



MINING INDUSTRY AND LEGAL UPDATE

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Industry Update

September 10, 2013

Director of the State Geology Agency D. Zilaliev points out that it is necessary to re-establish the status of the ministry

Director of the State Geology Agency Duishenbek Zilaliev during the meeting of the committee on fuel and energy complex and subsoil use pointed out that it is necessary to re-establish the status of the ministry.

According to D. Zilaliev many authorities of the State Geology Agency were taken away.

"There is a question which permits are issued by the State Geology Agency. We have made analysis and it was revealed that the State Geology Agency in the end of the year approves reports of subsoil users. Herewith, they are approved without any examination, but for compliance with the project, since the State Geology Agency does not have authority to control" – clarified D. Zilaliev.

<http://www.tazabek.kg/news:357310>

September 9, 2013

"Bashkol" Project will be sold to the gold mining company for USD 2 million

Australian company Robust Resources will buy out 51% of shares of the Bashkol project for USD 2 million. On September 5, 2013 a tentative agreement was signed between Kentor Gold и Robust Resources.

Legal Update

September 10, 2013

The Resolution of the Government on the approval of the draft Memorandum on mutual understanding regarding "Kumtor" between the Government of the Kyrgyz Republic, Kyrgyzaltyn OJSC, Centerra Gold Inc.

The Government has adopted the Resolution on the approval of the draft Memorandum on mutual understanding regarding "Kumtor" project between the Government of the Kyrgyz Republic, Kyrgyzaltyn OJSC, Centerra Gold Inc. This resolution has been adopted for further effective use and control for the Kyrgyz side, transparency of the operations and production cycle on the "Kumtor" mine, increase of financial earnings into the budget of the Kyrgyz Republic from the functioning of "Kumtor" project, creation of conditions for integrated solutions for the ecological and geological-technical issues at Kumtor, maintaining of favorable investment climate and international image of the Kyrgyz Republic.

Arrangements achieved on creation, maintenance and functioning of the joint venture on development of the "Kumtor" mine have been reflected in the approved draft of the Memorandum on mutual understanding on the "Kumtor" project.

<http://www.gov.kg/?p=26447>

August 9, 2013

The Government proposes to

According to the agreement, the money has to be paid before December 31, 2017. If desired, Robust Resources can increase its shares up to 70% by buying out 19% more for USD 5 million. Another condition of the transaction is Robust Resources' financing of the works on supporting of the Bashkol project in an attractive position.

<http://www.tushtuk.kg/econom/580>

September 6, 2013

Karabalta oil refinery was launched on Batken oil

Kara-Balta oil refinery "Djunda" was launched on the oil from Batken region on the test mode.

Oil of Batkenneftgaz OJSC was chosen for refining. Batkenneftgaz OJSC is owned by Chzhunnen LLC, oil exploration company. Oil-developing company started test oil development in the middle of last year. Today 3 thousand tons of oil has been supplied for processing. In the nearest future the oil refinery will work fully on Batken oil. Hereinafter, the issue of supply of oil from Kazakhstan is being looked into.

<http://www.vb.kg/242315>

September 5, 2013

State Geology Agency has renewed operation of two licenses for development of Karakazyk gold and silver deposit

State Geology Agency renewed the operation of the two licenses of Kaidi LLC. The following licenses have been renewed:

- 1632-AE for development of Levoberejnyi area of Karakazyk deposit (gold, silver and copper; Osh oblast, Chon-Alai region);
- 1633-AE for development of Ore body No. 2 of Karakazyk deposit (gold, silver and copper; Osh oblast, Chon-Alai region).

<http://www.tazabek.kg/print:357050>

August 28, 2013

Aidarken mercury plant will start

introduce a number of amendments to the subsoil law

The Government of the Kyrgyz Republic proposes to introduce a number of amendments to the Subsoil Law. The Prime Minister Jantoro Satybaldiev approved by the Resolution of July 30, 2013 the draft law "On introducing amendments to the Subsoil Law of the Kyrgyz Republic". In particular, it is proposed not to apply during 6 months from the effective date such grounds for the termination of the subsoil use right as failure to meet the time limit for paying of bonus and/or license fees and/or royalties for more than 30 days, in the event that before examination of the issue on the termination of the subsoil use right a licensee will pay in full bonus and/or license fees and/or royalties. It is also proposed not to apply such ground for the termination of the subsoil use right as expiry of the subsoil use license if a licensee failed to file an application for renewal or transformation of license at a stated time, in the event that before examination of the issue on the termination of the subsoil use right a licensee will file an application for renewal or transformation of license.

Furthermore, it is proposed to introduce amendments and additions on a number of issues. The Government has introduced the indicated draft law for review by the Jogorku Kenesh.

<http://www.tazabek.kg/news:355577>

August 8, 2013

The Ministry of Economy developed the Regulation "On the order of allocation of 2% of the deductions for the development and maintenance of the local infrastructure"

The Ministry of Economy developed the Regulation "On the order of allocation of 2% of the deductions for the development and maintenance of the local infrastructure". The Regulation is developed for the purpose of realization of the Law "On non-tax payments".

