



MINING

INDUSTRY AND LEGAL UPDATE

KALIKOVA & ASSOCIATES

Information for effective business solutions

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Industry Update

June 14, 2011

A. Muraliev, K. Ibraev, and N. Aldashev are appointed as members of the Board of Directors from Kyrgyzstan in Centerra Gold Inc. A.Muraliev and K.Ibraev are members of the Board of Directors since 2010. In April 2011, it became known that Kyrgyzstan, as the owner of 33% of shares of the company, increases the number of members of Directors up to 3. N.Aldashev is appointed as a new member of the Board of Directors. The Kyrgyz Government also introduces to Centerra Gold Inc. its vice-president, accountable to the president (Executive Director) of Centerra, who will manage programs of the company and ensure the company's growth in international arena.

<http://tinyurl.com/43xawb2>

June 10, 2011

In Kyrgyzstan, the opening of a large project on mining of the aluminum deposit Sandyk, that is located in Naryn oblast, is being discussed. This was reported by the Minister of Natural Resources Zamirbek Esenamonov. According to him, the ex-president of the World Bank, Paul Wolfowitz, who had conducted negotiations on the project during his last visit, is directly participating in this project. It is expected that the deposit will be developed by a new transnational company, where there will be companies

Legal Update

Resolution of the Government of the Kyrgyz Republic dated May 24, 2011 No. 238 "On introduction of changes and amendments into the Resolution of the Government of the Kyrgyz Republic "On measures on development of the precious metals market on the territory of the Kyrgyz Republic" as of December 9, 2002 No. 834

As it was informed in the Government, this document was adopted with purpose of further development of the precious metals and stones market on the territory of the Kyrgyz Republic. In accordance with effective regulation "On conclusion of transactions on sale-purchase of bullion precious metals" approved by the Government Resolution dated December 9, 2002 No. 834, on the territory of the Kyrgyz Republic transactions on sale-purchase of precious metals are allowed only in the form of bullion of a certain mass. At the same time it is pointed out that the main consumers of gold and silver in the local market are goldsmiths, who use purchased gold bullions as a material for production of jewelry. Local goldsmiths do not pay attention to the form of purchased refined gold and silver, and the necessity to buy-out material in bullion of a certain mass causes difficulties, in connection with high cost of large bullions and lack of small bullions for a single production cycle.

from Russia and China.

<http://tinyurl.com/44zppptl>

June 10, 2011

Works on the deposit Ishtamberdy will start on July 1, 2011. This was reported by the Minister of Natural Resources Zamirbek Esenamanov. According to him, this deposit that is developed by Full Gold Mining LLC has been explored for the last 5 years, and now there is a gold processing plant on concentrate processing. The plant capacity will be up to 1.5 tonnes of gold per year. According to the Ministry of Natural Resources, from this deposit 1040 kg of gold worth 2 billion 158 million soms will be produced. Also in Kyrgyzstan works on mining of gold in Kara-Kazyk deposit (Alai region) and Jamgyr deposit (Ala-Buka region) have started. According to the Minister, now the concentrate is already obtained and processed in gold processing plants, the power of which is 500-600 kg of gold per year.

<http://tinyurl.com/4yk2jmq>,
<http://tinyurl.com/3oyg3c3>

June 10, 2010

For the last 10 years there were 10 new gold deposits discovered in Kyrgyzstan. This was reported by international consultant Peter Kaznacheev. During this period development and evaluation were conducted in 28 deposits, but most of them need further geological exploration and assessment of economic potential. Herewith today Kyrgyzstan is the third largest gold producer among the countries of the former Soviet Union after Russia and Uzbekistan. National gold reserve of Kyrgyzstan at present is 892 tonnes, more than 75% of which are contained in the large and middle size deposits, - pointed out the expert.

<http://tinyurl.com/3eh58kr>,
<http://tinyurl.com/3rzpyyj>

June 9, 2011

A special commission on investigation of

Resolution of Jogorku Kenesh of the Kyrgyz Republic "On adoption of the Law of the Kyrgyz Republic "On introduction of changes and amendments into the Law of the Kyrgyz Republic "On subsoil" dated April 15, 2011 No 322-V

Draft law supposed to strengthen the control over the license issuance, through participation of the Jogorku Kenesh deputies in this project and conducting of tenders to use deposits that, according to the deputies, will promote for prevention of shortcomings in issues of license issuance, and at the same time avoiding corruption mechanisms.

