



MINING

INDUSTRY AND LEGAL UPDATE

KALIKOVA & ASSOCIATES

Information for effective business solutions

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Industry Update

13.02.2011

About the results of the review conducted by the Government Commission on issues related to subsoil use licensing procedure and use of mineral resources in the Kyrgyz Republic

Government Commission has prepared a report on the current condition of the subsoil use licensing procedure and use of mineral resources and provided its recommendations to improve the current situation. According to the report, it is recommended to suspend the issuance of licenses for subsoil use, including for exploration and mining, terminate the licenses which were granted in violation of the existing legislation, review and revise the licensing system.

http://kabar.kg/index.php?option=com_content&task=view&id=12588&Itemid=39

08.02.11

The Miners Guild of Kyrgyzstan asks for cancellation of the order on suspension of issuance of licenses for subsoil use

The Miners Guild of Kyrgyzstan asks for cancellation of the order of the Minister of Natural Resources, suspending issuance of licenses for subsoil use. Issuance of licenses is suspended for indefinite term. Miners notice that on this account investors stop financing of projects on subsoil use for 2011, mining companies make the employees to leave without pay, besides, public revenue of taxes and payments will decrease. The order of Ministry leads to decrease of the investment climate in the country not only in the mining sector, but also in whole in economy, stated in the message.

<http://www.24.kg/economics/92524-gildiya-gornopromyshlennikov-kyrgyzstana-prosit.html>

07.02.11

Kyrgyzstan has cancelled agreements with China about transfer of aluminum, gold- and iron-ore deposits in exchange for building of the railway China-Kyrgyzstan-Uzbekistan

Company Update

K&A is recognized as one of the leaders of CIS legal market

K&A is recognized as one of the leaders of CIS legal market according to *Who's Who Legal* International Guide which annually conducts research of CIS region legal market. In 2011 K&A is ranked in top 4 among 9 international and local law firms of CIS as per the number of recommended lawyers/industries of practice right after Baker & McKenzie, Salans and Magisters. Within Mining, Aicholpon Jorupbekova, the partner of the Firm, is mentioned as the one who «is very hands on and provides shrewd advice». The guide also «highly recommends» Aicholpon as the leading lawyer in Oil and Gas industry.

For your information: *Who's Who Legal* conducts researches in 30 spheres of the business law since 1996 and is the official partner of the International Bar Association. *Who's Who Legal* – the reliable source of information for the companies searching for confirmations of reliability of reputation of lawyers, recommended by other firms.

Legal Update

Resolution of the Government of the Kyrgyz Republic «On realization process improvement of the Initiative for Transparency of Mining Industry in the Kyrgyz Republic» of December 8, 2010, No. 317

According to the Resolution, the Regulation on the Supervisory Board on Realization of the Initiative for Transparency of Mining Industry in the Kyrgyz Republic ("ITMI") has been approved, members of which became

Kyrgyzstan has cancelled agreements with China on transfer of 4 mineral deposits: gold-ore Terekkan and Perevalnoe, iron-ore Jetim (Naryn province) and aluminum Sandyk (Kochkor region) in exchange for building of the railway China-Kyrgyzstan-Uzbekistan, Zamirbek Esenamanov, the Minister of Natural Resources, has reported. As he stated, the given interstate agreement has been cancelled in 2009 after studying the issue.

«It will be good if railway building costs are less than development of deposits. But if development of deposits is more valuable it is necessary to reduce the number of deposits or to offer other deposits which equalize our position economically», - he said.

<http://business.akipress.org/comments:158951/>

07.02.11

The Government considers share increase in Centerra Gold Inc. for management of deposits of Kumtor in Kyrgyzstan, Ren in USA and Boro in Mongolia

The Government puts a question on share increase in Centerra Gold Inc. for managing not only Kumtor gold mine in Kyrgyzstan, but also Ren deposit in USA and Boro in Mongolia, has reported Zamirbek Esenamanov, the Minister of Natural Resources. As he stated, for the last 20 years in Kyrgyzstan of all gold mines only Kumtor works. «Thereupon there are politicians and people who want to increase a share in Centerra. That is why taking into account those deposits which are with Centerra – Ren and Boro, we would like to manage more», - he stated. As for today, in the board of directors of Centerra Gold Inc. there are 2 persons from Kyrgyzstan.

<http://business.akipress.org/news:158901>

07.02.11

The former owners of the license for subsoil use of Djerui in Kyrgyzstan have begun a legal action against the Ministry of Natural Resources

The former owners of the license for subsoil use of Djerui on behalf of company «Djeruialtyn» have begun an action against the Ministry of Natural Resources. According to Zamirbek Esenamanov, the company was supposed to present building projects of two big objects in 2009, and by October 1, 2010 - to finish their construction. These conditions haven't been observed.

07.02.11

The Ministry of Natural Resources has annulled the competition on development of gold-ore deposits Terek, Terekkan and Perevalnoe because of necessity to study the issue

Cancellation of the competition on development of gold-ore deposits Terek, Terekkan and Perevalnoe has happened in connection with necessity of deep studying the issues on their development, has reported Zamirbek Esenamanov. We remind that the Ministry of Natural Resources has cancelled competition on development of the given deposits after the second round. Thus, the Ministry will not return 1.2 million soms to the companies which have submitted documents for participation in the competition. The documents for participation in competition have been submitted by Corporation on Building Development in Central Asia LLC (China), Mining Company Vertex CJSC (Russia), Mining

representatives of the Ministry of Natural Resources, the Ministry of Finance, Tax and Customs Service, representatives from mining companies, public associations, representatives of World bank, the UK Department for International Development and the European Bank of Reconstruction and Development.

