



MINING INDUSTRY AND LEGAL UPDATE

KALIKOVA
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Information for effective business solutions

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Industry Update

May 14, 2012

Locals protest against developer of Taldybulak Levoberezhnyi gold deposit in Kyrgyzstan

On May 14 the local community members staged a peaceful rally in protest against violations made by the management of Alтынкен which develops the Taldybulak Levoberezhnyi gold deposit in Orlovka village (Kemin district). The protesters demanded to start the production process at the deposit, to solve the issue of providing assistance for local community, to open the training center and hire local workers.

Trade union committee of the company appealed to the president, prime minister, involved ministries and agencies with the request to tackle this issue.

<http://www.tazabek.kg/news:305661>

May 15, 2012

Chemical spills took place at the gold mine “Ishtamberdy”

At the end of April this year, toxic substances emerged from the tailings of the gold mine “Ishtamberdy” in Jalal-Abad region.

On May 8 the commission from the regional administration arrived to the scene of an accident and witnessed a second leak. The commission has fixed everything and made the Act of the incident.

According to the Geology Agency accident

Legal Update

May 28, 2012

The Order of the KR Government dated May 28, 2012 No. 229-p

For implementation of decisions of the first meeting of the Joint Intergovernmental Commission on economic and humanitarian cooperation between the Kyrgyz Republic and the Republic of Azerbaijan on April 30, 2012 the Government established Kyrgyz-Kazakh part of the Tripartite Working Group to prepare proposals for the construction of a refinery in the Kyrgyz Republic with the participation of the Republic of Kazakhstan and state Oil Company of Republic of Azerbaijan. The Ministry of Energy and Industry of the Kyrgyz Republic is identified as a working body of the Kyrgyz-Kazakh part of the Joint Working Group.

May 28, 2012

The Resolution of the KR Government dated May 28, 2012 No. 333 “On Approval of the Regulation on the Department of Forest Ecosystems Development under the State Agency on Environmental Protection and Forestry under the KR Government”

Resolution of the Government established the Department of Forest Ecosystems Development under the State Agency on Environmental Protection and Forestry under the Government of the Kyrgyz Republic. The Department, in accordance with its

occurred due to heavy rain and rockfalls, which damaged the tailings dam. The situation has stabilized.

<http://www.knews.kg/ru/action/16031/>

May 17, 2012

Kyrgyz workers of Taldybulak Levoberezhnyi gold deposit addressed to the Ombudsman informing that their rights being violated by the foreigners

The Chairman of the trade union of Altynten sent a letter to the Ombudsman on non-compliance of foreign investors with the legislation of the Kyrgyz Republic. As it comes from the letter, the mine owner violates the rights of the citizens of the Kyrgyz Republic to fair wages, equal remuneration for work, as well as the legislation on employment quotas.

The report states that the wages of the employee's from Kazakhstan is 1,500 US Dollars, whereas Kyrgyz employees receive KGS 7,000-12,000. In addition, since the investor has changed, there is a threat of employees' dismissal.

<http://www.tazabek.kg/news:307141/>

May 17, 2012

Kyrgyz government orders to inspect 20 mining companies in Jalal-Abad region on compliance with environmental norms due to spill of chemicals at Ishtamberdy gold deposit

The Kyrgyz government ordered the interagency commission to inspect 20 mining companies in Ala-Buka and Chatkal districts in Jalal-Abad region whether they comply with the environmental legislation due to the situation with leakage of chemicals from the tailing at the Ishtamberdy gold deposit.

http://www.tazabek.kg/news:307531

May 22, 2012

Australian investor agrees to the international expertise of Andash gold mine

responsibilities, has the right, among others:

- To suspend the activities of enterprise or other objects regardless of ownership located in the territory of the state forest fund, if their operation is carried out in violation of environmental legislation, licenses and permits for the use of natural resources;
 - To prevent the impact of possible negative consequences of implementing the proposed management, business and other activities on forest ecosystems.
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June 2, 2012

The Resolution of the Government dated June 2, 2012 No. 360 "On creation of the state enterprise "Kyrgyzkomur"

In order to implement the state policy in the coal mining industry, coordination of production and business operations of coal mines, to ensure the internal market to domestic coal the Government of the Kyrgyz Republic has decided to create a state-owned enterprise "Kyrgyzkomur" under the Ministry of Energy and Industry of the Kyrgyz Republic through the merger of state-owned enterprises "Komur" and "Kara-Keche".

