



MINING INDUSTRY AND LEGAL UPDATE

KALIKOVA
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Industry Update

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Constitutional Chamber validates methodology for calculating mineral license retention fee

Constitutional Chamber has validated the methodology for calculating a mineral license retention fee (LRF).

Constitutional Chamber received a petition from Palladex KR LLC and Textonic CJSC requesting to declare unconstitutional the provisions of the Mineral Resources Law concerning calculation of the LRF. They reminded that the new Mineral Resources Law had been enacted on August 9, 2012. This law had introduced the new payment with the payment period starting to run from the date of issuance of the original license. The petitioners claim that this provision violates their rights.

“Licensing is one of the methods of regulating and controlling mineral resources sector. Its goal is to ensure the efficient and comprehensive management and protection of mineral resources. License is key to identifying the right payer of tax and non-tax payments. The LRF is introduced by the rule-makers to encourage mineral right holders to efficiently manage mineral resources and to support local budget”, lawyers commented.

“When introducing the LRF and its calculation and payment principles, the rule-makers have been acting in full compliance with the

Legal Update

September 16, 2015

Government Decree No. 459-p of September 16, 2015

In order to attract investment in the integrated and rational development of gold deposits Terekkan, Perevalnoe and gold-antimony deposit Terek (except section 17) the Government of the Kyrgyz Republic adopted a decree by which it approved the Terms and procedure of the tender for the right to use subsoil with the purpose of development of gold deposits Terekkan, Perevalnoe and gold-antimony deposit Terek (except section 17) and the criteria for determining the winner. Also, the Government has instructed the interdepartmental commission in the prescribed manner to hold a tender for the right to use subsoil for the development of gold deposits Terekkan, Perevalnoe and gold-antimony deposit Terek (except section 17).

Pursuant to the Terms and procedure of the tender the price for the subsoil use right shall be no less than 20 mln. US Dollars. Besides, participants of the tender shall pay 1 mln. 677,6 thousand soms for the short package of geological information. Documents for participation in the tender are accepted until October 22, 2015.

The gold deposit Terekkan is located in Chatkal region, Jalal-Abad oblast. The content of the ore is estimated at 4.1 grams per ton. Perevalnoe located in the same ore

Constitution. The LRF is charged from the moment of its entry into effect according to the methodology approved by the Government. This methodology outlines the rules of calculating the license period. Such approach is fair and excludes any preferences of some right holders over others. Therefore, the methodology is not contrary to the Constitution”, Constitutional Chamber resolved.

Two judges of Constitutional Chamber have dissenting opinions.

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September 16, 2015

Kyrgyzstan to adopt methodology for determining environmental impact on glaciers

In Kyrgyzstan, there has been developed methodology for determining the environmental impact on glaciers in the country.

Methodology outlines the procedure for calculating damages in monetary terms, including the economic and non-economic losses inflicted to glaciers as a result of violating environmental laws of the Kyrgyz Republic, as well as in case of emergencies of natural and technogenic origin.

Methodology helps to calculate in value terms the extent of damage caused to glaciers as a result of:

- littering, production and consumption waste discharge, mining dumps and chemical substances (including waste water, chemical fertilizers and pesticides, petroleum and its products, etc.);
- unauthorized use of glaciers for discharge of production of consumption waste, waste dumps, burial grounds and other facilities that may have detrimental effect on the quality of melted glacier water;
- unlawful withdrawal and harvesting of glacial ice in business and/or other purposes;
- failure of remediation and/or restoration of affected glaciers in the process of business activities;
- accidents and emergencies at glaciers.

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area. Terek deposit is located on the southern slope of the Chatkal ridge. The average gold content is estimated to be 5.4 grams per ton.

August 25, 2015

Ministry of Justice proposes amendments to Land Code and laws on transformation of land and mineral resources

The Ministry of Justice has developed a draft law “On amendments and additions to some legislative acts” (Land Code, Law “On conversion (transformation) of land”, Law “On Mineral Resources”).

According to the press service of the Ministry of Justice, amendments are aimed to address the problems currently existing in land laws of the country in the field of conversion of land from one category to another, as well as to bring certain provisions of the Land Code into compliance with the Constitution adopted through referendum on June 27, 2010.

As noted, currently, the legislation on conversion of land from one category to another has no clear provisions on the powers of certain public authorities to convert less valuable agricultural land into other category or other type of land.

In view of the above, the bill proposes amendment to the Land Code, the Law "On conversion (transformation) of land" for the purposes of specifying the power of local administrations to convert less valuable agricultural land into other category or other type of land.

Amendments are also required to be made to the procedure for withdrawal of land plots held in public or municipal ownership for state and public needs, the Ministry of Justice noted.

