

# Mining Industry Update

June - July 2009

Issue 1



*Dear Reader:*

*Below you will find an update prepared by our law firm on the latest news and legislative changes that to some extent affect the mining, oil and gas industry in the Kyrgyz Republic. We believe that the information provided will enhance your business and keep you updated on the requirements of the laws.*

*Mining Team  
Kalikova & Associates*

## Mining News and Events

*June 10, 2009*

*Vice Speaker Isabekov recalls draft law on nationalization of the "Kumtor" gold mine*

The Vice Speaker of Jogorku Kenesh, Kubanychbek Isabekov, recalled the draft law "On nationalization of "Kumtor" gold mine". This decision is related to the adoption of the Law "On ratification of the Agreements on new terms for the "Kumtor" project among the Government of the Kyrgyz Republic, "Kyrgyzaltyn" OJSC, the Canadian company "Centerra Gold, Inc.", "Kumtor Operating Company" CJSC, "Kumtor Gold Company" CJSC and the Canadian corporation "Cameco" dated April 24, 2009, and with regard to the betterment of Kyrgyzstan's position in the "Kumtor" project. *Please follow the web-site to read the original version in Russian:*  
<http://www.for.kg/goid.php?id=89312&print>

*June 10, 2009*

*Russia's Gazprom intends to privatize oil and gas facilities in Kyrgyzstan*

The Chairman of "Gazprom" OJSC Aleksei Miller and the Prime-Minister of Kyrgyzstan Igor Chudinov, at a meeting held in the headquarters of Gazprom, have reviewed the issue of developing cooperation in the oil and gas industry. The parties have in particular discussed the joint work in exploring and developing carbohydrates, developing whole and retail markets of oil and gas products in the country, as well as the transportation and distribution of natural gas in Kyrgyzstan. *Please follow the web-site to read the original version in Russian:*  
<http://www.for.kg/goid.php?id=89315&print>

*June 17, 2009*

## Mining Legislative Changes

*Decree No. 272 of the President of the Kyrgyz Republic "On emergency measures on reforming the management of mining field of the Kyrgyz Republic" dated June 12, 2009*

Based on the analysis of the mining industry of the KR, which showed the low level of development of the mineral resource deposits, it was decided to introduce much needed reforms into the mining industry. One of the main goals of the reforms is to establish a system of mining laws based on the improved current legislation and developing new legal acts in the sphere of subsoil use. Moreover, through such reforms it is aimed to establish a single center on developing the mining sphere through introducing a system of "edinoe okno" in subsoil use, including the licensing, revision of projects, and monitoring and implementation of legislation. In addition, under this Order, it was decided to transform the Kyrgyz State Agency for Geology and Mineral Resources into the State Agency for Geology and Mining Industry

*In realization of the Presidential Decree No. 272 the State Geology Agency has prepared and published in its website the following draft laws:*

Law of the Kyrgyz Republic "On introducing amendments and addenda into the Law of the Kyrgyz Republic "Land Code of the Kyrgyz Republic";  
Law of the Kyrgyz Republic "On production sharing agreements in subsoil use";  
Law of the Kyrgyz Republic "On concessions";  
Law of the Kyrgyz Republic "On mine concessions";  
Law of the Kyrgyz Republic "On production sharing agreements";  
Amendments into the Tax Code adopted by Jogorku Kenesh of the Kyrgyz Republic;

## *2 mountainous pasture management projects launched in Kyrgyzstan*

Two mountain pasture management projects were launched in Kyrgyzstan through support of UNDP: the five year projects in Suusamyр valley and at the basin of the Jergetal and Ottuk rivers. The international organization donated 2 mln US dollars to finance and implement the projects. The purposes of the projects are to reduce soil erosion, increase the economic efficiency of pastures and, consequently, better the lives of rural people. *Please follow the web-site to read the original version in Russian:*  
<http://www.for.kg/goid.php?id=90272&print>

*June 22, 2009*

*Babanov O.: Coal producing enterprises shall watch over the quality of produced coal*

At a meeting held on June 19, 2009 the First Vice-Prime Minister Omurbek Babanov brought up the issue of the quality of the coal industry in Kyrgyzstan. The main issues regarding the status and the development perspective of the domestic coal industry were discussed. *Please follow the web-site to read the original version in Russian:*  
<http://www.newstin.ru/tag/ru/128747193>

