



## MINING INDUSTRY AND LEGAL UPDATE

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### Industry Update

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July 16, 2013

#### **There was held a public hearing on the environmental impact assessment of the construction of oil refinery**

On July 16, 2013 in Kara-Balta city there was held a public hearing on the environmental impact assessment (EIA) of the oil refinery of China Petrol Company "Djunda" LLC.

The hearing was conducted by the staff of the China Petrol Company "Djunda" LLC, which discussed the issues of the effect of an oil refinery on the environment and the issues of security on protection of life and health of the residents of Kara-Balta city and Jaiyl region.

Residents of the Jaiyl region and Kara-Balta city supported the construction of a refinery.

<http://www.kabar.kg/rus/regions/full/59489>

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July 16, 2013

#### **The AMEC Earth & Environmental UK Ltd. Company became an ecological and mining engineering consultant of Kyrgyzstan**

On July 15, 2013 Kyrgyzaltyn OJSC signed an agreement with AMEC Earth & Environmental UK Ltd., which will be environmental and mining engineering consultant for the Kyrgyz side in negotiations with Centerra Gold Inc. Company on the "Kumtor" project.

Thus, according to the proposal, the company will make a report showing the obvious

### Legal Update

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July 11, 2013

#### **Order of the Prime Minister "About Nurbashev T.I."**

By the order of the Prime Minister dated July 11, 2013 Nurbashev Taalaibek Inashevich is appointed to the position of the director of the State Inspectorate for Environmental and Technical Safety under the Government of the Kyrgyz Republic.

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July 8, 2013

#### **Sherikul Sultanov is appointed to the position of a stats-secretary of the State Geology Agency**

Sultanov Sherikul Jorupbekovich is appointed as the stats-secretary of the State Geology Agency under the Government of the Kyrgyz Republic.

The relevant decree was signed by the Prime Minister of the Kyrgyz Republic Jantoro Satybaldiev.

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June 27, 2013

#### **Ministry of Economy of the Kyrgyz Republic submitted for public discussion the draft normative legal acts**

Ministry of Economy of the Kyrgyz Republic has developed and submitted for public discussion the draft resolutions "On approval of the Regulation on individual artisanal gold mining

environmental and geotechnical risks arising from operations at the Kumtor mine, will address the issue whether the mine is operated with due consideration of environmental factors in accordance with internationally accepted standards and legislation of Kyrgyzstan. Moreover, it will hold a general expertise of the environmental and geotechnical aspects, biodiversity, hydrology and flood modeling, as well as issues relating to the glaciers.

<http://www.tazabek.kg/news:354485>

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July 12, 2013

### **Recommendations on building cooperation in the mining sector in Kyrgyzstan are prepared**

As a result of the national conference “Building cooperation between stakeholders and local communities in the mining industry”, held in Bishkek in early June of 2013 in the framework of the program of the Eurasia Foundation of Central Asia “Initiative for transparent local governance and cooperation” with the financial support of the U.S. Agency for International Development, had developed a set of recommendations to government agencies, mining companies and local communities.

Government officials, heads of local government, representatives of mining companies, international organizations, civil society leaders, national and foreign experts have attended the conference.

<http://www.ef-ca.org/2013/07/recommendations-cooperation-in-extractive-industry/>

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July 12, 2013

### **Head of the Information Resources Department of the State Geology Agency: On Jerooy deposit some land and property issues are not resolved yet**

On July 12th at the roundtable the head of Information Resources Department of the State Geology Agency Ulanbek Ryskulov said that an example of one of the problems in the mining industry, where there are unresolved issues of ownership of mining property and land use in mining - is the Jerooy deposit.

He explained that the issues of mining property and the factory are still staying unresolved. Land on the field was loaned for 49 years by

and organizing the reception of placer gold in the territory of the Kyrgyz Republic”, “On approval of the Regulation on the provision of land plots for subsoil use”, “On introducing of amendments and additions to the resolution of the Government of the Kyrgyz Republic dated August 14, 2009 No. 532 “On approval of the list of strategic objects of the Kyrgyz Republic”, which propose to include a number of large mineral deposits into the list of strategic objects.

Suggestions and comments on the draft normative legal acts may be submitted to the relevant departments of the Ministry of Economy.

<http://www.gov.kg>

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June 14, 2013

### **Orders of the Prime Minister “About Chunuev I. K.” and “About Maralbaev A. O.”**

According to the order of the Prime Minister dated June 14, 2013 Chunuev Ishimbai Karybaevich is dismissed from the position of director of the State Geology Agency under the Government of the Kyrgyz Republic.

The Deputy Director of the State Geology Agency Maralbaev Akyzbek Oskonbaevich is assigned temporary performance of duties of the director of the State Geology Agency under the Government of the Kyrgyz Republic.

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June 13, 2013

### **Resolution of the Government of the Kyrgyz Republic dated June 13, 2013 N 350**

On June 13, 2013 the Government adopted a resolution “On the situation in the mining industry and the prospects for development”, which provides the delivery of a package of measures aimed at achieving sustainable development of the mining industry, the increase in revenues from the mining sector, the creation of a favorable investment climate.