The amendments propose changes clarifying the concept of "state and public needs" and removing the prohibition on withdrawal of land for the maintenance of residential houses and personal secondary husbandry, whereby the land provided to Kyrgyz nationals into ownership is allowed to be purchased in the process of withdrawal (redemption) of land for state or public needs.

Moreover, in order to support the development of agricultural land in the interest of food

September 14, 2015

Partial release of Kyrgyzaltyn OJSC shares in Centerra Gold Inc.

According to the company, on September 8, 2015 the Supreme Court of Ontario (Canada), having considered the company's petition, ordered to release 2 million 712.361 thousand shares of arrested 6 million 500.240 thousand, as well as dividends totaling 13.3 million Canadian dollars.

Kyrgyzaltyn reminds that on August 18, 2015 the Supreme Court of Ontario held a hearing at Kyrgyzaltyn's petition for reversal of the order on unilateral seizure of 6 million 500.240 thousand shares of Kyrgyzaltyn in Centerra Gold Inc. and dividends on petition of Latvian businessman Valery Belokon.

Kyrgyzaltyn is represented by Baker & McKenzie LLP law firm.

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September 14, 2015

Kyrgyzstan establishes Association of Mineral Right Holders

Association of mineral right holders has been established in Kyrgyzstan. This was reported at the press conference by its Executive Director Bakyt Kozhogulov.

According to him, Association is a voluntary amalgamation of legal entities operating in the mineral resources sector. Its goal is to protect their interests and to create favorable investment climate in the Kyrgyz Republic. Also, Association members plan to hold a public information campaign to avoid any conflicts.

"We would like to promote the development of the industry. This is quite problematic now in view of certain local conflicts. We are directly involved in this industry and know its problems like no other. We are ready to communicate with the public to explain what should be done and how it could be accomplished. We strive to help mineral right holders with their work. We will visit all regions of the Kyrgyz Republic to spread the word about Association and to listen to opinions of the local population. There are similar organizations in the Kyrgyz Republic.

security, amendments to the Law "On conversion (transformation) of land" propose to exclude provisions requiring submission of applications for conversion by individuals and legal entities, except in the case of conversion into agricultural lands category.

In addition, the amendments propose changes removing contradictions and gaps in law.

<http://kg.akipress.org/>

July 30, 2015

Government Resolution No. 541 of July 30, 2015 approving establishment and change of categories, approval of borders and abolishment of special protected areas in Kyrgyz Republic

In order to regulate the issues of organization, change of categories, approval of borders and abolishment of special protected areas, in accordance with Article 7 of the Law of the Kyrgyz Republic "On Specially Protected Natural Areas". The Government of the Kyrgyz Republic by its resolution № 541 of July 30, 2015 approved the procedure for establishment, change of categories, approval of borders and abolishment of special protected areas in the Kyrgyz Republic.

July 23, 2015

Government Resolution No. 524 of July 23, 2015 approving Regulation concerning individual artisanal mining of alluvial gold in Kyrgyz Republic

In order to streamline individual artisanal mining of alluvial gold, restraining illicit circulation of mined metal, in accordance with Article 29 of the Law of the Kyrgyz Republic "On Mineral Resources", the Government of the Kyrgyz Republic, by its resolution of July 23, 2015 No. 524, approved the Regulation concerning individual artisanal mining of alluvial gold in the Kyrgyz Republic.

However, they are rather reactive than proactive”, Bakyt Kozhugulov noted.

<http://www.24kg.org/>

September 2, 2015

Auction held for Uzun Tashty deposit

On September 2, Talas region Bakay-Ata district state administration held an auction for beryllium exploration at Uzun Tashty deposit. The auction was attended by 5 companies:

1. GreenPond LLC;
2. A & A Central LLC;
3. Agrotehservis Asyl Tash LLC;
4. Investment Company Shen Xing LLC;
5. Beryllium Corporation LLC.

Mining Company Reach Mount Hong Kong LLC that wished to participate in the auction voluntarily withdrew its application.

As a result of the auction, Beryllium Corporation was announced winner having offered USD 70 thousand for the mineral right. The starting price of the auction was 6,618 (six thousand six hundred and eighteen) US dollars.

<http://geology.kg/>

August 28, 2015

Kyrgyzstan to hold tender for Kurmenty limestone and loam deposit

Kyrgyzstan will hold tender for mining the Kurmenty limestone and loam deposit. This was reported by the press service of the State Geology Agency.

According to it, the minimum fee for the mineral right is \$1.5 million. “One of the requirements for participation in the tender is the payment of a fee for the brief geological information package in the amount of 142,000,811 soms”, the press service noted.