According to the information of the Ministry of Economy this deduction will enable to develop regions, to remove social strain and negative attitude to the investors-subsoil users, will show the real effect of projects to the locals and will contribute to development of social infrastructure and will increase local budgets manifold that will enable to use funds for the construction of essential works, including

production of fluorite

"Aidarken mercury enterprise intends to develop production of antimony and fluorite", - General director of the plant Tolubai Saliev informed.

According to him, at this point workers of the enterprise execute pumping water from submerged mine "Zapadnaya".

At depth of 600-800 meters of mines there are explored supplies of 141 tons of fluorite, 20 thousand tons of antimony and 5 thousand tons of mercury. After full pumping of water, exploration of mercury will begin.

http://k-news.kg/gormoe_delo/36031/

August 26, 2013

Australian Robust Resources has completed the purchase of Andash

On August 23, 2013 Australian companies Robust Resources and Kentor Gold finally completed the transaction on the sale of Andash Mining Company LLC, which owns a license for development of Andash gold-copper deposit.

The buyer is another Australian company Robust Resources. The sum of the transaction amounts to USD 15,32 million.

<http://www.vb.kg/240761>

August 23, 2013

Term of the maintenance of Taldy-Bulak Levoberejnyi was estimated as 22 years

Kyrgyz-Chinese Altynken LLC will operate Taldy-Bulak Levoberejnyi gold deposit for the period of 22 years.

According to the latest accurate information, gold reserves at the deposit are about 78 tons. Also, along with gold, silver and sulphur will be produced. Annual volume of the gold production is estimated to be 3-3, 5 tons.

<http://www.vb.kg/240532>

August 23, 2013

construction and reparation of roads, improvement of water supply, power supply systems, etc.

Deductions for development and maintenance of local infrastructure shall be paid by subsoil users to regional and district development funds, budgets of village aimaks at the location of mineral deposits regardless of the subsoil user's place of registration.

Deductions for the deposits of national significance in accordance with the list approved by the Government of the Kyrgyz Republic, where gold reserves are more than 50 tons and over the deposits of minerals included into the list of deposits of national significance shall be paid in the following order: 50% - to regional development fund, 30% - to district development fund; 20% - to appropriate local budgets at the location of mineral deposits.

Deductions for the deposits where gold reserves are less than 50 tons and over the mineral deposits (except gold deposits) which are not included in the list of the deposits of national significance shall be paid in the following order: 80% - to district development fund, 20% - to appropriate local funds at the location of the mineral deposit.

Currently the Ministry of Economy is developing the Regulation "On regional and district development funds".

<http://www.tazabek.kg/news:356607>

July 26, 2013

The Prime Minister's Order "On Zilaliev D.T."

Zilaliev Duishenbek Teksherbekovich is appointed as the Director of the State Geology Agency under the Government of the Kyrgyz Republic.

The appropriate order was signed on July 26, 2013 by the Prime Minister of the Kyrgyz Republic Jantoro Satybaldiev.

<http://www.gov.kg/?p=24859>

July 22, 2013

The Ministry of Economy is proposing to introduce amendments to the regulation on

400 Kyrgyz are trained for working at Taldy-Bulak Levoberejnyi

Altynken LLC trains 400 Kyrgyz citizens for working at the Taldy-Bulak Levoberejnyi gold deposit in Kemin region of Chui oblast.

It was noted by Altynken LLC that in the nearest future the ones who have been trained, will be engaged in construction and assembly operations at the gold production factory. Upon the realization of that project it is planned to create more than 1000 work places. 90% of those will be given to the citizens of the Kyrgyz Republic.

<http://www.vb.kg/240530>

August 20, 2013

Confirmed supplies of coal make up 1 billion 300 million tons

During the meeting with veterans-power engineering specialists of CIS, the head of Ministry of Power Engineering and Industry Osmonbek Artykbaev reported that the confirmed supplies of coal in the Kyrgyz Republic make up 1 billion 300 million tons.

According to Osmonbek Artykbaev, predictable reserves of coal in the country comprise about 6 billion tons. National power engineering specialists proceeded with mastering of this potential and in fact switched over to consuming of own resources. They intend to build a heating plant in the north of the country, they also plan to export power to the countries of Central Asian region and China.

August 14, 2013

Belgian lawyer, partner of Hanotiau & van den Berg law firm was appointed as a second arbitrator of the case of Kazakh company Consolidated Exploration Holdings Ltd. against the Government of the Kyrgyz Republic

Official web-site of the International Center for Settlement of Investment Disputes (ICSID) informs that Belgian lawyer, partner of Hanotiau & van den Berg law firm, Bernard Hanotiau was appointed as a second arbitrator in the case of Kazakh company Consolidated Exploration Holdings Ltd., which owns 60% of shares in Djerooyaltyn CJSC, against the Government of

payments for withholding subsoil use licenses

The Ministry of Economy is bringing up for the social discussion the draft Resolution "On introducing amendments to the Resolution of the Government of the Kyrgyz Republic "On approval of legal acts in the sphere of subsoil use" of December 14, 2012 No. 834".

