



MINING INDUSTRY AND LEGAL UPDATE

KALIKOVA &
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law firm

Information for effective business solutions

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Industry Update

August 1, 2012

Mineral fertilizers plant to be built in Tash-Kumyr with assistance of Chinese company

According to the Ministry of Agriculture of the Kyrgyz Republic, mineral fertilizers plant to be built in Tash-Kumyr near Tegene coal deposit.

Kyrgyzstan has signed the memorandum of cooperation on construction of mineral fertilizers plant with Chinese Machinery Engineering Corporation. The agreement will help to reduce the Kyrgyzstan's dependence on imported fertilizers. The plant will produce 310.2 thousand tons of nitrogen fertilizers annually.

<http://www.24kg.org/community/133950-v-gorode-tash-kumyre-kyrgyzstan-postroyat-zavod.html>

August 7, 2012

Kyrgyz geologist discovers new gold and copper prospect in Australia

Kyrgyz geologist Oleg Chubko with two colleagues went to Australia to work in the field of Kentor Gold, which is established by Andash Mining Company.

While exploring Jervois polymetallic ore Oleg Chubko found outcrops of gold and bismuth.

"In some places the gold content is up to 56 grams per ton. This is a very good result, although, of course, this content is not everywhere, and ore requires a thorough

Legal Update

August 2, 2012

The Resolution of the KR Government dated August 2, 2012 No. 532 On granting land plots to Altynten LLC

Pursuant to the Resolution of the KR Government dated August 2, 2012 No.532, 5.5 hectares of land of "Industrial, transportation, communications, defense and other purposes" category, located in the Kemin district of Chui region of the Kyrgyz Republic, are given to Altynten LLC to develop well No. 922 and adit No. 2 for the purposes of use of underground fresh water and construction of gold ore for mining under lease.

The decision came into force on August 7, 2012 - the day of publication in "Erkin Too" newspaper.

August 9, 2012

Law of the Kyrgyz Republic On Subsoil dated August 9, 2012 No. 160

The Law "On Subsoil" was adopted by the Jogorku Kenesh of the Kyrgyz Republic on June 29, 2012, and signed by the President of the Kyrgyz Republic on August 9, 2012.

The Law was adopted in order to create a favorable environment in the use of mineral resources through the reform of state regulation in the field of mineral resources.

The Law enters into effect one month after the

exploration", said the geologist.

New ore occurrence was named "Chubko" in honor of its discoverer.

<http://www.knews.kg/ru/society/20018/>

August 8, 2012

Consolidated Exploration Holdings Ltd. intends to initiate investment arbitration against Kyrgyz Government with regard to Jeyrun case

Consolidated Exploration Holdings Ltd. intends to initiate investment arbitration against the Kyrgyz Government with regard to Jeyrun case. The company demands more than \$740 million damage compensation. In addition, the company can also charge the Kyrgyz Government for losses that it experiences due to current unresolved situation.

The dispute arose after the Kyrgyz Government and the Ministry of Natural Resources (currently, the State Agency for Geology and Mineral Resources) decided to revoke licenses of the company for development of the gold mining site "Jeyrun".

<http://www.tazabek.kg/news:337151>

August 9, 2012

Kyrgyz budget to be increased at expense of mining companies' concessional fee

Kyrgyz budget will be increased at the expense of mining companies' concessional fee. The authors of second package of law drafts aimed at mining industry reformation.

According to the Minister of Economy and antitrust policy Temir Sariyev, the reforms will help to form relaxed economic instruments and attract investors on different conditions which help to achieve maximum from every project.

In addition, a new Concession Law will attract investments to the economy spheres required reconstruction and upgrade. Also such objects can't be sold to other private owners and avoid state control.

<http://www.24kg.org/economics/134508-byudzhet-kyrgyzstana-mogut-uvelichit-za-schet.html>

date of publication.

Published in "Erkin Too" newspaper on August 17, 2012 No.73-74.

With the introduction of the new edition of the Law "On Subsoil", current Law on July 2, 1997 № 42 shall no more be in force.

