



MINING INDUSTRY AND LEGAL UPDATE

KALIKOVA
&
ASSOCIATES
law firm

Information for effective business solutions

Issue 31, July 2015 (bimonthly)

Industry Update

July 13, 2015

Poland offered Kyrgyzstan to familiarize itself with the potential of the complex commercial offer of polish mining companies

On July 13, 2015 according to the outcome of the Kyrgyz-Polish international legal commission's meeting, Kyrgyzstan invited the polish side to participate in competitions and auctions for the right of using Kyrgyz subsoil.

The Kyrgyz side had also offered the Polish side to review a possibility to exchange experience and technology for the purposes of geology and natural resources for the specialists of the Geology Agency in the respective agencies of Poland, specifically in the Polish Geological University.

In return, the Polish side had offered Kyrgyzstan to familiarize itself with the potential of the complex commercial offer of Polish mining companies, and also the perspectives of the import of Polish mining products.

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

July 10, 2015

Prime-Minister has visited Jerooy gold ore deposit

Legal Update

July, 8 2015

The Ministry of Economy brought for a public discussion a draft of the Decree "On Approval of the Regulation on the procedure of payment and calculation of the license withholding fee"

The Ministry of Economy has developed and brought the draft of the Government Decree "On Approval of the Regulation on the procedure of payment and calculation of the license withholding fee" for public discussion.

Suggestions and comments on the Decree mentioned above can be directed to the following address: Ministry of Economy of the Kyrgyz Republic, Bishkek, 106 Chui Avenue, Acting Head of the Department of Analysis and Monitoring of Mineral Resources A.T.Bekov, telephone number: 62-05-35 (ext. 276) or e-mail at: a_bekov@mail.ru.

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

June 29, 2015

The Ministry of Economy brought a draft of a legal act for public discussion

The Ministry of Economy has brought a draft of

The prime-minister of the Kyrgyz Republic Temir Saryev visited Jerooy gold ore deposit as a part of his business visit to Talas region on July 10, 2015 and familiarized himself with the condition of the gold ore industrial complex, he also gave a thorough explanatory speech with the residents of Bekmoldo village.

The prime-minister has also reminded that from the development of the deposit 100 million som will be transferred to the budget 2 years in a row, and another 150 million som will come through next year. This money will go on improving the living standards of the population, specifically on constructions of schools, kindergartens, gyms, sewing factories and the creation of small enterprises.

“After the deposit starts its work, the factory will be built in 18 months, we plan to receive more than 1 billion som in the budget from it. The population of Talas can live without subsidies from only one enterprise. You cannot limit yourself to sowing beans and potatoes, they will only cover every day needs, but, unfortunately, we won’t be able to look ahead and to make strategic plans. If the fabric works, 90% of the workmen from the locals will be involved”, - he stated.

In conclusion, T.Saryev added that the government has to provide necessary conditions for a potential investor. “The government has to be a guarantor of securing safety for investors, otherwise we cease to be a State and lose our authority in the eyes of the world community”, - T.Saryev added.

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

June 25, 2015

Commission on licensing the subsoil use cancelled 8 licenses and suspended 2 licenses

A meeting of the Commission’s on licensing the subsoil use of the Geology Agency has taken place.

In accordance to the Law “On Subsoil” this commission cancelled 8 licenses and suspended 2 licenses.

For not eliminating the reasons which caused suspension from the right to use the subsoil in time the following licenses were cancelled:

- 2818 TE of Entrepreneur Abdijailov U.;

the Government Decree “On Approval of the draft Law of the Kyrgyz Republic “On introducing changes and amendments in the Law of the Kyrgyz Republic “On Subsoil”.

Alongside with other amendments, the changes being introduced in the Law “On Subsoil” extend and explain the meaning of mineral deposits of national significance. At the same time, the notion of “the list of mineral deposits of national significance” was replaced by “the register of mineral deposits of national significance”, which, among everything else, has to include the coordinates of the extreme points and other information. Also, the terms of subsoil use under the geological prospecting is being shortened, instead of direct negotiations there is a new institution of granting the subsoil use right – the “first come first served” rule, several grounds for suspension and termination of subsoil use rights were reconsidered, etc.

Suggestions and comments on the Decree mentioned above can be directed to the following address: Ministry of Economy of the Kyrgyz Republic, Bishkek, 106 Chui Avenue, Chief Specialist of the Subsoil Use Division of the Department of Natural Resources Policy, E.A., Ukubaev, telephone number: 62-05-35 (ext. 280).

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

June, 26 2015

The State Agency for Environmental Protection and Forestry brought a draft of a legal act for public discussion

The State Agency for Environmental Protection and Forestry brought a draft of the Government Decree “On introducing changes in the Government Decree “On Material Liability for Damage Caused by Deterioration of Grounds” No. 668 of September 7, 2014.

