



MINING INDUSTRY AND LEGAL UPDATE

KALIKOVA
&
ASSOCIATES
law firm

Information for effective business solutions

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Industry Update

May 16, 2014

Auction announced for antimony mine claims

The Geology and Mineral Resources Agency announced an auction for antimony mine claims in the Alabuka district of the Jalalabat region. The starting price is \$117,500.

The auction will take place on July 7, 2014 at noon in the building of the Alabuka district state administration in Alabuka village of Jalalabat region.

All applicants need to submit their bidding documents by 3 pm on July 4, 2014 with the State Geology and Mineral Resources Agency at 2 Erkindik Avenue, Bishkek, room № 220.

Detailed information on all necessary bidding documents is contained in the Bidding Terms and Conditions on the Agency's website at www.geology.kg.

http://geology.kg/index.php?option=com_content&view=article&id=497:provedenie-auksiona-na-ob-ekt-surmy&catid=8&Itemid=232&lang=ru

May 16, 2014

Work on development of the medium- and long-term mineral development strategy of the Kyrgyz Republic has been completed

Over the period from August 30, 2012 to March 26,

Legal Update

May 15, 2014

Kyrgyz Ministry of Economy to put up for public discussion draft rules on export and import of ores, concentrates and wastes containing precious metals and related recoverable metals from and to Kyrgyz Republic

Draft rules on export and import of ores, concentrates and wastes containing precious metals and related recoverable metals from and to the Kyrgyz Republic are put up for public discussion.

The text can be viewed at the official website of the Kyrgyz Ministry of Economy.

http://mineconom.kg/index.php?option=com_npo&lang=ru

May 7, 2014

Kyrgyz Government Resolution of May 7, 2014 No. 248 approves Regulation on state environmental audit

In accordance with the Kyrgyz Environmental Protection Law, Environmental Impact Assessment Law, General Technical Regulations on environmental safety in Kyrgyz Republic, the Government approved the Regulations on State Environmental Audit in the Kyrgyz Republic. The corresponding

2014, a consortium of experts, which also included Kalikova & Associates Law Firm, administered by the Kyrgyz Mining Association, had been drafting the medium- and long-term mineral development strategy of the Kyrgyz Republic (Strategy). The Strategy has been drafted at the request of the Kyrgyz Ministry of Economy and with technical support from USAID REFORMA. Kalikova & Associates lawyers have contributed to the Strategy by developing recommendations for improving Kyrgyz mining law, including the issues associated with mining licensing, state assessment of mining and geological projects, pretrial dispute resolution.

On March 31, 2014, the Strategy, Action Plan and Budget were submitted to the Kyrgyz Ministry of Economy for their presentation to and approval by the Kyrgyz Government.

Please follow this link to view the text of the Strategy,

http://mineconom.kg/Docs/Medium_and_Long_Term_Mining_StrategyRus_10_04_2014.pdf

May 14, 2014

Kyrgyz Parliament to introduce excise duty on export of gold/ silver alloys and refined gold/silver

Kyrgyz Parliament intends to introduce an excise duty on the export of gold and silver alloys and refined gold and silver. The amendments to the Kyrgyz Tax Code are proposed by Omurbek Tekebayev, leader of the Ata Meken Party.

The amendments set the base rate of the excise duty on export of gold and silver alloys and refined gold and silver at the rate of 5% of the invoice (customs) value of excisable goods, says the document.

<http://www.24kg.org/parlament/178176-parlamentkg-kogda-komissiya-nevypolnima.html>

May 12, 2014

Non-ferrous metals and trade industries generate highest tax revenues in first quarter of 2014 (14% and 15% respectively)

The highest tax revenues are generated by: ferrous metallurgy (14%), trade (15%), communications system (8%), other activities (7%), construction (6%), professional activities (8%), utilities (5%), financial services (4%), transport (4%), other industries (4%).

resolution was signed by Prime Minister Djomart Otorbaev on May 7, 2014.

The State Agency for Environmental Protection and Forestry under the Government of the Kyrgyz Republic is instructed to:

to be guided by the Regulation on State environmental audit in the Kyrgyz Republic; bring its decisions into line with the resolution; take other measures arising from the resolution.

