



MINING INDUSTRY AND LEGAL UPDATE

KALIKOVA
&
ASSOCIATES
law firm

Information for effective business solutions

Issue 35, May 2016 (bimonthly)

Industry Update

17 May 2016

License for “Kurmentin” deposit was sold for \$ 120 thousand

License for subsoil use right of “Kurmentin” deposit (limestone, loam) was sold at auction for \$ 120 thousand.

On May 16, the auction for implementation of a license for subsoil use for the deposit “Kurmentin” (limestone, loam) for development was held in Tyup village, Tyup district, Issyk-Kul region.

The initial price of the license was \$ 100 thousand. Two applications were filed for participation in the auction:

- Huanhe group LLC;
- TK Aktash LLC

According to the resolution of auction commission, TK Aktash LLC won the tender by proposing \$ 120 thousand.

“Kurmentin” deposit is located in Tyup district of Issyk-Kul region. Industrial development of the deposit started in 1945, when “Kurmentin” cement plant was put into operation. The deposit explorations were conducted from 1939 to 1984. The reserves of limestone as a raw material for production of portland cement and construction lime were approved in 1985. Limestone reserves are 53 million tons, loam reserves – 3.8 million tons.

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

Legal Update

9 May 2016

Kyrgyz Government may be entitled to provide subsoil for use without tenders and auctions

Kyrgyz Government may be given the right to provide subsoil for use without tenders and auctions. Kozhobek Ryspaev, Deputy of the Parliament initiates amendments to the Law of the Kyrgyz Republic “On subsoil”.

The proposed amendments affect more than 40 of the 53 articles of the operating law, adopted in August, 2012. In May, 2014 the document has been changed, but at present, according to the Deputy, a need has emerged for further amendments.

The draft law provides that the Government, in exceptional cases, in order to implement the national projects and with consent of the Parliament will be able to provide subsoil use rights without tenders, auctions and first application procedures. Local governments are entitled to provide subsoil use right to develop sand and gravel, loam for the needs of local population.

"A number of provisions establishing particular regulation of groundwater use, including land issues are introduced. The concept of the inventory of mineral resources of the Kyrgyz Republic is clarified. The concept approbation of mineral reserves is excluded in order to facilitate. Due to inefficiency, complexity of

6 May 2016

The Prime Minister appointed a new Deputy Director of the Geology Agency

The Prime Minister, Sooronbai Zheenbekov appointed Azis Saparaliev as a Deputy Director of the Geology Agency.

This position was recently introduced by the Government resolution. Previously, the Director had only one deputy, now there are two.

Saparaliev previously held the position as Head of the Department of Information Resources of the Geology Agency

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

28 April 2016

Kyrgyzstan and China signed an Agreement of intent to modernize the Central Laboratory under the Geology Agency

Kyrgyz and Chinese sides signed an Agreement of intent to modernize Central Laboratory under the Geology Agency.

The event took place in Bishkek, on April 27, 2016. From the Kyrgyz side the Agreement of intent was signed by Zhyrgalbek Aitbaev, Director of "Central Laboratory" state enterprise, from Chinese side – by Liu Shulin, General Director of "Central Asian mining company SIKAN".

In accordance with intentions the parties will establish an independent Kyrgyz-Chinese joint research laboratory.

"Central Laboratory" state enterprise has interest in cooperation in laboratory study of mineral resources, improving possibility of analysis and weight accuracy, analysis of rock formation and quality control.

The Chinese Company is interested through program "Silk Road Economic Belt" to establish in Bishkek meeting international standard ISO 17025 Centre of research laboratory.

Investments in the modernization of laboratory project to be carried out in three phases, which

implementation, existing unresolved issues and vice versa, creating additional obstacles to the subsoil it is proposed to delete the concept of state reserve of mineral resources deposits. Possibility to use geological information on mineral resources by all stakeholders is expanded – it is written in the explanatory note.

