



MINING

INDUSTRY AND LEGAL UPDATE

KALIKOVA & ASSOCIATES

Information for effective business solutions

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IndustryUpdate

Government plans to introduce tax on super income of gold mining companies of Kyrgyzstan

The mining industry of Kyrgyzstan requires legislative changes, Prime Minister Omurbek Babanov said at the press conference on January 30, 2012.

Within the frame of Safety and Adequate Standard of Living Project, the Government intends to introduce taxes on super income. «The changes will apply to the gold mining sector. For us, gold is same as oil for other countries. The Government and the people have the right to tax super income and generate income to fill state budget which will be used to finance social projects. During February, these changes will be introduced», the Prime Minister promised.

<http://www.tazabek.kg/news:274041/>

13 February 2012

State Geology to open its southern representative office

This was announced on February 10 at the lecture before district akims by the state secretary of the State Geology Agency Nabi Eshnazarov. The purpose of establishing the southern representative office of the State Agency for Geology and Mineral Resources is to allow businessmen not to travel far to fill out applications and permits for development.

<http://www.tazabek.kg/news:281711/>

16 February 2012

NBKR starts buying gold from Kyrgyzaltyn OJSC

LegalUpdate

KR Government Resolution «On organizational measures in connection with the approval of the new structure of the Kyrgyz Government» of December 30, 2011 N 762

This resolution was adopted by the Government to implement the Jogorku Kenesh Decree "On Structure of Government of the Kyrgyz Republic" of December 23, 2011 N 1452-V.

By the said resolution, a number of ministries were reorganized and their functions were redistributed. Thus, the Ministry of Natural Resources of the Kyrgyz Republic was reorganized into the State Agency for Subsoil and Mineral Resources of the Government of the Kyrgyz Republic, the functions of carrying on the mineral resources management policy were transferred to the Ministry of Economy and Antimonopoly Policy of the Kyrgyz Republic.

KR Government Resolution «On public administration bodies of the Government of the Kyrgyz Republic» of January 12, 2012 N 12

In accordance with the decree of the Jogorku Kenesh of the Kyrgyz Republic "On Structure of the Government of the Kyrgyz Republic" dated December 23, 2011 N 1452-V and in connection with the ongoing reform of the executive authorities the Kyrgyz Government approved the list of public administration bodies of the Government.

According to this decree, the authorized state body in the area of subsoil is the State Agency

As a result of the work of the interdepartmental commission in December 2011, the National Bank of the Kyrgyz Republic signed the gold bullion purchase agreement with Kyrgyzaltyn OJSC.

Since the end of 2011 the National Bank of the Kyrgyz Republic started buying gold bullions in a standard measure of quality - Good Delivery - from Kyrgyzaltyn OJSC and intends to continue buying them in 2012.

Having reviewed the volumes and periodicity of gold bullion purchase transaction, the National Bank will take into account the monetary and credit policy indicators and possible impacts of gold bullion purchase transactions on these indicators.

<http://www.tazabek.kg/news:279221>

17 February 2012

State Geology is to resume issuing subsoil licenses after creating a statutory framework

The State Agency for Geology and Mineral Resources is to resume issuing subsoil licenses after creating a statutory framework, the head of the agency UchkunbekTashbaev reported to journalists on February 17, 2012. According to him, on March 1, 2012 the State Geology intends to introduce respective bills to the JogorkuKenesh of the Kyrgyz Republic.

<http://www.tazabek.kg/news:280031>

17 February 2012

Kyrgyzstan will reduce the number of licenses and permits

This was announced by Vice Prime Minister of the Kyrgyz Republic JoomartOtorbaev at the Government meeting on February 17, 2012.

The Government plans to set up a licensing unit authorized to control the issuance of permits. «This will facilitate good investment environment in the Kyrgyz Republic. But first, we must eradicate corruption in state structures», JoomartOtorbaev noted.

«To prove its effectiveness, the working group must communicate openly. We will be criticized and cited. But we must act transparently and autonomously because there are no donors in the country yet», Vice Prime Minister said.

<http://www.24.kg/economics/118698-dzhoormart-otorbaev-v-kyrgyzstane-budet.html>

for Geology and Mineral Resources of the Government of the Kyrgyz Republic, headed by Director UchkunbekAzizbekovichTashbaev.

KR Government Resolution «On Transfer of Lands Located in Jergalan hole of Ak-Sui district of Issyk-Kul region of the Kyrgyz Republic, from the category of "Lands of Forestry Fund" to the category of "Lands of Industry, Transport, Communications, Defense and Other Purposes" of January 12, 2012 N 21

According to the said resolution, 136.0 ha of lands located in Jergalan hole of Ak-Sui district of Issyk-Kul region of the Kyrgyz Republic were transferred from the category of "Lands of Forestry Fund" to the category of "Lands of Industry, Transport, Communications, Defense and Other Purposes", in order to develop mining resources at Ichikat deposit. This land plot was provided for temporary use on lease terms to Mineral Trade Limited Liability Company for development of the mineral resources at Ichikat deposit, during the effective term of License dated October 23, 2008 N 2078-ME, issued by the State Agency for Geology and Mineral Resources of the Government of the Kyrgyz Republic.

The Government requires Mineral Trade LLC to pay compensation for loss of forestry production and lost profit according to Kyrgyz law, enter into the lease agreement for land plots with the state administration of Ak-Sui district of Issyk-Kul region of the Kyrgyz Republic. Also, Mineral Trade LLC is required to enter into agreement with the state administration of Ak-Sui district of Issyk-Kul region of the Kyrgyz Republic on a monthly transfer of 1 percent of gross income for the purposes of development of Ak-Sui district, with the creation of the regional development fund and to conduct land rehabilitation activities after the mining of mineral resources is over.

