ON SUBSOIL

LAW OF THE KYRGYZ REPUBLIC

Bishkek, August 9, 2012

No.160

Mineral Resources Act

(As amended by Act No. 77 of May 24, 2014)

Chapter 1

General Provisions

Article 1. Scope of this Act

1. The law of the Kyrgyz Republic "Mineral Resources Act" (the “Act”) shall govern the relationship between the State and individuals or legal entities or other States arising from subsurface management.

2. Kyrgyz legislation in the field of subsurface management shall be based on the provisions of the Kyrgyz Constitution and shall consist of this Act and acts and regulations of the Kyrgyz Republic adopted on the basis of this Act.

3. This Act shall provide regulatory framework, competences of state government, local state administration and local self-governance authorities, rights and responsibilities of individuals and legal entities, as well as liability for violation of Kyrgyz legislation in the field of subsurface management.

Article 2. Applicability of other acts and regulations to subsurface management

1. The relationship concerned with the land, water, flora, fauna and atmospheric air resources management and protection involved in the subsurface management and not specifically regulated by this Act shall be governed by the appropriate legislation of the Kyrgyz Republic.

2. Mineral rights awarded under this Act shall not be governed by the licensing legislation of the Kyrgyz Republic.

3. Peculiarities of relationship involved in subsurface management based on mineral production sharing and concession agreements shall be established by the appropriate laws of the Kyrgyz Republic.

Article 3. Subsurface ownership right

Subsurface shall constitute the exclusive property of the Kyrgyz Republic, shall be used as a fundamental source for the Kyrgyz people's sustenance and shall be under special protection of the State.

Article 4. Terms used in this Act

Bonus refers to a tax on mineral rights payable under the Tax Code of the Kyrgyz Republic.

Regenerating mineral deposits refer to sand and gravel deposits in river beds naturally regenerating in the course of their mining.

High-grading refers to an engineering design infringement involving the practice of mining selectively and targeting high-grade areas of a mine while leaving lower-grade ore.

Land right holders refer to local state administration and local self-government authorities, public authority for implementation of the state policy on subsurface management, all of which are given the delegated power to award land claims, and to land owners.

Geological information about mineral resources refer to information contained in geological reports, maps, samples, test reports and other records, such as geological, mining engineering, technological, and economic information (data) on geologic structure and development history of subsurface resources, content, features and bedding conditions of rocks, underground water, mineral resources and other geological formations, geophysical and geochemical fields, approaches and results of mineral exploration and management, and extracted raw minerals.

Geological information resources refer to documents containing geological and other information on mineral resources, as well as information products created by using the same.

Exploration claim refers to a subsurface area awarded for mineral exploration and defined in the graphic documentation by its corner points in the rectangular coordinate system.

Mineral exploration refers to mineral prospecting and reconnaissance, regional surveying, geological, geophysical and other operations.

Mineral prospecting refers to geological research including stages of regional, general and detailed prospecting, as well as prospect estimating operations directed at detection of mineral occurrences and deposits and estimation of their forecast resources and expediency of geological reconnaissance.

Mineral reconnaissance refers to geological research including stages of preliminary and detailed reconnaissance of minerals, as well as underground water and thermal resources, with an aim to explore and prepare them for mining, to determine their quantity and quality, technological features, geological, mining engineering, hydrogeological and other mining conditions, and to estimate reserves.

Mining property refers to immovable property created or acquired by a mineral right holder within the limits of the land, mining or exploration claim to enable subsurface management.
Mining claim refers to a subsurface area with its depth determined by the extension depth of relevant mineral resources, which is awarded for mineral mining and is defined in the graphic documentation by corner points in the 3-D rectangular coordinate system, or a subsurface area awarded for the placement of non-mining facilities.

Group of mineral resources refers to types of mineral resources united by common features. For the purposes hereof, mineral resources are divided into the following groups:

Group 1. Oil and fuel gas:
- oil and gas;
Group 2. Solid fuels:
- coal and shale coal;
- turf;
Group 3. Ore minerals:
- ferrous metals;
- nonferrous metals;
- precious metals;
- rare metals;
- rare-earth elements;
- radioactive elements;
Group 4. Non-ore minerals and building materials:
- carbonate raw materials;
- brick and tile raw materials;
- inert materials;
- gypsum;
- light filler raw materials;
- finishing materials and building stones;
Group 5. Ornamental and precious stones:
- raw gemstones;
- precious stones;
Group 6. Mining chemical raw materials:
- agrochemical raw materials;
- technical raw materials;
Group 7. Fresh and mineral underground water;
Group 8. Alluvial precious metal deposit

Mineral production refers to extraction of mineral resources from subsurface.

Off-balance reserves refer to mineral reserves recorded in the State Register of Mineral Reserves of the Kyrgyz Republic as economically unsound in terms of their mining at the time of their recording.

Land claims refer to land plots provided to mineral right holders for engaging in mining operations and for building infrastructure facilities (roads, warehouses, tailings, power lines, field camps, etc.) defined in the graphic documentation by their corner points in the rectangular coordinate system.

Land plot of the State Mineral Land Reserve refers to a surface area whose underlying mineral deposits are explored and recorded in the State Register of Mineral Resources of the Kyrgyz Republic, which area is defined in the graphic documentation by its corner points in the rectangular coordinate system.

Extractive Industries Transparency Initiative (EITI) refers to a global international standard to promote transparency of revenues from extractive industries involving reconciliation of payments made by companies and revenues received by the Government of the Kyrgyz Republic as well as regular information of the public.

Conservation refers to temporary suspension of mineral prospecting and reconnaissance and/or mining operations and/or construction and operation of the mining or other property, while maintaining the possibility of resumption of suspended operations.

Concession agreement refers to a form of mineral right arising under the concession agreement between the Kyrgyz Government and/or the public authority for implementation of the state policy on subsurface management and the mineral right holder, whereby the mineral right holder is awarded an exclusive right to engage in mineral exploration and/or mining operations under the terms and conditions defined in the concession agreement.

Disposal of mining property refers to a set of measures involved in the termination of mineral rights and aimed to prevent further use of the property, to ensure the public safety and health and to protect mineral resources and the environment.

Licensee refers to an individual or legal entity holding a mineral license and registered in accordance with the laws of the Kyrgyz Republic.

License area refers to a surface area corresponding to a subsurface area, over which a mineral license is awarded, defined in the graphic documentation by its corner points in the rectangular coordinate system; dimensions of the license area are denominated in square kilometers or hectares.

License fees refer to the mineral license retention fees payable by the licensee under this Act and the Non-tax Payments Act of the Kyrgyz Republic.

Licensed asset refers to a subsurface area including a mineral deposit or occurrence, prospective exploration area or non-mining facility and defined in the graphic documentation by its corner points in the rectangular coordinate system.

Licensing authority (licensor) refers to a public authority for implementation of the state policy on subsurface management.
License package refers to a list of geological information resources determined by the public authority for subsurface management with respect to the licensed asset.

License agreement refers to an agreement between the licensor and the licensee setting forth the terms and conditions of subsurface management. The license agreement constitutes an integral part of the mineral license.

License number of subsurface asset refers to a country-unique number of the licensed asset assigned thereto in the manner defined in the acts and regulations of the Kyrgyz Republic and reserved for it as long as the licensed asset exists as a single object of registered right.

Mineral license refers to a document issued by the licensing authority under this Act and certifying a mineral right.

Mineral deposit refers to a subsurface area containing estimated mineral resources which mining is industrially sound.

Subsurface disturbance refers to subsurface management involving excavation of ditches, trenches, adits, main shafts and tunnels; drilling of holes, as well as construction of underground non-mining facilities.

Subsurface refers to part of earth crust below topsoil or, if there is no topsoil, below earth surface and bottom of water basins and water courses, extending to the depth accessible by geological exploration and development, including alluvial mineral deposits.

Discovery of a mineral deposit (occurrence) refers to detection of mineral concentrations. A deposit or occurrence is deemed discovered from the moment of its registration in the State Cadaster of Mineral Deposits and Occurrences of the Kyrgyz Republic. The regulation governing discoverers of mineral deposits is approved by the Government of the Kyrgyz Republic.

Subsurface protection refers to a set of measures established by the appropriate laws of the Kyrgyz Republic to ensure rational subsurface management.

Geological information package refers to a set of such geological, mining engineering, technological and other information as may be available in hard copy and (or) in electronic format in regard to a particular subsurface asset.

Primary geological research materials refer to information contained in natural carriers (material information) such as strip log, oil, water, or gas samples, rock material specimen, collections of various purpose, duplicate samples, thin sections and the like; information contained in artificial carriers (paper, magnetic and others) such as field reports and documentation, including digital ones, sampling logs, sample analyses results, geophysical observation records and other similar materials.