<http://www.tazabek.kg/news:372403/>

April 23, 2014

Kyrgyz Parliament passes amendments to Mineral Law

The bill proposing amendments to the Mineral Law passed its second and third readings in Parliament on April 23, 2014.

This bill proposes amendments aimed at preventing the mass annulment of mineral licenses and the sharp decline in the exploration and mining activities, as well as the loss of tax revenues from the mining sector, eliminating internal contradictions in the Kyrgyz mineral law and increasing responsibility of licensees.

www.tazabek.kg/news:371201/

April 23, 2014

Glaciers bill passed into law

According to the bill, all activities that may affect the natural state of glaciers and lead to their destruction and degradation shall be prohibited near glaciers. The discharge of pollutants, open-pit mining and production of hydrocarbons, construction of industrial facilities, harvesting and removal of ice for commercial or other purposes shall be prohibited near glaciers.

Pursuant to the bill, the violations in the area of glaciers shall entail liability in accordance with Kyrgyz administrative and criminal liability law. Tariffs for damages shall be approved by the Kyrgyz Government. The amounts collected by the competent authority as damages and fines shall be used to finance natural protection activities, reproduction and restoration of natural resources.

The Government shall, within 180 days from

In the first quarter of 2014, there was a rise in tax revenues from resident income tax (101.4%), non-resident income tax (151.9%), tax on interest (108.2%), single tax (113%), mandatory patent-based tax (117.8%, voluntary patent-based tax (101.8%), sales tax (100%), gross income tax on income from Kumtor (105.1%), non-tax revenues (104.3%). Also, there are high revenues from real estate tax (115.3%), tax on movable property (122.1%), homestead land tax (108.6%), non-agricultural land tax (107.1%).

<http://www.tazabek.kg/news:372210>

April 29, 2014

MPs demand revocation of licenses of 8 gold mining companies in Jalal-Abad region

MP Azamat Arapbaev (the Ata-Jurt Party) presented to parliamentarians the findings of the parliamentary audit of 10 companies engaged in the mining of placer gold deposits in the Chatkal and Ala-Buka districts of the Jalal-Abad region.

According to him, these companies violated the mineral protection law and the license agreements. Based on the findings of the parliamentary investigation committee, MPs insisted on the revocation of licenses of 8 companies: Kai Enterprise LLC, Chatcal 17 LLC, Kasanayy Ata LLC, Eventus LLC, Dolina Kasana LLC, GMP Alliance LLC, KARLTON LLC, KGM Ltd LLC.

The Parliamentary Committee on Fuel & Energy Sector and Mineral Resources decided to refer the matter to the State Agency for Geology and Mineral Resources for the appropriate resolution.

http://k-news.kg/gornoe_delo/49039/

April 29, 2014

Kyrgyz Parliament insists on introduction of export duties on gold ore

Kyrgyz Parliament insists on introducing export duties on gold ore. This was announced by MP Ainur Altybaeva at the meeting of the Parliamentary Bylaws & Ethics Committee during the discussion of the Prime Minister's report for 2013.

<http://www.24kg.org/economics/170451-pravitelstvo-kyrgyzstana-vystupaet-za-vvedenie.html>

the date of entry into force of this law, organize the monitoring of glaciers near mine fields, develop a register of glaciers and approve tariffs of compensation for damages.

<http://www.knews.kg/society/48735/>

April 16, 2014

Kyrgyz Prime Minister Order of February 28, 2014 No. 91

Zaylabidin Khalilov is appointed as the Director of the state enterprise Kyrgyz Geophysical Expedition under the State Agency for Geology and Mineral Resources under the employment contract. The corresponding order was signed by Prime Minister Jantoro Satybaldyev on February 28, 2014.

Pursuant to the order, the State Agency for Geology and Mineral Resources was requested to conclude within two weeks the employment contract with the Director of the state enterprise Kyrgyz Geophysical Expedition under the State Agency for Geology and Mineral Resources.

<http://www.tazabek.kg/news:370672>

April 16, 2014

Kyrgyz Prime Minister Order of March 7, 2014 No. 101

Taalaipek Abaskanovich Dalbaev is appointed as the head of the mineral resources unit of the Fuel, Energy & Mineral Resources Department of the Administrative Office of the Kyrgyz Government.

The respective order was signed on March 7, 2014 by the Kyrgyz Prime Minister Jantoro Satybaldyev.