June 18, 2012

The Resolution of the Government dated June 18, 2012 No. 425 "On Amending the Resolution of the KR Government "On Approval of Regulation on licensing and regulation of subsoil use" of April 4, 2012 No. 228"

On June 18, 2012, the Government of the Kyrgyz Republic approved a resolution on making changes and additions to the Resolution of the Government of the Kyrgyz Republic "On Approval of Regulation on licensing and regulation of subsoil use" of April 4, 2012 No. 228, and repealed the Government Resolution "On licensing subsoil use and the use of small deposits of common minerals in the Kyrgyz Republic" as of June 14, 2000 No. 338.

According to the amendments and additions, if

The management of Kentor Gold, which is a major investor in gold deposit "Andash" in Talas region, agrees to the international expertise of the mine.

Earlier this year, the Minister of Economy and Antimonopoly Policy of the Kyrgyz Republic, Temir Sariev said that the Government of KR would allow to conduct international environmental expertise of Andash mine, the exploration of which was prohibited by the Jogorku Kenesh due to potential environmental threat.

Kentor Gold is confident that an independent expertise will prove that the development of mining will cause minimal environmental impact, and there will be no threat. According to managing director, Kentor Gold is ready to invest 106 million dollars in the development of the mine and the project is environmentally safe.

<http://www.knews.kg/ru/econom/16350/>

May 28, 2012

Kumtor Operating Company received the certificate on compliance with the International Cyanide Code

On May 22, 2012 Kumtor Operating Company received the certificate On Compliance with the International Cyanide Management Code from the International Cyanide Management Institute (ICMI), confirming that Company's operations with cyanide are in full compliance with the Code. Earlier, in April, 2012, ICMI reported that Kumtor Operating Company's cyanide transportation operations were in compliance with standards of the Code.

<http://www.tazabek.kg/news:311551>

June 12, 2012

Prime Minister Omurbek Babanov: Government is ready to actively cooperate with all stakeholders to improve the investment climate in the country

On June 12, 2012, the Prime Minister of the Kyrgyz Republic, Omurbek Babanov participated in a roundtable on the topic "Legal aspects preventing the development of the mining industry in Kyrgyzstan", which took

it is necessary the Commission on the regulation of subsoil use has a right to make orders to the relevant state bodies on issues within their competence.

Applicants who are admitted to the auction and the applicants who are not admitted to the auction shall be notified by the Secretary of the auction commission about decisions taken on the day of the auction, before the registration of the bidders.

Among other things, in case if the winner of the auction does not confirm his results at the same day or in case of failure to pay the proposed price for the subsoil use within five banking days after signing the auction protocol, it shall be considered as a waiver of the right to use the subsoil object. By this Resolution a provision on recovery of forfeiture equal to 20 percent of the bank guarantee in favor of the organizer of the auction was excluded.

Also, there are some changes regarding the rights of the licensee, in particular, in case if a licensee engaged in geological exploration, including those based on licenses obtained before the entry into force of the Regulation, detects mineral reserves and put them on the State balance of mineral resources, the Geology Agency grants him the right to use subsoil for the development of these minerals through direct negotiations. Thus, the condition of establishment of a business entity with gratuitous transfer of 20 percent of shares of this entity to the Kyrgyz Republic is excluded.

June 19, 2012

The Order of the KR Government dated June 19, 2012 No. 289-p on the creation of Competition Commission to attract investment to an integrated and rational development of the gold deposit "Togolok" and geological exploration of the Djangart area

This order was issued for the development and introduction to the Government of the Kyrgyz Republic the conditions and order of competition for subsoil use rights to develop a gold deposit "Togolok" and geological exploration of Djangart area. Control over the execution of the order is laid upon the Department of the real sector and infrastructure under the Government Office.

June 19, 2012

place in "Hyatt" hotel.

Roundtable participants discussed the development of the mining sector of the Kyrgyz Republic. They also determined the obstacles to attraction of investments for its effective development, and developed the next steps in this direction.

The Prime Minister stated that the Government is ready to provide full support to investors who have received licenses and plan to work openly, fulfilling the requirements of the license agreement.

<http://www.gov.kg/?p=11726>

June 26, 2012

Since the beginning of this year Geology Agency approved the results of environmental expertise of 83 projects, 104 projects on the protection of mineral resources

Since the beginning of this year, Geology Agency conducted environmental expertise on 93 project documentation. As a result, 83 projects were approved, 10 not.

Geology Agency for the protection of mineral resources received 104 projects for review, including 50 - for exploration (all received positive feedback), 54 - for the development (40 were approved), 14 - on the stage of export.

Industrial safety: documents for issuance of license from 106 companies were reviewed, and 22 of them were rejected.

Also, the Geology Agency reviewed and approved 159 expert opinions on industrial safety of project documentation and declarations of industrial safety, 137 of them are recommended for practical use.