Prospective exploration area refers to a subsurface area which has prospects for detection of mineral deposits and occurrences judging by its geological features and peculiarities.

Mineral resources refers to natural mineral formations found in subsurface, including hydrocarbons and underground water, whose chemical composition and physical properties allow using them for material production and consumption in their natural form or after their processing.

Subsurface management refers to management of a certain subsurface area including extraction of mineral resources from technogenic formations.

Mineral right holder refers to an individual or legal entity holding mineral rights.

Termination of a mineral right refers to withdrawal (revocation) of license by decision of the public authority for implementation of the state policy on subsurface management.

Suspension of a mineral right refers to a temporary restriction of the right to engage in mineral operations except the maintenance of a mining property in a safe, trouble-free and secure condition for the public and environment imposed on a mineral right holder by the public authority for implementation of the state policy on subsurface management as a remedial measure for violation of law or by the court in the framework of the legal proceedings.

Mineral occurrences refer to natural concentrations of mineral resources in subsurface (including underground water) not duly recognized as deposits.

Mineral mining refers to activities at mine involving extraction and processing of mineral resources.

Mine reclamation refers to a set of measures intended for rehabilitation of productivity and economic value of disturbed land areas.

Royalty refers to a tax on mineral rights payable under the Tax Code of the Kyrgyz Republic.

Easement refers to free and/or restricted access to land, mining and/or exploration claims.

Production sharing agreement refers to an agreement whereby the Government of the Kyrgyz Republic awards exclusive mining rights to a mineral right holder for a definite period and the mineral right holder undertakes to perform specified operations at its own expense and risk. The production sharing agreement defines the terms and conditions of subsurface management, terms and conditions of sharing production between the parties to the agreement, and other terms and conditions provided by the laws of the Kyrgyz Republic governing production sharing agreements.

Social package refers to an agreement between a mineral right holder and an executive authority to facilitate socio-economic development of the region where a subsurface asset of national importance is located in accordance with the local community socio-economic development programme.

Feasibility study (FS) refers to technical and economic calculations showing whether the mineral mining is economically sound.

Engineering design refers to detailed (working) analytical and graphic documentation required for exploration and/or commercial development of mineral deposits, including geological, mining, technological (beneficiation and/or metallurgical process) and economic-financial sections of the mining project and mine reclamation plan.

Technogenic formations refer to wastes resulting from mineral mining.

Subsurface area refers to a geometrized area of subsurface with spatial boundaries.

Force majeure refers to circumstances of insuperable force complicating the fulfillment of conditions of awarding mining rights. Insuperable force means occurrence of emergency and unavoidable situations as a result of natural disasters such as earthquakes, floods or blockades, wars, strikes or other circumstances which are impossible to foresee or prevent, or are possible to foresee, but not to prevent. The aforesaid circumstances are identifiable by the facts of common knowledge, publications in mass media and any other means not requiring special means of proof.

Economic (on-balance) reserves refer to mineral reserves recorded in the State Register of Mineral Reserves of the Kyrgyz Republic as economically sound in terms of mining.

(As amended by Act No. 77 of May 24, 2014)
Competences of Public Authorities

Article 5. Competences of the Government of the Kyrgyz Republic

1. The Government of the Kyrgyz Republic shall be competent to:

1) control and manage the State Subsurface Fund;
2) ensure the fulfillment and improvement of the state policy and legislation in the field of subsurface management;
3) define subsurface areas and deposits with an aim to meet public needs in strategic types of mineral raw materials;
4) impose limitations and bans on subsurface management with an aim to ensure national security, public safety and environmental protection;
5) approve the list of subsurface areas and deposits identified as strategically important;
6) approve the list of nationally important objects to be tendered;
7) approve a regulation governing the State Commission on Mineral Reserves of the Kyrgyz Republic;
8) approve technical guidelines in the field of subsurface management;
9) approve a regulation governing discoverers of deposits in the Kyrgyz Republic;
10) approve members of the Commission on Mineral Tenders and its governing regulation;
11) perform other powers in accordance with this Act and Kyrgyz legislation in the field of subsurface management.

2. Competences of the Kyrgyz Government in the field of subsurface management shall be exercised by the appropriate public authorities.

Article 6. Competences of the public authority for development of the state policy on subsurface management

The public authority for development of the state policy on subsurface management shall be competent to:

1) develop the state policy on subsurface management and submit it to the Government of the Kyrgyz Republic for approval;
2) develop acts and regulations in the field of subsurface management;
3) develop proposals to improve tax legislation in the field of subsurface management and submit them to the Kyrgyz Government for approval;
4) develop, jointly with the appropriate public authorities, the investment policy on subsurface management with an aim to encourage investment in mineral exploration and production;
5) carry out non-judicial dispute resolution within the limits of its competence;
6) participate in tender and auction commissions;
7) receive information from the public authority for implementation of the state policy on subsurface management for the purposes of developing the state policy on subsurface management;
8) perform other powers provided by this Act and legislation of the Kyrgyz Republic.

Article 7. Competences of the public authority for implementation of the state policy on subsurface management

The public authority for implementation of the state policy on subsurface management shall be competent to:

1) implement the state policy on subsurface management;
2) organize the system of awarding mineral rights and land plots of the State Mineral Land Reserve;
3) attract investment in mineral exploration and mining;
4) regulate mineral exploration;
5) keep the State Register of Mineral Reserves of the Kyrgyz Republic;
6) keep the State Cadaster of Mineral Deposits and Occurrences of the Kyrgyz Republic;
7) organize the management of the State Geological Information Fund;
8) organize activities of the State Commission on Mineral Reserves of the Kyrgyz Republic;
9) perform supervision over subsurface protection within the limits of exploration, mining and land claims;
10) perform state registration of mineral rights in cases provided by this Act;
11) award, suspend and terminate mineral rights and the right to use lands of the State Mineral Land Reserve;
12) perform expert appraisal of mining and exploration projects;
13) represent the Kyrgyz Government in litigations related to subsurface management;
14) develop technical guidelines and rules in the field of subsurface management;
15) perform control in the field of subsurface management and protection during exploration and industrial development of subsurface;
16) perform other powers in accordance with this Act and legislation of the Kyrgyz Republic.

Article 8. Competences of the public authority for environmental and technical safety

(Repealed by operation of Act No. 77 of May 24, 2014)

Article 9. Competences of the local state administration and local self-government authorities

The local state administration and local self-government authorities shall be competent to:
1) award land claims and temporary land use rights for the terms specified in the license in cases provided by this Act and the Land Code of the Kyrgyz Republic;

2) ensure free access of licensees to license area;

3) discontinue unauthorized mineral production;

4) control disposal and conservation of the mining and other property used during mineral mining or exploration, including reclamation of land plots and licensed assets;

5) participate in the tender or auction commissions for licensed assets located within an administrative-territorial unit;

6) organize public environmental appraisal of subsurface management projects;

7) work with local people in order to discontinue illegal interference in the affairs of mineral right holders;

8) perform other powers in the field of subsurface management in accordance with this Act and legislation of the Kyrgyz Republic. Individual artisanal miners shall be registered and regulated by the local state administration authorities.

**Article 10. State Subsurface Fund**

1. All subsurface in the Kyrgyz Republic shall form the State Subsurface Fund.

2. The State Subsurface Fund shall include the following:

1) subsurface areas awarded for use in the manner prescribed by the legislation of the Kyrgyz Republic in the field of subsurface management (distributed subsurface fund);

2) subsurface areas not awarded for use in the manner prescribed by the legislation of the Kyrgyz Republic in the field of subsurface management (undistributed subsurface fund).

**Article 11. State Cadaster of Mineral Deposits and Occurrences of the Kyrgyz Republic**

1. The State Cadaster of Mineral Deposits and Occurrences of the Kyrgyz Republic (Cadaster) shall keep state record of mineral deposits and occurrences and lay the foundation for formation of the State Subsurface Fund.

2. The Cadaster shall contain data about each deposit and occurrence describing quantity and quality of the principal and accompanying minerals, mining-engineering, hydro-geological, ecological, geo-economic and other mining conditions. Data about reserves and resources shall be used as a basis for bonus calculation.

3. The Cadaster shall be kept and maintained by the public authority for implementation of the state policy on subsurface management on the basis of geological information resources.

**Article 12. State Register of Mineral Reserves of the Kyrgyz Republic**

1. The State Register of Mineral Reserves of the Kyrgyz Republic shall contain data about quantity, quality and degree of geological certainty of mineral resources classified by deposits, location and extent of commercial development, production and economic life of proven reserves of acting enterprises.