Suggestions and comments on the Decree mentioned above can be director to the following address: State Agency for Environmental Protection and Forestry under the Government of the Kyrgyz Republic, Bishkek, 228, Toktogul Str., Specialist of Environmental Strategy and Policy Asakeev K.Sh., telephone number: 54-91-52 or e-mail at: k.aske@mail.ru.

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

- 2129 TE of "NEBOSKREB" LLC;
- 3042 NP of "Bartang Mining" LLC;
- 3043 NP of "Bartang Mining" LLC;
- 3044 NP of "Bartang Mining" LLC.

Previously mentioned licenses were suspended due to failure to pay the bonus and the license withholding fee.

In accordance to para.3, point 3, art.27 of the Law "On Subsoil" (suspension and termination of a subsoil use license, if the licensee did not file a request to prolong or transform the license before the end of the validity period), the license No. 2650 TR of "Rigastro" LLC was cancelled, and also, for the refusal of the right to use the subsoil by a mineral developer (para.2 point 3, art. 27 of the Law "On Subsoil"), licenses No. 3424 BE of "Karven Four Seasons" LLC and No. 1515 NP of "Oil Exploitation company «Cjunnen»" LLC were cancelled.

Also, on the grounds of para.6 point 1, art. 27 of the Law "On Subsoil" for violating the deadline of the bonus and (or) license withholding fee payment the following licenses were suspended for 1 month:

- 3927 CP of "Mineral Explorer" LLC;
- 4017 CE of "As Bek finance group".

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

July, 23 2015

The President ordered to work through the questions of the collaboration with the Jerooy developer

The President Almazbek Atambaev has met with the director of the Geology Agency Duishenbek Zilaliev.

During the meeting, the head of the State was informed that the company that won the right to use subsoil of Jerooy deposit had paid full price of the facility, which is \$ 100 million to the state budget. According to Duishenbek Zilaliev's information, the matters of the money's allocation and use are being decided at the moment.

The Geology Agency director also focused on future plans of investor's work, including the agreement between the technical project of Jerooy's development and the achievement of the social needs.

June 25, 2015

The Ministry of Economy brought a draft of a legal act for public discussion

The Ministry of Economy has brought a draft of the Government Decree on "Methods of evaluating the excessive loss of minerals and useful components while processing the mineral raw".

The draft makes provisions for discovering the extent of the excessive loss and estimating the shortage of tax and non-tax payments in favor of the state.

This draft of the Decree was developed for the purposes of establishing the extent of the loss for the subsoil user's compensation to the government due to the loss of economic value of the quantity and worth of the mineral raw's reserves caused by the subsoil users' fault.

<http://mineconom.gov.kg/>

June, 17 2015

The Order of the Government of the Kyrgyz Republic dated June 22, 2015 No. 277-r

For the purposes of attracting investments into a complex and rational development of gold-ore Terekkan deposit, Perevalnoe and gold-antimony Terek deposit (with the exception of district 17), there was an interdepartmental competitive commission for the purposes of conducting the competitive bidding for the right of using the subsoil of gold-ore Terekkan deposit, Perevalnoe and gold-antimony Terek deposit (with the exception of district 17) founded based on the Order of the Government of the Kyrgyz Republic.

The interdepartmental competitive commission was ordered to develop the terms and procedure of conducting the competitive bidding within two months, and also the criteria for choosing a winner, and to bring them before the Government for approval in an established manner.

The President stressed the importance of the effective use of the incoming funds, first and foremost, for the local people and people of Kyrgyzstan's interests, and he also ordered the Geology Agency to work thoroughly through the matters of collaboration with the investor for the country's economy purposes.

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

June, 19 2015

The company “Vostok-geologodobycha” transferred the remaining \$ 90 million for the right of development the gold-ore deposit Jerooy

Today the company, that won the bidding for the right of development the Jerooy deposit, “Vostok-geologodobycha” OJSC in accordance with the terms of the bidding and requirements of the law, transferred the remaining redemption price of \$ 90 million.

According to the terms of the bidding, the company receives the respective license in the period of 5 working days after the full payment.

According to the prime-minister Temir Sariev's words during a parliament debate, the funds received for the use of Jerooy deposit will be used on schools' maintenance costs.

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

June 18, 2015

The antimony deposit “Terek” was put up for auction

The Geology Agency announced an auction for the license for the right to use the subsoil of the bloc 17 district of the South antimony deposit “Terek” in Jalal-Abad region. The starting price is \$100,000

The auction will take place on August 3, 2015 in the Palace of Culture Tereksay ayil aimak in Tereksay village, Chatkal district, Jalal-Abad region. The beginning of the auction is at 12:00.