<http://www.tazabek.kg/news:323221>

July 2, 2012

Two mining companies paid nearly KGS 100 million of bonus

Kazakhmys Gold Kyrgyzstan paid bonus in the amount of KGS 81.3 million for the subsoil use of the Central area of Bozymchak field.

On May 2 the Geology Agency approved the report of the company for 2011 and agreed its

The Order of the KR Government dated June 19, 2012 No. 290-p on the creation of Competition Commission to attract investment to an integrated and rational development of the gold deposit "Terekkan" and geological exploration of the Tereksai area

In accordance with the Law "On Subsoil" and the Regulation on the licensing and regulation of subsoil use, in order to attract investment to an integrated and rational development of gold deposits "Terekkan", "Perevalnoe", gold-antimony deposit "Terek" and geological exploration of Tereksai area, the Government of the Kyrgyz Republic made an order to form a competition commission to develop and propose conditions and order of competition for the right of subsoil use to development the gold deposits "Terekkan", "Perevalnoe", gold-antimony deposit "Terek" and geological exploration of Tereksai area. Control over the execution of the order is laid upon the Department of the real sector and infrastructure under the Government Office.

June 19, 2012

The Premier Minister Order dated June 19, 2012

The Government by its order dated June 19, 2012 established a commission to conduct auctions for the right to use the subsoil objects.

The Director of the Geology Agency was appointed as the Chairman of the Commission. The Head of the Subsoil Sector and Infrastructure of the Government Office and Deputy Minister of Economy and Antimonopoly Policy were appointed as the deputies of the Chairman of the Commission.

The commission includes representatives from the Ministry of Finance, State Tax Service, the State Inspectorate for Environmental and Technical Safety, Ministry of Youth, Labor and Employment, State Agency on Environmental Protection and Forestry, Kyrgyz Mining Association, International Business Council, and local authorities. In addition, the commission will include the parliament members from all fractions.

June 20, 2012

Law "On Amendments to the Law

plans for 2012. According to the plan of work for 2012 the Geology Agency decided to renew the license agreement and add a paragraph on a voluntary payment of a bonus and changes in the work program in accordance with the actual timing of development. Kazakhmys Gold Kyrgyzstan shall consider getting an additional land allotment.

Chaarat ZAAV paid a bonus in the amount of KGS 16.8 million for subsoil use of Tulkubash area for exploration of gold deposits. On May 30 the Geology Agency approved the report of the company for 2011 and agreed its development plans for 2012.

<http://geology.kg/9-novosti/195-dve-zolotodobyvayushchie-kompanii-zaplatili-bonusy-edinovremennyj-nalog-za-poluchenie-litsenzii-ili-ee-realizatsiyu-pochti-na-100-mln-somov.html>

July 9, 2012

The Ministry of Economy plans to develop a strategy for the mining industry

The Ministry of Economy and Antimonopoly Policy plans to develop medium- and long-term development strategy for the mining industry with the assistance of USAID Project "Reform".

According to the press service of the Ministry, it has been working on the reform of the mining industry since the beginning of 2012. Currently, a group of experts prepared the first draft of laws "On Subsoil", which was reviewed and approved by the Parliament.

This package of laws aims to transform the relations between the subsoil user and the state from administrative form of regulation to economic mechanism.

It is noted that USAID developed a plan on providing technical assistance for the development of the mining industry of the country.

As part of a strategy it is planned to examine the current state of the mining field, to conduct an analysis of international experience, and to prepare medium- and longer-term development of the mining field

Project "Reform" announced a tender among companies and organizations to perform the above stated aims.

<http://www.knews.kg/ru/econom/18761/>

"On non-tax payments" dated June 20, 2012 No. 89

According to the established amendments, the new definition of "contributions" is included, which means the form of payment prescribed by the state being made mandatory for development and maintenance of the infrastructure of local importance.

The subject of payments for infrastructure development and maintenance is an individual or legal entity carrying out development (mining) of mineral deposits (except for minerals used as construction materials, including as a raw material in the manufacture of building materials) and regardless of place of registration makes contributions to the local budget in the location field.

Payments for infrastructure development and maintenance of local significance shall be made to the local budget before the 20th day of the month following the reporting period, in the amount of 2 percent of revenue, excluding indirect taxes, received from the sale of minerals.

June 21, 2012

The Resolution of Parliament "On adoption in first reading of the draft Law "On Subsoil" dated June 21, 2012 No. 2090-V

On June 21, 2012, Jogorku Kenesh adopted in first reading the draft law "On Subsoil".

Jogorku Kenesh ordered the Committee on industries development to complete the draft law taking into account received written proposals and amendments and submit to the Parliament for consideration on second reading.