Should you need the full text of the Law "On Subsoil" dated August 9, 2012, please contact Aicholpon Jorupbekova at ajorupbekova@k-a.kg

August 9, 2012

The Law of the Kyrgyz Republic On introduction of amendments and additions to the Law of Kyrgyz Republic "On non-tax payments" dated August 9, 2012 № 162

The Law On introduction of amendments and additions to the Law of the Kyrgyz Republic "On non-tax payments" was adopted by the Jogorku Kenesh of the Kyrgyz Republic on June 29, 2012, and signed by the President of the Kyrgyz Republic on August 9, 2012.

The Law was adopted for the purposes of creation of an economic mechanism, which would stimulate subsoil users to conduct their activities on prospecting, exploration and development of mineral deposits more effectively.

The Law introduces a mandatory fee for holding the license for subsoil use, which should be paid by the subsoil user, who has the right for prospecting, exploration, mining activities in the Kyrgyz Republic.

The Law enters into effect one month after the date of publication.

Published in "Erkin Too" newspaper on August 17, 2012 No. 73-74

August 9, 2012

The Law of the Kyrgyz Republic On introduction of amendments and additions to the Land Code of the Kyrgyz Republic dated August 9, 2012 No. 159

The Law on introduction of amendments and

August 9, 2012

A group of Russian scientists will conduct environmental review of the Andash project

A group of Russian scientists will conduct a review of the design of the Andash project. The purpose of their work is to carry out an environmental audit allowing the evaluation of the potential environmental risks associated with the project.

Audit company EMAS (Russian Federation) was selected after analyzing the international market.

The group consists of independent experts from different fields of environmental management. They are familiar with legal requirements on environmental protection, calculation procedures, and drafting of design and environmental documents.

After reviewing the documents and making a preliminary opinion, the group of experts will come to Kyrgyzstan, where they will meet with national experts and with people of Talas region, and examine the future location of the project.

The opinion of the Russian experts will be published and accessible to every stakeholder.

<http://www.eng.24.kg/economics/134556-rossijskie-uchenye-provedut-yekologicheskuyu.html>

August 24, 2012

The underground ore processing plant is discovered in Bishkek

August 21, at carrying out of operatively-search actions in the territory of one of the car repair plants in Bishkek, discovered the underground ore processing plant.

When inspecting premises, police found a laboratory: bulb for laboratory work, devices for melting of precious metal, plastic containers of hydrochloric and nitric acid equipment for crushing and milling of ore, as well as approximately 18 tonnes of ore, piled in bags, a small part of which was crushed.

Currently, this fact has been appointed a number of examinations to determine the number of components of gold in ore.

additions to the Land Code of the Kyrgyz Republic was adopted by the Jogorku Kenesh of the Kyrgyz Republic on June 29, 2012, and signed by the President of the Kyrgyz Republic on August 9, 2012.

The Law introduces the concept of "State reserve of mineral deposits lands", simplifies the procedure of grant of land from land areas under the subsoil, establishes the same procedure for grant of land for the subsoil use for foreigners and citizens of the Kyrgyz Republic, and introduces other changes aimed at harmonization of the Land Code with other Normative legal acts of the Kyrgyz Republic in the field of the mineral resources.

The Law enters into effect one month after the date of publication.

Published in "Erkin Too" newspaper on August 17, 2012 No. 73-74.

August 9, 2012

The Law of the Kyrgyz Republic On introduction of amendments and additions to the Tax Code of the Kyrgyz Republic dated August 9, 2012 N 158

The Law On introduction of amendments and additions to the Tax Code of the Kyrgyz Republic was adopted by the Jogorku Kenesh of the Kyrgyz Republic on June 29, 2012, and signed by the President of the Kyrgyz Republic on August 9, 2012.

The Law introduces the following changes: the amount of reduction size of tax base of the mining companies is increased from 5 to 15 percent, the rate of income tax of taxpayer engaged in mining activities and the sale of gold is established in the amount of 0 percent, a profit tax is introduced, which shall be paid by the taxpayer engaged in mining activities and the sale of gold, the rate of profit tax will depend on the price of gold, and other changes made in order to promote more effective implementation of subsoil users operations in the Kyrgyz Republic.

The Law enters into effect on January 1, 2013.

