

Extractive Industries Transparency  
Initiative

EITI REPORT  
OF KYRGYZ  
REPUBLIC  
FOR 2013 - 2014



**“APPROVED”**  
**EITI Secretariat in Kyrgyz Republic**

\_\_\_\_\_ **K. Ibrayev**

« \_\_\_\_\_ » \_\_\_\_\_ **201**\_\_

**Grant No. TF 017411**

**Extractive Industries Transparency Initiative – phase after obtaining status of EITI II follower**

Customer: **EITI Secretariat in Kyrgyz Republic,**  
Kyrgyz Republic, 720739, Bishkek, Erkindik, 2, office 312  
Tel./fax: +996 (312) 909853

Company: **Ernst and Young Audit LLC**  
Kyrgyz Republic, 720011, Bishkek, 191 Abdrakhmanov str.  
Tel.: +996 312 623 096

Date of submission of the Report: 30 December 2015

Reporting period: execution of Stage 5 “Final EITI Report” in accordance with requirements of Contract Statement of Work

E. Tsoi,  
General Director  
Ernst and Young Audit LLC

## CONTENTS

<b>EXECUTIVE SUMMARY.....</b>	<b>6</b>
<b>REPORT ON FACTUAL FINDINGS REGARDING RECEIPTS AND RECONCILIATION OF CASH FLOWS, EXECUTION OF OTHER AGREED UPON PROCEDURES.....</b>	<b>10</b>
<b>1. LIST OF ABBREVIATIONS AND A GLOSSARY OF TERMS .....</b>	<b>12</b>
<b>2. EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE IN KR.....</b>	<b>13</b>
<b>3. METHODOLOGY AND APPROACH TO THE EITI REPORT PREPARATION .....</b>	<b>14</b>
3.1 EITI Report scope.....	14
3.1.1 <i>Payments and revenues subject to analysis and reconciliation.....</i>	<i>14</i>
3.1.2 <i>Companies, whose payments are subject to reconciliation.....</i>	<i>16</i>
3.1.3 <i>State bodies that submit information about companies' payments.....</i>	<i>17</i>
3.1.4 <i>List of contextual information to be described in the EITI Report .....</i>	<i>17</i>
3.2 The procedure of data collection on payments.....	21
3.3 The procedure of payments data reconciliation.....	22
<b>4. OVERVIEW OF KR EXTRACTIVE INDUSTRY IN 2013-2014 .....</b>	<b>24</b>
4.1 The main deposits and mineral resources .....	24
4.2 Volumes of minerals extraction in KR .....	34
4.3 The development strategies with a view to reforms in the extractive industry.....	36
4.4 Information on licences to use subsurface resources, valid in 2013 and 2014.....	39
4.5 Information on attractive project in the extractive industry of the KR.....	45
<b>5. CONTRIBUTION OF THE EXTRACTIVE INDUSTRY IN THE KR ECONOMY.....</b>	<b>48</b>
5.1 The role of the extractive industry in the KR economy. ....	48
5.2 Investments in the extractive industry .....	54
5.3 Employment and salary level in the extractive industry .....	57
5.4 Export of the extractive industry products .....	59
5.5 Contribution of the extractive industry in tax receipts of the government .....	61
<b>6. STATUTORY AND FISCAL REGULATION OF THE EXTRACTIVE INDUSTRY IN 2013 AND 2014.....</b>	<b>62</b>
6.1 Legislative framework governing the extractive industry .....	62
6.1.1 <i>Applicable legislation and other regulations effective in 2013-2014 .....</i>	<i>62</i>
6.1.2 <i>Main legislative aspects and regulations.....</i>	<i>63</i>
6.1.3 <i>Major changes in the legislation governing the extractive industry over the reporting period ...</i>	<i>73</i>
6.2 Fiscal mode applicable to the taxation of mining projects.....	78
6.2.1 <i>Taxes and non-tax payments of mining entities.....</i>	<i>78</i>
6.2.2 <i>Tax benefits for mining entities .....</i>	<i>87</i>
6.2.3 <i>Tax reporting for mining entities.....</i>	<i>87</i>
6.2.4 <i>Main principles and approaches in the industry tax administration.....</i>	<i>87</i>

6.2.5	<i>Brief information on the system of tax and non-tax collections with the use of the Central Treasury system</i>	89
6.3	Main state bodies regulating the industry and their role	91
6.3.1	<i>Government authorities regulating the extractive industry</i>	91
6.3.2	<i>Main institutional reforms in the extractive industry</i>	93
6.4	State participation in extractive projects	95
6.4.1	<i>Brief information on the entity management system with the state share of participation</i>	95
6.4.2	<i>Role of the state entities (Kyrgyzaltyn OJSC)</i>	96
6.4.3	<i>Reforms related to the Kumtor project</i>	97
6.4.4	<i>Reforms related to other projects in the extractive industry</i>	97
6.5	Extractive Industries Revenue Management by the State	98
6.5.1	<i>Principles of the KR Budget Law</i>	98
6.5.2	<i>Budgeting Process and Quasi-fiscal Payments</i>	98
6.5.3	<i>Classification of Taxes and Payments Review</i>	101
6.5.4	<i>Review of financing mechanisms of development funds</i>	102
6.5.5	<i>Non-tax payments to budget institutions</i>	105
6.5.6	<i>Special programs and regions financed by the extractive industry entities</i>	106
6.5.7	<i>Audit of state finances and budget performance reports</i>	108
6.6	Licensing System in the Extractive Industry	109
6.6.1	<i>Legislative basis regulating the licensing system</i>	109
6.6.2	<i>Information on the Granting of License Process</i>	110
6.6.3	<i>Procedure for Suspension and Withdrawal of the Subsurface Use License</i>	114
6.6.4	<i>Problems of Transparency and Access to Information on Licenses</i>	116
6.6.5	<i>The Government Plans and Actions Aimed at Development of the Licensing System</i>	118
6.6.6	<i>Information on register of licenses</i>	118
6.6.7	<i>Description of the most Significant Contracts and Licenses Available</i>	118
6.6.8	<i>Links to Contracts and Licenses Issued in the Reporting Period</i>	120
6.7	Information on Beneficial Interest in Extractive Projects/Companies	121
<b>7.</b>	<b>RECONCILIATION OF TAX AND OTHER PAYMENTS</b>	<b>127</b>
7.1	Results of reconciliation of payments	127
7.2	Results of analytical procedures	131
7.3	Reconciliation results with respect to each payment	134
7.3.1	<i>Individual income tax</i>	153
7.3.2	<i>Income tax</i>	155
7.3.3	<i>Land tax</i>	158
7.3.4	<i>Property tax</i>	160
7.3.5	<i>VAT on internal products</i>	163
7.3.6	<i>Excise tax on internal products</i>	165
7.3.7	<i>Sales tax</i>	165
7.3.8	<i>Tax on income of foreign companies, which does not arise from a permanent establishment in the Kyrgyz Republic</i>	168
7.3.9	<i>Bonuses</i>	169
7.3.10	<i>Royalty</i>	171
7.3.11	<i>Gross income tax</i>	173
7.3.12	<i>Annual amount for the development of mineral resource base</i>	174

7.3.13	<i>Other taxes and charges.....</i>	176
7.3.14	<i>Customs duties.....</i>	178
7.3.15	<i>Customs fees.....</i>	180
7.3.16	<i>Excise tax on imported products.....</i>	183
7.3.17	<i>VAT on imported products.....</i>	184
7.3.18	<i>State social insurance contributions.....</i>	186
7.3.19	<i>Payment for concession.....</i>	189
7.3.20	<i>Dividends accrued on state- owned shares.....</i>	190
7.3.21	<i>Payments for state-shares, purchased by the company from the state.....</i>	191
7.3.22	<i>Lease of land owned by the government.....</i>	191
7.3.23	<i>Reimbursement of agricultural production losses.....</i>	194
7.3.24	<i>Reimbursement of forest production losses.....</i>	195
7.3.25	<i>Opportunity cost of provided land plots.....</i>	196
7.3.26	<i>Payment for retention of mining license.....</i>	198
7.3.27	<i>Payment for environmental pollution and damages.....</i>	200
7.3.28	<i>Fee for the issuance of license.....</i>	203
7.3.29	<i>Fee for the issuance of certificates and other permits.....</i>	205
7.3.30	<i>Payments established by agreements with the government.....</i>	206
7.3.31	<i>Support for social infrastructure.....</i>	207
<b>8.</b>	<b>RECOMMENDATIONS TO IMPROVE THE REPORTING PROCESS.....</b>	<b>211</b>
8.1	EITI Reporting Forms.....	211
8.2	Confirmation of reliability of information on payments to the government.....	213
8.3	Information on the status of previous year recommendations.....	214
8.4	Other recommendations.....	217
<b>9.</b>	<b>ANNEX 1. REQUEST FORM FOR COMPANIES TO EXPLAIN THE DISCREPANCIES.....</b>	<b>219</b>
<b>10.</b>	<b>ANNEX 2. REQUEST FORM FOR STATE BODIES TO EXPLAIN THE DISCREPANCIES.....</b>	<b>220</b>
<b>11.</b>	<b>ANNEX 3 - REQUEST FORM FOR CONTEXTUAL INFORMATION.....</b>	<b>221</b>
<b>12.</b>	<b>ANNEX 4 – REQUEST TO THE NATIONAL STATISTICS COMMITTEE OF KR... </b>	<b>223</b>
<b>13.</b>	<b>ANNEX 5 – REQUEST FOR INFORMATION ON EXTRACTIVE COMPANIES PAYMENTS TO THE STATE.....</b>	<b>225</b>
<b>14.</b>	<b>ANNEX 6 – REQUEST FOR BENEFICIAL OWNERSHIP INFORMATION.....</b>	<b>227</b>
<b>15.</b>	<b>ANNEX 7 – LIST OF EXTRACTIVE COMPANIES.....</b>	<b>229</b>
<b>16.</b>	<b>ANNEX 8. CONSOLIDATED DATABASE OF MINING COMPANIES PAYMENTS FOR 2013 AND 2014.....</b>	<b>230</b>
	<b>FOR NOTES.....</b>	<b>231</b>

## Executive summary

This document is the tenth EITI report of the Kyrgyz Republic (hereinafter the "EITI Report") and covers 2013 and 2014 calendar years. During the preparation of the Report the main task was to disclose the information about the activities of subsurface users in the mining industry (hereinafter - the "extractive companies" or "disclosing companies") regarding payments they have made in favour of the state in 2013 and 2014.

EITI Report for 2013-2014, covers business entities irrespective of form of ownership that were involved in mineral resources mining in Kyrgyz Republic in 2013-2014, and also central executive bodies, local executive bodies, state and public sector entities that received regular and irregular payments from extractive industry companies. List of companies is shown in 0, and the list of state bodies and public entities is shown in section 3.1.3.

Mineral resources are of great importance for the economy of the Kyrgyz Republic. On the government's balance of revenues and expenditures of Kyrgyz Republic there are the following deposits of natural resources:<sup>1</sup>

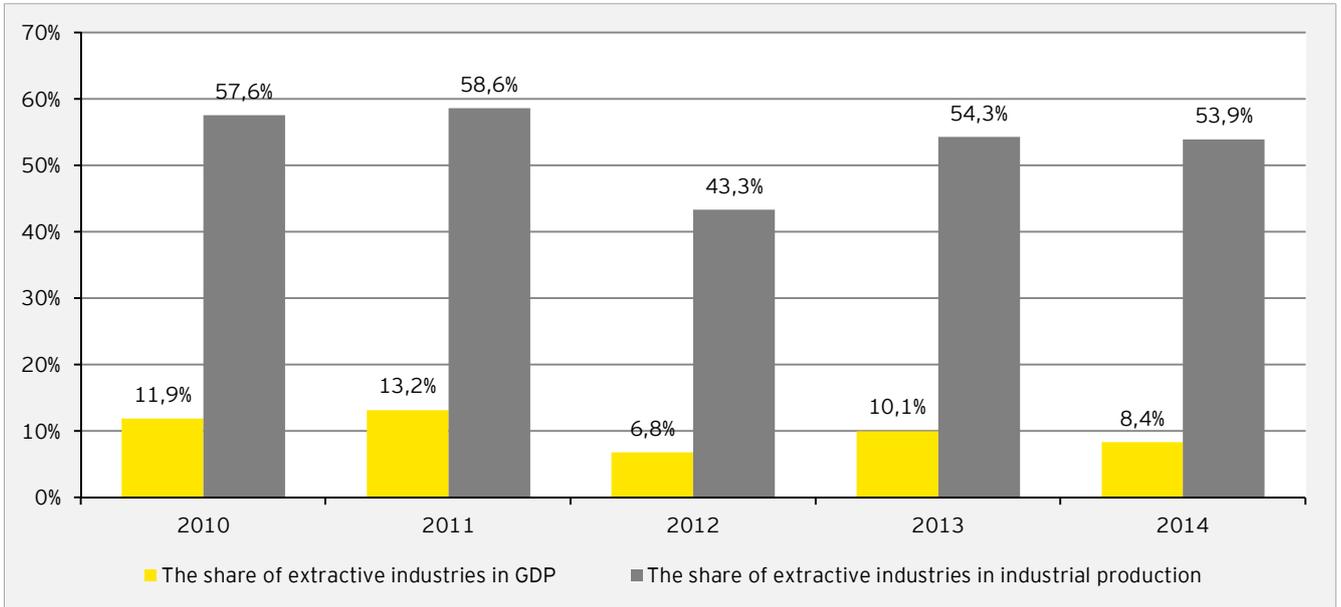
- ▶ Gold together with explored reserves 566 tons (68 deposits);
- ▶ Silver – 481 tons (1 deposit);
- ▶ Copper – 314,500 tons (9 deposits);
- ▶ Ferrum – 943,800 tons (1 deposit);
- ▶ Mercury – 39,510 tons (4 deposits);
- ▶ Fluorite – 2,282,300 tons;
- ▶ Tin – 186,761 tons (2 deposits);
- ▶ Tungsten – 117,233 tons (2 deposits);
- ▶ Bismuth – 5,083 tons;
- ▶ Plumbum – 30,000 tons (3 deposits);
- ▶ Zink – 17,600 tons (2 deposits);
- ▶ Stibium – 263,968 tons (7 deposits);
- ▶ Arsenic – 65,200 tons;
- ▶ Molybdenum – 2,523 tons (2 deposits);
- ▶ Terres rares – 51,500 tons.

Despite the availability of significant mineral reserves in Kyrgyz Republic only a part of them is in commercial production.

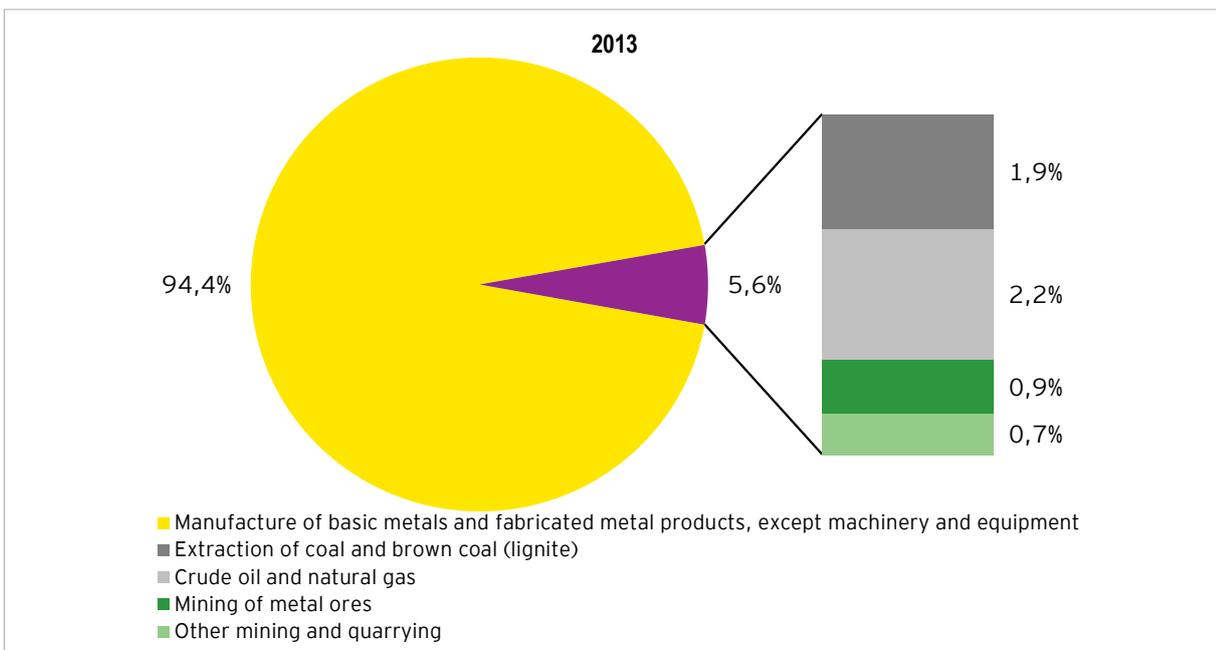
---

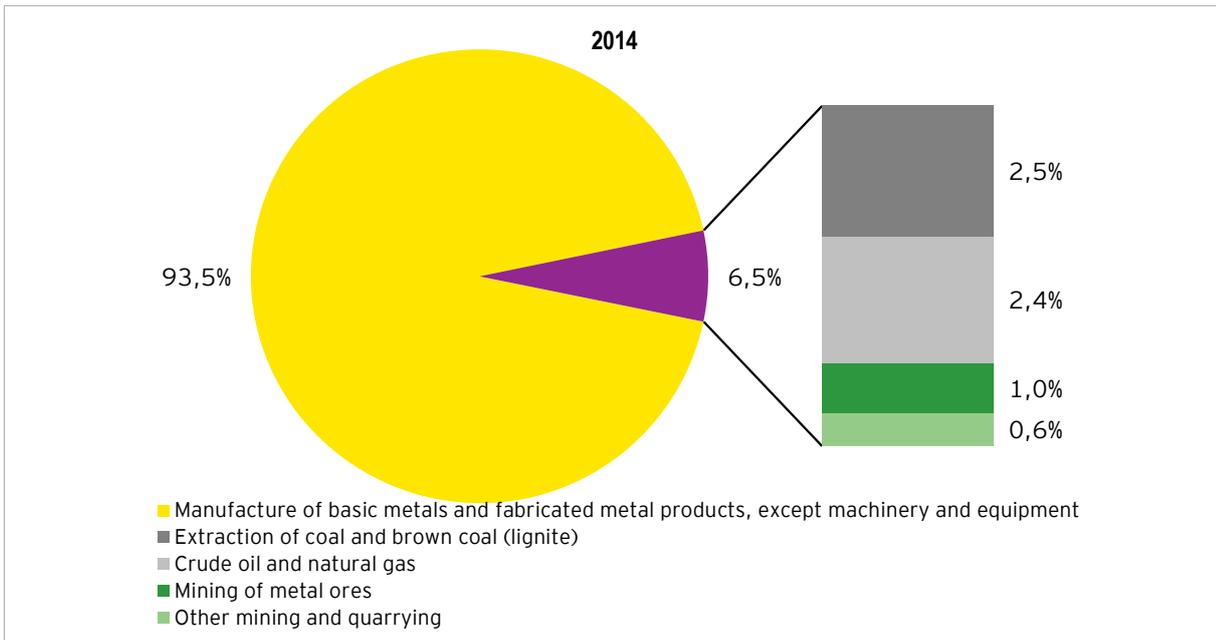
<sup>1</sup> Information on the government's balance as at 01.01.2013

Mining operations are a key component of the industrial complex of the Kyrgyz Republic. The industry's share in country's GDP in 2013-2014 was 10.1% and 8.4%, respectively. However, the mining industry in 2013-2014 represented more than a half of the industrial production of the Kyrgyz Republic (54.3% and 53.9%, respectively).

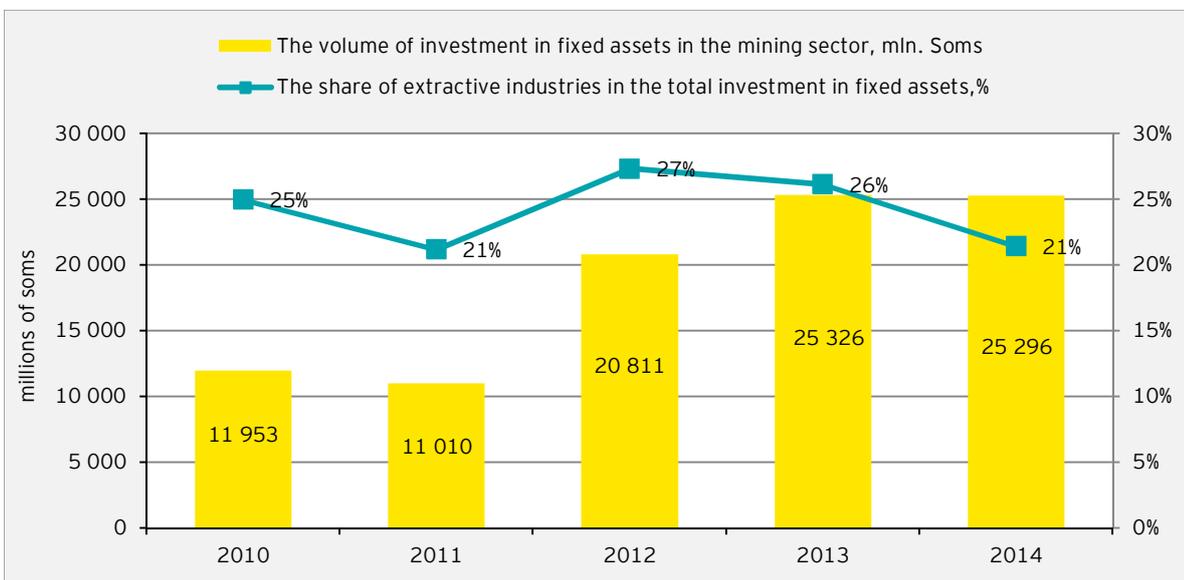


The segment of basic metals production prevails in the structure of the extractive industry, primarily due to gold mining. The said segment in 2013 accounted for 84,847 million soms or 94.4% of the industrial production in the extractive industry, and in 2014 - 80,938.3 million soms or 93.5%.

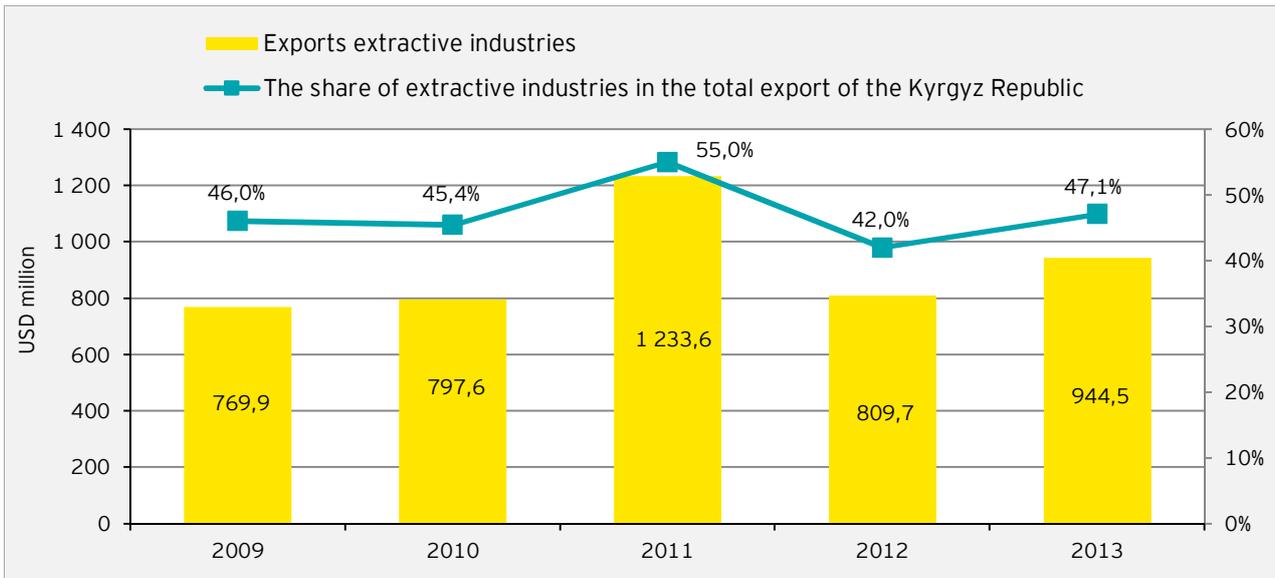




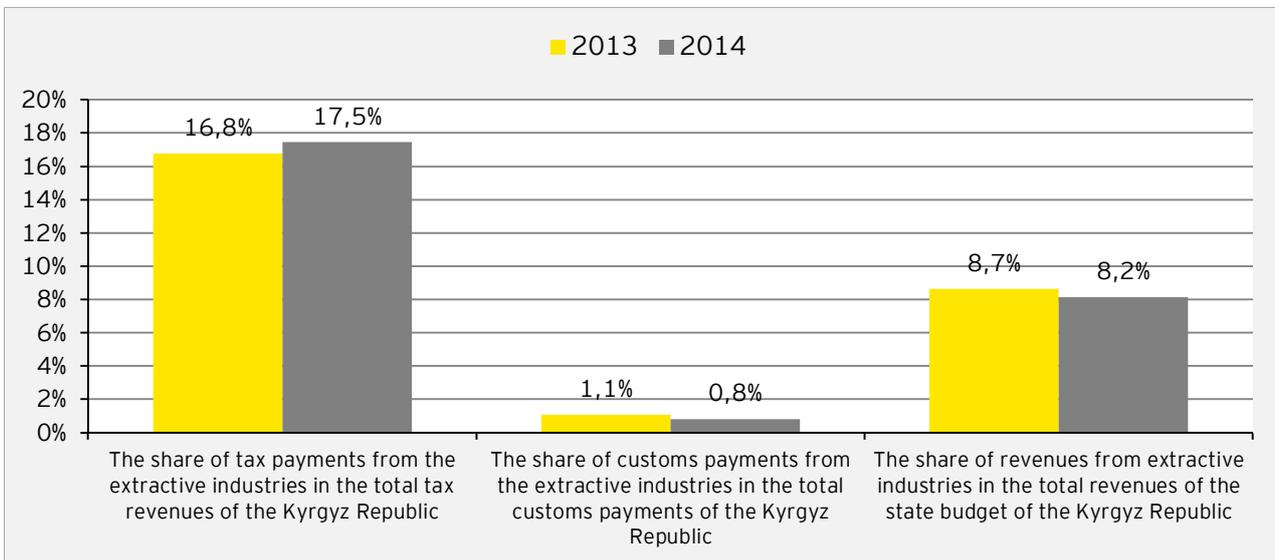
Extraction of minerals remains one of the main investment objects in Kyrgyz Republic. Over the last 5 years the amount of investment in capital assets in extractive industry increased by more than twice, but the industry share in total investments in KR is decreasing. Thus, while investments in the extractive industry are increasing, their growth rate falls behind other sectors of the economy.



The mining industry provides about half of export revenues of the KR. Thus, in 2013, the share of the extractive industry in total export was 47.1%. As at the date of this report, *the complete* official statistical information about foreign trade for 2014, was not found.



The extractive industry is an important source of budgetary recharge of the Kyrgyz Republic. The share of state revenues from the extractive industry companies in the total budget revenues in 2014 amounted to 8.2% and 8.7% in 2013. At the same time, the share of industry in total tax deductions in 2014 was 17.5%, and 16.8% in 2013. The positive trend of these indicators testifies that the role of the industry in the state budget recharge is growing, both in monetary and percentage terms.



Head of EITI Secretariat in KR  
Ibrayev K.E.  
720739, Kyrgyz Republic  
Bishkek, 2, Erkindik ave., office 312

30 December 2015

## Report on factual findings regarding receipts and reconciliation of cash flows, execution of other agreed upon procedures

The EITI Report presents the results of reconciliation of cash flows from taxes and other payments to the state from the extractive industry companies of the Kyrgyz Republic for 2013 and 2014 calendar years within the framework of the implementation of Extractive Industries Transparency Initiative (EITI) in the Kyrgyz Republic.

The EITI Report includes a summary, eight sections and eight annexes:

- ▶ description of EITI and the role of KR (**Section 2**),
- ▶ information about methodology and approach applied in in preparation of the EITI Report (**Section 3**),
- ▶ survey of the KR extractive industry (**Section 4**), in accordance with the list of contextual information to be described in the EITI Report (**Section 3.1.4**),
- ▶ information about the extractive industry contribution to the KR economy (**Section 5**), in accordance with the list of contextual information to be described in the EITI Report (**Section 3.1.4**),
- ▶ information about regulatory and fiscal regulation of KR extractive industry (**Section 6**), in accordance with the list of contextual information to be described in the EITI Report (**Section 3.1.4**),
- ▶ information about the results of reconciliation of extractive companies payments to the state and noted discrepancies (**Section 7.1**),
- ▶ recommendations on improvement of reporting process within the framework of EITI implementation in KR (**Section 8**).

Our engagement was conducted in accordance with the International Standard on Related Services (ISRS 4400) applicable to agreed-upon procedures engagements. We have performed procedures described in **Section 3.3** of the EITI Report. The results of these procedures are shown in **Section 7 of the** EITI Report.

All data shown in the EITI Report were received from the following main sources:

- ▶ reports of extracting companies on payments to the state for 2013 and 2014, made available by the State Agency for Geology and Mineral Resources under the Government of the Kyrgyz Republic;
- ▶ reports of state bodies on payments of extracting companies for 2013 and 2014, made available by the EITI Secretariat in KR;
- ▶ information made available by KR extractive industry companies in accordance with inquiry forms and questionnaires that were sent out to them;
- ▶ other open and publicly available sources of information.

We have not performed any procedures to verify the accuracy, completeness and reliability of received information, unless it is directly stated in the EITI Report.

Because the above agreed upon procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the amounts of taxes and other payments made by the extractive industry companies. Had we performed additional procedures or had we performed an audit or review of the financial statements in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

The purpose of the EITI Report is to increase the transparency in the extractive industry of KR. Our procedures do not provide for the detection of fraud or mistakes made by companies or state authorities of the Kyrgyz Republic. EITI Report relates only to amounts of taxes and other payments made by extractive industry companies indicated in **Section 3.1.1**, does not apply to the financial statements of KR extracting companies as a whole.

Elizaveta Tsoy  
General Director

30 December 2015

## 1. List of abbreviations and a glossary of terms

Term\abbreviation	Clarification
<b>Gosgeologoagentstvo</b>	The State Agency for Geology and Mineral Resources under the Government of the Kyrgyz Republic
<b>EITI</b>	Extractive Industries Transparency Initiative (global standard that supports the transparency of revenues and reporting in the extractive industries)
<b>MSG</b>	Multilateral group of concerned parties comprised of representatives from the government, companies, social organisations formed for the purpose of controlling the process and informing about the findings of the EITI Report, as well as for the purpose of EITI integration in the efforts to ensure transparency. In Kyrgyz Republic MSG is called EITI implementation Supervisory Board
<b>EITI International Secretariat</b>	An independent body, which reports to the EITI Board and is responsible for the implementation of EITI decisions regarding the policy and coordination of activities aimed at EITI implementation. Located in Oslo, Norway
<b>Supervisory Board</b>	EITI implementation Supervisory Board – an advisory body that is composed of equal amount of members of governmental authorities and non-governmental organisation, which in turn provide overall supervision, coordination and advisory services on the implementation of the Extractive Industries Transparency Initiative in the Kyrgyz Republic.
<b>VAT</b>	Value added tax (VAT)
<b>Independent Administrator</b>	A third party that provides services associated with EITI Report writing and the reconciliation of payments, which does not have a conflict of interest related to the provision of such services
<b>KR</b>	Kyrgyz Republic
<b>SGM</b>	Sand and gravel mix
<b>EITI Report</b>	The report containing the main results of the procedures under the EITI implementation at the country level for the year (in this case - for 2013 and 2014)
<b>Disclosing entities</b>	Companies and state bodies that submit deliverables for further processing and reflecting in EITI Report
<b>EITI Secretariat</b>	EITI Secretariat is a working body of the Supervisory Board and it provides organizational support for Council's activities
<b>EITI Standard</b>	It is the global EITI standard, which sets out the basic methodological principles of implementation, as well as the initiative governance and management at the country level

## 2. Extractive Industries Transparency Initiative in KR

The Extractive Industries Transparency Initiative (“EITI”) is the global standard for promoting greater transparency of revenues from business activities in the area of mineral resources mining. Countries implementing the EITI standard, are required to disclose the amount of tax and other payments received by the government from companies extracting natural resources, procedures for granting permits for subsurface use, and other information associated with subsurface use.

For this purpose, the country prepares a relevant report that demonstrates to all interested parties how natural resources of the country are managed and what revenues are generated. In order to prepare such report, as well as for the reconciliation of payments to the state made by companies that are engaged in business activities in the area of natural resources extraction, the country selects the Independent Administrator - an independent company with appropriate experience.

Since 1 March 2011 KR has the status of Compliant country. As at the beginning of December 2015, 9 country EITI reports were published.

EITI implementation in KR is coordinated by the State Agency for Geology and Mineral Resources and is controlled by the Supervisory Board, which consists of five representatives from each group of concerned parties (government, companies and civil society). Duyshenbek Zilaliev, Director of the State Agency for Geology and Mineral Resources, is the Head of EITI implementation and the Chairman of the Supervisory Board.

On 23 December 2013, EITI Supervisory Board of the Kyrgyz Republic adopted a work plan for 2014-2015. The work plan involves a number of new types of works, including :

- ▶ control over the funds to support development from local extractive industries;
- ▶ monitoring the use of resources allocated to environmental protection;
- ▶ ensure transparency of contracts; consideration the procedure of granting licenses;
- ▶ reporting on indirect contribution of the extractive industries to the economy and the establishment the reporting procedures to achieve transparency in the use of funds allocated by the extractive industries to infrastructure investments.

KR also agreed to participate in a pilot project on a beneficial right and completed the overview paper in the beginning of July 2014. The last time MSG hold a meeting on 16 December 2015 to discuss the process of EITI Report preparation for 2013-2014, a draft working plan for 2016, as well as other issues.

## 3. Methodology and approach to the EITI Report preparation

### 3.1 EITI Report scope

#### 3.1.1 Payments and revenues subject to analysis and reconciliation

The list of reporting indicators within the framework of Extractive Industries Transparency Initiative in the KR for extractive companies is approved by the KR Government decree No. 317 dated 8 December 2010.

##### *Section 1. Tax payments*

Name of payments (reporting indicators)	Line code
Individual income tax	01
Income tax, revenue tax for gold mining companies	02
Land tax	03
Property tax	04
VAT on internal products	05
Excise tax on internal products	06
Sales tax	07
Tax on income of foreign companies, which does not arise from a permanent establishment in the Kyrgyz Republic	08
Bonuses	09
Royalty	10
Gross income tax	11
The annual amount for the development of mineral resources base (“Charge for development and maintenance of local infrastructure”) <sup>2</sup>	12
Other taxes and charges	13

---

<sup>2</sup> In the Government Resolution № 317 of December 8, 2010, 12-th indicator is called the “Annual amount for the development of mineral resource base”. In the RFP for the Independent Administrator, 12-th indicator is called the “Charge for development and maintenance of local infrastructure”. In all reports for 2013 and majority reports for 2014 that were provided by companies in order to conduct data reconciliation, 12-th indicator is called the same as stated in the Government Resolution of the Kyrgyz Republic. Therefore, in this Report and all annexes, the 12-th indicator is called “Annual amount for the development of mineral resource base” and the other name in brackets, “Charge for development and maintenance of local infrastructure”

**Section 2. Customs payments**

Name of payments (reporting indicators)	Line code
Customs duties	14
Customs fees	15
Excise tax on imported products	16
VAT on imported products	17

**Section 3. Other material payments**

Name of payments (reporting indicators)	Line code
State social insurance contributions	18
Payment for concession	19
Dividends accrued on state-owned shares	20
Payments for state-shares, purchased by the company from the state	21
Lease of land owned by the government	22
Reimbursement of agricultural production losses	23
Reimbursement of forest production losses	24
Opportunity cost of provided land plots	25
Payment for retention of mining license	26
Payment for environmental pollution and damages	27
Fee for the issuance of license	28
Fee for the issuance of certificates and other permits	29
Payments established by agreements with the government	30

(\*) For entities with the state share

**Section 4. Additional expenses**

Name of payments (reporting indicators)	Line code
Support for education	31
Support for social infrastructure	32
Reclamation fund charges	33

### 3.1.2 Companies, whose payments are subject to reconciliation

With respect to 2013, KR EITI Supervisory Board has approved a list of 73 major companies subject to reconciliation of payment data under the Initiative. Initially, a threshold of annual income in the amount of USD 1 million has been established for selection of companies. However, since the number of companies that would meet this criteria was insignificant, an expanded list of extracting companies, taking into account the equal coverage with respect to the various types of minerals, was approved.

With respect to 2014, the Supervisory Board approved the materiality threshold in the amount of more than 1 million soms of paid taxes and payments, and in accordance with this criterion, the EITI Supervisory Board approved the list of 136 companies. The approach to determining the materiality threshold used by the Supervisory Board is common for all payments, irrespective of their level, type and status.

In order to determine the list of companies that have passed the threshold of materiality of 1 million soms of taxes and payments in 2014, the detailed data on taxpayers were used by the Supervisory Board that is published on the site [www.budget.okmot.kg](http://www.budget.okmot.kg). Overall, payments of 402 companies were analyzed; data were available on this site. Data for 62 subsoil users, who are registered as individual entrepreneurs or individuals were not found. The table below shows the number of companies that have passed and have not passed the threshold of materiality, as well as their share in payments to the state:<sup>3</sup>

Type of mineral wealth	The number of companies that have passed the threshold of 1 million soms	The number of companies that have not passed the threshold of 1 million soms	The share of payments from companies that have passed the threshold of 1 million soms, %	The share of payments from companies that have not passed the threshold of 1 million soms, %
Precious metals	19	15	99,95	0,05
Non-ferrous and rare earth metals	8	6	99,40	0,60
Oil	3	2	99,80	0,20
Coal	32	86	96,10	3,90
Nonmetallic mineral resources	24	51	93,00	7,00
Construction materials	50	106	97,40	2,60
<b>Total:</b>	<b>136</b>	<b>266</b>	<b>99,38</b>	<b>0,62</b>

The exhaustive list of companies included in the scope of the EITI Report for 2013 and 2014 is disclosed in Annex 7.

<sup>3</sup> According to Protocol № 22, the meeting of the Supervisory Board to implement the Extractive Industries Transparency Initiative in the Kyrgyz Republic from March 26, 2015

### 3.1.3 State bodies that submit information about companies' payments

Below is the list of state bodies that submit data for reconciliation for 2013 and 2014<sup>4</sup>:

2013	2014
<ul style="list-style-type: none"> <li>▶ State Taxation Service under the KR Government</li> <li>▶ State Customs Service under the KR Government</li> <li>▶ The State Agency for Geology and Mineral Resources under the KR Government</li> <li>▶ State Property Management Fund under the KR Government</li> <li>▶ State Agency on Environment Protection and Forestry under the KR Government</li> <li>▶ State Registration Service under the KR Government</li> <li>▶ Social Fund of the KR</li> <li>▶ State Administration of districts together with local authorities (31 Administration).</li> </ul>	<ul style="list-style-type: none"> <li>▶ State Taxation Service under the KR Government</li> <li>▶ State Customs Service under the KR Government</li> <li>▶ The State Agency for Geology and Mineral Resources under the KR Government</li> <li>▶ State Property Management Fund under the KR Government</li> <li>▶ State Agency on Environment Protection and Forestry under the KR Government</li> <li>▶ State Registration Service under the KR Government</li> <li>▶ Social Fund of the KR</li> <li>▶ State Inspection on Environmental and Occupational Safety under the KR Government</li> <li>▶ State Administration of districts together with local authorities (36 Administration).</li> </ul>
<b>Total: 38 State bodies</b>	<b>Total: 44 State bodies</b>

### 3.1.4 List of contextual information to be described in the EITI Report

In accordance with the Statement of Work for the Independent Administrator the EITI Report shall include sections about contextual information with respect to extractive industries of the KR. These sections shall include an overview of (if relevant information is publicly available):

- ▶ *Mining policy pursued by the KR Government* – legal, fiscal and institutional regulatory framework (including reform efforts) of the country's extractive industries.
- ▶ *General review of extractive industries* – trends, main types of extractive activities by types of resources and activity.
- ▶ *Economic contribution of extractive industries* – share of extractive industries in the country's GDP, total amount of investments, tax revenues, state budget and total employment. Also were considered the volume and the share of the extractive industries in the aggregate industrial output and exports by type of products and place of production (if information is available).

<sup>4</sup> In accordance with the Statement of Work for the Independent Administrator to conduct data reconciliation

- ▶ *State participation in mining projects* – the role of Kyrgyzaltyn LLC and reforms concerning the state's share in extractive entities.
- ▶ *State Administration of revenues from the KR extractive industries* – information about allocation of taxes and payments (local and national taxes and payments from extractive entities); information on financing of Development funds; information on extractive entities payments to the state bodies and their use within the special funds.
- ▶ *Licensing system in extractive industries* – information on general national policy and practice regarding transparency of contracts and licenses, access to the information about licenses, tenders and auctions; information about licensing system highlights and granting rights to subsurface use.
- ▶ *Information on beneficial ownership in mining projects /companies* – results of information gathering about the companies' beneficiaries for 2014.

Official statistics, legal acts, as well as development strategies and other relevant sources of information shall be used in preparing contextual information together with consideration of the above issues, including:

- ▶ KR Law “On basic principles of budget law”;
- ▶ KR Law “On non-tax payments”;
- ▶ Regulation on Development funds, Government;
- ▶ KR Law “On Subsurface Resources”;
- ▶ KR Tax Code
- ▶ Statistical reports of the National Statistical Committee of the KR;
- ▶ Development strategy of mining industry;
- ▶ National Strategy of Sustainable development and other relevant materials;
- ▶ other appropriate sources of information.

Detailed list of contextual information to be described in the EITI Report (if any) is shown in table (*Table 1*) below.

*Table 1*

**Contextual information that should be included in the EITI Report (if such information available) in accordance with Requirements 3 and 4 of EITI Standard**

Contextual information that should be included in the EITI Report (if available)	Comments regarding works that should be performed by the Independent Administrator
Description of the legal framework and fiscal mode existing in the extractive industries (Requirement 3.2), in particular, the laws pertaining to the information to be disclosed in the EITI Report	<p>Mining policy of the KR Government</p> <p>The legislative framework, including the development strategies with a view to reforms reform in the extractive industry.</p> <p>Fiscal mode applicable to the taxation of mining projects.</p> <p>The main regulatory state bodies and their role.</p> <p>The main institutional reforms in the extractive industry.</p>

Contextual information that should be included in the EITI Report (if available)	Comments regarding works that should be performed by the Independent Administrator
Description of extractive industries including any significant exploration works (Requirement 3.3)	General review of extracting industry: trends, the main types of extractive activities by type of resources and works.
The EITI Report should contain information, when it is available, regarding the direct contribution of the extractive industries into the economy for the period covered by the EITI Report (Requirement 3.4)	<p>General statistics about the share and the direct contribution of the extractive sector in the KR economy.</p> <p>Share of the extractive industries in the country's GDP.</p> <p>Share of the extractive industries in total exports.</p> <p>Share of the extractive industries in total investments.</p> <p>Contributions to state tax revenues, and the share in the state budget.</p> <p>Employment in the extractive industry and the average wage.</p> <p>Main mining regions.</p>
Information on volumes of extraction for the period covered by the EITI Report (Requirement 3.5)	<p>Statistical / Official data on the volume of industrial output in the extractive industry by types of product and source of production.</p> <p>Statistical / Official data on volume of exports of industrial output of extractive industry by types of product and source of production.</p>
Information on state participation in the extractive industries (Requirement 3.6)	<p>The role of the state mining entities – Kyrgyzaltyn OJSC.</p> <p>Reforms concerning state participation in mining projects.</p>
Allocation of revenues from extractive industries (Requirement 3.7)	<p>State revenue management from extractive sector of the KR</p> <p>Review of allocation in the form of taxes and payments: local and national taxes from mining companies.</p> <p>Review of Development Funds financing mechanisms and their operation in the mining regions of the country.</p> <p>Review of extractive entities payments to the state bodies and their use within the special funds.</p> <p>Used standards of revenues classification, for instance, IMF standards on government finance statistics.</p>
Any additional information on incomes and expenses management requested by MSG (Requirement 3.8)	<p>Overview of intended use of revenues from the extractive industries within the framework of special programs or regions, as well as existing mechanisms to ensure transparency and accountability.</p> <p>Overview of the budget process of the country, as well as the audit of public finances together with providing references to information about the reports on budget implementation and audit.</p>
Information on licensing process and the register of licenses (Requirement 3.9) and granting of licenses (Requirement 3.10)	<p>Overview of licensing system in the extractive industry.</p> <p>Problems of openness and access to information about the licenses, as well as existing deficiencies in the licensing system.</p> <p>The Government plans and actions aimed at development of a licensing system.</p>

Contextual information that should be included in the EITI Report (if available)	Comments regarding works that should be performed by the Independent Administrator
	<p>Provide the following information on licenses, included in the list of entities reporting under EITI:</p> <ul style="list-style-type: none"> <li>- license holder;</li> <li>- date of licensing and license validity period;</li> <li>- type of products when a license is provided for extraction.</li> </ul> <p>Description of the licensing process, including the technical and financial selection criteria. The number of issued licenses in 2013 and 2014, by types of minerals, areas and bonuses paid.</p> <p>When the license was granted as a result of a tender that took place in FY 2013, provide information about the list of applicants and selection criteria. If this information is publicly available, it is necessary to provide a reference in the EITI Report.</p>
<p>Any information requested by MSG regarding beneficial right (Requirement 3.11)</p>	<p>A list of companies participating in EITI reporting, indicating beneficiaries with ownership of 5% or more.</p> <p>A list of companies participating in EITI reporting, indicating beneficiaries that are politically exposed persons, indicating their share in the entity.</p>
<p>Any information requested by MSG regarding contracts (Requirement 3.12)</p>	<p>Submit the overview of the state policy regarding transparency of contracts and licenses in the extractive industry, including legal framework, existing practice and planned reforms. The EITI Report should include general overview of contracts and licenses, as well as provide a reference to published contracts and licenses, if any.</p>
<p>Determination of materiality and the inclusion of subnational payments (Requirement 4.2 (d))</p>	<p>Provide information on agreements on granting subsurface use licenses in comparison with conventional contracts (if data is available)</p>
<p>Disclosure and reconciliation of payments to and from the state entities (Requirement 4.2 (c))</p>	<p>Provide a breakdown by types of products, prices, markets and sales volume for entities with the state share of participation (if such data is available)</p>
<p>Determination of materiality and the inclusion of subnational transfers in accordance with the Requirement 4.2 (e)</p>	<p>Provide information (if any) about the social expenditures of companies, provided in kind and in cash, and information (if any) on the beneficiaries of social expenditures</p>

## 3.2 The procedure of data collection on payments

Documents that should be submitted to the Independent Administrator by the EITI Secretariat in the KR:

- ▶ Reports of state bodies collected by EITI Secretariat in the KR on 73 companies for 2013
- ▶ Reports of state bodies collected by EITI Secretariat in the KR on 136 companies for 2014
- ▶ Reports of 73 extracting companies for 2013, collected by the State Agency for Geology and Mineral Resources under the Government of the KR
- ▶ Reports of 136 extracting companies for 2014, collected by the State Agency for Geology and Mineral Resources under the Government of the KR.

Thus, the collection of data on payments of mining companies to the State for the 2013-2014, (Phase 2 of the EITI Report preparation project) has been fully carried out by the EITI Secretariat in the KR (state bodies) and Gosgeologoagentstvo (entities).