The Supervisory board is consultative-advisory body, providing general supervision, coordination and advisory assistance in realization of ITMI in the Kyrgyz Republic.

Program of the Government of the Kyrgyz Republic, approved by the Resolution of Jogorku Kenesh of the Kyrgyz Republic dated December 17, 2010, No. 26-V

According to the Program of the Government of the Kyrgyz Republic the Government will undertake measures for accelerated development of mining industry by commissioning of already prepared deposits, accelerated restoration of coal and oil and gas industry by commissioning of new deposits and increase extraction at deposits being developed.

Licenses, concessions for subsoil use for strategic objects will be allocated by competitive/auction method. There will be a tough control over accomplishment of investment agreements; in case of their failure, licenses will be withdrawn according to the law.

Resolution of Jogorku Kenesh of the Kyrgyz Republic «On approval of the Jogorku Kenesh of the Kyrgyz Republic structure» dated December 23, 2010, No. 30-V

According to the new approved structure of Jogorku Kenesh of the Kyrgyz Republic, at JK KR the committee on fuel and energy complex and subsoil use has been formed. The member of which have are Arapbaev A.A., Domshenko O. L., Tumanov K.T., Amanbaeva U.A., Levina T.V., Osmonov M. K, Ryspaev K.J., Tashiev K.K., Tologonov P and Cholponbaev U.S.

Order of the Government of the Kyrgyz Republic dated January 10, 2011, No. 2-p

According to the Order, the orders announcing competition on rights for subsoil use for development of gold-ore deposits of Terekkan, Perevalnoe, gold-antimonic deposit Terek and geological study of the Tereksai area was cancelled.

Also according to the Order, the Government of the Kyrgyz Republic has entrusted the Ministry of Natural Resources of the Kyrgyz Republic to declare in mass media the cancellation of the competition for subsoil use right to develop the said gold-ore deposits

Investment Company Kaidi (China), Line of Law Uranium JSC (England-Kyrgyzstan), Kentor Gold LTD. JSC (Australia), Dragon Energy LLC (China).

<http://business.akipress.org/news:158921/>

04.02.11

The general operational director is appointed in Kazakhmys, that has the license for development of Bozymchak deposit

In parent company of Kazakhmys Gold Kyrgyzstan LLC of Kazakhmys group the general operational director Sergey Dyachenko is appointed. S.Dyachenko will be in charge of daily operational and technical processes at level of all group, and also safety arrangements and labor protection matters.

Kazakhmys is the largest manufacturer of copper in Kazakhstan and one of ten leading manufacturers of copper in the world. The company through Kazakhmys Gold Kyrgyzstan also has the license for exploration and operation of Bozymchak gold-copper deposit in Jalalabat province of Kyrgyzstan.

<http://business.akipress.org/news:158251/>

03.02.11

A. Japarov: The assumption that the budget will obtain 583 million soms from entry of the new gold mining enterprises is risky

Commissioning of the gold enterprises for the deposits of Ishtemberdy, Karakazyk, Jamgyr; announcing competitions for the development of gold-ore deposits Terek, Terekkan, Prevalnoe, Tereksai area, Taldybulak Levoberejniy; licensing of new mineral deposits and the perspective areas on 583 million soms is risky, such opinion at the press conference was passed by the Chairman of Committee on Budget and Finance of Jogorku Kenesh Akylbek Japarov.

<http://business.akipress.org/news:157951/>

01.02.11

The deputy working group will continue to study a situation with Djerui deposit in Kyrgyzstan

According to the decision adopted by the Parliament Committee on Fuel and Energy Complex and Subsoil Use, the deputy working group till January 15, 2011 will continue to study the situation with Djherui deposit in Kyrgyzstan. The given working group has been formed on the basis of appeal of the General Director of Djeruialtyn CJSC Franz Shlosser about unreasonable cancellation by the Ministry of Natural Resources of the license for the right of development of the deposit. We notice that the Government of Kyrgyzstan intends to give the license for subsoil use and development of Djerui deposit through open competition.

<http://www.24.kg/parlament/92001-deputatskaya-rabochaya-gruppa-prodolzhit-izuchat.html>

18.01.11

The Parliament Committee on Fuel and Energy Complex will review the legality of operation of over 20 gold mining companies in Jalalabat province

Pursuant to the Chairman of the Parliament Committee Mr. Azamat Arapbaev, the speaker of the Parliament requested the Committee to review the inquiry made by the parliament member Mr. Akunaly Dosaliev, who stated on January 13, 2010 that in Chatkal and Alabuka regions of Jalalabat province there are about 20 gold mining companies conducting their activities without registration. The members of the Fuel and Energy Committee pointed out that the actions of the license issuing authorities shall also be reviewed.

<http://www.24.kg/community/90073-sledstvie-po-delu-yuvelirnogo-xoldinga.html>

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