August 30, 2012

The KR Government Resolution On the grant of land plots to Chaarat

<http://www.knews.kg/ru/action/20744/>

August 27, 2012

Investors from Azerbaijan, China, Poland, Turkey and Russia have a claim on 12 Kyrgyzstan's fields

According to the State Agency on Geology and Mineral Resources, investors from Azerbaijan, China, Poland, Turkey and Russia have a claim on 12 Kyrgyzstan's fields. Companies from these countries applied to participate in the auction scheduled for August 28, 2012, which will be broadcasted on the National Television. Reportedly, in all the agency received 10 applications. Investors from each country have a claim on several lots. The auction of such kind is the first in Kyrgyzstan. In all 11 gold deposits and one coal deposit are put up for auction.

<http://www.24kg.org/economics/135463-na-12-mestorozhdenij-kyrgyzstana-pretenduyut.html>

August 28, 2012

A group of men wrecked the auction on sale of mining licenses of minefields, which was on live-broadcast.

The representatives of the public association "Jashtar keneshi" wrecked the auction on sale of 12 fields. They forced their way into the studio and hampered the auction on live-broadcast, shouting about countries wealth and corruption. The channel had to stop broadcasting.

<http://kg.akipress.org/news:559476/>

August 29, 2012

No one of claimers for deposit occurrences in Kyrgyzstan abandons applications after frustrated auction

According to the State Agency on Geology and Mineral Resources, no one of claimers for deposit occurrences in Kyrgyzstan abandoned applications after frustrated auction.

They said investors are concerned with the happened but they don't hurry yet to leave Kyrgyzstan.

ZAAV CJSC

Pursuant to the KR Government Resolution dated August 30, 2012 No. 599, 3661.479 hectares of pasture, located in the Kanysh Kiya, Chatkal district, Jalal-Abad region, Kyrgyz Republic are transferred to the category of industrial land and granted to Chaarat ZAAV CJSC for temporary use.

The land plot is granted for a detailed geological exploration and auxiliary storage, construction of facilities and communications, development of "Chaarat" field.

The Resolution entered into force on September 14, 2012 - the day of publication in "Erkin Too" newspaper.

September 12, 2012

The Prime Minister's Decree on U. Tashbaev

Pursuant to the Prime Minister's Decree dated September 12, 2012, U. Tashbaev is relieved of previously assigned duties of the Director of the State Agency on Geology and Mineral Resources of the Kyrgyz Republic.

September 12, 2012

The Prime Minister's Decree on I.Chunuev

Pursuant to the Prime Minister's Decree dated September 12, 2012, I. Chunuev is appointed as the Director of the State Agency on Geology and Mineral Resources of the Kyrgyz Republic

September 17, 2012

The Ministry of Economy and antitrust policy of the Kyrgyz Republic submits for discussion a number of projects of the Regulations in the field of mineral resources.

The projects of Regulations are the following:

"On the order and conditions for conducting

<http://www.eng.24.kg/economics/135662-nikto-iz-pretendentov-na-mestorozhdeniya-v.html>

September 11, 2012

The First Vice Prime Minister of Kyrgyzstan Joomart Otorbaev took participation in the presentation of the Mining Industry Development Strategy of Kyrgyzstan

On September 11, 2012, the first Vice Prime Minister of the Kyrgyz Republic took participation in the presentation of the program on development of medium-and long-term development strategy of the mining industry in Kyrgyzstan.

He said that the new Government of the Republic remains committed to sustainable development of the mining industry in the country.

In addition, Mr. Otorbaev stated that the amount of taxes received to the state budget from January until July is 416 million soms, which is very poorly. "This is an indication that it is necessary to change the legal basis in order to increase tax revenues from the industry, which can become the engine of our economy" - he said.

During the discussions, it was stated that the main goal of the Strategy is to achieve sustainable development of the mining industry with the maximum use of mineral potential, increase income from mining, the creation of a favorable investment climate, reducing the negative impact on the environment.

<http://www.gov.kg/?p=12073>

competition for the right of subsoil use";

"On the procedures and conditions for conducting the auction for the right of subsoil use";

"On the licensing of subsoil use";

"On the order of calculation and payment of withholding payment for licenses for subsoil use";

"On the order of allocation of land plots for subsoil use".

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The sources of news contained in the Update are websites:
www.ikipress.kg, www.tazabek.kg, www.knews.kg,
www.geology.kg, www.gov.kg

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