It should be noted that the procedure of data collection on payments from both mining companies, and from state bodies, is off-standard with relation to the application of EITI Standard. However, we did not find that the EITI Standard prohibits the application of such a procedure, thus one cannot talk of its correctness or incorrectness, one can talk only of its efficiency. In the context of ensuring the timeliness of the EITI Report preparation, such procedure is adequate, since two channels of collecting reporting documents are used:

- ▶ Gosgeologoagentstvo collects reporting data from companies;
- ▶ EITI Secretariat in KR collects reporting data from the state bodies;

Also, it should be noted that for companies a request for information for the EITI reporting from their "specialised" state body (Gosgeologoagentstvo) may be a more powerful argument to provide data compared to a request from the Independent Administrator.

All received reports with companies' and state bodies' data were transferred to the Independent Administrator in hard copies on 11 November 2015:

- ▶ **2013:** 23 reports from state bodies and 67 reports from companies;
- ▶ **2014:** 27 reports from state bodies and 89 reports from companies.

Based on the analysis of information obtained from the received reports the Independent Administrator identified that this information is not complete. In particular, some companies did not submit information about their payments to the state, namely:

- ▶ for 2013: 67 submitted data, 6 did not submit;
- ▶ for 2014: 89 submitted data, 47 did not submit.

A complete list of companies that did not provide information on payments to the state, are presented in Annex 7 to this document, the corresponding records are highlighted in yellow. On 2 - 3 December 2015, the Independent Administrator sent requests to provide missing information to all companies that did not submit information on payments. The form of the request is shown in Annex 5 to this report.

Also, according to the statement of work, the Independent Administrator has requested from extracting companies information on beneficial ownership for 2014, based on the approved form (see Annex 6). Forms to be filled-out by extracting companies were sent to all 136 companies.

### 3.3 The procedure of payments data reconciliation

When performing a reconciliation of data on companies' payments were used applicable provisions and methods of International Standards on Auditing, such as ISRS 4400 (Engagements to perform agreed-upon procedures regarding financial information) and ISA 505 (External confirmations). However, it should be noted that reconciliation procedures do not constitute an audit or independent assurance prepared in accordance with International Standards on Auditing. Consequently, the Independent Administrator does not make a conclusion on providing assurance in the correctness and accuracy of data or detection of fraud and errors that could be made by companies and / or state bodies. Information that is presented in the EITI Report and /or information submitted by the companies and state bodies shall not be subject of additional control or audit procedures.

Reliability of submitted information was confirmed by the following methods:

- ▶ All forms received from companies and state bodies were reviewed for availability of signatures and a seal of responsible persons of a company or a state body; the availability of signatures and seals guarantee the correctness of data provided by these organisations.
- ▶ Based on data received from companies and state bodies were performed analytical procedures, for example, the horizontal analysis (comparison with previous periods) and vertical analysis (analytical procedures, such as critical analysis of data, study the relation between payments within the same period).
- ▶ The requests for additional information that are sent to companies contain a requirement to fill in the form that contains a statement "By this letter I confirm the accuracy and completeness of all data provided in the annexes to this letter". The Form shall be signed by CEO or authorised person.
- ▶ When differences are identified the appropriate requests are sent to companies to clarify differences in writing, and submit supporting documents.

In accordance with the SoW there is a materiality threshold for the Independent Administrator regarding the differences between the data on payments on the part of companies and on the part of state bodies (error materiality threshold). The difference regarding the specific payment of a company is considered insignificant if the ratio of the difference under the payment according to the company and the ratio of the difference under the same payment according to a state body to the amount of all payments according to the company is 0.5% or less. The Independent Administrator has adopted this approach and believes that established threshold will ensure the adequate approach to reconciliation of payments in the final 2013-2014 Report.

Analysis and consolidation of payments data and review of discrepancies were performed as follows:

- ▶ Reported data of companies were compared with reported data of state bodies. Based on the results of analysis were determined discrepancies for each payment /receipt.
- ▶ If the reported data provided by the state bodies, institutions and organisations, were in agreement with the reported data provided by companies, then data of state bodies, institutions and organisations were considered final and did not require additional clarification.
- ▶ When during data comparison discrepancies were detected then they were subject to error materiality threshold.

- ▶ Requests for written clarification of reasons of discrepancies were sent to companies where discrepancies exceeded error materiality threshold. The requests contained a requirement to provide clarification of identified discrepancies, and requirement to submit supporting documents.
- ▶ All discrepancies exceeding error materiality threshold were reviewed in the state bodies by sending requests for explanation of discrepancies.
- ▶ Discrepancies below error materiality threshold were not studied. In this Report with respect to companies and payments where discrepancies were not identified or discrepancies did not exceed error materiality threshold, amount of payments are shown based on data from the state bodies (see Annex 8).
- ▶ If the company provided an adequate explanation of the discrepancy, indicated given the correct from its point of view the amount of payments and provided supporting documentation, then the Independent Administrator adjusts the amount of payment based on the information provided by the company (Annex 8). In this case that particular amount of payment, based on the company's information is indicated. If the company and the state body provide an explanation of the discrepancy, but it did not allow to eliminate the discrepancy, then the preference was given to the data of state bodies in Annex 8 is shown the amount of the payment of this company according to information from state bodies.

Section 7.3 discloses the information about all detected discrepancies that exceed error materiality threshold and were not reasonably explained by companies. Also, the Independent Administrator describes its ideas concerning the reasons of such discrepancies based on its experience. However, these are only assumptions and they cannot be considered as realness of these reasons.

The above procedures do not confirm that there were no other payments to state bodies other than those that were presented to the Independent Administrator in the reports of state bodies and companies. Because, such payments or amounts may not be included in the reports by companies or state bodies. Existing standards do not require the Independent Administrator to perform the detailed examination of companies' source documents to identify such omissions. Identification of such situations is difficult even when performing a detailed audit of all companies.

## 4. Overview of KR extractive industry in 2013-2014

Mineral resources are of great importance for the economy of the Kyrgyz Republic. On the government's balance of revenues and expenditures of Kyrgyz Republic there are the following deposits of natural resources:<sup>5</sup>

- ▶ Gold together with explored reserves 566 tons (68 deposits);
- ▶ Silver – 481 tons (1 deposit);
- ▶ Copper – 314,500 tons (9 deposits);
- ▶ Ferrum – 943,800 tons (1 deposit);
- ▶ Mercury – 39,510 tons (4 deposits);
- ▶ Fluorite – 2,282,300 tons;
- ▶ Tin – 186,761 tons (2 deposits);
- ▶ Tungsten – 117,233 tons (2 deposits);
- ▶ Bismuth – 5,083 tons;
- ▶ Plumbum – 30,000 tons (3 deposits);
- ▶ Zink – 17,600 tons (2 deposits);
- ▶ Stibium – 263,968 tons (7 deposits);
- ▶ Arsenic – 65,200 tons;
- ▶ Molybdenum – 2,523 tons (2 deposits);
- ▶ Terres rares – 51,500 tons.

### 4.1 The main deposits and mineral resources

*Table 2*

*Government balance of natural resources. Information as at 01.01.2013*

Type of mineral wealth	Description
<b>Gold</b>	To date, about 2,500 hardrock gold prospects were discovered in the KR. In terms of gold reserves among these hardrock gold prospects some unique ones could be marked out - more than 200 tons (Kumtor); large - more than 70 tons (Jerui, Taldybulak Levoberezhnyi); average-30-70 tons (Makmal, Bozymchak, Unkurtash, Ishtamberdy, Altyn Djilga, Tohtazan); small 5-30 tons (Solton-Sary, Jamgyr, Terek, Perevalnoe, Terekkan) and a large number of objects with predicted resources less than 5 tons of metal.
<b>Silver</b>	The only silver minefield is Kumyshtak with inferred mineral resources and forecast resources of 2 thousand tons.
<b>Copper</b>	Four types of copper sites were discovered: skarn-gold-copper, cupriferous sandstone, gold-copper-porphyrific and chalcopyrite-quartz veins. The first three types could have economic value. Among skarn deposits the largest is Kuru-Tegerek (1.02 million tons). Occurrence of cupriferous sandstones are known in East Alai (Oital) and on southern slope of Kyrgyz range in Tuyuk-Alaarcha interstream area. Gold-copper-porphyrific deposits were discovered in the headwaters of river Talas: Taldybulak (750 thousand tons of copper), Andash (96.1 thousand tons). Gold-copper

<sup>5</sup> Information on the government's balance as at 01.01.2013

Type of mineral wealth	Description
	areas of Bulakashinskoe ore field (Severnyi - 1.8 million tons and Saryaigyr - 372.8 thousand tonnes) could be included into the same type of deposits.
<b>Iron</b>	Were studied two deposits of iron, which may be involved in the operation: Gava and Nadir. Skarn-magnetite minefield Gava contains 2.6 million tons of ore. Silicified-magnetite-hematite mineralization of Nadir deposit associated with junctions of gabbro-ultrabasite intrusions. Ore reserves - 18 million tons.
<b>Mercury</b>	Two large mercury deposits were discovered in the KR (Chonkoi and Haidarkan with mercury reserves of over 20.0 thousand tons), one medium size field (Zardobuka - 1.5 thousand tons) and a number of small fields.
<b>Tin</b>	Tin mineralization is concentrated mainly in vein type deposits. Discovered two large (over 50 thousand tons of tin) deposits (Trudovoye, Uchkoshkon), two medium sized - 10-50 thousand tons of tin (Sarybulak, Terekty) and large number of small deposits (less than 10 thousand tons of tin).
<b>Tungsten</b>	Tungsten mineralization has a wide range of morphological types (hydrothermal veins, skarns, pneumatolytic stockworks and tabular stratiform deposits) and mineral assemblage (scheelite, molybdenite-scheelite, scheelite-wolframite, cassiterite-scheelite, and others.). The base of raw materials source are vein (Trudovoye, Terekty) and skarn (Kensu) types of deposits. Were discovered 2 large (over 30 thousand tons) deposits (Trudovoye, Kensu), some medium sized (10 - 30 thousand tons) deposits (Koltaboz, Zavodskoi, Kichikalai) and a large number of deposits (less than 10 thousand tons) (Kumbel, Meliksu, Kashkasu, etc.).
<b>Plumbum</b>	In Kyrgyzstan prior to 70-ies there were several mining companies involved in the extraction of plumbum and zinc on the deposits Boordu, Aktyuz, Sumsar, Kan, Kurgan, etc. Currently they are put on care and maintenance. Other notable deposits of lead-zinc mineralization of different genesis (Ikichatskoe, Cohn-i-Gut and others) require additional geological study.
<b>Zink</b>	
<b>Stibium</b>	Stibium mineralization is represented by two types of deposits: concordant, often flat ore reserves in jasperoids on the junction of limestone with the overlapping shale rocks (Kadamdjay, Abshir, Kassan, Khaidarkan, Kuldama, Tereksai) and crosscutting steeply dipping veins and mineralized areas in various rocks (Savoyardy, Nurlau, Chaarat, Nichkesu, Chonkimisdykty, Sharkratma, Aktyube Karagoyskoe). Two deposits are large (Kadamdjay, Khaidarkan - over 100 thousand tons of stibium), seven - medium sized (Tereksai, Kassan, Abshir, Savoyardy, Chaarat, Sharkratma, Nurlau - over 30 thousand tons of stibium), the rest are small deposits.
<b>Terres rares</b>	Rare-earth mineralization has economic value only on the deposit Kutessay II, operated in the 1958-1992 period. Currently, the mine was put on care and maintenance. The remaining reserves of terres rares amount to 51.5 thousand tons.
<b>Oil</b>	Oil and gas are produced in the Fergana depression. Multi layered reservoirs of oil and gas are associated with the aleurolite-siltstone of the Jurassic and Cretaceous, with the carbonate-terrigenous reservoir rocks of the Paleogene and gritstone - sandy

Type of mineral wealth	Description
<b>Gas</b>	deposits of Neogene. The government balance recorded 12 deposits, including six oil deposits (Maili-Sai, Chigirchik, Changyrtash, Kragachi, Tamchi, Bishkent-Togap-Tashrvat), three oil and gas deposits (Mailisu III, Mailisu IV- Vostochnyi Izbaskent, Izbaskent), two gas deposits (Suzak, Yuzhnyi Rishtan) and one oil and gas condensate deposit (Severnyi Karachikum).
<b>Coal</b>	Currently, there are about 70 coal deposits and coal shows in Kyrgyzstan. They are grouped into four basins: Yuzhno-Ferganskiy (Sulyukta, Kyzyl-Kiya, Beshburkhan, Abshir, Almalyk), Uzgenskiy (Kok-Yangak, Kumbel, Zindan); Severo-Ferganskiy (Tashkumyr, Kara-Tut, Tegenek); Kavakskiy (Kok-Moinok, Minkush, Kara-Keche) and three coal districts: Alaikiy, Alabuka-Chatyrkulskiy and Yuzhno-Issykkulskiy. Coal deposits are composed of Triassic-Jurassic deposits, represented by alternation of clays, argillite, siltstones, sandstones and conglomerates with coal veins. Minalbe coal-bearing layers are associated with the lower part of mining plant, with the Early Jurassic rocks.
<b>Beryllium</b>	Beryllium mineralization is concentrated in the following deposits: Kalesai (11.7 thousand tons), Chetendy (6.1 thousand tons), Tyuktyu-Archa (6.7 thousand tons), Uzun-Tashty (60.3 thousand tons).
<b>Uranium</b>	In Kyrgyzstan, uranium mining was carried out by several mines that ceased their activities in the mid-60s (Kadzhisai, Maylisay, Kavak). Prospects for the development of uranium industry could be associated with the development of proven ore deposits in Sarydzhaz river basin and Kyzyl-Ompulskih uranium-thorianite alluvial deposits. Reserves and resources of Sarydzhaz deposit amount to 9.5 thousand tons, Kyzyl-Ompulskih deposits - 12.8 thousand tons.
<b>Aluminium</b>	There are two types of aluminium deposits in Kyrgyzstan: sedimentary bauxite and nepheline syenites intrusive bodies. In the mountainous surround of Fergana Valley in limestones of the Middle Carbon was discovered a large number of bauxites occurrences. The most significant are Katranbashinskoe bauxites deposit (1.3 million tons) and Karanglinskoe allite deposit (18.7 million tons).
<b>Non-metallic mineral resources</b>	Kyrgyzstan underground resources are rich in diversified kinds of non-metallic raw materials used in the natural or processed state in household sector and various industrial sectors.
<b>Ground waters</b>	In the KR were discovered significant reserves of underground fresh and mineral and thermal waters. The main underground resources of high quality fresh water are concentrated in the intermountain basins. Were explored 44 deposits, of which 20 are for potable and industrial water supply, and the rest - for irrigation.

Many existing large extractive enterprises are city-forming and determine the social and economic development of regions. Below in the information about deposits by types of mineral resources and the amount of reserves, and a summary of major gold deposits (Table 3) and coal (Table 5).

Interactive map of mineral resources of the KR in the test version is available on the website <http://dolpha-001-site1.smarterasp.net/>, which can be accessed from the website of Gosgeologoagentstvo by the link “Interactive map”.

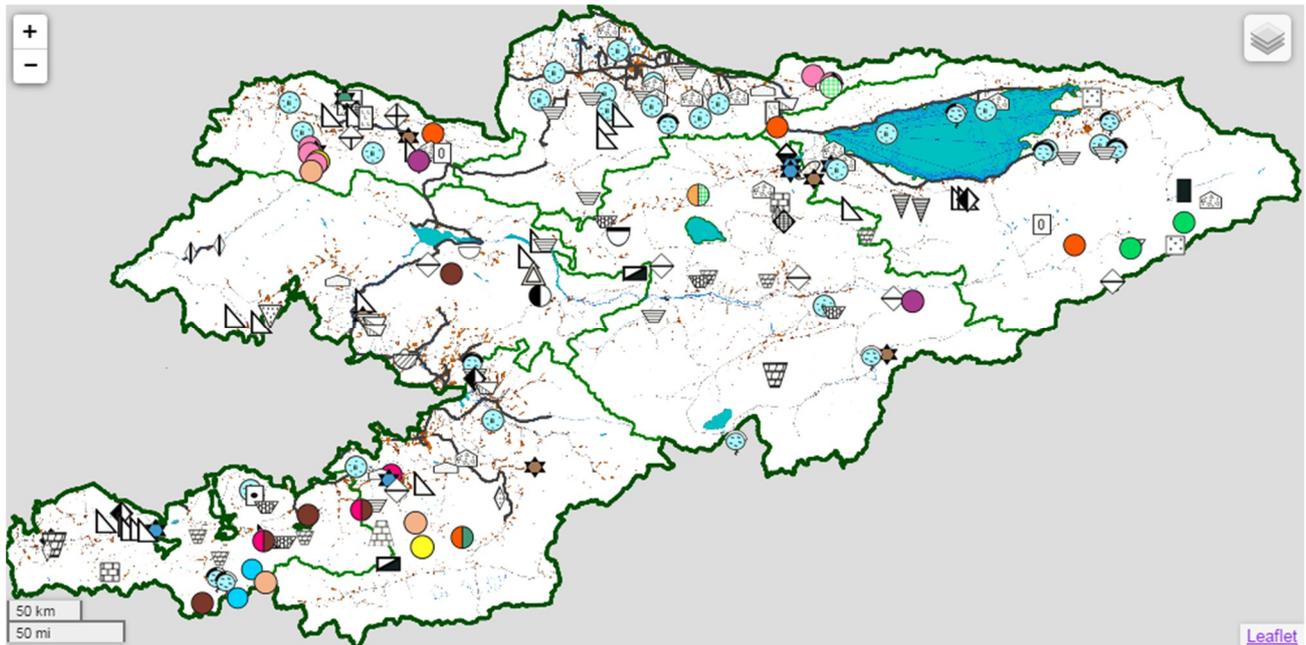


Figure 1 – Schematic map of mineral resources of the KR<sup>6</sup>

**Keywords for Figure 1<sup>7</sup>**

<ul style="list-style-type: none"> <li> Brown coal</li> <li> Iron</li> <li> Iron, vanadium, titanium</li> <li> Aluminum (nepheline syenites)</li> <li> Rare earth elements and trace elements</li> <li> Tantalum and niobium</li> <li> Zirconium</li> <li> Gold</li> <li> Aluminum, rubidium</li> <li> Tin, tungsten</li> <li> Tin</li> <li> Arsenic</li> </ul>	<ul style="list-style-type: none"> <li> Silver, polymetals</li> <li> Dolomite</li> <li> Quartzo-feldspathic rocks</li> <li> Pottery, fire resistant, ceramic clay</li> <li> Gold, copper</li> <li> Gold, cobalt</li> <li> Silver</li> <li> Uranium, molybdenum, vanadium</li> <li> Uranium, thorium</li> <li> Garnet (almandine)</li> <li> Irised feldspar</li> <li> Calcedony</li> </ul>	<ul style="list-style-type: none"> <li> Sulphur pyrite</li> <li> Mineral pigments</li> <li> Andalusite</li> <li> Fluxing limestone</li> <li> Limestone for production of quick lime</li> <li> Building sand</li> <li> Acid volcanic rocks</li> <li> Raw materials for keramzit and agglomerite</li> <li> Fresh waters</li> <li> Bricky clay and clay loam</li> <li> Quartz sands</li> <li> Quartz sandstones</li> </ul>
---	---	---

<sup>6</sup> Source – website <http://dolpha-001-site1.smarterasp.net/>

<sup>7</sup> Ibid

Keywords for Figure 1 <sup>7</sup>		
<ul style="list-style-type: none"> <li> Beryllium</li> <li> Mercury</li> <li> Mercury, stibium</li> <li> Stibium</li> <li> Bromin, boron (salt brine)</li> <li> Intrusive and igneous rocks</li> <li> Marbles</li> <li> Marble</li> <li> Dolomite, limestone</li> <li> Pyrogenetic rocks</li> <li> Limestone and dolomite for cement</li> <li> Clay and clay loam for cement</li> <li> Active admixtures into cement</li> </ul>	<ul style="list-style-type: none"> <li> Coloured calcedony</li> <li> Hornfels, decorative marble</li> <li> Decorative hornfels</li> <li> Gneiss</li> <li> Burnt clay porcelain gem jade</li> <li> Pale-green gem jade</li> <li> Anhydrite</li> <li> Glaucconites</li> <li> Turf moor</li> <li> Gypsum</li> <li> Mineral waters</li> <li> Thermal waters</li> <li> Thermal mineral waters</li> </ul>	<ul style="list-style-type: none"> <li> Quartz rocks</li> <li> Pyrophyllite</li> <li> Wollastonite</li> <li> Berg-meal</li> <li> Rock-salt (halite)</li> <li> Sodium sulfate</li> <li> Sand and gravel mix</li> <li> Basalts</li> <li> Ozokerit</li> <li> Mica</li> <li> High-silicon raw materials</li> <li> Graphite</li> </ul>

Table 3

**Major producing gold deposits and their brief overview<sup>8</sup>**

Field name	Developed by	Description
<b>Kumtor deposit in Issyk-Kul region</b>	Canadian company Centerra Gold Inc	<p>The project Kumtor Gold was named after the river Kumtor, in which upper reaches were discovered large deposits of gold. Since 1920s geological surveys were conducted in this area. But the deposit was discovered only in 1978.</p> <p>Based on the company's information as at 31.12.2014 ore reserves amounted 68,509 tons with gold content of 2.8 grams per ton, which is approximately 190.85 tons of gold. The amount of estimated and forecasted reserves is 29,671 tons of ore with gold content of 3 grams per ton – approximately 88.9 tons of gold.</p> <p>Mine development is performed by cut-open method using generally accepted methods of drilling, blasting operations,</p>

<sup>8</sup> Information in the table is presented according to the data of companies that develop corresponding deposits (information from the websites of companies, their public reports) and according to the Gosgeologoagentstvo website.

Field name	Developed by	Description
		<p>loading and transportation.</p> <p>In total 306.4 tons of gold were produced in Kumtor since the beginning of industrial production from May 1997 to December 31, 2014.<sup>9</sup></p>
<b>Integrated plant Makmal Gold in Toguz-Torouskiy district of Dzhahal Abad oblast</b>	Kyrgyz-Altyn OJSC	<p>Integrated plant Makmalgold (MZDK) is the main production department of Kyrgyzaltyn OJSC. The budget of Toguz-Torouskiy district by 95% is formed by its tax deductions.</p> <p>MZDK was formed on the basis of gold deposit "Makmal" discovered and explored in 1969 - 1977 and was put into operation in 1986.</p>
<b>Solton-Sary mine is located 355 kilometres from Bishkek in the Naryn oblast</b>	Kyrgyz-Altyn OJSC	<p>Solton-Sary posit is located 355 kilometres from Bishkek in the Naryn oblast on the northern slope of Kapka-Tash ridge at the absolute elevations of 3500-3600 meters above sea level.</p> <p>Solton-Sary mine infrastructure comprises of open-pit mine "Altyntor" with gold reserves within the open-pit mine of 543.5 kilogram, dressing plant with capacity of 100 thousand tons of ore per year and auxiliary buildings and constructions.</p> <p>Balance gold reserves (C1 + C2) in Altyntor were tested by TCNR of the Kyrgyz Republic in 2005, and amounted to 6.97 tons of gold with the average gold content of 3.48 grams per ton in the amount of 2,981.1 kilogram of gold.<sup>10</sup></p> <p>During these years was produced 1.2 tons of gold in concentrate. Outstanding reserves within the open-pit mine is 2.7 tons of gold with the average content of 3.5 gram per ton.</p>
<b>Tereksai mine in village Tereksai of Chatkalskiy district of Dzhahal Abad oblast</b>	Kyrgyz-Altyn OJSC	<p>Gold ores production on the deposit Terek is carried out since 2001 (Interstratal ore body). Tereksai mine is located in village Tereksai of Chatkalskiy district of Dzhahal Abad oblast of KR. Absolute elevations of 1800-2500 meters above sea level. Tereksai mine is one of the oldest mining enterprises of the Republic.</p> <p>The systematic study of geology and mineral resources in the area was commenced in 1934 and in the same year the gold deposit Terekkan was discovered. The exploration was completed in 1978.</p> <p>The production capacity of the mine is more than 100 thousand tons of ore per year. The ore is processed at the dressing plant to produce the final product in the form of sulphide gold-containing float concentrate with the average gold content of</p>

<sup>9</sup> Source: <http://www.kumtor.kg/ru/deposit/production-figures/>

<sup>10</sup> Source: <http://kyrgyzaltyn.kg/филиал-рудник-солтон-сары/>

Field name	Developed by	Description
		approximately 40 gram per ton. Annually was produced about 150 kilogram of gold in the concentrate. Mineable reserves of gold in Tereksai area, which also includes Perevalnoye deposit amount to about 20-25 tons of gold. According to estimates, in aggregate deposits of Tereksai group (deposits Terekkan, Terek, Chapchama and Chaartash - contain about 70 tons of the precious metal).
<b>Taldy-bulak Levoberezhnyi deposit in Keminskiy district</b>	Altynken company (40% owned by Kyrgyz-Altyn and 60% owned by Chinese company Superb Pacific Limited)	<p>The deposit is located in the eastern part of the Chu valley on the northern slope of the eastern end of the Kyrgyz ridge. The deposit was discovered in 1963. As a result of the latest revaluation of deposit reserves, reserves of gold amounted to 77.6844 tons, the ore volume amounted to 13,340 thousand tons, operating life is - 22 years.</p> <p>Construction of the field was commenced in 2013. The planned capacity of the mine is 3 - 3.5 tons of ore per year. Deposit launch ceremony was held in July 2015, as of today, no gold was extracted. Total amount of investments into deposit development was USD 246 million.</p>
<b>Djerui deposit in 65 kilometres south-east from Talas</b>	Alliance Altyn LLC	<p>Djerui the second largest gold deposit in KR. Gold reserves of category C1+C2 amount to 80.915 tons, off-balance-sheet - 16.161 tons.</p> <p>During 21 years of the Djerui deposit operation it is planned to produce 2.391 million ounces of gold - in average of 114 thousand ounces per year. The company by the end of 2017 could complete the construction of the gold-processing plant and put it into operation.</p>
<b>Kuran-Zhailoo deposit is located in Keminskiy district</b>	<i>no data was found in publicly available official sources</i>	The deposit was discovered in 1963. Over the deposit area metamorphised shale rock were intruded by diorite porphyry dyke-like bodies, diabase and quartz porphyries. There are 15 ore bodies at the deposit, the average thickness of ore body is 0.84 meters, the length is 30 - 160 meters. The main ore minerals: gold, pyrite, arsenical pyrite, fahlite, magnetic pyrite, brown iron ore. With respect to 10 largest ore bodies of the deposit the gold reserves amount to 9-11 t, the average content of gold is 7.85-11.35 gram per ton. <sup>11</sup>
<b>Terekkan deposit in Chatkalskiy district of Dzhalal Abad oblast</b>	Eti Bakyr Tereksai LLC	<p>Terekkan gold deposit is located in Chatkalskiy district of Dzhalal Abad oblast. The gross recoverable value of ore is estimated as 4.1 gram per ton.</p> <p>Over the deposit area metamorphised shale rocks were intruded by granosyenite porphyry. The length of ore bodies is 50 - 280</p>

<sup>11</sup> Source: <http://www.kig.kg/investors/minerals.html?showall=1&limitstart=>

Field name	Developed by	Description
		meters, the thickness is 0.75 - 5.93 meters. The main ore minerals: gold, pyrite, arsenical pyrite, magnetic pyrite. Average content of gold is 5.4 gram per ton, estimated reserves of C category - 3,799 kilograms.
<b>Andash deposit in Talas district of Talas oblast</b>	Andash Mining Company LLC	<p>Gold and copper deposit Andash is located in the north-east of Talas oblast<sup>12</sup>. It was discovered in 1962, the major exploration was carried out in 1982 - 1988, additional in-mine exploration was performed in 2004 - 2006.</p> <p>Reserves: 20 tons of gold, 70 thousand tons of copper, content: gold – 1.11 gram per ton; copper – 0.6%. Since 2005, Kyrgyz company Andash Mining Company has a license to develop the deposit, in 2004-2009, the activities of this company was financed by the British entity Aurum Mining Company, which stopped investing in 2009.</p> <p>Since December 2009 and up to date its main investor became the Australian company Kentor Gold, founded in 1997, which entered the Australian Stock Exchange in 2005.</p>
<b>Altyn-Dzilga deposit in Batkent district of Batkenskaya oblast</b>	<i>no data was found in publicly available official sources</i>	Gold reserves are estimated at 35-40 tons <sup>13</sup> .
<b>Kuru-Tegerek deposit in Chatkalskiy district of Dzhalal Abad oblast</b>	CJSC Kichi-Chaarat	The main minerals in the ore: chalcopyrite, magnetic pyrite, magnetic iron ore, pyrite, gold, acicular iron ore, barrel-copper. Gold reserves of C category is 22,009 kilogram, average content of gold in the ore is 2.17 grams per ton, gold reserves of C2 category is 2,096 kilograms.
<b>Chaarat group of deposits in Chatkalskiy district of Dzhalal Abad oblast</b>	<i>no data was found in publicly available official sources</i>	<i>No data was found in publicly available official sources</i>
<b>Ishtamberdy deposit in Ala-Bukinskiy district of Dzhalal Abad oblast</b>	Full Gold Mining	The construction of mine is completed. According to estimates the gold reserves at Ishtamberdy are 79.5 tons. Chinese company Full Gold Mining has invested USD 112.35 million in Ishtamberdy gold deposit, and currently this company develops this deposit.
<b>Bozymchak deposit in Ala-Bukinskiy district</b>	Kazakhmys Group	Kazakhmys Group has started an active phase of development of gold and copper deposit Bozymchak in Ala-Bukinskiy district of Dzhalal Abad oblast. To date, the development of this

<sup>12</sup> Hereinafter in the following table the source of data regarding Andash deposit is the Information portal of Talas Oblast State Administration ([http://gov.btour.kg/talas/?page\\_id=32](http://gov.btour.kg/talas/?page_id=32))

<sup>13</sup> According to Informational and analytical portal of subsurface management in Kazakhstan ([www. infonedra.kz](http://www.infonedra.kz))

Field name	Developed by	Description
of Dzhahal Abad oblast		gold and copper deposit is the most significant mining project in Kyrgyzstan. About 500 people of Kyrgyzstan and Kazakhstan will obtain employment in the course of the field development. The ceremonial start of the Bozymchak MPP was held on 1 August 2015. By the projections the planned processing at the plant will be 1 million tons of ore per year. The final product of the processing is copper concentrate with associated content of gold and silver. It is expected that at Bozymchak project the average annual production will reach 6 thousand tons of cathode copper and 28 thousand ounces of bar gold. As at 01.01.2015 over USD 300 million was invested into this project, the mine age is 18 years.

The distribution of the majority of primary types of minerals by regions is rather uneven (Table 4). The main producing coal deposits are shown in Table 5.

**Table 4**

**Distribution of the main types of mined minerals by regions**

Oblasts	Type of mineral wealth	Main deposits
Batken oblast	gold, aluminium (nepheline syenites), mercury, stibium, brown coal	Altyn-Djilga, Zardalek, Khaidarkan, Novoe, together with Khaidarkan, Kadamzhai, Sulyukta-field 11, Shurab III,
Jalal-Abad oblast	gold, copper, hard coal, marble, limestone	Makmal, Bozymchak, Ishtamberdy, Kuru-Tegerek, Terekkan, Akdjolskoe ore field, Unkurtash, Chaarat group of deposits, Tegene subterranean, Kok-Kiya, Kok-Yangak, Arym II, Changyrtash
Issyk Kul oblast	gold, tin, tungsten, hard coal	Kumtor, Togolok and Djangarsk, Trudovoye - site Tsentraknyi, Trudovoye - sites Lesisty and Tashkoro, Kensuu, Uchkoshkon, Sarybulak, Djergalan,
Naryn oblast	iron, aluminium (nepheline syenites), brown coal	Djetymaskoye, Sandyk, Minkush, Kara-Keche
Osh Oblast	mercury, metallurgical coal, hard coal, subanthracite, brown coal, white marble, limestone, gypsum	Chonkoi, Tiyuk-Kargasha, Karatube, Beshterek, Chitty and Aksur, Beshburkhan, Bel-alma, Akart, Aksaiskoye, Naukatskoye

Oblasts	Type of mineral wealth	Main deposits
Talas oblast	gold, copper, silver, iron, granites, grey marble, varicoloured marble, limestone	Djerui, Andash, Shiraldjin, Bala-Chichkan, Kaindinskoye, Tashkoro, Chaartash, Ozgorushskoye
Chu oblast	gold, rare earth elements, limestone, beryllium	Taldy-Bulak Levoberezhnyi, Kutessay -II, Karagailibulakskoye, Kalesai

Table 5

 Large producing coal deposits <sup>14</sup>

Field name	Location	Type of coal	Stage of development
Tegene subterranean	Aksyiskii district, Jalal-Abad oblast	Hard coal	Design
Tuyuk-Kargasha	Uzgen district, Osh oblast	Metallurgical coal	Geological survey
Karatube	Uzgen district, Osh oblast	Hard coal	Geological survey
Kok-Kiya	Toguz-Torouskiy district, Jalal-Abad oblast	Hard coal	Geological survey
Beshterek	Uzgen district, Osh oblast	Metallurgical coal	Geological survey
Chitty + Aksur	Uzgen district, Osh oblast	Subanthracite	Geological survey
Djergalan	Ak-Su district, Issyk Kul oblast	Hard coal	Development
Minkush	Djungalskiy district, Naryn oblast	Brown coal	Development
Kara-Keche	Djungalskiy district, Naryn oblast	Brown coal	Development
Sulyukta-field 11	Leileksk district, Batkent oblast	Brown coal	Development
Shurab III	Batkent district, Batkent oblast	Brown coal	Geological survey
Beshburkhan	Nookat district, Osh oblast	Brown coal	Development
Kok-Yangak within balance reserves of	Suzak district, Jalal-Abad oblast	Hard coal	Development

<sup>14</sup> Data source:

<http://mining.kz/en/equipment-catalog/item/17770-pravitelstvo-utverdilo-spisok-mestorozhdenij-obshchegosudarstvennogo-znacheniya>

Field name	Location	Type of coal	Stage of development
sites Tyulek and Markai			
Bel-Alma	Nookat district, Osh oblast	Brown coal	Geological survey

## 4.2 Volumes of minerals extraction in KR

Despite the availability of significant mineral reserves in Kyrgyz Republic only a part of them is in commercial production. The (Table 6) aggregate data about volumes of main types of minerals extraction by entities included in the EITI Report are presented below.

*Table 6*

**Extraction of main types of minerals in 2012-2014<sup>15</sup>**

Type of mineral wealth	Unit of measurement	2012	2013	2014
SGM	thousand m <sup>3</sup>	1,129.19	387.21	696.09
Clay loam	thousand m <sup>3</sup>	813.94	301.78	507.06
Burnt clay	thousand m <sup>3</sup>	576.20	829.50	680.60
Natural sands	thousand m <sup>3</sup>	236.19	106.80	61.70
Limestones**	thousand m <sup>3</sup>	152.80	208.17	218.61
	thousand tons	368.84	464.06	346.64
Marble, granite, ornamental stones**	thousand m <sup>3</sup>	135.92	-*	85.90
	thousand tons	8.10	3.00	-*
Quartz sands**	thousand m <sup>3</sup>	12.96	-*	2.00
	thousand tons	8.20	-*	-*
Gypsum**	thousand m <sup>3</sup>	23.50	-*	-*
	thousand tons	74.96	40.70	57.50
Hard coal and lignite	thousand tons	1,158.86	1,157.12	1,332.61
Gold	tons	11.34	19.68	19.16
Metallic ores	tons	19,341.00	27,790.12	46,30***
Oil	thousand tons	-*	81.23	73.00

<sup>15</sup> According to Gosgeologoagentstvo information submitted for 2013-2014 EITI Report (letters No. 04-2/5687 dated 20.11.2014 and No. 04-2/6365 dated 02.09.2015).

Type of mineral wealth	Unit of measurement	2012	2013	2014
Natural gas	million m <sup>3</sup>	-*	32.50	-*

\* The lack of information means that the Gosgeologoagentstvo reports did not have corresponding data.

\*\* Information on volumes of extraction of limestone, marble, granite and ornamental stone, quartz sand, gypsum is presented in two units of measurement in accordance with the data provided by the Gosgeologoagentstvo.

\*\*\*Data on mining of metal ores were not provided for all companies, therefore there is a big difference between the figures for 2014 and the previous two years.

Due to the fact that Gosgeologoagentstvo lacks of data from some of the companies included in the scope of EITI Report, as well as companies that did not pass the materiality threshold (payments in the amount of 1 million Som) the above data (Table 6) are incomplete. It is important to note that for this reason the level of coverage for some important types of minerals has significantly decreased in 2014. Thus, according to the KR National Statistical Committee in 2013 it was extracted 1,407.9 thousand tons of coal, and in 2014 - 1,811.9 thousand tons of coal.

Thus, in 2014, was received information from the companies that are responsible for the extraction of only 73.5% of the coal. For comparison, in 2013 this indicator was 82.2%, and in 2012 - 99.6%.

**Table 7**

**Extraction of certain types of minerals in 2010-2014.  
(Information from the National Statistical Committee of the KR<sup>16</sup>)**

Type of mineral wealth	Unit of measurement	2012	2013	2014
Hard coal and lignite <sup>17</sup>	thousand tons	1,163.9	1,407.9	1,811.9
Oil <sup>18</sup>	thousand tons	78.9	83.5	82.0
Natural gas <sup>19</sup>	thousand m <sup>3</sup>	28.5	32.5	32.5
Marble and limestone, other for monuments, redecoration or construction	thousand tons	38.4	114.4	77.5
Granite, sandstone and other stone for monuments, redecoration or construction	thousand tons	179.6	33.6	3.6
Basalt	thousand tons	104.6	30.6	-
Limestone and gypsum	thousand tons	312.7	600.7	484.3
Uncalcined, non-treated dolomite	thousand tons	18.5	26.7	27.3
Shale rock	thousand tons	164.6	211.9	149.5

<sup>16</sup> Information from the National Statistical Committee of the KR, the Independent Administrator inquiry answer

<sup>17</sup> Information from the National Statistical Committee of the KR, the volume of hard coal and lignite extraction, <http://www.stat.kg/media/statisticsdynamic/dc9b0866-4e04-4d9a-a394-5671f56042c5.xlsx>

<sup>18</sup> Information from the National Statistical Committee of the KR, the volume of crude oil production, <http://www.stat.kg/media/statisticsdynamic/dc9b0866-4e04-4d9a-a394-5671f56042c5.xlsx>

<sup>19</sup> Information from the National Statistical Committee of the KR, the volume of natural gas production, <http://www.stat.kg/media/statisticsdynamic/1a8d559b-004f-4b83-a8a5-3cb52b08a71a.xlsx>

Type of mineral wealth	Unit of measurement	2012	2013	2014
Natural sands	thousand tons	679.6	1,047.0	784.3
Stone granules, chippings and powder; pebbles, gravel, gravel chippings (crushed rock)	thousand tons	612.8	1,204.4	930.9
Loams and porcelain clay (porcelaneous mixture)	thousand tons	124.5	187.4	218.8

### 4.3 The development strategies with a view to reforms in the extractive industry

#### Provisions of the nationwide development strategy, involving extractive industry

The Presidential Decree dated 21 January 2013, No. 11 approved the National Strategy of Sustainable Development of the KR for the period 2013 - 2017 (the “**National Strategy**”)<sup>20</sup>. In accordance with the National Strategy the development purposes of the mining industry are:

- ▶ *an increase of income from mining sector by diversifying production and integration into the world economy;*
- ▶ *creation of favourable investment climate for all subsurface users irrespective of property category and country ownership;*
- ▶ *development of new mineral deposits and the creation of additional working position;*
- ▶ *implementation of advanced mining technologies and countering the use of wasteful and ecologically destructive production methods;*
- ▶ *implementation of the mechanism of government regulation aimed at balancing the interests of subsurface users, the state and the community.*

The government policy in the mining sector will be aimed at balancing the interests of the state, investors and the local community.

The main objectives are to create favourable legal environment and government regulation, improvement of geological infrastructure, accelerated development of gold industry by commissioning of already developed fields, implementation of commitments under EITI, etc.

In accordance with the National Strategy, the policies and actions of the state will be, in particular, focused on liberalisation of extractive business conditions, the decrease of the excessive control functions of the state by replacing administrative controls by more effective market (economic) regulators, setting the possibility of extinguishing a right on development of the deposit only by court ruling, elimination of hostile takeovers and so on.

Specific policies comprise:

<sup>20</sup> The text of the National Strategy is available on the website of the Ministry of Justice of the Kyrgyz Republic: <http://cbd.minjust.gov.kg>

- ▶ development and adoption of the medium-term extractive industry development strategy;
- ▶ adoption of a second prospective legislation package on concessions, on mining concessions, production sharing agreements in the long term it is possible to combine these laws and the Law “On Subsurface” in a unified code on subsurface resources, aimed at the development of the extractive business;
- ▶ simplification of registration of access rights to subsurface resources and subsurface use administration will be executed through the implementation of registration of subsurface use rights based on a “one-stop-shop principle”;
- ▶ adoption of subordinate legislation for the implementation of new version of the Law “On Subsurface”, in the shortest possible time formation of inter-agency tender committees on nationwide deposits, as well as auction committees on deposits allocated by auctions;
- ▶ conceptual refrain from the negotiation method of subsurface use rights registration and transition to a tender - auction process of the distribution of licenses, concessions, approval by the Government the regulation on tenders and auctions, providing for the use of transparent bidding procedures for tenders and auctions;
- ▶ providing wide and free access to geology archives on a fee basis, prohibition of issuance of archive originals for use and accelerated transfer of such information to electronic media, etc.

### **Provisions of other documents that set the strategy of development and the reform of the extractive industry**

On 20 February 2015, at a meeting of the Government of the Kyrgyz Republic<sup>21</sup>, Medium and Long term Extractive Industry Development Strategy of the Kyrgyz Republic (the “Extractive Industry Development Strategy”)<sup>22</sup>. The Extractive Industry Development Strategy defines the main directions of the KR extractive industry development up to 2052, amidst of increased competition in the international markets of minerals, services in the area of geological survey and development of mineral deposits. The Extractive Industry Development Strategy is focused on the fact that the wealth generated by the mining sector remains the sustainable domain for present and future generations with the maximum increase in benefits and minimum negative ecological and social implications from the activities of this industry. The main innovations proposed in the Extractive Industry Development Strategy, among other things include:

- ▶ ensuring the exclusiveness of the right to use the subsurface resources as in the international practice; development of mechanisms to stimulate entities to purchase local goods, works and services; providing public access to geological information resources on the basis of a public library without additional permits; development of conditions for the use of geological information;
- ▶ introduction of a guaranteed renewal term of the right to use the subsurface resources;
- ▶ introduction of the right of the first application priority when obtaining the right for subsurface resources usage that are not included in the lists of tender and auction items;
- ▶ introduction of a system of registration of subsurface resources use rights and pledge of subsurface resources use rights (the formation of a unified register of licenses);

<sup>21</sup> According to the website <http://www.vb.kg>

<sup>22</sup> Extractive Industry Development Strategy Project is placed on the website of the Ministry of Finance of the Kyrgyz Republic: <http://mineconom.gov.kg>

- ▶ development of regulations governing the procedure for examination of mining and geological projects (environmental, industrial safety, protection of mineral resources); exclude the application of a bonus to off-balance sheet reserves and predicted resources;
- ▶ simplification of the tax regime for free miners on the basis of a single revenue tax instead of sales tax and profit tax; implementation of independent certification assessment based on the professional association using the international best practices; etc.

However, we should note that the official version of the Extractive Industry Development Strategy, approved by the Government of the KR, as of the date of this report is not publicly available.

In accordance with the executive order of the KR Government dated 23 April 2015, No. 178-p<sup>23</sup>, the commencement of the Extractive Industry Development Strategy had been planned before 1 July 2015. Based on the analysis of publicly available information<sup>24</sup> the state bodies and professional associations started the implementation of some of the issues set out in the Extractive Industry Development Strategy. For example, was approved the Regulation concerning the procedure of environmental impact assessment in KR<sup>25</sup>; the State Agency for Geology and Mineral Resources has developed a draft law that proposes to introduce a rule of the first application when obtaining the subsurface use right; the Advisory Council on issues associated with subsurface use policies comprising representatives of state bodies, business community and civil society was formed under the Ministry of Economy; the Ministry of Economy started the development rules of procedures of the tendering committee.

### **Changes that were made in the Extractive Industry Development Strategy during the reporting period**

It should be noted that no amendments were made in the Extractive Industry Development Strategy during the reporting period.

---

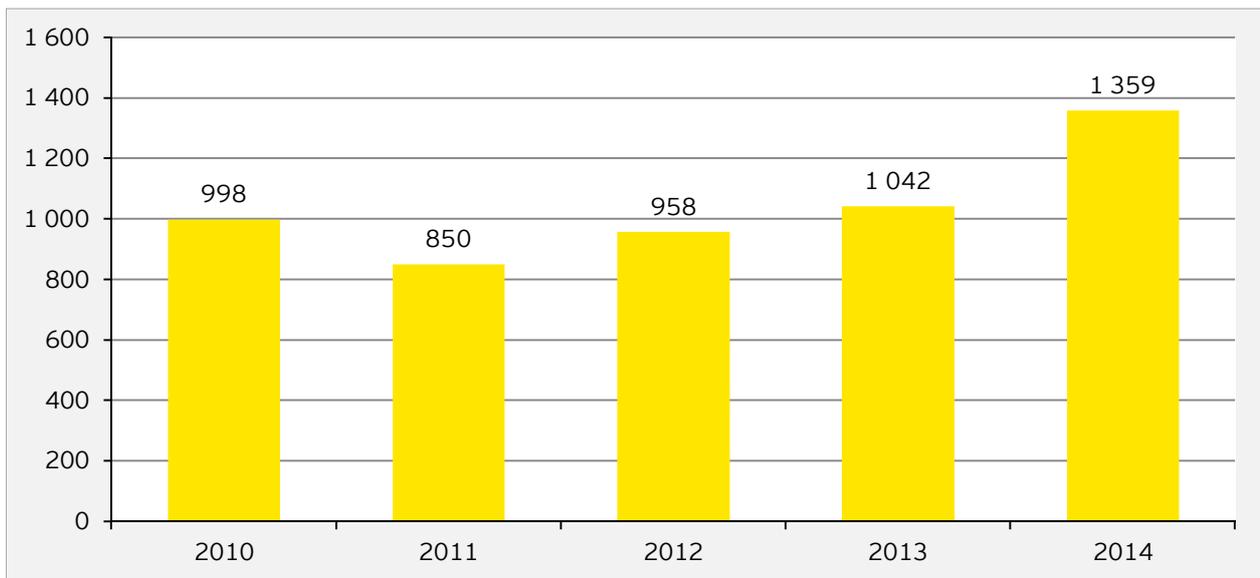
<sup>23</sup> Section 7 on the Reforms of the state management in the extractive industry of the Annex “Priority activities within the reform of the public sector” to the order of the Government of the KR dated 23 April 2015, No. 178-p

<sup>24</sup> According to data of websites of Gosgeologoagentstvo and the Ministry of Economy of the KR: geology.kg, mineconom.gov.kg

<sup>25</sup> The Regulation concerning the procedure of environmental impact assessment in KR is approved by the KR Government decree dated 13 February 2015, No. 60

## 4.4 Information on licences to use subsurface resources, valid in 2013 and 2014

During the last three years there is a steady increase in the number of valid subsurface use licenses. Thus, as at the end of 2014, in KR there were 1,359 licenses, which is by 30.4% more than as at the end of 2013 (Figure 2).



**Figure 2 – The number of valid subsurface use licences in KR, 2010-2014**

In 2014, the number of licenses of all kinds of work and minerals has increased (Table 10). In total, 409<sup>26</sup> new licenses were issued in 2014, including 14<sup>27</sup> licenses that were issued as a result of the auction. In total, 226 licenses were issued in 2013, including 1 license that was issued as a result of the auction. The total value of all lots sold in 2014 was 6,607,394<sup>28</sup> USD, while the total value of all lots sold in 2013 was 618,000<sup>29</sup> USD.

