

Mining Industry Update

August -September 2009

Issue 2



Dear Reader:

You are reading the second issue of the Kyrgyz Mining Industry Update which in brief describes the major news and legislative changes that took place in August and September 2009 in the mining sector. We hope that you will find Issue 2 interesting and useful.

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Mining news

July 17, 2009

TV broadcast: Whether the activities of mining companies are transparent?

Whether the expenses and profit of mining companies are transparent? Does the community have access to such information? What shall be done so that mining companies will take into account local residents' opinions and interests? These and other questions were subject of discussion on TV under the theme "Whether the minerals of our country enrich us?" *Please follow the web-site to read the original version in Russian:* <http://www.open.kg/ru/tele/?id=31>

August 6, 2009

A book containing the information about mining deposits of Kyrgyzstan is not being published due to financial difficulties

Because of the financial difficulties the book named «*Ore deposits of Kyrgyzstan*» is not being published. This book contains information on all ore deposits of the country known today. *Please follow the web-site to read the original version in Russian:* <http://business.akipress.org/news:27911/>

August 10, 2009

K. Isabekov has assured the insurers of Centerra that Kyrgyzstan is free from political risks

On August 10, 2009 Vice-speaker of Zhogorku Kenesh Kubanychbek Isabekov met with a delegation from *Export Development Canada*, which provides insurance to Centerra Gold Inc against political risks in Kyrgyzstan. During the meeting Mr. Isabekov has assured the insurers that there are no political risks and talked about recent presidential elections and how peaceful the process was. *Please follow the web-site to read the original version in Russian:* <http://kg.akipress.org/news:110671>

August 11, 2009

Gazprom Zarubezhneftegaz has obtained a license for geological exploration in the south of Kyrgyzstan

Mining Legislative Changes

Law No. 257 of the KR "On introducing moratorium for the transformation of irrigated land plots of the plowed fields to other categories and types of lands" dated July 31, 2009

The law intends to provide food security and protect highly valuable agricultural lands by prohibiting their transformation into another categories and types of lands.

The Government of the KR, because of the adopted Law, shall suspend the transformation of irrigated land plots of the plowed fields to other categories and types of lands, also develop the normative acts that clearly define the procedure of transformation of highly valuable lands of agricultural purposes to other categories and types of lands for the purposes of providing food security in the Kyrgyz Republic and establishing the principle of priority for the lands of agricultural purposes.

Companies holding a mining license which require obtaining land plot for mining purposes will not be able to obtain land rights if required land plot is irrigated agricultural land which can not be transformed into lands of industry due to the moratorium.

Moratorium term is not set in the Law.

Decree of the Government on land plot allotments to private companies

The Government of the KR passed a decree on land plot allotments to the following companies:

1. Kumbel Resurs LLC. The company has received 25,5 ha of pastoral lands for the purpose of extracting gold and copper in the Western area of Kumbel Resurs deposit located at the territory of Jergetal village county of Naryn district in Naryn region of the KR under the

The company will conduct oil and gas prospecting and exploration at East Mailisu-IV and Kugartsky areas in the south of Kyrgyzstan. The exploration works are conducted within the framework of the cooperation agreement in the gas sector between the Kyrgyz Government and Gazprom signed on May 16, 2003. *Please follow the web-site to read the original version in Russian:* <http://business.akipress.org/news:28771>

August 18, 2009

The Geology Agency: geological information on subsoil should be the property of the country

Draft Law on subsoil posted by the Geology Agency provides for the definition of the geological information and states that the information can be provided to the investor while using the subsoil and after the termination of the subsoil use rights investor shall return the geological information to the ownership of the Geology Agency. *Please follow the web-site to read the original version in Russian:* <http://business.akipress.org/news:29771/>

August 18, 2009

The list of objects subject to mining concession will be approved by the Government

According to the draft Law on mining concessions posted on the Geology Agency's website, the list of objects (areas) to which a mining concession can be granted will be prepared by the state mining authority and approved by the Government. *Please follow the web-site to read the original version in Russian:* <http://business.akipress.org/news:29781/>

August 26, 2009

Investors may suspend operations if prices change for minerals

Geology Agency intends to reflect in the new Law on mining concessions that investors will have a right to temporarily suspend their activities should the market prices change for mineral resources. And during the period of such conservation the investor will be required to pay minimum concession payments, which can be reflected in the mining concession agreement. *Please follow the web-site to read the original version in Russian:* <http://24.kg/economics/61795-v-kyrgyzstane-predlagayut-razreshit-investoram.html>

August 27, 2009

The Geology Agency of Kyrgyzstan: The investment made under the mining concession agreement shall not be subject to expropriation

According to the Geology Agency attracting investments with mining concessions will allow «to make a great leap» in the development of mining industry. However, in exceptional cases provided by law expropriation can take place mainly for the public interests but by following due procedure and compensation of real damages to investor. *Please follow the web-site to read the original version in Russian:* <http://mirror24.24.kg/economics/61844-gosgeologoagentstvo-kyrgyzstana-investicii.html>

August 28, 2009

Listed companies will not pay bonuses

Pursuant to the Geology Agency in case of change of ownership in a company holding exploration or mining rights bonus shall be paid unless such company is publicly listed. Such provision is reflected in the draft Subsoil Law posted by the Geology Agency. *Please follow the web-site to read the original version in Russian:* <http://business.akipress.org/news:31331/>

lease conditions for designing and constructing the objects of mining complex under the term of subsoil use license dated May 19, 2008 No. 1810 AE issued by the Geology Agency.

