



## MINING INDUSTRY AND LEGAL UPDATE

KALIKOVA  
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### Industry Update

26 July 2016

#### **Canadian court ordered a release of all Kyrgyzaltyn OJSC's shares in Centerra Gold Inc.**

Canadian court withdrew the arrest of all the shares and dividends of Kyrgyzaltyn OJSC in Centerra Gold Inc., which were arrested in the framework of proceedings for recognition and enforcement of arbitral awards against the Kyrgyz Republic at the expense of assets of Kyrgyzaltyn OJSC.

Ontario Superior Court dismissed the claims of Sistem Muhendislik, Stans Energy and V.Belokon on the confiscation of shares of Kyrgyzaltyn OJSC in Centerra Gold Inc. On July 20, 2016 Ontario Superior Court (Canada), having considered the petition of Kyrgyzaltyn OJSC and taking into account the above decision of the court on the merits of July 11, 2016 made an order for the release from custody of 11 million 253 thousand 655 shares and declared to the payment dividends, imposed by orders of the Court of February 25, 2015 on the application of Valery Belokon (3 million 787 thousand 879 units) and of October 15, 2016 at the request of Entes Industrial Plants Construction & Erection Constructing Co. Inc. (7 million 465 thousand 776 units).

Currently, shares and dividends of Kyrgyzaltyn OJSC in Centerra Gold Inc. are free from any constraints.

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19 July 2016

### Legal Update

15 July 2016

#### **Government Resolution dated 15 July 2016 No. 401**

The Government adopted a resolution on the issues of the State Committee on Industry, Energy and Subsoil Use, by approving the Regulation of the State Committee on Industry, Energy and Subsoil Use of the Kyrgyz Republic and the management structure. Pursuant to the Regulation, the State Committee on Industry, Energy and Subsoil Use of the Kyrgyz Republic is the central body of executive authority responsible for the development and implementation of the state policy in the field of industry, except for the food industry, fuel and energy complex and subsoil use.

It was established that the State Committee on Industry, Energy and Subsoil Use is the successor of the State Agency for Geology and Mineral Resources.

29 June 2016

#### **Decree of the President of the Kyrgyz Republic dated 29 June 2016 УП No. 153 "On D.T. Zilaliev"**

President Almazbek Atambaev signed a decree, according to which, in accordance with Part 5 of Article 84 of the Constitution of the Kyrgyz Republic, Duyshenbek Teksherbekovich Zilaliev is appointed as a Chairman of the State Committee on Industry, Energy and Subsoil Use.

## The Prime-Minister has appointed four deputy heads of the State Committee on Industry, Energy and Subsoil Use

The Prime-Minister Sooronbai Jeenbekov has appointed Deputy Chairmen of the State Committee on Industry, Energy and Subsoil Use.

The following persons were appointed as the Deputy Chairmen:

Ulanbek Ryskulov;  
Aziz Saparaliyev;  
Kuban Myrzakanov;  
Azamat Omorov.

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6 July 2016

## Residents of Talas region have supported the safety projects on Jerooy deposit

Public hearings on the environmental impact assessment in the development of gold deposit Jerooy were held in Talas region.

Presentations of the design decisions for the conservation of ecological safety around the mine Jerooy were held in Talas city and Bekmoldo village. The hearings were organized by the State Committee on Industry, Energy and Subsoil Use together with Alliance Altyn LLC.

Representatives of state authorities of Talas region, the local population, public and environmental non-governmental organizations, the chairman of the State Committee on Industry, Energy and Subsoil Use Duishenbek Zilaliev and the company's employees participated at the meeting. According to representatives of Alliance Altyn LLC, the environmental impact of gold mining at the mine will be minimal, the company shall take all necessary measures to reduce damage and return the environment to its original state.

So, the company will implement measures for the collection and purification of the contaminated water, disposal and semi-dry storage of waste, land reclamation and return of land to the users, etc.

Representatives of the government agencies and the company responded to all questions of the participants. In addition, the company presented a project for the provision of a package of social responsibility to the local population. To ensure the social package a welfare fund "Bakubat Talas" was established, which has already received 35 million Kyrgyz soms.