<sup>26</sup> Data on the number of licenses is presented on the basis of the list of valid licenses (as of 01/04/2015) that was received from the EITI Secretariat in Kyrgyz Republic

<sup>27</sup> According to Gosgeologoagenstvo, [http://www.geology.kg/geol/index.php?option=com\\_content&view=category&id=116&Itemid=375&lang=ru&limitstart=20](http://www.geology.kg/geol/index.php?option=com_content&view=category&id=116&Itemid=375&lang=ru&limitstart=20)

<sup>28</sup> According to Gosgeologoagenstvo, [http://www.geology.kg/geol/index.php?option=com\\_content&view=category&id=116&Itemid=375&lang=ru&limitstart=20](http://www.geology.kg/geol/index.php?option=com_content&view=category&id=116&Itemid=375&lang=ru&limitstart=20)

<sup>29</sup> Ibid

Table 8

Short information about auctions held in 2013 - 2014

Date	Name	Company winner	Type of mineral wealth	Starting bid	Last bid	Source
12.11.2013	Kurgantubinska ya area	Chatkal Golg LLC	Gold	349 dollars USD	513 000 dollars USD	<a href="http://www.geology.kg/geol/index.php?option=com_content&amp;view=article&amp;id=393:20-01-2014-g&amp;catid=116&amp;Itemid=375&amp;lang=ru">http://www.geology.kg/geol/index.php?option=com_content&amp;view=article&amp;id=393:20-01-2014-g&amp;catid=116&amp;Itemid=375&amp;lang=ru</a>
12.11.2013	Chakmaksuiska ya area	Chatkal Lachyn LLC	Gold	60 dollars USD	105 000 dollars USD	<a href="http://www.geology.kg/geol/index.php?option=com_content&amp;view=article&amp;id=393:20-01-2014-g&amp;catid=116&amp;Itemid=375&amp;lang=ru">http://www.geology.kg/geol/index.php?option=com_content&amp;view=article&amp;id=393:20-01-2014-g&amp;catid=116&amp;Itemid=375&amp;lang=ru</a>
20.01.2014	Uchastok 17, Sary-Tash field	Tuz-Bel Tash LLC	Shell limestone	5 010 dollars USD	575 501 dollars USD	<a href="http://www.geology.kg/geol/index.php?option=com_content&amp;view=article&amp;id=400:20-01-2014g-izvestnyak-rakushechnik&amp;catid=116&amp;Itemid=375&amp;lang=ru">http://www.geology.kg/geol/index.php?option=com_content&amp;view=article&amp;id=400:20-01-2014g-izvestnyak-rakushechnik&amp;catid=116&amp;Itemid=375&amp;lang=ru</a>
20.01.2014	Uchastok 21, Sary-Tash field	Tuz-Bel Tash LLC	Shell limestone	17 715 dollars USD	508 443 dollars USD	<a href="http://www.geology.kg/geol/index.php?option=com_content&amp;view=article&amp;id=400:20-01-2014g-izvestnyak-rakushechnik&amp;catid=116&amp;Itemid=375&amp;lang=ru">http://www.geology.kg/geol/index.php?option=com_content&amp;view=article&amp;id=400:20-01-2014g-izvestnyak-rakushechnik&amp;catid=116&amp;Itemid=375&amp;lang=ru</a>
03.02.2014	Sarykoskaya area	Mostdostroi LLC	Gold	4 700 dollars USD	6 110 dollars USD	<a href="http://www.geology.kg/geol/index.php?option=com_content&amp;view=article&amp;id=420:03-02-2014-g&amp;catid=116&amp;Itemid=375&amp;lang=ru">http://www.geology.kg/geol/index.php?option=com_content&amp;view=article&amp;id=420:03-02-2014-g&amp;catid=116&amp;Itemid=375&amp;lang=ru</a>
03.02.2014	Burougolnoe field "Kashkasu"	Industrial Electric Electronic Sanaii ve Tidzharet Ltd Shirketi LLC	Coal	1 200 dollars USD	30 840 dollars USD	<a href="http://www.geology.kg/geol/index.php?option=com_content&amp;view=article&amp;id=420:03-02-2014-g&amp;catid=116&amp;Itemid=375&amp;lang=ru">http://www.geology.kg/geol/index.php?option=com_content&amp;view=article&amp;id=420:03-02-2014-g&amp;catid=116&amp;Itemid=375&amp;lang=ru</a>

Date	Name	Company winner	Type of mineral wealth	Starting bid	Last bid	Source
24.03.2014	Karakichinskaya area	OcOO Industrial Electric Electronic Sanaii ve Tidzharet Ltd Shirketi LLC	Gold	2 000 dollars USD	670 000 dollars USD	<a href="http://www.geology.kg/geol/index.php?option=com_content&amp;view=article&amp;id=456:24-03-2014-g-rossypnoe-zoloto-i-zoloto&amp;catid=116&amp;Itemid=375&amp;lang=ru">http://www.geology.kg/geol/index.php?option=com_content&amp;view=article&amp;id=456:24-03-2014-g-rossypnoe-zoloto-i-zoloto&amp;catid=116&amp;Itemid=375&amp;lang=ru</a>
24.03.2014	Balyktinskaya area	Shakh Tal LLC	Gold	500 dollars USD	18 500 dollars USD	<a href="http://www.geology.kg/geol/index.php?option=com_content&amp;view=article&amp;id=456:24-03-2014-g-rossypnoe-zoloto-i-zoloto&amp;catid=116&amp;Itemid=375&amp;lang=ru">http://www.geology.kg/geol/index.php?option=com_content&amp;view=article&amp;id=456:24-03-2014-g-rossypnoe-zoloto-i-zoloto&amp;catid=116&amp;Itemid=375&amp;lang=ru</a>
31.03.2014	Kyzylkelskaya area	ChP Tolkanchinova A.	Gold	300 dollars USD	115 000 dollars USD	<a href="http://www.geology.kg/geol/index.php?option=com_content&amp;view=article&amp;id=462:31-03-2014-g-zoloto-i-kamennaya-sol&amp;catid=116&amp;Itemid=375&amp;lang=ru">http://www.geology.kg/geol/index.php?option=com_content&amp;view=article&amp;id=462:31-03-2014-g-zoloto-i-kamennaya-sol&amp;catid=116&amp;Itemid=375&amp;lang=ru</a>
31.03.2014	Tegermenskaya area	Fidelity Construction LLC	Gold	300 dollars USD	162 000 dollars USD	<a href="http://www.geology.kg/geol/index.php?option=com_content&amp;view=article&amp;id=462:31-03-2014-g-zoloto-i-kamennaya-sol&amp;catid=116&amp;Itemid=375&amp;lang=ru">http://www.geology.kg/geol/index.php?option=com_content&amp;view=article&amp;id=462:31-03-2014-g-zoloto-i-kamennaya-sol&amp;catid=116&amp;Itemid=375&amp;lang=ru</a>
14.04.2014	Northern-West part of field 12 Suluktinskogo burougolnogo field	ATS – Group LLC	Coal	1 200 dollars USD	55 000 dollars USD	<a href="http://www.geology.kg/geol/index.php?option=com_content&amp;view=article&amp;id=472:14-04-2014-g-buryj-ugol-i-suglinki&amp;catid=116&amp;Itemid=375&amp;lang=ru">http://www.geology.kg/geol/index.php?option=com_content&amp;view=article&amp;id=472:14-04-2014-g-buryj-ugol-i-suglinki&amp;catid=116&amp;Itemid=375&amp;lang=ru</a>
14.04.2014	Northern-Suluktinskoe burougolnoe field	Tagaibek LLC	Coal	110 dollars USD	45 000 dollars USD	<a href="http://www.geology.kg/geol/index.php?option=com_content&amp;view=article&amp;id=472:14-04-2014-g-buryj-ugol-i-suglinki&amp;catid=116&amp;Itemid=375&amp;lang=ru">http://www.geology.kg/geol/index.php?option=com_content&amp;view=article&amp;id=472:14-04-2014-g-buryj-ugol-i-suglinki&amp;catid=116&amp;Itemid=375&amp;lang=ru</a>

Date	Name	Company winner	Type of mineral wealth	Starting bid	Last bid	Source
14.04.2014	Nizhnii Garm Area	Azamat Ken LLC	Coal	700 dollars USD	6 500 dollars USD	<a href="http://www.geology.kg/geol/index.php?option=com_content&amp;view=article&amp;id=472:14-04-2014-g-buryj-ugol-i-suglinki&amp;catid=116&amp;Itemid=375&amp;lang=ru">http://www.geology.kg/geol/index.php?option=com_content&amp;view=article&amp;id=472:14-04-2014-g-buryj-ugol-i-suglinki&amp;catid=116&amp;Itemid=375&amp;lang=ru</a>
14.04.2014	Standard Area	INEN LLC	Loam	100 dollars USD	22 200 dollars USD	<a href="http://www.geology.kg/geol/index.php?option=com_content&amp;view=article&amp;id=472:14-04-2014-g-buryj-ugol-i-suglinki&amp;catid=116&amp;Itemid=375&amp;lang=ru">http://www.geology.kg/geol/index.php?option=com_content&amp;view=article&amp;id=472:14-04-2014-g-buryj-ugol-i-suglinki&amp;catid=116&amp;Itemid=375&amp;lang=ru</a>
28.11.2014	Kassan field	Terek-Sai zhashtary LLC	Stibium	117 500 dollars USD	4 521 000 dollars USD	<a href="http://www.geology.kg/geol/index.php?option=com_content&amp;view=article&amp;id=582:28-11-2014-surma&amp;catid=116&amp;Itemid=375&amp;lang=ru">http://www.geology.kg/geol/index.php?option=com_content&amp;view=article&amp;id=582:28-11-2014-surma&amp;catid=116&amp;Itemid=375&amp;lang=ru</a>

**Table 9**
**The total sum of Bonuses by mineral resources in 2013 – 2014, thousand soms<sup>30</sup>**

Type of mineral wealth	2013	2014
Precious metals	482,858.4	32,513.1
Non-ferrous and rare earth metals metals	2,223.6	224,748.2
Oil and gas	991.1	1.7
Coal	1,339.0	1,039.7
Construction materials and non-metallic minerals	487.7	4,037.5
<b>Total</b>	<b>487,899.8</b>	<b>262,340.2</b>

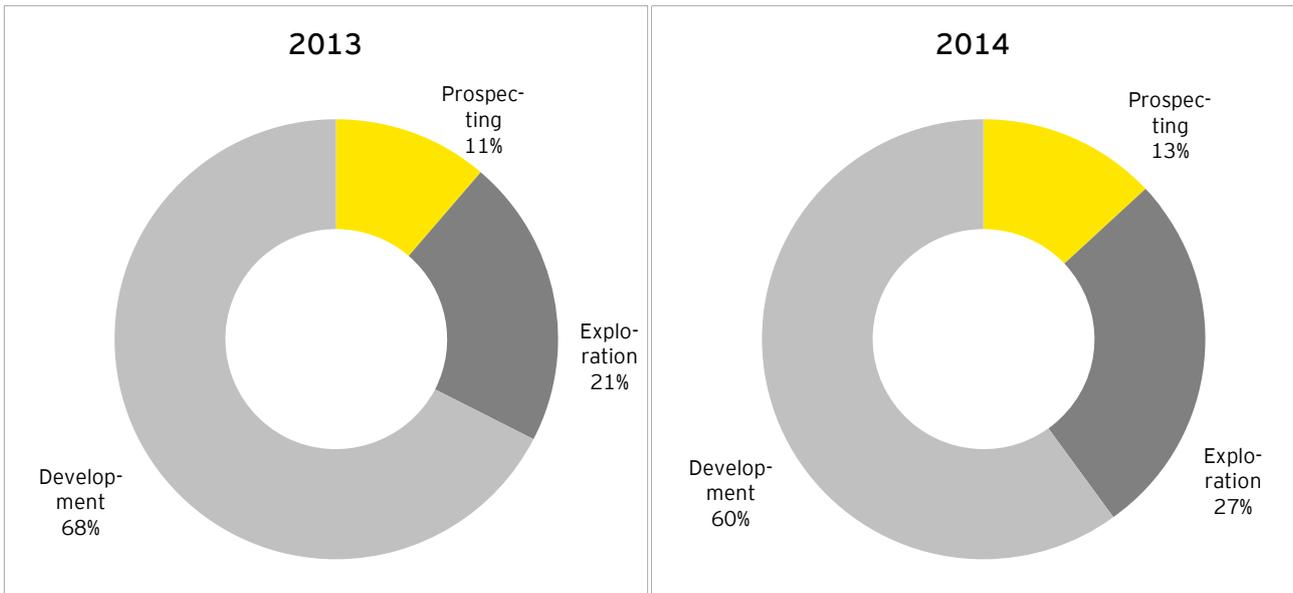
**Table 10**
**The distribution of licenses by types of works and mineral resources in 2013 - 2014**

Type of mineral wealth	Prospecting		Exploration		Development		Grand total	
	2013	2014	2013	2014	2013	2014	2013	2014
Gold	65	73	46	53	49	47	160	173
Ore mineral resources	15	27	21	27	23	22	59	76
Coal	6	12	40	66	134	158	180	236
Oil	30	38	2	0	19	19	51	57
Nonmetallic mineral resources	2	26	103	211	309	344	414	581
Underground waters	0	1	9	10	169	225	178	236
<b>Grand total</b>	<b>118</b>	<b>177</b>	<b>221</b>	<b>367</b>	<b>703</b>	<b>815</b>	<b>1042</b>	<b>1359</b>

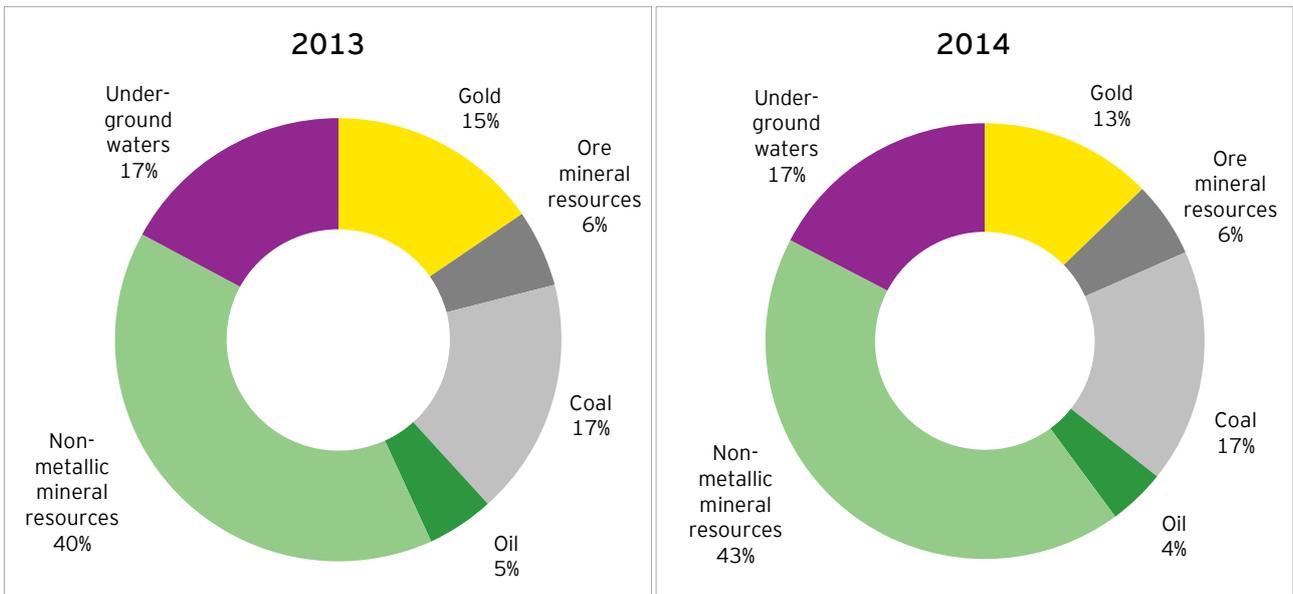
However, it is important to note that in 2014, in the midst of increasing the total number of valid licenses, the maximum increase was in the category of exploration licenses (+66%) and prospecting licenses (+50%). As a result the share of development licenses decreased from 68% to 60% (**Figure 3**).

Within the valid licenses for subsurface use the major portion was represented by production licenses of non-metallic mineral resources - 40% in 2013 and 43% in 2014 (**Figure 4**).

<sup>30</sup> The amounts of bonuses are related to companies that are included in scope of data reconciliation, i.e. the data provided by companies and governmental authorities: 67 in 2013 and 97 in 2014 (see Section 7.3.9) that were checked by an independent administrator



**Figure 3 – The distribution of valid licenses by types of works, 2013-2014**



**Figure 4 – The distribution of valid licenses by types of mineral resources, 2013-2014**

Although the regional distribution of subsurface use licenses (**Figure 5**) is characterized by high consistency in comparison with the distribution by type of works and type of mineral resources, still it is possible to single out three key regions where 60% of all licenses are concentrated. These are: Jalal-Abad oblast (21%), Osh oblast (21%) and Batkent oblast (18%).

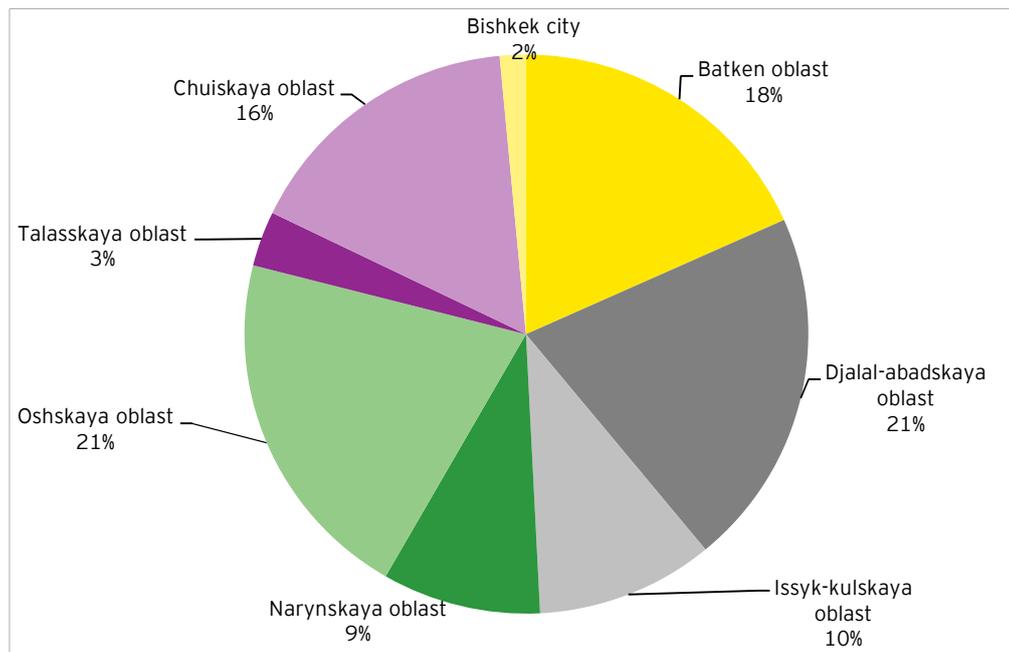


Figure 5 – The distribution of valid licenses by KR regions (as at the date of the EITI Report)<sup>31</sup>.

However, there is no publicly available information about bonuses paid for provided licenses. At the same time Annex 7 presents information on the amounts of bonuses paid by companies whose payments to the government in 2013-2014 are subject to reconciliation.

## 4.5 Information on attractive project in the extractive industry of the KR

Under a favourable set of circumstance a development of a number of projects in the extractive industry important for Kyrgyz economy may be commenced (*Table 11*).

Table 11

Attractive projects in the extractive industry of the Kyrgyz Republic<sup>32</sup>

Field name	Brief description
Djerui deposit in Talas oblast	Gold reserves according to FS 2009 amounted to 83.98 tons, with average content of gold of 4.77 grams per ton. Based on preliminary estimates in the out of balance ores there still was 10.3 tons of gold with content of 2.64 grams per ton. Simultaneously with gold approximately 13 tons of silver shall be produced. The total gold reserves at Djerui deposit are estimated at

31 Data of the State Agency for Geology and Mineral Resources under the KR Government, <http://www.geology.kg/images/lisen/deistvuet.xlsx>

32 Source - <http://www.geology.kg/index.php/about-as/aboutgeology?showall=&start=1>

Field name	Brief description
	USD 5 billion
Nasonovskoye deposit in Panfilov district	Explored reserves amounted to 5.6 tons of gold and 4.6 thousand tons of copper - initial mine development was planned in 2013. The estimated capacity of the mine is 100 thousand tons of ore, gold production is 400-500 kg per year
Kutessay 2 deposit	Was commenced revaluation of reserves of rare-earth metals at Kutessay II, reserves of rare-earth metals - 51.5 thousand tons, and beryllium reserves at Kalesai in Kemin district are 11.7 thousand tons. It was planned to finish development projects by the end of 2013. The development of these deposits should allow to breathe new life into processing facilities of Aktyuzskiy mine and Orlovsky chemical and metallurgical plant
Tin and tungsten deposit Trudovoye in Ak-Su district	Explored reserves amounted to: ore - 25.4 million tons, tin - 148.8 thousand tons, tungsten trioxide - 95.6 thousand tons, fluorite - 548 thousand tons. Average content in the ore: tin - 0.59%, tungsten trioxide - 0.38%, fluorite - 13.2%
Uchkoshkon tin deposit in Jeti-Oghuz district	Explored reserves amounted to: ore - 11.5 million tons; tin - 60.6 thousand tons. Average content of tin in the ore is 0.54%
Tungsten deposit Kensu in Ak-Su district	Explored reserves amounted to 5.8 million tons of ore and 29.5 thousand tons of tungsten trioxide with its average content in the ore of 0.41%
Togolok gold deposit in Jeti-Oghuz district	Explored reserves amounted to 17.4 tons of gold with the average content of 2.58 gram per ton. Reserves and forecast resources of Togolok deposit and adjacent areas are estimated at 83 tons of gold
Karakzyk deposit in Chon-Alai district of Osh oblast	The main construction is completed and since 2013 the entity should be in operating mode. The capacity of the mine is 75.0 thousand tons of ore, gold production will be 200-300 kg per year. It was planned to create 100-120 jobs for locals at the entity.

Among other potentially economically interesting projects it is worthwhile noting that<sup>33</sup>:

- ▶ Djerui deposit (gold reserves - 80.9 tons) and Andash deposit (gold reserves - 19.5 tons; copper - 70 thousand tons) were prepared for development.
- ▶ Taldybulak is a promising deposit. Forecast resources - over 100 thousand tons of copper with low gold content.
- ▶ Start of construction of the Kumbel mine with capacity of 100 thousand tons, gold production is scheduled to reach 200-300 kg per year.

<sup>33</sup> Source - <http://www.geology.kg/index.php/about-as/aboutgeology?showall=&start=1>. Since the source did not specify the period for which this information was presented, the Independent Administrator assumes that the information is provided as at 2013.

- ▶ The promising fields are: the Karator field located in At-Bashi raion, 5.5 tons of gold reserves; 20.0 thousand tons of copper; and the Buchuk field with gold reserves of 15-20 tons.
- ▶ Since December 2010, ore production was started on the field Jamgyr field in Chatkal district, 1.1 tons of gold reserves. In 2013, production of gold was to be 300-400 kg, with the creation of 180-200 permanent jobs.
- ▶ Development project of the Kuru-Tegerek field is being drafted (7.5 tons of gold reserves, 28,4 thousand tons of copper).
- ▶ Intensive works are carried out on the Chaarat field in Chatkal raion. Preparation for engineering works is in process.
- ▶ The Unkurtash field in Ala-Buka raion is subjected to detailed exploration.
- ▶ Positive exploration results were obtained on the Savoyardy field in the Kara-Kulja raion of Osh oblast, possible reserves of gold amounted to 5-7 tons, as well as on the Tolubayskaya and Isfayramskaya areas in Batken oblast. These objects are subjected to preliminary economic assessment regarding practicability of their development.

## 5. Contribution of the extractive industry in the KR economy

### 5.1 The role of the extractive industry in the KR economy.

Mining operations are a key component of the industrial complex of the Kyrgyz Republic. The industry's share in country's GDP in 2013-2014 was 10.1%<sup>34</sup> and 8.4%<sup>35</sup>, respectively. However, the mining industry in 2013-2014 represented more than a half of the industrial production of the Kyrgyz Republic (54.3%<sup>36</sup> and 53.9%<sup>37</sup>, respectively (*Figure 6*).

To analyse contribution of mining-related activities in the KR economy, the “Extraction of minerals” category (or the “extractive industry”) includes the following economic activities:

- ▶ Hard coal and lignite mining
- ▶ Production of crude oil and natural gas
- ▶ Mining of metal ores
- ▶ Extraction of other minerals
- ▶ Production of basic metals and finished metal products, except for machinery and equipment

Although, on paper only, the type of economic activity specified in the last line of the above list is included in the manufacturing industry, in fact, production of basic metals in the KR is more a production and partial processing of metal ores, gold in the first place. Failure to take into account the economic results from the production of basic metals, will result in significant understatement of the importance of the extractive industry to the economy of the country and distortion of the overall picture.

We understand that the “Production of basic metals and finished metal products, except for machinery and equipment” segment includes a number of other types of activities not directly related to extraction of mineral resources. However, the error that resulted from this, is significantly lower than in case of complete elimination of the above industry from the analysis.

---

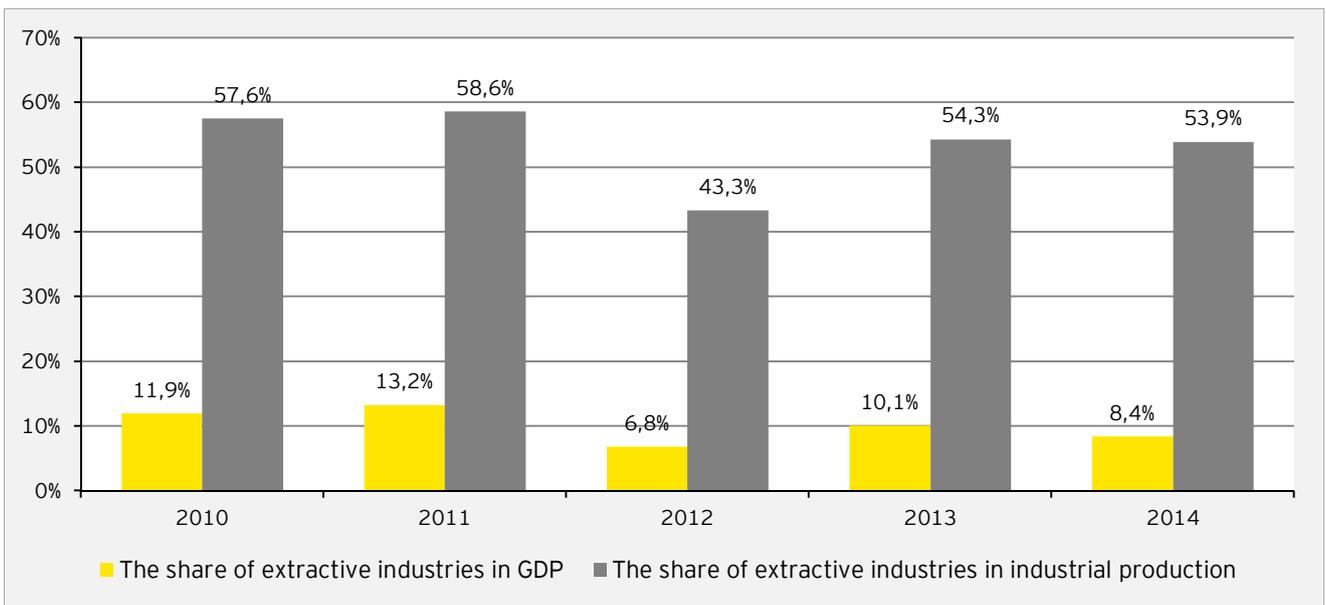
<sup>34</sup> Calculated based on the information from the National Statistical Committee of the KR, GDP by the types of economic activities based on current prices <http://www.stat.kg/media/statisticsdynamic/0529e760-afd1-4faf-bf4c-47b12dc49761.XLS>.

Information on the gross value added of the “Production of basic metals and finished metal products, except for machinery and equipment” segment is taken from the statistical books of the National Statistical Committee of the KR “Inter-industry balance of production and use of goods and services of the Kyrgyz Republic (tables “Input - Output”)" (for the respective years). Since as of the moment of preparation of the EITI Report, the statistical books for 2014 have not yet been published, the gross added value of the “Production of basic metals and finished metal products, except for machinery and equipment” segment for 2014 was calculated by extrapolation of information on this indicator for 2010-2013.

<sup>35</sup> Ibid

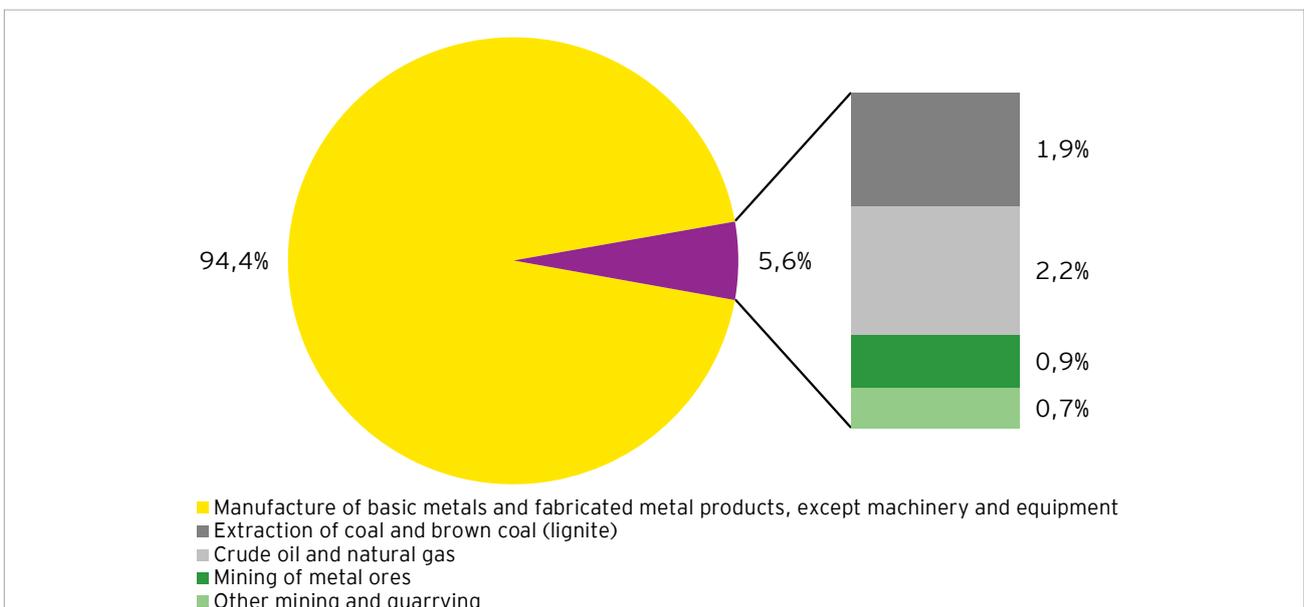
<sup>36</sup> Ibid

<sup>37</sup> Ibid



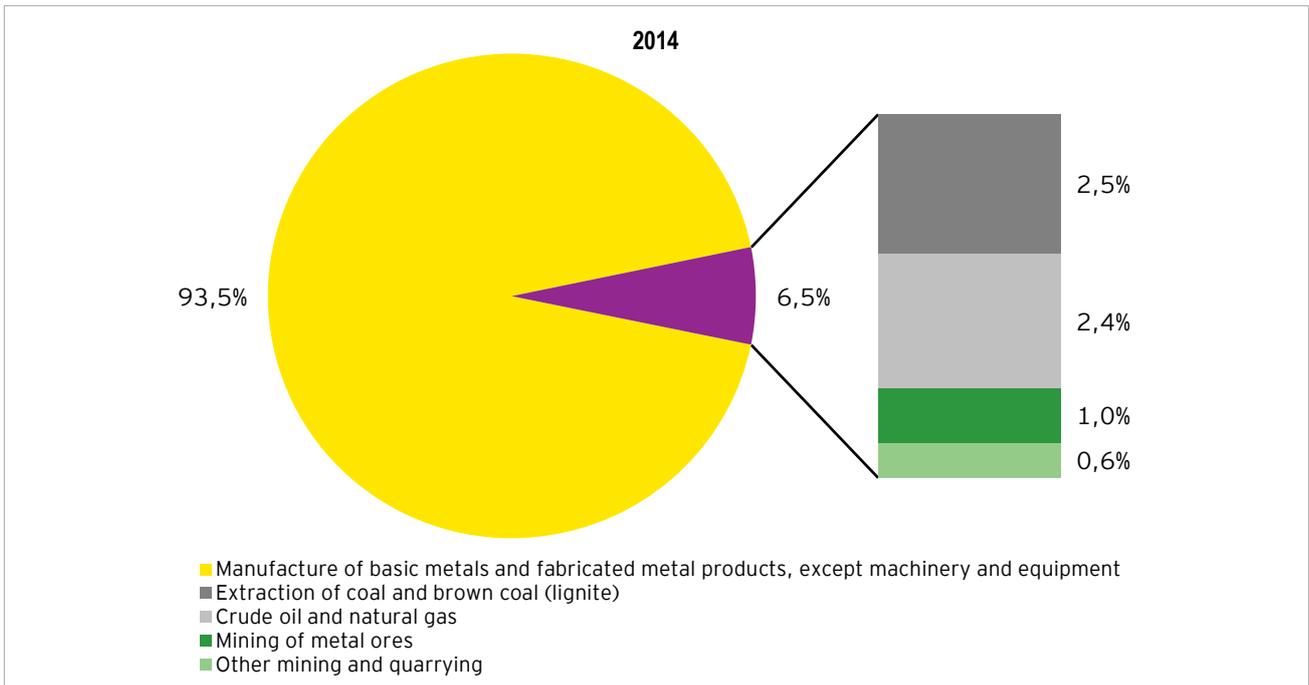
**Figure 6 – Share of the extractive industry in the KR GDP and industrial production<sup>38</sup>**

The segment of basic metals production prevails in the structure of the extractive industry, primarily due to gold mining. Figure 7Figure 8The said segment in 2013 accounted for 84,847 million soms or 94.4% of the industrial production in the extractive industry (**Figure 7**), and in 2014 - 80,938.3 million soms or 93.5% (**Figure 8**).



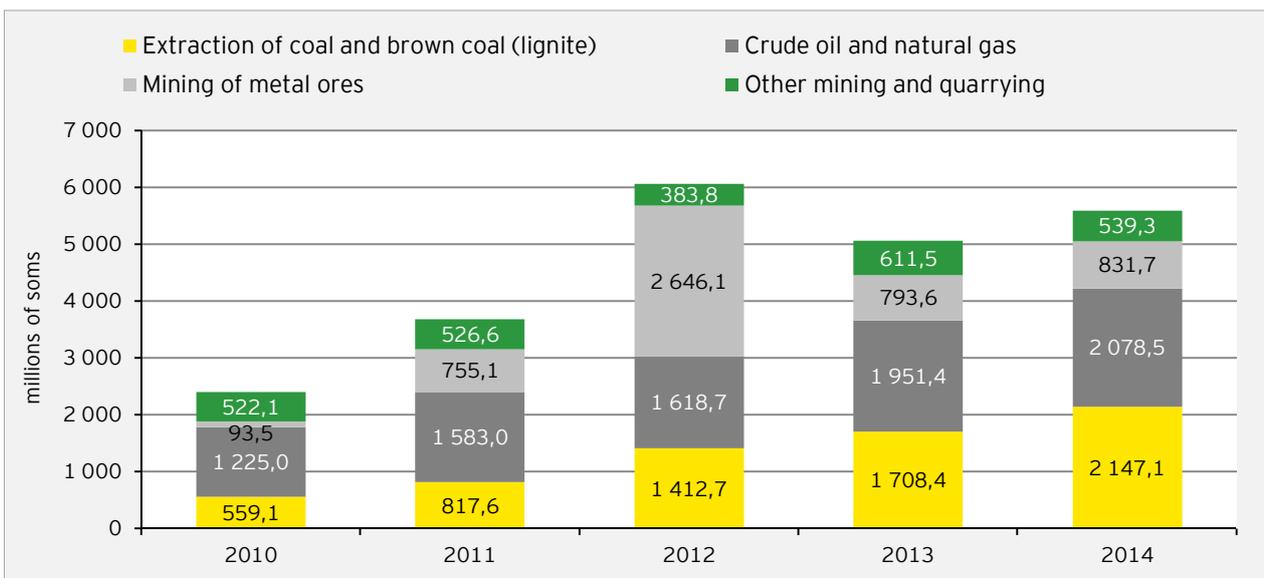
**Figure 7 – Production output of industrial products in the extractive industry in 2013**

<sup>38</sup> Ibid



**Figure 8 – Production output of industrial products in the extractive industry in 2014**

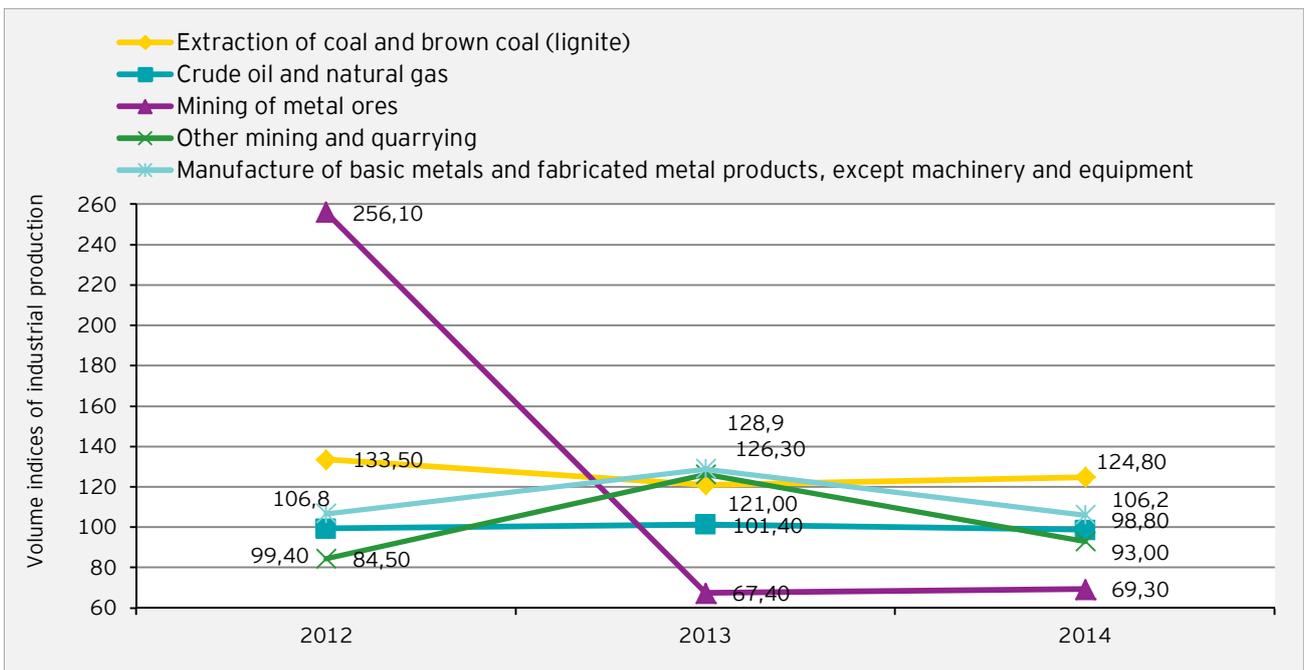
The production output in the segment of basic metals is characterised by high volatility and does not demonstrate any material growth rate over the medium term. At that, production output in other segments of the extractive industry (except extraction of gold) has increased by more than 2.3 times over the last 5 years, and in 2014 amounted to 5,596.5<sup>39</sup> million soms (**Figure 9**).



**Figure 9 – Production output of industrial products of the extractive industry in 2010-2014**

<sup>39</sup> Data of the National Statistical Committee of the KR, Industry of Kyrgyz Republic in 2010-2014, table 6, <http://www.stat.kg/media/publicationarchive/113de138-9382-4b0e-9977-a8183fb089b6.xls>

It is important to note that, with few exceptions, all segments of the extractive industry demonstrated a positive trend and significantly increased output (in monetary terms) in 2010-2014, especially the segment of metal ores mining except gold (increase by 890<sup>40</sup>% over 5 years). However, the steady growth in the actual volume index of industrial products was observed only in the segment of coal mining (*Figure 10*). The growth of other segments of the extractive industry in 2012-2013, was ensured to a greater degree due to positive external economic aspects and increasing prices on the international commodity markets.



**Figure 10 – Volume indices of industrial products of the extractive industry (% to the previous year)<sup>41</sup>**

Over the 2010-2014 period, the number of industrial institutions involved in mining operations in the KR steadily increased, primarily due to the coal mining segment (*Figure 11*). However, in 2013 and 2014, the total number of such institutions was unchanged, and amounted to 264<sup>42</sup>.

The extractive industry of the KR is characterised by a fairly high concentration of production. Most extractive industry entities (65<sup>43</sup>% in 2013, 66<sup>44</sup>% in 2014) were concentrated in three regions of the KR: Jalal-Abad and Osh oblasts, as well as the majority amount of companies are registered in Bishkek (mostly entities of the basic metals production segment).

<sup>40</sup> Ibid

<sup>41</sup> Data of the National Statistical Committee of the KR, Industry of Kyrgyz Republic in 2010-2014, table 5, <http://www.stat.kg/media/publicationarchive/113de138-9382-4b0e-9977-a8183fb089b6.xls>

<sup>42</sup> Ibid

<sup>43</sup> Ibid

<sup>44</sup> Ibid

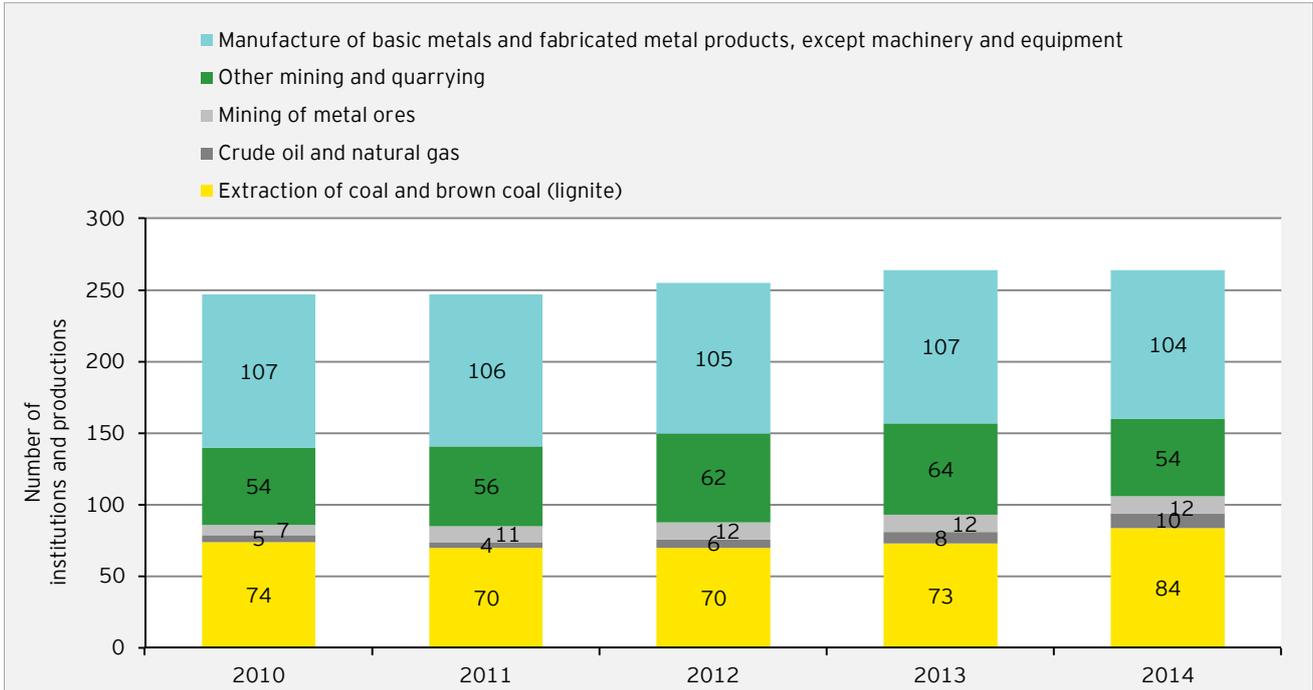


Figure 11 – Number of industrial institutions and productions involved in mining operations in 2010-2014<sup>45</sup>

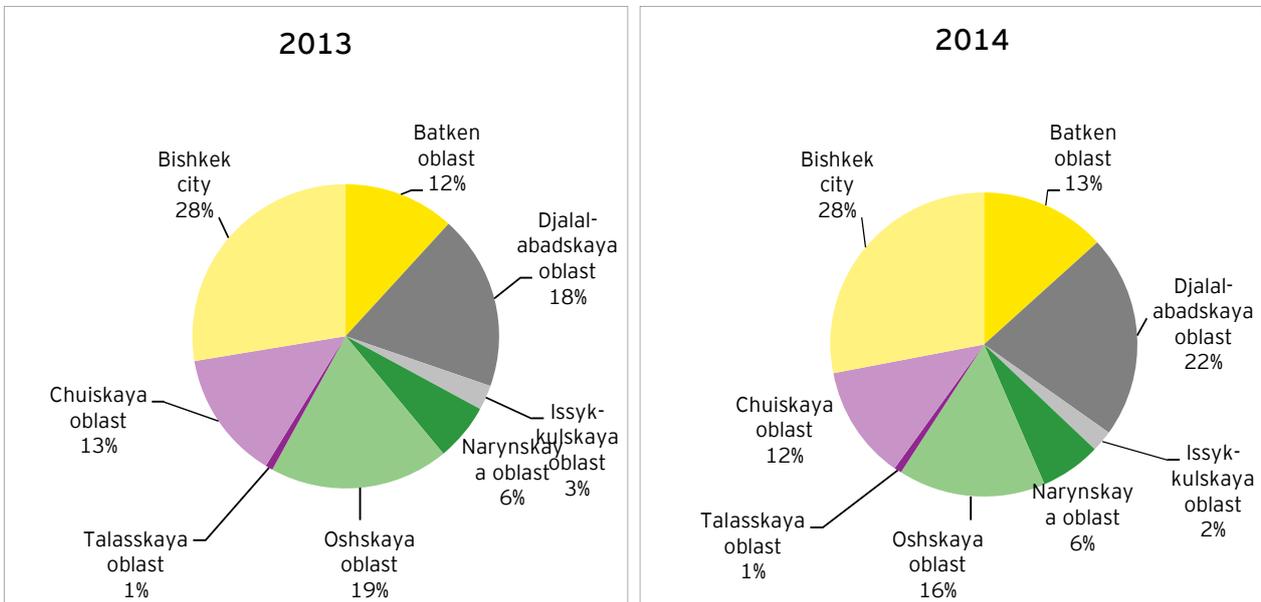
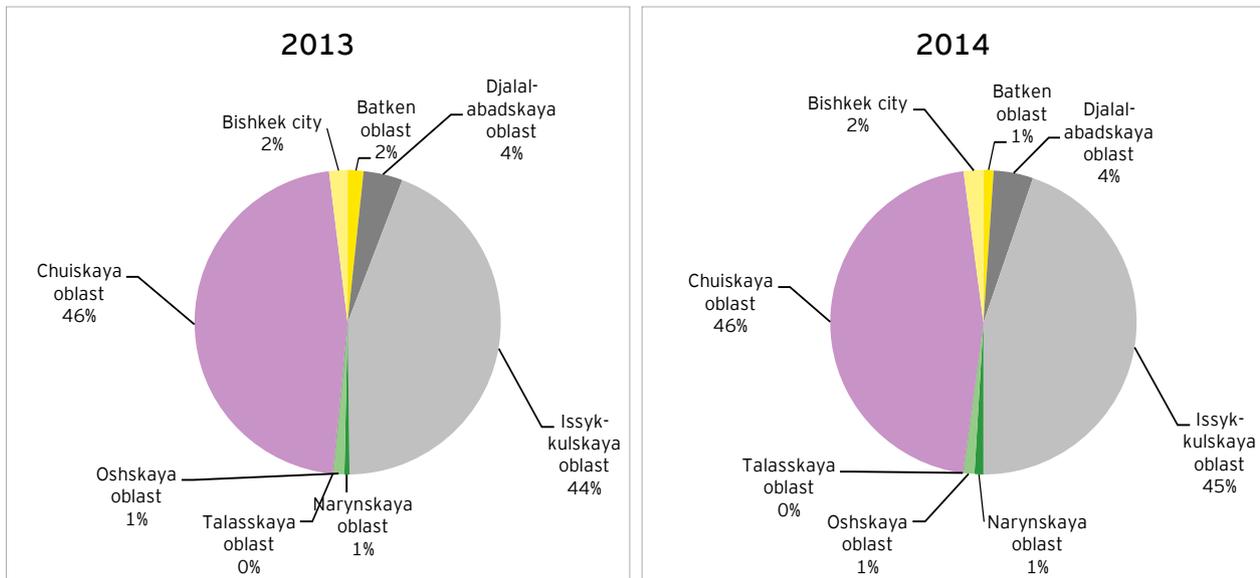


Figure 12 – Number of industrial institutions and productions involved in mining operations in terms of regions in 2013-2014<sup>46</sup>

<sup>45</sup> Data of the National Statistical Committee of the KR, Industry of Kyrgyz Republic in 2010-2014, table 2, <http://www.stat.kg/media/publicationarchive/113de138-9382-4b0e-9977-a8183fb089b6.xls>

<sup>46</sup> Ibid

At that, in 2013, the share of Chui and Issyk-Kul oblasts in the production output of industrial products of the extractive industry was 90%<sup>47</sup>, and 91%<sup>48</sup> in 2014 (**Figure 13**). In particular, the largest gold mining companies concentrated in these regions (currently, information whether extraction of gold is carried out in Chuiskaya oblast has not been found in public sources).