Technical Regulation on safety of bottled natural mineral, natural drinking and table water (approved by the Resolution of the Kyrgyz Republic Government dated April 6, 2011 No. 139)

This document provides for technical requirements related to the content of the water intake facility and equipment for groundwater sampling, transportation, raw material processing, storage and transportation of bottled products

Resolution of the Government of the Kyrgyz Republic dated March 28, 2011 No. 123 "On some measures on implementation of the project "Taldy-Bulak Levoberejniy"

The Resolution approved the Agreement on introduction of changes and amendments into the Agreement between OJSC Kyrgyzaltyn and Summer Gold LLP on joint activity on implementation of the project "Taldy-Bulak Levoberejniy", signed on March 10, 2006. According to the Agreement, Sumemr Gold pays to the Kyrgyz Republic state budget bonus in the amount of 3,906,230 US dollars, fine for violations of construction terms in the amount of 1,200,000 US dollars. Besides, Altynten LLC increases payments to the development fund of Kemin region from 5.0 US dollars to 7.5 US dollars of one

issues around OJSC Kyrgyzneftegaz is established in Kyrgyzstan. This was reported by the Department of fuel and energy and subsoil of the Government Apparatus. It is planned that the commission will include representatives of the Ministry of State Property, Financial Police, Audit Chamber and oblast administrations. Names and number of commission members, the issues will be considered during the work, and the period of work of the commission are unknown so far. Previously, the Prime-Minister Almazbek Atambaev informed that until the completion of work of the special established commission, the enterprise will be directed by the external manager Jenishbek Djumashev.

<http://tinyurl.com/3jbl9yu/>

June 6, 2011

In Kyrgyzstan, the special administrator of the OJSC Crystal announced an open tender for sale of 100% share in the charter capital of Tash-Kumyr Solar LLC, that is established based on the assets of JSC Crystal in the framework of restructuring. Estimated starting price is 274, 133, 182 soms. Tender will be conducted in Bishkek on July 8, 2011. Legal entities and individuals can participate in the tender, if they paid guarantee fee in the amount of 10% of starting price. Legal entities registered in offshore zones or those having participants registered in offshore zones can not participate in the tender.

<http://tinyurl.com/3jbl9yu>

June 3, 2011

British gold-mining company Highland Gold Mining Ltd. confirmed the gold reserves in Unkurtash deposit in Kyrgyzstan in the amount of 42.9 tonnes (1.38 oz). The average gold grade is 2.52 gr/t. The company is planning to direct most of the investments to geological exploration in 2011 that will be 20 million USD from the planned 30 million USD. Highland Gold Mining through its subsidiary Highland Exploration LLC has 2

ounce of produced gold. Until January, 2014 the company is obliged to complete the construction of all objects of gold-mining enterprise and put into operation first start-up complex.

Rules of state registration of rights and encumbrance (limitations) of rights to immovable property and transactions with them (approved by the Resolution of the Government of the Kyrgyz Republic dated February 15, 2011 No. 49)

These rules regulate legal relationships on state registration of rights and encumbrance (limitations) of rights to immovable property (the "registration of rights"), and also provide for the registration procedures of subsoil use rights (§34).

licenses in Kyrgyzstan: for Unkurtash and Kassansk areas.

<http://tinyurl.com/445sypr>

June 2, 2011

According to recent reports, there are 93 gas stations in Bishkek. So, 38 of them belong to Gazprom Neft Asia LLC, 23 – CJSC Bishkekskaia Neftianaia Kompania, 22 – Shnos LLC, 3 – Trade Oil LLC, 2 - Aurdin LLC, and 2 belongs to Kara-Archa LLC, per one to Ilias LLC, MOT LLC, and Semeinyi Capital LLC. During 5 years the number of gas stations has increased 1.5 times.

<http://tinyurl.com/3g4ajph>

June 1, 2011

Corruption schemes on gold sales by Kyrgyzaltyn do not stop. This was reported on June 1, 2011 during the meeting of the budget and finance committee by the head of the committee Akylbek Japarov. He pointed out that for today the Government of Kyrgyzstan do not use its right to buy-out the gold. "The issue lies in the fact that allegedly Centerra Gold Inc. jointly with OJSC Kyrgyzaltyn allows only one bank Nomos to buy-out the gold. According to signed agreement, the National Bank has a right to buy-out the gold", - says Akylbek Japarov. Member of the Board of NBKR Zina Asankojoeva informed that the National Bank did not buy-out the gold during the last 5 years.

<http://tinyurl.com/3ksr4ft>

May 31, 2011

Prime-Minister Almazbek Atambaev reprimanded the Minister of Natural Resources Zamirbek Esenamanov in connection with the improper performance of his functional obligations. This was reported by the Government press service on May 31.