2. De-registration of on-balance mineral reserves which lost their economic value, got lost in the process of production or remained unconfirmed during subsequent exploration or mining of mineral deposit shall be performed by the public authority for implementation of the state policy on subsurface management with subsequent amendments and modifications made to the State Register of Mineral Reserves of the Kyrgyz Republic.

**Article 13. State approbation and registration of mineral reserves and resources**

1. Reserves and predicted resources of minerals in deposits shall be subject to registration in the State Register of Mineral Reserves of the Kyrgyz Republic on the basis of approbation by the State Commission on Mineral Reserves of the Kyrgyz Republic.

2. The state approbation of mineral reserves shall be performed by the State Commission on Mineral Reserves of the Kyrgyz Republic (SCMR) formed by the Government of the Kyrgyz Republic from among highly qualified experts acting pursuant to the Regulation governing the State Commission on Mineral Reserves of the Kyrgyz Republic approved by the Government of the Kyrgyz Republic.

3. Procedure for keeping the record of mineral reserves shall be established by the public authority for implementation of the state policy on subsurface management.

**Article 14. State Mineral Land Reserve**

1. Land plots containing mineral deposits recorded in the State Register of Mineral Reserves of the Kyrgyz Republic shall form the State Mineral Land Reserve.

2. If on the land plot, whether owned or used, mineral reserves are discovered and recorded in the State Register of Mineral Reserves of the Kyrgyz Republic, the Government of the Kyrgyz Republic, by recommendation of the public authority for implementation of the state policy on subsurface management, shall adopt a decision to transform this land into category of lands of the State Mineral Land Reserves in accordance with the land legislation of the Kyrgyz Republic.

3. The award of land plots included in the State Mineral Land Reserve shall be performed by the public authority for implementation of the state policy on subsurface management in the manner prescribed by this Act and the Land Code of the Kyrgyz Republic.

**Article 15. Nationally important mineral deposits**

1. The list of nationally important mineral deposits shall be approved by the Government of the Kyrgyz Republic by recommendation of the public authority for implementation of the state policy on subsurface management and shall be published in mass media.

The list of nationally important mineral deposits shall include the subsurface assets already awarded for use.

2. Mineral rights in respect of nationally important mineral deposits shall be awarded solely according to tender results.

(As amended by Act No. 77 of May 24, 2014)
Article 16. Geological information about mineral resources

1. Geological information about mineral resources shall constitute the property of the Kyrgyz Republic.

2. Geological information about mineral resources may be provided by the public authority for implementation of the state policy on subsurface management to a mineral right holder for the term of the mineral right, upon expiration whereof it must be returned.

3. Geological information about mineral resources, obtained with financial support from entrepreneurs, enterprises and organizations, including joint and foreign ventures, remains their property during the term defined in the license agreement, upon expiration whereof the mineral information shall be appropriated by the State free of charge.

4. All persons, whether or not mineral right holders, who may have geological information about mineral resources which was received from the State either previously or with legal violations, upon demand of the public authority for implementation of the state policy on subsurface management, must transfer such information to the State.

5. The persons guilty of failing to transfer or evading from transferring geological information about mineral resources or providing false mineral information to the State shall be held liable in accordance with the laws of the Kyrgyz Republic.

(As amended by Act No. 77 of May 24, 2014)

Article 17. State Geological Information Fund

1. The State Geological Information Fund shall include geological information about mineral resources, as well as archives, collections of rock and core samples, paleontological remains, thin sections, polished sections, museum collections, library of special literature in paper and electronic format.

2. The State Geological Information Fund is formed out of deposit copies of geological information provided by all mineral right holders free of charge in the manner required by the Government of the Kyrgyz Republic.

3. The public authority for implementation of the state policy on subsurface management must develop and maintain full electronic and paper copies of geological information resources and ensure that they are safely stored to avoid loss or unauthorized access. The officials of the public authority for implementation of the state policy on subsurface management shall bear responsibility for ensuring safety of geological information resources.

4. Mineral right holders shall be required to submit geological reports to the State Geological Information Fund annually in substantially the form approved by the Government of the Kyrgyz Republic.

5. Geological information about mineral resources shall not be subject to privatization. Disposal of interim (annual) geological reports shall be allowed if there is a final report containing conclusive information about research at the licensed asset.

6. The terms and conditions, governing the use by third parties of the mineral right holder’s proprietary geological information provided by him to the State Geological Information Fund, shall be concerted by the public authority for implementation of the state policy on subsurface management. If special terms and conditions governing the use of geological information by third parties are not concerted, third parties shall have access to geological information according to general procedure.

7. The public authority for implementation of the state policy on subsurface management shall ensure confidentiality of the provided mineral right holder’s proprietary geological information. During the period of confidentiality, geological information provided by the mineral right holder to the State Geological Information Fund may be used by the public authority for implementation of the state policy on subsurface management solely for the following purposes:

1) to keep the Cadaster and the State Register of Mineral Reserves of the Kyrgyz Republic;

2) to form geological information resources related to minerals structure and development, their distribution patterns and other data necessary to organize state mineral exploration.

8. Geological information resources formed by the public authority for implementation of the state policy on subsurface management using the mineral right holder’s geological information shall be the property of the State.

(As amended by Act No. 77 of May 24, 2014)

Article 18. Procedure for providing geological information resources

1. Geological information resources shall be publicly available and fee-based.

2. There shall be three levels of access to geological information resources:

1) introductory access level involving the review of general geological information without taking information carriers out of the premises of the State Geological Information Fund;

2) user access level allowing electronic or paper copies to be made from documents containing more detailed geological information except detailed reports of companies, technical and economic calculations, test results, sample analysis and other data;

3) package access level, allowing the whole geological information package to be redeemed by the mineral right beneficiary.

3. The procedure for providing and using geological information resources, the amount of the access fee, the cost of such materials and procedure for spending the proceeds shall be determined by the Government of the Kyrgyz Republic.

4. Students and graduates of higher and secondary education institutions shall use geological information resources of the State Geological Information Fund by right of introductory access level and shall be exempt from payment of the fee for use of geological information resources to the extent defined by the Government of the Kyrgyz Republic.

5. The fee for access to geological information resources shall be used to finance the development of the State Geological Information Fund.

6. Working with original copies of geological information resources shall be allowed in the premises of the State Geological Information Fund in the manner established by the Government of the Kyrgyz Republic.

7. Access to geological information resources constituting state secrets shall be given in the manner prescribed by the legislation of the Kyrgyz Republic.

8. After obtaining mineral rights, the mineral right holder shall redeem the geological information package without the right of transfer to third parties.

This requirement shall not apply to the cases where geological information was earlier received by a mineral right holder from the public authority for implementation of the state policy on subsurface management in the manner established by law.
Chapter 3

Procedure for Awarding Mineral Rights

Article 19. Types of mineral rights

Subsurface shall be awarded for use for the following purposes:

1) to engage in geological mapping and regional geological, geophysical and other scientific research;
2) to engage in geological prospecting activities;
3) to engage in geological exploration activities;
4) to engage in mining of mineral deposits, including intake and use of underground water;
5) to build and operate underground non-mining facilities (storage of oil, gas and other substances and materials, disposal of hazardous substances, use of geothermal energy and other needs);
6) to form specially protected facilities of scientific, cultural, historical, aesthetic, sanitary and healthcare, recreational and other uses (scientific testing and training areas, geological sanctuaries, caves and other underground hollows);
7) to collect mineralogical and palentological specimens for commercial purposes;
8) to collect rock materials for decorative purposes and to use them as ornamental stones or building materials.

Article 20. Grounds for awarding mineral rights

1. Mineral rights shall arise from:
   1) license;
   2) state registration;
   3) concession agreement;
   4) production sharing agreement.

2. State registration shall be required for:
   1) scientific mineral research performed according to the approved program;
   2) individual artisanal mining activities.

3. State registration of scientific mineral research performed according to the approved program shall be performed by the public authority for implementation of the state policy on subsurface management.

4. State registration of individual artisanal mining activities shall be performed by local state administration authorities.

Article 21. Mineral right holders

1. Mineral right holders may include legal entities established under the laws of the Kyrgyz Republic and individuals including foreign national registered as individual entrepreneurs under the laws of the Kyrgyz Republic.

2. In obtaining and exercising mineral rights no discrimination against individuals and legal entities based on nationality or country of registration shall be allowed.

3. Foreign legal entities may submit applications for participation in a tender or auction or direct negotiations for award of mineral rights.

