



MINING INDUSTRY AND LEGAL UPDATE

KALIKOVA &
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Industry Update

July 14, 2014

Government establishes Inter-Agency Task Force to draft constitutive documents for Kumtor Joint Venture

The Government established an inter-agency task force to draft a set of constituent documents for the Kumtor jointly venture. Kyrgyz Prime Minister Djoomart Otorbaev signed a respective Governmental Decree on July 7, 2014, No. 254-p.

The task force is instructed to draft a set of documents regulating the following issues:

- legal structure of the joint venture, approval of its governing bodies and their duties and competencies, and other legal and corporate issues;
- minimum charter capital, its formation, financial operations, cash flows, audits of financial statements, payment of taxes and customs duties and other relevant financial and economic issues.

<http://www.tazabek.kg/news:375701>

July 10, 2014

Makmalzoloto mill stops operations from July 1, 2014

Makmalzoloto mill fully stopped its operations on July 1, 2014 due to lack of gold ore.

According to Kyrgyzaltyn trade union leader Ulugbek Moldobekov, the mill will not operate in July, September, October and November. In August, the mill will operate for a certain period. Currently, negotiations are being held to resume operations in November”.

Legal Update

July 10, 2014

The State Geology Agency submitted for public discussion draft Resolution of the Kyrgyz Republic “On improvement of reporting procedures of subsoil users”

The State Geology Agency submitted for public discussion the draft Resolution of the Kyrgyz Republic “On improvement of reporting procedures of subsoil users”. The draft Resolution is purposed to determine types, preparation procedures and submission of reports and work plans in the field of subsoil use and assertion of reporting forms.

For the purposes of further development of regulatory system of subsoil use, providing effective accounting and disposal of the state subsoil fund, geological exploration degree of subsoil and optimizing reporting processes of subsoil users it was proposed to adopt 10 reporting forms and 4 instructions in accordance with the Law “On subsoil”.

<http://www.geology.kg>

July 1, 2014

Ministry of Finance of the Kyrgyz Republic submitted for public discussion the draft law “On introducing amendment to the Law of the Kyrgyz Republic “On non-tax payments”

The following amendments are proposed to be introduced: in part 3 of article 17 after words

<http://www.tazabek.kg/news:375607>

July 10, 2014

Geology Agency launches mining information system

On July 10, 2014, the Geology Agency presented mining information system developed by Timely Soft company with the support of the USAID REFORMA project.

The aim of the mining information system is to provide up-to-date, accurate and consistent information on mineral resources and mining activities in the Kyrgyz Republic in electronic format.

http://geology.kg/index.php?option=com_content&view=article&id=533%3Av-gosgeolagentstve-zapushchena-sistema-upravleniya-geologicheskimi-dannymi-nedra&catid=8&Itemid=232&lang=ru

July 3, 2014

Geology Agency receives 209 mining license applications over 3-month period

Over the period from April 1, 2014 to June 26, 2014, the Geology Agency received 209 mining license applications.

Over the reporting period, the Agency held 13 meetings of its licensing committee which reviewed 334 applications, including 163 licenses and 171 renewals.

Over the reporting period, 83 applications were granted, 17 were suspended and 63 were refused.

Over the reporting period, the Agency considered 171 issues, with 10 issues being referred to license renewals and 21 to license appendix renewals - 22 license appendices being renewed and 13 being canceled - and 105 issues being referred to other matters - re-registration of companies, changes of coordinates of corner points, etc.

<http://www.tazabek.kg/news:375274>

July 4, 2014

Kyrgyzstan loses 118 million USD

“budget of the Kyrgyz Republic” complement with the following words “except the part used for providing activities on implementation of assay supervision and control over use of precious metals and gemstones in the manner prescribed by the Government of the Kyrgyz Republic”.

According to article 14 of the Law “On precious metals and precious gemstones” payments for assay services with precious metals and gemstones include assay fees for testing, check analysis and branding products from precious metals, expertise, analysis of materials that contain precious metals and gemstones in accordance with assay tariffs. Sum of assay payments are credited to state budget, except the part used for providing activities on implementation of assay supervision and control over use of precious metals and gemstones in the manner prescribed by the Government of the Kyrgyz Republic.

However, part 3 of article 17 of the Law “On non-tax payments” contains that sum of assay payments are credited to revenue of state budget.

Order of Audit Chamber of the Kyrgyz Republic establishes that based on results of audit on use of budget, special and other funds and activities of structural units of the Ministry of Finance of the Kyrgyz Republic for 2012 proposal on elimination of contradictions between the Law “On precious metals and gemstones” (article 14) and the Law “On non-tax payments” (article 17) in part of crediting sums of assay payments into state budget was made.

<http://tazabek.kg/news:375140/>

June 6, 2014

Ayat Samsabaev is appointed as a head of “Kara-Keche” branch of “Kyrgyzkomur” State Enterprise

Ayat Samsabaev is appointed to the position of the head of “Kara-Keche” branch of “Kyrgyzkomur” State Enterprise. Former director, Belek Samanchiev was exempted from this position.

