



# MINING

INDUSTRY AND LEGAL UPDATE

KALIKOVA & ASSOCIATES

*Information for effective business solutions*

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## Industry Update

12 October 2011

### **Ecologists confirm that Talas Copper Gold Company's activities have no harmful impact on the environment**

Specialists of the Institute of Soil Biology of the Kyrgyz National Science Academy refute allegations made by the residents of Aral village in Talas region, that exploration activities carried out by Talas Copper Gold company at the local gold fields have harmful impact on the environment.

According to the Director of the Institute of Soil Biology of KNSA, Bekmamat Jeenbaev, preliminary results from biological tests of water, soil, flora and fauna do not show any adverse effect of the company's activities on the environment.

«Firstly, the company holds license only to explore, not to mine or extract minerals. Secondly, there are no large-scale works being conducted. The drilling of 500-meter deep wells is performed on a limited area for the sample-taking purposes. This cannot cause any disruption to environmental stability», said Bekmamat Jeenbaev.

Senior research associate of the Institute Anara Alymkulova believes that the allegations of local residents concerning massive death of livestock and low crop productivity are based on «illiteracy and myths». «I take full responsibility to state that there can be no speaking of human mutations, loss of cattle and crop. Firstly, there is no radiation at the deposit, and it cannot be there, and secondly, there can be no harmful waste since no mining or extraction of minerals is carried out there. The company does not use any chemicals. Why are cattle dying? I believe this question should be referred to veterinarians», said Anara Alymkulova.

## Legal Update

### **Law of the Kyrgyz Republic «On Amending the Law of the Kyrgyz Republic «On Subsoil» of October 28, 2011 N 187**

On October 28, 2011, there was adopted the Law On Amending the Law of the Kyrgyz Republic «On Subsoil».

According to the amendments, the right to use the subsoil will be provided not only by competition but also by auction (auction is a method of providing rights of temporary use of subsoil, when the right passes to the person who offered and paid the highest price for the object of auction). The procedure of conducting the auction, determining the winner and making settlements for the subsoil object will be regulated by the provisions approved by the Kyrgyz Government.

In case of two ineffective competitions or auctions due to lack of the necessary number of applicants, the right of use of the subsoil shall be provided by direct negotiations.

In addition, the proposed amendments allow giving preference to local applicants at the auction with equal conditions.

### **Ordinance of the Prime Minister of the Kyrgyz Republic of October 5, 2011 N 486**

For the purposes of development of specific proposals for creation of favorable investment climate in the mining sector, by the Ordinance of the Prime Minister of the Kyrgyz Republic a working group headed by Mokenov A.A., counsel of first vice prime minister of the Kyrgyz Republic, was formed. The working group must submit to the consideration of the Government the proposals on improvement of the current legislation in the mining sector with the account of the world practice and development of new approaches of state policy in the mining sector.

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15 October 2011

## **Tax proceeds to the budget: analytical information of the Ministry of Natural Resources**

According to the information of the State Tax Service under the Government of the Kyrgyz Republic (STS KR), over the period from January to October 2011, the amount of taxes paid by mining companies to the national budget of the Kyrgyz Republic made KGS 6,489,526.6 thousand, which is KGS 1,519,454.2 thousand or 130.6 percent more than in the similar period of the last year. For all that, taxes paid by mining companies make 26.3 percent of total taxes paid to the national budget over 9 months, which is 2 percent more than in the similar period of the last year.

<http://geo.gov.kg/index.php/ru/news/geology-news/790-admin>

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26 October 2011

## **Ministry of Natural Resources annulled two licenses of Chinese company Mylin Resources LLC**

Subsoil licensing commission of the Ministry of Natural Resources on October 25, 2011 annulled two licenses of Mylin Resources LLC for the right to use subsoil in the Naryn region, reported the press-service of the agency.

According to its information, residents of Ortok village of Naryn district protested against the exploration of the Kurmenty and Moldobash areas, and the Ortok village council issued an order revoking the consent to operations of Mylin Resources on these areas. The commission noted that Mylin Resources performed no works over more than one year after receipt of the license to the extent specified in the licensing conditions.

Mylin Resources LLC is a Chinese mining company, which held two mineral licenses:

1. License 1706 MP, issued on October 18, 2010 for the extended term until March 25, 2015 for the right to use subsoil of the Kurmenty area to explore for iron;

2. License 1765 MP, issued on July 5, 2010, for the extended term until April 25, 2015 for the right to use subsoil of the Moldobash area to

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## **Resolution of Jogorku Kenesh of the Kyrgyz Republic «On amending the composition of certain committees of the Jogorku Kenesh of the Kyrgyz Republic» of November 4, 2011 N 1293-V**

By the Resolution of the Jogorku Kenesh of the Kyrgyz Republic, deputy Amanbaeva U.A. left the Committee of the Jogorku Kenesh on industry, energy and subsoil use. At present, the members of the Committee of the Jogorku Kenesh on industry, energy and subsoil use are: Arapbaev A.A. (chairman), Domshenko O.L. (vice chairman), Tumanov K.T. (vice chairman), Levina T.V., Osmonov M.K., Ryspaev K.J., Tashiev K.K., Tologonov R., and Cholponbaev U.S.