**Figure 13 – Production output of industrial products of the extractive industry in terms of regions in 2013-2014<sup>49</sup>**

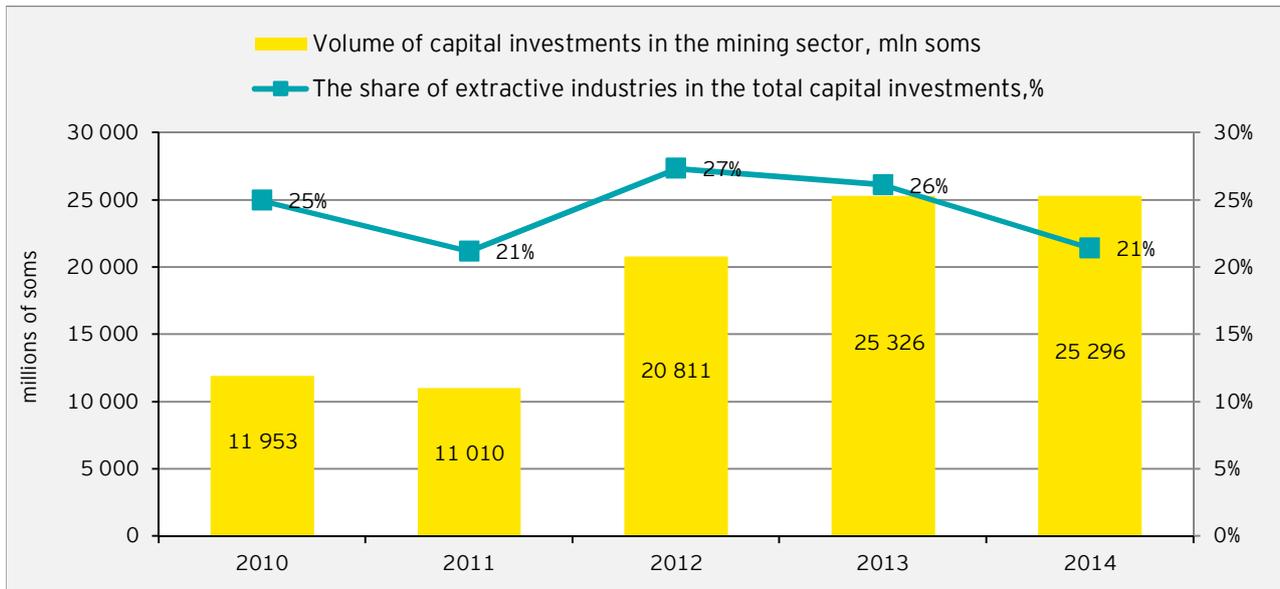
<sup>47</sup> Data of the National Statistical Committee of the KR, Industry of Kyrgyz Republic in 2010-2014, table 6.1-6.10, <http://www.stat.kg/media/publicationarchive/113de138-9382-4b0e-9977-a8183fb089b6.xls>

<sup>48</sup> Ibid

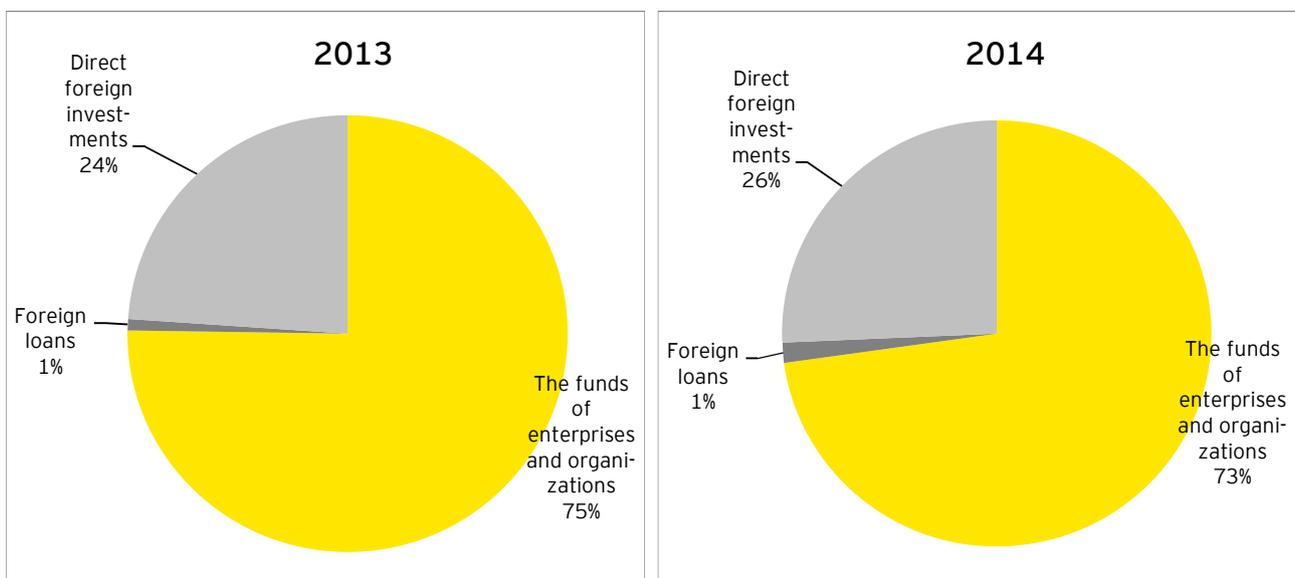
<sup>49</sup> Ibid

## 5.2 Investments in the extractive industry

Extraction of minerals remains one of the main investment objects in Kyrgyz Republic. Over the last 5 years the amount of investment in capital assets in extractive industry increased by more than twice, but the industry share in total investments in KR is decreasing (**Figure14**). Thus, while investments in the extractive industry are increasing, their growth rate falls behind other sectors of the economy.



**Figure14 - Investments in capital assets in the extractive industry in Kyrgyz Republic in 2010-2014<sup>50</sup>**



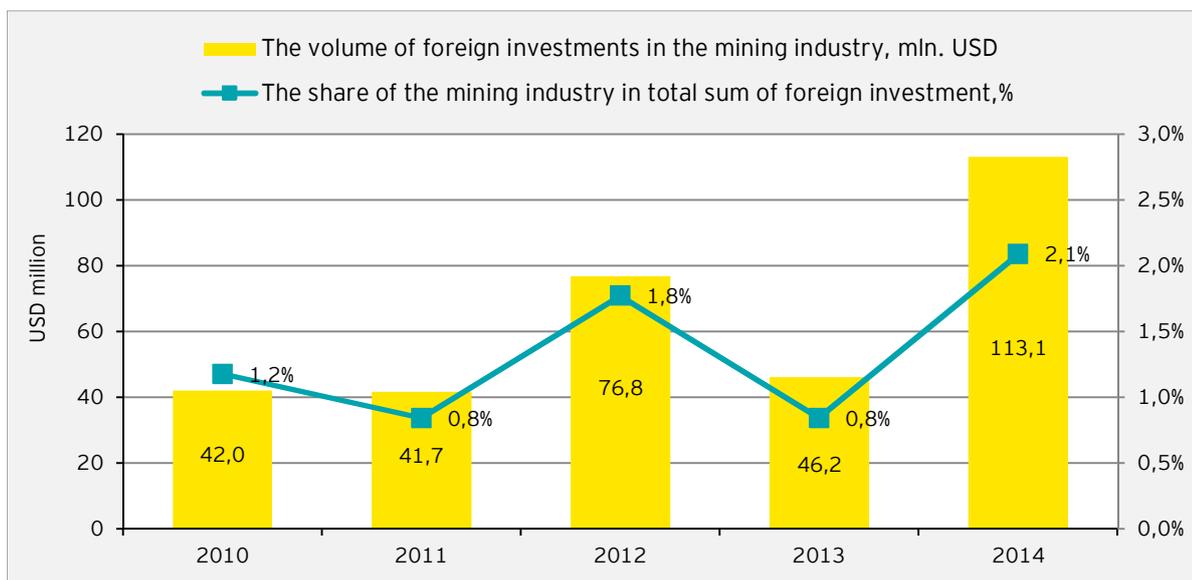
**Figure 15 - Sources of financing investments in capital assets in the extractive industry in Kyrgyz Republic in 2013-2014**

<sup>50</sup> Data of the National Statistical Committee of the KR, Investments in Kyrgyz Republic in 2010-2014, table II.2.5, <http://www.stat.kg/media/publicationarchive/1e3c3994-8277-4c1f-899e-1867a8cc6a77.xls>

The major portion (about 75%<sup>51</sup>) of investments in the extractive industry was financed at the expense of businesses and organisations of the industry (**Figure16**).

Share of foreign direct investments in 2013-2014 was 24%<sup>52</sup> and 26%<sup>53</sup>, respectively, investments in capital assets in the extractive industry. At that, 2014 was the peak year for the extractive industry in terms of attraction of foreign investments, 113.1<sup>54</sup> of US Dollars. In comparison, volume of foreign investments in 2013 was only 46.2<sup>55</sup> million US Dollars (**Figure 16**).

However, in relative terms, the result of 2014 was only 2.1<sup>56</sup>% of all foreign investments in the KR. Such a moderate amount shows that there is lack of interest among foreign investors in the extractive industry (overall) in comparison with other economy sectors of the KR.



**Figure16 - Receipt of foreign investments in the extractive industry in Kyrgyz Republic in 2010-2014**

From the point of view of regional representation, investments in the extractive industry did not change significantly in 2013-2014 (**Figure 18**). It is important to point out, however, that in 2013-2014, about 70%<sup>57</sup> of all investments in capital assets in the extractive industry were targeted to the Issyk-Kul region.

<sup>51</sup> Data of the National Statistical Committee of the KR, Investments in Kyrgyz Republic in 2010-2014, table II.2.6, <http://www.stat.kg/media/publicationarchive/1e3c3994-8277-4c1f-899e-1867a8cc6a77.xls>

<sup>52</sup> Ibid

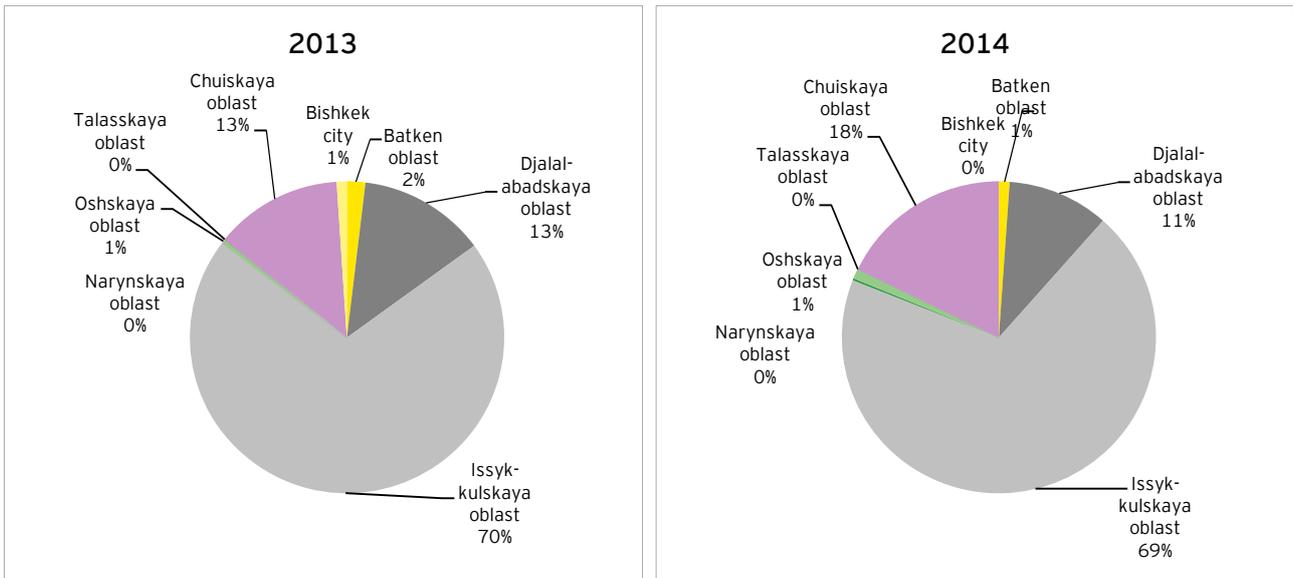
<sup>53</sup> Ibid

<sup>54</sup> Data of the National Statistical Committee of the KR, Investments in Kyrgyz Republic in 2010-2014, table I.2.5, <http://www.stat.kg/media/publicationarchive/1e3c3994-8277-4c1f-899e-1867a8cc6a77.xls>

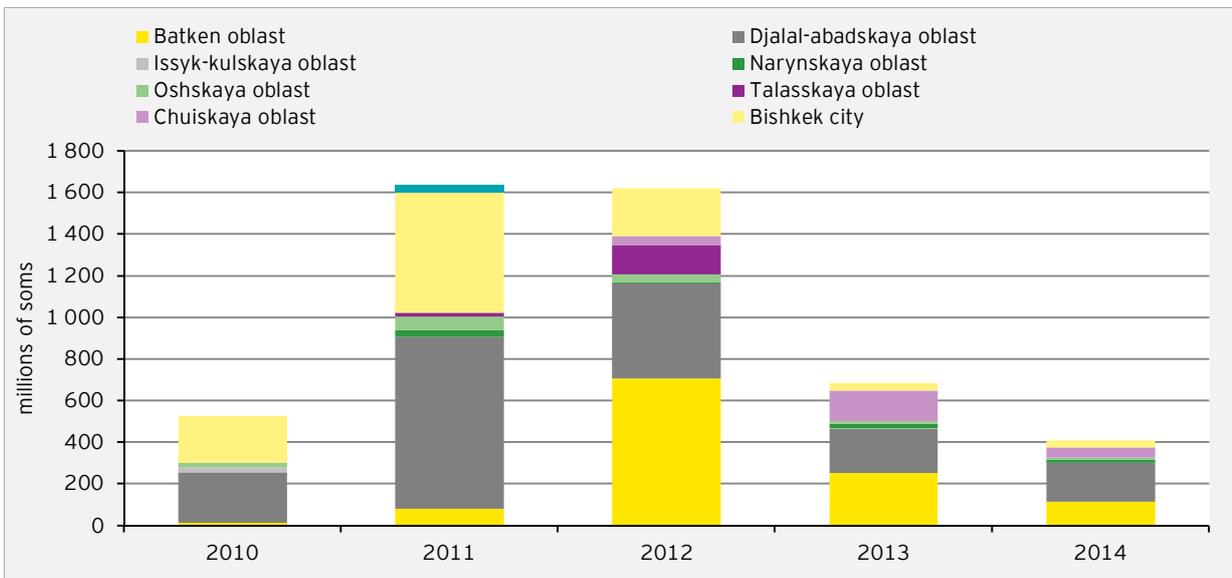
<sup>55</sup> Ibid

<sup>56</sup> Ibid

<sup>57</sup> Data of the National Statistical Committee of the KR, Investments in Kyrgyz Republic in 2010-2014, table I.1.8, <http://www.stat.kg/media/publicationarchive/1e3c3994-8277-4c1f-899e-1867a8cc6a77.xls>



**Figure 17 - Investments in capital assets in the extractive industry in terms of regions of Kyrgyz Republic in 2013-2014**



**Figure 18 - Investments in geological exploration at the cost of operating expenses in terms of regions of Kyrgyz Republic in 2013-2014**

The negative trend that has been observed over the last four years is represented by significant decrease in investments in geological exploration (**Figure 16**). Thus, in 2011, the amount of 1,638.8<sup>58</sup> million soms was invested in geological exploration (of which only 825.7<sup>59</sup> million soms in Dzhahalal

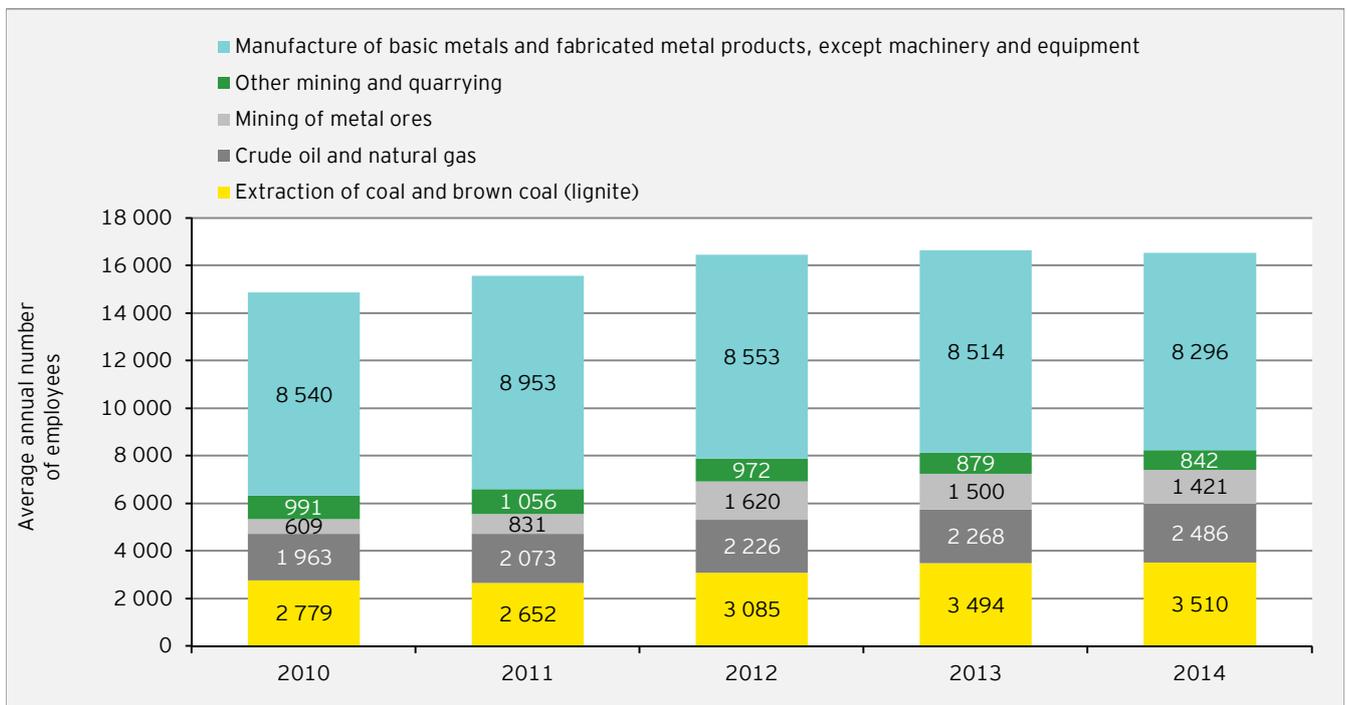
<sup>58</sup> Data of the National Statistical Committee of the KR, Investments in Kyrgyz Republic in 2010-2014, table I.1.10, <http://www.stat.kg/media/publicationarchive/1e3c3994-8277-4c1f-899e-1867a8cc6a77.xls>

<sup>59</sup> Ibid

Abad oblast), and in 2013-2014, this amount was only 686.7<sup>60</sup> million soms and 411.1<sup>61</sup> million soms, respectively.

### 5.3 Employment and salary level in the extractive industry

In 2013-2014, the number of employees in the extractive industry was 16,655<sup>62</sup> and 16,555, respectively (**Figure 19**), or about 3.2%<sup>63</sup> of all employed in the economy of the KR. The major portion of employees is concentrated at enterprises that produce basic metals (8,514<sup>64</sup> employees in 2013 and 8,296<sup>65</sup> employees in 2014), mine coal (3,494<sup>66</sup> employees in 2013 and 3,510<sup>67</sup> employees in 2014), produce oil and natural gas (2,268<sup>68</sup> employees in 2013 and 2,486<sup>69</sup> employees in 2014).



**Figure 19 - Average annual number of employees in the extractive industry companies in 2010-2014**

<sup>60</sup> Ibid

<sup>61</sup> Ibid

<sup>62</sup> Data of the National Statistical Committee of the KR, Industry of Kyrgyz Republic in 2010-2014, table 3, <http://www.stat.kg/media/publicationarchive/113de138-9382-4b0e-9977-a8183fb089b6.xls>

<sup>63</sup> Calculated based on data of the National Statistical Committee of the KR;

▶ Industry of Kyrgyz Republic in 2010-2014, table 3, <http://www.stat.kg/media/publicationarchive/113de138-9382-4b0e-9977-a8183fb089b6.xls>

▶ Number of employees of enterprises, entities and institutions <http://www.stat.kg/media/statisticsoperational/9e2a39c2-3980-4e00-9248-9e56c61fa332.xls>

<sup>64</sup> Data of the National Statistical Committee of the KR, Industry of Kyrgyz Republic in 2010-2014, table 3, <http://www.stat.kg/media/publicationarchive/113de138-9382-4b0e-9977-a8183fb089b6.xls>

<sup>65</sup> Ibid

<sup>66</sup> Ibid

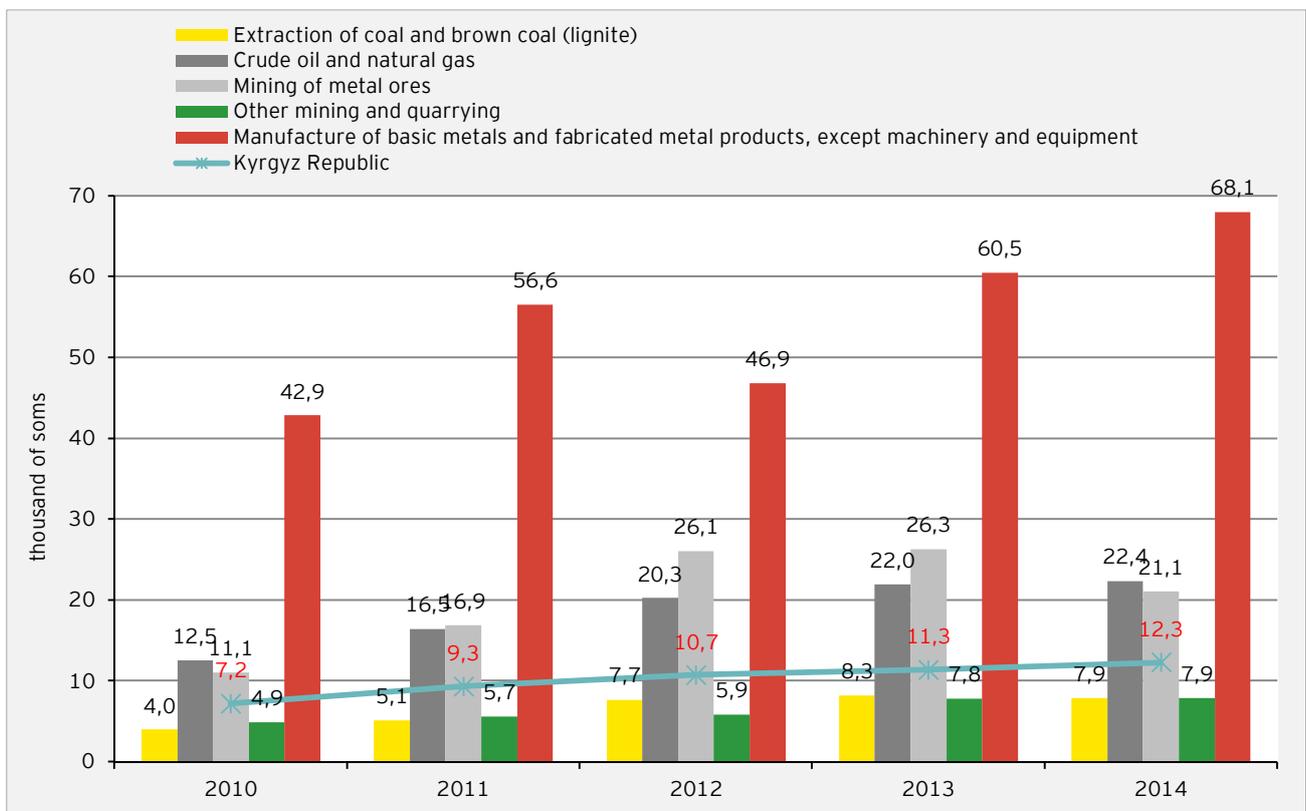
<sup>67</sup> Ibid

<sup>68</sup> Ibid

<sup>69</sup> Ibid

Significant stratification of main segments in terms of salary level is observed in the extractive industry. Thus, average monthly salary of employees involved in the production of basic metals is more than 5 times higher than the average salary level in the country. Salary of employees involved in oil and gas production, as well as production of metallic ores, is almost 2 times higher<sup>70</sup> than the average salary level in the country.

At the same time, the average salary level of employees involved in production of coal and other mineral reserves is approximately 35%<sup>71</sup> lower than the average salary level in the country. At that, in the last five years, gradual increase in salary level was observed in all segments of the extractive industry. The average salary level in the extractive industry increased by 94%<sup>72</sup> over this period (*Figure 20*).



**Figure 20 - Average salary level of employees in the extractive industry companies in 2010-2014**

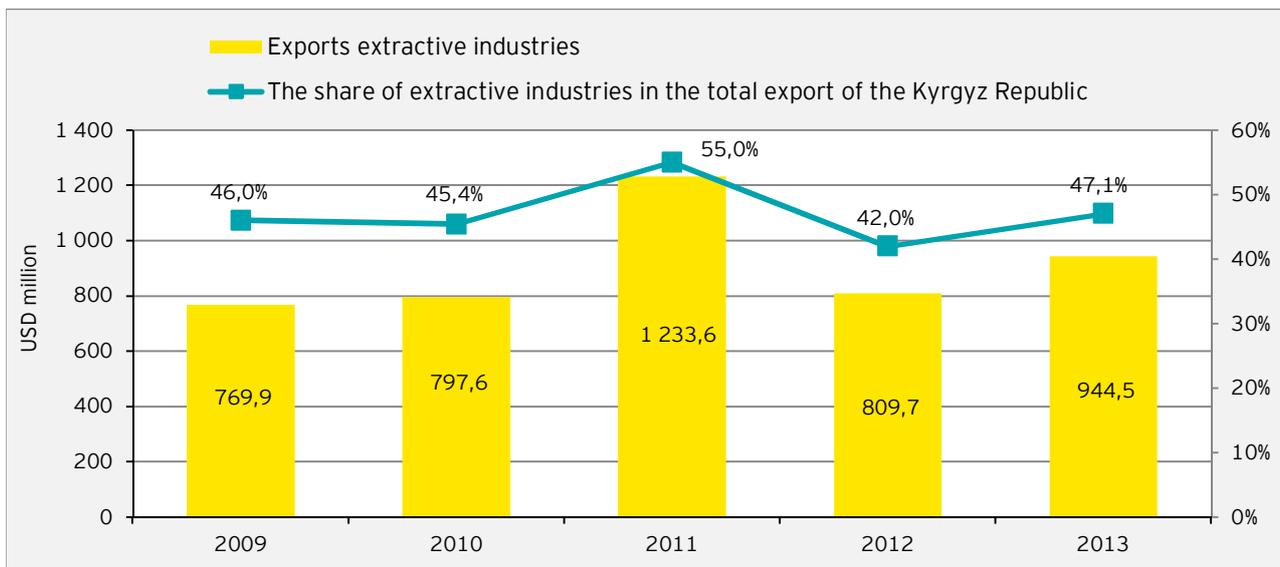
<sup>70</sup> Calculated based on data of the National Statistical Committee of the KR, Industry of Kyrgyz Republic in 2010-2014, table 4, <http://www.stat.kg/media/publicationarchive/113de138-9382-4b0e-9977-a8183fb089b6.xls>

<sup>71</sup> Ibid

<sup>72</sup> Ibid

## 5.4 Export of the extractive industry products

The mining industry provides about half of export revenues of the KR. Thus, in 2013, the share of the extractive industry<sup>73</sup> in total export was 47.1%<sup>74</sup> (**Figure 21**). As at the date of this report, *the complete* official statistical information about foreign trade for 2014, was not publicly available.



**Figure 21 - Export of the KR extractive industry products in 2009-2013**

The major export product of the KR extractive industry is gold. In 2013, export of nonmonetary gold was 736.8<sup>75</sup> million US Dollars, or 78% of all export in the extractive industry. The major portion of gold extracted in the KR was exported to Switzerland (**Figure 22**).

<sup>73</sup> The extractive industry products in this case are represented by products included in section V and section XIV of Foreign Economic Activity Commodity Nomenclature, that is:

- ▶ Salt; sulphur; soil and stone; plastering materials, limestone and cement;
- ▶ Ores, slag and ash;
- ▶ Mineral fuel, oil and distilled products; bituminous substances; waxes;
- ▶ Natural or cultured pearls, precious or semiprecious stones, precious metals, metals plated with precious metals and their products, jewellery, coins.

<sup>74</sup> Calculated based on data of the National Statistical Committee of the KR, Foreign Trade of Kyrgyz Republic in 2009-2013, table 2.7, 2.9, <http://www.stat.kg/media/publicationarchive/8c8cb3db-df12-423c-a2ba-de6ef44eb5ab.pdf>

<sup>75</sup> Data of the National Statistical Committee of the KR, Foreign Trade of Kyrgyz Republic in 2009-2013, Article 16, <http://www.stat.kg/media/publicationarchive/8c8cb3db-df12-423c-a2ba-de6ef44eb5ab.pdf>

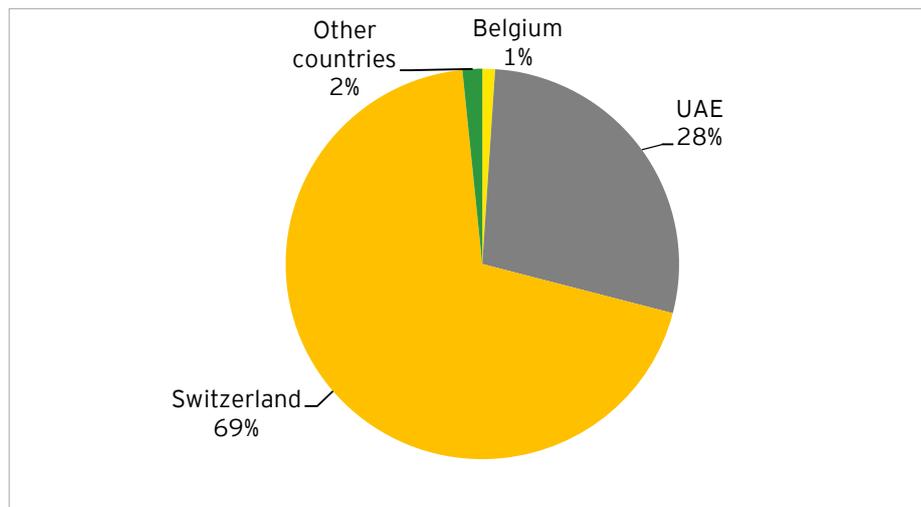


Figure 22 – Structure of the KR gold export<sup>76</sup> in 2013

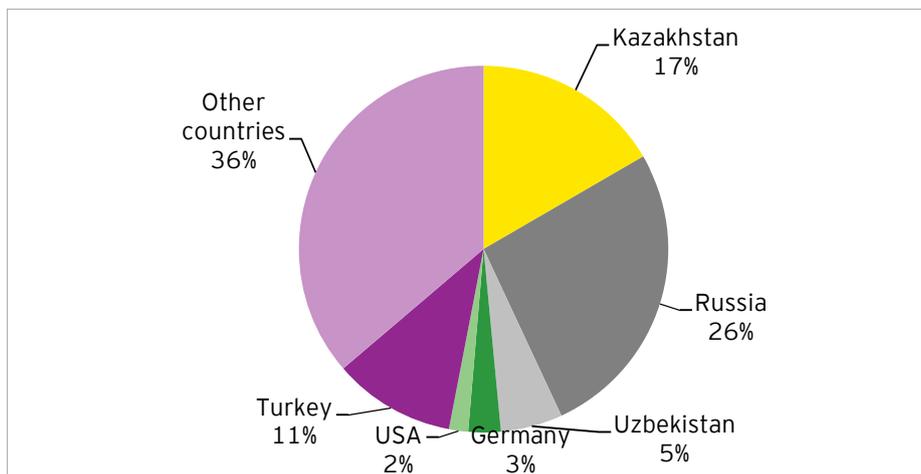


Figure 23 - Structure of the KR extractive industry products export in 2013 (except for gold)

Among other mineral resources, significant volume was observed in export of coal (110.2<sup>77</sup> thousand tons in 2013 and 241.4<sup>78</sup> thousand tons in 2014). Natural gas extracted in the country is fully consumed in the KR, export of produced oil is immaterial (1.1<sup>79</sup> thousand tons in 2013 and 6.6<sup>80</sup> thousand tons in 2014). In 2013, the major portion of the extractive industry products was exported to Kazakhstan, Russia and Turkey (**Figure 23**). Official data regarding to type (and volume) of other minerals that are remained in 20% of exports has not been found in public sources of information.

<sup>76</sup> Calculated based on data of the National Statistical Committee of the KR, Foreign Trade of Kyrgyz Republic in 2009-2013, table 3.48, 3.68, 3.78 <http://www.stat.kg/media/publicationarchive/8c8cb3db-df12-423c-a2ba-de6ef44eb5ab.pdf>

<sup>77</sup> Data of the National Statistical Committee of the KR, Fuel and Energy Balance for 2014, table 2, <http://www.stat.kg/media/publicationarchive/b68fce40-ddca-4623-b4ba-8215b09a12d3.xls>

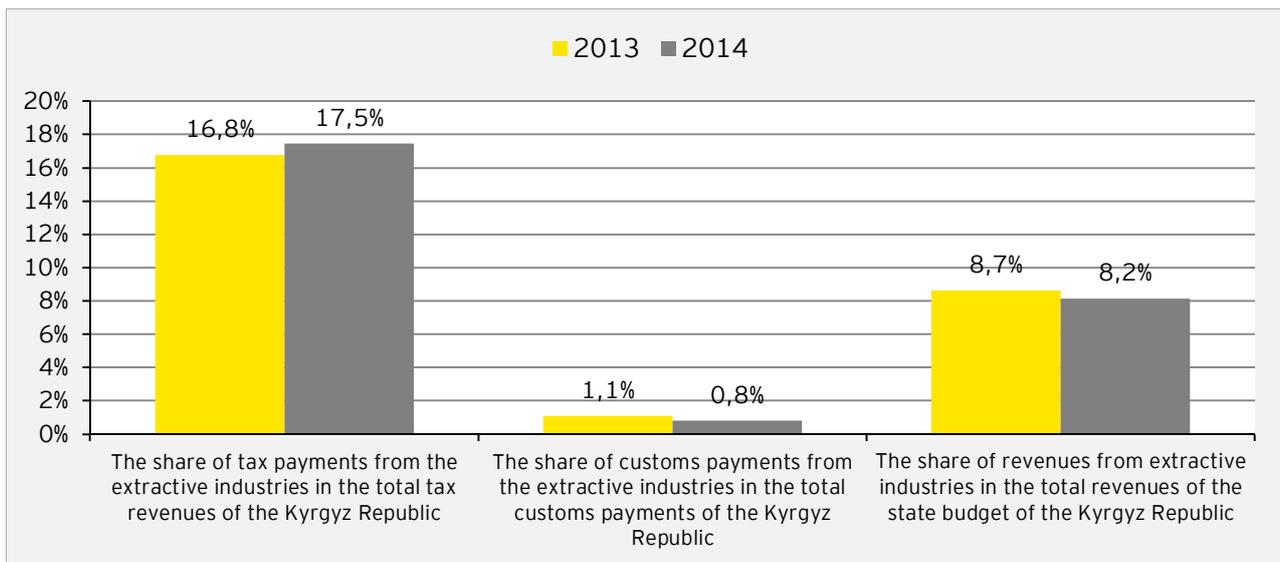
<sup>78</sup> Ibid

<sup>79</sup> Data of the National Statistical Committee of the KR, Fuel and Energy Balance for 2014, table 3, <http://www.stat.kg/media/publicationarchive/b68fce40-ddca-4623-b4ba-8215b09a12d3.xls>

<sup>80</sup> Ibid

## 5.5 Contribution of the extractive industry in tax receipts of the government

The extractive industry is an important source of budgetary recharge of the Kyrgyz Republic. The share of state revenues from the extractive industry<sup>81</sup> companies in the total budget revenues in 2014 amounted to 8.2% and 8.7% in 2013 (*Figure 24*). At the same time, the share of industry in total tax deductions in 2014 was 17.5%, and 16.8% in 2013. The positive trend of these indicators testifies that the role of the industry in the state budget recharge is growing, both in monetary and percentage terms.



*Figure 24 – Contribution of the extractive industry in public revenue in 2013-2014<sup>82</sup>*

The detailed information on payment of the extractive companies in favour of the government is presented in Section 7.1.

<sup>81</sup> The “extractive industry companies” are only the companies included in the scope of the EITI Report, and provided the respective information for the report. There were 67 such companies, and 89 in 2014.

<sup>82</sup> Calculated based on the data of State Taxation Service.

## 6. Statutory and fiscal regulation of the extractive industry in 2013 and 2014

### 6.1 Legislative framework governing the extractive industry

#### 6.1.1 Applicable legislation and other regulations effective in 2013-2014

In accordance with Article 12.5 of the KR Constitution<sup>83</sup>, land, its resources, airspace, waters, forests shall be the exclusive property of the Kyrgyz Republic; these shall be used for the purpose of preserving a unified environmental system as the basis of life and activity of the people of Kyrgyzstan and shall enjoy special protection from the State. Land plots with mineral deposits may also be private, municipal and other forms of property except for pastures which may not be private property.

Legislative ground for the activities of the extractive industry enterprises in the reporting period comprised the following main legal acts regulating the extractive industry, including means of granting subsurface use rights, procedure for granting and termination of subsurface use rights, and taxation<sup>84</sup>:

- ▶ The Land Code of the KR No. 45 dated 2 June 1999 (the “Land Code”);
- ▶ The Water Code of the KR No. 8 dated 12 January 2005 (the “Water Code”);
- ▶ The Tax Code of the KR No. 230 dated 17 October 2008 (the “Tax Code”);
- ▶ The Law of the KR on Non-Tax Payments No. 1480-XII dated 14 April 1994 (the “Non-Tax Payments Law”);
- ▶ The Law of the KR on Subsurface No. 160 dated 9 August 2012 (the “Subsurface Law”);
- ▶ The Law of the KR on Concessions and Concessionary Entities in the KR No. 850-XII dated 6 March 1992 (the “Concessions Law”);
- ▶ The Law of the KR on Production Sharing Agreements under Subsurface Use No. 49 dated 10 April 2002 (the “PSA Law”);
- ▶ The Law of the KR on Oil and Gas No. 77 dated 8 June 1998 (the “Oil and Gas Law”);
- ▶ The Law of the KR on Coal No. 18 dated 3 February 1999 (the “Coal Law”);
- ▶ The Law of the KR on Protection of Environment No. 53 dated 16 June 1999 (the “Environment Protection Law”);
- ▶ The Law of the KR on Environmental Audits No. 54 dated 16 June 1999 (the “Environmental Audits Law”);
- ▶ The Law of the KR on Licensing and Permits System in the KR No. 195 dated 19 October 2013 (the “Licensing and Permits System Law”);

---

<sup>83</sup> Article 12 of the KR Constitution passed by referendum (national vote) on 27 June 2010, came into force under the Law of the KR dated 27 June 2010 (the “KR Constitution”)

<sup>84</sup> Regulatory legal acts are published on the official website of the Ministry of Justice of the KR: <http://cbd.minjust.gov.kg>

- ▶ Regulation on the Procedure for Subsurface Use Licensing approved by the Resolution of the KR Government on Approval of Legal Acts Related to Subsurface Use No. 834 dated 14 December 2012 (the “Licensing Regulation”);
- ▶ Regulation on the Procedure and Terms for Holding of an Auction for Granting Subsurface Use Right approved by the Resolution of the KR Government on Approval of Legal Acts Related to Subsurface Use No. 834 dated 14 December 2012 (the “Tender Regulation”);
- ▶ Regulation on the Procedure and Terms for Holding of a Competitive Tender for Granting Subsurface Use Right approved by the Resolution of the KR Government on Approval of Legal Acts Related to Subsurface Use No. 834 dated 14 December 2012 (the “Tender Regulation”);
- ▶ Resolution of the KR Government on Approval of the Regulation on Provision of Land Plots for Subsurface Use No. 261 dated 12 April 2006;
- ▶ Resolution of the KR Government on Approval of the Regulation on Individual Artisanal Gold Mining and Organization of Acceptance of Placer Gold in the KR No. 30 dated 29 January 2008 (“Artisanal Mining Regulation No. 30”) which ceased to be in force from 23 July 2015 due to adoption of the Resolution of the KR Government On Approval of the Regulation on Individual Alluvial Gold Mining in the KR No. 524 dated 23 July 2015 (“Alluvial Gold Mining Regulation No. 524”).

## 6.1.2 Main legislative aspects and regulations

Below are the main legislative aspects and provisions of the above legal acts governing the extractive industry.

### The Land Code

The Land Code regulates land relations in the Kyrgyz Republic, the grounds for emergence and procedure of exercising and termination of the rights to land, as well as their registration. The Land Code also aims at development of land market relations under the conditions of state, municipal and private ownership to land as well as rational and protection of land<sup>85</sup>. The Land Code also governs matters related to provision of land plots for subsurface use, including those from the Government Reserve of Mineral Deposits Lands, and defines the competence of the authorized state body for implementation of the state policy with regard to regulation of land relations<sup>86</sup>.

### The Water Code

The Water Code regulates water relations, including use, protection and development of water resources for a guaranteed, adequate and safe supply of water for the population of the Kyrgyz Republic, protection of the environment and promotion of the rational development of the water fund of the Republic<sup>87</sup>.

In addition, the Water Code regulates the use of surface and underground waters as well as payment for their use<sup>88</sup>.

---

<sup>85</sup> Preamble of the Land Code

<sup>86</sup> Article 19-1 of the Land Code

<sup>87</sup> Article 1 of the Water Code

<sup>88</sup> Ibidem

## The Tax Code

The Tax Code regulates the relations on establishment, enforcement and to collection of taxes in the Kyrgyz Republic<sup>89</sup>, including subsurface use taxes.

Subsurface use taxes include<sup>90</sup>:

- ▶ bonuses – one-off payments for subsurface use right with the purpose of search, exploration and development of mineral deposits;
- ▶ royalty – recurring payments for subsurface use with the purpose of development of mineral deposits and/or selection (extraction from subsurface) of ground waters.

The following persons are be exempt from the payment of subsurface use taxes<sup>91</sup>:

- ▶ a landowner or a land user extracting sand, clay, sand gravel mix and selection of underground waters for purposes other than business activities on the land plot owned or used by them for their personal use;
- ▶ an entity which received the subsurface sites for creation of the specially protected natural territories of a special ecological, environmental, scientific, historical and cultural importance;
- ▶ a subject engaged in processing of wastes of mining, mineral processing, chemical recovering and metallurgical industry;
- ▶ subsurface users carrying out geological, geophysical and other activities aimed at subsurface exploration using the Republican budget, scientific and research works, including earthquake forecasting, engineering and geological research, geo-ecological research and other activities that do not break subsurface integrity.

## Non-Tax Payments Law

The Non-Tax Payments Law establishes the definition and list of non-tax payments<sup>92</sup>, and governs the relations concerning their collection. The Non-Tax Payments Law defines the following types of non-tax payments<sup>93</sup>:

- ▶ **Fee** is a mandatory one-off cash input set by the government for the services rendered by the government authorities. The amount of fee is proportionate to the cost of services rendered.
- ▶ **Payment** is a mandatory cash input paid on a periodic basis for performance of state functions by legal entities and individuals which use the services of government authorities.
- ▶ **Income** is a contribution set by the government, paid or claimed based on the full value of property or cash owned by the government in accordance with the law.
- ▶ **Penalties** are statutory proprietary means imposed on violators.
- ▶ **Contribution** is a type of payment set by the government mandatorily paid by the subsurface users for development and maintenance of local infrastructure.

<sup>89</sup> Article 1 of the Tax Code

<sup>90</sup> Article 299 of the Tax Code

<sup>91</sup> Article 300 of the Tax Code

<sup>92</sup> Preamble of the Non-Tax Payments Law

<sup>93</sup> Article 2 of the Non-Tax Payments Law

As to the mining entities, it should be noted that such entities make *payments* for retention of subsurface use licenses from the above non-tax payments list. Such a payment is performed by a subsurface user which obtained the right for search and/or exploration and/or development of mineral deposits in the KR. The amounts of payments for retention of licenses are allocated to the budgets of local self-governing authorities<sup>94</sup>. For more detailed information on non-tax payments please refer to Section 6.2 of this Report.

## The Subsurface Law

The Subsurface Law governs relations arising from use of subsurface, involving the state and individuals / legal entities, as well as other states<sup>95</sup>.

The Subsurface Law determines the procedure for statutory legislative regulation, competence of government authorities, local public administrations and local self-governing authorities, rights and obligations of individuals and legal entities, and also specifies the grounds for suspension or termination of subsurface use rights, as well as responsibility for violation of the KR subsurface use legislation<sup>96</sup>.

Subsurface use right is provided for the following purposes<sup>97</sup>:

- ▶ geological mapping and regional geological, geophysical and other scientific research;
- ▶ geological prospecting works;
- ▶ geological exploration works;
- ▶ development of mineral deposits, including selection and use of ground waters;
- ▶ construction and operation of underground facilities not related to development of mineral resources (storage of oil and gas, as well as of other substances and materials, dumping of hazardous substances, use of geothermal energy and other purposes);
- ▶ establishment of specially protected objects which have scientific, cultural, historic, aesthetic, sanitary, recreational, and other purposes (scientific and training bases, geological preserves, caves and other underground hollows);
- ▶ assembling of mineralogical and paleontological collections for commercial purposes;
- ▶ collection of rock materials for decorative purposes and use as ornamental stones and construction materials.

