



MINING

INDUSTRY AND LEGAL UPDATE

KALIKOVA &
ASSOCIATES
law firm

Information for effective business solutions

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Industry Update

23 October 2017

Kyrgyz Republic wins global EITI award

Kyrgyz Republic has received an international award for "Progress in Beneficial Ownership Transparency" of the Extractive Industries Transparency Initiative (EITI).

The ceremony was held on October 23, 2017 during conference on Beneficial Ownership which took place in Jakarta (Indonesia).

Chairman of the State Committee on Industry, Energy and Mineral Resources, Mr. Ulanbek Ryskulov accepted significant from EITI Chair, Mr. Fredrik Reinfeldt.

Kyrgyz Republic was mentioned for introduction of legislative norms providing for mandatory public reporting on beneficial ownership.

In his acceptance speech, U. Ryskulov thanked the bill's initiator Kozhobek Ryspayev and other MPs for their support.

He also mentioned the Kyrgyz Government's aspirations for the promotion of open state and business environment as part of the National Strategy for Sustainable Development until 2040, the 40 Steps to New Era Program and the Taza Coom Digital Transformation Program.

It's worth noting that Kalikova & Associates law firm has directly participated in the improvement of beneficial ownership disclosure requirements for users of mineral resources under the Mineral Resources Act, as last amended, based on the EITI Standard, in close cooperation with the State Committee, the EITI Secretariat and EBRD.

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13 October 2017

Legal Update

23 October 2017

Government Resolution No. 694 of October 23, 2017 proposing amendments to certain government decisions on mineral resources

In order to simplify inspection and testing requirements for samples containing precious metals and accompanying extractable metals, the KR Government proposed the following amendments to a number of documents:

- Regulation on procedure for determining value of gold in gold ore or gold containing concentrate was amended to replace the words "testing and inspection" by the word "inspection" in paragraph 1 of Section 4.

- Procedure for export and import of ores, concentrates and wastes containing precious metals and accompanying extractable metals was amended to replace the words "testing and inspection" by the word "inspection" throughout the text, and Section 13 was amended to read as follows: "13. An inspection company shall conduct the testing of selected samples in a laboratory (in-house or outside) accredited in accordance with ISO/M 17025 Standard. The testing of samples shall be required for each type of useful components specified in the mineral license."

18 October 2017

Mineral Resources Bill passes third reading

The Mineral Resources Bill passed the third reading in Parliament.

The bill was presented by the Chairman of the Parliamentary Committee on Fuel and Energy, Mr. Kojobek Ryspaev.

The bill proposes amendments to more than 40 of 53 articles of the current Mineral Resources Act of the Kyrgyz Republic. The amendments provide that the Government may, in exceptional

Launch of Jerooy gold mine postponed

The launch of the Jerooy gold mine is postponed by "Russian Platinum" for two years.

Structure of "Russian Platinum" of Musa Bazhaev - "Vostokgeoldobycha" - won a tender for right to develop the country's second largest gold mine - Jerooy. Under the terms of the license, this year gold mill was supposed to reach the half of its design capacity already in the current year. But the "Russian Platinum" is only just beginning to prepare for the works.

The late start penalty is \$100 thousand for each month of delay.

According to the operator, the delay occurred due to infrastructure-related problems. Besides, the operator claims that it was allowed to postpone the start of construction under the operating agreement. Also, the operator claims that it was given 18 months from the date of approval of the technical design document by the Kyrgyz Government, i.e. August 28, 2017, to start the mining earthworks and to construct the mill.

Ulanbek Ryskulov, the Head of the State Committee on Mineral Resources, said he never heard about the operator's problems.

He also noted that all the terms and conditions were covered by the operating agreement and the operator would be fined for breaching them.

The Jerooy mine is expected to produce 120-200 thousand ounces of gold per year by surface mining, and 50-100 thousand ounces of gold per year by subsurface mining.