By this resolution the Government of the Kyrgyz Republic approved a list of mineral deposits of national importance put up for tender, which included 54 deposits of gold, copper, silver, tin, tungsten, and other minerals. Herewith, it is noted that the exposure to the tender of licensed mineral deposits shall be made in the event of termination of subsoil use rights on the grounds and in the manner prescribed by the

Jerooyaltn CJSC.

<http://tazabek.kg/news:354298/>

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July 9, 2013

### **Jantoro Satybaldyev: Jerooy will be exposed to the second competition with a starting price of \$ 100 million**

After a call-in show with the population in the editorial of the "Erkin-Too" newspaper the Prime Minister Jantoro Satybaldiev said that the Government of Kyrgyzstan will expose the second time in the competition the Jerooy gold deposit with a starting price of \$ 100 million.

<http://www.vb.kg/235427>

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July 4, 2013

### **State environmental expertise of the project documentation of the geological exploration and development of the Taldy-Bulak Levoberejny deposit**

According to the head of the state environmental expertise and nature use Keneshbek Jumabekov, the State Agency for Environmental Protection and Forestry is in the process of the state environmental expertise of project documentation for geological exploration and development of the Taldy-Bulak Levoberejny field.

According to his information, the developer of the mine the Altynken LLC presented the results of hydrogeological investigations dated April 30, 2013, in the conclusions and recommendations of which the need for continued monitoring is indicated.

<http://www.vb.kg/234830>

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July 3, 2013

### **Shareholders of Jerooyaltn CJSC and the Government of the Kyrgyz Republic have determined their defenders**

Kazakhstan Investment Group Consolidated Exploration Holdings Ltd. and Visor Holding, which owns 60% of shares of Jerooyaltn CJSC, and the Government of Kyrgyzstan have

legislation of the Kyrgyz Republic.

In addition, the resolution had made a number of additions and changes to the legal acts in the sphere of subsoil use, including Regulation on licensing of subsoil, the Regulation on the procedure and the conditions of conducting tender for the subsoil use right, Regulation on payment and calculation of payment for the withholding of subsoil use licenses, taking into account issues arising from the implementation of these regulations in practice.

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June 13, 2013

### **The Government of the KR instructed the Ministry of Economy and State Geology Agency to draft a program of development of the mining industry**

The Government resolution dated June 13, 2013 No. 350 instructs Ministry of Economy in cooperation with the State Geology Agency to draft a program of development of the mining industry, including a mechanism for transparency of officials and departments of the State Geology Agency.

The State Geology Agency is charged:

to review all license annexes to the licenses of the subsoil users engaged in mining of placer gold, and to determine the annual production volumes and tax deductions;

together with the State Registration Service and other departments concerned within three months to complete the formation of the cadaster of State reserve of lands of mineral deposits;

together with the Ministry of Economy and the State Agency for Environmental Protection and Forestry in the period of one month to consider whether removal from the category of "land of specially protected natural territories" the promising geological areas, the development of which will give the economic growth in the regions of country.

The Ministry of Internal Affairs, the State Committee of National Security, offices of the authorized representatives of the Government in the regions, local state administrations, local self-government authorities are encouraged to take measures to ensure law and order in the areas of activities of mining companies, as well as steps to prevent any destabilization and incitement against the activities of subsoil users.

chosen lawyers for the legal proceedings to determine the legality of revocation of the license of Jerooyaltyn CJSC for the development of one of the country's largest gold deposits Jerooy.

The trial will be held in Washington, DC at the International Centre for Settlement of Investment Disputes (ICSID) under the World Bank. The investor requests to recover from the Government of Kyrgyzstan \$ 400 million for illegal, in their opinion, revocation of a license in 2010.

The Investment Group has hired lawyers from the Moscow office of the international law firm Baker & McKenzie. The Ministry of Justice has chosen to protect the interests of the Kyrgyz Government lawyers from the London office of the international law firm Arnold & Porter. As a fallback the Government was offered the Freshfields Bruckhaus Deringer.

<http://www.vb.kg/234789>

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June 28, 2013

### **Vertex Gold Company LLC can continue field development in the Jamgyr field**

Interdepartmental Commission, after considering all the available data, the findings and conclusions of the commission studies and examinations, has not found the confirmation to previous charges of the State Inspectorate for Environmental and Technical Security to Vertex Gold Company LLC and decided that the company can continue the field development in the Jamgyr field.

In its conclusion, the Interdepartmental Commission recommends that Vertex Gold Company LLC should submit a report on the estimated reserves of the deposit as a whole, including the calculation of reserves of silver to the State Commission on Mineral Reserves for approbation.

<http://www.vb.kg/234233>

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June 24, 2013

### **Kutisay Mining LLC is forced to stop its work**

Kutisay Mining LLC is forced to stop its work related to the development of the field of rare-earth elements Kutessay-II. The reason for this is the order of epy inter-district court of Bishkek

As for the local state administrations and executive bodies of local self-government, according to the document, they are required to provide land for the objects of subsoil use according to issued subsoil use licenses and constantly conduct explanatory work among the population about the norms of the law "On Subsoil" and the development of the mining industry.