29 June 2016

## The draft law on nationalization of "Kumtor" was introduced for public discussion

The Parliament has issued for public discussion the draft law "On nationalization of the property of Kumtor Gold Company CJSC. The document was published on the official website of the Parliament.

According to the draft law, it is proposed to nationalize the property of Kumtor Gold Company CJSC in the form of fixed assets, industrial, financial and intangible assets, including the right to concession of gold deposit related to implementation of "Kumtor" project.

The draft law stipulates that the payment of damages by Centerra Gold Inc. shall be made by the proceeds received from the sale of gold, in increments, with the deduction of all losses caused to the Kyrgyz Republic in "Kumtor" project, including:

- loss of profit for the Kyrgyz side after restructuring of "Kumtor" project in 2003;
- production in 2007 of pit in South-West field in the amount of 9.1 tons of gold;
- losses from all environmental and mining and engineering risks, including the destruction of more than 300 million m3 of ice mass losses in connection with movement of waste rock on the social and production facilities;
- future costs of rehabilitation, reclamation, stabilization of waste rock dumps, tailings facilities, maintaining stability, prevention of breakthrough of moraine-glacial lake Petrov that may involve environmental disaster.

Issues on compensation to Centerra Gold Inc. shall be resolved by and interpreted in accordance with the laws.

Also according to the document it is requested prior the completion of "Kumtor" project to suspend agreements on "Kumtor" project:

- Revised Investment Agreement between the Government, on behalf of the Kyrgyz Republic and Centerra Gold Inc., Kumtor Gold Company CJSC and Kumtor Operating Company CJSC dated June 6, 2009;
- articles of the Law "On Investments in the Kyrgyz Republic" as of 27 March 2003.

The draft law authors propose to endow the Kyrgyz Government with all necessary powers and authorities to fulfill these provisions, including for adoption of normative legal acts necessary for their implementation.

The draft law states that from the date of entry into force of the new proposed amendments, the Law "On ratification of the Agreement on the new conditions on the "Kumtor" project between the Kyrgyz Government, Kyrgyzaltyn OJSC, Canadian company Centerra Gold

The local population has supported the presented projects.

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24 June 2016

## **Alliance Altyn LLC and EDB will collaborate in the implementation of Jerooj project**

The Eurasian Development Bank (EDB) and Alliance Altyn LLC signed an agreement of intent on cooperation in the implementation of the gold mine development project Jerooj in the Kyrgyz Republic.

Under the agreement, EDB will conduct the examination of Jerooj project and will help Alliance Altyn LLC in structuring and obtaining financing for the project. The amount of funding that is attracted for the project will amount to 200 million US Dollars.

“According to the bank’s updated strategy, projects with a high component integration are in priority. An important feature of the project is the participation of Russian and Kazakh investors in large-scale mining project in the Kyrgyz Republic. The Republic is one of the EDB member states, joined to the Eurasian Economic Union in 2015. Revenues from the development of the field will have a stabilizing effect on the state budget of the Republic. It also provides significant social contributions. It is planned to create hundreds of jobs”, stated the Chairman of the EDB Management Board Dmitry Panikin.

[www.knews.kg](http://www.knews.kg)

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23 June 2016

## **The Subsoil Use Licensing Committee has temporarily suspended the licenses of 35 mining companies for 1,5 months starting from June 22**

According to the Licensing Committee, the licensees in the breach of the law on mineral resources have not submitted reports on the implementation of geological, mining activities and reports on the movement of mineral reserves within the terms prescribed by the laws of the Kyrgyz Republic.

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22 June 2016

Inc., Kumtor Operating Company CJSC, Kumtor Gold Company CJSC and the Canadian corporation “Cameco”, signed on April 24, 2009 in Bishkek, No. 142 as of April 30, 2009 will cease to be in force and effect.

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22 June 2016

## **The Parliament approved a draft law on granting subsoil users of land for mining**

On 22 June 2016 the deputies of the Parliament approved the draft law on amendments to legislative acts of the Kyrgyz Republic in the sphere of land (the Land Code, the Housing Code, the Forest Code, the Civil Code, laws “On the transfer (transformation) of land”, “On local self-government”, “On the status of the capital city”, “On the status of the city of Osh”, “On management of agricultural lands”, “On introduction of the Land Code of the Kyrgyz Republic”).