KR Government Resolution «On provision of lands to Interbusiness LLC" of January 12, 2012 №13

By this resolution, the Government transferred 32.75 ha of pastures located in the territory of Kashka-Su village circuit of Chon-Alay district of

17 February 2012

Residents of Talas region have to decide whether Kyrgyzstan needs to preserve the mining industry

This question was raised at the Government meeting of February 17 by Kuban Ashyrkulov, the Director General of Andash Mining Company LLC.

According to him, presently, all mining works in Talas region are suspended. «Local communities step up resistance against mining companies. It is necessary to convene the local people's assembly in this region to have this situation publicly discussed. If the mining industry is not necessary, investors will give up their mining operations and leave Kyrgyzstan», Kuban Ashyrkulov said.

<http://www.24.kg/economics/118694-kuban-ashyrkulov-zhiteli-talasskoj-oblasti.html>

28 February 2012

Chinese counterpart considers mining the mineral deposits of Sandyk, Ishtamberdy and Jetim in exchange for investing in the construction of a railroad China-Kyrgyzstan-Uzbekistan

This was announced by MP Raikan Tologonov (Ata Meken) at the meeting of the parliamentary committee on development of all industries.

The Chinese counterpart, China Road and Bridge Corporation, is considering a scheme «Resources for Investment». However, as MP Tologonov noted, the cost of deposits under consideration is ten times higher than that of the construction project, which is \$2 billion.

Earlier, the Executive Office of the Kyrgyz Government and the Ministry of Natural Resources refuted information on the signing of the Government Resolution directing to transfer Jetim Too iron, Sandyk aluminum and Terek Sai gold deposits to the future investors, who will finance the construction of the railroad China – Kyrgyzstan - Uzbekistan.

<http://www.tazabek.kg/news:282681>

Osh region of the Kyrgyz Republic from the category of "Land of agricultural purpose" into the category of "Land of industry, transport, communications, defense and other purposes" and provided them to Interbusiness LLC for the construction of refinery and tailing facilities for the development of gold at Karakazyk deposit for temporary use during the term of the mining license for gold deposit (dated April 7, 2010 N 1633 AE), issued by the Ministry of Natural Resources of the Kyrgyz Republic.

Interbusiness LLC is required to pay compensation for loss of agricultural production and lost profit according to the norms set by the Kyrgyz legislation, to enter into agreement with the state administration of Chon-Alay district of Osh region of the Kyrgyz Republic on the monthly transfer of 1 percent of gross income for the development of Chon-Alay district of Osh region with the creation of the regional development fund and to conduct land rehabilitation activities after the extraction of gold at Karakazyk deposit is over".

KR Jogorku Kenesh Decree «On Approval of Compositions of Committees of Jogorku Kenesh of the Kyrgyz Republic» of January 19, 2012 N 1529-V

This resolution approved the new composition of the parliamentary committees.

In accordance with the decree, there are 13 parliamentary committees, including the committee on development of sectors of economy, which controls the subsoil industry, and is headed by I.A. Pirmatov, a deputy from Respublika faction.

It should be noted that the number of parliamentary committees was reduced from 16 to 13, while the former committee for industry, energy and subsoil was dissolved.

KR Government Resolution «On Approval of Uniform Registry (List) of State Services Provided by Executive Bodies, their Structural Subdivisions and Subordinate Institutions» of February 10, 2012 №85

For the purposes of implementing the tasks on raising the quality and accessibility of state services provided to citizens and legal entities, the Government approved the Uniform Registry

5 March 2012

The Government included Jerooy gold mining project in the list of 40 national projects

The Government of the Kyrgyz Republic included Jerooy gold mining project in the list of 40 national projects under the Midterm Development Program for 2012-2014. The total cost of the project is \$205 million. It is planned to carry out the project in 2014-2025. It is planned to generate tax proceeds of 340 million soms as royalties and 274 million soms as bonuses.

Vice Prime Minister for economy and investments, Joomart Otorbaev, bears personal liability for the implementation of this project and is included in the working group on drafting new subsoil legislation.

On February 29, 2012 the State Agency for Subsoil and Mineral Resources reported that on March 12 Bishkek City Court would review the case started at the claim of Jerooyaltyn CJSC. The claim seeks to reverse Government Resolution №286 of November 18, 2010 revoking the mining license for Jerooy deposit. Because of this litigation, no tender for development of deposit can be conducted, State Geology reported.

On February 2, 2012, the Supreme Court of the Kyrgyz Republic issued an order reversing the ruling of the Bishkek City Court. Thus, State Geology and other state bodies are prohibited from taking any actions in respect of Jerooy deposit while the litigation is pending.

<http://www.tazabek.kg/news:284171>

(list) of state services provided by executive bodies, their structural subdivisions, and subordinate institutions.

According to this resolution, the executive bodies and their structural subdivisions must be governed by the Registry of state services starting from July 1, 2012 and should not allow the provision of paid state services not included in the Registry of state services.

It should be noted that the list of services in the Registry includes: (1) the provision of geological information on subsoil objects; as well as (2) the provision of brief geological information sufficient for adopting the decision by the subsoil users on conducting exploration or development works or inquiries of interested persons. In both cases, information is provided by the State Agency for Geology and Mineral Resources of the Government of the Kyrgyz Republic free of charge.



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