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## **Resolution of the Jogorku Kenesh of the Kyrgyz Republic N 1329-V of November 18, 2011**

This resolution passed the Law of the Kyrgyz Republic "On amending the law of the Kyrgyz Republic "On non-tax payments". The draft law is initiated by the deputy of the Jogorku Kenesh Pirmatov I.A. and is submitted to the President for signing.

If the Law is signed by the President and officially published, some categories of subsoil users will be required to deduct to the local budget 2% of the proceeds (excluding indirect taxes) received from the sale of the minerals for development and maintenance of local infrastructure.

Payers of deductions for development and maintenance of local infrastructure will be individuals and legal entities engaged in mining (extraction) of mineral deposits (except minerals used as construction materials including production of construction materials).

Procedure for crediting funds to the accounts of the local budgets shall be determined by the Government of the Kyrgyz Republic.

Text of the law, substantiation and other documents on the law are available at:

<http://kenesh.kg/lawprojects/lps.aspx?view=projectinfo&id=124399>

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explore for iron.

<http://www.knews.kg/ru/society/5041/>

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15 November 2011

### **«Law «On Subsoil» is too liberal and fails to protect national interests»**

This was stated on October 15, 2011 by the minister of natural resources Zamirbek Esenamanov at the parliamentary hearing on the mining sector. In his opinion, too liberal subsoil law prevents the development of the mining industry since it contradicts the Constitution and does not meet the national interests.

«Of 47 gold deposits only the Kumtor deposit has been developed over 20 years». Royalty for less than 3 tons of gold is 1%. One kilogram of gold costs KGS 56 thousand. It means that the Government gets only KGS 560 thousand from one ton of gold costing KGS 56 million», said the minister.

Besides, according to him, there is no benefit for the economy from 197 deposits of tin, wolfram, aluminum, and iron. The ministry of natural resources has developed a three-year mining industry development program stating the regions and deposits where factories and mines should be built.

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6 December 2011

### **The normal operation of Kumtor Operating Company's terminal in Balykchy town of Issyk-Kul region restored**

On December 6, 2011, the normal operation of Kumtor Operating Company's terminal in Balykchy town of Issyk-Kul region was restored. The picketers stopped their protest action, reported the company's press-service. It informed also that the governor of Issyk-Kul region and KOC representatives met with the protesters in Balykchy town. The governor and the company representatives explained how important the stable operation of the enterprise is for Kyrgyzstan, told about KOC's contribution to the development of the region and disclosed the plans of the company regarding the work in the region and Balykchy town. After the meeting, the protesters agreed to stop blocking the company's terminal.

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12 December 2011

### **Resolution of the Parliament of the Kyrgyz Republic dated December 24, 2011**

In accordance with section 1 part 3 of article 74 of the Constitution of the Kyrgyz Republic Zhogorku Kenesh of the Kyrgyz Republic approved by adopting a parliament resolution the structure of the Government of the Kyrgyz Republic which is as follows:

1. Foreign affairs ministry;
2. Ministry of internal affairs;
3. Ministry of justice;
4. Ministry of finance;
5. Ministry of economy and antimonopoly policy;
6. Ministry of agriculture and melioration;
7. Ministry of transportation and communications;
8. Ministry of emergency situations;
9. Ministry of energy and industry;
10. Ministry of education and science;
11. Ministry of health;
12. Ministry of culture and tourism;
13. Ministry of social development;
14. Ministry of youth, labour and employment;
15. State committee on national security.

The Government shall consist of:

- Prime-minister;
- First vice-prime-minister;
- Vice-prime-minister on economy and investments;
- Vice-prime-minister on social issues;
- Head of the Prime-minister's Office – minister;
- Ministers;
- Chairperson of the state committee on national security.

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### **Decree of the President of the Kyrgyz Republic about Shadiev A.A. dated December 24, 2011**

Pursuant to section 5 of article 84 of the Constitution of the Kyrgyz Republic by the Presidential Decree Mr. Shadiev Askarbek Alimbaevich is appointed as the minister of energy and industry of the Kyrgyz Republic.

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## **Ministry of Natural Resources plans to start operation of Ishtamberdy, Bozymchak, Jerooy and Taldybulak Levoberezhny gold deposits in 2012**

In the framework of the program for development of the mining sector and creation of favorable investment climate as well as output increase, a number of projects are planned, reported on December 12 the press-service of the Ministry of natural resources, including:

- introduction of amendments to the laws «On Subsoil», «On Production Sharing Agreements» and respective regulations necessary to ensure transition to market conditions;
- introduction of competitions and auctions as methods to issue mineral licenses;
- introduction of single-window principle in the process of formalizing mineral rights;
- development of the program of trilateral interaction among the government, subsoil users and local communities;
- introduction into operation, in the framework of the National Projects, of the following deposits:
  - 1) Ishtamberdy gold deposit development;
  - 2) Bozymchark gold and copper deposit development;
  - 3) Jerooy gold deposit development;
  - 4) Taldybulak Levoberezhny gold deposit development;
- further exploration to discover promising objects and areas.

According to Z. Esenamanov, the said program tasks are quite solvable and feasible in the short-term perspective.

<http://www.tazabek.kg/news:260351/>

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The sources of news contained in the Update are websites:  
[www.akipress.kg](http://www.akipress.kg), [www.24.kg](http://www.24.kg), [www.parus.kg](http://www.parus.kg), [www.kyrgyz-el.kg](http://www.kyrgyz-el.kg)

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