



# MINING

INDUSTRY AND LEGAL UPDATE

KALIKOVA & ASSOCIATES

Information for effective business solutions

Issue 3, February 2010 (bimonthly)

## Industry Updates

October 15, 2009

### **Aleksey Eliseev: Development Fund of Kyrgyzstan will receive 100 percent of shares of Djerooyaltn CJSC under trust management to seek strategic investors**

Kyrgyzstan's Development Fund (Development Fund) will receive 100 percent of shares of [Djerooyaltn CJSC](#) under trust management to seek strategic investors involved in mining exploration. According to the General Directors Aleksey Eliseev, Kyrgyzaltyn OJSC holds 40 percent of shares of [Djerooyaltn CJSC](#), while the rest belong to private investor. At the beginning of October the private investors filed an application to the Development Fund with a request to transfer 60 percent of shares of [Djerooyaltn CJSC](#) under trust management to seek new investors. However, the board members of the Development Fund decided to accept the application only upon receiving all 100 percent of shares of [Djerooyaltn CJSC](#) under trust management, as it will allow the Development Fund effectively attract potential investors. You can find more detailed information on a following site: <http://www.24.kg/cis/64724-sotrudniki-yuvelirnogo-xoldinga-laquoaltnraquo-v.html>

November 2, 2009

### **The results of third quarter surpassed all expectations from Kumtor gold deposit**

Centerra Gold Inc. reported third quarter net earnings of 20.2 million US dollars or 0.09 US dollars per common share based on revenues of 158.8 million US dollars compared to net earnings of 16.9 million US dollars or 0.08 US dollars per common share on revenues of 139.4 million US dollars in the same quarter of 2008. You can find more detailed information on a following site: <http://www.24.kg/community/64972-rezultaty-tretego-kvartala-raboty-zolotorudnogo.html>

## Legal Updates

### **Powers of the Ministry of Natural Resources**

On December 4, 2009 the Government of the Kyrgyz Republic approved the regulation on the Ministry of Natural Resources of the Kyrgyz Republic. The following organizations shall be supervised by the Ministry:

1. State Cartographic and Geodetic Service;
2. State Inspectorate of State Supervision over the Use and Protection of Land;
3. State Design Institute of Land Management "Kyrgyzgiprozem";
4. Water Industry Department;
5. Rural Area Water Supply Department;
6. State Inspectorate of Industrial Safety and Mining Supervision;
7. Functions of the State Agency for Environmental Protection and Forestry of ensuring compliance with the environmental regulations within the land allotments provided for mining and exploration purposes;
8. Functions of the Ministry of Energy of implementation of the state policy in fuel resources and mining industries.

According to the Regulation, the duties of the Ministry, among other, are as follows:

- issuance, suspension and revocation of licenses for use of natural resources;
- issuance, suspension and revocation of licenses for designing and use of hazardous industrial facilities, blasting permits, certificates for obtaining and storage of explosives;
- issuance of opinions with regard to conversion of lands from one category to another;
- organization of state reserve of the lands of mineral resources deposits and management thereof;
- expert review and issuance of expert opinions with respect to:
  - construction and re-construction projects having an effect on the natural resources;
  - exploration, designing projects related to impact on the natural resources;
  - mining and exploration projects as to compliance with the technical, environmental safety and subsoil protection requirements;

November 20, 2009

## Gold price increased despite the low demand

Gold price at the New York stock exchange pursuant to the trade results as of November 19, 2009 has increased, despite the low demand compared to last year's. The gold price for troy ounce at the New York stock exchange went up for 70 percent during a day, while the official gold price at the stock exchange compared to its active futures raised up to 1141,9 US dollars per ounce, thus establishing a historic maximum. You can find more detailed information on a following site:

<http://business.akipress.org/news:48641/>

December 9, 2009

## Cameco Corporation sells its common shares in Centerra Gold Inc.

A Canadian company Cameco announced to sell its common shares of Centerra Gold Inc., which is a major gold mining company at the gold deposit Kumtor in Kyrgyzstan, Issyk-Kul region. On December 8, 2009 Cameco and Centerra Gold Inc. entered into an agreement with a syndicate of underwriters, led by CIBC World Markets Inc. and RBC Capital Markets, who have agreed to purchase the 88,618,472 common shares of Centerra now held by Cameco, on a bought deal basis, at a price of 10.25 Canadian dollars per share for sale to the public. The offering is expected to provide Cameco with net proceeds of approximately 872 million Canadian dollars. You can find more detailed information on a following site:

<http://www.ferghana.ru/news.php?id=13603>

December 10, 2009

## Cameco will also transfer 25.3 million common shares in Centerra to Kyrgyzaltyn

Cameco Corporation will also transfer 25,300,000 common shares of Centerra Gold Inc. to Kyrgyzaltyn JSC, representing the Kyrgyz Government. Such transfer will be carried out pursuant to the Agreement on New Terms which Cameco Corporation entered into with the Government of the Kyrgyz Republic on April 24, 2009.

It is vital to note that pursuant to the above agreement two main conditions shall be fulfilled while transferring common shares of Centerra Gold Inc. to Kyrgyzaltyn JSC. First condition states that Kyrgyz party will receive the share in the event of Cameco Corporation's withdrawal from Centerra Gold Inc. The second states that the transfer of shares will be carried out, provided that the share price of Centerra Gold Inc. will be kept above 9 Canadian dollars per share during twenty business day period. In such event, according to the agreement provisions, Kyrgyzaltyn JSC can dispose its shares only after 180 days after a twenty business day period. You can find more detailed information on a following site:

<http://www.geo.gov.kg/index.php/ru/news/geology->

- mineral resources exploration and extraction feasibility studies as to compliance with subsoil protection requirements;
- annual reports and programs of use of natural resources;
- projects of temporary closing and liquidation of enterprises using natural resources and other;
- giving consent to the procedure of mandatory insurance of the liability of the entities exploiting hazardous industrial facilities;
- ensuring the industrial safety when designing, constructing, exploiting, reconstructing, temporary closing and liquidating the hazardous industrial facilities.