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May 27, 2013

### **Parliamentary committee considered in the second reading the draft law, under which local authorities will be able to distribute funds received from mining companies**

On May 27, 2013, the Committee of Jogorku Kenesh on Budget and Finance during its meeting on second reading considered the draft law "On introducing amendments and additions to some legislative acts of the Kyrgyz Republic".

Thus, the draft law "On introducing amendments and additions to some legislative acts of the Kyrgyz Republic" defines a mechanism for the implementation of the law "On non-tax payments" adopted on June 20, 2012 No. 89.

Deputies of Jogorku Kenesh point out that all the high-mountain regions of Kyrgyzstan are subsidized, many financial issues in the outback can be accomplished with the contribution of mining companies, improving interbudgetary relations.

According to the draft law on the deposits of national importance, where gold reserves account for more than 30 tons, the 2% non-tax payments are placed as follows:

50% of payments is credited to the development fund of the region;

30% of payments is credited to the fund of the district;

20% of payments is credited to the development fund of village, city aimak.

For deposits where gold reserves amount to less than 30 tons, the 2% non-tax payments are placed as follows:

80% of payments is credited to the development fund of the region;

20% of payments is credited to the

сшен dated April 15, 2013, which was adopted at the request of the General Prosecutor's Office.

State Geology Agency denied Kutisay Mining LLC, the license holder for the deposit Kutessay-II, in the coordination of projects and programs of work for 2013, without which it is impossible to plan and receive appropriate funding from the head investor in Canada. But the main point of the ban imposed by the General Prosecutor's Office and the court, is that Kutisay Mining LLC has no right to conduct activities related to mine Kutessay-II.

As a result, from July 1st of this year more than 90 people are losing their jobs.

[http://k-news.kg/gornoe\\_delo/33699/](http://k-news.kg/gornoe_delo/33699/)

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June 19, 2013

### **The developers of the Bozymchak field will build a tailing dump to keep wastes up to 14% moisture for security**

General Director of Kazahmys Gold Kyrgyzstan LLC Ilias Tulekeev during a trip to the Bozymchak field reported that the developers of the Bozymchak field will build a tailing dump to keep wastes up to 14% moisture.

"There are no analogues of such tailing dumps in Kyrgyzstan. For security purposes, we intend to use the dry storage method, that is, the production of waste will be dried up until it will contain 14% moisture and then it will be stored in the tailings. This method is more expensive, but we try to minimize the risks" - said Ilyas Tulekeev.

[http://k-news.kg/gornoe\\_delo/33540/](http://k-news.kg/gornoe_delo/33540/)

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June 6, 2013

### **Construction of mining processing plant at the copper-gold deposit Bozymchak to be completed by the beginning of 2014**

Currently, on the territory of Bozymchak deposit, developing by Kazahmys Gold Kyrgyzstan LLC, there is a construction of mining processing plant, which is scheduled to launch in 2014.

An estimated copper reserves at the field are more than 146 thousand tons, of gold - more

development fund of the village, city aimak.

<http://www.tazabek.kg/news:351435>

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than 23 tons, of silver - more than 138 tons.

To date, the company and its contracting companies employ over 500 people.

[http://k-news.kg/gormoe\\_delo/32983/](http://k-news.kg/gormoe_delo/32983/)

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June 6, 2013

### **In Kyrgyzstan there are 43 problematic mining objects**

Director of the State Geology Agency Ishimbai Chunuev at the conference "Building cooperation between stakeholders and local communities in the mining industry" said that in Kyrgyzstan there are 43 problematic mining objects.

"To address the problems with the local population it is necessary to organize joint meetings in conflict areas with the participation of representatives of local government and state agencies. At present, we have drawn two specialists who deal with complaints from the public. In addition, they go to sites where there have been extraordinary situations, I admit that we do not have preventive measures, it is the fault of the State Geology Agency", - said Ishimbai Chunuev.

[http://k-news.kg/gormoe\\_delo/32969/](http://k-news.kg/gormoe_delo/32969/)

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June 5, 2013

### **The implementation of the proposed by Canadians version of restructuring of the "Kumtor" project will require 175 days**

At the meeting of Jogorku Kenesh Deputy, the Prime Minister Djoomart Otorbaev said that the implementation of the proposed by Canadians version of restructuring of the "Kumtor" project will require 175 days.

Centerra Gold Inc. offered its own version of the restructuring of the "Kumtor" project: Kyrgyzaltyn OJSC will exchange its 32.7% share in the Centerra Gold Inc. for the higher direct stake in a joint venture that will own the "Kumtor" project.

"The independent financial advisers drawn from both sides have to calculate the amount of shares to be owned by Kyrgyzstan. The joint venture will be registered on the territory of Kyrgyzstan", - said Djoomart Otorbaev.



He also said that the joint venture will be managed by a board of directors, represented by Kyrgyzaltyn OJSC and Centerra Gold Inc., on a parity basis with the annual change of the chairman on a rotating basis from both sides.

[http://k-news.kg/gornoe\\_delo/32917/](http://k-news.kg/gornoe_delo/32917/)

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