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13 October 2017

State Committee on Mineral Resources to launch web portal for users of mineral resources

On October 12, 2017, Ulanbek Ryskulov, the Head of the State Committee on Mineral Resources, presented a web portal for users of mineral resources: <http://gkpen.on.kg/portal>.

The primary purpose of the web portal is to promote transparency and open access to information on public services and expert assessments for users of mineral resources and investors in the mining sector of the Kyrgyz Republic.

This web portal is intended to help the users of mineral resources understand administrative procedures and get legal advice and thereby promote the investment attractiveness of the mining sector.

The web portal is automatically synchronized with the database of the Ministry of Justice of the Kyrgyz Republic, thereby ensuring the daily updating of legal normative acts. The users of mineral resources can receive update notifications.

The web portal contains information on 8 key processes and sub-processes, describing the number of steps to be taken, the contact details for respective departments of the competent authority, applicable legislation, etc. The web portal contains active hyperlinks to relevant acts and regulations.

cases, for the purposes of national projects, with the consent of the Parliament, grant mineral rights over certain deposits without tenders, auctions and first-to-file arrangements. The local public administration offices will be allowed to grant mining rights over sand, gravel or loam deposits to meet the needs of the local population. In such case, the requirement to register such deposits in the National Registry of Mineral Resources will not apply. The amendments propose new rules for use of groundwater and land. The bill provides definition of the term "cadastre of mineral deposits and occurrence".

The bill was put to the vote and passed the third reading.

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2 October 2017

Government Resolution No. 638 of October 2, 2017 proposing amendments to Government Resolution No. 834 of December 14, 2012 approving regulations on mineral resources

In furtherance of the Mineral Resources Act of the Kyrgyz Republic, the Government proposed amendments to the Government Resolution No. 834 of December 14, 2012 approving regulations on mineral resources. In particular, it proposed the following amendments to the Regulation on the terms and conditions of auction for mineral rights, approved by the above Resolution:

- Paragraph 9 of Section 2: "Starting price of the auction shall be the initial price at which the auction begins, which includes the bonus amount (mineral tax) and the price of the geological information package."

- Section 65: "Final price of the auction less the bonus amount and the price of the geological information package, shall be distributed in the following way: 93% shall be transferred to national budget revenue, 7% shall be transferred to local budget revenue. The transfer of the above sum to local budget revenue shall occur after the grant of the land rights to the winner of the auction holding the license, or the giving of consent to the performance of works in cases stipulated by the legislation of the Kyrgyz Republic."

13 September 2017

Government Resolution No. 558 of September 13, 2017 proposing limitations on export of precious metals and commodities containing precious metals

In accordance with Section X of the Protocol on non-tariff regulation measures with respect to third countries of Annex 7 to the Treaty on the EEU of May 29, 2014, in order to protect the interests of the national jewelry industry, the Government imposed limitations on the export of precious metals and commodities containing precious metals under the customs procedure of processing outside the customs territory unilaterally in accordance with Regulation on import and export of precious metals and commodities containing precious metals

The web portal structure is arranged as a roadmap thus allowing the users to identify necessary procedures and estimate time to complete them.

The web portal was developed with the financial and technical assistance from Deutsche Gesellschaft für internationale Zusammenarbeit (GIZ) GmbH (German Society for International Cooperation) under the Mineral Resources for Development in Central Asia Program funded by the German Government.

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22 September 2017

Over 100 Chinese-owned mining companies operate in Kyrgyz Republic

Cooperation between Kyrgyz Republic and China in the area of exploration and mining, in particular, database development, geological and geochemical mapping, etc., stimulated economic growth in the Kyrgyz mining industry. This was announced by the State Secretary of the State Committee on Industry, Energy and Mineral Resources, Mr. Aibek Asanov, at the 7th International Economic Forum in Xi'an (PRC). According to him, the Chinese side perceives such cooperation as an opportunity to invest in and carry out exploration projects in Kyrgyz Republic.