In particular, it is proposed to introduce amendments to the Regulation "On the procedure of payment and computation of fee for withholding of subsoil use licenses use" approved by the indicated resolution.

<http://www.tazabek.kg/news:354675/>

July 17, 2013

Law of Kyrgyz Republic "On introducing amendments to some of the legal acts of the Kyrgyz Republic" dated July 17, 2013 No. 149

On July 17, 2013 Law "On introducing amendments to some of the legal acts of the Kyrgyz Republic" was signed.

According to this law, the law of the Kyrgyz Republic "On main principles of budget law in the Kyrgyz Republic" has been supplemented with a new article 21-1, which foresees creation of region development funds. Those funds are created "at the expense of particular kinds of income or other earnings, used for the development and maintenance of the infrastructure of the local significance and execution of other particular events of designated purpose".

Moreover, article 19-3 of the Law of the Kyrgyz Republic "On non-tax payments" has been embodied in the new version. It establishes the procedure of computation of payments to development funds of regions (oblasts and regions) and local budgets where the deposits are located for the development and maintenance of infrastructure of designated purpose in the amount of 2% from the earnings received as a result of the sale of natural resources by the individuals and legal entities implementing their development.

the Kyrgyz Republic.

The proceedings take place in Washington, D.C. in ICSID. Philippe Sands, a British lawyer, attorney of Macedonia in the dispute with Greece, was appointed as a first arbitrator.

<http://www.vb.kg/239466>

August 14, 2013

There are 364 entities engaged in the mining industry in the Kyrgyz Republic

At the hearings on the budget of 2014 during the presentation of the senior project manager of the Eurasia Foundation of Central Asia Nazgul Aksarieva on the analysis of mining industry budget it was pointed out that as of July 1, 2013 there are 364 economic entities engaged in the mining industry in the Kyrgyz Republic, including 171 small enterprises, medium - 13, large - 7, individual entrepreneurs - 145, other separate divisions – 28.

<http://www.tazabek.kg/news:355868/>

August 13, 2013

1039 licenses for nonmetallic mineral resources were issued

The State Geology Agency as of August 13, 2013 has provided the list of licenses for nonmetallic mineral resources.

To date there are 1039 nonmetallic mineral resources developed by different companies and individual entrepreneurs.

<http://www.tazabek.kg/news:355843/>

August 7, 2013

Stans Energy is considering the start of production on Kutessai II mine

Canadian mining company Stans Energy Corp. continues the search of engineer solutions for the start of production on deposit of rare earth metals Kutessai II in the Kyrgyz Republic despite the court proceedings on the license agreement. In particular, subsidiary of Stans Energy Corp. – Kutisai Mining LLC – works with

Kyrgyz and international subcontractors on development of necessary engineer solutions for renewal of production on Kutessai II. All projects and developments are included into the technical reports for the State Geology Agency under the terms of license agreement.

<http://www.vb.kg/238980>

August 2, 2013

The Prime Minister assigned the Director of the State Geology Agency to bring order to the issuance of licenses

The Prime Minister Jantoro Satybaldiev during the meeting with the Director of the State Geology Agency has pointed out that with the appointment of D. Zilaliev he expects great progress in the establishing order in issuance of licenses.

“To date thousands of licenses have been issued, but in practice only few of them are operating. Mining industry is the flagship of the economy of the Kyrgyz Republic, it has a great future and it is also the most attractive for investors. Order in the mining industry must begin with the State Geology Agency”, - pointed out the Prime Minister.

<http://www.vb.kg/238443>

July 31, 2013

Public forum on the future of mining in Kyrgyzstan was held in Bishkek

Public forum organized by Central Asia Free Market Institute (CAFMI) was held on July 31, 2013 in Bishkek and was dedicated to the current situation and development of mining industry in the Kyrgyz Republic. Main directions of state policy in the industry were presented in the forum.

A wide range of experts participated in the forum who presented different aspects of the industry and their proposals and recommendations.

July 30, 2013

Environmental Protection Agency: There are no violations on Taldy-Bulak Levoberejni

Deputy director of State Environmental Protection Agency and Forestry Abdykalyk Rustamov stated that thorough examination of gold deposit Taldy-Bulak Levoberejnyi revealed no violation of ecology in the construction of facilities for its development.

Currently there are positive conclusions of state ecological expertise issued by the State Geology Agency for the project documentation of the mining complex of Taldy-Bulak Levoberejnyi deposit.

<http://www.vb.kg/237964>

July 29, 2013

The court refused to recognize illegal the annulment of the license for Djetym

On July 26, 2013 Bishkek city court refused to recognize illegal the annulment of the exploration license of the Chinese company Mylin Resources for iron-ore deposit Djetym.

<http://www.vb.kg/237788>



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