The Subsurface Law provides for the following means of acquisition of subsurface use rights from the state<sup>98</sup>:

- ▶ license;
- ▶ state registration;
- ▶ concession agreement;
- ▶ production sharing agreement.

<sup>94</sup> Article 19-2 of the Non-Tax Payments Law

<sup>95</sup> Article 1.1 of the Subsurface Law

<sup>96</sup> Article 1.3 of the Subsurface Law

<sup>97</sup> Article 19 of the Subsurface Law

<sup>98</sup> Article 20.1 of the Subsurface Law

In accordance with Article 23 of the Subsurface Law, subsurface use right can be provided based on competitive tenders, auctions and through direct negotiations pursuant to the terms and procedures established by the KR legislation. At that, it should be noted that the procedure for granting the subsurface use right based on concession and production sharing agreements is governed by the Concessions Law and the PSA Law, respectively.

### **License**

Subsurface use license represents a document verifying the right to use the subsurface site issued by the licensing authority in accordance with the Subsurface Law<sup>99</sup>. For more details on the procedure for granting a subsurface use license please refer to Section 6.6 of this report.

### **State registration**

The following is subject to state registration<sup>100</sup>:

- 1) scientific research of subsurface resources performed under an approved program;
- 2) individual artisanal activities<sup>101</sup>.

State registration of scientific and research works related to subsurface studies performed under the approved program is carried out by the State Geological Agency (“Gosgeologoagentstvo”)<sup>102</sup>, whereas state registration of individual artisanal activities is carried out by local state administrations<sup>103</sup>.

Duration of subsurface use right provided under the state registration is defined by the implementation period of the research programme.

Duration of subsurface use right provided under individual artisanal activities was not duly addressed in Artisanal Mining Regulation No. 30. Alluvial Gold Mining Regulation No. 524, however, provides for that duration of a subsurface use right provided for individual artisanal activities is established by an individual artisan registration certificate which is issued for a sole land plot for one year.

### **Concession agreement**

Conditions for the conclusion of a concession agreement are regulated by the Concessions Law. More detailed information on concession agreements is provided below.

### **Production sharing agreement**

Conditions for the conclusion of a production sharing agreement are regulated by the PSA Law. More detailed information on conclusion of PSA is provided below.

## **Concessions Law**

The Concessions Law governs economic, organizational and legal terms for granting of concessions for the development of the KR economy, as well as activities of concessionary entities in the KR<sup>104</sup>.

---

<sup>99</sup> Article 4 of the Subsurface Law

<sup>100</sup> Article 20.1 of the Subsurface Law

<sup>101</sup> According to Artisanal Mining Regulation No. 30 (which lost its legal force force on 23 July 2015), individual artisanal activities included individual artisanal mining and flushing of stream gold without disturbing the integrity of subsurface resources manually or with the use of small-scale mechanisation (excavation equipment with the capacity of not more than 50 l/s and trammels with the capacity of not more than 1 m<sup>3</sup>/hr). At that, in accordance with the Regulation on artisanal mining No. 524, capacity of trammels shall not exceed 2 m<sup>3</sup>/hr.

<sup>102</sup> Article 20.3 of the Subsurface Law

<sup>103</sup> Article 20.4 of the Subsurface Law

<sup>104</sup> Preamble of the Concessions Law

Thus, according to Article 1 of the Concessions Law, concession is a permit issued by the KR Government to an investor for certain business activities entailing the need to grant property, land and its subsurface for temporary use. The main document governing concessionary relations among concession actors is a concession agreement<sup>105</sup> with duration from 5 (five) to 50 (fifty) years<sup>106</sup>.

A concession agreement consists of general and additional provisions. General provisions comprise<sup>107</sup>:

- ▶ parties to an agreement;
- ▶ subject matter of an agreement;
- ▶ types, terms, amounts and procedure for payments;
- ▶ minimum amount and period of capital investments;
- ▶ production quotas;
- ▶ environmental protection requirements;
- ▶ list of legal facts that may result entail changes in the terms of an agreement upon request of either party;
- ▶ the procedure for entity liquidation;
- ▶ duration of the agreement;
- ▶ liability of the parties.

All other mutual obligations which may be established by the parties refer to additional provisions of an agreement.

Under the Concessions Law the list of objects offered for concessions is prepared by authorized bodies in accordance with their responsibilities, and is approved by the KR Government. Preparation of offers includes determination of exact borders of the objects, composition of property complexes, inventory and evaluation of mineral deposits, natural resources, manufacturing and non-manufacturing assets<sup>108</sup>. Under the Concessions Law<sup>109</sup> the KR Government establishes the list of objects which cannot be transferred to concession or for which such transfer is restricted.

Applications for granting concessions are submitted by investors to concession authorities (KR Government, agencies authorized or specifically established by the Government, as well as local state administration and Councils of People's Deputies acting within their competence<sup>110</sup>). In accordance with the Concessions Law, the list of documents to be attached to the request and the tender procedure are set out by the KR Government<sup>111</sup>. It should be noted that under the KR legislation the abovementioned concession tender procedure is not regulated in detail due to the fact that subsurface use concessions are not often used in practice.

The decision on provision of an object to a certain investor for the concession purposes is made by the KR Government following the results of a tender. Successful concessionaries which passed a tender

<sup>105</sup> Article 12 of the Concessions Law

<sup>106</sup> Article 13 of the Concessions Law

<sup>107</sup> Article 12 of the Concessions Law

<sup>108</sup> Article 8 of the Concessions Law

<sup>109</sup> Article 4 of the Concessions Law

<sup>110</sup> Article 5 of the Concessions Law

<sup>111</sup> Article 9 of the Concessions Law

and obtained concession from the KR Government acquire a right for conclusion of the concession agreement in accordance with the procedure established by the KR legislation<sup>112</sup>.

### The PSA Law

The PSA Law regulates legal relations arising in the process of conclusion, execution and termination of production sharing agreements and defines major legal terms of such agreements<sup>113</sup>.

Under the PSA Law a production sharing agreement is an agreement which enables the KR to provide an investor with exclusive rights for search, exploration and development of mineral deposits on a deposit set out in the agreement, as well as for related works, on a remuneration basis for a defined term. The investor is obliged to carry out the specified works at its expense and risk. The agreement defines all the required provisions related to subsurface use, including processing of extracted mineral raw material, terms and procedure for product sharing between the parties to the agreement under the PSA Law<sup>114</sup>.

The parties to a production sharing agreement are<sup>115</sup>:

- ▶ The KR represented by the KR Government or authorized state administration bodies; and
- ▶ investors (subsurface users under an agreement) which can be KR individuals or legal entities, foreign individuals and legal entities investing their own, borrowed or attracted funds in search, exploration and extraction of raw mineral materials\.

The PSA Law provides that the term of PSA is established by the parties on their own but should not exceed 10 (ten) years<sup>116</sup>.

Upon initiative of an investor, and subject to fulfilment of accepted obligations, term of such an agreement is extended for a period sufficient for completion of economically feasible field development, ensuring rational use and preservation of subsurface. At that, terms and the procedure for such a renewal are defined by an agreement (additional agreement to the effective PSA or a new PSA)<sup>117</sup>.

Under the PSA Law<sup>118</sup> for the duration of a PSA a concessionaire is subject to the customs and tax regime effective as of the date of conclusion of the PSA.

### The Oil and Gas Law

The Oil and Gas Law regulates legal relations in the oil and gas industry and activities of oil and gas companies. It also defines competence of the KR Government, local state administration authorities over the activities in the oil and gas industry.

As noted above in this Report, all geological resources of oil and natural gas from the KR subsurface are the exclusive property of the state<sup>119</sup>.

The Oil and Gas Law defines that the KR possesses a priority right for acquisition of oil and gas products as well as processed products therefrom. In case of sale or export of oil, gas and processed

---

<sup>112</sup> Article 10 of the Concessions Law

<sup>113</sup> Article 1 of the PSA Law

<sup>114</sup> Article 2 of the PSA Law

<sup>115</sup> Article 3 of the PSA Law

<sup>116</sup> Article 5.1 of PSA Law

<sup>117</sup> Article 5.2 of PSA Law

<sup>118</sup> Article 10.3 of PSA Law

<sup>119</sup> Article 4 of the Oil and Gas Law

products, the licensee is obliged to notify the government authority authorized by the KR Government about such operation one month in advance, and provide it with a priority right to purchase all, or part of oil, gas and processed products therefrom obtained in the course of oil and gas activities<sup>120</sup>.

KR legislation does not contain express indication on a liability of a licensee for failure to meet the requirement of provision of the government with a possibility to use the priority right for the purchase of oil, gas and processed products therefrom in violation of the Oil and Gas Law.

However we assume that in case of violation of the state's priority right, subject to particulars of each violation, general penalties can be imposed as required by the legislation of the KR, potentially including:

- ▶ recognition of a transaction as invalid due to its inconsistency with the law under Article 185 of the KR Civil Code<sup>121</sup> or due to its recognition as the transaction detrimental to the public and state interests under Article 187 of the KR Civil Code<sup>122</sup>;
- ▶ imposition of administrative sanctions:
  - (a) in case of identification of a violation of the state's ownership right with respect to subsurface<sup>123</sup> with imposition of a penalty potentially totalling up to 150 (one hundred fifty) calculation indexes (which approximates KGS 15,000 (fifteen thousand) with recovery of damages;
  - (b) in case of identification of a violation of trade rules<sup>124</sup> with imposition of a penalty potentially totalling 100 (one hundred) calculation indexes (which approximates KGS 10,000 (ten thousand) with withdrawal of the license (permit) for such activities;
- ▶ criminal liability:
  - (a) in case of identification of illegal entrepreneurship<sup>125</sup> with imposition of penalty potentially totalling up to 5,000 (five thousand) calculation indexes (which approximates KGS 500,000 (five hundred) or public apology with recovery of damages or correctional labor of up to 2 (two) years or restriction of freedom of up to 5 (five) years or imprisonment of up to 3 (three) years.

## The Coal Law

The Coal Law regulates the state's relations with individuals and legal entities, as well as with other states which arise from production and usage of coal throughout the territory of the KR<sup>126</sup>.

Coal industry is a constituent part of the industry which includes a complex of organizational, technical and engineering processes related to search, exploration, production, storage, processing, transportation and sale of coal and processed products therefrom<sup>127</sup>.

The KR coal deposits located in the KR subsurface within the state boundaries are owned by the state<sup>128</sup>.

<sup>120</sup> Article 21 of the Oil and Gas Law

<sup>121</sup> Article 185 of Civil Code of the KR No. 15 dated 8 May 1996 (the "KR CC")

<sup>122</sup> Article 187 of the KR CC

<sup>123</sup> Article 97 of the KR Administrative Liability Code No. 114 dated 4 August 1998 (the "Administrative Liability Code")

<sup>124</sup> Article 285 of the Administrative Liability Code

<sup>125</sup> Article 180 of the KR Criminal Code No. 68 dated 1 October 1997 (the "KR Criminal Code")

<sup>126</sup> Preamble of the Coal Law

<sup>127</sup> Article 1 of the Coal Law

In accordance with the Coal Law, it is an obligation of all legal entities and individuals involved in the works related to production, processing and sale of coal and (or) processed products therefrom to ensure the following<sup>129</sup>:

- ▶ adoption of measures for reliable provision of high-quality coal and (or) processed products therefrom to the consumers, existence of regulatory documents governing the quality and safety requirements;
- ▶ legitimate administration of its entities and activities;
- ▶ making of such decisions that facilitate stable functioning and improvement of technical, industrial, financial and economic systems, reduction of costs for production and profit-making;
- ▶ transfer geological survey and upland graphic documentation upon liquidation of coal entities to the subsurface government authority within the established procedure;
- ▶ submission of statistical reporting on accounting for depleted coal deposits, extraction and use of associated mineral resources and coal production waste to the subsurface government authority;
- ▶ development and implementation of concrete measures on environmental protection and rational use of natural resources.

## The Environmental Protection Law

The Environmental Protection Law regulates the relations in environmental protection and rational use of natural resources of the KR<sup>130</sup>.

In accordance with the Environmental Protection Law, natural resources use is divided into general and specific:

- ▶ general natural resources use does not require any special permit and is exercised by citizens by virtue of inherent rights arising from and existing as a result of their birth and existence (use of atmospheric air, drinking water and use of water for health-related needs, etc.)<sup>131</sup>;
- ▶ specific natural resources can be divided using types of used resources, including land use, subsurface use, forest use, water use, use of plant and animal life, use of atmospheric air.<sup>132</sup>

Specific use of natural resources is performed on a paid basis. Payments for use of natural resources comprise payment for utilization of natural resources, payments for environment pollution and other adverse effects on nature<sup>133</sup>.

According to the Environmental Protection Law, the following measures, inter alia, are taken for the purpose of environmental protection<sup>134</sup>:

- ▶ governmental accounting, social and economic evaluation of natural resources;

<sup>128</sup> Article 7 of the Coal Law

<sup>129</sup> Article 12 of the Coal Law

<sup>130</sup> Article 1 of the Environmental Protection Law

<sup>131</sup> Article 10 of Environmental Protection Law

<sup>132</sup> Article 11 of Environmental Protection Law

<sup>133</sup> Article 15 of Environmental Protection Law

<sup>134</sup> Article 6 of Environmental Protection Law

- ▶ standardization of environmental quality (limits of acceptable concentration of harmful substances in the air, water, soil, subsurface and other natural objects);
- ▶ integral control over business and environmental relations;
- ▶ imposition of environmental requirements with respect to business or other activities which entail environmental impact;
- ▶ setting fee rates for the use of natural resources, discharge of polluting substances, physical and other harmful impact, waste dumping in the environment;
- ▶ carrying out environmental audits during design and when carrying out business and other activities for the purposes of prevention of possible harmful environmental impact of this activity;
- ▶ use of wind and solar energy, as well as of other unconventional resource-conserving power sources;
- ▶ accounting for ecological aspects during construction of hydroelectric power stations (human-induced impact on fragile mountain ecosystems, increase in ground water level, triggering landslides and earthquakes, etc.), as well as other environmental protection measures.

### The Environmental Audits Law

The Environmental Audits Law regulates legal relations in environmental audits and is aimed at enforcement of the constitutional right of citizens for favourable environment by means of prevention of adverse ecological effects arising from business or other activities<sup>135</sup>.

According to the Environmental Audits Law, an environmental audit is identification of the level of environmental risk and dangers of the planned decisions execution of which might directly or indirectly impact the condition of the environment and natural resources<sup>136</sup>.

The purposes of such audits are<sup>137</sup>:

- ▶ prevention of impact of potential adverse effects of implementation of planned management, business and other activities on health of the population and environment;
- ▶ assessment of compliance of the planned management, business, investment and other activity with the requirements of environmental legislation at the stages preceding making of the decision on their implementation as well as during their construction and implementation.

The Environmental Audits Law provides for communal and state audits as the two types of environmental audits. The targets of environmental audits, among other objects established by the Environmental Audits Law, are materials supporting issuance of licenses, permits and certificates for the activities which may influence the environment, including import and export of products and natural resources<sup>138</sup>.

In accordance with the Subsurface Law,<sup>139</sup> commencement of work without a technical project with all the required positive examinations (environmental audit, industrial safety audit and audit with respect

<sup>135</sup> Preamble of the Environmental Audits Law

<sup>136</sup> Article 1 of the Environmental Audits Law

<sup>137</sup> Article 2 of the Environmental Audits Law

<sup>138</sup> Article 3 of the Environmental Audits Law

<sup>139</sup> Article 27.3 of Subsurface Law

to protection of subsurface resources) constitutes grounds for termination of the subsurface use right. Moreover, subsurface users might be subject to administrative liability in the following instances:

- ▶ failure, by subsurface users, to meet the deadlines for submission of projects for the audit on the compliance with the requirements of industrial, environmental safety and protection of subsurface resources<sup>140</sup> which entails imposition of administrative fine of up to 300 (three hundred) calculation indexes (which approximates KGS 30,000 (thirty thousand));
- ▶ evasion from state environmental audit or failure to comply with the requirements of a state environmental audit<sup>141</sup> which entails imposition of administration fine of up to 50 (fifty) calculation indexes (which equals to KGS 5,000 (five thousand)).

### The Licensing and Permits System Law

The Licensing and Permits System Law regulates the relations arising between executive government authorities, individuals and legal entities due to licensing of certain types of activities, actions, operations, including use of limited state resources<sup>142</sup>.

In relation to the extractive industry it should be noted that the Licensing and Permits System Law establishes the procedure for issuance of permits for activities required for carrying out subsurface use works (i.e. mining, use and destruction of industrial explosives, transportation (including international transportation) of toxic waste, including radioactive substances; utilization, storage, disposal, destruction of toxic waste, including radioactive substances; import and export of samples of ore and rocks, concentrates, production waste and laboratory samples for analytical investigations).

As to cancellation of licences/permits one should be aware that in accordance with the Licensing and Permits System Law<sup>143</sup>, triple violation of licensing requirements established by the KR Government for each certain type of license/permit, the licensor is entitled to suspend the license and (or) permit of a licensee who had previously received a warning and a fine, for a period of up to three months. In case the licensee does not correct a violation of licensing requirements which resulted in suspension of a license and (or) permit within the established time limit, such a license and (or) permit is cancelled in accordance with the procedure outlined by the Licensing and Permits System Law.<sup>144</sup>

The procedure for licensing of subsurface use rights, including the procedure for issuance, prolongation, suspension, cancellation, transfer of licenses, as well as the licensing conditions, licensing control, collection of charges and payments are governed by the KR subsurface use legislation.

### Legal enactments

In accordance with the KR Resolution on Approval of Legal Acts in Subsurface Use No. 834 dated 14 December 2012 the following regulations have been approved for the purposes of improvement of the subsurface use regulatory system:

- ▶ Licensing Regulation;

<sup>140</sup> Article 103-2 of the Administrative Liability Code

<sup>141</sup> Article 162 of the Administrative Liability Code

<sup>142</sup> Article 1 of the Licensing and Permits System Law

<sup>143</sup> Article 29 of the Licensing and Permits System Law

<sup>144</sup> Article 31 of the Licensing and Permits System Law

- ▶ Tender Regulation;
- ▶ Auction Regulation.

The above regulations provide more details for the respective provisions of the Subsurface Law and regulate the procedure for issuance of a subsurface license as well as the tender and auction procedures in greater details.

In accordance with the Resolution of the KR Government on Approval of the Regulation on Provision of Land Plots for Subsurface Use No. 261 dated 12 April 2006, Regulation on Provision of Land Plots for Subsurface Use, which governs relations between subsurface users and land right holders in light of the peculiarities of mining and geological prospecting industry, was approved.

Artisanal Mining Regulation No. 524 regulates the activities related to individual artisanal mining and flushing of stream gold without significant disruption of subsurface resources.

### **6.1.3 Major changes in the legislation governing the extractive industry over the reporting period**

Certain amendments and additions were introduced to the legal enactments regulating the extractive industry in the reporting period (2013-2014). The most significant amendments and additions are set out below.

#### **The Land Code**

Based on the analysis of amendments to the Land Code for 2013 - 2014, it can be concluded that these amendments are not applicable to the extractive industry. These amendments and additions were mostly aimed at elimination of ambiguities, replacement of certain definitions and 'grey areas' of the legislation.

#### **The Water Code**

In October 2013 the Water Code was amended. These amendments are also not applicable to the extractive industry and are mostly aimed at elimination of ambiguities.

#### **The Tax Code**

In accordance with the KR Law on Introduction of Amendments to the KR Tax Code No. 71 dated 17 May 2014, the Tax Code provision on determination of the taxable base for corporate income tax for entities involved in mining and sale of gold ore as well as gold concentrate, gold alloy and refined gold<sup>145</sup>. Please refer to Section 6.2 of this Report for more information on the amendments introduced to the tax legislation in the reporting period.

#### **The Non-Tax Payments Law**

In accordance with the KR Law on Introduction of Amendments and Additions to Certain Legal Acts of the KR No. 149 dated 17 July 2013 amendments and additions related to contributions for the development and maintenance of local infrastructure were introduced to the Non-Tax Payments Law. These include, in particular, the procedure for their allocation to district development funds and oblast

---

<sup>145</sup> Article 1 of the KR Law on Introduction of Amendments to the KR Tax Code No. 71 dated 17 May 2014

development funds. For more information on amendments introduced to the tax legislation in the reporting period please refer to Section 6.2 of this Report.

## The Subsurface Law

In accordance with the Law of the KR on Introduction of Amendments and Additions to the KR Subsurface Law No. 77 dated 24 May 2014, certain amendments and additions were introduced to the Subsurface Law. These are the key amendments:

- ▶ the following definitions were introduced / supplemented / amended<sup>146</sup>: *licensing agreement, licensee, group of mineral resources, lands provided for subsurface use, EITI, mineral deposit, geological information set, suspension of the subsurface use right, social package*;
- ▶ responsibilities of subsurface users were included;<sup>147</sup>
- ▶ the procedure for implementation of social packages (minimum amount of investments in socio-economic development of local community within the territory of subsurface use objects) has been outlined<sup>148</sup>;
- ▶ grounds for suspension (violation of bonus and (or) license payment terms) and cancellation of the subsurface use right (failure to notify the State Geological Agency in due time on the change of a licensee's participants if such a change entails bonus payment in accordance with the tax legislation of the Kyrgyz Republic; identification of an instance of provision of unreliable data on ultimate owners of the company or financial capacity when applying for a license; expiration of the subsurface use license, if the licensee did not apply for extension or transformation of the license within the established time limit; establishment of additional grounds for termination of subsurface use rights on the objects included in the list of deposits of national importance to be distributed on a competitive basis) were expanded;<sup>149</sup>
- ▶ the list of deposits of national importance was supplemented with objects for which subsurface use right has already been granted;
- ▶ responsibilities on adoption of the procedure for completion of the geological information fund as well as adoption of forms of respective geological reports were assigned to the Government;
- ▶ characteristics of the levels of access to geological information resources were specified;
- ▶ the procedure for granting subsurface use rights to foreign legal entities has been specified (namely, the necessity to establish a 100% subsidiary in the KR in case a foreign legal entity wins the auction, tender for the subsurface use right, or in case it is acknowledged as the person accepted for direct negotiations);
- ▶ the procedure for tender and auction, as well as the consequences of absence of the winner in the repeated tender, was specified;
- ▶ the list of documents for receipt of a license was supplemented (in particular, the following documents should be submitted in addition to the existing documents: information and documents disclosing individuals who are ultimate owners and beneficiaries of an applicant legal entity; legalized or apostilled extract from the state register or another document proving that the applicant foreign legal entity is an operating legal entity under the legislation of its

<sup>146</sup> Article 1.2 of the Law of the KR on Introduction of Amendments and Additions to the KR Subsurface Law No. 77 dated 24.05.2014

<sup>147</sup> Article 1.8 of the Law of the KR on Introduction of Amendments and Additions to the KR Subsurface Law No. 77 dated 24.05.2014

<sup>148</sup> Article 1.10 of the Law of the KR on Introduction of Amendments and Additions to the KR Subsurface Law No. 77 dated 24.05.2014

<sup>149</sup> Article 1.12 of the Law of the KR on Introduction of Amendments and Additions to the KR Subsurface Law No. 77 dated 24.05.2014

domicile; certificate of a tax authority on the absence of arrears on taxes and payments to the state budget for the KR residents) etc.

### The Concessions Law

In accordance with the KR Law on Introduction of Amendments to Certain Legal Acts of the KR No. 178 dated 30 July 2013, the amendments were introduced in the Concessions Law according to which disputes between the parties to a concession agreement are considered by courts (including international courts) or courts of arbitration, by virtue of an agreement of the parties<sup>150</sup> (definition of an *arbitral tribunal* was excluded).

### The PSA Law

There were no amendments or additions to the PSA Law from 2013 to 2014.

### The Oil and Gas Law

On 13 February 2013 the following amendments and additions were introduced to the Oil and Gas Law:<sup>151</sup>

- ▶ a concept of a *domestic consumer*, i.e. an individual using natural gas for domestic needs under a contract, was introduced;
- ▶ payment terms and procedures for the use of consumer gas were regulated.

### The Coal Law

In accordance with the KR Law on Introduction of Amendments to Certain Legal Acts of the KR No. 178 dated 30 July 2013, an amendment under which disputable matters on the compliance of coal and articles thereof with the existing standards and technical requirements are settled by a court (the notion of *arbitral tribunal* was excluded), was introduced to the Coal Law<sup>152</sup>.

### The Environmental Protection Law

Certain amendments and additions were introduced to the Environmental Protection Law in 2013 - 2014. Thus, under Law on Introduction of Amendments and Additions to the KR Environmental Protection Law No. 36 dated 11 March 2013, definition of *pollutants*, i.e. substances which pose a threat to human health, plant and animal life, material and cultural values if released into environment in a certain percentage; and definition of *greenhouse gases*, i.e. gaseous pollutants which absorb and reemit infrared radiation, were introduced<sup>153</sup>.

### The Environmental Audits Law

No amendments or additions related to the extractive industry were introduced to the Environmental Audits Law from 2013 to 2014.

### The Licensing and Permits System Law

As stated above, the Licensing and Permits System Law was adopted in 2013. It regulates licensing of certain activities, actions, operations, including use of limited public resources.

<sup>150</sup> Article 6.3, 6.4 of the KR Law on Introduction of Amendments to Certain Legal Acts of the KR No. 178 dated 30 July 2013

<sup>151</sup> Article 2 of the Law on Introduction of Amendments and Additions to Certain Legal Acts of the KR No. 15 dated 13 February 2013

<sup>152</sup> Article 10.2 of the KR Law on Introduction of Amendments to Certain Legal Acts of the KR No. 178 dated 30 July 2013

<sup>153</sup> Law on Introduction of Amendments and Additions to the KR Environmental Protection Law No. 36 dated 11 March 2013

## **Main arguments of the state bodies, which initiated adoption of the respective laws, brought by them as the ground for adoption of these legal acts**

The main arguments of the government authorities which brought the initiative are improvement of the KR legislation and elimination of existing contradictions<sup>154</sup>.

## **Laws and separate provisions governing the extractive industry which were brought for discussion and approval but have not been approved by the Parliament in the proposed version**

As part of the Kumtor project restructuring in 2013, draft Law on Abolition of the KR Law No. 142 dated 30 April 2009 On Ratification of the Agreement on the New Conditions of the Kumtor project between the KR Government, Kyrgyzaltyn OJSC, Canadian Centerra Gold Inc., Kumtor Operating Company CJSC, Kumtor Gold Company CJSC and Canadian corporation Cameco signed on 24 April 2009 in Bishkek was introduced in Zhogorku Kenesh (the Parliament)<sup>155</sup>.

The draft Law provided for denunciation of KR Law On Ratification of the Agreement on the New Conditions of the Kumtor project between the KR Government, Kyrgyzaltyn OJSC, Canadian Centerra Gold Inc., Kumtor Operating Company CJSC, Kumtor Gold Company CJSC and Canadian corporation Cameco signed on 24 April 2009 in Bishkek No. 142 dated 30 April 2009, withdrawal of the KR Government from the Agreement on the Kumtor Project Restructuring between Kyrgyzaltyn OJSC, Canadian Cameco Corporation, Canadian Cameco Gold Inc. and Canadian Centerra Gold Inc. concluded on 31 December 2003, and from the Investment Agreement between the KR Government, Centerra Gold Inc. and Kumtor Gold Company CJSC concluded on 31 December 2003.

In 2013, a draft Law on Denunciation of the Agreement on the New Conditions of the Kumtor project between the KR Government, Kyrgyzaltyn OJSC, Canadian Centerra Gold Inc., Kumtor Operating Company CJSC, Kumtor Gold Company CJSC and Canadian corporation Cameco signed on 24 April 2009 was introduced in Zhogorku Kenesh (the Parliament)<sup>156</sup>.

As per the Justification part of the draft Laws, in February 2012 Zhogorku Kenesh established a parliamentary commission which studied the activities of Kumtorzoloto project.

Further to the report of this commission, KR Zhogorku Kenesh adopted Resolution No. 2117-V dated 27 June 2012 on the Report of Interim Parliamentary Commission for Examination and Study of Compliance of Kumtor Operating Company CJSC with Standards and Requirements on Rational Use of Natural Resources, Environmental Protection, Safety of Industrial Processes and Social Protection of the Population in the Impact area of the Gold mine, as well as Condition of the Performed State Control Established by Zhogorku Kenesh Resolution No. 1642-V dated 15 February 2012<sup>157</sup>. According to this resolution conditions of the abovementioned agreements are contrary to the interests of the Kyrgyz people and state.

---

<sup>154</sup> The detailed information is not publicly available

<sup>155</sup> Retrieved from <http://www.kabar.kg/rus/economics/full/48688>

<sup>156</sup> Draft KR Law on Denunciation of the Agreement on the New Conditions of the Kumtor project between the KR Government, Kyrgyzaltyn OJSC, Canadian Centerra Gold Inc., Kumtor Operating Company CJSC, Kumtor Gold Company CJSC and Canadian corporation Cameco signed on 24 April 2009 published on Zhogorku Kenesh website: <http://www.kenesh.kg>

<sup>157</sup> From the explanatory note to draft Law of the KR on denunciation of KR Law On Ratification of the Agreement on the New Conditions of the Kumtor project between the KR Government, Kyrgyzaltyn OJSC, Canadian Centerra Gold Inc., Kumtor Operating Company CJSC, Kumtor Gold Company CJSC and Canadian corporation Cameco signed on 24 April 2009 in Bishkek No. 142 dated 30 April 2009, withdrawal of the KR Government from the Agreement on the Kumtor Project Restructuring between Kyrgyzaltyn OJSC, Canadian Cameco Corporation, Canadian Cameco Gold Inc. and Canadian Centerra Gold Inc. concluded on 31 December 2003, and from the Investment Agreement between the KR Government, Centerra Gold Inc. and Kumtor Gold Company CJSC concluded on 31 December 2003.

It was also noted that ratification of the Agreement was carried out in violation of Articles 4 and 58 of the KR Constitution, Laws of the KR on International Treaties of the KR, on Concessions and Concessionary Entities in the KR and other laws effective at the time, and the Agreement itself did not have the status of an international treaty in accordance with the criteria of the Vienna Convention on the Law of Treaties dated 23 May 1969 and the KR Law on International Treaties in the KR<sup>158</sup>.

The official Zhogorku Kenesh website does not have any information on the stages of consideration of the above draft laws in the KR Parliament. Information related to the process of negotiation between the parties to the Kumtor project is included in Section 6.4.3 of this Report.

In 2014 the draft Law on Introduction of Amendments and Additions to the KR Oil and Gas Law was brought to the Zhogorku Kenesh. The main proposed amendment was the provision according to which granting of an exclusive right for import of oil, gas and processed products therefrom (oil and gas industry products) intended for the KR consumers or to an entity holding a license is prohibited except for cases where these products are delivered over pipelines and engineering constructions of that entity<sup>159</sup>.

As per the Justification part of this draft law, competition should be present on the goods and services market since its existence is the main component of social and economic well-being of the country<sup>160</sup>.

It is noteworthy that the official Zhogorku Kenesh website does not contain any information on the stages of consideration of the above draft law in the KR Parliament.

In addition to this, draft KR Law on Introduction of Additions to the KR Water Code was composed in compliance with Zhogorku Kenesh Resolution No. 2805-V dated 21 February 2013<sup>161</sup> according to which the KR Government was tasked to ensure uninterrupted operation of the Kumtor mine<sup>162</sup>.

The main changes to additions to the Water Code are related to regulations imposing a ban of activities affecting acceleration of melting of glaciers, activities involving use of coal, ashes, oils and other substances or materials, as well as activities affecting the condition of glaciers or quality of water therein, as well as the activity related to ice harvesting. Thus, it is proposed to supplement this regulation with an exception related to mineral deposits classified as strategic objects in case of confirmation of impossibility to avoid impact on glaciers<sup>163</sup>. In this, it is proposed that the KR Government should define terms and conditions for performance of activities related to impact on glaciers and mineral deposits classified as strategic objects.

This is justified by an argument that more than 75% (seventy-five percent) of the KR territory is located at elevations over 1,000 (one thousand) meters above sea level where rich deposits of mercury, lead, zinc, gold, copper, coal and other mineral resources are located. For this reason the need arises for further legal regulation of the extractive industry impact on glaciers since the KR current legislation only provides for prohibitive measures<sup>164</sup>.

---

<sup>158</sup> From the explanatory note to draft Law of the KR “On denunciation of the Agreement on new terms with regard to Kumtor project between the Government of the KR, Kyrgyzaltyn OJSC, Canadian Centerra Gold Inc., Kumtor Operating Company CJSC, Kumtor Gold Company CJSC and Canadian Corporation Cameco signed on 24 April 2009 in Bishkek”

<sup>159</sup> Article 1.3 of the draft Law on Introduction of Amendments and Additions to the KR Oil and Gas Law No. 77 dated 24 May 2014 published on Zhogorku Kenesh website: <http://www.kenesh.kg>

<sup>160</sup> From the explanatory note to the draft Law on Introduction of Amendments and Additions to the KR Oil and Gas Law.

<sup>161</sup> Point 2 of resolution of Zhogorku Kenesh No. 2805-V dated 21 February 2013 on the Results of Work of the State Committee for Testing of compliance of Kumtor Operating Company CJSC with the standards and requirements for the rational use of natural resources, environmental protection, safety of production processes and social protection

<sup>162</sup> Draft KR Law on Introduction of Additions to the KR Water Code was composed in compliance with Zhogorku Kenesh Resolution No. 2805-V dated 21 February 2013 published on the KR Government website: [www.gov.kg](http://www.gov.kg)

<sup>163</sup> Article 1.1 of the draft KR Law on Introduction of Additions to the KR Water Code

<sup>164</sup> According to the explanatory note to the draft KR Law on Introduction of Additions to the KR Water Code

According to KR Zhogorku Kenesh resolution No. 5330-V dated 26 June 2015, the abovementioned draft law was passed in the second reading, and Zhogorku Kenesh committee on agricultural policy, water resources, ecology and regional development was appointed to introduce it to the KR Zhogorku Kenesh for consideration in the third (final) reading taking into account the accepted written proposals and amendments<sup>165</sup>.

According to the information retrieved from public sources,<sup>166</sup> third reading of the draft law on introduction of amendments to the Water Code of the KR which allow for carrying out activities on glaciers in exceptional circumstances was postponed to 2016.

## 6.2 Fiscal mode applicable to the taxation of mining projects

In general, activities of mining companies in the KR fall under general tax regime that provides for payment of taxes and submission of tax returns by local entities and non-residents operating in the KR through a permanent establishment in accordance with the tax legislation of the KR.

General tax regime envisages national and local taxes, as well as special tax regimes. Unlike companies of other industries, the mining companies also pay specific taxes, such as royalty and bonuses. Royalty is a regular payment where the tax base is the revenue (exclusive of VAT and sales tax) from sale of mineral resources or products received as a result of mineral resources processing. Royalty rate fluctuates from 1% (one percent) to 12% (twelve percent) depending on the type of extracted minerals. Bonus is a one-off payment for the subsurface use right with the purpose to search, explore and develop the deposits of mineral resources. Tax base for bonus is the amount of geological reserves and projected resources accounted by the National cadastre.

There is no special tax regime for the mining industry, except for Kumtor project. Under the tax regime for Kumtor project, engineering companies (Kumtor Gold Company and/or Kumtor Operating Company) should calculate and pay the following main taxes and payments during the period from 1 January 2008 until termination of the Revised concession agreement: (i) gross income tax at 13% (thirteen percent) rate, (ii) an annual fee of 4% (four percent) the gross income minus the documented investment and exploration costs, (iii) contribution to the KR Issyk-Kul Region Development Fund in the amount of 1% (one percent) from the gross income, (iv) annual fee for environmental pollution in the amount of USD 310,000 (three hundred ten thousand). Such engineering companies are exempted from paying all other current and future taxes and contributions from activities, which fall under the new tax regime, except for payment of taxes and contributions established under Kumtor agreements of 2009 (such as social security contributions under state social insurance, income tax, environment pollution payment, etc.)

### 6.2.1 Taxes and non-tax payments of mining entities

Taxes, rates and tax base, dates and procedure of payment, deadlines for tax returns submission, acceptance of taxes, as well as designated purpose of general taxes for mining companies are the following:

---

<sup>165</sup> Points 1 and 2 of the resolution of Zhogorku Kenesh No. 5330-V dated 26 June 2015 on Adoption of the draft Law of the KR on Introduction of Additions to the Water Code of the KR in the second reading

<sup>166</sup> According to the data from <http://www.knews.kg>

Name	Tax base and rate	Dates and procedures of payment	Reporting requirements	Remitted to
<p><b>Income tax</b></p>	<p>The advance income tax is 10% (ten percent) on income calculated for the reporting period according to the rules established by the legislation of the KR on accounting.</p> <p>Taxable income is calculated as the difference between aggregate annual income determined in accordance with IFRS, and expenses deductible in accordance with the legislation of the KR (subject to their relation to income generating activities and availability of supporting documents).</p> <p><b>0% (zero percent)</b> on income for companies carrying out the activity in the region of ore gold mining and sale, as well as concentrate, gold alloy and fine gold;</p> <p><b>10% (ten percent)</b> on income for other subsurface users</p>	<p>The advance income tax is paid for the first quarter, the first six months, and the first nine months of the current year. The advance income tax payable to the budget for the reporting period is determined as a positive difference between the advance income tax calculated for the current reporting period and the advance income tax calculated for the preceding reporting period.</p> <p>The final calculation and tax payment are performed before the date of the unified tax return submission. At that, final income tax amount is determined as the difference between the calculated income tax based on the results of the reporting period and the advance income tax calculated for the reporting period.</p>	<p>The taxpayer submits the advance income tax return quarterly (starting from the second quarter), but not later than 21 day of the second month following the reporting period.</p> <p>The taxpayer must submit the return for the amount of tax withheld at source of payment, not later than 21 day of the month following the month in which income was paid.</p> <p>The unified tax return is submitted by taxpayers before 1 March of the year following the reporting year.</p>	<p>To the state budget</p>

Name	Tax base and rate	Dates and procedures of payment	Reporting requirements	Remitted to
		Income tax is paid at the place of tax registration of the taxpayer.		
<b>Tax on income of mining and processing entities</b>	The tax rate is <b>from 1% (one percent) to 20% (twenty percent)</b> (depending on price of gold). Tax base is: a) revenues from sales of gold alloy and/or fine gold; b) the price of gold in gold ore and concentrate calculated based on global prices according to the procedure established by the Government of the KR	Not later than 20th day of the month following the reporting period at the place of accounting registration (at the place of mining and processing operations). In case of absence of accounting registration, the tax is paid at the place of tax registration (legal address).	Not later than 20th day of the month following the reporting period.  Tax period is a calendar month.	To the state budget
<b>Tax on interest</b>	The tax rate is <b>10% (ten percent)</b> on interest paid. It is also applied to payment of interest to residents (including income tax payers).  In case of withholding of the tax on interest, income in the form of interest is not subject to income tax at the recipient	Not later than 21st day of the month following the interest payment month.	Not later than 21st day of the month following the interest payment month.	To the state budget
<b>Profits tax for non-residents without permanent a</b>	The tax rate is: <ul style="list-style-type: none"><li>• <b>5% (five percent)</b> on the cost of international</li></ul>	Before 21 day of the month following the month in which income is paid.	Before 21 day of the month following the month in which income is paid.	To the state budget

Name	Tax base and rate	Dates and procedures of payment	Reporting requirements	Remitted to
<p><b>establishment in the KR</b></p>	<p>telecommunication and transportation services, insurance payments under the insurance or reinsurance risks agreements (except for mandatory insurance);</p> <ul style="list-style-type: none"> <li>• <b>10% (ten percent)</b> on dividends, interest income, author's fees, royalty, cost of services/works (rendered in the KR), insurance payments with regard to mandatory insurance and reinsurance of risks.</li> </ul> <p>In order to apply the reduced rates or exemption from taxation based on the international treaty, taxpayer should submit certain documents, including application in the approved form in Russian or Kyrgyz language approved by the authorised body of the country of non-resident's residence. In practice, such procedure significantly complicates the</p>			

Name	Tax base and rate	Dates and procedures of payment	Reporting requirements	Remitted to
	application of reduced rates.			
<b>Value added tax (VAT)</b>	<p>The tax rate is:</p> <ul style="list-style-type: none"> <li>• <b>12% (twelve percent)</b> on taxable value of deliverables/import except for deliverables/import exempted from VAT and deliverables at 0% (zero percent) and 20% (twenty percent) rates</li> <li>• <b>0% (zero percent)</b> on export of goods except for export of gold and silver alloys, fine gold, and silver (that is a deliverable exempted from VAT);</li> <li>• <b>20% (twenty percent)</b> on cost of goods (except for fixed assets) acquired / produced before 1 January 2009, and of cost of goods transferred across the state border of the KR before 1 January 2009.</li> </ul>	Not later than 26th day of the month following the reporting tax period.	<p>Not later than 26th day of the month following the reporting tax period.</p> <p>The tax period for VAT calculation on taxable deliverables is a calendar month.</p>	To the state budget
<b>Sales tax</b>	The tax rate is <b>from 1% (one</b>	Monthly, not later than 21st	Monthly, not later than 21st day of	To the state budget

Name	Tax base and rate	Dates and procedures of payment	Reporting requirements	Remitted to
	<p><b>percent) to 3% (three percent)</b> depending on the type of supplies and the status of the payer (VAT payer or non-payer)</p> <p>Tax base is turnover from sales of goods, works and services.</p>	<p>day of the month following the reporting month.</p> <p>Sales tax is paid at the place of accounting registration (at the place of operations). In case of absence of accounting registration, sales tax is paid at the place of tax registration (legal address).</p>	<p>the month following the reporting month.</p> <p>Tax period for sales tax is a calendar month.</p>	
<b>Bonus</b>	<p>One-off payment in the amount established by the Government of the KR by the types of mineral resources according to classification tables. The bonus could be paid again on transfer/sale of a license to third parties, and in case of change of more than 10% (ten percent) of shareholders/participants of a mining company (in the amount proportional to the share of changed shareholders/participants).</p>	<p>Not later than 30 days from the day of receipt of the license for the right to use subsurface at the place of accounting registration.</p>	<p>A payer of bonus should submit a respective calculation to the tax authority agreed with the State Agency on Geology and Mineral Resources not later than 30 days once the license for the use of subsurface resources is received.</p>	To the state budget
<b>Royalty</b>	<p>The tax rate is <b>from 1% (one percent) to 12% (twelve</b></p>	<p>Monthly, not later than 21st day of the month following</p>	<p>Monthly, not later than 21st day of the month following the reporting</p>	To the state budget

Name	Tax base and rate	Dates and procedures of payment	Reporting requirements	Remitted to
	<p><b>percent</b>) (depending on the type of a mineral resource and deposit reserves). Tax base is:</p> <p>a) revenue from sale of mineral resources or products received as a result of processing of mineral resources;</p> <p>b) the sales volume in physical terms</p>	<p>the reporting month.</p> <p>Royalty is paid at the place of accounting registration.</p>	<p>month.</p> <p>Tax period for royalty is a calendar month.</p>	
<b>Land tax</b>	<p>Tax base is the size of land plots. Land tax is calculated according to the formula by multiplying the size of the land plot by the basic rate and applying certain coefficients. At that, basic rate and adjustment coefficients depend on the regions of land plots locations, their designated purpose and other factors.</p>	<p>Quarterly in equal amounts not later than 21st day of the first month of current quarter, at the place of accounting registration of land plot, and within Bishkek - at the place of tax registration of the taxpayer.</p>	<p>Taxpayer submits land tax return not later than 2 February of the current year.</p> <p>Tax period for land tax is a calendar year.</p>	<p>To the local budgets</p>
<b>Property tax</b>	<p>Taxable property includes:</p> <p>(1) Real estate</p> <p>(2) Temporary facilities made of metal or other constructions meant for and/or used for business purposes;</p> <p>(3) Transport vehicles, including self-propelled machinery.</p>	<p>For transport vehicles: not later than 1 September of the current year, but during the period preceding technical inspection, at the place of the facility registration in the respective authorised state body.</p>	<p>Taxpayer, that is an entity, should provide property tax form before 1 March of the current year.</p> <p>Tax period for property tax is a calendar year.</p>	<p>To local budgets</p>

Name	Tax base and rate	Dates and procedures of payment	Reporting requirements	Remitted to
	<p>Tax rate for transport vehicles is determined depending on the engine capacity, year of manufacture and type of vehicle or its carrying value;</p> <p>For real estate and temporary facilities made of metal and other constructions, the tax rate is 0.8% (zero point eight percent) on taxable value of the facility. At that, value of the facility is determined based on a certain formula with account for adjustment coefficients (depending on designated purpose of facilities, construction materials and other factors).</p>	<p>For other property used in business activities and subject to property tax: quarterly not later than 21 day of the third month of the current quarter, in equal amounts during the current year at the place of the facility location, and within Bishkek - at the place of tax registration of the taxpayer.</p>		
<p><b>Personal income tax</b></p>	<p>The tax rate is <b>10% (ten percent)</b> on income paid to employees and other individuals without individual entrepreneur status</p>	<p>Personal income tax withheld by tax agent is payable not later than by the 21 day of the month following the income payment month. Income tax withheld by tax agent is paid at the place of tax registration of the tax agent, and at the place of accounting registration of a standalone</p>	<p>Tax agent should submit the return on income and withholding income tax with regard to its employees monthly, not later than 21 day of the month following the month of tax payment.</p> <p>Tax agent should provide information on the amounts of paid income and income tax withheld</p>	<p>To the state budget</p>

Name	Tax base and rate	Dates and procedures of payment	Reporting requirements	Remitted to
		unit (if any).	<p>from all payments to individuals quarterly, not later than 21 day of the month following the reporting period.</p> <p>Apart from that, taxpayer should provide information on the amounts of paid income and income tax withheld by tax agent from individuals working under the agreements concluded in accordance with the labour legislation annually, not later than 21 day of the month following the reporting year.</p>	

## 6.2.2 Tax benefits for mining entities

The tax legislation of the KR during the reporting period (2013-2014) contained the following provisions that could be qualified as tax credits/ benefits for the mining industry:

- ▶ *Depletion allowance.* The possibility to decrease tax base for income tax of mining entity by 15% (fifteen percent) with allocation of this amount to a special fund of the entity for the purposes of reproduction of depleted deposits. The Company should reinvest such special fund within 5 years for geological exploration within mining and geological allotments. The amount of special fund not used for its intended purpose within 5 years, should be paid to the budget. Costs on geological exploration within mining and geological allotments incurred using the special fund in accordance with the above procedure are non-deductible.
- ▶ *Accelerated depreciation rate.* Taxpayer's expenses related to geological exploration of mineral deposit and procurement of subsurface use rights, capital mining and mine preparation works for the purpose of further extraction of mineral resources, and property, plant and equipment of mining and processing entities put into operation and actually applied in subsurface use could be depreciated at accelerated rate of 50% (fifty percent) per year. At that, application of lower depreciation rate is allowed. Taxpayers applying lower depreciation rates are not allowed to change such rates in future periods.
- ▶ *Fixed tax regime for subsurface users.* In case of introduction of amendments and/or additions to the Tax Code of the KR leading to increase of tax rates for subsurface users (bonus and royalty) and/or change of the tax base, subsurface users had the right to follow the tax regime effective as of the day of receiving the license for development of mineral deposits during the license period, but not longer than 20 years upon the day of its issuance.

There were no special tax benefits for mining entities in the KR tax legislation.

## 6.2.3 Tax reporting for mining entities

The respective information is presented in section 6.2.1 of this Report.

## 6.2.4 Main principles and approaches in the industry tax administration

The Tax Code of the KR establishes the following taxation principles:

- ▶ Tax legislation is based on principles of unity, legality, obligation, certainty and justice;
- ▶ Contradictions in provisions of tax legislation are interpreted in favour of the taxpayer;
- ▶ Regulatory acts on increase of tax rates or establishing of new taxes do not have retroactive effect;
- ▶ The taxpayer acts (or refrains from action) lawfully until proven otherwise by tax authorities;
- ▶ Taxpayer's information received by the tax authorities or its official representative is confidential, except for information envisaged by the Tax Code, as well as information about actual tax payments paid to the state budget by legal entities.