"Currently, there are 111 Chinese-owned companies in this country, of which 26 are large and medium-sized companies." This fact indicates trust and growing interest of the Chinese business community in mineral development in the Kyrgyz Republic" Aibek Asanov said.

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22 September 2017

Repeated tender for Kutessay-II and Kalesay deposits announced

Kutessay-II and Kalesay deposits are put out to repeated tender.

The tender commission set the concession fee rate of at least \$10 million. Also, one of the conditions for participation in tender is the payment of KGS 2,324,000 as a fee for geological information package.

The willing tenderers must submit necessary documents by November 3, 2017.

The deposits were put out to tender in 2016 on the same conditions as the Jerooy gold deposit, i.e. the winning bidder was supposed to bear the legal costs. The previous tender was won by a Kazakhstani company, Kemal Oil, but was declared invalid due to the winner's failure to pay the concession fee.

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to and from the customs territory of the EEU (Appendix No. 14 to the Decision of the Board of the EEU Commission No. 30 of April 21, 2015 approving non-tariff regulation measures), for the period from January 1, 2017 to December 31, 2021. In particular, there are established the following limitations on the EEU HS commodity items 7106, 7107 00000 0, 7108, 7109 00 000 0, 7111 00 000 0:

precious metals and commodities containing gold:

- for 2017 - 500 kg;
- for 2018 - 500 kg;
- for 2019 - 500 kg;
- for 2020 - 500 kg;
- for 2021 - 500 kg.

precious metals and commodities containing silver:

- for 2017 - 500 kg;
- for 2018 - 500 kg;
- for 2019 - 500 kg;
- for 2020 - 500 kg;
- for 2021 - 500 kg.

24 August 2017

State Committee on Industry, Energy and Mineral Resources Order No. 352 of August 24, 2017 approving rules for entering and writing off mineral ore reserves in and from national registry

In order to determine the terms and conditions of entering and writing-off mineral reserves in and from the national registry, the State Committee on Industry, Energy and Mineral Resources approved the Rules for entering and writing off mineral reserves in and from the national registry.

18 August 2017

Government Resolution No. 517 of August 18, 2017 approving Regulation on reclamation of land disturbed by exploration and mining activities

In compliance with Article 96 of the Land Code of the Kyrgyz Republic, the Government approved the Regulation on reclamation of lands disturbed by exploration and mining activities.

The Regulation defines the terms and conditions of reclamation of land disturbed by exploration and mining activities. Reclamation is carried out in order to preserve the ecological balance in the nature, to restore, reproduce and increase soil fertility, use land for agricultural, forestry, water management, construction, recreational, environmental, sanitary safety and other purposes.

18 August 2017

19 September 2017

Government announces tender for Sulukta-11 brown coal deposit

The Government announced repeated tender for development of Sulukta-11 brown coal deposit in accordance with the Regulation on tender terms and conditions approved by the Government Resolution No. 834 dated December 14, 2012, the tender terms and conditions and the winner selection criteria.

The tender commission set the concession fee rate of at least KGS 564,400,000.

One of the conditions for participation in tender is payment of KGS 750,850 as a fee for geological information package.

All information related to tender, its terms and conditions, as well as winner selection criteria, are available on the web-site of the State Committee on Industry, Energy and Mineral Resources.

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For more information on tender, please call: +996 (312) 909868.

Those willing to participate in tender must submit all necessary documents by 3 p.m. on November 2, 2017 to the State Committee on Industry, Energy and Mineral Resources at: 2 Erkindik Avenue, office 219, Bishkek.

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13 September 2017

Russia and Kyrgyz Republic revise agreement on oil product supply

The Kyrgyz Embassy in Russia reports that Russia and Kyrgyz Republic revised the agreement on oil product supply at the meeting held in Moscow between the Deputy Chairman of the State Committee on Industry, Energy and Mineral Resources of the Kyrgyz Republic, Mr. Myrzakanov, and the Deputy Minister of Energy of the Russian Federation, Mr. Yanovsky. The Kyrgyz delegation also included the Executive Director of the Association of Oil Traders of the Kyrgyz Republic, Mr. Kulov, and the representatives of the Kyrgyz Embassy in Russia.