Obligations of subsoil users in terms of protection of groundwater are supplemented. Rules regulating the validity of licenses for subsoil use are revised. Rules of the first filed application instead of direct negotiations are introduced. Additional grounds for suspension of the subsoil use rights in connection with defaults on the social package are introduced. Rules providing compensation for losses related to the illegal extraction of minerals or loss are introduced.

<http://24.kg/vlast/31628/>

22 April 2016

Government Order of April 22, 2016 № 181-p

The Government issued an order for conducting competition for subsoil use right to develop "Aksay" limestone deposit in order to attract investment in integrated and rational development of "Aksay" limestone deposits.

According to the approved Terms and Conditions and Procedure for conducting competition for subsoil use right in respect of "Aksay" limestone deposit development, the application fee is 500 thousand soms. One of the requirements is to pay the fee for geological information 376 million 907 soms. The applicants must pay a security deposit of \$20 thousand.

According to the terms of the tender the winning bidder shall pay the fee for subsoil use of the competition object of not less than \$1 million and fulfill other obligations.

April 18, 2016

Amendments to the Law of the Kyrgyz Republic "On non-tax payments"

include construction of a new building for Central Laboratory in Bishkek, and complete replacement of outmoded equipment. The Chinese Company is intends to allocate for this purpose about 30 million yuan.

Agreement of Intent will be forwarded to the Kyrgyz Government and after completion of all necessary procedures the parties will sign the Agreement to modernize the Central Laboratory in China.

<http://kabar.kg/>

27 April 2016

Mining plant “Makmal” has resumed operation

On April 23, 2016 mining plant “Makmalzoloto” resumed operation after one and a half month of technological break, reported the press office of “Kyrgyzaltyn” OJSC.

In early March, the operation of gold-processing plant, department of technical control and control and measuring instruments, power and communication services, chemical laboratory and of others was suspended.

All scheduled repair work was finished in one and a half month. On April 23, 2016 all objects were put into operation. At present, the mining plant is operating in a standard mode.

At this stage the mining plant has 35 thousand tons of ore.

<http://rus.azattyk.org/>

22 April 2016

Mining plant “Solton-Sary” has resumed operation

On April 22, the mining plant “Solton-Sary” resumed operation after seasonal winter break.

The mining plant will process up to 100 tons of ore per day and about 3 thousand tons per month. 152 people are employed at the mining plant.

During the scheduled break gold-processing plant at the mining plant is completely repaired and other necessary work is carried out.

Almazbek Atambaev, Kyrgyz President signed the Law of the Kyrgyz Republic “On Amendments to the Law of the Kyrgyz Republic “On non-tax payments”.

The law is adopted by the Jogorku Kenesh of the Kyrgyz Republic on March 10, 2016.

The Law introduces amendment to Article 19-2 (Payment for withholding license for subsoil use) of the Law of the Kyrgyz Republic “On non-tax payments” - "If the licensed area or part thereof is not included in the boundaries of the village, city, fees for withholding license for subsoil use right of this area are sent to the republican budget. "

The law will enter into force upon expiration of 10 days from the publication date.

<http://24.kg/ofitsialno/30856/>

April 11, 2016

Kyrgyzstan ratified an agreement with IDA for granting “Extractive Industries Transparency Initiative” project

Almazbek Atambaev, Kyrgyz President signed the Law “On ratification of the Grant Agreement between the Kyrgyz Republic and International Development Association (World Bank) grant No. TF017411 for implementation of “Extractive Industries Transparency Initiative - Phase II after receiving follower status” project on July 6, 2015 in Bishkek.

The law was adopted by the Jogorku Kenesh on March 3, 2016.

The purpose of the ratified Grant Agreement is carrying out various activities to implement the Extractive Industries Transparency Initiative (hereinafter - EITI) in Kyrgyzstan by:

- Learning and quality improvement of drafting EITI reports for mining companies and public authorities;
- EITI data reconciliation by an independent auditor, release and publication of EITI reports;
- Support for EITI institutionalization and disclosure of income from activities of mining companies.