79 deputies supported the draft law, 33 opposed, in total 112 deputies were registered.

Earlier, the Ministry of Justice was instructed to develop and submit to the Government of the Kyrgyz Republic proposals to address the gap in land laws related to transfer of less valuable agricultural land to other land categories.

The legislation in the field of transfer of land from one category to another has no clear provisions on the powers of a particular government body to transfer less valuable agricultural land to other land categories or other types of land.

It is proposed to clarify the powers of local state administrations to transfer less valuable agricultural land to other land categories or other types of land.

Also, the interdepartmental working group was tasked to develop a draft regulatory legal act providing for a simplified procedure of land transfer (transformation) from one category to the category of lands of the state reserve of mineral deposits until 14 September 2015.

Interdepartmental working group has decided to make changes to the land law providing for the possibility of providing land for mining and construction of infrastructure facilities, with the exception of the most valuable agricultural land and especially protected natural territories, without transfer (transformation) to another category of land in accordance with the procedure approved by the Government.

The draft law originally proposed that the land provided for the subsoil user for the mining and construction of infrastructure facilities, with the exception of the most valuable agricultural land and especially protected

## **Parliament approved the new Government structure**

Parliament considered and supported the proposal of the Prime Minister Sooronbay Jeenbekov about changing the structure of the Government. The decision was made by the deputies on 22 June.

Information on this issue was presented by the Prime Minister. According to S. Jeenbekov, the structure is being changed taking into account the state of the economy, changes and challenges within the Eurasia Economic Union, and the impact of the global crisis.

He added that as part of the changes will be created the State Committee on Industry, Energy and Subsoil Use on the basis of the State Agency for Geology and Mineral Resources, the State Committee of Information Technologies and Communications of the Kyrgyz Republic on the basis of the State Agency of Communication and E-government Management Center, as well as the functions of the Ministry of Agriculture and Meliorations are being extended.

[www.rus.azattyk.org](http://www.rus.azattyk.org)

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1 June 2016

## **Re-bidding for Kugart deposit plot No. 3 did not take place**

On May 27, 2016 in the building of State Administration of Suzak district of Jalal-Abad region there was a meeting of the auction Committee on Kugart deposit plot No. 3.

In accordance with paragraph 58 of the Regulation "On the procedure and conditions of the auction for subsoil use" due to the lack of applications for participation in the auction, the Auction Committee adopted a decision to recognize the re-bidding on the plot No. 3 as failed.

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May 20 2016

## **Kazakh company "Kamal Oil" lost its license to Kutessay-II and Kalesay mines**

By the Decision of the Interdepartmental Commission on the tender for the right to subsoil use for development of rare earth elements deposit Kutessay-II and beryllium deposit Kalesay as of 20 May 2016 the competition is recognized invalid in connection with non-payment by Kamal Oil LLC of the price for the subsoil use right to the tendered deposit within the prescribed period, which

natural territories, should be provided without transfer (transformation) of a different category of land in accordance with the procedure established by the Government of the Kyrgyz Republic.

Payment of the amount of losses of agricultural and forestry production was to be made by the subsoil user before issuing the certifying documents in the manner prescribed by the Government of the Kyrgyz Republic.

After the expiry of the license, the subsoil user shall conduct reclamation of land in accordance with the law on subsoil use.

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resulted in the loss of the right to obtain a license.

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17 May 2016

## **New Board of Directors of Kumtor developer was elected in Toronto**

On 17 May 2016 in Toronto (Canada) a new Board of Directors was elected at the shareholders meeting of the gold mining company Centerra Gold Inc., the developer of Kumtor deposit.

The shareholders by secret ballot elected a new Board of Directors consisting of 11 members.

Thus, according to the decision of the shareholders, the following persons were elected as members of the Board of Directors from the Kyrgyz Republic:

- Director of the Branch of Robust Resources Limited mining company in the Kyrgyz Republic, Mr. Eduard Kubatov;

Partner of GRATA law firm, Mr. Nurlan Kyshtobaev;

- Deputy chairman of the Management Board of Kyrgyzaltyn OJSC for economics, finance and investment, Mr. Bektur Sagynov (as a dependent member of the Board of Directors).

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