<http://tinyurl.com/42d4ez7>

May 30, 2011

By the decision of the commission of the State Mining and Technical Supervision, licenses for design of dangerous manufacturing entities of Tavakalov PI, Mining Service LLC, Gal-Project LLC, Gorbunova PI, Abdullaev PI, Nauchno-proizvoditelnyi proektnyi centr "Micar" LLC, Coliseum LLC, Prometei-1 LLC, Kyrgyzneftegaz OJSC, Tumatai LLC, Koba LLC, Lavr-proektstroi LLC, Alaurum CJSC, Mine Engineering Consulting LLC, Rokizol LLC, Jalalabatgaz LLC, Gormetproekt LLC, Kazakhmys Gold Kyrgyzstan LLC, K&T Mining Company LLC, Representative of INEO ENERGIE EXPORT JSC, Geotechservice Technology LLC, China Road and Bridge Corporation in Kyrgyzstan LLC, branch of Kyrgyzaltyn "Tereksaiskii rudnik" OJSC, and State institution "Institute of natural resources named after A.S.Djamanbaev" were suspended for 1 month because of non-performance of license conditions, in terms of violations of technological design and regulations on industrial safety.

<http://tinyurl.com/3trem9m>

May 19, 2011

In order to prevent the spread of disinformation, Kentor Gold company, a major investor of Andash Mining Company that owns the right to develop "Andash" deposit, gave the following data. The distance from the center of an open pit (72.9° east longitude, 42.5° north latitude) to the nearest boundary of the nearest settlement (v.Kopuro-Bazar) is 2,300 meters, and not 600; to the nearest boundary of the cemetery of Kopuro-Bazar is 2,050 instead of 500 meters. These distances correspond to the requirements of industrial and environmental safety, subject to modern technologies are observed. Terms of the deposit development are prolonged. Thus, the license for mining of "Andash" AE 218 deposit is valid until 2017. Due to the force majeure circumstances of 2010 license agreement for this project extended to the end of 2011. Currently, all permits are

obtained at the pre-project stage (feasibility studies and EIA), examination of changes in the project that was previously approved (move the factory for 4 km from the village) is being prepared, a heavy road and construction equipment (36 units) is bought, and the manufacture of main equipment is ordered (37.5 million USD). Production of first products is slated for summer 2012.

<http://tinyurl.com/3jqlcuf>

May 16, 2011

On May 14 approximately 300 residents of Kokserep village in Ala-Buka region, Jalal-Abad oblast, blocked the road that leads to the gold-mining enterprise Kazakhmys Gold Kyrgyzstan. Protesting people expressed dissatisfaction with the fact that due to the production of the enterprise harms the local ecology is suffering, roads are being destroyed, and the walls of houses near the road are cracking. Local residents also demanded to asphalt the road and to support the improvement of local infrastructure. They met with representatives of local authorities, who promised them that the governor Bektur Asanov will come to the village in order to discuss their demands.

<http://tinyurl.com/4x5hbqv>

May 13, 2011

In 2011 at the mine "Kumtor" it is planned to produce 550-600 thousand ounces, or 17.1 – 18.6 tonnes, of gold. Total investment in 2011 will be around 206 million USD. 170 million USD of which is provided for the development of production, and 36 million USD for the modernization of main assets. Exploration expenses in 2011 will be 13 million USD.

<http://tinyurl.com/3zdb638>

May 3, 2011

According to the forecast data of Kyrgyzaltyn, in 2011 net profit should amount to 120 million 12 thousand soms.

In 2010, it was 208 million 60 thousand soms. Dividend payments to the state-owned shares of OJSC Kyrgyzaltyn in 2011 should make 52 million 53 thousand soms. In 2010, the state budget was paid 52 million 15 thousand soms.

<http://tinyurl.com/3fp4g2t>

April 27, 2011

"The statement of Adviser to the Prime-Minister of Kyrgyzstan Farid Niyazov regarding my involvement in an unjust adjudication on the deposit Djerui is not true", - said the deputy from the Ata-Jurt fraction, Committee Chairman of Jogorku Kenesh on legal matters, Sadyr Japarov. According to him, representatives of CJSC Jerooyaltyn turned to the Committee alleging infringement of their rights in courts. "According to the law I am obliged to respond to these allegations within 1 month. Therefore, I wrote a reply letter to the applicants. I did not send any letter to the court. I have not even seen the conclusion of the profile committee of the Parliament on the fuel and energy complex and subsoil. Therefore, I can assure you that there is no any pressure on the court", - added Sadyr Japarov.

<http://tinyurl.com/3gujobn>

April 1, 2011

The Ministry of Natural Resources of Kyrgyzstan intends to collect from Kumtor Gold Company 20 million USD of economic sanctions. This was said at the meeting of the commission of the Ministry of Natural Resources by the head of the department Ivan Gorodniansky. According to him, in 2010 the company's profitability was 400 percent. At the same time irretrievable oversized losses are estimated at 507.55 kg of gold, and economic sanctions from the state for that amount of loss would be 22 million USD. According to the official, this is a serious figure, and the Ministry is preparing a legal basis for filing this issue to the courts.

<http://tinyurl.com/3ut8zmg>



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www.akipress.kg, www.24.kg, www.parus.kg, www.kyrgyz-el.kg

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