The Law will enter into force upon expiration of ten days from the publication date.

<http://www.kabar.kg/rus/society/full/104926>

The press office of "Kyrgyzaltyn" noted that the Company simultaneously conducts underground exploration of "Altyn-Tor" site. The work is carried out ahead of schedule.

In the southern part of the open pit of "Altyn-Tor" site ore is opencast mined.

<http://rus.azattyk.org/>

18 April 2016

The Geology Agency and International Business Council legitimized relations

The Geology Agency and IBC have signed a memorandum on cooperation. The representatives of the parties are pleased to work jointly.

Temirbek Azhykulov, IBC Executive Director said that the issue of corruption between the Geology Agency and IBC that was raised a few years ago is over.

"Our partnership is mutually beneficial, and now it has risen to a higher level. IBC, as neutral organization is always ready for discussions with the Geology Agency and businessmen" – said Azhykulov.

Geologists and mining companies have discussed problem of transporting the concentrate from the Kyrgyz Republic, taxation and use of agricultural land for development.

<http://knews.kg/>

4 April 2016

Ural University will help "Kyrgyzaltyn" to increase gold mining

Ural Federal University will conduct research and development work for Kyrgyz company "Kyrgyzaltyn" in order to increase efficiency of gold mining. Agreement was signed on April 4 between Vladimir Kruzhaev, Deputy Principal of UFU for Science and Sagynbek Abdrakhmanov, Vice-President of "Kyrgyzaltyn".

As reported in the university, according to the Agreement, leading university of the Ural will conduct for gold mine of Kyrgyzstan exploration to

8 April 2016

Government Resolution of April 8, 2016 № 184

In order to improve operation of the Geology Agency, the Kyrgyz Government has adopted Resolution according to which Director of the Geology Agency can have two Deputies.

30 March 2016

Government Order of March 30, 2016 № 132-p

The Government issued an order for conducting competition for subsoil use of "Akart" white marble deposit development in order to attract investment in integrated and rational development of "Akart" white marble deposit.

According to the approved Terms and Conditions and Procedure for conducting competition for subsoil use in respect of development of "Akart" white marble deposit the application fee is 100 thousand soms. One of the requirements is to pay the fee for geological information in an amount of 249 million 758 soms. The applicants must pay a security deposit of 10% (\$41 thousand).

According to the terms of the tender the winning bidder shall pay the fee for subsoil use of the competition object of not less than \$412 thousand, as well as fulfill other obligations.

increase gold recovery and thickening efficiency of mine adit No.10 of “Makmal” deposit. The department of metallurgy of heavy basic metal of the Institute of Materials Science and Metallurgy UrFU until the end of 2016 will make recommendations to increase degree of gold extraction, will determine the particle-size index of pulverized ore and increase efficiency of pulp thickening for processed ores. Also, mass and water balance will be updated. Kyrgyz students will also be involved in the work.

It is expected that as a result of the measures conducted gold production will be increased up to 10-12%.

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

25 March 2016

In 2016, 406.2 million soms will be allocated for financing regional development funds

In 2016, 406.2 million soms will be allocated for financing regional development funds. The resolution was adopted during the government session.

It is noted that the Government Order is developed to finance local infrastructure expenses, support priority initiatives of cities and villages, aimed to improve the living standards of citizens, creating conditions for economic development.

“Tender for subsoil use right for “Dzheruy” deposit took place last year. The developments funds of Talas region and Talas district received 340.7 million soms. In accordance with the law on non-tax payments the budget received 65.5 million soms for financing regional development funds. However, funds due to limited time have not used these funds” – noted Adylbek Kasymaliev, the Minister of Finance.

<http://24.kg/>



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www.geology.kg, www.gov.kg, www.miningnews.kg, etc.

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