All comers to take a part in the auction have to provide the Geology Agency with documents at latest at 15:00 on July 28, 2015 inclusive.

June 17, 2015

Amendments to the Water Code concerning the Kumtor deposit were ratified by Jogorku Kenesh in the first reading

Amendments to the Water Code of the Kyrgyz Republic were ratified by the Parliament in the first reading on the Jogorku Kenesh session on the June 17, 2015.

The Government proposes the changes which can allow the activity affecting the condition of glaciers in the exceptional cases of when it is linked with the functioning of bodies included into the list of strategic objects, which are major taxpayers and budget-forming enterprises. The decision on authorizing this kind of activity is made based on the expertise of an empowered governmental body.

In the currently enforced version of the Water Code the following activities are forbidden: the activities affecting the acceleration of the glaciers' thawing with the use of coal, ashes, oils or other substances, or the activities affecting the glaciers' condition or the containing waters' qualities, and the activities linked with ice blanking. According to the information given by the initiators, the draft law concerns only the Kumtor deposit.

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

May 27, 2015

Amendments to the Water Code allowing the development of deposits nearby glaciers were sent to Jogorku Kenesh for consideration

The Government has filed the amendments of the Water Code which allow the development of deposits nearby glaciers. The draft law was accepted for consideration in Jokorku Kenesh.

“The suggested draft law was developed for the purposes of providing uninterrupted work on the mountain mines and eliminating any negative geotechnical, ecological, social-economical and legal consequences from cancelling the production work while developing the mineral deposits on strategic objects.

The auction terms, requirements for the participation in it, and also all other information can be found on the website of the Geology Agency.

www.geology.kg

May, 20 2015

The population of Kara-Suu village dispute against development of Jerooy and the results of the bidding

There is a public gathering about the matters of development of the gold-ore Jerooy deposit taking place.

According to the information, the public gathering is being held under the initiative of deputies of the Kara-Suu local kenesh. Deputy Authorize Representative of the Government Riskeldi Botikov, akim of the Talas region Raikan Ozubekov, chiefs of village councils participate in the gathering.

On the meeting the locals disputed against the development of the deposit, as they expressed their dissatisfaction with the competitive bidding results.

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

May 12, 2015

Temir Sariev gave several orders concerning the “Taldi-Bulak Levoberejni”, “Bozymchak” and “Jerooy” deposits

The Prime-Minister Temir Sariev gave several orders concerning the “Taldi-Bulak Levoberejni”, “Bozymchak” and “Jerooy” deposits.

The Head of the Government held a business meeting concerning matters of the deposits' development. The questions of the settling the technical solutions, feasibility studies of constructions and the launch of industrial complex at the “Taldi-Bulak Levoberejni” deposit, problematic questions of functioning of “Kazakhmys” LLC on the “Bozymchak” deposit, competitive bidding on the “Bel-Alma” deposit, and also the results of competitive bidding on the “Jerooy” deposit were discussed.

Enforcing this draft law will allow the enterprises that bring substantial contributions into the country's economy and development of the region, whose work cannot be carried out without any impact on glaciers, to conduct research, exploring and development works on the mineral deposits, with a necessary requirement of transferring the affected glacier to another place”, - is stated in the explanatory note to draft law.

Even before the amendments were introduced to Jokorku Kenesh, “Ata Meken” faction disputed against them and advised the Government not to send them for the Parliament's consideration.

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

The Prime-Minister ordered the Geology Agency and Architecture Agency to speed the process of the factory's launching on the "Taldi-Bulak Levoberejny" deposit, and he also ordered to hold an inventory of the "Bel-Alma" deposit's condition, intensify the requirements for the tender winner on the development of the mine.

The Inspectorate for Environmental and Technical Safety and the Agency on Environmental Protection and Forestry were ordered to conduct a monitoring of the ecosystem on the deposits before their development.

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



71 Erkindik Boulevard,
Bishkek, 720040
Kyrgyz Republic

Tel.: +996 (312) 666060
Fax: +996 (312) 662788
Web: www.k-a.kg
Email: lawyer@k-a.kg

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, www.miningnews.kg, etc.

If you would like to ensure that you continue to receive this newsletter [subscribe here](#), and make sure to add our email to your address book.

If you do not wish to receive this newsletter [unsubscribe here](#).

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

Kalikova & Associates does not bear responsibility for completeness and accuracy of the news contained in the Update. Update materials are for general information purposes only and should not be considered as legal advice. Transmission of information on or by use of this Update is not intended to create, and receipt does not constitute, a lawyer-client relationship between the sender and receiver.

Copyright © 2015 Kalikova & Associates