<http://www.tazabek.kg/news:373820/>

June 6, 2014

Tokon Mamytov is appointed as a chairman of the board of “Kyrgyzaltyn” OJSC

international arbitration over Kutisay

Stans Energy Corp. filed a claim for arbitration after invalidation of the license agreement for rear earth metal deposit. The Arbitration Court at the Moscow Chamber of Commerce and Industry rendered a final decision in favor of Stans Energy Corp. ordering to recover from the Government of the Kyrgyz Republic in favour of the Claimant USD \$117,738,940.30 owing under this claim, and USD \$158,974.00 for the arbitration fees paid by the Claimant, and USD \$308,142.50 for the Claimant's legal fees and expenses.

The Company claims that certain actions by agencies and/or representatives acting on behalf of the Government of the Republic of Kyrgyzstan were aimed to impede the Company from executing its responsibilities under its licence and have created conditions for termination of the operations of Kutisay Mining LLC, the Company's wholly owned subsidiary, amounting to expropriation.

The claim seeks \$117,853,000 in compensation for losses and damage.

<http://www.vb.kg/279472>

June 24, 2014

Geology Agency to take over supervision of mining activities

"There is no appropriate mining supervisory authority in place. Supervision of mining activities should fall within the competence of the Geology Agency, however, the Agency is not listed among the supervisory authorities. Since the Geology Agency may not inspect mining activities, we ask to add it to the list," said Deputy Minister of Economy Adylbek Kasymaliev.

"There are more than 2 thousand mining licenses issued, but relevant authorities are often unable to inspect what is going on there. All our mineral resources are in the hands of foreigners. The Geology Agency must be able to inspect them", said MP Karganbek Samakov.

The bill was supported by other MPs.

<http://www.24kg.org/parlament/182083-gosagentstvo-po-geologii-i-mineralnym-resursam.html>

June 11, 2014

Parliament ratifies agreement granting 500 million rubles for reclamation of tailings

Tokon Mamytov is appointed to the position of chairman of the board of "Kyrgyzaltyn" OJSC.

According to V. Dil, deputy prime-minister, the candidacy of T. Mamytov was approved by the board of directors of "Kyrgyzaltyn" OJSC.

<http://www.tazabek.kg/news:373821>

June 3, 2014

Almaz Alimbekov is appointed as a deputy head of the industry, fuel and energy complex and subsoil use department of the Government's Administration

Almaz Alimbekov is appointed as a deputy head of the industry, fuel and energy complex and subsoil use department of the Government's Administration of the Kyrgyz Republic. Relevant order was signed by Djoomart Otorbaev, the prime-minister of the Kyrgyz Republic, on May 2, 2014. Before A. Alimbekov was the head of the natural resources policy department of the Ministry of Economy of the Kyrgyz Republic.

<http://www.tazabek.kg/news:373528/>

June 2, 2014

The President has questioned the adoption of the law "On glaciers" that endangers entire mining sector of the Kyrgyz Republic

On May 31, 2014 Almazbek Atambaev rejected the draft law "On glaciers" and sent it for reconsideration to the Jogorku Kenesh. The President has noticed that the law violates procedures of law adoption as a consequence of which earnings of state decreases. In President's opinion authors did not bring strong arguments for enforcement of the draft law.

http://www.vesti.kg/index.php?option=com_k2&view=item&id=28030&Itemid=79

May 27, 2014

President affirmed modifications to the Law "On subsoil"

President Almazbek Atambaev signed the Law "On amendments and additions to the Law of the Kyrgyz Republic "On subsoil".

The law was adopted by Jogorku Kenesh on

According to the agreement, the reclamation of tailings at Min-Kush and Kadzhi-Say will be funded by the Eurasian Economic Community member states which will provide 500 million rubles with 75% of this amount being provided by Russia, 15% by Kazakhstan, 5% by Kyrgyzstan and 5% by Tajikistan.

http://k-news.kg/gornoe_delo/51007

June 10, 2014

Drafters of Mining Strategy share opinions on expected outcomes

The drafters of the Mining Strategy shared their opinions on the expected outcomes of this document at the roundtable discussion held on June 10, 2014.

According to Bakytbek Kojogulov, one of the drafters, the econometric modeling resulted in the following expected indicators for the mining industry:

- over USD 121 billion in mining revenues with USD 7.7 billion initial investment;
- around USD 12 billion in budget revenues;
- 20 thousand directly employed people per year;
- 32 thousand indirectly employed people;
- USD 2 billion in the Social Fund payments.

<http://www.tazabek.kg/news:373988>

June 9, 2014

Kyrgyzstan and Mongolia to consider possibilities for export and import of mining products through conclusion of trade and production sharing agreements

Kyrgyzstan and Mongolia agreed to consider possibilities for export and import of mining products through conclusion of trade and production sharing agreements.

