



MINING

INDUSTRY AND LEGAL UPDATE

KALIKOVA & ASSOCIATES

Information for effective business solutions

Issue 4, May 2010 (bimonthly)

Industry Updates

March 16, 2010

Ministry of Natural Resources has annulled about 300 licenses

The meeting of the commission of the Ministry of Natural Resources has annulled about 300 licenses for violation of the Law on Subsoil. However, the ministry considers that this will not negatively affect the economic indicators of the industry, whereas the remaining 800 licensees will make more investments in 2010. Annually, geologists annul about 400 licenses. Thus, in 2009, the number of holders of mineral rights has reduced from 1,500 to 1,100. The licenses were revoked from those who ignored certain standards and failed to submit necessary reports to the ministry.

As the Ministry of Natural Resources informed, there were no prominent investors among those whose licenses were annulled.

<http://www.paruskg.info/2010/03/16/21611>

April 13, 2010

Mining and exploration companies report raider attacks

According to the president of the Mining Guild Association Vyacheslav Isaev, inactivity of law enforcement agencies raises concerns about the future of the industry which used to be regarded as top priority. Raider attacks, racket, various threats have become regular phenomena in the recent times. Concerns have been expressed also by the management of Talas Copper Gold LLC and Talas Gold Mining Company CJSC.

Legal Updates

Government Resolution of February 19, 2010 N 108 «On State Inspectorate for Supervision over Industrial Safety and Mining Supervision under the Ministry of Natural Resources of the Kyrgyz Republic»

The Government has approved the regulation on the State Mining Supervision Authority. Pursuant to this regulation, this Authority has a number of functions, including:

- supervision over observance of industrial safety requirements during design, construction, expansion, reconstruction, technical re-equipment, operation, suspension, and liquidation of hazardous production facilities;
- supervision over development, production, examination, storage, record, utilization, extermination and sale of industrial explosive materials, equipment and tools used during blasting works;
- supervision over fulfillment of conditions of licenses, permits, certificates and authorizations;
- issuance of licenses, permits, certificates, in accordance with Kyrgyz law;
- approval of development plans of mining and underground exploration works, modification of technology of such works in terms of their safety.

The Interim Government Decree of April 21, 2010 N 18 «On placing legal entities under external administration»

<http://24.kg/politic/71944-gornodobyvayushhie-i-geologorazvedochnye-kompanii.html>

May 4, 2010

Centerra Gold Inc. and Kumtor Operating Company summarized their accomplishments for the 1st quarter of 2010

Centerra Gold Inc. and Kumtor Operating Company summarized their accomplishments for the 1st quarter of 2010, reports KOC public relations department.

According to it, over the first three months of 2010, Kumtor has produced 180,562 ounces (troy ounce being 31.10348 gram) or 5 tons 616 kilograms of gold. Since the beginning of the year, the company has paid more than USD 48 million as taxes and mandatory payments.

<http://www.24kg.org/economics/73382-kompanii-centerra-gold-inc-i-laquokumtor.html>

May 6, 2010

Revision of licensing legislation

On May 6, 2010, the acting minister of economic regulation Emil Umetaliev met with businessmen of Russia, Kazakhstan and Kyrgyzstan who proposed to hold wide public discussions to refine the draft law “On Licenses and Permits”. At present, the MER makes efforts in this direction, but it needs help from the business community. The first step will be to identify all problems and shortcomings in the existing licensing system and to make proposals on how to solve them. The ministry requested all interested persons to submit their proposals on the first block “Problem Identification” by email to the following address license@inbox.ru

<http://business.akipress.org/news:78861/>

May 6, 2010

The Development Fund to be liquidated

The decree regulates activities of the external administrator appointed by the Interim Government. All decisions of the management of legal entities under external administration must be approved by the external administrator, particularly, the decisions involving:

- changes and additions to the constituent documents, change of the amount of the charter capital;
- appointment and dismissal of executive and supervisory bodies;
- approval of annual reports and balance sheets;
- state re-registration, reorganization or deregistration;
- any civil law transactions, including foreign trade deals;
- opening and closing bank accounts;
- transfer and disbursement of money or its equivalents.

The external administrator may receive information and any documents related to the operation of the legal entity, participate in the meetings of the founders (shareholders) and the management of the legal entity. On April 21, 2010, Narynhydroenergostroy OJSC was placed under external administration. On May 7, 2010, the Interim Government placed Alfa Telecom CJSC, Petrol Group LLC, Bishkek Liquor and Vodka Factory OJSC, Tash Kumyr OJSC and Kristall SJSC under external administration.

<http://www.24.kg/community/73596-vremennoe-pravitelstvo-kyrgyzstana-odobrilo.html>

The Interim Government Decree of April 26, 2010 N 23 «On Protection of Investments»

According to this decree, foreign and local investments under the Law of the Kyrgyz Republic “On Investments in the Kyrgyz Republic” are guaranteed and granted fair and equal legal regime, including guarantees of protection of their investment into the economy of the Kyrgyz Republic. The Interim Government of the Kyrgyz Republic has undertaken to adhere to the Kyrgyz Republic’s earlier commitments under international treaties and agreements of the Kyrgyz Republic duly put into effect.

The Development Fund of the Kyrgyz Republic will be liquidated, reported at the press-conference the deputy chairman of the Interim Government, acting minister of finance Temir Sariev. According to him, the decision to liquidate the Development Fund was made by the Interim Government of the Kyrgyz Republic. Currently, efforts are underway to appoint the Fund's legal successor. All money of the Fund is intact and is kept in the special account of the government.

<http://business.akipress.org/news:78741/>

May 3, 2010

Draft Constitution of the Kyrgyz Republic of 2010

The Interim Government has published on its website the draft of the new Constitution of the Kyrgyz Republic. The draft, in particular, contains the following provision: *«Land, subsoil assets, air space, water, forests, flora and fauna, other natural resources shall be the property of the Kyrgyz Republic, shall be used as a basis for life and functioning of the people of Kyrgyzstan and shall be under the special protection of the state. Land [the words “and other natural resources” are deleted] may also be owned privately, municipally and otherwise, except pastures, which may not be owned privately. Limits on and procedures for the execution of their rights by land and natural resources owners and guarantees of the protection [of such rights] shall be set forth by law.».*

The final draft of the Constitution of Kyrgyzstan planned to be put to a referendum on June 27, 2010, will be published on May 20, 2010.

www.kyrgyz-el.kg

The Interim Government Decree of April 30, 2010 N 29

The decree lifted the moratorium imposed by the Interim Government for the period from April 12 to June 1, 2010 on transactions in movable and immovable property acquired after March 2005, and on state re-registration of legal entities. However, the moratorium continues to apply to the provisionally attached property in criminal proceedings.

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The sources of news contained in the Update are websites:
www.akipress.kg, www.24.kg, www.parus.kg, www.kyrgyz-el.kg

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