The meeting participants discussed the issues concerning coordination and sharing of information on the amount and range of oil and oil products to be consumed in the Kyrgyz Republic in 2017-2018 including the volume of import, export, production and consumption of oil products in the Kyrgyz Republic.

The meeting ended with the signing of the intergovernmental memorandum of understanding on revision of the Agreement between the Government of the Kyrgyz Republic and the Government of the Russian Federation on cooperation in the field of supply of oil and oil products dated June 6, 2016, as well as indicative estimates 2017-2018. This MOU provides flexible mechanisms for coordination, clarification and approval of the amount and range of oil and oil products to be consumed in the Kyrgyz Republic in case of their change due to a valid reason.

Government Resolution No. 516 of August 18, 2017 approving Regulation on industrial control by organizations responsible for industrial safety at hazardous production facilities

In order to ensure safety and protect life and health of people, property of individuals and legal entities, state or municipal property and the environment from hazardous and harmful factors arising from operation of hazardous production facilities, the Government approved the Regulation on industrial control by organizations responsible for industrial safety at hazardous production facilities.

11 September 2017

New phase of Kumtor project launched

On September 11, 2017, the signing ceremony was held at the House of Government on the occasion of conclusion of the Strategic Agreement between the KR Government and Centerra Gold Inc. on the promotion of environmental protection and investment.

The Strategic Agreement is the result of lengthy negotiations and consultations and provides measures to mitigate environmental impacts of the Kumtor project.

Specifically, it imposes new obligations on Centerra Gold Inc. such as: to expand financing for conservation purposes, primarily in the Lake Issyk-Kul basin; to make a one-time endowment of \$50 million to the newly established Nature Conservation Fund; to pay higher environmental pollution charges (\$3 million per year as opposed to \$310 thousand the previous years).

As part of the efforts to fulfill recommendations of AMEC, the international environmental consultant of the Kumtor project, it is agreed that the budget for environmental protection measures at the Kumtor mine will be increased substantially.

There are clearly defined funding mechanisms for the Kumtor Mine Reclamation Account. Thus, from now on, the Reclamation Account will be maintained in the national financial institutions and will be subject to annual increase by \$6 million until it reaches \$69 million.

Efforts are being made to expand the Kumtor project's social partnership programs. Thus, the first goal will be to establish the Cancer Care Fund. The Canadian investors are ready to invest \$10 million in the development of this Fund.

When signing the Strategic Agreement, the Prime Minister Sapar Isakov noted that the new phase of the Kumtor project would be launched and implemented concentrating mainly on environmental, social partnership and investment obligations. The project activities will be fairly open and transparent. "We managed to resolve a difficult situation and reach a compromise. This will enable us to reset our relationship based on mutual trust and cooperation to ensure efficient implementation of the project for the benefit of the people of Kyrgyz Republic and the shareholders of Centerra Gold Inc.

6 September 2017

Solton-Sary mine produced 21 kg of gold in six months

Over the period of six month, the Solton-Sary mine produced 21.08kg of gold as opposed to 17.7kg planned to be produced, representing 120.7% overproduction, Kyrgyzaltyn reports. The gold production at the Solton-Sary mine increased by 234.1% compared to 2016, and reached 12,076 kg.

Since the beginning of 2017, earthworks and mining activities increased, with 14.8 tons of ore being mined as opposed to 12.5 tons planned to be mined, representing 118.4% overproduction.

In late June 2017, the Solton-Sary gold mill launched the second line allowing to produce additional 6 kg of gold per month. At present, there are 157 workers with the average monthly salary of KGS 21,000.

Reference: Solton-Sary mine is one of manufacturing branches of Kyrgyzaltyn OJSC. It is located 355 km far from Bishkek in the Naryn region on the northern slope of the Kapka-Tash ridge at the absolute altitude of 3,500-3,600 meters above sea level.

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