Statute of limitation for tax liability is 6 years from one of the following days:

- (i) end of the tax period for respective tax;
- (ii) termination of the deferral or instalment plan in case of failure to pay deferred or installed amount of taxes;
- (iii) receipt by the taxpayer of a notification on tax liability as a result of tax audit.

In case of a tax offense related to the reduction of tax amounts specified in the tax report, the calculation of the statute of limitation begins from the day of receipt of the respective decision of the tax authority.

The tax authorities may apply to the court in order to recover the tax penalty not later than 6 years following the day of delivery of the decision on the taxpayer prosecution for a tax offense. In case of refusal to initiate or terminate a criminal proceeding, when the tax offense exists, the period for filing a statement of claim should be calculated from the day of receipt by the tax authority of the refusal to institute or to terminate the criminal proceeding.

In case of failure or delay in fulfilment of the tax liability, a penalty is imposed at the rate of 0.09% of the overdue amount for each day of delay, but not more than 100% (hundred percent) of the accrued amount of tax liability. In case of tax understatement the following penalties apply:

- ▶ understatement of tax liability for the amount of up to 2% (two percent) from aggregate annual income for the year preceding the reviewed calendar year - tax penalty is not applied;
- ▶ understatement of tax liability for the amount of 2% (two percent) - 5% (five percent) from aggregate annual income for the year preceding the reviewed calendar year - 50% (fifty percent) of tax understatement;
- ▶ understatement of tax liability for the amount of more than 5% (five percent) from aggregate annual income for the year preceding the reviewed calendar year - 100% (hundred percent) from tax understatement.

The tax agent that fails to pay tax, which was withheld and due to the budget, in full would be subject to tax penalty ranging from 10% (ten percent) to 50% (fifty percent) of the unpaid amount. The amount of a tax penalty depends on the period (duration) of non-payment of the tax by the tax agent: 10% (ten percent) for each full or incomplete month from the day established for payment of the respective tax. At that, the maximum amount of a penalty for the above violation is 50% (fifty percent).

In case of tax evasion, criminal liability arises if the amount of undeclared taxes exceeds a certain threshold:

- (i) for entrepreneurs and official representatives of economic entities - five thousand calculated indexes (i.e. KGS 500 thousand);
- (ii) for individuals - one thousand calculated indexes (i.e. KGS 100 thousand);

The objective side covers failure to provide the documents for taxes calculation (including the unified tax returns) or their destruction, the inclusion of information which is known to be false about income and expenses or hiding of other taxable items in these documents, as well as the use of fictitious and paper only documents, including accountable forms of VAT invoices, which caused damage on a large scale.

The subjective aspect – intention.

Scheduled tax audits should be conducted not more often than once in 12 months. Scheduled tax audits should cover a period of not more than 3 previous calendar years preceding the year when such tax audit began. The duration of scheduled and unscheduled tax audits should not exceed 30 calendar days, and 50 calendar days for a major taxpayer.

The procedure of appeal is determined by mandatory pre-trial and trial procedures. Pre-trial procedure involves:

- ▶ filing of claim with regard to the results of the tax audit;
- ▶ consideration of objections on the inspection by the head or deputy head of the tax authority in the presence of the taxpayer or its tax representative;
- ▶ decision by the tax authorities for the amount of taxes, penalties and tax penalties accrued;
- ▶ filing of an appeal on the decision of the tax authority to the republican tax authority within 30 calendar days from the day of the decision receipt;
- ▶ decision by the republican tax authorities with regard to the appeal of the taxpayer. If the decision is not delivered to the taxpayer in due time, the appeal of the taxpayer is considered to be satisfied.

The decision of the republican tax authority may be appealed in court within three months from the day of the decision.

### **6.2.5 Brief information on the system of tax and non-tax collections with the use of the Central Treasury system**

The Treasury forms the Consolidated Fund of the KR (the “Consolidated Fund”). All revenue in the national and foreign currencies, which by right belong to the state (tax, non-tax, fiscal, extra-budgetary, recurrent and non-recurrent, contributions to trust funds, transfers, credit funds, and any other form of government revenue) should be immediately and completely transferred (credited) to the Consolidated Fund, except for revenues under the terms of regulations developed by the Treasury. All settlement operations of republican and local entities are carried out from the Consolidated Fund.

The unified treasury account is a centralised bank account of the Central Treasury, which accumulates the funds of the republican and local budgets, and reflects the transactions of public authorities on cash execution of the state budget of the KR. Transactions related to the receipt of cash from taxpayers, as well as to transfers of funds to be credited to the unified treasury account are carried out by commercial banks operating in the KR within the current business day established for the banks' customers.

The following revenues are credited to the unified treasury account:

- ▶ taxes and charges;
- ▶ customs duties and charges;
- ▶ advanced customs payments and collateral amounts;
- ▶ the return of the principal and payment of interest, fines and penalties with regard to budgetary loans and credits;
- ▶ amounts credited for temporary use to budgetary institutions funded from the state budget;

- ▶ special funds of budgetary institutions, including payments for the use of state-owned and municipal property;
- ▶ recovery of prior cash disbursements (for non-cash payments);
- ▶ non-tax and other payments credited to income of the respective budgets of the KR;
- ▶ KGS equivalent of foreign currency to be credited to the budget;
- ▶ other payments credited in favour of the Ministry of Finance of the KR and the Central Treasury.

Amounts received on the unified treasury account to be credited to income of the respective budgets should be reflected as credited in the bank statement.

Accounting of the funds received on the unified treasury account, and the distribution of income between the budgets of different levels is performed based on the following documents:

- ▶ electronic bank statement from the unified treasury account;
- ▶ payment documents, orders, transaction memos of payers that contain complete information on revenue attached to the bank statement, on paper and in electronic form;
- ▶ conclusions of tax and customs authorities of the KR for credit or refund of overpaid or overcharged tax amounts.

Upon completion of the processing of the information contained in the electronic bank statement and electronic payment documents with the Treasury information management system, the following information reflected on the loan of electronic bank statement from the unified treasury account is automatically saved in the Treasury information management system databases:

- ▶ payment amount;
- ▶ payer name;
- ▶ IIN of the payer;
- ▶ registration number of the payer assigned by the Social fund of the KR;
- ▶ date of receipt (the date on which the funds are credited to the unified treasury account);
- ▶ payment document number;
- ▶ payment type code according to budget classification of income;
- ▶ administrative-territorial entity code;
- ▶ territorial body code of the receipts manager according to budget classification of income.

Following the results of the electronic bank statements processing, Treasury information management system automatically divides and groups the revenues received to the following income groups:

- ▶ classified receipts:
  - tax (customs) and non-tax receipts with features of income classification;
  - receipts from transactions with assets and liabilities;
  - receipts on special accounts of budgetary organisations;
- ▶ unclarified (mistaken) receipts.

Data grouped by the types of receipts is stored in electronic databases of the Treasury information management system.

Revenues received on the unified treasury account are distributed in the Treasury information management system between the budgets of different levels in accordance with the tax and budget legislation of the KR at the deduction rates (percent), established for the respective financial year, and with regard to the local taxes and charges, - regulatory legal acts of local government bodies on local budgets for the respective financial year.

Distribution of income between the budgets of different levels is performed according to the established contributions norms with regard to the income received (income classification element).

## 6.3 Main state bodies regulating the industry and their role

### 6.3.1 Government authorities regulating the extractive industry

In accordance with the KR legislation the President, Zhogorku Kenesh (the Parliament), the Government, State Geological Agency and other bodies listed below in this section are the major government authorities exercising regulation and control over operations in the KR extractive industry.

**The President:** The President takes part in the legislative process. In particular, s/he signs and publicizes laws and returns them with his/her objections to Zhogorku Kenesh (the Parliament)<sup>167</sup>.

**Zhogorku Kenesh (Parliament):** Zhogorku Kenesh (Parliament) represents the legislative branch, adopts laws, approves nation-wide KR development programs provided by the Government and has the right to form temporary committees and determine their composition to discuss various matters including those related to the activities of mining companies<sup>168</sup>.

**The Government:** The Government administers subsurface use and performs the following functions within its competences<sup>169</sup>:

- ▶ controls and manages the KR State subsurface fund;
- ▶ approves technical regulations for subsurface use;
- ▶ ensures implementation and improvement of state policy and legislation in subsurface use;
- ▶ defines the subsurface sites and mineral deposits purported to meet the state's needs in strategic types of mineral raw materials;
- ▶ approves the list of subsurface sites and mineral deposits of strategic importance;
- ▶ approves the list of the objects of national importance subject to tendering;
- ▶ approves the composition of the tendering Committee holding tenders for subsurface use right and the Regulation on this Committee;
- ▶ imposes restrictions and prohibitions on subsurface use to ensure national security, public safety and environmental protection;

---

<sup>167</sup> Article 64 of the KR Constitution

<sup>168</sup> Article 74 of the KR Constitution

<sup>169</sup> Article 5 of Subsurface Law

- ▶ controls the condition of oil and natural gas balances, organizes state accounting of the extent of subsurface exploration;
- ▶ ensures generation of strategic reserves of oil and natural gas as well as accounting for their placement throughout the state's territory;
- ▶ develops and implements the investment policy in the oil and gas industry.

**Ministry of Economy:** The Ministry of Economy is the authorized body for the development of state policy on subsurface use, including legal acts governing subsurface use, investment policy in subsurface use<sup>170</sup>.

**State Geological Agency:** State Agency for Geology and Mineral Resources performs, inter alia, the following duties being the authorized body for the implementation of the state policy on subsurface use<sup>171</sup>:

- ▶ establishes the system for granting subsurface use rights and rights for land plots;
- ▶ attracts investments and regulates geological study of subsurface;
- ▶ maintains the State mineral resource reserves registry and National cadastre of deposits and displays of mineral resources;
- ▶ organizes activities related to management of the State geological information fund;
- ▶ organizes the activities of the KR State Commission for Mineral Reserves;
- ▶ oversees the protection of subsurface within the boundaries of the geological, mining and land allotments;
- ▶ carries out state registration of subsurface use rights as provided for by the Subsurface Law;
- ▶ issues, suspends and terminates subsurface use right and use of lands of the State reserve of the lands containing mineral deposits;
- ▶ carries out expertise of mining and geological projects;
- ▶ represents the KR Government in judicial disputes regarding subsurface use;
- ▶ develops technical regulations and rules for subsurface use;
- ▶ exercises control over use and protection of subsurface resources in the course of their geological study and commercial development;
- ▶ approves the list of mineral resource objects put up for auctions.

**State Inspectorate for Technical and Environmental Safety:** State inspectorate for technical and environmental safety carries out state supervision over industrial and environmental safety within the boundaries of geological, mining and land allotments and also exercises control over environmental and industrial safety compliance during geological study and commercial development of subsurface<sup>172</sup>.

<sup>170</sup> Point 1 of the Regulation on the Ministry of Economy of the KR approved by Resolution of the Government of the KR No. 117 dated 20 February 2012

<sup>171</sup> Point 9 of the Regulation on State Agency for Geology and Mineral Resources affiliated to the Government of the Kyrgyz Republic approved by the Resolution of the KR Government No. 127 dated 20 February 2012

<sup>172</sup> Point 7 of the Regulation on the State Inspectorate for Technical and Environmental Safety under the KR Government approved by Resolution of the Government of the KR No. 136 dated 20 February 2012

**State Agency on Protection of the Environment and Forestry:** State Agency on Protection of the Environment and Forestry is the authorized body exercising policy and regulating the relations in environmental protection and use of natural resources, ensuring environmental safety and natural resource use.

**State Tax Authority:** State tax authority is the authorized body exercising control over compliance with tax legislation, correct calculation and timely payment of taxes to the budget, provision of assistance to the taxpayers with regard to fulfilment of tax obligations<sup>173</sup>.

**State Customs Authority:** State customs authority is the authorized body exercising, inter alia, regulation of the relations related to transportation of goods and vehicles through the customs border by mining companies<sup>174</sup>.

**Local state administrations and local self-governing bodies:** Local state administrations and local self-governing bodies exercise the following powers over subsurface use<sup>175</sup>:

- ▶ provide land allotments and the right for temporary use of land plots for the periods specified in the license;
- ▶ provide full access to the license area for the licensees;
- ▶ prevent unauthorized extraction of minerals;
- ▶ control liquidation and preservation of mining and other property used in the development of deposits or geological subsurface study as well as recultivation of land plots and license objects;
- ▶ participate in the activities of tendering and auctioning committees for license objects located within the boundaries of an administrative territorial unit;
- ▶ organize public environmental audit of subsurface use projects;
- ▶ work with locals in order to prevent unlawful interference with the activities of subsurface users and also exercise other powers in subsurface use in accordance with the KR legislation.

### 6.3.2 Main institutional reforms in the extractive industry.

#### Changes in the structure of the Government which affected state bodies regulating the extractive industry and their functions

From 2013 to 2014 a number of structural changes in the system of the KR executive authorities occurred. At that, the indicated changes had no material influence on the status of government authorities regulating the extractive industry since generally these changes are related to reshuffling of functions.

In particular, in 2013 government authorities in environmental protection and occupational safety bodies were entrusted with new functions. Thus, in accordance with the KR Resolution No. 109 dated

<sup>173</sup> Point 6 of the Regulation on the State Tax Authority under the KR Government approved by Resolution of the KR Government No. 100 dated 16 February 2012

<sup>174</sup> Regulation on State Customs Authority under the KR Government approved by Resolution of the KR Government No. 767 dated 18 December 2009

<sup>175</sup> Article 9 of the Subsurface Law

5 March 2013<sup>176</sup>, the following amendments/additions were introduced to the functions of the government authorities regulating the extractive industry:

- ▶ Functions of the State Agency for Geology and Mineral Resources under the KR Government on environmental audit of project documentation required for geological study and development of mineral deposits within the boundaries of mining and land allotments were transferred to the *State Agency on Protection of the Environment and Forestry under the KR Government* together with 8 (eight) units of personnel, as well as the respective financial means and facilities;
- ▶ Functions of the Ministry of Agriculture and Melioration involving control over the use of water resources were transferred to the *State Inspectorate for Technical and Environmental Safety* upon introduction of the respective amendments in the KR legislation.

In addition to it, by virtue of the above KR Government Resolution a new State Agency for Regulation of the Fuel and Energy Sector under the KR Government was established on the basis of the former State Department for Regulation of Fuel and Energy Sectors under the KR Ministry of Energy and Industry with transfer of 21 (twenty one) units of personnel and the respective financial means and facilities<sup>177</sup>. The above agency is the authorized government authority carrying out state regulation over activities of fuel and energy sector entities by means of licensing and tariffs for electric energy, heat energy and natural gas. Among other functions, State Agency for Regulation of the Fuel and Energy Sector is authorized to issue licenses for the following activities:

- ▶ generation, transmission, distribution, sale, export and import of electric energy;
- ▶ generation, transmission, distribution and sale of heat energy (except for generation of heat energy derived from renewable resources and generation of heat energy from any energy source for own use);
- ▶ processing of oil and natural gas, except for commercial-scale production of bioethanol from herbal raw materials and its sale;
- ▶ production, transfer, distribution and sale of natural gas<sup>178</sup>.

### Incomplete reformation efforts in the mining industry

Based on the publicly available information, during fall of 2013, the *Respublika* parliamentary faction<sup>179</sup> initiated and directed the KR Government to consider the possible transformation of the State Agency for Geology and Mineral Resources under the KR Government (which is the key authority for issuance, suspension and cancellation of licenses for subsurface use right) to a ministry. Such a transformation was, inter alia, contemplated to extend the powers of the authorized mining (subsurface use) government authority in order to strengthen supervision over mining entities with regard to compliance with the environmental and occupational safety regulations. However, the above reformation has not been implemented as of the date of the Report.

<sup>176</sup> Point 3 of the Resolution of the KR Government No. 109 dated 5 March 2013 on Functional and Structural Changes in the System of the KR Executive Bodies

<sup>177</sup> Point 1 of the Resolution of the KR Government No. 109 dated 5 March 2013 on Functional and Structural Changes in the System of the KR Executive Bodies

<sup>178</sup> Point 6 of the Regulation on State Agency for Regulation of the Fuel and Energy Sector under the KR Government approved by the Resolution of the Government of the KR No. 650 dated 14 November 2014

<sup>179</sup> Reference: according to data published on <http://respublika-atajurt.kg> in October 2014 new party Respublika-Ata Zhurt was established through merger of Respublika and Ata Zhurt parties. Currently, following the results of 2015 parliamentary elections Respublika-Ata Zhurt is one of six existing factions of VI Zhogorku Kenesh of the KR.

## 6.4 State participation in extractive projects

### 6.4.1 Brief information on the entity management system with the state share of participation

Mining entities with the state share of participation are represented by a small number of stock companies and state entities:

- ▶ Kyrgyzaltyn OJSC (gold)
- ▶ Sulyuktakomur OJSC (coal)
- ▶ Kyrgyzneftegas OJSC (oil)
- ▶ Khaidarkanskoye Rtutnoye Aktsionernoye Obschestvo OJSC (monometallic ore, mercury)
- ▶ Kyrgyzkomur SOE (coal)
- ▶ Kyrgyzskaya geofizicheskaya ekspeditsiya SOE
- ▶ Severo-Kyrgyzskaya Geologicheskaya ekspeditsiya SOE (geological surveying, prospecting, prospecting and evaluation works within Talas, Chu, Issyk-Kul and Naryn oblasts of the KR)
- ▶ Yuzhno-Kyrgyzskaya Geologicheskaya ekspeditsiya SOE (geological surveying, search, exploration and exploration of mineral deposits, development of technical projects with regard to opencast mining of commonly occurring mineral resources throughout the south region of the Republic)
- ▶ Bishkeksky opytno-eksperimentalnyi zavod gorno-razvedochnoy tekhniki SOE (production of mining and drilling, crushing and milling as well as stone-cutting equipment and the respective spare parts)
- ▶ Tsentralnaya laboratoriya SOE (analysis of rocks, ores, ore refinement products, minerals, solid fossil fuels, natural waters, salt brine, salts, soils, water and acid extracts, alloys, organic substances for presence of around 60 elements of the periodic table upon ashing, analysis of precious and semiprecious stones)
- ▶ Kyrgyzskaya metodicheskaya ekspeditsiya geologo-ekonomicheskikh issledovaniy SOE (development of priority areas and scientific and technological programs in the region of geological study of the state's territory, development and implementation of new methodologies and advanced technologies of geological study of subsurface resources).

State Property Management Fund under the KR Government acts as the founder of legal entities and the shareholder (participant) in mining entities with state participation and develops modern managerial staff to work in entities with state participation. State Property Management Fund has the following authorities in order to perform its assigned tasks:

- ▶ suggest candidates for election to management bodies of joint stock companies with state participation;
- ▶ act as a founder of legal entities, exercise powers of a shareholder (participant) in entities with state participation on behalf of the state;

- ▶ conduct audits and analysis of financial and operating activities of entities with state participation (state-owned enterprises, joint stock and other companies);
- ▶ receive dividends in accordance with the procedure established by the KR legislation.

#### **6.4.2 Role of the state entities (Kyrgyzaltyn OJSC)**

Kyrgyzaltyn Open Joint Stock Company is the largest national enterprise of the KR specializing in the development of gold fields.

Kyrgyzaltyn OJSC was established on 15 October 1992 as KyrgyzAltyn State Group<sup>180</sup> for the purpose of merging the mining entities of the KR for support of production of the existing entities and implementation of new gold mining projects.

Kyrgyzaltyn OJSC performs strategic tasks which include:

- ▶ gold fields development, development of mineral resource base for existing and future entities;
- ▶ rational use of production, technical and workforce resources;
- ▶ attraction of investments and development of foreign economic relations;
- ▶ arrangement of conditions for labour, rest and rehabilitation of workforce;
- ▶ development of infrastructure on the deposits;
- ▶ provision of health, safety and environment, etc.

As to functions (types of activity) of Kyrgyzaltyn OJSC provided in its charter, it should be noted that the only publicly available version of the charter approved by resolutions of the KR Government No. 528 dated 29 September 1999<sup>181</sup> which, as we assume, could be outdated as of the date of this Report.

#### **Share of Kyrgyzaltyn OJSC in gold mining and sale**

Kyrgyzaltyn OJSC, including enterprises and projects implemented together with partners, produces over 97% of all gold in Kyrgyzstan. Gold mining portion accounts for about 10% of the KR GDP, 40% of industrial production and 60% of export<sup>182</sup>.

Kyrgyzaltyn OJSC comprises seven branches:

- ▶ Makmalsky zolotodobyvayuschiy kombinat;
- ▶ Terek-Saiskiy rudnik;
- ▶ Rudnik Solton-Sary;
- ▶ Affinazhnyi zavod;
- ▶ Avtotransportnoye predpriyatiye;
- ▶ Specializirovannoye stroitelnoye proizvodstvennoye predpriyatiye;
- ▶ Kyrgyzskoye vzmorye health resort.

---

<sup>180</sup> Retrieved from the official website of Kyrgyzaltyn OJSC: [www.kyrgyzaltyn.kg](http://www.kyrgyzaltyn.kg)

<sup>181</sup> Resolution of KR Government No. 528 dated 29 September 1999 No. 528 on Approval of the Charter of Kyrgyzaltyn OJSC

<sup>182</sup> Retrieved from the official website of Kyrgyzaltyn OJSC: [www.kyrgyzaltyn.kg](http://www.kyrgyzaltyn.kg)

It should also be noted that the KR indirectly (through Kyrgyzaltyn OJSC) owns 32.7% (thirty two point seven percent) of shares in Centerra Gold Inc., a legal entity established under Canadian legislation which in turn is the sole shareholder of Kumtor Gold Company CJSC and Kumtor Operating Company CJSC<sup>183</sup>.

### 6.4.3 Reforms related to the Kumtor project

The Kumtor deposit was discovered in the KR in 1978. Major reserves and resources of the deposit are located on Tsentralnyi site. There are also 8 (eight) flank promising sites: Yugo-Zapadnyi, Sary-Tor, Severo-Vostochnyi, Lednik Davydova, Lednik Lysyi, Akbel-Boordu, Akbel-Yuzhnyi, Mezhdurechye Kumtor-Irtash<sup>184</sup>. According to local experts, taking into account the flank sites the Kumtor deposit had gold in the potential amount of 953 (nine hundred fifty-three) tons.

Currently the Kumtor deposit is developed by Kumtor Gold Company CJSC under the Agreement on New Conditions approved by Resolution of the KR Government No. 254 dated 24 April 2009 and ratified by KR Law No. 142 dated 30 April 2009, as well as under the revised Investment Agreement and the revised Concession Agreement approved by Resolution of the KR Government No 355 dated 5 June 2009.

100% of Kumtor Gold Company CJSC belongs to Centerra Gold Inc. (a Canadian public entity). As noted above in this Report, 32.7% (thirty two point seven percent) of Centerra Gold Inc. shares are owned by Kyrgyzaltyn OJSC.<sup>185</sup>

It should be noted that starting from 2013 the KR has been carrying on negotiations with Centerra Gold Inc. to find mutually acceptable options for further implementation of the Kumtor project, efficient use and maintenance of control, transparency of operations and manufacturing cycle on the Kumtor mine, increase in financial receipts to the KR budget from Kumtor project activities, creation of conditions for comprehensive solution of ecological and mine engineering matters. In particular, it was offered to establish a joint venture in accordance with the KR legislation between Kyrgyzaltyn OJSC and Centerra Gold Inc. as equal partners with equal stakes in the joint venture.

As a result of the above reorganization the KR expected to increase state participation share and, respectively, budget proceeds from implementation of the Kumtor project. However, according to the publicly available information,<sup>186</sup> the negotiation process (which started long ago) was ceased in March 2015, and December 2015 the KR Government announced its withdrawal from the negotiation process.

### 6.4.4 Reforms related to other projects in the extractive industry

According to publicly available information, no significant reforms with regard to extractive industry projects have been implemented in 2013 - 2014.

---

<sup>183</sup> Retrieved from the official website of Kyrgyzaltyn OJSC: [www.kyrgyzaltyn.kg](http://www.kyrgyzaltyn.kg) and Kumtor Gold Company CJSC (<http://kumtor.kg>)

<sup>184</sup> The indicated number of flank promising sites of the Kumtor deposit, as well as their names, are provided in view of Point 3.1 of Resolution of the KR Government No. 34 dated 24 January 2013 on the Results of Work of State Committee for Testing of Compliance of Kumtor Operating Company CJSC with the standards and requirements for the rational use of natural resources, environmental protection, safety of production processes and social protection

<sup>185</sup> According to data of the State Committee for Testing of Compliance of Kumtor Operating Company CJSC with the standards and requirements for the rational use of natural resources, environmental protection, safety of production processes and social protection considered by the Government of the KR in accordance with Resolution of the KR Government No. 34 dated 24 January 2013)

<sup>186</sup> According to the website: <http://www.tazabek.kg/news:400430>

## 6.5 Extractive Industries Revenue Management by the State

### 6.5.1 Principles of the KR Budget Law

The main principles of generation and execution of the state budget and local budgets of the KR are governed by the KR Law on Main Principles of Budget Law in the Kyrgyz Republic No. 78 dated 11 June 1998 (the “Budget Law”).

In accordance with the Budget Law, the KR budget system comprises of state and local budgets. The basis for budgets’ independence is laid down in independent income sources of all the branches of the budget system, set out in the KR legislation.<sup>187</sup>

According to the Budget Law any interference of government agencies in the process of preparation and adoption of local budgets is not permitted except for cases related to non-compliance of local budgets with the rates for deductions from nationwide taxes and other income, as well as amounts of transfers. Interference of government agencies in the local budgets execution process by the executive bodies of local government is not permitted either, except for the cases specified in the Budget Law.

### 6.5.2 Budgeting Process and Quasi-fiscal Payments

In accordance with the Budget Law<sup>188</sup>, state and local budgets are prepared and adopted for the period of 3 (three) years, i.e. for the prospective budget year and two subsequent forecasted budget years.

- ▶ **State budget** is prepared and executed by the KR Government and adopted by Zhogorku Kenesh (the Parliament) of the KR. The procedure for preparation, consideration, adoption and execution of the state budget is defined by the Budget Law.
- ▶ **Local budgets** are prepared and executed by the executive bodies of local government and adopted by aiyl (rural) and city keneshes (councils). The procedure for preparation, consideration, adoption and execution of local budgets is defined by the Budget Law, the KR Law on Financial and Economic Foundations of the Local Government, other KR laws and decisions of aiyl and city keneshes within the KR legislation<sup>189</sup>.

Transfer of certain types of fixed income sources from one budget level to another is not permitted.

Relations among the state budget and local budgets are regulated by means of establishment of rates for deductions from nationwide taxes and other income and transfers. Thus, according to the Budget Law, the transfers system comprises of:

- ▶ equalization grants;
- ▶ equity (stimulation) grants;
- ▶ categorical grants;
- ▶ funds transferred on mutual settlements from one budget to another;
- ▶ budget loans.<sup>190</sup>

---

<sup>187</sup> Article 1 of the Budget Law

<sup>188</sup> Article 2 of the Budget Law

<sup>189</sup> Article 2 of the Budget Law

<sup>190</sup> Article 6 of the Budget Law

The KR Ministry of Finance annually calculates estimated aggregates of the national (consolidated) budget of the KR for the prospective budget year and two subsequent forecasted budget years, as well as plans the national (consolidated) budget and the budget performance annual report by adding the duly approved budgets of the KR budget system and budget performance annual reports.

In accordance with the Budget Law, the national (consolidated) budget of the KR consists of a part of KR's gross domestic product (GDP) also being the main financial plan on formation and use of the budget funds and representing revenue and expenses estimates of the respective government agencies and local authorities.<sup>191</sup>

The national (consolidated) budget for the current year and two subsequent forecasted budget years is provided to the KR Government upon adoption of local budgets, whereas the budget performance annual report - until 20 May of the year following the reporting year. The budget performance annual report also includes information on the implementation of the State Investments Program.

The KR Government provides the national (consolidated) budget to the KR President upon adoption of local budgets, and budget performance annual report - not later than 15 June of the year following the reporting year.<sup>192</sup>

According to the Budget Law, **budget income** is mainly generated by means of contributions: (i) direct and (ii) indirect taxes, (iii) non-tax and (iv) other revenues. Revenues received to the budget are used to finance budget expenses in accordance with the KR Law on State Budget and aiyl and city keneshes legislative acts on local budgets.<sup>193</sup>

The Budget Law also provides for separate receipts from government institutions, special funds of budget institutions not included in the national budget income. **Special funds** stand for the budget institutions funds received from the sale of goods, carrying out of works and providing services and (or) performing other activities deposited to special accounts in accordance with the applicable legislative acts of the KR. Special funds shall be reflected in the national budget, so that the funds are clearly reflected in the legislative acts governing receipts to the special account of a budget institution as special funds. In the absence of respective legislative acts, the funds cannot be deposited to the special account of the institution and therefore are deposited to national budget revenue.

The following types of income cannot be included in special funds:

- ▶ mandatory payments established under the tax and customs legislation, as well as non-tax payments legislation;
- ▶ fines, penalties and other financial sanctions for violation of provisions specified by the KR legislation;
- ▶ funds received as compensation of damage caused by the violation of law, as well as funds from the sale of seized goods, items employed while committing an offense and other goods.<sup>194</sup>

According to the KR legislation, the KR Minister of Finance ensures appropriate preparation and execution of the national budget. In this regard, cash administration of the budget shall be carried out

<sup>191</sup> Article 3 of the Budget Law

<sup>192</sup> Article 13 of the Budget Law

<sup>193</sup> Article 19 of the Budget Law

<sup>194</sup> Article 19-1 of the Budget Law

by the Central Treasury, a structural subdivision of the KR Ministry of Finance and its regional branches through the agent banks<sup>195</sup>.

In the course of implementation of determined objectives, the main duties and functions of the Central Treasury include:

- ▶ exercising control over execution of the state and local budgets approved by the KR Zhogorku Kenesh and local keneshes, subject to the subsequent changes;
- ▶ tracking the progress in executing the KR national budget and providing for information to the KR Minister of Finance, relevant KR government and local authorities;
- ▶ exercising control over all government bank accounts and accumulating government funds, including budget and extra-budget funds in national and foreign currencies;
- ▶ providing cash services to the KR budget process participants;
- ▶ opening accounts in the KR National Bank in order to take record of funds of the KR state and local budgets and managing all cash flows for the timely spending of expenses as approved by the KR Zhogorku Kenesh and local keneshes;
- ▶ developing the KR Budget Classification, and Uniform Accounts Chart and Directives for its application in accordance with the international standards;
- ▶ preparing and providing for effective information and recurring reporting on the KR national budget performance, explanatory notes on the results of the KR national budget performance;
- ▶ forecasting cash availability and monitoring the current state budget funding of ministries and agencies, according to the financial plan and budget registers;
- ▶ improving methodology support of the KR national budget cash execution; providing summary in respect of the KR law practice and its application within the treasury system;
- ▶ preparing analytical information about the incoming resources and revenues to the KR national budget, their distribution among the levels of the KR budget system at the approved deductions rates;
- ▶ establishing a database for registration and keeping records of budgeted assignments, public loans from the state budget under the codes of the KR Budget Classification;
- ▶ initiating of and participating in tenders among commercial banks providing services in respect of transit accounts of Treasury regional offices;
- ▶ ensuring due consideration of citizens' and other persons' enquiries related to the operation of the Central Treasury of the KR Ministry of Finance;
- ▶ developing and maintaining interregional integrated information infrastructure;
- ▶ arranging of training of government officials of the Treasury system, advanced training and internship, as part of the measures on improvement of the Treasury system of the KR Ministry of Finance;
- ▶ providing advice and practical assistance to the Treasury regional offices, budget institutions and other participants of the KR budget process;
- ▶ performing other functions in accordance with the KR legislation<sup>196</sup>.

---

<sup>195</sup> Article 10 of the Budget Law

### 6.5.3 Classification of Taxes and Payments Review:

**Nationwide taxes** include:

- ▶ Income tax;
- ▶ Profit tax;
- ▶ Value added tax (VAT);
- ▶ Excise tax;
- ▶ Subsurface use taxes (bonus and royalty);
- ▶ Sales tax.

**Local taxes** include:

- ▶ Land tax;
- ▶ Property tax.

The **state budget**'s receipts include:

- ▶ Deductions from nationwide taxes and other income;
- ▶ Value added tax (VAT);
- ▶ Excise tax;
- ▶ Profit tax;
- ▶ Subsurface use tax (bonuses and royalty);
- ▶ Tax on special funds;
- ▶ Import and export customs duties;
- ▶ Interest on loans provided by the state budget;
- ▶ Fee for issuance of securities administration certificate to a specialist;
- ▶ Fee for registration of securities' issue;
- ▶ Fee for registration of collateral, issuance of extracts from the Unified State Register and additional collateral notification;
- ▶ Fee for registration (re-registration) of vehicles;
- ▶ Consular fees;
- ▶ Fee and contributions for carrying out of tourism and climbing related activities;
- ▶ Illegal income, including for carrying out activities without a license, where obtaining a license is required;
- ▶ income from conducting state lotteries and stimulation lotteries;
- ▶ Fee for testing and hallmarking of jewellery (domestic) products made of precious metals (technical expertise and check-up analysis of precious metals);
- ▶ Income from letting of government-owned facilities;
- ▶ Concession income (from a lease of property, land and subsurface by foreign investors);

<sup>196</sup> Point 5 of the Regulation on Central Treasury of the Ministry of Finance of the Kyrgyz Republic approved by the Order of the Ministry of Finance of the Kyrgyz Republic No. 320/L dated 25 July 2012

- ▶ Fee for environmental pollution (including payment for discharges, pollution emissions and waste disposals);
- ▶ Income from chargeable services rendered and work performed by state organizations according to the register approved by the KR Government;
- ▶ Income from alternative (paramilitary) service;
- ▶ Income from the natural resources use;
- ▶ Income from sale of seized property, property donated to the state in accordance with the established procedure, including the goods and vehicles declared under the customs regime of abandonment to the state;
- ▶ Income from profit of the KR National Bank;
- ▶ Income from dividends on the state package of shares;
- ▶ State duty transferred under the KR laws to the state budget;
- ▶ Income from enforcement inspections;
- ▶ Amounts recovered from persons accused for committing theft and misallocation of property, administrative fines and penalties imposed by state bodies and their territorial subdivisions provided for by the KR legislation;
- ▶ Other non-tax and other income specified by the KR laws.

Receipts of aiyl and city **local budgets** include:

- ▶ Deductions from nationwide taxes and other income;
- ▶ Income from the management property owned by municipalities;
- ▶ Land tax;
- ▶ Property tax;
- ▶ Tax on special funds;
- ▶ Land rent charged for the right to use the land of the Agricultural Land Redistribution Fund;
- ▶ State duty transferred under the KR laws to the local budget;
- ▶ Income of municipal institutions for chargeable services provided and work performed, according to the register approved by aiyl and city keneshes;
- ▶ Administrative fines and other sanctions, other than administrative fines, imposed for violation of traffic rules and rules on operation of vehicles;
- ▶ Transfers, voluntary contributions;
- ▶ Other non-tax and other income specified by the KR legislation.

#### **6.5.4 Review of financing mechanisms of development funds**

Regional Development Funds in the KR have been introduced on 10 November 2014. Regional Development Funds are established to finance the development and maintenance of infrastructure of local importance, accomplishment of other special purpose measures for implementing the programs

of social and economic development of regions. Regional Development Funds consist of (1) funds for development of oblasts, and (2) funds for district development, which are non-profit organizations and registered as institution.

The budget system of KR is used to finance the funds for regional development.

### **Funds for the Oblast Development Fund are generated from:**

*For budget funds:*

- ▶ 50% (fifty percent) of funds from contributions for development and maintenance of infrastructure of local importance from developers of gold deposits with reserves of more than 50 (fifty) tons, as well as other mineral resources deposits of nationwide importance, in accordance with the Non-Tax Payments Law;
- ▶ 3% (three percent) of the total price for enjoyment of the subsurface use right in respect of the tender asset net of the bonus and cost of the package of geological information on mineral resources;
- ▶ funds from payments for withholding the license for subsurface use, where land is located outside the territory of aiyl aimaks (rural districts) and cities.

*For special funds:*

- ▶ voluntary contributions provided by donors and sponsors;
- ▶ other sources not prohibited by the KR legislation.

### **Funds for the District Development Fund are generated from:**

*For budget funds:*

- ▶ 30% (thirty percent) of funds from contributions for development and maintenance of infrastructure of local importance from developers of gold deposits with reserves of more than 50 (fifty) tons, as well as other mineral resources deposits of nationwide importance, in accordance with the Non-Tax Payments Law;
- ▶ 80% (eighty percent) of funds from contributions for development and maintenance of infrastructure of local importance from developers of gold deposits with reserves of less than 50 (fifty) tons, as well as other mineral resources deposits, which are not deposits of nationwide importance, in accordance with the Non-Tax Payments Law;
- ▶ 3% (three percent) of the total price for the enjoyment of the subsurface use right in respect of the tender asset net of the bonus and cost of the package of geological information on mineral resources;
- ▶ funds intended for development and maintenance of local infrastructure, deducted from the sale of mineral resources deposited in the forest land fund and land reserves;

*For special funds:*

- ▶ voluntary contributions provided by donors and sponsors;
- ▶ other sources not prohibited by the KR legislation.

The main aim of the Fund is to support priority initiatives of local community inhabiting cities and aiyl aimaks, in order to improve citizens' living standards and create conditions for local economic development.

Funds for the Oblast Development Fund(s) and District Development Fund(s) are transferred in accordance with the list of projects and annual budget approved by the Supervisory Board as follows:

*Using budget funds of the Oblast Development Fund and District Development Fund:*

- ▶ improvement, planting and development of infrastructure of inhabited localities;
- ▶ land reclamation, repair and rehabilitation of irrigation systems, hydro-technical units and other agro-technical measures to improve the condition of the land;
- ▶ development of general plans of resorts and recreational area, local area development plans, urban planning documentation of inhabited localities, ensuring environmental safety and protection;
- ▶ provision of local community with clean drinking water, repair and rehabilitation of water supply systems;
- ▶ development of public private partnership projects in oblast, regions and cities of aiyl aimaks;
- ▶ setting up new businesses in oblast, regions and cities based on joint ventures principles and shareholding with investors and (or) joint funding with investors;
- ▶ prevention and elimination of emergency consequences in oblast, regions and cities of aiyl aimaks;
- ▶ development of tourism and creation of attractive environment for international tourism;
- ▶ modernization and centralized procurement of machinery and equipment, to ensure the needs of the community and developing the local economy.

*Using special funds of the Oblast Development Fund and District Development Fund:*

- ▶ support of gifted children and talents;
- ▶ micro-crediting of large and young families, as well as employees of state-financed organizations and business projects promoting social and economic development of the oblast on conditions of serviceability, maturity, and collectability through the microcredit organization;
- ▶ mortgaging for construction of housing for socially vulnerable groups;
- ▶ strengthening logistical support and activities of the educational, healthcare and social protection, culture and sports institutions, law enforcement, defence and civil protection of the media, local state administrations.
- ▶ notwithstanding the legislative establishment of the Oblast Development Funds and more than 23 (twenty three) District Development Funds registered with the KR Justice Department, currently, District Development Funds do not function due to existing controversy between legislative acts of the Kyrgyz Republic governing the procedure of generation, management, financing and distribution of funds of the Regional Development Funds, whereas Oblast Development Funds have not been established nor registered.

## 6.5.5 Non-tax payments to budget institutions

### Review of non-tax payments made by mining industry entities to budget institutions (special funds of budget institutions)

Resolution of the Government approved the Unified Register (list) of Government Services provided by executive bodies and their structural subdivisions and dependent institutions. Fees for government services are formed in accordance with the KR legislation and approved by the procedure after being agreed with the authorized state antitrust body of the Kyrgyz Republic. Funds received by the budget institutions, providing chargeable services, are treated as special funds. A number of chargeable services used by the mining industry entities, due to their operating activities are listed below (with indication of the respective authorized government body responsible for the service).

- ▶ **Ministry of Labor, Migration and Youth:** Issuance of foreign manpower employment permits and work permits;
- ▶ **Ministry of Foreign Affairs:** Issuance and renewal of visas to foreign citizens, visa support on business;
- ▶ **Ministry of Economy:** Confirmation of competency of laboratories in accordance with the requirements of international standards, taking into account the inspection control over the activities of accredited laboratories;
- ▶ **State Registration Service:** Registration (re-registration) of proprietary rights to motor vehicles and issuing certifying documents, registration plates;
- ▶ **State Registration Service:** Registration (re-registration) of proprietary rights to tractors, trailers, self-propelled technological machinery, stationary technological rigs with internal combustion engines (except for the technical devices used at hazardous production facilities), and issuing certifying documents, registration plates;
- ▶ **Ministry of Finance:** Testing and hallmarking of jewellery and other domestic items made of precious metals;
- ▶ **State Agency on Environment Protection and Forestry:** Performance of unscheduled laboratory studies of industrial emissions, waste water and pollution of land resources;
- ▶ **State Agency on Geology and Mineral Resources:** Providing materials for topographic and geodetic, surveying and cartographic works. ;
- ▶ **Ministry of Emergency Situations:** A survey of engineering structures containing the chemical hazardous substances and issuance of conclusions at the request of individuals and legal entities that operate these facilities;
- ▶ **Ministry of Emergency Situations:** Testing of special equipment of mines at the request of individuals and legal entities;
- ▶ **Ministry of Economy:** Verification and calibration of measuring instruments upon requests and under contracts with the issuance of the document in the appropriate form;
- ▶ **State Agency on Geology and Mineral Resources:** Provision of geological information resources;
- ▶ **Ministry of Internal Affairs:** Security (police, military, and watchdog) and ensuring safety of individuals and legal entities on contractual basis; and
- ▶ Other services from the Unified Register of Government Services.

### **Major trends in using special funds from extractive entities by budget institutions**

Special funds of budget institutions are specified by the Budget Law. These are funds received by the budget institutions from sale of products, performance of works and rendering of services or performance of other activities and deposited to special accounts.

Institutions' budgets are formed by the budget and special funds so that the budget performance reports are also formed subject to these sources of funding.

However, the KR legislation does not require keeping records of the use of special funds with regard to the sources of government services buyers' receipts (including mining entities). Therefore, no information, in respect of the budget institutions' use of special funds received exclusively from the extractive entities, is kept by the budget institutions.

### **6.5.6 Special programs and regions financed by the extractive industry entities**

It should be noted that the majority of companies operating in the extractive industry are committed, to any extent, to finance and implement the special programs on integrated development of regions, in which they operate.

However, as stated in Section 6.1.3 of this Report, in accordance with the KR Law on Amendments and Additions to the KR Law on Subsurface dated 24 May 2014 No. 77, the concept of the social package was introduced, which is an agreement between the executive body of a particular administrative and territorial unit (the ail, mayor's office / okmotu) and the subsurface user on the contribution to the social and economic development of the region, in which the subsurface asset of nationwide importance is located, which is prepared based on the program of social and economic development of the local community, and obligations of the subsurface user on investments in social and economic development of the respective region are regulated in more detail.

One of the most well-known social development programs is a social development program implemented by Kumtor Gold Company CJSC, the largest gold mining company in the country.

The corporate social responsibility program, carried out as part of Kumtor project in recent years, includes:

- ▶ support for small businesses in areas neighbouring to the mine, in order to improve their sustainability and diversity of manufactured products and services, to prepare for the upcoming gradual closure of the mine, which will take place sooner or later and entail losses of employment income for the local population;
- ▶ extension of the number of Kumtor local suppliers; along with direct economic benefits for these companies it also helps them feel comfortable while complying with modern standards of procurement in terms of quality, due delivery and payment etc.;
- ▶ micro-financial and credit program intended to support local micro-credit agencies; in 2006-2013, more than USD 26 (twenty-six) million have been invested into this program; interest rates offered by these institutions to small businesses and farmers are among the lowest in the country;

- ▶ improvement work to provide access of local entrepreneurs to business advice carried out in partnership with the EBRD;
- ▶ provision of adequate wages and safe working conditions for employees, their training and professional development; representatives of local communities have an advantage when applying for the existing vacancies;
- ▶ land rehabilitation and improvement of irrigation in local communities;
- ▶ schools reconstruction program worth USD 10 (ten) million;
- ▶ support to local public (civic) initiatives, for instance, through youth banks which provide grants for projects aimed at development of the main social and utilities infrastructure;
- ▶ one-time donation in the form of equipment, materials etc., for the benefit of local communities and organizations<sup>197</sup>.

Regarding mechanisms of ensuring transparency and accountability, including audit in respect of the above programs, the following should be noted.

No requirements exist in the KR legislation with respect to carrying out of mandatory independent audit of funds used by extractive companies for the implementation of special social and other programs, as well as such extractive companies, except when the extractive company is a public company (which carried out public offering of securities) and subject to mandatory audit in accordance with the KR Law on Auditing No. 134 dated 30 July 2002<sup>198</sup>.

It should be noted that as part of EITI Reporting in the KR approved by the KR Government on Improving the Process of Implementing of Extractive Industries Transparency Initiative in the Kyrgyz Republic No. 317 dated 8 December 2010 (the "Resolution on improving the process of implementing the EITI in the Kyrgyz Republic"), the extractive companies shall annually submit the EITI Report reflecting expenses for education and support of social infrastructure to the State Agency on Geology and Mineral Resources.<sup>199</sup> At the same time, according to the Resolution on improving the process of implementing the EITI in the Kyrgyz Republic<sup>200</sup> the government agencies should ensure reconciliation by an independent company of statements on financial flows from the activities of extractive companies in the Kyrgyz Republic and the relevant data of government agencies.

The use of funds to be received by the Regional Development Funds, which should be formed mainly out of non-tax contributions of subsurface users, must be beyond the control and management of extractive companies. In fact, they are fully controlled by the Government. The funds are subject to audit by the KR Accounts Chamber, and also may be subject to audit at the initiative of the Supervisory Boards of the Funds. For more information on the Regional Development Funds' operation please see Section 6.5.4 of this Report.

<sup>197</sup> The report of the Institute of Public Administration and Policy of the University of Central Asia *The Impact of Kumtor Gold Mine on the Economic and Social Development of Kyrgyz Republic* No 32 dated 2 February 2015 published on the web-site of Kumtor Gold Company CJSC: <http://www.kumtor.kg>

<sup>198</sup> Article 3 of the KR Law on Auditing No. 134 dated 30 July 2002

<sup>199</sup> Article 35.5 of the Subsurface Law and Point 5 of the Resolution of the KR Government on Improving the Process of Implementing the Extractive Industries Transparency Initiative in the Kyrgyz Republic No. 317 dated 8 December 2010

<sup>200</sup> Points 4 and 5 of the Resolution of the KR Government on Improving the Process of Implementing the Extractive Industries Transparency Initiative in the Kyrgyz Republic No. 317 dated 8 December 2010

## 6.5.7 Audit of state finances and budget performance reports

In accordance with the KR legislation, the KR Accounts Chamber is an independent supreme state audit institution and has the right to<sup>201</sup>:

- ▶ perform preliminary study of the statutory statistical, financial and accounting statements;
- ▶ audit the execution of local and national budgets, the activities of tax and customs services in respect of the revenue part of the state budget; audit the use of state and municipal property; audit the activities of enterprises and organizations with a larger share of state and / or municipal shareholding; audit the use of non-budget funds; audit the activities of enterprises and organizations with private and other forms of ownership, which receive funds from the state and local budgets, only in respect of those funds; audit the condition and management of the state internal and external debt of the Kyrgyz Republic; audit in order to provide an opinion, response to enquiries of government authorities and other organizations; audit the activities of enterprises and organizations irrespective of their form of ownership, provide an opinion, response to requests from law enforcement agencies on initiated criminal proceedings, as well as courts' and Ombudsman's (Akyikatchy) rulings; and provide the audit reports and other reports based on the results;
- ▶ provide opinions on the activities of the audited entity;
- ▶ provide binding instructions to audited entities;
- ▶ receive, within the established law, requested information necessary to ensure the activities of the Accounts Chamber, from all government agencies and local government authorities in the KR, the KR National Bank, institutions and organizations irrespective of ownership forms. The KR National Bank, banks and other financial institutions must, upon request of the Accounts Chamber and, in accordance with the procedure stipulated by the KR Law on Banking Secrecy, provide necessary documentary evidence of transactions and accounts of audited entities if they receive, transfer, use funds from the state or local budgets, or use the state property or manage it, and have the tax, customs and other privileges and benefits provided by the national law or government authorities;
- ▶ exercise operational control over due cash flows, actual spending of budget allocations during the execution of the state budget in comparison with indicators specified by the law, identify deviations and violations, analyze and suggest measures for their elimination.