2. Full Gold Mining LLC. The company has received 137,3 ha of pasture lands transformed for the purpose of developing a gold-mine deposit Ishtamberdi, located at the territory of Ala-Buka district of Jalalabad region of the Kyrgyz Republic for temporary use (lease) under the term of subsoil use License dated January 23, 2008 No. 1315 AE issued by the Geology Agency.

Decree No. 532 of the Government of the KR "On approving the list of strategic objects of the Kyrgyz Republic" dated August 14, 2009

The Government of the Kyrgyz Republic in accordance with article 2.3 of the Law of the Kyrgyz Republic "On strategic objects of the Kyrgyz Republic" dated May 23, 2008 approved the List of strategic objects of the Kyrgyz Republic based on the recommendation of the Security Council.

Approved list includes among other companies the following exploration and mining companies: Kyrgyzaltyn OJSC, Kumtor Gold Company CJSC, Djerualtyn CJSC, Andash Mining Company LLC. The list of strategic objects can be amended as the Law states that the shares of the company which owns or has an ability to control and manage the strategic object may also be considered as a strategic object and included in the list in accordance with the Law "On strategic objects of the Kyrgyz Republic".

The Law grants to the Government a priority right to purchase the shares/stake in strategic objects should the owner decide to sell them. In addition the Government establishes certain requirements to the functioning and operation of the strategic objects.

Law No. 258 of the KR "On introducing amendments to the Law of the Kyrgyz Republic "On licensing" dated July 31, 2009

In accordance with introduced addenda into the Law of the KR "On licensing", the activity related to search, prospecting and exploiting the mining deposits (business licence) is no longer subject to licensing by the Geology Agency and all previously issued licenses shall be invalidated from the effective date of the Law and applications for licenses submitted to the Geology Agency shall be returned. Thus before commencing the exploration or mining works the subsoil use holder is no longer required to obtain the business license or present to the Geology Agency an agreement with a contractor holding such business license.

Decree No. 577 of the Government of the KR "On introducing amendments to Decree No. 736 dated December 30, 2008 "On measures of implementing the requirements of the provisions of the Tax Code" dated September 12, 2009

The Government of the Kyrgyz Republic adopted a decree introducing amendments into the Bonuses

September 2, 2009

The price for the state shares in Kyrgyzgaz to be sold to Gazprom will be approved in September

The State Property Committee of the KR in September shall approve the assessment of the 75 % shares in Kyrgyzgas OJSC owned by state, which was carried out by Deloitte & Touche. After announcement of the price for the state's stake in Kyrgyzgas share transfer agreement shall be ratified by the Zhogorku Kenesh and the State Duma of the Russian Federation. *Please follow the web-site to read the original version in Russian:* <http://www.open.kg/ru/news/?news=1350>

September 2, 2009

Aidarken Mercury OJSC is charged with illegal entrepreneurship

The employees of the Financial Police Service of Batken region have revealed a fact of illegal entrepreneurship for a total sum of 457 011 KGS. During the investigation held in April 2009 it was found out that Aidarken Mercury OJSC located in Haidarkan village of Kadamzhai region carried out an economic activity without a corresponding license, i.e. conducted open-cast mining of fluorite ores at «Plavikovaya gora». Criminal charges were brought against the company employees and investigation is being carried out. *Please follow the web-site to read the original version in Russian:* <http://svodka.akipress.org/news:23411>

September 3, 2009

The Australian company Namibian Copper NL is interested to develop uranium deposits in Kyrgyzstan

The Australian company Namibian Copper NL has stated about its interest in exploitation of uranium deposits in Kyrgyzstan. Namibian Copper NL interested in Tuya-Muyun and Dzhetyoguz deposits in Osh and Issyk-Kul regions. *Please follow the web-site to read the original version in Russian:* <http://business.akipress.org/print:32321>

September 16, 2009

Geology Agency of Kyrgyzstan proposed to introduce a new category of land – « subsoil use lands».

Geology Agency proposes to introduce a new category of land – subsoil use lands. Right to such lands will be granted at the same time when the right to subsoil use granted. Such proposal will be effective if the new Subsoil Law will be adopted and amendments to existing land laws will be made. *Please follow the web-site to read the original version in Russian:* <http://www.24.kg/economics/62688-gosgeologoagentstvo-kyrgyzstana-predlagaet-vvesti.html>

Classification Table of Prospective Areas and Deposits; Table of bonuses for license areas; Table of deposits right to which granted through competition and their bonus rates.

Decree No. 465 of the Government of the KR “On the provision of land plots (tailing pit, sanitary protection zone) and the objects and property on the land plot to the Open Joint Stock Company “Karabaltinskii gornorudnyi kombinat” dated July 22, 2009

The Government of the KR adopted a decree on the provision of the land plot with the area of 531,5 ha located at the territory of Kara-Balta city; and the land plot in the sanitary protection zone with the area of 220,9 ha to the Open Joint Stock Company “Karabaltinskii gornorudnyi kombinat” (the – “KGKR OJSC”) for gratuitous use for a term of 49 years, with right to prolong the term, for the purposes of storing and burial of radioactive, toxic and other wastes formed during the process of activity of the KGRK OJSC. In addition to the land plots, the KGRK OJSC has received a right to use on a gratuitous manner the objects and property located at the territory of above-mentioned land plots for a term of 49 years.

Comments to the draft laws in mining sector

Geology Agency has posted on its website the full texts of draft laws developed in the mining sector. The Agency welcomes all interested parties to provide their constructive comments at www.geo.gov.kg. Among the drafters Russian law firm John Tiner & Partners: <http://www.russianlaw.com>



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