Mr. Dalbaev previously served as chief of Bishkek management of gas facilities since 27 June 2011.

<http://www.tazabek.kg/news:370673>

April 9, 2014

Bill proposing amendments to Kyrgyz Tax Code provisions on income tax of gold mining companies passes third reading in

April 15, 2014

15 out of 57 mining claims put for tender not licensed

15 out of 57 mining claims put for tender are not licensed, reported the State Agency for Geology and Mineral Resources.

Unlicensed mining claims put for tender are: Jerooy, Togolok and Dzhangart areas, Sarybulak with Uchkoshkon, Bala Chichkan, Sandyk, Chonkoy, Sulukta field 11, Shurob III, Tashkoro, Chaartash, Akart, Arym II, Ozgorush, Changyrtash, Naukat.

<http://www.tazabek.kg/news:370589>

April 14, 2014

State Agency for Geology and Mineral Resources holds auction in Isfana for 4 mineral deposits worth of \$ 162,000

The auction for 4 mineral deposits was held on April 14, 2014 in Isfana town of the Batken region.

The total amount of the mining claims for the following areas totaled \$162 million or KGS 8,819,377 (at the rate of the National Bank being KGS 54.4406 per 1 U.S. dollar):

1. The North-Western part of the field number 12 of the Sulyukta lignite deposit (brown coal);
2. The Northern part of the Sulyukta lignite deposit (brown coal);
3. The Lower Garm Plot (brown coal);
4. The Standard Plot (loam).

However, the State Agency for Geology and Mineral Resources on April 16, 2014 announced the annulment of the results of the auction of April 14, 2014 for the Lower Garm in the Batken region.

<http://www.tazabek.kg/news:370538>

April 11, 2014

State Agency for Geology and Mineral Resources legally classifies minerals into 8 groups

State Agency for Geology and Mineral Resources legally classified minerals into 8 groups:

- Group 1: Oil and flammable gases

Kyrgyz Parliament

The bill proposing amendments to the Kyrgyz Tax Code passed its third reading in Parliament on April 9, 2014.

The bill is to be passed in third reading.

As stated in the conclusion of the parliamentary committee on economic and fiscal policy of January 28, 2014, after the amendment effective from January 1, 2013 the Kyrgyz Tax Code will require that instead of the profit tax gold mining companies shall pay the income tax at the rate of 1 to 20% of the gross income depending on the gold price.

<http://www.tazabek.kg/news:370176>

March 27, 2014

Government Resolution approving Forest Ecosystems and Protected Areas Department of State Agency for Environmental Protection and Forestry under Kyrgyz Government dated March 19, 2014 No. 173

In order to regulate activities of the Forest Ecosystems and Protected Areas Department of the State Agency for Environmental Protection and Forestry under the Kyrgyz Government (SAEPF), the Kyrgyz Government approved the Regulations on Forest Ecosystems and Protected Areas Department of SAEPF.

In accordance with the Regulations the tasks of the Department are:

- ensuring proper quality of forest ecosystems, increasing forest territory of the republic, development of innovative management practices in the forest sector;
- ensuring accountancy, assessment of forest resources, regulation of use of forest resources;
- preventing the impact of possible negative consequences of the proposed administrative, economic and other activities on forest ecosystems and special protected areas;
- ensuring support of forest users to conduct forestry measures aimed at protecting forests from fire and forest violations, forest protection against pests and diseases , biodiversity , development of forest ecosystems and the rational use of wood and non-wood forest resources;
- ensuring the conservation of biodiversity through environmental, economic and scientific justification of special protected

- Group 2: Solid fuels
- Group 3: Ore minerals
- Group 4: Non-metallic minerals and building materials
- Group 5: Gemstones and precious stones
- Group 6: Mining and chemical raw materials
- Group 7: Fresh and mineral underground water
- Group 8: Alluvial deposits of precious metals

According to Ulan Ryskulov, Deputy Director of the State Agency for Geology and Mineral Resources under the Government of the Kyrgyz Republic, the license will indicate which group of minerals can be mined by the licensee. If during the mining activities, another group of minerals is discovered, it will be required to obtain the new mining license.

http://www.knews.kg/gornoe_delo/48078_gosgeologoagentstvo_podelilo_v_zakonodatelstve_poleznyie_iskopaemyie_na_8_grupp/

April 5, 2014

State Agency for Geology and Mineral Resources reports 6 mining projects at design stage, including Kuru-Tegerek, Kensu, Labor and Uchkoshkon deposits

According to the Kyrgyz mining industry outlook report presented by Ulanbek Ryskulov, Deputy Director of the State Agency for Geology and Mineral Resources, at the International Mining Forum Minex in Astana (Kazakhstan), there are about 6 projects at the design stage, such as Kuru-Tegerek, Kensu, Trudovoe and Uchkoshkon.