With regard to reports, we would like to note that in accordance with the Budget Law<sup>202</sup>, the KR state budget performance report is drafted by the Ministry of Finance on the basis of the accounting data of the ministries, state committees, administrative agencies, state commissions, funds and other central executive authorities and submitted to the KR Government as part of the KR national budget performance report.

The draft Law of the KR, on the Approval of the State Budget Performance Report for the Previous Year with an explanatory note, is provided by the KR Government to KR Zhogorku Kenesh for review and approval not later than 15 May of the year following the reporting year.<sup>203</sup>

With regard to local budgets, in accordance with the Budget Law, local budget performance reports are drafted by the relevant executive bodies of local government once a year, unless otherwise provided by

---

<sup>201</sup> Articles 7 and 8 of the KR Law on Accounts Chamber No. 117 dated 13 August 2004

<sup>202</sup> Article 45 of the Budget Law

<sup>203</sup> Ibidem

law. Budget commissions of aiyl and city keneshes review the budget performance report, make findings and provide them to the appropriate kenesh. Aiyl and city keneshes hear the reports of local government agencies and budget committees, review findings of the budget commissions and approve local budget performance reports.<sup>204</sup> In turn, the approved local budget performance reports are submitted to the KR Ministry of Finance not later than 1 March of the year following the reporting year.

At the same time, it should be noted that, in accordance with the KR legislation, the state and local financial authorities, upon request of the Accounts Chamber, are required to provide copies of the documents to verify the budget preparation and execution. The Accounts Chamber shall submit the report on the results of the audit to the KR President, Zhogorku Kenesh of the KR.<sup>205</sup>

Information on the execution of the national budget for the relevant period may be published on the website of the KR Ministry of Finance.<sup>206</sup>

## 6.6 Licensing System in the Extractive Industry

### 6.6.1 Legislative basis regulating the licensing system

Licensing of the extractive industry entities is carried out in accordance with the following legislative acts:

- ▶ The Subsurface Law;
- ▶ The Licensing and Permits System Law;
- ▶ Regulation on the Procedure for Subsurface Use Licensing approved by the Resolution of the KR Government dated 14 December 2012 No. 834 (the “Licensing Regulation”);
- ▶ Regulation on the Procedure and Terms for Holding of a Competitive Tender for Granting Subsurface Use Right approved by the Resolution of the KR Government dated 14 December 2012 No. 834 (the “Tender Regulation”).
- ▶ Regulation on the Procedure and Terms for Holding an Auction for Granting Subsurface Use Right approved by the Resolution of the KR Government dated 14 December 2012 No. 834 (the “Auction Regulation”).

The license is the most common ground for subsurface use representing a document certifying the right to use subsurface site issued by the State Agency on Geology and Mineral Resources. The KR legislation establishes the following types of licenses depending on the type of works:

- ▶ Prospecting works issued for a period of up to 5 (five) years with subsequent extension in accordance with the technical project;
- ▶ Geological exploration works issued for a period of up to 10 (ten) years with subsequent extension in accordance with the technical project;
- ▶ Development of mineral deposits issued for a period of up to 20 (twenty) years with subsequent extension until depletion of mineral resources;

---

<sup>204</sup> Article 52 of the Budget Law

<sup>205</sup> Article 27 of the Budget Law

<sup>206</sup> According to data published on the website of the Ministry of Finance of the Kyrgyz Republic: <http://www.minfin.kg>

- ▶ For the assets not associated with geological study of subsurface resources and development of mineral deposits, license is issued for the period stipulated by the technical project with subsequent extension upon review of the project<sup>207</sup>.

The subsurface use license represents the prescribed strict reporting form with a name of the licensor and an image of the State Emblem of the Kyrgyz Republic, the serial number and licensing information.

The license for the subsurface resources use right contains the following data<sup>208</sup>: (a) alphanumeric code of license for subsurface use; (b) type of subsurface use; (c) the name and details of the licensee; (g) license number of the subsurface use asset; (d) type of mineral resource; (e) administrative location of the license asset; (g) date of issue and term of the license for subsurface use; (h) date of amendments and additions to the license; (i) seal and signature of the head of the State Agency on Geology and Mineral Resources.

In addition to the license signed between the State Agency on Geology and Mineral Resources and the subsurface user the License agreement is signed, which is an integral part of / annex to the license.<sup>209</sup> The License Agreement defines the terms of subsurface asset's use and contains the following information: (a) corner points coordinates and the size of the licensed area; (b) purpose of work; (c) procedures and conditions of subsurface use; (d) information on the transfer of licenses for subsurface use as collateral; (d) reporting deadlines; (e) additional information; (g) seal and signature of the head of the licensor; (h) full name of the head of the licensee.

In practice, as a rule, at least two license agreements are signed. After receiving the license for subsurface use and License Agreement No. 1, the licensee shall prepare and provide the licensor with a technical project containing positive expert opinion on the industrial, environmental safety and protection of subsurface resources.

Further, in accordance with the project containing positive expert opinion the License Agreement No. 2 on carrying out works, to be signed.

## 6.6.2 Information on the Granting of License Process

Depending on the importance of field / license area, the license may be obtained on the basis of tender of (57 (fifty seven) fields of nationwide importance),<sup>210</sup> auction of (136 (one hundred and thirty-six) fields, the list of which is approved by State Agency on Geology and Mineral Resources<sup>211</sup> or direct negotiations (all other fields)<sup>212</sup>.

- ▶ The **Tender** is held in two phases<sup>213</sup>. Interdepartmental tender committee (the "Committee") consisting of at least 7 (seven) members of the Committee is established by the KR Government while holding an auction for the subsurface use right for each asset of nationwide importance. The

<sup>207</sup> Article 22 of the Subsurface Law

<sup>208</sup> Article 32 of the Subsurface Law

<sup>209</sup> Ibidem

<sup>210</sup> The list of mineral deposits of national importance, placed on auction, as approved by the Resolution of the Government No 350 dated 13 June 2013.

<sup>211</sup> Order of the State Agency for Geology and Mineral Resources No 35 dated 21 February 2013.

<sup>212</sup> Article 23.4 of the Subsurface Law

<sup>213</sup> Regulation On the Procedure and Terms of the Auction for the Right to Use Subsurface Resources approved by the Resolution of the Government of the KR No. 834 dated 14 December 2012 (the "Auction Regulation").

first phase includes documentary tender<sup>214</sup>. At the second phase the Committee consider programs, proposals, economic and financial capacities of the organization and other conditions defined by the Committee, including:

- Field development program with scoping studies on capital expenses, operating costs and profitability of the project;
- Geological exploration works program;
- Confirmation of financial capacity for geological exploration and production works;
- Document confirming work experience in geological and mining industries;
- Proposal on the timeline for commissioning the enterprise after receiving the license for development of fields;
- Proposal on application of modern technologies related to exploration, production and processing of mineral resources at the tendered asset;
- Proposal on application of a set of measures to ensure industrial and environmental safety, subsurface protection and rational use of mineral resources;
- Proposal on rehabilitation of disturbed land;
- Proposal (subject to participation in the tender of foreign legal entities and individuals) on the proportion of engaged domestic specialists and workers of the total number of employees;
- Social package in accordance with KR Subsurface Law;
- Proposal bid for the right to use the subsurface of the tendered asset, including the bonus (tax on the subsurface use right) and the bid for the set of geological information on mineral resources, whereby competitors may be offered a higher bid.

The Committee can also establish other necessary conditions. Assessment of tender documentation is carried out by the Committee using the scoring system.<sup>215</sup> The procedure for assessment of documentation using the scoring system is defined by the Committee<sup>216</sup>. The decision on the winner of the tender is adopted by the Committee based on the scoring results.

With regard to the fields of nationwide importance, it should be noted that the subsurface use right is awarded exclusively on the basis of the tender results.<sup>217</sup> In addition, it should be noted that if the fields of nationwide importance are included in the list of strategic assets,<sup>218</sup> and if the owner intends to sell the facility, then the KR Government will have a pre-emption right to acquire such a field included in the list of strategic assets.<sup>219</sup>

- ▶ The **auction**<sup>220</sup> is held by the State Agency on Geology and Mineral Resources with respect to the following subsurface sites<sup>221</sup>:

<sup>214</sup> Point 27 of Auction Regulation.

<sup>215</sup> Point 32 of Auction Regulation.

<sup>216</sup> Point 33 of Auction Regulation.

<sup>217</sup> Article 5 of the Subsurface Law

<sup>218</sup> Resolution of the Government of the Kyrgyz Republic on Approval of the List of Strategic Assets of the Kyrgyz Republic No. 99 dated 17 February 2014

<sup>219</sup> Article 4 of the KR Law on Strategic Sites No. 94 dated 23 May 2008

<sup>220</sup> Regulation on the Auction Procedure and Terms for the Right to Use Subsurface Resources approved by the Resolution of the KR Government No. 834 dated 14 December 2012 (the "Auction Regulation").

- Subsurface assets included in the list of the auction lots;
- Assets for which the Committee decided to transfer the right to use them for holding an auction as a result of not detecting the winner according to the results of the two tenders;
- Subsurface assets which are not intended to be placed at auction, though with two or more applications for subsurface use rights received.

The auction is carried out by the Committee established by the order of the State Agency on Geology and Mineral Resources and consisting of at least 5 (five) persons.<sup>222</sup> The auction terms and conditions defined by the State Agency on Geology and Mineral Resources, and, depending on the type of subsurface use, information available on the subsurface asset and other factors in accordance with the subsurface legislation, shall contain:<sup>223</sup>

- General information on the subsurface asset;
- Geological description of the subsurface asset;
- Main requirements for the use of subsurface asset;
- Starting bid of the auction lot;
- Auction fee and guarantee fee as well as payment details for the payment thereof;
- Auction bid<sup>224</sup>.

The winner of auction shall be that participant of the auction whose number and proposed bid is declared last by the auctioneer.<sup>225</sup>

- ▶ Direct negotiations are held when granting subsurface use rights for the following assets<sup>226</sup>:
  - Subsurface assets not included in the list of assets of nationwide importance and the list of assets set for an auction;
  - Subsurface assets if two auctions thereon are recognized as not held;
  - Subsurface sites not associated with geological exploration and development of fields.
  - Subsurface assets subject to licensing under procedure of exercising the exclusive right of the subsurface user.

The decision to hold direct negotiations with the applicant for the subsurface use right through direct negotiations shall be adopted by the Subsurface Use Licensing Committee to the State Agency on Geology and Mineral Resources (the "Licensing Committee") members of which shall be approved by the State Agency on Geology and Mineral Resources.

<sup>221</sup> Point 4 of the Auction Regulation

<sup>222</sup> Point 22 of the Auction Regulation

<sup>223</sup> Point 9 of the Auction Regulation

<sup>224</sup> At the auction a participant is allowed to offer the price exceeding the auction bid. At the same time, one bidding offer cannot exceed the maximum bidding threshold according to the following graduation: (a) at the starting price of the lot up to or equal to USD 5 (five) thousand the maximum bidding offer is 10 (ten) times the starting price; (b) at the starting price of more than USD 5 (five) thousand up to or equal to USD 10 (ten) thousand the maximum bidding threshold is 5 (five) times the starting price; (c) at the starting price of more than USD 10 (ten) thousand and up to or equal to USD 25 (twenty five) thousand the maximum bidding threshold is a double starting price; (d) at the starting price of more than USD 25 (twenty five) thousand the amount of starting price.

<sup>225</sup> Point 55 of the Auction Regulation

<sup>226</sup> Article 23.4 of the Subsurface Law and Point 11 of the Licensing Regulation.

Direct negotiations with the applicant are held by the State Agency on Geology and Mineral Resources. In order to obtain the subsurface use right through direct negotiations, an interested party shall apply to the State Agency on Geology and Mineral Resources, providing data on the applicant, the area, types of use of mineral resources. In this regard, the applicant must enclose the following documents to the application<sup>227</sup>:

- notarized copies of foundation documents - for legal entities registered, re-registered before 1 April 2009, or copies of foundation documents certified by the seal - for legal entities registered, re-registered after the above date;
- a notarized copy of the certificate of state registration of a legal entity and (or) individual entrepreneur, established under the KR laws;
- a copy of passport indicating the registration address - for an individual;
- licensed asset study or development program;
- documents confirming the financial capacity of the applicant to implement the licensed asset study or development program issued by the KR banks (in case of licensing of subsurface use rights for development of fields);
- documents confirming that the applicant is capable of paying the license fees within the first three years of the subsurface use license issued by the KR banks (in case of licensing of the subsurface use right for prospecting or exploration works);
- a decision or minutes on the appointment of the head of the legal entity or a power of attorney for representing the interests of the applicant;
- a foreign legal entities additionally provides a legalized extract from the state register or other document confirming that it is in good standing and operating under the laws of its country;
- companies registered in the KR including branches of foreign companies registered in the KR additionally provide the tax certificate on overdue tax if any;
- information and documents disclosing individuals who are the ultimate owners and beneficiaries of the applying legal entity.

The subsurface use right may be denied in the following cases<sup>228</sup>:

- if the documents or the information contained therein, provided in the annex to the application, is false;
- if the declared area or a part thereof has been previously licensed for minerals of one group or it is covered by another subsurface use right;
- if the applicant has provided an incomplete list of documents or the documents submitted do not comply with the KR legislation;
- if granting of the right to production of mineral resources is inconsistent with requirements of the KR legislation, including the requirements of the KR national security, as well as KR international treaties;
- if the subsurface site is located in a specially protected natural area.

---

<sup>227</sup> Article 30.6 of Subsurface Law.

<sup>228</sup> Article 30.8 of the Subsurface Law.

The decision to grant a license for subsurface use, or to refuse to issue a license for subsurface use shall be taken by the licensor within 60 (sixty) days from the date of submission of the application for a subsurface use license.<sup>229</sup>

### 6.6.3 Procedure for Suspension and Withdrawal of the Subsurface Use License

According to the Subsurface Law, subsurface use right may be suspended by the State Agency on Geology and Mineral Resources for up to 3 (three) months indicating the reasons for suspension with instruction to eliminate violations in cases of<sup>230</sup>:

- ▶ Non-compliance with subsurface protection requirements, environmental and industrial safety requirements established by the KR legislation;
- ▶ Failure to submit reports on progress of geological, mining works and reports on mineral reserves movement by deadlines specified in the KR legislation;
- ▶ submission of reports on progress of geological, mining works and reports on mineral reserves movement containing unreliable data;
- ▶ failure to comply with requirements on the accumulation of funds for the reclamation of land and (or) licensed area;
- ▶ use of subsurface development technology, which creates threat to health and safety of workers and the public, and causes irreversible damage to the natural environment and loss of mineral reserves;
- ▶ violation of terms for payment of bonus (or) license fees.

Subsurface use rights may be terminated in case of<sup>231</sup>:

- ▶ failure to notify the State Agency on Geology and Mineral Resources in due time about the change of members of the licensed legal entity if such change involves the payment of a bonus in accordance with the tax legislation of the Kyrgyz Republic;
- ▶ waiver of the subsurface use right by the subsurface user;
- ▶ expiry of the license for subsurface use, if the licensee did not apply for an extension or transformation of the license before the end of the license validity period;
- ▶ performance of works without the technical project containing all necessary positive expert opinions;
- ▶ failure to duly eliminate violations that led to the suspension of subsurface use rights;
- ▶ Identification of provision by the subsurface user of unreliable data on the ultimate owners of the company or financial opportunities when obtaining a subsurface use license.

Additional grounds for termination of subsurface use rights to the assets included in the list of fields of nationwide importance and granted by way of tender:<sup>232</sup>

---

<sup>229</sup> Article 30.9 of the Subsurface Law.

<sup>230</sup> Article 27.1 of the Subsurface Law.

<sup>231</sup> Article 27.3 of the Subsurface Law.

<sup>232</sup> Article 27.4 of the Subsurface Law.

- ▶ non-payment or late payment of subsurface use fees and fines provided for by the terms and conditions of the tender on the tendered asset;
- ▶ violation, after extending the deadline for submission of the technical project with positive expert opinions, in the field of industrial, environmental safety and protection of subsurface resources.

Subsurface use rights are suspended and terminated by the Licensing Committee.

The decision of the Licensing Committee to suspend or terminate the subsurface use right shall enter into force on the day of its adoption. The decision of the Licensing Committee stating the reasons of such a decision is sent to the subsurface user within 10 (ten) business days from the date of taking such a decision.<sup>233</sup> The law provides for a possibility to appeal against such a decision through the courts.

In addition, the subsurface use right can be terminated if the court invalidates the decision to issue the subsurface use license.<sup>234</sup> Thus, if the initial granting of subsurface use right was challenged in court, and the court decided to invalidate the decision on granting the subsurface use right, such right would have been deemed as terminated from the effective date of the court decision.

According to the Subsurface Law<sup>235</sup> a licensee has the right to transfer the subsurface use right to a third party. However there exist certain conditions when such a transfer of the subsurface use right can be exercised. In particular, a licensee has the right to transfer the rights under licenses to others:

- ▶ after 2 (two) years from the date of implementation of technical project related to exploration of licensed asset;
- ▶ with a guarantee that third parties, whom the licensed rights transferred to, will comply with the current provisions of the license agreement;
- ▶ in the absence of licensee's liabilities to pay bonus, royalties and payments for subsurface use.<sup>236</sup>

Besides, a licensee has the right to transfer the rights under the license as collateral under the relevant collateral agreement, which is subject to a mandatory state registration with the State Agency on Geology and Mineral Resources provided that enforcement of subsurface use right under the collateral agreement and respective change of the license to the holder of the collateral is possible not earlier than 6 (six) months from the date of state registration of the collateral agreement.<sup>237</sup>

The procedure for registration and re-registration of subsurface use rights is governed by the Regulation on the Subsurface Licensing Procedure<sup>238</sup>. It should be noted, that the KR legislation does not establish a separate procedure for the transfer of subsurface use rights under the license (i.e. not within the collateral). In this regard, we do not exclude, that, while transferring rights of subsurface user under the license to a third party during the re-registration of license, the State Agency on Geology and Mineral Resources may require submission of additional documents confirming the implementation of / compliance with necessary provisions for the transfer of licensed rights, and can

<sup>233</sup> Article 27.6 of the Subsurface Law.

<sup>234</sup> Article 27.5 of the Subsurface Law.

<sup>235</sup> Article 37.5 of the Subsurface Law.

<sup>237</sup> Ibidem

<sup>238</sup> Article 37 of the Subsurface Law

<sup>239</sup> Points 92-97 of the Licensing Regulation

<sup>240</sup> Article 37.6 of the Subsurface Law

also apply the procedure of consideration of the initial application for licenses, i.e. general rules on the issuance of licenses, for example, requiring submission of additional documents, specified for issuing a license.

In addition, it should be noted that the KR legislation does not expressly stipulate the need to obtain the consent / approval of the State Agency on Geology and Mineral Resources to transfer the license to a third party, however, it is supposed that the re-registration of the license with the "new" subsurface user may require a respective decision of the Licensing Committee.

In accordance with the Subsurface Law<sup>239</sup> a transfer of license to another person as a result of enforcement of collateral or the transfer of rights under a license equals to obtaining a license and entails payment of bonus under the KR tax legislation, except for the transfer of rights under a license as a result of universal succession under the KR civil legislation.

The KR legislation does not expressly provide implications for non-compliance with the terms and procedure for transfer of license to a third party, however, based on the analysis of the KR legislation non-compliance with the terms and procedure for transfer of a license can be a ground for:

- ▶ the State Agency on Geology and Mineral Resources' refusal of re-registration / issue of the license to a "new" subsurface user;
- ▶ recognition of transaction for the transfer of license to a third party as void<sup>240</sup>;
- ▶ administrative or criminal liability depending on the specific circumstances.

## 6.6.4 Problems of Transparency and Access to Information on Licenses

### Legislative requirements to transparency of information on licenses

According to the KR legislation<sup>241</sup>, information on licensed and available subsurface use assets is published on the official website of the State Agency on Geology and Mineral Resources.<sup>242</sup> At the time of writing of this Report, the web-site provides Interactive Map of Mineral Resources of the Kyrgyz Republic with a detailed description of each subsurface use asset, as well as the Register of Fields and Prospective Areas (Spots) of Minerals by regions of the Kyrgyz Republic.

### Publicly available actual information on issued and withdrawn licences

Information on issued and withdrawn licenses is publicly available at the State Agency on Geology and Mineral Resources website, with indication of asset's name, the subsurface user, location, number and expiry date of the licensed agreement(s), type of minerals, etc.

---

<sup>240</sup> Articles 185 and 187 of the KR CC

<sup>241</sup> Point 12-1 of the Licensing Regulation

<sup>242</sup> [www.geology.kg](http://www.geology.kg)

## Licensing system drawbacks

The main licensing system drawbacks are as follows<sup>243</sup>:

- ▶ *Granting of the subsurface use right through direct negotiations.* Direct negotiations are held in the course of granting licenses (in relation to the assets for which subsurface use rights are granted on the basis of the tender and auction), their extension and transformation (from prospecting works to exploration, from exploration to development). Despite the numerous expert recommendations on the abolition of direct negotiations due to their lack of transparency, corruption and subjectivism, these recommendations were not accepted, and licensing in the Kyrgyz Republic is carried out through the use of direct negotiations<sup>244</sup>.
- ▶ *Transfer of subsurface use license as collateral.* The KR legislation permits transferring the subsurface use license to a third person as collateral. This right is an important tool for financing projects in the mining industry. However, in practise a systematic registration of licenses' collateral with the State Agency on Geology and Mineral Resources has not taken place, and information on collateral of licenses is only contained in the documents of each individual subsurface user. Besides the absence of collateral registration system of subsurface use rights there are no mechanisms of enforcement of the subsurface use rights under license. Absence of regulations, on the one hand, is a serious impediment in attracting finances for projects in the mining industry, on the other hand it creates non-transparent mechanisms for concealed sale and purchase of licenses<sup>245</sup>.
- ▶ *No registration of subsurface use right.* The Kyrgyz Republic does not have a mining cadastre. The Cadastral system of the Kyrgyz Republic is based on geological information though does not contain information on registration of subsurface use rights. Notwithstanding the law requires registration of subsurface use rights in the Unified State Register of the Rights to Real Property, in fact, the subsurface use rights registration system including the change of such rights, their transfer, encumbrances, does not exist. Absence of such a system negatively affects the efficiency of management of the country's mineral wealth<sup>246</sup>.
- ▶ *No exclusivity for licenses.* According to the legislation, the State Agency on Geology and Mineral Resources may issue more than one subsurface use license for geological prospecting and exploration works on the same licensed area without the consent of the licensee already carrying out their activities in the area in respect of minerals not covered by the valid subsurface use license and related to another group of mineral fields. This practice creates serious problems for licensees' activities and reduces protection of the licensed rights.
- ▶ *Expert examination of geological and mining projects.* The subsurface use law requires that 3 (three) expert examinations must be carried out in preparing the geological and mining projects: (a) for compliance with subsurface protection requirements, (b) industrial safety requirements and (c) environmental requirements. However, the law does not clearly regulate the order for determining the scope (level), and procedure for expert examination making it

<sup>243</sup> Extractive Industry Development Strategy Project published on the website of the Ministry of Economy of the Kyrgyz Republic: <http://mineconom.gov.kg>

<sup>244</sup> Page 31 of the Extractive Industry Development Strategy Project published on the website of the Ministry of Economy of the Kyrgyz Republic: <http://mineconom.gov.kg>

<sup>245</sup> Pages 31, 147 of Extractive Industry Development Strategy Project published on the website of the Ministry of Economy of the Kyrgyz Republic: <http://mineconom.gov.kg>

<sup>246</sup> Page 31 of Extractive Industry Development Strategy Project published on the website of the Ministry of Economy of the Kyrgyz Republic: <http://mineconom.gov.kg>

non-transparent and creating conditions for corruption, including delays in obtaining expert opinions<sup>247</sup>.

### **6.6.5 The Government Plans and Actions Aimed at Development of the Licensing System**

#### **Attempts at improving the licensing system in the reporting period including initiatives for introducing changes in the respective legislative acts**

On 13 November 2013, the Licenses and Permits System Law came into effect. The main provisions are indicated in Section **Error! Reference source not found.** of this Report.

#### **Plans of the Government for improving the licensing system**

Article 27 of the Subsurface Law establishes cases where a subsurface use license may be suspended and terminated (withdrawn). At the same time, the law does not clearly regulate the procedure for review of issues on suspension or termination of the subsurface use rights.

In this regard, it should be noted that the draft Law of the Kyrgyz Republic on Introduction of Amendments and Additions to the KR Law on Subsurface is currently brought out for public discussion. According to the explanatory notes to the draft law, it is proposed to introduce a separate article in the Subsurface Law, regulating the procedure for the consideration of issues on the suspension or termination of the subsurface use rights intended to protect the rights of subsurface users in reviewing issues of suspension and termination of subsurface use rights.

In particular, the article specify requirements for compulsory notification of subsurface users on the date, place and time of consideration of documents on the suspension and termination of subsurface use rights, the right of subsurface users to attend the committee and submit their objections.

In addition, the article establishes the principle that non-compliance with requirements for notification and procedure of consideration of the issues on suspension and termination of the subsurface use rights entails invalidity of the decision on withdrawal or termination of the subsurface use rights.<sup>248</sup>

### **6.6.6 Information on register of licenses**

The State Agency on Geology and Mineral Resources keeps records of (effective and withdrawn) licences. This information is updated on a regular basis and published on the State Agency on Geology and Mineral Resources official website.<sup>249</sup> In this regard, the State Agency on Geology and Mineral Resources does not keep public register which would contain information on registration of subsurface use rights, change of such rights, transfer of rights and encumbrances.

### **6.6.7 Description of the most Significant Contracts and Licenses Available**

It should be noted that license conditions are not publicly available therefore it is impossible to provide an overview of the licenses.

---

<sup>247</sup> Page 32 of the Extractive Industry Development Strategy Project published on the website of the Ministry of Economy of the Kyrgyz Republic: <http://mineconom.gov.kg>

<sup>248</sup> According to data published on the website of the Ministry of Economy of the Kyrgyz Republic: [mineconom.gov.kg](http://mineconom.gov.kg)

<sup>249</sup> <http://geology.kg>

It is worth noting that the most significant contracts are contracts (agreements) entered into by Kumtor Gold Company CJSC's.

### General agreement of 1992

On 4 December 1992, the KR Government, Kyrgyz State Group *KyrgyzAltyn* and Canadian *Cameco Corporation* signed the General Agreement on Kumtor field. In accordance with the General Agreement, Kumtor Gold Company CJSC was established with 2/3 (two third) of shares owned by the KR Government (through Kyrgyzaltyn State Group) and 1/3 (one third) owned by Cameco Corporation through a 100% subsidiary. Kumtor Gold Company CJSC was granted with the right to develop the "Central" subsurface site of the Kumtor field. Kumtor project was managed by Kumtor Operating Company CJSC (operator of Kumtor project) for a fee amounting to 4.5% (four point five) percent of the total amount of expenses. Kumtor Operating Company CJSC was a 100% subsidiary of Cameco Corporation<sup>250</sup>.

In accordance with the General Agreement and the Concessions Law between the Government and "Kumtor Gold Company" Kyrgyz-Canadian Joint Venture, in May 1993 the Concession Agreement was signed to grant concession to develop the Kumtor gold field within the Central area containing 516 (five hundred sixteen) tons gold reserves. The Concession Agreement was signed for 50 (fifty) years.<sup>251</sup>

According to the Concession Agreement approved by the Resolution of the KR Government dated 12 May 1993 No. 202, the following provisions were approved:

- ▶ Investments of Kumtor Gold Company for development and implementation of the project until 1996 inclusive should have constituted at least USD 200 (two hundred) million;<sup>252</sup>
- ▶ Kumtor Mountain Corporation, having 1/3 (one third) of interest in Kumtor Gold Company CJSC had to pay USD 45 (forty five) million in accordance with the General Agreement on Kumtor project (initial investment of shareholders) through Kumtor Gold Company<sup>253</sup>;
- ▶ Kumtor Mountain Corporation, as the founder of Kumtor Gold Company, had to pay USD 1 (one) million to the budget of the Issyk-Kul region;
- ▶ Kumtor Gold Company after taxes and settlements with the budget should have established a social fund for the residents of the Issyk-Kul region and yearly contributions in the amount of 2% (two) to 4% (four) percent of net profit on Kumtor project had to be made to this fund;
- ▶ Kumtor Gold Company was to produce 500,000 (five hundred thousand) oz of gold per year, or a smaller amount of gold, as it should have been determined after completion of feasibility study and construction of mining facilities<sup>254</sup>;
- ▶ Kyrgyzstan nationals' share in the management and administrative personnel should have amounted to at least 2/3 (two third) of the total number of personnel.<sup>255</sup>

<sup>250</sup> Resolution of the KR Government on the Findings of the State Committee for Control and Compliance of Kumtor Operating Company CJSC with the standards and requirements for the rational use of natural resources, environmental protection, safety of production processes and social protection No. 35 dated 24 January 2013

<sup>251</sup> Point 6.1. of Concession Agreement approved by the Resolution of the KR Government dated 12 May 1993 No. 202 (the "Concession Agreement")

<sup>252</sup> Point 3.1. of the Concession Agreement

<sup>253</sup> Point 5.1. of the Concession Agreement

<sup>254</sup> Point 4.1. of the Concession Agreement

<sup>255</sup> Point 13.2. of the Concession Agreement

## Main conditions of 2009 Agreements

On 24 April 2009 the Agreement on New Conditions was signed in the course of restructuring of Kumtor project. On 6 June 2009 by virtue of the Agreement on New Conditions, agreements were signed including the Revised Investment Agreement and the Revised Concession Agreement approved by the Resolution of the Kyrgyz Government dated 5 June 2009 No. 355. The main conditions of the indicated agreements were as follows:

- ▶ Cameco Corporation placed 25.3 (twenty five point three) million shares of Kyrgyzaltyn JSC out of its package of shares in Centerra Gold Inc. to its escrow account. Centerra Gold Inc. issued treasury shares in the amount of 18.2 (eighteen point two) million in favor of Kyrgyzaltyn OJSC. As a result, Kyrgyzaltyn OJSC's shareholding in the "Centerra Gold Inc." increased from 15.66% (fifteen point sixty six) percent to 32.75% (thirty two point seventy five) percent.<sup>256</sup>
- ▶ The concession area of Kumtor Gold Company was significantly extended.<sup>257</sup>
- ▶ Stabilization of Kyrgyz legislation was enacted except for certain areas<sup>258</sup>.
- ▶ A new tax regime was enacted for Kumtor project <sup>259</sup>, according to which the project companies (Kumtor Gold Company and (or) Kumtor Operating Company) from 1 January 2008 and until termination of the Revised Concession Agreement:
  - shall pay the following main taxes and fees: <sup>260</sup>Gross income tax at a rate of 13% (thirteen) percent, annual amount of 4% (four) percent of the gross income deducting the documented investment and exploration costs, contribution to the KR Issyk-Kul Region Development Fund in the amount of 1% (one) percent of the gross income, annual fee for environmental pollution in the amount of USD 310 (three hundred and ten thousand) ;
  - Are exempt from all other current and future taxes and payments in respect of activities covered by the new tax regime, except for the payment of taxes and other payments, which are specified and payable according to the Kumtor agreements of 2009.

### 6.6.8 Links to Contracts and Licenses Issued in the Reporting Period

As stated above, the list of valid and withdrawn subsurface use licenses can be found on the official website of the State Agency on Geology and Mineral Resources.<sup>261</sup>

<sup>256</sup> Point 2.1 of the Agreement on New Conditions

<sup>257</sup> Appendix 1 of the revised Concession Agreement between the Kyrgyz Republic represented by the KR Government and Kumtor Gold Company CJSC approved by the Resolution of the KR Government on Approval of Draft Agreements and Contracts Arising from the Agreement on New Conditions under Kumtor Project dated 5 June 2009 No. 355 (hereinafter the "Revised Concession Agreement")

<sup>258</sup> Point 6.2. of the Revised Investment Agreement between the Kyrgyz Republic represented by the KR Government, Centerra Gold Inc., Kumtor Gold Company CJSC and Kumtor Operating Company CJSC approved by the Resolution of the KR Government on Approval of Draft Agreements and Contracts Arising from the Agreement on New Conditions under Kumtor Project No. 355 dated 5 June 2009

<sup>259</sup> Point 5.1. of the revised Investment Agreement

<sup>260</sup> Point "d" of Article 5.3. of the revised Investment Agreement

<sup>261</sup> <http://geology.kg>

## 6.7 Information on Beneficial Interest in Extractive Projects/Companies

No information on the list of companies participating in the EITI reporting including beneficial owners with a stake of 5% (five percent) or higher, as well as beneficial owners, who are politically exposed persons, with their stake in the company, has been found in the public domain.

According to the statement of work, the Independent Administrator has requested extracting companies to provide with information on beneficial ownership for 2014, under the approved form (see Annex 6). Forms to be filled-out by extracting companies) sent to all 136 (one hundred and thirty six) companies.

The Supervisory Board approved the following definition of the beneficial owner: a beneficial owner means an individual who has an ownership right and has an impact on performance of transactions and derives a certain benefit from transactions, with a 5% (five percent) share and higher. If the beneficial owner is a politically exposed person their share must be disclosed irrespective of the size of the share.

33 (thirty three) companies out of 136 (hundred and thirty six) companies responded to the request for information about beneficial interest. In addition, information on shareholders' interest was provided by 21 (twenty one) companies.

The detailed results of collecting of information from companies on beneficiaries are provided in the table on the following pages.

As regards the legal restrictions envisaged by the KR legislation, we would like to note that it does not provide for specific restrictions on ownership shares in legal entities, which are subsurface users. However, restrictions of general nature may apply in respect of the interest owners, in particular, restrictions established for the state and municipal employees to carry out business activities. At the same time, Article 30 of the Subsurface Law obliges the legal entities, when they apply for a subsurface use license, to provide information and documents disclosing individuals who are the ultimate owners and beneficiaries of the applicant (in practice, performance of this obligation is a problem for public companies).

No.	Company name	Unique identification number	Government/private entity	Shareholders	% interest	Identity of the beneficial owner	Information about how ownership is held or control over the company is exercised				Date when beneficial interest was acquired	Additional comments
							By shares		By % of voting rights			
							number of shares (pieces)	% of shares	% of direct voting rights	% of indirect voting rights		
1	Kumtor Gold Company CJSC		Private legal entity	Centerragold Inc	100%							-
2	Alтынken LLC			Kyrgyzaltyn OJSC	40%							-
2	Alтынken LLC			SUPERB PACIFIC LIMITED (PRC)	60%							-
3	Kyrgyzaltyn OJSC	Code of National Classifier of Businesses and Organisations: 24181041	Government	-	100%	State Property Management Fund	9641239	100%	-	-	-	-
4	Andash Mining Company LLC	-	-	-	-	-	-	-	-	-	-	-
5	Bereket CJSC	02601199310063	private	Begaliyev Bolotbek Kasymbekovich, KR	-	-	-	-	-	-	02.07.2007	-
5	Bereket CJSC	02601199310063	private	Tsoy Viktor Innoketyevich, KR	-	-	-	-	-	-	02.07.2007	-
5	Bereket CJSC	02601199310063	private	Sologub Anatoliy Nikolayevich, KR	-	-	-	-	-	-	02.07.2007	-
5	Bereket CJSC	02601199310063	private	Akhmedov Marat Kokayevich, KR	-	-	-	-	-	-	02.07.2007	-
5	Bereket CJSC	02601199310063	private	Dzhugushbayeva Damira Makiyevna, KR	-	-	-	-	-	-	02.07.2007	-
5	Bereket CJSC	02601199310063	private	Tastakunova Kenzhebabu, KR	-	-	-	-	-	-	02.07.2007	-
6	Uzgen Energo Ugol LLC	03007200910116	private	Smirnov Vladimir Vasiliyevich	15%						30.06.2009	-
6	Uzgen Energo Ugol LLC	03007200910116	private	Surapbayev Karimzhan Mamyrovich	15%						30.06.2009	-

No.	Company name	Unique identification number	Government/private entity	Shareholders	% interest	Identity of the beneficial owner	Information about how ownership is held or control over the company is exercised				Date when beneficial interest was acquired	Additional comments
							By shares		By % of voting rights			
							number of shares (pieces)	% of shares	% of direct voting rights	% of indirect voting rights		
6	Uzgen Energo Ugol LLC	03007200910116	private	Pikhota Andrey Nikolayevich	36,6%						30.06.2009	-
6	Uzgen Energo Ugol LLC	03007200910116	private	Arapbayev Azamat Abdullazhanovich	33,4%						30.06.2009	-
7	T. Ibragimova LLC	03011200410091	private	Khambekov Asan	-	-	-	-	-	-	-	-
8	Sulyuktashakhtakurulu sh OJSC	01505196810012	private	Dhzurayev Nishanbai Dekhkanovich	53,28%		15552					-
8	Sulyuktashakhtakurulu sh OJSC	01505196810012	private	Gapyrov Ulukbek Zhakypovich	16,76%		4893					-
9	Ak-Tilek-1 LLC	00207200910027	private	Ak Tilek-1	100%	Ak Tilek-1	-	100%	-	-	-	-
10	LLC after Raimberdyev	03010200010079	private		90%							-
11	Kyrgyz-Tash OJSC	02406199210021	private entity	Baltayev N. G	60,34%		314948					-
11	Kyrgyz-Tash OJSC	02406199210021	private entity	Gaurikh R. Y.	9,2%		48020					-
11	Kyrgyz-Tash OJSC	02406199210021	private entity	Yemaliyeva P.	9,86%		51461					-
11	Kyrgyz-Tash OJSC	02406199210021	private entity	Chernogubova I. B.	11,86%		59904					-
12	Spectr LLC	01301199310048	private entity		100%							-
13	Southern integrated plant of construction materials LLC	02309200510156	-	No	No	Arapbayeva Nursaule IIN 1270919701006	-	-	100%	-	24.12.2014	-
14	Kum-Shagyl OJSC	National Classifier of Businesses and	private	Semenov Sergey Vladimirovich			183	5,1	-	-	-	-

No.	Company name	Unique identification number	Government/private entity	Shareholders	% interest	Identity of the beneficial owner	Information about how ownership is held or control over the company is exercised				Date when beneficial interest was acquired	Additional comments
							By shares		By % of voting rights			
							number of shares (pieces)	% of shares	% of direct voting rights	% of indirect voting rights		
		Organisations 01326695										
14	Kum-Shagyl OJSC	National Classifier of Businesses and Organisations 01326695	private	Semenova Irina Alekseyevna			206	5.7	-	-	-	-
14	Kum-Shagyl OJSC	National Classifier of Businesses and Organisations 01326695	private	Tazhimatova Irina Vladimirovna			466	12.9	-	-	-	-
14	Kum-Shagyl OJSC	National Classifier of Businesses and Organisations 01326695	private	Popov Vladimir Vasilievich			1756	48.66	-	-	-	-
15	Ak On Ish LLC	01002200410017	private	Parkhachev Vladimir	13,7%							-
15	Ak On Ish LLC	01002200410017	private	Parkhachev Viktor	10,7%							-
15	Ak On Ish LLC	01002200410017	private	Subanbekov Bektur	23,33%							-
15	Ak On Ish LLC	01002200410017	private	Subanbekova Adeim	23,33%							-
16	BKZ LLC	02308200610092	private	Subanbekov Bakirdin	23,33%							-
16	BKZ LLC	02308200610092	private	Maanaea D. E.	23,33%							-
16	BKZ LLC	02308200610092	private	Parkhachev Vladimir	25,34%							-
17	Concrete Products Plant OJSC	0280219941074	private entity	Polinskiy A.N.	22,35%							-



No.	Company name	Unique identification number	Government/private entity	Shareholders	% interest	Identity of the beneficial owner	Information about how ownership is held or control over the company is exercised				Date when beneficial interest was acquired	Additional comments
							By shares		By % of voting rights			
							number of shares (pieces)	% of shares	% of direct voting rights	% of indirect voting rights		
17	Concrete Products Plant OJSC	0280219941074	private entity	Pokusayeva M.A.	9.46%							-
17	Concrete Products Plant OJSC	0280219941074	private entity	Polinskiy S.N.	9.46%							-
17	Concrete Products Plant OJSC	0280219941074	private entity	Arlamova Y.N.	6.59%							-
18	Bulak ABI CJSC	00809199210091	private entity	Yermolenko A.S.	6.9%		12373					-
18	Bulak ABI CJSC	00809199210091	private entity	Kantyshev B.M.	6.9%		12373					-
18	Bulak ABI CJSC	00809199210091	private entity	Kopylov N.A.	6.87%		12690					-
18	Bulak ABI CJSC	00809199210091	private entity	Parkhachev V.A.	60.15%		111066					-
18	Bulak ABI CJSC	00809199210091	private entity	Rychkulov K.D.	7.1%		13113					-
19	Polybeton OJSC	02106199310075	private legal entity	-	100%	Kalyev Almaspek IIN 2070719450001 8 Kyrgyzstan	25098	19.6330	19.6330	-	1995	-
19	Polybeton OJSC	02106199310075	private legal entity	-	100%	Alymkulov Emilbek Myrzakanovich IIN 2190119580002 1 Kyrgyzstan	9964	7.7944	7.7944	-	1995	-
19	Polybeton OJSC	02106199310075	private legal entity	-	100%	Potapov Vasiliy Ivanovich IIN 2090219510001 5 Kyrgyzstan	7554	5.9091	5.9091	-	1995	-

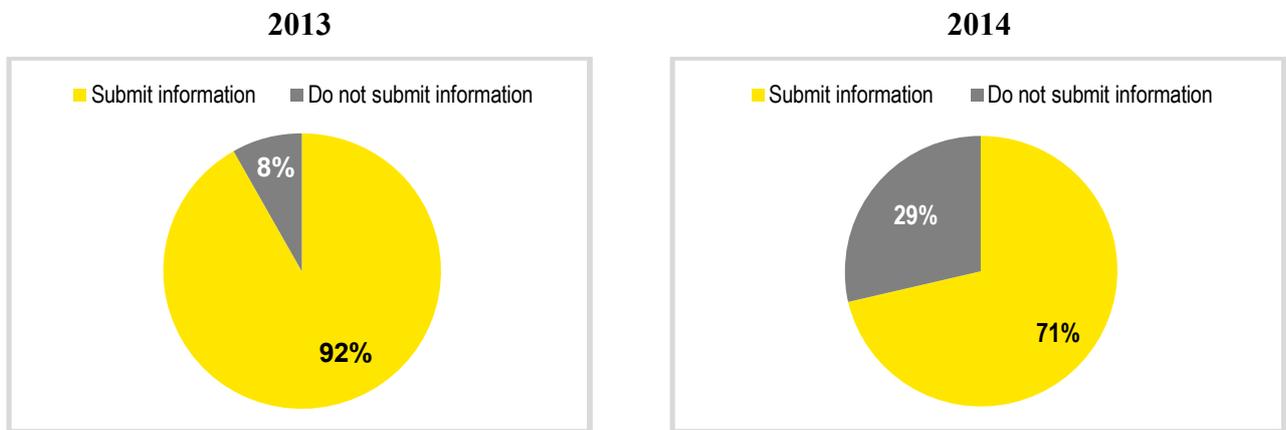
No.	Company name	Unique identification number	Government/private entity	Shareholders	% interest	Identity of the beneficial owner	Information about how ownership is held or control over the company is exercised				Date when beneficial interest was acquired	Additional comments
							By shares		By % of voting rights			
							number of shares (pieces)	% of shares	% of direct voting rights	% of indirect voting rights		
20	Da Shan LLC	02805200810119	private entity	Ikramov Murat Bekmatovich 26.11.1967 KR	30%	-	-	-	-	-	-	-
20	Da Shan LLC	02805200810119	private entity	Kemelbayeva Lira Nurgazyevna 16.08.1967 KR	60%	-	-	-	-	-	-	-
20	Da Shan LLC	02805200810119	private entity	Yang Zhi 01.10.1977 PRC	10%**	-	-	-	-	-	-	-
21	New Soft LLC	00702200710396	Private property Legal entity	Dzhunushov K.A.	80%	Dzhunushov Kasymbek Absamatovich 2210219670056 7 Kyrgyzstan	-	-	80	-	19.05.2007	-
21	New Soft LLC	00702200710396	Private property Legal entity	Amidzhan Yusuin	10%	Amidzhan Yusuin 23.06.71 PRC	-	-	10	-	19.05.2007	-
21	New Soft LLC	00702200710396	Private property Legal entity	Li Kichen	10%	Li Kichen 22.10.1985 PRC	-	-	10	-	19.05.2007	-

## 7. Reconciliation of tax and other payments

### 7.1 Results of reconciliation of payments

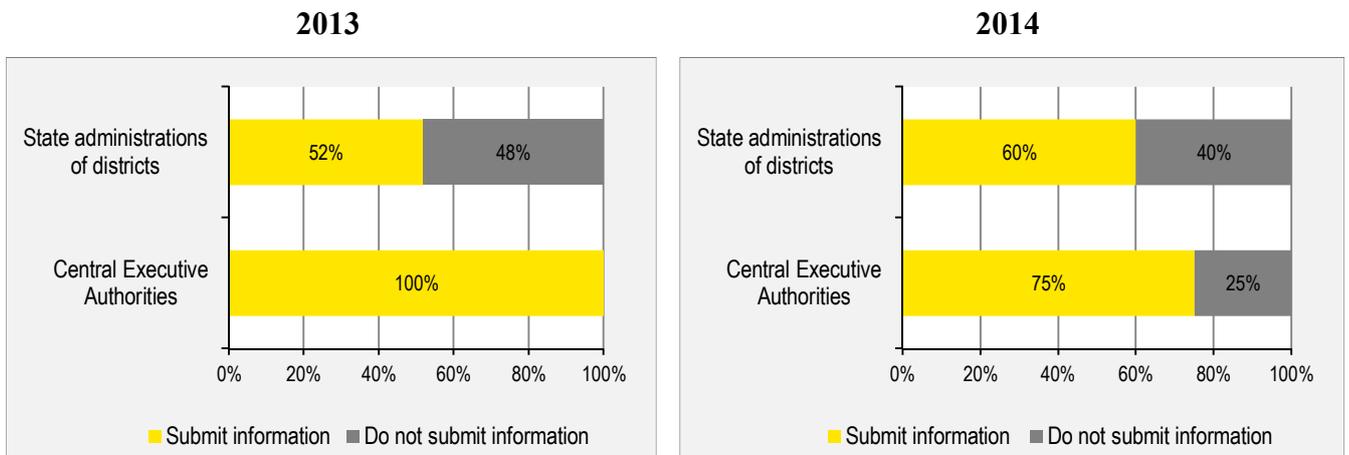
In accordance with the Statement of Work for the Independent Administrator the EITI Report shall include the following number of extracting companies: 2013 - 73 extracting companies, 2014 – 136 companies. As at 29.12.2015, the status of submission of the companies’ reports is as follows (*Figure 25*):

- ▶ for 2013, 67 companies submitted data, 6 companies did not submit any data;
- ▶ for 2014, 97 companies submitted data, 39 companies did not submit any data.



*Figure 25 – Status of availability of data from companies*

Also, not all government authorities provided reports with data for reconciliation: for 2013, 23 reports out of 38 required reports were provided, for 2014 - 27 out of 44 (*Figure 26*).



*Figure 26 – Status of availability of data from state bodies*

The Independent Administrator was not provided with reports of two Central Executive Authorities for 2014: State Registration Authority and Fund for State Property Management. However, the information for indicators 20 and 21 which was supposed to be disclosed in the report of Fund for State Property Management, was disclosed in the report of Social Fund of Kyrgyz Republic.