June 27, 2012

Resolution of Jogorku Kenesh dated June 27, 2012 No. 2117-V on report of the temporary parliamentary commission for review and checking of Kumtor Operating Company's activities

The Jogorku Kenesh by its Resolution dated June 27, 2012 approved the report of the parliamentary commission and held the

July 10, 2012

Auction of 12 fields of the Kyrgyz Republic

The Geology Agency in accordance with the Decree of the Government of KR as of April 4, 2012 No. 228 announced that on August 28, 2012 it will hold the auction in the Great Hall of the Geology Agency for the following 12 fields, including Ayuchachinskaya area (alluvial gold) for the geological exploration, Bashkyterekskaya area (alluvial gold) for the development, Beshbelchirskaya area (alluvial gold) for the geological exploration, Kurgantyubinskaya area (alluvial gold) for the geological exploration, Karakudzhurskaya area (gold) for the geological exploration, Atoynakskaya area (gold) for the geological exploration, Balyktinskaya area (alluvial gold) for the geological exploration, Kuylyu-Echkilitashskaya area (alluvial gold) for the geological exploration, Karakichinskaya area (gold) for the geological exploration, Chakmaksuyskaya area (alluvial gold) for the geological exploration, the site Agulak Minkush deposit (coal) to for development, Tuyukskaya area (gold and other metals) for geological exploration.

<http://geology.kg/svedeniya-o-konkursakh-i-auktsionakh/176-gosudarstvennoe-agentstvo-po-geologii-i-mineralnym-resursam-pri-pravitelstve-kyrgyzskoj-respubliki-v-sootvetstvii-s-postanovleniem-pravitelstva-kyrgyzskoj-respubliki-ot-4-aprelya-2012-goda-228-obyavlyayet-o-provedenii-28-avgusta-2012-goda-v-bolshom-zal.html>

July 24, 2012

The Shares of Kyrgyzstan in Centerra Gold Inc. dropped in value since the beginning of the year

Centerra Gold Inc. is the owner of Kumtor Operating Company, which develops the same name field in Issykkul region. Kyrgyzstan has the biggest number of shares in Centerra Gold Inc. – 33%.

In January 2012, the minimum value of the shares of the company was 18 dollars per unit. The maximum price this year was fixed on February 23 – one share of Centerra Gold Inc. was estimated at 21 dollars 48 cents. On that day, the total shares of Kyrgyzstan was estimated at 1 billion 662, 59 million dollars.

However, from that day the securities of the company became cheaper every day with few exceptions. July 24, 2012 was the date of the

Investment Agreement between the Government of the Kyrgyz Republic, “Centerra Gold Inc.” and “Kumtor Gold Company” concluded on December 31, 2003, as an agreement contrary to the interests of Kyrgyz people and the state itself.

Besides, the Parliament ordered the Government to form a State Commission, which, with the participation of international experts, shall assess the environmental, industrial and social damage caused by the activities of Kumtor Operating Company at the Kumtor mine until October 1, 2012.

The Government also was ordered to initiate the revision of the Agreement on the new conditions of the Kumtor project between the Government of the Kyrgyz Republic on behalf of the Kyrgyz Republic, Kyrgyzaltyn, Centerra Gold Inc, Kumtor Gold Company, Kumtor Operating Company and the Cameco Corporation as well as other legal acts in part of:

- Increasing the amount of deductions for environmental measures and recultivation of land of Kumtor deposit;
- Revision of share ownership of the Kyrgyz party in Centerra Gold Inc. and replacing them with sharing of marketable products as a percentage;
- Revision of the concession area to be developed under the Kumtor project;
- Revision of the tax regime provided to the project companies under the Agreement on the new conditions on the Kumtor project;
- Revision of the formula of income distribution in accordance with international standards.

Among other things, according to the Resolution the Geology Agency is ordered to cancel the license N 2646 AP dated September 1, 2010, issued to the Kumtor Gold Company for the Koendinskii with 13,360 hectares of license area, and other licenses issued in accordance with the Agreement on new conditions on the Kumtor project between the Government of the Kyrgyz Republic on behalf of the Kyrgyz Republic, Kyrgyzaltyn, Centerra Gold Inc, Kumtor Gold Company, Kumtor Operating Company and the Cameco Corporation.

lowest price per one share – 6 dollar and 35 cents. Currently, the total cost of the shares of Kyrgyzstan is 491 million and 501 thousand dollars.

The reasons of such drop in value are unknown. The shares of Centerra Gold Inc. are traded on the Toronto Stock Exchange (Canada) under the symbol “CG”.

<http://www.knews.kg/ru/econom/19402/>



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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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