4. If the winner of the auction or tender for mineral rights or the person to be involved in direct negotiations is a foreign legal entity it shall establish in the Kyrgyz Republic its fully owned subsidiary to register the mineral license in its name.

(As amended by Act No. 77 of May 24, 2014)

Article 21-1. Responsibilities of mineral right holders

Mineral right holders shall ensure:

1) compliance with the requirements of acts and regulations of the Kyrgyz Republic in the field of exploration, management and protection of mineral resources;
2) ensuring the fullest possible extraction of reserves of principal and accompanying minerals and components in accordance with the guidelines provided in the feasibility study and engineering design;
3) registration of principal and accompanying minerals extracted, processed and left in the mine;
4) protection of mineral deposits from flooding, water intrusion, fire and other factors decreasing the quality of mineral resources and industrial value of deposits or complicating their mining;
5) prevention of subsurface pollution in the course of subsurface management operations, and underground storage of oil, gas or other substances and materials, burial of hazardous substances and production waste, discharge of waste water;
6) compliance with the established procedure for suspension or dissolution of mining enterprises and underground non-mining facilities;
7) prevention of unauthorized construction on mineral operation areas and compliance with the procedure for using these areas for other purposes;
8) prevention of accumulation of industrial and household waste at the place of water collection and ground water deposits which are used for potable and industrial water supply;
9) prevention of excessive loss of mineral resources, high-grading and damaging mineral deposits;
10) annual submission to the public authority for subsurface management of information on geological research, explored, extracted and left mineral resources and components as well as on management of mineral resources for non-mining purposes and on mining plans for the next year;
11) safe management of mineral resources.
(As amended by Act No. 77 of May 24, 2014)

Article 22. Length of mineral rights
1. The length of mineral rights shall be as follows:
   1) for geological prospecting activities: up to 5 years with the possibility of further extension according to the engineering design;
   2) for geological exploration activities: up to 10 years with the possibility of further extension according to the engineering design;
   3) for deposit development activities: up to 20 years with the possibility of further extension until depletion of mineral reserves;
   4) for assets not related to mineral exploration and mining: the term defined in the engineering design with the possibility of further extension for the term defined in the adjusted engineering design.
2. The length of mineral rights arising from state registration shall be determined on the basis of the length of the scientific research program.

Article 23. Procedure for awarding mineral rights
1. Mineral rights may be awarded through tenders, auctions, and direct negotiations.
2. Tenders are conducted for nationally important objects by decision of the Government of the Kyrgyz Republic.
3. Auctions shall be conducted for deposits and perspective areas list of which is approved by the public authority for implementation of the state policy on subsurface management on the basis of recommendations of the scientific technical council of the same public authority.
4. Direct negotiations shall be conducted to award mineral rights in respect of the following:
   1) deposits, occurrences and prospective areas not included in the List of deposits, occurrences and prospective areas put up for auction;
   2) deposits, occurrences and prospective areas in respect of which two auctions were declared failed to occur;
   3) subsurface areas not related to mineral exploration and mining.
5. If more than one application is submitted for the mineral right awarded by direct negotiations within 30 days from the date of submission of the first application, this mineral right shall be put up for auction.
6. The procedure for awarding mineral rights arising from the concession and production sharing agreements shall be defined in the Kyrgyz Laws "Concessions and Concessionary Enterprises Act of the Republic of Kyrgyzstan" and "Production Sharing Agreements Act".
(As amended by Act No. 77 of May 24, 2014)

Article 24. Tender process
1. Tenders shall be announced and conducted for each nationally important asset by decision of the Government of the Kyrgyz Republic.
2. To conduct the tender, the Government of the Kyrgyz Republic shall form the interdepartmental tender commission (the commission) consisting of not less than 7 members. The chairman of the commission shall be appointed by the Government of the Kyrgyz Republic and the non-voting secretary of the commission shall be appointed by the public authority for implementation of the state policy on subsurface management. The commission shall consist of representatives from:
   1) Kyrgyz Parliament factions with each faction appointing one representative;
   2) public executive authorities and public institutions determined by the Government of the Kyrgyz Republic;
   3) heads and deputy heads of local state administration and local self-government authorities in whose territory the tendered asset is located.
3. The terms and conditions of holding the tender, the criteria for determining the winner shall be developed by the commission and approved by the Government of the Kyrgyz Republic.
   The terms and conditions of the tender shall define:
   1) procedure and deadlines for submitting applications;
   2) list of tender documents;
   3) criteria for allowing applicants to tender including:
      a) practical experience in geological and mining sectors;
      b) availability, knowledge and application of modern technologies of mineral exploration, mining and processing;
      c) financial abilities to perform operations in respect of the tendered asset;
   4) special conditions for management of mineral rights including:
      a) maximum period of construction of infrastructure facilities, launching of the mining and processing operations;
      b) maximum proportion of local and foreign specialists and workers engaged in mining operations;
      c) mine reclamation commitment;
      d) minimum amount of investment in social-economic development of the local community in whose territory the subsurface asset is located (social package);
      e) set of measures to ensure industrial, environmental safety and rational management of mineral resources;
4. The commission's steering body shall be the public authority for implementation of the state policy on subsurface management responsible for:

1) preparation of geological information;
2) award of the lease right over the land of the State Mineral Land Reserve;
3) publication of announcements in international and national mass media and placement of announcements on the official website of the public authority for implementation of the state policy on subsurface management;
4) acceptance and registration of tender applications;
5) award of the mineral license to the tender winner according to the commission's tender report, unless the tender terms and conditions require that the concession or production sharing agreement be signed.

5. A tender shall be deemed failed to occur if none of the tender proposals meets tender requirements, or if no or only one application is received.

6. If as a result of the repeated tender no winner is determined the Government of the Kyrgyz Republic shall adopt one of the following decisions:

1) to adjourn the tender for this mineral right;
2) to exclude this mineral right from nationally important deposits list and put up the right to auction.

7. Expenses of the tender participants shall not be refundable.

(As amended by Act No. 77 of May 24, 2014)

Article 25. Auction process

1. The public authority for implementation of the state policy on subsurface management shall organize auctions pursuant to a regulation approved by the Government of the Kyrgyz Republic.

(The second paragraph is repealed by operation of Act No. 77 of May 24, 2014)

The auction commission must consist of representatives from the public authority for implementation of the state policy on subsurface management, concerned ministries and agencies, local state administration or local self-government authorities in whose area the claimed subsurface asset is located. The composition of the commission of not less than 5 members shall be approved by an order of the public authority for implementation of the state policy on subsurface management.

The representatives of the public authority for implementation of the state policy on subsurface management shall be appointed as the chairman and secretary of the commission.

The secretary of the commission shall have no vote in the decision-making process of the commission and shall be responsible for organizing and holding meetings of the commission, keeping minutes of its meetings and counting the votes of the commission members.

2. The auction announcement shall be published in mass media and posted on the official website of the public authority for implementation of the state policy on subsurface management at least 45 days prior to the date of the auction.

3. Auctions shall be open to the public.

4. The auction starting price shall include a bonus and the cost of the geological information package.

5. The auction winner shall be the bidder offering the highest price for a mineral right.

6. A mineral right shall be awarded to the auction winner based on to the auction commission report.

7. If there is no winner in the second auction and two auctions in a row are declared failed to occur, the mineral right shall be awarded through direct negotiations.

If the mineral right over which two auctions were declared failed to occur, within one year after such declaration, no application is filed for award of the mineral right by direct negotiations, this mineral right shall be included in the list of mineral rights awarded through auction.

8. Expenses of the auction participants shall not be refundable.

(As amended by Act No. 77 of May 24, 2014)

Article 26. Award of mineral rights through direct negotiations

The award of the mineral right through direct negotiations is performed by the public authority for implementation of the state policy on subsurface management upon receipt of the applications from the persons concerned. Results of negotiations shall be recorded in the report.

Article 27. Suspension and termination of mineral rights

1. A mineral right may be suspended by the public authority for implementation of the state policy on subsurface management for a period of up to 3 months by giving the notice stating the reasons for suspension and requiring to eliminate violations if any of the following occurs:

1) violation of subsurface protection, environmental and industrial safety requirements established by the laws of the Kyrgyz Republic;
2) failure to submit the exploration and mining work completion reports and reports on flow of reserves of mineral resources within the deadlines established by the laws of the Kyrgyz Republic;
3) submission of inaccurate exploration and mining work completion reports and reports on flow of reserves of mineral resources;
4) failure to comply with the requirement for reservation of funds for reclamation of the land plot and/or licensed asset;
5) use of mineral development technologies that threaten to endanger health and safety of employees and general public or to cause irreparable damage to the environment or loss of mineral reserves.