## Government Resolution dated 1 December 2009 "On the development of competitive procedures for granting rights of subsoil use"

December 1, 2009 The Government of the Kyrgyz Republic adopted Resolution number 725 "On the development of competitive procedures for the grant of rights for subsoil use. According to the Decision the Ministry of Natural Resources requested to grant legal entities, 100 percent of the shares of which are managed by JSC "Development Fund of the Kyrgyz Republic", licenses to the deposits, approved by the Government, without competition from the further sale of shares of such entities in the stock exchanges by JSC "Development Fund for the CD.

In addition, Decree number 725 has invalidated an Order of the Government dated April 18, 2009 № 168-p where the Government ordered the State Agency for Geology and Mineral Resources to suspend until a respective decision by the Government issuance of licenses for the following fields: gold deposits "Terekkan" "Perevalnoe", "Chechekty" field of nepheline syenite deposit "Sandyk and "Dangy" field of iron deposit "Jetym".

## Resolution of the Government of the Kyrgyz Republic dated October 9, 2009 N 629 "On Amending Resolution of the Government of the Kyrgyz Republic dated August 15, 2007 N 336 "On the licensing of subsoil use"

Resolution N 629 lifts the existing prohibition to re-apply for the license to which a license holder has lost its right due to non-compliance with the licensing terms until the expiration of 6 months from the annulment date of the license.

---

January 4, 2010

## **New Directors in Centerra Gold Inc.**

On December 30, 2009 Centerra Gold Inc. announced the expansion of the board of directors from 9 members to 11, out of which 2 representing the Kyrgyz Republic. One of the representatives is Aleksei A. Eliseev, a deputy director of the Agency for Development, Investments and Innovations, who replaced Almazbek Djakypov and the other representative is Yuri I. Kosvin, a citizen of Ukraine. You can find more detailed information on a following site: <http://business.akipress.org/news:56041/>

---

January 5, 2010

## **A Canadian company acquires an exploration license for the Rare Earth Elements deposit**

A Canadian company, Stans Energy Corp. acquires an exploration license for the Rare Earth Elements "Aktyuz Ore Field", which is close to another deposit Kutessay II developed by the company. Both deposits located in Kemin district of Chui region. More detailed information is available at: <http://business.akipress.org/news:56141>

---

January 5, 2010

## **Kazakhmys company intends to invest \$100 million dollars into the development of Bozymchak**

A Kazakh company Kazakhmys, a copper producer, received a loan in the amount of 2.7 billion US dollars from Chinese Development Bank and the National fund Samruk-Kazyna. The company intends to invest about 2 billion USD to develop copper in the Northern part of Kazakhstan, while 100 million US dollars will be invested to develop the gold and copper deposit Bozymchak in the Kyrgyz Republic. You can find more detailed information on a following site: <http://business.akipress.org/news:56131>

## **Order of the Prime Minister of the Kyrgyz Republic dated December 8, 2009 N 385 "About Jumaliyev K. N."**

Pursuant to the Order N 385 Mr. Jumaliyev Kairat Naserovich was appointed Deputy Minister of Natural Resources of the Kyrgyz Republic. Previously, Mr. Jumaliyev served as head of the department on fuel and energy sector and mining industry in the Office of the Government of the Kyrgyz Republic.

---

## **Order of the Prime Minister dated December 8, 2009 N 386 "On Oseledko L. A."**

Pursuant to the Order N 386 Mr. Oseledko Leonid Anatolievich was appointed as the Deputy Minister of Natural Resources of the Kyrgyz Republic. Previously, Mr. Oseledko served as head of the department on geology at the State Agency for Geology and Mineral Resources under the Government of the Kyrgyz Republic.

---

## **Government Resolution N 759 on new draft subsoil laws dated December 15, 2009**

On December 15, 2009 the Government of the Kyrgyz Republic approved by its Resolution N 759 the following draft laws related to subsoil use and send the drafts for consideration to the President of the Kyrgyz Republic for review. Approved draft laws are:

- Draft Law on Subsoil
- Draft Law on Concession
- Draft Law on Mining Concessions
- Draft Law on production sharing agreements
- Draft Law amending the Land Code of the Kyrgyz Republic; and
- Draft Law amending the Tax Code of the Kyrgyz Republic

---



71 Erkindik Boulevard,

If you would like to ensure that you continue to receive this newsletter subscribe here, and make sure to add our email to your address book.

If you do not wish to receive this newsletter [unsubscribe here](#).

If you have any comments, please contact Aicholpon Jorupbekova

Bishkek, 720040  
Kyrgyz Republic

Tel.: +996 (312) 666060  
Fax: +996 (312) 662788  
Web: [www.k-a.kg](http://www.k-a.kg)  
Email: [lawyer@k-a.kg](mailto:lawyer@k-a.kg)

at [ajorupbekova@k-a.kg](mailto:ajorupbekova@k-a.kg).

Update materials for general information purposes only and should not be considered as legal advice. Transmission of information on or by use of this Update is not intended to create, and receipt does not constitute, a lawyer-client relationship between the sender and receiver.

Copyright © 2010 Kalikova & Associates