This was announced as a result of the second meeting of the Kyrgyz-Mongol interdepartmental committee on trade and economic, scientific and technological, cultural and humanitarian cooperation held on May 29-30, 2014 in Ulan-Bator, Mongolia.

<http://www.tazabek.kg/news:373847>

April 23, 2014. This normative legal act is aimed to further improve particular provisions of the Law of the Kyrgyz Republic "On subsoil".

<http://www.vb.kg/274527>

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May 26, 2014

Governmental Order of the Kyrgyz Republic dated May 26, 2014, No. 181-p

In order to define and evaluate ecological and technical risks while conducting exploration work on Shiraldjinsk area, located in Bakai-Ata region of Talas oblast, the Government of the Kyrgyz Republic has established interdepartmental working group that was obligated to perform the following tasks until July 1, 2014:

- study the situation related with the activities of "Ti Jen Hun" LLC and "Altyn Kumushtak Maining" LLC in Shiraldjinsk area;
- analyze samples of soil, water and air for radiation fond;
- assess impact of exploration work on health of local population, livestock and surrounding environment;
- based on the results of the works performed provide opinion to the Government's Administration of the Kyrgyz Republic on expediency of further exploration work in Shiraldjinsk area.

May 21, 2014

The Jogorku Kenesh has increased fines for violations in the sphere of subsoil use

Kojobek Ryspaev, parliament member, has developed amendments to the Code of the Kyrgyz Republic on Administrative Liability according to which unauthorized subsoil use, transactions infringing right for state ownership on subsoil will be penalized by fines from 50 up to 80 index rates (5,000-8,000 soms) for individuals and 100-150 index rates (10,000-15,000 soms) for officials. According to the current edition of the Code on Administrative Liability, fines are 100-500 soms and 2,000-5,000 soms correspondingly.

It is proposed to amend article from the Code with a new provision that will provide penalty

June 7, 2014

Ministry of Economy proposes to delegate collection of several taxes to local self-governance authorities

The Ministry of Economy proposed for public comment a bill proposing amendments to some acts and regulations of the Kyrgyz Republic.

The document is proposed in furtherance of the Law introducing amendments to the Tax Code of the Kyrgyz Republic and aims to facilitate competencies of local self-governance authorities, to promote financial decentralization principles, to ensure more effective and qualified local performance and to enhance the role of local self-governance. The bill delegates to local self-governance authorities the right to collect land tax, property tax, voluntary and compulsory patent-based tax and to exercise tax supervision.

<http://www.tazabek.kg/news:373836>

June 6, 2014

Anti-Corruption Unit of Kyrgyz National Security Committee reveals illegal trafficking in 8.5 tons of green stone worth of approximately KGS 4.5 million

In Naryn region, in the course of operational procedures, the Anti-Corruption Unit revealed the illegal trafficking in natural green stone in the exceptionally large amounts through smuggling routes to the territory of the Kyrgyz Republic.

Green stones with the probable weight of 8.5 tons were found under wool bales in the truck detained in Naryn. According to examination, green stones are nephrite. The Naryn office of the National Security Committee initiated criminal proceedings on a charge of committing offences described in sub-points 4 and 5 of point 3 of Article 204 ("Smuggling") of the Criminal Code of the Kyrgyz Republic.

<http://www.tazabek.kg/news:373804>

May 14, 2014

Financial reporting in mining industry to be updated

The Government will update the financial reporting forms used in the mining industry and will introduce them in the public sector as well. This was announced by Valeriy Dil, Deputy Prime Minister at the conference on EITI and promoting

for unauthorized subsoil use, breach of confidentiality of geological information on subsoil, conclusion of contracts that violate right for state ownership on subsoil and on geological information on subsoil. For these violations it is offered to establish fines in the amount of 50-80 index rates (5,000-8,000 soms) for individuals and 100-150 index rates (10,000-15,000 soms) for officials with compensation of damages.

New provision will be defined as a fine for "conducting work related to means of subsoil use, that pose threat to security of workers and population, pollution of subsoil and surrounding environment resulting in cause of damages that does not exceed 20 index rates". For such actions the penalty is proposed to be a fine in the amount of 80 to 120 index rates (8,000-12,000 soms).

Moreover, the deputy offers to prescribe penalty for failure to provide land plots for subsoil use or violation of terms for granting, violation of terms for issuance and extension of license, consideration of geological reports and work plans, submission and consideration of projects for expertise.

The Jogorku Kenesh has adopted the bill in third parliamentary reading. Now document is sent to the President for signature.

http://k-news.kg/gornoe_delo/51332/

transparency and accountability in the mining sector of the Kyrgyz Republic.

According to Valeriy Dil, one of the initial requirements for introducing the EITI standards is to adopt the country action plan. V. Dil reaffirmed that the extractive industries transparency initiative represents “an effective step in combating corruption to make the country more attractive to investors”.

http://www.vb.kg/doc/272739_dlia_nedropolzovate_ley_obnoviat_formy_finotchetnosti.html



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www.geology.kg, www.gov.kg

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