6) violation of deadlines for payment of bonuses and/or license fees.

2. If the reasons for suspension of the mineral right under paragraph 1 of this Article in order to ensure that the mining property is maintained in a safe, trouble-free and secure condition for the people and environment, are impossible to eliminate within 90 days, the public authority for implementation of the state policy on subsurface management may extend the period for elimination of such violations at the reasonable request of the mineral right holder. The request for extension must be filed not earlier than 1 month but not later than 15 days prior to expiration of the license suspension period.

3. The grounds for termination of a mineral right include the following:

1) failure to notify the public authority for implementation of the state policy on subsurface management within the established time period of the change of participants of the licensee being a legal entity if such change entails the payment of a bonus under the tax legislation of the Kyrgyz Republic;

2) waiver of a mineral right by a mineral right holder;

3) expiration of the mineral license, unless the licensee files for extension or transformation of the license before its expiration;

4) engaging in activities without an engineering design approved by all necessary expert appraisals;

5) failure to eliminate the reasons for suspension of the mineral right within the required period of time;

6) discovery of the fact that a mineral right holder when receiving the mineral license provided inaccurate data about the ultimate owners of the company or financial abilities.

4. Additional grounds for termination of mineral rights in respect of the assets included in the List of nationally important deposits distributed through tender:

a) non-payment or untimely payment of the price of the mineral right and penalties provided by the tender conditions in respect of the tendered asset;

b) violation, after one-time extension, of the deadline for submission of the engineering design with positive expert appraisals in the area of industrial and environmental safety and subsurface protection.

5. Termination of mineral rights shall be effected by the decision of the public authority for implementation of the state policy on subsurface management. From the date of entry into force of the court decision invalidating the decision to award the mineral right, such right shall be deemed terminated.

6. The decision of the public authority for implementation of the state policy on subsurface management to suspend or terminate the mineral right shall become effective on the date of its adoption. The decision of the public authority for implementation of the state policy on subsurface management to suspend or terminate the mineral right stating the reasons for adopting such decision shall be delivered to the mineral right holder within 10 working days from the date of such decision. The decision of the public authority for implementation of the state policy on subsurface management may be appealed to the court.

7. In case of force majeure, the mineral right shall be suspended at the request of the mineral right holder for the duration of the force majeure event. Within 10 working days from the date of filing such request, the public authority for implementation of the state policy on subsurface management may deny suspension of the mineral right stating the reasons for denial. For the duration of the force majeure event, the validity period of the license and deadline for performance of license conditions shall be extended for the respective period of time.

(As amended by Act No. 77 of May 24, 2014)

Article 28. Consequences of termination of mineral rights

1. Termination of the mineral right shall not terminate the mineral rights holder's obligation to perform:

1) reclamation of the land plot and disposal of the mining property;

2) conservation and maintenance of the mining property in a secure, trouble-free and safe condition for the public and the environment until its transfer to the next holder of mineral rights;

3) transfer of geological information and primary documentation to the State Geological Information Fund.

2. Transfer of ownership right to the mining property shall be performed under the agreement between the person who lost his mineral right and the new holder of mineral right.

3. If the ownership transfer agreement for the mining property is not signed within 90 days of the award of the license to the new licensee, the licensee may refer to the court of the area where the mining property is located a claim against the person who lost his mineral right compelling him to execute the sale and purchase contract for the mining property to be used according to the engineering design of the licensee and to determine the amount of compensation payable by the licensee to the person who lost the mineral right.

4. If the licensee uses the mining property not owned by the licensee, the owner of the mining property who lost the mineral right may refer to the court.

5. Upon termination of mineral rights, the ownership right to technogenic formations shall pass to the State, unless otherwise provided in the engineering design or special project for disposal, conservation or reclamation.

Article 29. Individual artisanal mining activities

Subsurface areas with placer mineralization not included in the Cadaster may be developed by individual artisanal mining in accordance with a regulation approved by the Government of the Kyrgyz Republic.

Chapter 4
Licensing of Mineral Rights

Article 30. Procedure for issuing mineral license

1. Licensing shall be required for all types of mineral rights, except for:

1) mineral rights arising from the concession agreement;

2) mineral rights arising from the production sharing agreement;
3. The number of mineral licenses issued to one mineral rights holder shall not be limited.

3. To obtain the mineral license awarded through direct negotiations the applicant must submit to the public authority for implementation of the state policy on subsurface management an application in the national or official language indicating the licensed asset, type of mineral right and list of mineral resources.

4. The application for mineral license may indicate one of supposedly detectable mineral resources or their groups.

5. The application for mineral license in respect of hydrocarbon minerals may indicate hydrocarbon minerals without specifying their list.

6. The mineral license application must enclose:
   1) copies of the constituent documents certified by the notary (for legal entities registered or re-registered before April 1, 2009) or copies of constituent documents certified by the corporate seal (for legal entities registered or re-registered after this date);
   2) notarized copy of the certificate of state registration of legal entity and (or) individual entrepreneur organized under the laws of the Kyrgyz Republic;
   3) copy of passport indicating registered residential address (in case of an individual);
   4) exploration or development program for the licensed asset;
   5) in case of applying for mineral mining license, documents confirming the applicant’s financial ability to perform the development program for the licensed asset;
   6) in case of applying for mineral prospecting or mineral exploration license, documents confirming the ability to pay the license fees during the first three years of the validity period of mineral license.
   7) decision or report on the appointment of the legal entity’s executive or power of attorney to represent the applicant;
   8) additionally, legalized or apostilled in due manner extract from the state register or other document certifying that it is a validly existing legal entity under the laws of its country (in case of a foreign legal entity);
   9) tax authority’s certificate of no debt on taxes and payments to the state budget (in case of applicants residents of the Kyrgyz Republic);
   10) information and documents disclosing individuals being the ultimate owners and beneficiaries of the applicant legal entity.

7. Additionally, the application for mineral license for intake and use of underground water must include:
   1) technological scheme for wells operation;
   2) positive conclusion of the public authority for health care in case of use of underground water for drinking purposes, bottling and (or) balneotherapy.

8. Denial of the mineral right may take place in the following cases:
   1) if the documents attached to the application or the data contained therein are false;
   2) if in respect of the license area or part thereof, for which the license is sought, the license was already issued for the mineral of the same group or it is the object of the other mineral right;
   3) if the applicant provided incomplete list of documents or if the provided documents do not comply with the laws of the Kyrgyz Republic;
   4) if the award of the mining right contradicts the requirements of the laws of the Kyrgyz Republic including the requirements of the national security of the Kyrgyz Republic and international treaties of the Kyrgyz Republic;
   5) the area of mineral resources is located in the territory of the especially protected natural areas.

9. The decision to issue or deny the mineral license is adopted by the licensor within 60 days from the date of applying for mineral license.

10. The licensor may not change or extend the list of minerals specified in the application, without the applicant’s consent.

11. The mineral license awarded through direct negotiations shall be issued on the basis of the report of the public authority for implementation of the state policy on subsurface management.

12. Within 30 days from the date of issue of the mineral license, the licensee must pay the bonus determined as prescribed by the tax legislation of the Kyrgyz Republic and the license fee for the first year of the mineral license validity period and submit the payment documents to the public authority for implementation of the state policy on subsurface management.

13. The winners of tenders or auctions shall be issued the mineral license on the basis of the tender or auction documents and report of the tender or auction commission.

14. After the issue of the mineral license, the licensee must complete and submit to the public authority for implementation of the state policy on subsurface management the engineering design with positive expert appraisals as to compliance with industrial and environmental safety and subsurface protection requirements.

14-1. The period of providing the engineering design on national important deposits shall be provided by the terms of the tender. The deadline for providing the engineering design may be extended one time for the term not exceeding the initial term.

15. Engaging in activities without an engineering design confirmed by all necessary expert appraisals shall be prohibited.

Mineral licensing procedures and conditions shall be performed pursuant to a regulation approved by the Government of the Kyrgyz Republic.

(As amended by Act No. 77 of May 24, 2014)

**Article 30-1. Social package**

1. Social package shall be made in the form of agreement which shall be developed on the basis of the program for socio-economic development of the territory where the subsurface asset is located. The agreement shall be executed between the mineral rights holder and the executive body of the relevant administrative territorial unit.
2. The social package requirement shall apply only to nationally important mineral deposits being in the exploration and mining stages. The social package shall include the program of investing in the improvement of social and household conditions of the local community (professional development, employment of local population, building of infrastructure and other conditions) in whose territory the tendered assets are located.  

3. The social package shall be submitted to the public authority for implementation of the state policy on subsurface management at the stage of developing an engineering design.  