As reported by the Agency's press service, the projects such as Bozymchak, Taldybulak Levoberezhny, Ishtamberdy are under construction and will be launched in the near future.

<http://www.tazabek.kg/news:369983/>

March 31, 2014

State Agency for Geology and Mineral Resources sells two gold exploration licenses for \$ 277,000

The auction for two gold exploration licenses in the Toktogul district of Jalal-Abad region was successfully held on March 31. The auction for the salt deposit failed due to lack of bids.

A license for exploration of the Kyzylkel area with

areas network development; providing access to information and participation of all stakeholders in the adoption and implementation of environmental decisions.

March 27, 2014

Government expands list of nationally significant mineral deposits put for tender

Prime Minister Jantoro Satybaldyev signed the Resolution of March 18, 2014 introducing amendments to the Kyrgyz Government Resolution on mining industry outlook dated June 13, 2013.

In particular, the list of nationally significant mineral deposits is expanded to include three more deposits: Kurmenty, North Aktash and Achiktash.

<http://www.tazabek.kg/news:369460>

March 24, 2014

State Agency for Environment Protection and Forestry put for public discussion draft Resolution to amend Government Decree approving Methodology for Determining Environmental Pollution Charges in Kyrgyz Republic dated September 19, 2011 No. 559"

Comments and suggestions to this draft will be referred to the State Agency for Environmental Protection and Forestry under the Kyrgyz Government at 142 Gorky Street, Bishkek, Kyrgyz Republic, to the attention of J.A. Kadoeva, the chief specialist of the state ecological examination tel. 90-06-47 or email : kjamal@bk.ru

<http://www.gov.kg/?p=32929>

March 19, 2014

Government Resolution dated March 19, 2014 No. 169

Kyrgyz Government Resolution dated March 19, 2014 approved the Provisional Regulations on procedure for transfer (transformation) of land plots.

reserves of placer gold was successfully sold. With a starting price of \$300 a license was sold for \$115 thousand. The bids were submitted by five companies, but the winner was Tolkanchinova A., private entrepreneur.

The auction for the Tegermen area exploration license was held among 4 bidders. Fidelity Construction LLC purchased the license for \$ 162 thousand with the starting price being \$300.

The mining license for the rock salt deposit at Small Log-1 field of the Ketmen-Tube deposit was put for auction with the starting price being \$610, but no one submitted bids.

The press service noted that the two winning companies were registered in the Toktogul district, so all tax proceeds will go to the local budget. The auction took place in Toktogul town, with the participation of local communities and local governments.

<http://www.vb.kg/267313>

March 25, 2014

Kyrgyz Ministry of Economy proposes to impose fine of 100 thousand index rates on mining companies as penalty for late commissioning of mining claims won through tender

The Kyrgyz Ministry of Economy proposes to impose a fine of up to 100 thousand index rates (KGS 10,000,000) to punish mining companies for the late commissioning of the nationally significant projects.

The Ministry of Economy proposes such amendments to the bill proposing amendments the Code of Administrative Liability.

<http://www.tazabek.kg/news:369317>

In order to improve the regulatory framework for transfer (transformation) of land, the Kyrgyz Ministry of Justice is instructed to draft and submit to the Kyrgyz Government by December 1, 2014 the relevant drafts of legal acts.

In addition, pursuant to the resolution, the following is not effective anymore:

Kyrgyz Government Resolution approving the Procedure for transfer (transformation) of land from one category to another or from one type of land to another dated January 22, 2008 No. 19;

paragraph 4 of the Kyrgyz Government Resolution proposing amendment and invalidation of certain decisions of Kyrgyz Government dated October 28, 2010 No. 261;

Kyrgyz Government Resolution on some issues related to land acquisition dated December 8, 2010 No. 312.



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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

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