



MINING INDUSTRY AND LEGAL UPDATE

KALIKOVA
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Industry Update

November 14, 2013

The case of Consolidated Exploration Holdings Ltd. against the Government of the Kyrgyz Republic over Jerooy gold mine will be considered on December 10 in Hague

The arbitration proceedings on the case of a Kazakh company Consolidated Exploration Holdings Ltd. against the Government of the Kyrgyz Republic over Jerooy gold mine will be held on December 10, 2013 in Hague (Netherlands).

The Government of the Kyrgyz Republic believes that the license for Jerooy gold mine was annulled legally, since during the 4 year period the company did not performed its license obligations and local courts already issued their decisions on this matter.

<http://www.tazabek.kg/news:361326>

November 12, 2013

The State Geology Agency held an auction for the subsoil use right for the first time

On November 12, 2013 in Chatkal state administration of Jalal-Abad region the auction for mining rights was held for the first time in the history of the Kyrgyz Republic.

4 placer gold deposits were put up for the auction. According to the results of the auction the winners of mining rights for Kurgantube and

Legal Update

November 4, 2013

Government Resolution of October 29, 2013 N 583 "On granting temporary use rights to Kazakhmys Gold Kyrgyzstan LLC over land located in Jalal-Abad region of Kyrgyz Republic"

On October 29, 2013, Kyrgyzstan's Prime Minister Jantoro Satybaldyev signed a decree granting temporary use rights to Kazakhmys Gold Kyrgyzstan LLC over lands located in Ala-Buka district, Jalal-Abad region, Kyrgyz Republic".

Thus, the land was granted by the Government to Kazakhmys Gold Kyrgyzstan LLC out of the category of lands of industry, transport, communication, defense and other use for the total area of 103.75 hectares, under the right of temporary use pursuant to the lease agreement for the duration of the mining license No. AE 710 issued by the State Geology Agency on April 16, 2008.

<http://www.tazabek.kg/news:360699/>

October 8, 2013

Ministry of Justice suggests not to extend irrigated arable land conversion moratorium over agricultural land occupied with individual housing built before July 31, 2009

The Ministry of Justice submits for public discussion the draft resolution "On approval of the bill to amend the law introducing moratorium on transfer (conversion) of irrigated arable land into other land categories and types".

Chakmaksu placer gold sites were announced.

In accordance with the Regulation on procedure and conditions of conducting auctions for mining rights the auction for the first two deposits was postponed for December 12, 2013 due to existence of court judgments.

<http://geology.kg/>

November 5, 2013

Arbitrators selected to hear \$ 400 million arbitration claim filed by Consolidated Exploration Holdings Ltd. against the Government of Kyrgyzstan over Jerooy gold mine

On November 4, 2013, the International Center for Settlement of Investment Disputes selected arbitrators to hear the claim of Kazakh company Consolidated Exploration Holdings Ltd. against the Government of Kyrgyzstan over Jerooy gold mine.

John R. Crook, Vice-President of the American Society of International Law (USA) is appointed as the Chair of the Administrative Council, Bernard Hanotiau, Council Member, ICC Institute of World Business Law (Belgium) is appointed as the arbitrator nominated by the claimant, Philippe Sands, Professor of Laws, University College London (France) is appointed as the second arbitrator nominated by the respondent, the Government of Kyrgyzstan.

<http://www.tazabek.kg/news:360845>

November 2, 2013

Stans Energy commences \$118 million arbitration claim against the Government of Kyrgyzstan

The Canadian mining company Stans Energy Corp. announces that it is formally commencing an international arbitration against the Government of Kyrgyzstan for its unlawful treatment of the company in relation to the Kutessai II rare earth project.

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

Stans Energy arbitration team will be led by Professor Igor Zenkin, recognized as one of the leading experts on international trade disputes

The bill proposes amendments to Article 1 of the Law introducing moratorium on transfer (conversion) of irrigated arable land into other land categories and types. These amendments propose not to extend moratorium over individual housing built before July 31, 2009 on the land converted from irrigated arable farmland.

<http://www.tazabek.kg/news:360232/>

October 23, 2013

Parliament rejects memorandum of understanding on the Kumtor project between the Government of Kyrgyzstan and Centerra Gold Inc.

On October 23, 2013, Parliament has rejected the memorandum of understanding on Kumtor project between the Government of Kyrgyzstan, Kyrgyzaltyn and Centerra Gold Inc. dated September 9, 2013 with 84 MPs having voted against the memorandum and only 2 for it.