(As amended by Act No. 77 of May 24, 2014)

Article 31. Overlap of mineral licenses

1. In respect of the subsurface area for which the mineral prospecting or exploration license is issued, third parties may, without the licensee’s consent, obtain mineral prospecting and exploration licenses for types of minerals not covered by the current mineral license and referred to the different group of mineral resources.

2. In case of discovering any unsought minerals in the overlapping license areas, the holder of the mineral license may offer the other licensee, whose license covers the discovered mineral, to buy out information about the discovered minerals.

3. The overlap of the mining licenses shall be allowed only with the consent of the current licensee and in respect of the mineral resources not covered by the current mineral license and referred to the different group of mineral resources. The applicant must ensure compatibility between his engineering design and that of the licensee who has earlier obtained the mineral license for the subsurface area for which the application is filed.  

(As amended by Act No. 77 of May 24, 2014)

Article 32. Contents of the mineral license and license agreement

1. The mineral license shall be a registered high-security form indicating the name of the licensing authority and an image of the State Coat of Arms of the Kyrgyz Republic, serial number and licensing data.

2. The mineral license shall contain the following data:

1) alphanumerical code of the mineral license;  
2) type of mineral use;  
3) name and details of the licensee;  
4) license number of the mineral object;  
5) type of mineral;  
6) administrative location of the licensed asset;  
7) date of issue and validity period of the mineral license;  
8) date of changes or additions to the license;  
9) seal and signature of the head of the licensing authority.

3. The license agreement as an integral part of the mineral license shall contain the following data:

1) coordinates of the corner points and size of the license area;  
2) intended purpose of activities;  
3) procedure and conditions of mineral use;  
4) information about pledge of the mineral license;  
5) reporting deadlines;  
6) additional information;  
7) seal and signature of the head of the licensing authority;  
8) full name of the head of the company.

4. The license agreement as an integral part of the mineral license for intake and use of underground water shall additionally contain the following data:

1) well or spring flow rate, amount and category of reserves;  
2) type of underground water;  
3) location of well or spring outfall;  
4) intended use of underground water;  
5) size of the mining and sanitary protected zone around the well (spring) of underground water;  
6) agreed amount of underground water intake;  
7) reporting deadlines for monitoring observations.  

(As amended by Act No. 77 of May 24, 2014)

Article 33. Mineral prospecting license

1. Mineral prospecting license shall award the licensee an exclusive right to engage in geological prospecting activities in respect of the concerned minerals within the license area.

2. The maximum size of the license area of the geological prospecting activities shall not be limited.

3. The licensee may reduce the license area. The area shall be reduced at the licensee’s request upon receipt by the public authority for implementation of the state policy on subsurface management of the information (report) on results of activities performed in the reduced area after reclamation of disturbed lands.
Article 34. Mineral reconnaissance license

1. Mineral reconnaissance license shall award the licensee an exclusive right to engage in mineral reconnaissance activities in respect of the concerned minerals within the license area.

2. The licensee may reduce the license area. The area shall be reduced at the licensee’s request upon delivery to the public authority for implementation of the state policy on subsurface management of the information (report) on results of activities performed in the reduced area after reclamation of disturbed lands.

3. License fees shall be set at the rate divisible by the index rate for each hectare of the license area and shall be approved by the Government of the Kyrgyz Republic.

4. Upon registration of reserves in the State Register of Mineral Reserves of the Kyrgyz Republic, based on the approbation report of the SCMR, the licensee shall have an exclusive right to transformation of the mineral reconnaissance license into the mineral mining license for the explored mineral deposit.

5. No bonus and license fees shall be collected for geological reconnaissance activities performed at the expense of the State.

Article 35. Mineral mining license

1. Mineral mining license shall award the licensee an exclusive right to engage in the following activities:

1) mineral exploration within the limits of the mining claim for the sought types of mineral resources;

2) mineral mining, including the right to engage in all necessary preparatory activities within the limits of the mining claim;

3) mineral processing, including benefication and metallurgical process, use of technogenic formations, metallurgical waste;

4) sale, including export of minerals and their products.

2. Mining license shall be awarded for licensed assets whose reserves are recorded by the State Register of Mineral Reserves of the Kyrgyz Republic.

3. License fees shall be set at the rate divisible by the index rate for each hectare of the license area. After attainment of projected capacity, the license fees shall not be paid.

4. In case of emergency, to prevent accidents, to perform embankment works, at the request of the public authority for emergency management, local state administration and local self-government authorities, it shall be allowed to mine inert materials without obtaining the mineral permission with permission from the public authority for implementation of the state policy on subsurface management with notice thereto of the works performed.

5. Mineral right holders may ensure the submission, in the framework of the EITI, on an annual basis, by the end of the first quarter of the year following the reporting year, to the public authority for implementation of the state policy on subsurface management, of reports on all taxes and charges paid by the mineral right holder on cash basis. The procedure for submission, as well as the EITI reporting forms and indicators shall be governed by the acts and regulations of the Kyrgyz Republic.

6. Procedure for export and import to the territory of the Kyrgyz Republic of ores, concentrates and waste containing precious metals and accompanying extracted metals shall be approved by the Government of the Kyrgyz Republic.

(As amended by Act No. 77 of May 24, 2014)

Article 36. Mineral non-exploration and non-mining license

1. Mineral non-exploration and non-mining licenses (underground storage tanks for oil, gas, or radioactive substances, underground warehouses, facilities and other) shall award the licensee the right to engage, within the limits of the mining claim, in activities provided by the engineering design.

2. License fees for the right to engage in non-exploration and non-mining activities shall not be collected.

Article 37. Transfer of mineral licenses

1. The licensee may pledge the mineral right to a third party under the pledge agreement as required by the Pledge Act of the Kyrgyz Republic.

2. The mineral right pledge agreement shall be subject to registration by the public authority for implementation of the state policy or subsurface management.

Without registration the mineral right pledge agreement shall be deemed void and the mineral right shall be deemed invalid.

3. Foreclosure on the mineral right under the pledge agreement shall be allowed not earlier than 6 months after the date of its state registration.

4. Transfer of license to another person as a result of foreclosure on the mineral right shall be the ground for re-registration of the license.

5. The licensee, after expiration of 2 years from the date of implementation of the engineering design for the development of the licensed asset, may transfer the rights under the license to other persons with guarantee of compliance by them with the conditions of the current license agreement. The transfer of the license shall be allowed in the absence of debts of the mineral right holder on bonuses, royalty and subsurface management fees.

6. The transfer of the license to another person as a result of foreclosure on the pledge or transfer of rights under the license shall be equal to the receipt of the license and shall entail payment of the bonus provided by the tax legislation of the Kyrgyz Republic, except in cases of transition of rights under the licenses by way of universal succession provided by the civil legislation.
15.09.2016

CHANGE OF OWNERSHIP SHARE UPON CHANGE OF PARTICIPANTS (SHAREHOLDERS) OF THE LICENSEE IN THE AMOUNT OF 10 AND MORE PERCENT SHALL BE
THE GROUND FOR PAYMENT OF THE BONUS IN ACCORDANCE WITH THE TAX LEGISLATION OF THE KRYGYZ REPUBLIC EXCEPT THE COMPANIES LISTED ON
THE STOCK EXCHANGES AS WELL AS IN THE CASE OF TRANSITION OF THE INTERESTS (SHARES) IN THE COMPANY BY UNIVERSAL SUCCESSION PROVIDED
BY THE CIVIL LEGISLATION.

7. Procedure for registration and re-registration of the mineral rights shall be governed by the Regulation on the procedure of
subsurface management licensing approved by the resolution of the Government of the Kyrgyz Republic.

(As amended by Act No. 77 of May 24, 2014)

**Article 38. Amendment, modification and transformation of mineral license**

1. The licensee must, not later than 30 days and not earlier than one year before expiration of the mineral license, file to the public
authority for implementation of the state policy on subsurface management an application for renewal of the mineral license and the
work completion report for the previous mineral license period made in substantially the form approved by the Government of the
Kyrgyz Republic.

Violation by the licensee of the deadline for submission of the application and report provided in part one of this Article shall entail
administrative liability established by the laws of the Kyrgyz Republic.

2. The public authority for implementation of the state policy on subsurface management shall adopt the decision on renewal of the
mineral license within 60 working days from the date of filing an application and the work completion report.

Violation by the licensor of the deadline for review of the application for extension of the license and report provided in this Article
shall entail administrative liability established by the laws of the Kyrgyz Republic.