<http://www.24kg.org/>

August 14, 2015

Jerooy mining license holder reaches settlement with Kaza'hstan's Visor Holding

Jerooy mining license holder reached settlement with Kazakhstan's Visor Holding.

According to the head of the Geology Agency, it was notified about this by Russia's Vostok-Geoldobycha on August 12. The company noted that in the near future there would be signed a tripartite agreement among the Government, Vostok-Geoldobycha and Kazakhstan's Visor Holding as the former licensee. The latter withdrew its legal action against the Government of Kyrgyzstan and has no claims. The details of settlement were not disclosed.

The conclusion of a tripartite agreement, as one of conditions for obtaining by Vostok-Geoldobycha of the mining license for Jerooy being the Kyrgyzstan's second largest gold deposit. The winner paid \$100 million for the license.

<http://www.24kg.org/>

August 10, 2015

Terek antimony deposit put up for repeated auction at starting price of USD 100 thousand

Terek antimony deposit is put up for another auction at a starting price of \$ 100 thousand. This was reported by the press service of the State Agency for Geology and Mineral Resources.

Reportedly, the field was discovered in 1941 at the application of a local resident.

"Large-scale geological survey was conducted in 1946-1947, preliminary exploration was carried out in 1957-1962, detailed exploration of deposits was carried out in 1960-1978. Stocks of antimony, gold and silver were approved in 1978", the State Agency for Geology and Mineral Resources reported.

The auction will take place on September 17, 2015 in the village of Tereksai. The starting bidding price is USD 100 thousand.

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

August 10, 2015

Kyrgyzstan to hold tender for Arym II marble deposit

The Government of the Kyrgyz Republic announces a tender for the right to mine Arym II marble deposit, the press service of the State Agency for Geology and Mineral Resources reported.

According to it, the tender commission has set the minimum fee for mineral right at \$ 3.2 million. One of the requirements for participation in the tender is to pay the fee of 27.5 thousand soms for the brief geological information package.

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August 1, 2015

Bozymchak mining and processing enterprise launched in Jalal-Abad

The mining and processing enterprise has been launched at Bozymchak copper-gold deposit in Ala-Buka district of Jalal-Abad region.

"This is your first big project in Kyrgyzstan. This is true for us too. The globally renowned company launches the copper and gold extraction plant, which will apply the most advanced technologies. It is necessary to protect the environment, create jobs, build peace and mutual understanding. The plant meets international standards. You have a very large commitment to the government and people", Prime Minister Temir Sariev noted during the opening ceremony for the plant.

General approved ore reserves of the central part of the mine are: gold - 22 tons, silver - 144 tons, copper - 140 thousand tons.

Mining and processing capacity of the plant will be 1 million tons of ore per year.

The final product will be a copper concentrate with associated gold and silver content. The concentrate will be transported to Balkhash smelter. Production is carried out by bulk flotation method. Cyanides are not used in production.

Bozymchak plant applies stacking tailings technology. Humidity of recycled materials is about 14%. This technology is used to minimize environmental impact. Following the completion of production, remediation and restoration of biological cover of the area will be carried out.

To date, \$332 million are invested in the project implementation. The number of workers at the plant is 913, with more than 95% being citizens of Kyrgyzstan.

Kazahmys Gold Kyrgyzstan holds licenses for exploration and mining of Bozymchak copper-gold deposit in Ala-Buka district of Jalal-Abad region. The field is located on the southern slopes of Chatkal mountain range at an altitude of 2,400 meters above sea level. Kazahmys Gold Kyrgyzstan is a member of KAZ Minerals PLC group. They started operating in Kyrgyzstan in 2007.

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July 31, 2015

Global warming causes loss of 25% of glaciers in Kyrgyzstan

As a result of global warming Kyrgyzstan has lost 25% of its glaciers over the past 25 years. This was reported at a press conference by Ekaterina Sahvaeva, Head of the Information and Analytical Division of the Department of Water Resources and Irrigation of the Ministry of Agriculture and Land Reclamation.

"Previously, the Kyrgyz Republic had 8.8 thousand glaciers, but this number has been reduced by 25% over the past 25 years," she added.

According to her, the greatest degradation is observed in the basins of Chu and Talas rivers.

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

July 29, 2015

Kyrgyzstan launches Taldybulak Levoberezhny gold mine

Kyrgyzstan has officially launched production at Taldybulak Levoberezhny gold mine. The opening ceremony was attended by Prime Minister Temir Sariyev.

Taldybulak Levoberezhny field was discovered in 1963. Over the period from 1977 to 1990, it was prospected and preliminarily explored. Exploration license is held by Altynken LLC, the Kyrgyz-Chinese joint venture. Zijin mining corporation holds 60%, while Kyrgyzaltyn holds 40% of shares in this company.

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