<http://tazabek.kg/news:359940/>

October 23, 2013

Parliament seeks majority control of Kumtor gold mine

Parliament of Kyrgyzstan has adopted a resolution "On progress of execution of resolutions of Parliament of Kyrgyzstan No. 2805-V dated February 21 and No. 3169-V dated June 5, 2013 related to the report of the Temporary Parliamentary Commission on the compliance of Kumtor Operating Company CJSC to the standards and requirements for the rational use of natural resources, environmental protection, safety of production processes, and social protection of the population in the area of impact of the gold mine, formed on February 15, 2012.

Parliament notes that the Government of Kyrgyzstan and Centerra Gold Inc. signed a memorandum of understanding on the Kumtor project on September 9, 2013 in furtherance of the agreements reached, approved by the Advisory Council and the meeting of the Government of Kyrgyzstan, whereby the parties proposed to establish a joint venture in the territory and under laws of the Kyrgyz Republic.

Parliament notes that all of its political party factions failed to support the memorandum of understanding on the Kumtor project proposed by the Government of Kyrgyzstan.

within Russia and the former Soviet Republics. Prof. Zenkin is an arbitrator of the International Court of Arbitration of the International Chamber of Commerce in Paris. He is also included on the list of arbitrators of the International Commercial Arbitration Court at the Chamber of Commerce and Industry of the Russian Federation, as well as of the Arbitration Court of the Moscow Chamber of Commerce and Industry.

According to Stans Energy, since 2012, the Kyrgyz Government has taken a series of measures making it impossible to carry out activities at Kutessay II. Specifically, in March 2013, the General Prosecutor's Office of the Kyrgyz Republic (SPO) filed a statement of claim against the State Agency for Geology and Mineral Resources of the Kyrgyz Republic (State Geology Agency) to invalidate the process by which Stans acquired the mining license for Kutessay II.

Subsequently, the Inter-district Court of Bishkek issued an injunction dated April 15, 2013, which bars the State Geology Agency and its officials from taking actions related to the execution and/or extension of the Company's licenses for Kutessay II and Kalesay projects. These actions have actually created conditions for termination of the operations of Kutisay Mining LLC, the Company's wholly owned subsidiary.

<http://www.vb.kg/249788>

November 2, 2013

Kyrgyzstan needs establishment of large-scale coal producer with state participation

Kyrgyzstan needs establishment of a large coal production enterprise with state participation, told Acting Director General of Kyrgyzkomur company (state enterprise engaged in coal production) Narynbek Satybaldiev.

"The analysis showed that all coal producers, including Kyrgyzkomur, cannot significantly increase the volume of coal production due to the lack of financial resources and technical capabilities. Thus, 1.1 million tons of coal were produced in 2012, whilst 2 million tons are required to provide stable coal delivery to the consumers", Satybaldiev explained.

Establishment of a contractor with Kyrgyzkomur is being considered for the joint development of the Kara-Keche coal field. Resolution of the issue will provide a reduction of coal costs by 20-30%, which will positively impact the coal

The final decision was supported by 74 deputies out of 102 registered.

<http://www.tazabek.kg/news:359968/>

September 23, 2013

Ministry of Agriculture and Amelioration announces public discussion of bill on state farmland fund

On September 23, the KR Ministry of Agriculture and Amelioration announced the public discussion of the bill on the State Farmland Fund.

The bill is aimed at preventing corruption in the process of granting lease rights over farmlands in the State Land Fund.

The bill regulates the process of granting lease rights over farmlands of the State Land Fund for state and public needs, i.e. needs related to defending national security, the environment and historical and cultural heritage sites, for placement and maintenance of social, industrial, transport, engineering and defense infrastructure facilities, for mineral development and implementation of international treaties of the Kyrgyz Republic.

The bill regulates the process of allocation of land shares to Kyrgyz citizens residing in rural areas, who were eligible to receive land shares in the way previously determined by the Government, but failed to receive them for various reasons by the date of enactment of the Land Code. For such persons, land plots shall be allocated out of the State Farmland Fund free of charge by court order.

For lands planned for expansion of settlements, the construction is permitted only after their conversion into lands of settlements.

In exceptional cases, for farmland consolidation, it is allowed to allocate land from the State Farmland Fund by exchange of land held in ownership of Kyrgyz citizens. Also, such land may be allocated for state and municipal needs by the Government's decision.

<http://www.tazabek.kg/news:358047/>

September 16, 2013

Amendments proposed to high-altitude standards

The Ministry of Labor, Migration and Youth announced public discussion of the bill proposing

selling price, Satybaldiev said in conclusion.

