interactive map, noted that this pilot project was published on the official website and would be working on a permanent basis. This project will create benefits for the general public, investors, and mining companies.

<http://miningnews.kg/>



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If you have any comments, please contact Jyldyz Tagaeva at jtagaeva@k-a.kg

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