



# MINING

INDUSTRY AND LEGAL UPDATE

KALIKOVA & ASSOCIATES

*Information for effective business solutions*

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## Industry Update

6 March 2012

### **Kentor Gold is ready to invest USD 106 million in Andash mine**

Kentor Gold, the main investor of Andash gold deposit, confirmed their willingness to invest USD 106 million in the project. This was announced by Simon Milroy, Managing Director of Kentor Gold's Board of directors.

"We offer a generous package of social assistance to the residents of Kopuro-Bazar village in Talas. Most of 450 job positions will be available to local residents. Annually, the company will allocate USD 1 million for the development of the local community. We offer credits on favorable terms and monthly monetary assistance to every family. Andash Project is of importance for the whole country, its annual payments to the government budget will amount to USD 30 million", said Simon Milroy.

<http://www.knews.kg/ru/econom/12164/>

### **37 lawsuits filed against the Ministry of Natural Resources in 2011**

In 2011, 37 lawsuits were filed against the Ministry of Natural Resources (the State Agency for Geology and Mineral Resources). Most of these lawsuits concerned the revocation of licenses.

[http://www.vb.kg/news/economy/2012/02/09/178328\\_v\\_2011\\_gody\\_protiv\\_minprirodresyrsov\\_podano\\_37\\_iskov\\_v\\_sydy.html](http://www.vb.kg/news/economy/2012/02/09/178328_v_2011_gody_protiv_minprirodresyrsov_podano_37_iskov_v_sydy.html)

## Legal Update

28 March 2012

### **KR Government Order of 28 March 2012 N 111-p**

In order to further the principles of the Extractive Industries Transparency Initiative (hereinafter - the "EITI") in the Kyrgyz Republic, to fulfill commitments of the Kyrgyz Republic under the EITI, and to improve the interaction between the parties to the EITI, KR Government approved the draft Letter-Agreement with regard to the grant of the Trust Fund, financed by a group of donors, for the implementation of the project "Extractive Industries Transparency Initiative in Kyrgyzstan - the phase after obtaining the status of follower I".

According to the Letter-Agreement, the International Development Association ("World Bank"), acting as an administrator of grant funds suggests to provide to the Kyrgyz Republic a grant in the amount not exceeding USD 200,000 to finance various activities that will be conducted within the implementation phase after obtaining the status of the follower of the EITI by the Kyrgyz Republic for the period up to June 2013.

30 March 2012

### **KR Government Resolution "On draft laws "On Subsoil", "On introduction of amendments into the Law "On non-tax payments", "On introduction of changes and amendments into the Land Code" and "On introduction of changes and amendments into the Tax Code" of 30 March 2012 N 222**

20 April 2012

### **Exploration of Taldy-Bulak deposit in Talas region resumed after six months of inactivity**

Talas Copper Gold mining company, the State Agency for Geology and Mineral Resources and residents of Aral village, where the development takes place, signed a tripartite agreement on partnership. This agreement provides for social investment program for sustainable rural development and cooperative activities to monitor the environment and awareness of local residents.

Furthermore, as it was agreed while hiring employees for exploration purposes, the preference is given to local residents, and candidates are selected by the local commission taking into account qualifications and financial needs of each candidate.

<http://www.24.kg/economics/127079-na-mestorozhdenii-taldy-bulak-v-talasskoj-oblasti.html>

20 April 2012

### **Five new fields of metal discovered in Kyrgyzstan, as reported by the State Agency for Geology and Mineral Resources**

According to the State Agency for Geology and Mineral Resources, 2 mercury deposits in Nookat district of Osh region, 2 antimony deposits in Kadamjai district of Batken region and Chatkal district of Jalal-Abad region, and arsenic deposit in the Bakay-Ata district of Talas region are ready for development.

As noted, the new deposits are put on the records of the State Agency for Geology and Mineral Resources. "Further, they will tendered for development. Geological explorations are completed; deposits are ready for development", - added the State Agency for Geology and Mineral Resources.

<http://www.24.kg/economics/127018-v-kyrgyzstane-gotovy-k-osvoeniyu-5-novyx.html>

26 April 2012

### **KR Government assured that licenses were not issued after the decision to ban gold mining**

Head of the State Agency for Geology and Mineral Resources Uchkunbek Tashbaev said

KR Government by the Resolution of 30 March 2012 approved draft laws "On Subsoil", "On introduction of amendments into the Law "On non-tax payments", "On introduction of changes and amendments into the Land Code" and "On introduction of changes and amendments into the Tax Code".

Above mentioned daft laws were directed to Jogorku Kenesh for review.

4 April 2012

### **KR Government Resolution "On approval of Regulation on the licensing of subsoil use" of 4 April 2012 N 228**

This resolution was adopted by the Government in accordance with the Subsoil Law and in order to improve the regulation of subsoil use and to ensure maximum openness and transparency in the subsoil licensing.

The Regulation approved by the resolution determines the order of subsoil licensing, in particular, order of the auctions and competitions, and regulates the relations arising from the subsoil use.