<http://www.tazabek.kg/news:360676/>

October 28, 2013

Only two gold deposits remain unclaimed in Kyrgyzstan

There are only two major gold deposits in Kyrgyzstan that remain unclaimed. According to the State Geology Agency, gold reserves at Jerooy are estimated at 80.9 tons as compared to 17.4 tons at the Togolok and Jangar areas.

In total, 15 deposits are included in the national strategic target list.

<http://www.vb.kg/248890>

October 22, 2013

Australian company Posit Coal Pty Ltd and Kyrgyzkomur to launch a joint venture for Kara-Keche coal project.

On October 18, 2013, Kyrgyzkomur State Enterprise held a tender for contractor services related to joint mining of the Kara-Keche Centralny coal deposit. The Tender Committee opened business proposals from local and foreign companies.

After discussions and comparative analysis of received business proposals, the Committee decided to approve the one submitted by the Australian company Posit Coal Pty Ltd.

<http://www.tazabek.kg/news:359887>

October 22, 2013

Kyrgyzstan collects KGS 46 m revenue from gold mining tax against a target of KGS 99 m over 9 months

The State Tax Service announced that over the period of 9 months it collected KGS 46 m revenue from gold mining tax against a provision of KGS 99 m planned for collection. Revenue under-collection over 9 months is KGS 53 m.

amendments to the Law "On state guarantees and compensations for residing and working in high-altitude and remote or hard-to-reach areas."

The bill proposes to raise the height of settlements which can be regarded as high-altitude. These include only those settlements which are located more than 2 thousand meters above the sea level. The bill also specifies criteria for identifying settlements located in remote or hard-to-reach areas.

Hard-to-reach areas can be identified based on the degree of accessibility for vehicles due to geographic location or climatic conditions over a long period of time (more than five days). Remote areas can be identified based on the time required for a round-trip (one day).

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

Annual revenue collection target is KGS 440 m. This decrease is explained by decrease in gold prices.

“Mining tax revenue target was set at KGS 440 m. The gold price at that time was \$1,750 per troy ounce. Accordingly, the tax was set at a rate of 11%. Today, the price per troy ounce is around USD 1,200-1,350. Correspondingly, the tax is charged at a rate of 1% to 3%”, informed the State Tax Service.

<http://www.tazabek.kg/news:359798/>

October 8, 2013

Full Gold Mining allowed to export gold in concentrate to China

The Ministry of Economy announced renewal of Full Gold Mining LLC license to export gold in concentrate to China.

The decision was made by the licensing committee of the Ministry of Economy in connection with the renewal of the mining license.

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

October 7, 2013

Ministry of Economy announces formation of working group to propose amendments to mining law

On October 3, 2013, the Ministry of Economy of the Kyrgyz Republic formed an inter-departmental working group for proposing amendments to the mining law of August 9, 2012 No. 160 for the purposes of its improvement.

The inter-departmental working group was tasked to draft amendments to the mining law by November 10, 2013.

The members of the inter-departmental working group are representatives of ministries and agencies, as well as independent experts.

<http://www.tazabek.kg/news:358968>

September 24, 2013

State Geology Agency to hold

auction for mineral rights over Bashkyterek, Ayuchachin, Kurgantube and Chakmaksu gold deposits

The State Geology Agency announced the auction for mining rights over the Bashkyterek placer gold deposit on November 12, and for exploration rights over the Ayuchachin, Kurgantube and Chakmaksu placer gold sites.

All these deposits are located in the Chatkal district of the Jalal-Abad region.

<http://www.tazabek.kg/news:358067/>

September 24, 2013

Mining licensing committee announces its meetings will be broadcasted live from September 30

The mining licensing committee of the State Geology Agency announced that its meetings will be broadcasted live from September 30.

The live broadcasting will take place every Mondays, Wednesdays and Fridays.

The invitees will be able to watch decision-making related to mining and licensing over screen in the Agency's assembly hall.

<http://www.tazabek.kg/news:358136>

September 18, 2013

International conference on Mountain Hazards 2013: Natural Hazards, Climate Change and Water in Mountain Areas held in Kyrgyzstan

International conference on Mountain Hazards 2013: Natural Hazards, Climate Change and Water in Mountain Areas took place in Kyrgyzstan from September 16 to 18 with the participation of Members of Parliament of Kyrgyzstan, representatives of international organizations and experts.

The conference was aimed at the discussion of different topics related to the aforementioned processes. It gave an opportunity for scientists and experts from various countries to present the results of their work and research of natural processes, climate change adaptation and

disaster risk mitigation measures in high mountain regions, as well as results of recent studies of glacier cover change of mountains in Central Asia and other mountainous regions worldwide.

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



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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

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

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