3. If the licensee submitted the application for extension of the mineral license period and the report on completed work in the
preceding mineral license period in the form approved by the Government of the Kyrgyz Republic within the established period, then
regardless of the expiration of the license period, it shall remain valid until the public authority for implementation of the state policy
on subsurface management adopts the decision in respect of the application for extension of the license period.

4. The public authority for implementation of the state policy on subsurface management shall, within 30 days, make amendments
and modifications to the mineral license and license agreement.

5. The process defined in Article 30 of this Act shall apply to the following cases:

1) transformation of the mineral license in cases specified in this Act;

2) change in conditions of mineral licenses issued according to the tender or auction results.

6. The licensee may propose amendments or modifications to the mineral license and license agreement for mineral prospecting or
reconnaissance for certain minerals when discovering other minerals by filing an application to the public authority for implementor
of the state policy on subsurface management.

(As amended by Act No. 77 of May 24, 2014)

**Chapter 5**

**Relationship between Mineral Right Holders and Land Right Holders**

**Article 39. Grounds for acquisition of land management rights**

1. The temporary use right to the land plot of the State Mineral Land Reserve shall be awarded by the public authority for
implementation of the state policy on subsurface management for the effective term of the mineral license.

2. The temporary use right to the land plots not included in the State Mineral Land Reserve and not held in private ownership, but
necessary for subsurface management (for construction of roads, mine sites, power lines, and other infrastructures) shall be
awarded by the state government or local self-government authorities for the effective term of the mineral license.

3. The temporary use right to the land plot held in private ownership or in temporary use, shall be awarded by the land owner or the
land right holder under the agreement with the licensee.

4. The boundaries and sizes of the awarded land plot shall be defined by the engineering design for the deposit development or the
technological scheme for the intake of underground water, approved by environmental, industrial and mineral safety appraisals.

5. The right of temporary land use shall be granted in case of:

1) mineral exploration involving disturbance of land without its withdrawal from agricultural turnover and with payment of
compensation for damages caused by such land disturbance;

2) mineral mining involving withdrawal of land from agricultural turnover with payment of land tax and compensation for damages.

6. Mineral exploration shall not require alienation of land plot and completion of right-certifying documents; the mineral right holder
shall need a written consent of the local state administration or local self-government authority to engage in geological activities.

7. To obtain the temporary use right to the land plot, the licensee shall submit to the local state administration or local self-
government authority:

1) an application;

2) a copy of the mineral license and license agreement;

3) a graphic agreement with an outline of the awarded land plot.

8. The use right to the land plot must be reviewed within not later than 30 days from the date of applying under paragraph 7 of this
Article.

9. The mineral right holder may not be denied the temporary use right to the land plot. If the filed application is not reviewed within
the required deadline, the consent shall be considered obtained.

10. If the land plot sought by the licensee is awarded to another licensee who was previously awarded the mineral license, the new
licensee must coordinate with the land right holders the land plot use procedure according to the engineering design, as required by
Article 31.3 of this Act.

11. In case of mineral exploration without subsurface and land disturbance, upon the application of the licensee enclosing the copies
of mineral license and license agreement, the land right holder shall, within 30 days from the date of filing the application, register
activities performed in the license area. Denial of registration shall not be allowed.

12. The temporary use right to the land plot shall be terminated automatically after termination of the mineral right in accordance with this Act.

13. The land plot held in private ownership and included in the prospective license area or required to be included in the State Mineral Land Reserve may be taken by court order for public use with payment of the market value of this land plot or with award of the equivalent land plot or may be redeemed by the mineral right holder in accordance with the Land Code of the Kyrgyz Republic.

14. When the mineral right is transferred to a third party, the temporary use right to the land plot shall also pass to such third party.

15. Procedure for awarding land plots for subsurface management shall approved by the Government of the Kyrgyz Republic.

(As amended by Act No. 77 of May 24, 2014)

**Article 40. Easement over other mineral rights holder’s mining or exploration claim**

1. Voluntary easement or easement imposed by decision of the public authority for implementation of the state policy on subsurface management over other mineral right holder’s mining or exploration claim shall be imposed in the following cases:

1) if it is impossible or costly to lay and operate transport, electric and other communications in the adjacent mining and (or) exploration claim without easement;

2) if the use right over one and the same exploration claim is awarded to two or more mineral right holders for different types of minerals, and if it is necessary to ensure their access to adjacent or overlapping exploration claims.

2. Easement over other mineral right holder’s mining or exploration claim shall be subject to the provisions of the Civil Code of the Kyrgyz Republic.

**Article 41. Easement over land plot used by other mineral right holder**

1. Voluntary easement or easement imposed by decision of the public authority for implementation of the state policy on subsurface management over the land plot temporarily used by other mineral right holder shall arise in the following cases:

1) if it is necessary for the maintenance and repair of roads and railways, water lines, oil and gas pipelines, power lines and other structures of regional and national significance laid through the area of the land claim;

2) if it facilitates access from the adjacent and (or) non-adjacent land plot to handle emergency situations in the mining claim;

3) if it is necessary for the performance of geological, geophysical, topographic, mine-surveying, archaeological and other exploration activities according to national programs and plans.

2. Easement over the land plot temporarily used by other mineral right holder shall be subject to the provisions of the Civil Code and the Land Code of the Kyrgyz Republic.

**Chapter 6
State Regulation of Subsurface Management**

**Article 42. State subsurface and environmental protection and state supervision over production safety in the field of subsurface management**

1. The objectives of the state subsurface and environmental protection and state supervision over production safety in the field of subsurface management shall be:

1) to ensure compliance by all mineral right holders with the legislation in the field of subsurface management, production safety and environmental protection;

2) to ensure observance of national economic interests in the process of subsurface management;

3) to prevent, minimize and eliminate the harmful aftermaths of subsurface management.

2. Setting up specially protected natural areas within the bounds of the State Subsurface Fund and the State Mineral Land Reserve without consent of the public authority for implementation of the state policy on subsurface management shall not be allowed.

(As amended by Act No. 77 of May 24, 2014)

**Article 42-1. Peculiarities of regulation of underground water management**

1. The drilling of water wells without obtaining a mineral license shall be allowed subject to conditions provided in this article.

2. The drilling of water wells of 30 meters depth without a drilling design which passed expert appraisals in respect of compliance with industrial and environmental safety and subsurface protection requirements shall be prohibited.

3. The intake and management of underground water for engineering and ameliorative purposes, except drinking and balneotherapy, may be allowed without registration of reserves of underground water in the State Register of Mineral Reserves of the Kyrgyz Republic.

4. The intake and management of underground water shall be subject to mandatory licensing except for intake and management of underground water by individuals for own purposes not related to entrepreneurial activities.

(As amended by Act No. 77 of May 24, 2014)

**Article 43. Antimonopoly requirements**

Any actions shall be prohibited or duly declared invalid if they give rise to:

1) limitation of access of legal entities and individuals to tenders or auctions;

2) monopolistic position of any licensee in the process of mineral exploration and (or) mining;

3) discrimination against individuals or legal entities competing with business entities holding a dominant position in subsurface management;
Article 44. Protection of subsurface areas of special scientific or cultural value

1. Geological outcrops, paleontological sites and other subsurface areas of particular scientific and cultural value, by conclusion of the public authority for implementation of the state policy on subsurface management, may be declared geological reserves, sanctuaries, natural or cultural monuments. Any activity disturbing the integrity of the said reserves, sanctuaries, natural or cultural monuments shall be prohibited.

2. In case of discovering, in the course of subsurface management, geological outcrops, meteorites, paleontological, archaeological and other objects of scientific or cultural value, mineral right holders must immediately notify the public authority for implementation of the state policy on subsurface management and must not interfere with their subsequent scientific exploration.

Article 45. Requirements for construction in mineral areas

1. It shall be prohibited to design and build settlements, industrial complexes and other facilities before receiving from the public authority for implementation of the state policy on subsurface management the information about the presence or absence of minerals in subsurface under the prospective construction areas.

2. It shall be allowed to perform construction on the mineral areas and to build there underground non-mining facilities with the consent of the public authority for implementation of the state policy on subsurface management in the following exceptional cases:
   1) if the estimated surface deformations attributable to the future mining do not exceed permissible rates for the facility under construction;
   2) if the site of the facility under construction is located in the area of used-up mineral deposits.

3. The unauthorized construction in the mineral areas shall be discontinued without reimbursement of the costs incurred, including the costs of reclamation of land and dismantling of facilities built.

Article 46. Disposal or conservation of mining property

1. If further use of the mining property used during the mineral mining or exploration is not economically sound, or if the mineral rights are terminated or suspended, the said mining property shall be subject to disposal or conservation at the expense of the mineral right holder according to a special engineering design.