6 April 2012

### **KR Prime-Minister Orders "About Osmonbetov E.K." of 6 April 2012 N 376 and "About Eshnazarov N.A." of 11 April 2012 N 391**

By Prime-Minister's Order of 6 April 2012, Osmonbetov Emil Kubatovich was appointed as deputy director of the State Agency for Geology and Mineral Resources under the Government of the Kyrgyz Republic, and by Order dated 11 April 2012 Eshnazarov Nabi Asanovich was appointed as State Secretary of the State Agency for Geology and Mineral Resources.

13 April 2012

### **KR Law "On introduction of amendments and changes to the Law "On Subsoil" of 13 April 2012 N 34**

On April 13, 2012, was adopted the KR Law "On introduction of amendments and changes to the Law "On Subsoil". The adopted law

that licenses were not issued after the decision to ban gold mining.

He was commenting on the information of the leader of the faction "Ata-Jurt" Kamchibek Tashiev that in late 2011 two licenses for gold mining were issued.

According to Uchkunbek Tashbaev, audit revealed that the licenses are fake. "Starting from April 2012, all data on license holders are published in order that everyone can get information who has received licenses," - added Uchkunbek Tashbaev.

<http://www.24.kg/parlament/127574-v-pravitelstve-kyrgyzstana-zaveryavut-cto-posle.html>

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27 April 2012

### **This year State Agency for Geology and Mineral Resources plans to introduce a unified system of state governance over the mining companies**

This year, the State Agency for Geology and Mineral Resources plans to digitize all the information about the deposits of Kyrgyzstan and to introduce a unified system of state governance over the mining companies. This was announced by the director of the State Agency for Geology and Mineral Resources Uchkunbek Tashbaev.

The proposal to introduce a unified system of governance has been discussed in the framework of the 14th session of the Intergovernmental Kyrgyz-Russian Commission on Trade, Economic, Scientific, Technological and Cultural Cooperation.

"In Russia and Kazakhstan, there is a single database, which includes all production and financial reports from the moment of registration of legal entities in the sphere of subsoil use, or upon issuance of the license. Access to the database is available to Tax Service, technical inspection and local governments. Today in Kyrgyzstan, all data are scattered, and it turns out that companies report large amounts of works, but pay little tax, and, conversely, say that they pay millions of taxes, but physically the amount of works is not fixed. It is necessary to synchronize the information", commented Uchkunbek Tashbaev.

<http://www.knews.kg/ru/econom/15240/>

introduces a new term "historical cost". The terms of payment of historical cost shall be specified in the license agreement, and the cost shall be calculated in accordance with the rules approved by the KR Government.

The Law also provides that all interested parties have the right to review at the authorized state body on the subsoil (the State Agency for Geology and Mineral Resources) the terms of subsoil use and its results.

In addition, the law was supplemented by article 17-1 which provides that the use of certain subsurface resources may be limited or prohibited by the KR Government in order to ensure the country's security and environmental protection. Use of natural resources in the territories of populated areas, suburban areas, forests, protected areas, industrial facilities, transportation and communications may be partially or totally prohibited by the KR Government in cases such use would endanger the human life or health, harm the economic objects or the environment.

This law came into force on 20 April 2012.

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18 April 2012

### **KR Government Order of April 18 2012 N 152-p**

On 18 April 2012, for the effective and targeted use of sponsorship from Kumtor Gold Company CJSC, the Prime-Minister Omurbek Babanov signed an order approving a draft Memorandum of Understanding between the KR Government and Kumtor Gold Company CJSC on the use of sponsorship for assistance to employment and poverty reduction.

According to the Memorandum, Kumtor Gold Company CJSC shall allocate USD 21 million in sponsorship.

The funds will be provided in the form of micro-credit through the Microcredit Agency "Ala-Too Finance" to persons in need for the development of crops, livestock and the provision of various services in rural areas of the country.

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24 April 2012

### **KR Government Resolution "On introduction of changes to the KR Government Resolution "On approval of the Regulation on the KR State Commission on mineral reserves" of 24 December 1997 N**

28 April 2012 года

## **10 fields of mineral resources will be tendered**

Director of the State Agency for Geology and Mineral Resources Uchkunbek Tashbaev during the meeting with journalists reported that 10 mineral deposits would be tendered.

“In the first place, we will take some small fields, there will be 10 fields. This list will include small and medium-sized fields,”- said U.Tashbaev.

“We have full authority to conduct auctions on deposits, and no object will be exposed to licensing. This is the first experience and we understand that the way we conduct it, the amount of proceeds to the budget and whether all stakeholders will be satisfied, are the factors which will influence the success of the next campaign,” - said U.Tashbaev.

As the head of the agency noted, the commission would be formed, which would select fields by certain parameters, “first and foremost it will be those objects for which many applications are filed.”

<http://www.kyrtag.kg/?q=ru/news/19937>

8 May 2012

## **Chinese investors ordered to suspend works on the field Buchuk in Naryn region**

Jhoing Ji Mining Company Company ordered to suspend the geological works in the field Buchuk until the specially created inter-agency commission on the examination of the situation on the field will make a decision.