*June 26, 2009*

*Kyrgyzstan to set up first national oil company "Bishkekneftecompaniya"*

As reported in the media, the establishment of Kyrgyzstan's first oil company was announced by the head of the oil distillation base "Brass-Oil" LLC during a meeting with President Kurmanbek Bakiev. The President was informed that "Brass-Oil" LLC specializes in storing and selling oil products and has a production capacity of 19.95 mln cubic meters. *Please follow the web-site to read the original version in Russian:*  
<http://www.for.kg/goid.php?id=91473&print>

*July 4, 2009*

*The President of the KR intends to charge the Government to develop a strategic program on the production of silicon products*

According to President Kurmanbek Bakiev, Kyrgyzstan is one of the unique places on the earth that has all of the conditions necessary to produce silicon, such as fresh air, abundant amounts of water and hydroelectric energy. To realize the production capabilities of technical silicon, the President stressed the necessity to develop the deposits of natural quartzite. *Please follow the web-site to read the original version in Russian:*  
<http://www.for.kg/goid.php?id=92263&print>

## **K&A News**

*K&A contributes to Getting the Deal Through – Mining 2009*

Lawyers of K&A, Murat Madykov and Aselya Ten, have contributed to Getting the Deal Through – Mining 2009 publication by preparing an overview of Kyrgyz mining legislation. The publication contains overviews of mining regulations in 32 jurisdictions prepared by the

Law of the Kyrgyz Republic "On protection of subsoil"; Law of the Kyrgyz Republic "Law on subsoil".  
*Please follow the web-site to read the above-stated draft laws in Russian:*

[http://www.geoagency.elcat.kg/news\\_rus.htm](http://www.geoagency.elcat.kg/news_rus.htm)

*Decree No. 410 of the Government of the Kyrgyz Republic "On introducing amendments and addenda to the Decree of the Government of the Kyrgyz Republic dated December 30, 2008 No. 736 "On the measures on implementing the provision requirements of the Tax Code of the Kyrgyz Republic" dated June 25, 2009*

The government of the KR adopted Decree No. 410 for the purposes of implementing Article 304 (Bonus Amount) of the Tax Code. This decision was based on the changes in price for mineral resources and processed products due to the world economic crisis. The State Agency on Geology and Mineral Resources under the Government of the KR was required to annually update the stocks and resources of deposits and the amount of bonuses under this Decree.

*Decree No. 355 of the Government of the Kyrgyz Republic "On approving draft agreements and contracts that are derived from the Agreement on new terms for the "Kumtor" project" dated June 5, 2009*

For the purposes of further realization of the Agreement on new terms for the "Kumtor" project made among the Government of the Kyrgyz Republic, "Kyrgyzaltyn" OJSC, the Canadian company "Centerra Gold, Inc.", "Kumtor Operating Company" CJSC, "Kumtor Gold Company" CJSC and the Canadian corporation "Cameco" dated April 24, 2009, the Government approved a number of agreements that are derived from the "Kumtor" project.

*Decree No. 374 of the Government of the Kyrgyz Republic "On changing the border of the State national park "Chon-Kemin" dated June 13, 2009.*

For the purposes of attracting investment in mining industry and developing geological exploration and development works in the Kemin district of the Chui oblast, the Government of the KR decided to remove the land plots "Ak-Tyuz" and "Oktorkoi" and other land from the national park's land.

leading law firms worldwide. Please follow the web-site for further information: <http://www.k-a.kg/uploads/Mining2009.pdf>



*For additional information on the regulation of mining, oil and gas activity in the Kyrgyz Republic, please contact Kalikova & Associates at the following address: 71 Erkindik Boulevard, Bishkek, telephone numbers: +996 (312)662221, 662250, 666060, website: [www.k-a.kg](http://www.k-a.kg). email: [mining@k-a.kg](mailto:mining@k-a.kg). To unsubscribe please send an email to [mining@k-a.kg](mailto:mining@k-a.kg) with a subject "Unsubscribe". Please feel free to contact us if you know of anyone else that would like to be on our distribution list.*

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