2. In case of conservation, the mining property must be brought to the condition ensuring security of such property and mineral deposits as well as the public and environmental safety during the period of conservation.

3. In case of disposal or conservation of the mining property, all mine-surveying, geological and technical documentation shall be delivered to the public authority for implementation of the state policy on subsurface management for storage.

4. The mining property used during the mining or exploration of mineral deposits, but not used by the subsequent licensee, shall be subject to disposal by the person who lost the mineral right at his own expense.

Article 47. Reclamation of land plot and licensed asset

1. Reclamation of the land plot and licensed asset shall be performed in accordance with the engineering design for mine reclamation at the cost of the reclamation fund resources monthly remitted and accumulated by the licencar from the start of exploration or mining, intake of underground water or construction of non-mining underground facilities.

2. The reclamation fund resources shall be kept in the licensee's accounts in Kyrgyz banks and may not be spent for other purposes, including to satisfy creditor claims and to discharge tax and customs debts.

3. In case of bankruptcy, winding up or death of the mineral right holder, by order of the public authority for implementation of the state policy on subsurface management, the reclamation fund resources shall be remitted to the account of the land owner for mine reclamation purposes. Using the reclamation fund resources for other purposes shall be prohibited.

4. Reclamation of land disturbed during mineral exploration shall be performed in accordance with the engineering design.

5. Procedure for mine reclamation shall be approved by the Government of the Kyrgyz Republic.

(As amended by Act No. 77 of May 24, 2014)

Article 48. Procedure for reviewing reports and concerted mining work plans

1. Engineering designs for appropriate works, except intake and management of underground water, shall be subject to expert appraisal for compliance with industrial and environmental safety and subsurface protection requirements.

Engineering designs for intake and management of underground water shall be subject to expert appraisal for compliance with subsurface protection requirements.

2. Public authorities for expert appraisals shall ensure the holding of all required expert appraisals within the following deadlines from the date of receipt of the engineering design:
   a) for nationally important mineral resources: within 3 months;
   b) for all other types of mineral resources: within 1 month.

3. The public authority for implementation of the state policy on subsurface management shall review the companies’ completion reports for the preceding year and approve the mining work plans for the next year within not later than two months from the date of their receipt provided that they were submitted in due time.

4. If the public authority for implementation of the state policy on subsurface management within 2 months from the date of submission of a completion report fails to review the company’s report for the preceding year or the mining work plan for the next year, the report shall be deemed approved and the plan shall be deemed concerted.

5. Non-compliance by the concerned public authorities with the deadlines for holding expert appraisals, reviewing the reports and approving the mining work plans shall entail the liability provided by the laws of the Kyrgyz Republic.

(As amended by Act No. 77 of May 24, 2014)

Article 49. Taxation and mineral fees

4) discrimination in access to adjacent and non-adjacent land, mining and exploration claims.
1. The tax regime applying to mineral right holders shall be defined in the tax legislation of the Kyrgyz Republic, as well as the legislation in the field of concessions and production sharing agreements.

2. Procedure for payment, calculation of the fees and rates of mineral license retention fees shall be established and approved by the Government of the Kyrgyz Republic.

(As amended by Act No. 77 of May 24, 2014)

Chapter 7
Dispute Resolution and Liability for Violation of Subsurface Legislation

Article 50. Procedure for resolving mineral rights disputes
Mineral rights disputes shall be resolved in the manner provided in the laws of the Kyrgyz Republic.

Article 51. Liability for violation of subsurface legislation
1. The persons guilty of acts or omissions violating subsurface legislation of the Kyrgyz Republic shall bear administrative, criminal or other liability in accordance with the laws of the Kyrgyz Republic.

2. Transactions or other acts committed in violation of this Act shall be deemed invalid.

3. Violations of subsurface legislation shall include the following:

1) engaging in subsurface management operations by methods endangering safety of workers or people or causing subsurface or environmental pollution;

2) unauthorized construction in subsurface areas;

3) unauthorized subsurface management;

4) irrational high-grading of mineral deposits, allowing excessive losses of mineral resources during mining and processing of mineral raw materials;

5) providing false information to the public authority for implementation of the state policy on subsurface management;

6) destroying or damaging observation wells for underground water, mine-surveying and geodetic marks;

7) failure to comply with the requirement for reservation of funds for reclamation of land plots during mineral mining, intake of underground water, construction and operation of non-mining underground facilities, and reclamation of land during mineral exploration;

8) failure to comply with requirements for disposal or conservation of the mining property.

9) violation of property rights to mineral information or its confidentiality.

4. Violations of subsurface legislation of the Kyrgyz Republic by officials of state government, local state administration and local self-government authorities shall include:

1) failure to award or late award or renewal of mineral licenses or land rights for subsurface management purposes, late review of geological reports, work plans, and other violations;

2) non-performance or improper performance of subsurface legislation of the Kyrgyz Republic;

3) other violations of act and regulations of the Kyrgyz Republic;

4) failure to take steps to suppress illegal interference with the mineral right holders’ affairs.

Public officials shall be liable for acts and (or) omissions leading to violation of laws and other acts and regulations of the Kyrgyz Republic.

5. Unauthorized construction and unauthorized use of mineral areas shall be discontinued by order of the public authority for implementation of the state policy on subsurface management.

6. The persons engaged in unauthorized construction and (or) unauthorized management of subsurface shall not get compensation for damages.

7. The proceeds of unauthorized management of subsurface shall go to the State.

Article 52. Compensation for damages
1. The mineral right holder or the State shall get compensation for damages in the cases and in the manner provided by the legislation of the Kyrgyz Republic.

2. The mineral right holder’s entitlement to compensation for damages shall arise from the acts of legal entities or individuals, state government or local state administration or local self-government authorities, if their acts (or omissions) result in deterioration of natural qualities of subsurface or give rise to conditions which partially or fully prevent subsurface management.

3. The amount of compensation for damages payable by the mineral right holder to the State shall be estimated depending on the quantity and worth of reserves that lost their economic value due to the fault of the mineral right holder.

4. In case of unreasonable termination of mineral rights or suspension of works due to the fault of legal entities, individuals or officials of state government or local self-government authorities, compensation for damages caused by forced downtime shall be recovered in full by the mineral right holder from the guilty persons through legal proceedings.

Chapter 8
Final and Transitional Provisions

Article 53. Transitional provisions
1. Mineral licenses awarded before the effective date of this Act shall be subject to re-registration as mineral licenses provided in this Act before December 31, 2014.
2. Calculation of time periods for payment of license fees, including in respect of mineral licenses awarded before the effective date of this Act shall be made beginning from the date of initial license award.
3. License fees shall be charged from the effective date of this Act.
4. Mineral licenses issued and being in force before the effective date of this Act, shall not be awarded through tender or auction.
5. Mineral right holders not having notified timely the public authority for implementation of the state policy on subsurface management about change of owners of the company occurring before the effective date of the Mineral Resources Act of August 9, 2012 No. 160 shall give relevant notification by not later than December 31, 2014.

**Article 54. International treaties**

If the duly ratified international treaty, to which the Kyrgyz Republic is a party, sets forth the rules other than those defined in this Act, the rules of the international treaty shall apply.

**Article 55. Procedure for giving effect to this Act**

1. This Act shall take effect upon expiration of 1 month from the date of its official publication.

*Published in Erkin Too newspaper of August 17, 2012, No. 73-74.*

2. The Government of the Kyrgyz Republic shall be mandated to do the following within 3 month period:

- to submit proposals to Kyrgyz Parliament on bringing the legislation in the field of subsurface management into compliance with this Act;
- to bring its acts and regulations into compliance with this Act.

3. From the effective date of this Act, the following acts shall be deemed repealed:

- Mineral Resources Act (Gazette of Kyrgyz Parliament, 1997, N 8, p.377);
- Amendments to Mineral Resources Act (Erkin Too newspaper of 13 August 1999 N 66);
- Amendments to Mineral Resources Act (Erkin Too newspaper of 13 February 2002 N 12);
- Amendments to Mineral Resources Act (Erkin Too newspaper of 26 January 2007 N 6);
- Article 9.14 of the Law Giving Effect to the Tax Code of the Kyrgyz Republic (Gazette of Kyrgyz Parliament, 2008, N 8, p.923);
- Amendments to Mineral Resources Act (Erkin Too of 26 July 2011 N 60);
- Amendments to Mineral Resources Act (Erkin Too newspaper of 1 November 2011 N 92);

**President of the Kyrgyz Republic A. Atambaev**

Passed by Kyrgyz Parliament on 29 June 2012

Translated by "Kalikova and Associates Law Firm"