On May 7, the management of the State Agency for Geology and Mineral Resources met with representatives of the youth movement “Kyrgyzstan jashtar keneshi” who are against the geological exploration and development of the Buchuk site of Solton-Sary deposit. It believes that the Chinese miners violate environmental laws, and this should be grounds for revocation of their license.

Members of the Commission on regulation of subsoil issues decided to create an extended inter-agency commission to study the environmental situation in the field. It will also include members of the youth movement and the local population. They will conduct the selection of soil, water and other necessary materials.

In addition to environmental assessments, inter-

## **751” of 24 April 2012 N 256**

KR Government by the Resolution of 24 April 2012 amended the Resolution “On Approval of the KR State Commission on mineral reserves”, approving the new members the State Commission on mineral reserves. The Director of the State Agency for Geology and Mineral Resources was appointed as a chairman of the State Commission on mineral reserves, deputy chairmen are the head of the subsoil department of the Government’s Office and the deputy director of the State Agency on Geology and Mineral Resources.

Members of the State Commission on mineral reserves are the deputy minister of economy and antimonopoly policy, the deputy minister of finance, representatives of the State Agency for Geology and Mineral Resources, as well as representatives of Kyrgyzaltyn OJSC, Ken –Too Design and Research Center, and Kyrgyzneftegaz OJSC.

25 April 2012

## **KR Government Resolution “On determination of quotas for labor migration, which sets the maximum number of foreign citizens and stateless persons arriving in the Kyrgyz Republic for employment, by industry and regions of the Kyrgyz Republic for 2012” of 25 April 2012 N 259**

According to the Law “On labor migration” and the Law “On international migration”, the KR Government on 25 April 2012 adopted a resolution defining the quota for labor migration, and establishing the maximum number of foreign citizens and stateless persons arriving in the Kyrgyz Republic for employment, by industry and regions of the Kyrgyz Republic for 2012.

According to a determined quota, the maximum number of foreign citizens and stateless persons arriving in the Kyrgyz Republic to work in the field of transport, communication, exploration and mining industry is 1,539 persons throughout the country, including in Batken region - 69, in Jalal-Abad region - 500, in Issyk-Kul region - 60, in Naryn region - 30, in Osh region - 50, in Talas region - 40, in Chui region - 210, in Bishkek city - 550, in Osh city - 30.

28 April 2012

## **KR Prime-Minister’s Order of 28**

agency commission will conduct economic assessment. Representatives of the State Tax Service and local authorities will check all tax and other deductions for the company's all-time work.

<http://www.24.kg/economics/128333-kitajskim-investoram-predpisano-priostanovit.html>

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10 May 2012

### **Mining companies to allocate 2% of monthly income to local budgets**

The Jogorku Kenesh overcame President's objection to the bill, binding the mining companies to pay 2% of their monthly income to local budgets.

Draft Law "On introduction of additions into the Law "On non-tax payments" was adopted by Jogorku Kenesh on November 18, 2011. Pursuant to this amendment, mining companies shall allocate 2% of their monthly revenue to local budgets.

The Government was against this draft law considering the introduction of an additional tax unreasonable.

Further, the draft law will be turned to the President for signing. If he refuses to sign it for the second time, this right will transfer to the speaker of the Parliament Asilbek Jeenbekov.

[http://www.knews.kg/ru/parlament\\_chro/15806/](http://www.knews.kg/ru/parlament_chro/15806/)

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15 May 2012

### **The Parliament Committee ordered to suspend the development of Ishtamberdy deposit**

Works on the gold deposit Ishtamberdy in Jalal-Abad region shall be suspended until clarification of the circumstances that occurred after the chemicals leaking. Such decision was made by the Parliament Committee on development of industries.

Members of the Committee on development of industries requested to suspend works on gold deposit Ishtamberdy due to violations of operating rules and safety standards.

Members of the Committee ordered the State Agency for Geology and Mineral Resources to investigate the accident on Ishtamberdy and provide full information. Until that time, the works on the site shall be suspended.

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### **April 2012 N 412**

On 28 April 2012, in accordance with the Regulation on the licensing and regulation of subsoil use, the Prime-Minister signed an order approving the Commission on regulation of subsoil issues under the State Agency for Geology and Mineral Resources.

The Commission consists of 15 members, including the representatives of the State Agency for Geology and Mineral Resources, of the subsoil department of the Government's Office, of the Ministry of economy and antimonopoly policy, of the State Tax Service, of the State Inspectorate for Environmental and Technical Safety, of the Ministry of Finance, of the State Agency for Environmental Protection and Forestry. Private sector is represented by the Executive Director of the International Business Council (as agreed).

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## A new website of the State Agency for Geology and Mineral Resources launched

The State Agency for Geology and Mineral Resources has launched a new website [www.geology.kg](http://www.geology.kg) which includes information on subsoil users, licenses, activities of the licensing commission, and other information about activities of the State Agency for Geology and Mineral Resources and mining industry news. Also protocols of the Commission on regulation of subsoil issues are available in the following link:

<http://geology.kg/litsenzirovaniye-nedropolzovaniya/rabota-litsenzionnoj-komissii.html>.

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