Also, some reports from State Administrations of Districts were not provided to the Independent Administrator, the list of the Administrations is presented in the table below:

2013		2014	
№	Name of Administration	№	Name of Administration
1	Aksuy	1	Aksuy
2	Aksyy	2	Ala-Bukin
3	Ala-Bukin	3	At-Bashin
4	Dzhumagul	4	Dzhumagul
5	Kara-Buurin	5	Kara-Buurin
6	Kara-Suy	6	Kochkor
7	Kochkor	7	Lyaylyak
8	Lyaylyak	8	Naryn
9	Manas	9	Nooken
10	Nookat	10	Panfilov
11	Nooken	11	Talas
12	Panfilov	12	Toguz-Torous
13	Toguz-Torous	13	Toktogul
14	Uzgen	14	Uzgen
15	Chatkal	15	Chatkal

The lack of response from all companies and government authorities made it impossible to conduct a full reconciliation of payments to the state from extractive companies. Reconciliation of data about the actual payment of taxes and other payments to the state was conducted on 67 companies for 2013 and 97 companies for 2014. The Independent Administrator prepared and submitted formal requests for missing data from all companies.

Therefore, the Independent Administrator prepared a consolidated database on payment of taxes and other deductions based on that information, which was provided for reconciliation (*Annex 8*).

The amount of tax and other payments of extractive companies based on data of government authorities confirmed by the reconciliation results totals: 8,215,800 thousand of soms for 2013 and 9,389,396 thousand of soms for 2014.

The table below provides a breakdown of payments by government authorities. Breakdown of payments by companies is presented in Annex 8.

*Table 12*

**Breakdown of payments from state bodies, thousand of soms**

	2013	2014
State tax authority	6,032,757	7,168,498
Social Fund	1,760,085	1,888,736
Regional state administration	476,496	457,109
State customs authority	405,753	365,491
State Property Management Fund	101,830	0 <sup>262</sup>
State Agency on Environment Protection and Forestry	31,056	46,581
The State Agency for Geology and Mineral Resources	22,647	43,559
State Inspection on Environmental and Occupational Safety	0	15,439
State Registration Authority	0	0

The main aggregated reconciliation figures for 2013 and 2014 are presented below (*Table 13, Table 14*).

*Table 13*

**Information on payments of extracting companies in 2013**

	Final data (adjusted after reconciliation), thousand of soms
Information received from government authorities on all companies from the approved list for EITI Report ( <u>73 companies</u> )	8,830,624
Information received from government authorities on <u>67 companies</u> , which provided data for reconciliation	8,825,260
Information received from payers ( <u>67 companies</u> )	9,141,555
Difference between data of government authorities and payers (67 companies)	(316,295)

The difference on payment "Support for social infrastructure" (EITI reporting indicator No. 32) in the amount of 280 980 thousand of soms represents the main portion of the difference between data of government authorities and payers.

<sup>262</sup> The explanation is provided in the section 7.3.20. For 2013 information for the indicator 20 was disclosed in the reports provided by State Property Management and for 2014 –in the reports of Social Fund of Kyrgyz Republic.

The companies are exclusively responsible for the implementation of the most of the projects for which the payments are made within the framework of the indicator 32, without the involvement of government agencies, and to confirm these payments as part of the reconciliation with the data from the government authorities is not possible.

**Therefore, the actual unexplained difference amounts to 35 319 thousand of soms, which represents 0.43% of total payments, confirmed by the results of the reconciliation for 2013.**

*Table 14*

**Information on payments of extracting companies in 2014**

	<b>Final data (adjusted after reconciliation), thousand of soms</b>
Information received from government authorities on all companies from the approved list for EITI Report ( <u>136 companies</u> )	9,985,413
Information received from government authorities on <u>97 companies</u> , which provided data for reconciliation	9,738,991
Information received from payers ( <u>97 companies</u> )	10,173,845
Difference between data of government authorities and payers (97 companies)	(434,855)

As in 2013, the difference on payment "Support for social infrastructure" (EITI reporting indicator No. 32) in the amount of 307,426 thousand of soms represents the main portion of the difference between data of government authorities and payers. **Therefore, the actual unexplained difference amounts to 127, 429 thousand of soms, which represents 1.36% of the amount confirmed by the results of the reconciliation for 2014.**

Almost 80% of the Nspecified amount of 127 million of soms is an unconfirmed difference on the payment "Dividends accrued and paid on the state package of shares" (EITI reporting indicator No. 20) of Kyrgyzneftegaz. Unfortunately, an Independent Administrator has not been provided with an answer from this company with explanations and confirmations of the amounts on this payment.

Also, an Independent Administrator processed those payments to the government from extractive companies, which had not been covered by reconciliation, namely: "Support for Education" (EITI reporting indicator No. 31) and "Contributions to the Recultivation Fund" (EITI reporting indicator No. 33). Results on these payments are presented in Table 15.

*Table 15*

**Information on payments of extractive companies, which were not covered by reconciliation**

<b>Name of payment</b>	<b>2013</b>	<b>2014</b>
Support for education, thousand of soms	25,567	16,873
Contributions to the Recultivation Fund, thousand of soms	125,195	149,716

Analytical procedures outlined in section 7.2 below were performed in the course of reconciliation. Based on the results of reconciliation procedures, an Independent Administrator prepared and submitted official requests to the companies and government authorities. Request forms for determination of differences are presented in Annex 1 and Annex 2, accordingly.

## 7.2 Results of analytical procedures

A number of analytical procedures was performed to identify "global" errors in the reconciliation of data from companies and government authorities, and to determine the differences that must be corrected to produce adequate results on payments to the government.

The results, except for a few problematic points, showed that generally the data correlate adequately. These problematic points are described in detail below.

### Abnormally big difference between data from companies and data from state bodies, for 2013

The results of the initial reconciliation of data on payments to the government for 2013 were as follows: according to data from the companies the amount of all payments was 24,881,772.98 thousand of soms, and according to government authorities – 8,294,579.42 thousand of soms. That is, data from companies exceeded data from government authorities by three times that looked highly suspicious. The factorial analysis identified those companies whose payments had made the most significant contribution to the total discrepancy (Table 16).

*Table 16*

Company name	Amount according to data of company, thousand of soms	Amount according to data of state bodies, thousand of soms	Difference, thousand of soms	Difference, %
Silikat JSC	7,155,323	7,217	7,148,106	43.13%
Tekstonik CJSC	4,094,054	932	4,093,122	24.69%
Kyzyl-Bulak LLC	3,072,551	16,062	3,056,489	18.44%
Yuzhnyi Derrik LLC	997,675	4,464	993,212	5.99%
Kumtor Gold Company CJSC	5,591,112	4,980,984	610,128	3.68%
<b>Total</b>	<b>20,910,715</b>	<b>5,009,659</b>	<b>15,901,057</b>	

The difference related to Kumtor Gold Company CJSC seemed adequate and understandable given the size of the company and the scope of its activities. However, the differences related to the remaining four companies appeared illogical and overstated. Independent administrator has been suggested that the government authorities had indicated values in thousand of soms, and the company - in soms.

Explanations for all of the identified differences were requested from the companies. However, due to the fact that the Independent Administrator obtained verified contact data only for one third of companies, it was highly likely that a number of companies may not have been provided answers with an explanation of such a huge difference. Such "risk" companies included:

- ▶ Silikat JSC;

- ▶ Tekstonik CJSC;
- ▶ Kyzyl-Bulak LLC;
- ▶ Yuzhnyi Derrick LLC
- ▶ Yunik ltd LLC;
- ▶ Dolina Kassana LLC

With respect to such companies the Supervisory Board decided that the numbers of companies should be adjusted to get reasonable dimensions wherever there was an obvious error related to data dimensions in the amounts of payments. That is, translate figures from soms to thousand of soms. It was done and figures on payments presented in the Report are adjusted as follows.

### Abnormally large amounts of tax proceeds on certain types of payments for 2014

Having performed reconciliation of data for 2014, an Independent Administrator detected an abnormally large amount of proceeds on payment for environmental pollution and damage caused to environment (EITI reporting indicator No 27).

In the process of finding differences it was revealed that contributions relating to "Payment for environmental pollution and damages" data on which, according to the Statement of Work for the Independent Administrator and Resolution of the KR Government No 317, should be provided only by the State Agency of Environmental Protection and Forestry are also provided in the report of the State Inspection on Environmental and Occupational Safety under the KR Government. Detailed amounts on the initial reconciled are presented in Table 17.

*Table 17*

Type of payment	Amount according to data of company, thousand of soms	Amount according to data of the Environment Protection Agency, thousand of soms	Amount according to data of State Technical Inspection, thousand of soms	Difference, thousand of soms
Payment for environmental pollution and damage caused to environment (indicator No 27)	37,988.47	24,098	1,401,316.96	(1,387,423.62)
		<b>1,425,413.96</b>		

This fact has led to an extended clarification of differences as well as an incorrect request made by the Independent Administrator to the State Agency of Environmental Protection and Forestry to explain the differences. The respective discrepancies have been identified and eliminated in the final version of EITI Report.

### Payments that are not payments to the government

In the course of reconciliation of data on payments the Independent Administrator identified certain payments, which are not payments to the government. For example, such payment as Contributions to the Recultivation Fund.

In accordance with the Kyrgyz Law on the Subsurface (Article 47), the licensee (i.e. Subsurface user) is obliged to contribute funds to the recultivation fund on a monthly basis. These funds are placed on the licensee's accounts in the Kyrgyz banks. For this reason, contributions to the recultivation fund represent accumulation of cash on the separate bank accounts, which will be used to recultivate land disturbed by the subsurface user. That is we can say that this is a special provision for future needs made using the cash method and must not be treated as a payment to the government by the extractive company.

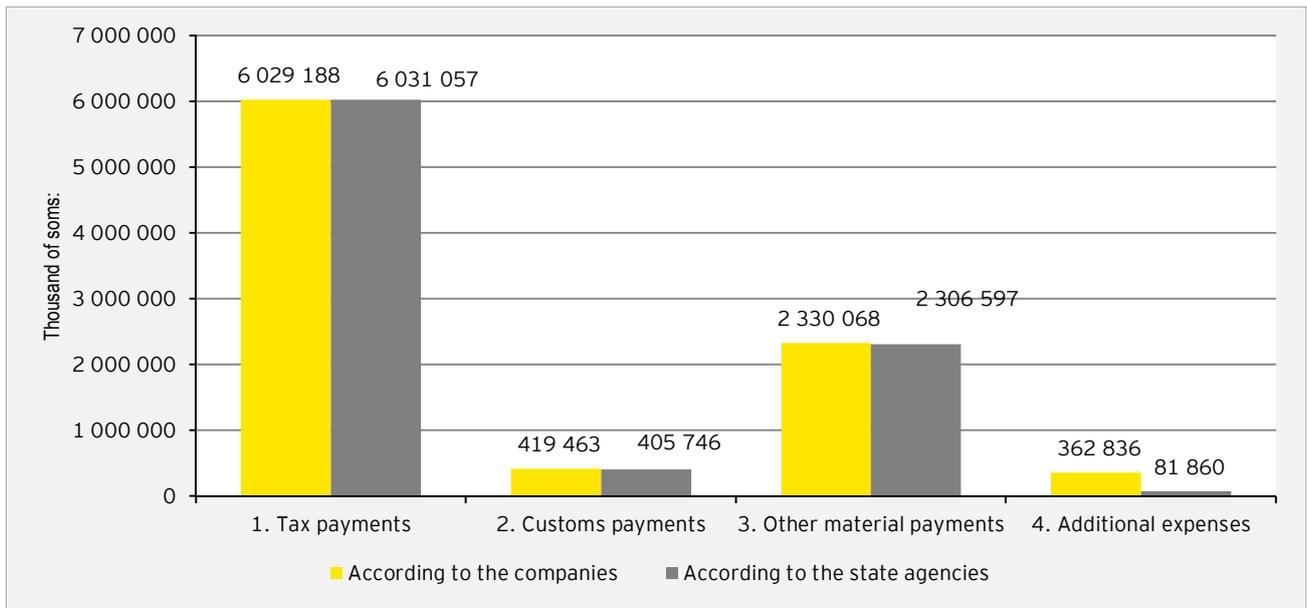
Besides, contributions for support of education (code 31) do not represent a payment to the government since the companies make such payments using own resources without involvement of the government authorities.

The Supervisory Board made a decision to exclude these two payments from the scope of reconciliation and show them exclusively for information purposes. Accordingly, amounts on these two payments for 2013 and 2014 are presented in subsection 7.1.

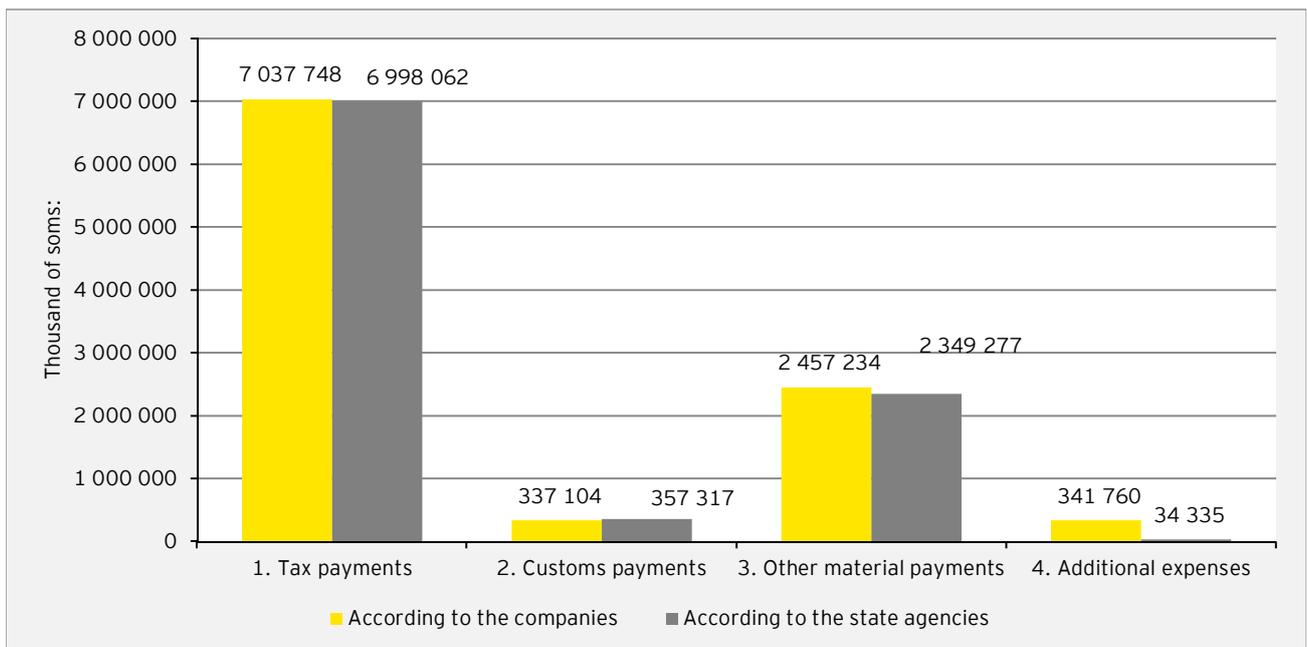
The following sections of this report detail each type of tax and other payments to the government, as well as information on the possible causes of discrepancies (based on the results of reconciliation).

### 7.3 Reconciliation results with respect to each payment

The two figures present payments of extractive companies to the government for 2013 and 2014. The figures are presented with a breakdown by the main groups of taxes and other significant contributions according to data from the companies and government authorities:



**Figure 27 - Payments of extractive companies in 2013 with a breakdown by the main groups of taxes and other significant contributions**



**Figure 28 - Payments of extractive companies in 2014 with a breakdown by the main groups of taxes and other significant contributions**

The following are the payments made by mining companies in aggregate form for 2013 and 2014 (by type of payments, as well as by each company).

Table 18

**Information on payments made by mining companies in 2013 (by type of payments)**

No payment	Types of taxes and payments	The amount, according to the companies, thousand of soms	The amount, according to the state bodies, thousand of soms	The difference, thousand of soms	Corrections made by companies, thousand of soms	Corrections made by state bodies, thousand of soms	The final amount, according to the companies, thousand of soms	The final amount, according to the state bodies, thousand of soms	The difference, thousand of soms
<b>Tax payments</b>									
1	Individual income tax	2,260,441	453,951	(1,806,490)	(1,806,580)	1	453,861	453,952	91
2	Income tax, revenue tax for gold mining companies	1,822,642	211,910	(1,610,732)	(1,657,963)	(433)	164,679	211,477	46,797
3	Land tax	274,652	25,063	(249,589)	(248,935)	-	25,718	25,063	(655)
4	Property tax	298,401	15,382	(283,018)	(282,448)	-	15,953	15,382	(571)
5	VAT on internal products	3,831,897	435,237	(3,396,660)	(3,383,355)	(393)	448,542	434,844	(13,697)
6	Excise tax on internal products	16,225	16,225	-	-	-	16,225	16,225	-
7	Sales tax	1,490,074	254,791	(1,235,283)	(1,232,815)	706	257,259	255,497	(1,762)
8	Tax on income of foreign companies, which does not arise from a permanent establishment in the Kyrgyz Republic	209,395	210,980	1,584	(24)	-	209,372	210,980	1,608
9	Bonus	4,335,982	426,062	(3,909,920)	(3,844,592)	61,838	491,390	487,900	(3,490)
10	Royalty	1,022,237	197,854	(824,382)	(816,419)	5,414	205,818	203,269	(2,549)
11	Gross income tax	3,590,319	3,590,185	(134)	-	-	3,590,319	3,590,185	(134)
12	The annual amount for the development of mineral resources base (Charge for development and maintenance of local infrastructure)	158,249	-	(158,249)	(148,265)	9,585	9,985	9,585	(399)
13	Other taxes and charges	119,274	117,915	(1,360)	20,793	(1,217)	140,068	116,697	(23,370)
<b>Customs payments</b>									

No payment	Types of taxes and payments	The amount, according to the companies, thousand of soms	The amount, according to the state bodies, thousand of soms	The difference, thousand of soms	Corrections made by companies, thousand of soms	Corrections made by state bodies, thousand of soms	The final amount, according to the companies, thousand of soms	The final amount, according to the state bodies, thousand of soms	The difference, thousand of soms
14	Customs duties	213,017	25,880	(187,136)	(151,701)	29,792	61,316	55,672	(5,644)
15	Customs fees	85,471	62,651	(22,820)	(17,654)	3,641	67,818	66,292	(1,526)
16	Excise tax on imported products	110	80	(30)	-	-	110	80	(30)
17	VAT on imported products	824,588	204,194	(620,394)	(534,368)	79,508	290,219	283,702	(6,517)
<b>Other material payments</b>									
18	State social insurance contributions	2,812,835	1,761,201	(1,051,634)	(1,072,890)	(3,910)	1,739,945	1,757,291	17,346
19	Payment for concession	-	-	-	-	-	-	-	-
20	Dividends accrued on state-owned shares	108,847	101,830	(7,017)	-	-	108,847	101,830	(7,017)
21	Payments for state-shares, purchased by the company from the state	-	-	-	-	-	-	-	-
22	Lease of land owned by the government	186,846	1,483	(185,363)	(172,123)	5,444	14,723	6,927	(7,796)
23	Reimbursement of agricultural production losses	159,164	-	(159,164)	(152,947)	-	6,217	-	(6,217)
24	Reimbursement of forest production losses	2,747	-	(2,747)	-	-	2,747	-	(2,747)
25	Opportunity cost of provided land plots	8,343	1	(8,342)	(7,552)	8	791	9	(782)
26	Payment for retention of mining license	61,782	20,820	(40,962)	(28,112)	992	33,670	21,812	(11,858)
27	Payment for environmental pollution and damages	25,692	22,078	(3,614)	-	2,013	25,692	24,091	(1,601)
28	Fee for the issuance of license	23	1	(22)	-	-	23	1	(22)
29	Fee for the issuance of certificates and other permits	2,908	-	(2,908)	-	-	2,908	-	(2,908)
<b>Additional expenses</b>									

№ payment	Types of taxes and payments	The amount, according to the companies, thousand of soms	The amount, according to the state bodies, thousand of soms	The difference, thousand of soms	Corrections made by companies, thousand of soms	Corrections made by state bodies, thousand of soms	The final amount, according to the companies, thousand of soms	The final amount, according to the state bodies, thousand of soms	The difference, thousand of soms
30	Payments established by agreements with the government	394,506	78,729	(315,776)	-	315,907	394,506	394,637	131
32	Support for social infrastructure	343,178	69,810	(273,367)	19,658	12,050	362,836	81,860	(280,976)
<b>Total:</b>		<b>24,659,844</b>	<b>8,304,315</b>	<b>(16,355,529)</b>	<b>(15,518,289)</b>	<b>520,945</b>	<b>9,141,555</b>	<b>8,825,260</b>	<b>(316,295)</b>

Table 19

## Information on payments made by mining companies in 2014 (by type of payments)

№ payment	Types of taxes and payments	The amount, according to the companies, thousand of soms	The amount, according to the state bodies, thousand of soms	The difference, thousand of soms	Corrections made by companies, thousand of soms	Corrections made by state bodies, thousand of soms	The final amount, according to the companies, thousand of soms	The final amount, according to the state bodies, thousand of soms	The difference, thousand of soms
<b>Tax payments</b>									
1	Individual income tax	563,100	514,778	(48,322)	(46,791)	883	516,309	515,661	(647)
2	Income tax, revenue tax for gold mining companies	310,782	201,939	(108,844)	(128,763)	(46)	182,019	201,893	19,874
3	Land tax	88,908	24,959	(63,949)	(63,749)	74	25,159	25,033	(126)
4	Property tax	17,997	18,459	462	(4)	(358)	17,994	18,101	108
5	VAT on internal products	2,207,707	535,048	(1,672,659)	(1,647,488)	1,561	560,219	536,609	(23,610)
6	Excise tax on internal products	31,217	31,217	-	-	-	31,217	31,217	-
7	Sales tax	242,902	254,839	11,937	24,675	(261)	267,578	254,578	(13,000)
8	Tax on income of foreign companies, which does not arise from a permanent	205,042	204,633	(409)	587	-	205,629	204,633	(996)



No payment	Types of taxes and payments	The amount, according to the companies, thousand of soms	The amount, according to the state bodies, thousand of soms	The difference, thousand of soms	Corrections made by companies, thousand of soms	Corrections made by state bodies, thousand of soms	The final amount, according to the companies, thousand of soms	The final amount, according to the state bodies, thousand of soms	The difference, thousand of soms
	establishment in the Kyrgyz Republic								
9	Bonus	266,321	262,265	(4,056)	(2,511)	75	263,810	262,340	(1,470)
10	Royalty	531,290	216,374	(314,916)	(310,456)	21	220,834	216,396	(4,439)
11	Gross income tax	4,649,223	4,626,437	(22,786)	(110)	-	4,649,113	4,626,437	(22,676)
12	Charge for development and maintenance of local infrastructure	39,354	67,375	28,021	6,198	-	45,552	67,375	21,823
13	Other taxes and charges	114,391	37,294	(77,097)	(62,075)	494	52,316	37,788	(14,528)
<b>Customs payments</b>									
14	Customs duties	31,655	43,111	11,457	9,615	640	41,269	43,752	2,482
15	Customs fees	70,643	70,974	331	1,577	-	72,220	70,974	(1,246)
16	Excise tax on imported products	145	357	212	23	-	167	357	189
17	VAT on imported products	194,087	243,828	49,741	29,360	(1,593)	223,447	242,235	18,788
<b>Other material payments</b>									
18	State social insurance contributions	2,202,745	1,975,868	(226,878)	(385,700)	(142,394)	1,817,045	1,833,474	16,428
19	Payment for concession	-	-	-	-	-	-	-	-
20	Dividends accrued on state- owned shares	275,937	4,798	(271,140)	(169,393)	-	106,544	4,798	(101,746)
21	Payments for state-shares, purchased by the company from the state	-	-	-	-	-	-	-	-
22	Lease of land owned by the government	346,617	200,372	(146,245)	(327,068)	(192,508)	19,548	7,864	(11,684)
23	Reimbursement of agricultural production losses	129,388	6,986	(122,402)	(112,841)	2,756	16,547	9,742	(6,805)
24	Reimbursement of forest production losses	4,539	-	(4,539)	(0)	472	4,539	472	(4,067)
25	Opportunity cost of provided land plots	651	1,498	848	(1)	5	649	1,503	854
26	Payment for retention of mining license	47,013	47,799	786	(7,573)	(9,628)	39,439	38,170	(1,269)

No payment	Types of taxes and payments	The amount, according to the companies, thousand of soms	The amount, according to the state bodies, thousand of soms	The difference, thousand of soms	Corrections made by companies, thousand of soms	Corrections made by state bodies, thousand of soms	The final amount, according to the companies, thousand of soms	The final amount, according to the state bodies, thousand of soms	The difference, thousand of soms
27	Payment for environmental pollution and damages	37,988	1,425,473	1,387,484	(6,878)	(1,393,485)	31,110	31,987	877
28	Fee for the issuance of license	162	1	(161)	-	-	162	1	(161)
29	Fee for the issuance of certificates and other permits	5,516	-	(5,516)	75	-	5,591	-	(5,591)
<b>Additional expenses</b>									
30	Payments established by agreements with the government	416,059	197,514	(218,545)	-	223,753	416,059	421,266	5 208
32	Support for social infrastructure	720,377	23,051	(697,326)	(378,617)	11,283	341,760	34,335	(307 426)
<b>Total:</b>		<b>13 751 758</b>	<b>11,237,246</b>	<b>(2,514,512)</b>	<b>(3,577,913)</b>	<b>(1,498,255)</b>	<b>10,173,845</b>	<b>9,738,991</b>	<b>(434,855)</b>

Table 20

**Information on payments made by mining companies in 2013 (by each company)**

No	Company name	The amount, according to the companies, thousand of soms	The amount, according to the state bodies, thousand of soms	The difference, thousand of soms	Corrections made by companies, thousand of soms	Corrections made by state bodies, thousand of soms	The final amount, according to the companies, thousand of soms	The final amount, according to the state bodies, thousand of soms	The difference, thousand of soms
<b>Precious metals</b>									
1	CJSC Kumtor Gold Company	5,480,426	4,980,984	(499,442)	-	301,052	5,480,426	5,282,036	(198 390)
2	OJSC Kyrgyzaltyn	431,996	438,727	6,731	-	19	431,996	438,746	6 749

№	Company name	The amount, according to the companies, thousand of soms	The amount, according to the state bodies, thousand of soms	The difference, thousand of soms	Corrections made by companies, thousand of soms	Corrections made by state bodies, thousand of soms	The final amount, according to the companies, thousand of soms	The final amount, according to the state bodies, thousand of soms	The difference, thousand of soms
3	CJSC Charat Zaav	334,506	304,827	(29,679)	-	(53)	334,506	304,774	(29 732)
4	Alтынкен LLC	270,030	158,133	(111,897)	18,042	129,933	288,072	288,066	(6)
5	Kazakhmys Gold Kyrgyzstan LLC	208,591	198,848	(9,743)	-	8,692	208,591	207,541	(1 051)
6	CJSC Kichi-Charat	176,769	171,297	(5,472)	-	-	176,769	171,297	(5 472)
7	Full Gold Mining LLC	126,631	47,764	(78,867)	(2,948)	71,875	123,683	119,639	(4 044)
8	Vertex Gold Company LLC	143,057	110,097	(32,961)	-	-	143,057	110,097	(32 961)
9	Fonta LLC	37,301	31,126	(6,176)	-	-	37,301	31,126	(6 176)
10	Kaidi Mining Investment Company LLC	22,030	22,899	869	-	890	22,030	23,790	1 760
11	Eventus LLC	18,322	11,913	(6,409)	-	-	18,322	11,913	(6 409)
12	Highland Exploration LLC	8,572	10,852	2,280	-	-	8,572	10,852	2 280
13	Andash Mining Company LLC	5,698	5,690	(8)	-	-	5,698	5,690	(8)
14	ZHENNAZTEM LLC	255,610	27	(255,583)	(254,475)	1,060	1,135	1,088	(47)
15	Alliance Mining LLC	457	582	125	-	-	457	582	125
16	Chatkal-17 LLC	572	468	(103)	-	7	572	475	(96)
17	Kai Enterprise LLC	10,785	426	(10,359)	-	-	10,785	426	(10 359)
18	ELKO-service LLC	34	27	(8)	-	-	34	27	(8)
<b>Total sum of payments made by companies extracting precious metals</b>		<b>7,531,387</b>	<b>6,494,686</b>	<b>(1,036,701)</b>	<b>(239,382)</b>	<b>513,476</b>	<b>7,292,006</b>	<b>7,008,162</b>	<b>(283,844)</b>
<b>Non-ferrous and rare earth metals</b>									
1	OJSC Kadamjai Antimony Plant	28,132	58,363	30,231	25,776	(3,841)	53,908	54,522	614

№	Company name	The amount, according to the companies, thousand of soms	The amount, according to the state bodies, thousand of soms	The difference, thousand of soms	Corrections made by companies, thousand of soms	Corrections made by state bodies, thousand of soms	The final amount, according to the companies, thousand of soms	The final amount, according to the state bodies, thousand of soms	The difference, thousand of soms
2	OJSC Khaidarkan Mercury	53,346	55,192	1,845	-	(1,888)	53,346	53,303	(43)
3	Saryjaz Minerals Mining Company LLC	10,253	13,828	3,576	-	-	10,253	13,828	3,576
4	OJSC Kutesay Mining		9,736	9,736	5,095	-	5,095	9,736	4,640
5	Central Asian Tin Company LLC	11,791	8,752	(3,039)	-	-	11,791	8,752	(3,039)
6	Branch of Sparkler Mining Inc.	4,081	4,146	65	65	-	4,146	4,146	(0)
7	Branch of Merit More Investments Ltd in the Kyrgyz Republic	795	816	21	-	-	795	816	21
8	Mineral Trade LLC	213	213	-	-	-	213	213	-
<b>Total sum of payments made by companies extracting non-ferrous and rare earth metals</b>		<b>108,611</b>	<b>151,045</b>	<b>42,434</b>	<b>30,936</b>	<b>(5,730)</b>	<b>139,547</b>	<b>145,315</b>	<b>5,768</b>
<b>Oil and gas</b>									
1	JSC Kyrgyzneftegaz	639,528	622,510	(17,018)	-	-	639,528	622,510	(17 018)
2	OJSC Batkenneftegaz	36,229	35,541	(688)	-	2,389	36,229	37,930	1 702
3	South Derrick LLC	997,675	4,464	(993,212)	(996,678)	-	998	4,464	3 466
4	CJSC Textonic	4,094,054	932	(4,093,122)	(4,089,960)	-	4,094	932	(3 162)
5	CJSC GlavNefteGaz	1,774	702	(1,071)	-	-	1,774	702	(1 071)
<b>Total sum of payments made by companies extracting oil and gas</b>		<b>5 769 259</b>	<b>664,149</b>	<b>(5,105,110)</b>	<b>(5,086,637)</b>	<b>2,389</b>	<b>682,622</b>	<b>666,538</b>	<b>(16,084)</b>
<b>Coal</b>									
1	Parity Coal LLC	70,454	67,125	(3,329)	-	-	70,454	67,125	(3 329)

№	Company name	The amount, according to the companies, thousand of soms	The amount, according to the state bodies, thousand of soms	The difference, thousand of soms	Corrections made by companies, thousand of soms	Corrections made by state bodies, thousand of soms	The final amount, according to the companies, thousand of soms	The final amount, according to the state bodies, thousand of soms	The difference, thousand of soms
2	CJSC Bereket	47,090	45,084	(2,006)	-	1,994	47,090	47,078	(12)
3	Uzgen Energo Coal LLC	28,025	27,912	(113)	-	-	28,025	27,912	(113)
4	Nur LLC	24,150	24,286	136	-	-	24,150	24,286	136
5	CJSC Sharbon	18,704	24,040	5,336	-	-	18,704	24,040	5 336
6	Ibraimov LLC	20,592	20,292	(300)	-	300	20,592	20,592	(0)
7	Ak Bulak Komur LLC	18,098	19,728	1,630	(221)	-	17,877	19,728	1 851
8	Pand-Sher LLC	19,096	18,402	(694)	-	-	19,096	18,402	(694)
9	Too Invest Mining LLC	18,599	18,185	(414)	-	-	18,599	18,185	(414)
10	Maripov LLC	13,891	14,867	976	-	-	13,891	14,867	976
11	Kyzyl-Bulak LLC	3,071,332	16,062	(3,055,270)	(3,056,013)	(1,586)	15,319	14,476	(843)
12	JSC Sulukta Komur	14,647	13,810	(837)	-	-	14,647	13,810	(837)
13	OJSC Suluktashakhtakurulush	11,788	12,071	282	-	(289)	11,788	11,781	(7)
14	Busurmankul-T LLC	9,259	9,623	364	-	-	9,259	9,623	364
15	Tegene LLC	8,551	8,518	(33)	-	-	8,551	8,518	(33)
16	OJSC Kyzyl-Kiya Komur	3,585	4,808	1,223	-	-	3,585	4,808	1 223
17	OJSC Jungal Suu Kurulush	2,137	3,104	967	-	-	2,137	3,104	967
18	Ak Jol Komur LLC	2,545	2,545	0	-	-	2,545	2,545	0
19	Suluktu-Karabulak LLC	2,556	2,366	(190)	216	-	2,771	2,366	(405)
20	Kara-Keche Mining Company	19,756	2,310	(17,446)	-	-	19,756	2,310	(17 446)
21	Nark-Too LLC	527	329	(198)	-	-	527	329	(198)



№	Company name	The amount, according to the companies, thousand of soms	The amount, according to the state bodies, thousand of soms	The difference, thousand of soms	Corrections made by companies, thousand of soms	Corrections made by state bodies, thousand of soms	The final amount, according to the companies, thousand of soms	The final amount, according to the state bodies, thousand of soms	The difference, thousand of soms
22	Tulek Mine LLC	272	209	(64)	-	13	272	222	(51)
23	OJSC Jyrgalan Mine	46	46	-	-	-	46	46	-
<b>Total sum of payments made by companies extracting coal</b>		<b>3 425 699</b>	<b>355,722</b>	<b>(3,069,977)</b>	<b>(3,056,018)</b>	<b>431</b>	<b>369,681</b>	<b>356,154</b>	<b>(13,528)</b>
<b>Construction materials</b>									
1	CJSC South Kyrgyz Cement	406,638	394,763	(11,876)	-	8,930	406,638	403,693	(2 945)
2	Southern Building Materials Plant LLC	118,190	95,579	(22,612)	(22,580)	-	95,610	95,579	(32)
3	OJSC Kum Shagyl	47,610	47,024	(586)	-	419	47,610	47,443	(167)
4	Dannur South LLC	41,832	41,134	(698)	-	-	41,832	41,134	(698)
5	OJSC Reinforced Concrete Plant	19,907	21,820	1,913	3,036	50	22,943	21,870	(1 073)
6	OJSC Kyrgyz Too-Tash	13,192	12,234	(958)	-	948	13,192	13,182	(10)
7	JSC Silikat	7,155,323	7,217	(7,148,106)	(7,147,644)	-	7,679	7,217	(462)
8	ESK LTD LLC	7,370	6,514	(855)	-	-	7,370	6,514	(855)
9	Dary-Bulak-Abshir	5,612	5,645	34	-	-	5,612	5,645	34
10	JSC Nur KM	4,072	4,091	18	-	(2)	4,072	4,089	17
11	OJSC Bishkekstroyaterialy	1,499	1,479	(20)	-	-	1,499	1,479	(20)
12	Orion Mining Company LLC	1,335	992	(343)	-	-	1,335	992	(343)
13	OJSC Kyrgyz-Tash	2,307	221	(2,086)	-	32	2,307	253	(2 053)
<b>Total sum of payments made by companies extracting construction materials</b>		<b>7 824 887</b>	<b>638,712</b>	<b>(7,186,175)</b>	<b>(7,167,188)</b>	<b>10,378</b>	<b>657,699</b>	<b>649,090</b>	<b>(8,609)</b>
<b>Total:</b>		<b>24 659 844</b>	<b>8,304,315</b>	<b>(16,355,529)</b>	<b>(15,518,289)</b>	<b>520,945</b>	<b>9,141,555</b>	<b>8,825,260</b>	<b>(316,295)</b>

Table 21

Information on payments made by mining companies in 2014 (by each company)

№	Company name	The amount, according to the companies, thousand of soms	The amount, according to the state bodies, thousand of soms	The difference, thousand of soms	Corrections made by companies, thousand of soms	Corrections made by state bodies, thousand of soms	The final amount, according to the companies, thousand of soms	The final amount, according to the state bodies, thousand of soms	The difference, thousand of soms
<b>Precious metals</b>									
1	CJSC Kumtor Gold Company	6,683,008	6,227,458	(455,550)	-	212,523	6,683,008	6,439,981	(243 027)
2	OJSC Kyrgyzaltyn	338,078	337,518	(560)	-	93	338,078	337,611	(467)
3	Altynken LLC	316,911	327,722	10,811	7,920	2,808	324,831	330,530	5 699
4	Kazakhmys Gold Kyrgyzstan LLC	167,589	151,266	(16,323)	156	3,764	167,744	155,031	(12 714)
5	Vertex Gold Company LLC	135,884	117,165	(18,719)	-	(10,182)	135,884	106,983	(28 901)
6	Full Gold Mining LLC	55,391	56,676	1,285	1,107	-	56,498	56,676	178
7	CJSC Chaarat Zaav	55,564	48,476	(7,088)	-	-	55,564	48,476	(7 088)
8	LLC Kaidi Mining Investment Company	20,101	20,072	(29)	-	2,659	20,101	22,731	2 629
9	CJSC Kichi-Chaarat	30,334	16,513	(13,821)	-	-	30,334	16,513	(13 821)
10	Fonta LLC	18,823	146,947	128,124	-	(130,720)	18,823	16,227	(2 596)
11	LLC Noelia Group	10,347	15,754	5,407	-	-	10,347	15,754	5 407
12	LLC Highland Exploration	9,619	10,031	412	5	1,584	9,624	11,614	1 991
13	LLC Andash Mining Company	8,520	8,520	-	-	-	8,520	8,520	(0)
14	LLC Palladex KR	5,106	7,481	2,375	-	-	5,106	7,481	2 375
15	Eventus LLC	8,292	51,808	43,516	-	(45,698)	8,292	6,110	(2 182)
16	Batken Mining Company LLC	4,151	3,968	(182)	41	152	4,192	4,120	(72)

№	Company name	The amount, according to the companies, thousand of soms	The amount, according to the state bodies, thousand of soms	The difference, thousand of soms	Corrections made by companies, thousand of soms	Corrections made by state bodies, thousand of soms	The final amount, according to the companies, thousand of soms	The final amount, according to the state bodies, thousand of soms	The difference, thousand of soms
17	Dolina Kassana LLC	839,152	2,493	(836,659)	(836,053)	-	3,099	2,493	(605)
18	Kai Enterprises LLC	2,604	93,105	90,501	-	(91,019)	2,604	2,086	(518)
<b>Total sum of payments made by companies extracting precious metals</b>		<b>8 709 473</b>	<b>7,642,974</b>	<b>(1,066,499)</b>	<b>(826,825)</b>	<b>(54,037)</b>	<b>7,882,648</b>	<b>7,588,937</b>	<b>(293,712)</b>
<b>Non-ferrous and rare earth metals</b>									
1	Tereksai Jashtary LLC	221,879	323,539	101,660	-	(101,558)	221,879	221,981	102
2	JSC Khaidarkan Mercury	24,101	23,669	(432)	-	(1,888)	24,101	21,781	(2 320)
3	Branch of MERIT MORE INVESTMENT LIMITED	11,124	11,112	(12)	-	-	11,124	11,112	(12)
4	Central Asian Tin Company LLC	4,520	9,795	5,274	-	1,286	4,520	11,081	6 560
5	Branch of SPARKLER MINING INC.	9,102	9,138	36	-	-	9,102	9,138	36
6	Kutisay Mining LLC	4,566	8,967	4,401	4,409	-	8,975	8,967	(8)
7	Chauvai-Ken LLC	38,519	22,621	(15,898)	(35,216)	(19,980)	3,303	2,641	(662)
8	Saryjaz Mineral Mining Company LLC	2,131	2,001	(129)	-	-	2,131	2,001	(129)
<b>Total sum of payments made by companies extracting non-ferrous and rare earth metals</b>		<b>315 941</b>	<b>410,842</b>	<b>94,900</b>	<b>(30,807)</b>	<b>(122,141)</b>	<b>285,134</b>	<b>288,701</b>	<b>3,566</b>
<b>Oil and gas</b>									
1	OJSC Kyrgyzneftegaz	655,498	557,859	(97,640)	-	1,813	655,498	559,672	(95,827)
2	CJSC Textonic	289,553	6,081	(283,472)	(283,546)	-	6,007	6,081	74
3	South Derrick LLC	1,037	1,232	195	-	-	1,037	1,232	195
<b>Total sum of payments made by companies extracting oil and gas</b>		<b>946,088</b>	<b>565,172</b>	<b>(380,917)</b>	<b>(283,546)</b>	<b>1,813</b>	<b>662,543</b>	<b>566,985</b>	<b>(95,558)</b>

№	Company name	The amount, according to the companies, thousand of soms	The amount, according to the state bodies, thousand of soms	The difference, thousand of soms	Corrections made by companies, thousand of soms	Corrections made by state bodies, thousand of soms	The final amount, according to the companies, thousand of soms	The final amount, according to the state bodies, thousand of soms	The difference, thousand of soms
<b>Coal</b>									
1	CJSC Bereket	112,389	45,768	(66,621)	(64,587)	232	47,802	46,000	(1 802)
2	UzgenEnergougol LLC	32,567	41,734	9,167	245	(9,171)	32,812	32,563	(249)
3	Pand-Sher LLC	31,756	30,807	(949)	-	-	31,756	30,807	(949)
4	AGK-Too Invest LLC	34,794	28,624	(6,170)	-	1,245	34,794	29,869	(4 925)
5	CJSC Sharbon	16,990	220,815	203,825	-	(198,742)	16,990	22,072	5 083
6	Ak-Bulak Komur LLC	18,708	18,752	44	-	181	18,708	18,933	225
7	Tegene LLC	19,349	17,233	(2,116)	-	-	19,349	17,233	(2 116)
8	Ibragimov LLC	16,956	16,421	(536)	-	250	16,956	16,671	(285)
9	Nur LLC	16,740	16,583	(157)	-	-	16,740	16,583	(157)
10	Maripov LLC	9,895	15,173	5,278	-	-	9,895	15,173	5 278
11	Kyzyl-Bulak LLC		14,753	14,753	14,616	-	14,616	14,753	136
12	Parity Coal LLC	70,570	30,986	(39,584)	(109)	(16,669)	70,461	14,317	(56 144)
13	Ak-Tilek-1 LLC	52,370	10,320	(42,050)	(44,955)	-	7,415	10,320	2 905
14	Demile Plus LLC	2,277	464,486	462,208	-	(454,955)	2,277	9,531	7 254
15	State JSC Suluktashakhtokurulush	9,522	9,482	(40)	-	36	9,522	9,518	(4)
16	JSC Jumgal Suu Kurulush	3,876	10,595	6,720	-	(4,130)	3,876	6,465	2 589
17	Ak Jol Komur dogerdin koomu LLC	4,638	22,495	17,857	-	(17,799)	4,638	4,696	58
18	You and Me LLC	4,376	104,178	99,803	-	(99,900)	4,376	4,278	(97)
19	JSC Kyzyl-Kia Komur	4,178	53,852	49,674	-	(49,732)	4,178	4,120	(58)

№	Company name	The amount, according to the companies, thousand of soms	The amount, according to the state bodies, thousand of soms	The difference, thousand of soms	Corrections made by companies, thousand of soms	Corrections made by state bodies, thousand of soms	The final amount, according to the companies, thousand of soms	The final amount, according to the state bodies, thousand of soms	The difference, thousand of soms
20	Kench Stroi LLC	5,892	6,082	190	-	(3,476)	5,892	2,605	(3 287)
21	Raimberdiev LLC	2,596	2,296	(300)	(262)	-	2,334	2,296	(38)
22	Naryn Kmur LLC	1,879	31,479	29,600	-	(29,970)	1,879	1,509	(370)
23	Narktoo LLC	1,444	1,175	(269)	-	-	1,444	1,175	(269)
24	Erkin Ken LLC	549,225	916	(548,310)	(548,178)	(513)	1,047	403	(644)
25	Bozbu-Ata LLC	2,094	361	(1,733)	-	-	2,094	361	(1 733)
26	Tilek Shakhtasy LLC	241	204	(37)	-	(7)	241	197	(44)
<b>Total sum of payments made by companies extracting coal</b>		<b>1 025 321</b>	<b>1,215,570</b>	<b>190,249</b>	<b>(643,230)</b>	<b>(883,120)</b>	<b>382,091</b>	<b>332,450</b>	<b>(49,641)</b>
<b>Nonmetallic mineral resources</b>									
1	Dannur-Yug LLC	31,833	217,122	185,289	-	(185,612)	31,833	31,510	(323)
2	OJSC Too Tash	17,154	17,027	(126)	-	49	17,154	17,076	(77)
3	Aidoochu LLC	7,719	7,657	(62)	-	13	7,719	7,670	(49)
4	JSC NUR-KM	7,895	7,988	93	-	(508)	7,895	7,480	(416)
5	Dary-Bulak-Abshir LLC	6,092	24,271	18,179	-	(18,235)	6,092	6,036	(56)
6	Nur LLC	3,605	10,413	6,808	-	(5,632)	3,605	4,781	1 176
7	Esk LLC	5,269	21,369	16,101	-	(16,943)	5,269	4,426	(842)
8	Al-Tash Dordoi LLC	3,429	37,621	34,192	(442)	(34,945)	2,987	2,676	(311)
9	Spektr LLC	6,858	29,160	22,302	-	(27,572)	6,858	1,587	(5 270)
10	State JSC Kyrgyzetash	1,326	2,606	1,280	19	(1,275)	1,344	1,331	(13)

№	Company name	The amount, according to the companies, thousand of soms	The amount, according to the state bodies, thousand of soms	The difference, thousand of soms	Corrections made by companies, thousand of soms	Corrections made by state bodies, thousand of soms	The final amount, according to the companies, thousand of soms	The final amount, according to the state bodies, thousand of soms	The difference, thousand of soms
11	Kurmanbek LLC	1,331	24,555	23,224	-	(23,230)	1,331	1,325	(6)
12	San He Mining Company LLC		1,315	1,315	10,724	10	10,724	1,325	(9 399)
13	Sary-Tash Steel Construction LLC	1,168	1,019	(148)	-	-	1,168	1,019	(148)
14	Mega Union Industry LLC	845	140,310	139,465	-	(139,443)	845	867	22
<b>Total sum of payments made by companies extracting nonmetallic mineral resources</b>		<b>94,523</b>	<b>542,434</b>	<b>447,911</b>	<b>10,301</b>	<b>(453,324)</b>	<b>104,823</b>	<b>89,110</b>	<b>(15,713)</b>
<b>Construction materials</b>									
1	CJSC South Kyrgyz Cement	522,056	507,648	(14,408)	-	13,810	522,056	521,458	(598)
2	Southern Construction Materials Combine LLC		124,813	124,813	123,304	-	123,304	124,813	1 508
3	OJSC Kum-Shagyl	50,557	50,213	(344)	-	-	50,557	50,213	(344)
4	Ak On Ish LLC	84,152	23,590	(60,562)	(60,569)	339	23,583	23,929	346
5	BKZ LLC	22,498	22,824	326	-	(252)	22,498	22,572	74
6	OJSC Reinforced Concrete Plant-4	16,459	16,372	(87)	569	-	17,028	16,372	(656)
7	Bai-Tash LLC	-	13,478	13,478	-	-	-	13,478	13 478
8	Tabylgy LLC	11,798	11,698	(100)	-	-	11,798	11,698	(100)
9	OJSC Azattyk	1,390	11,377	9,988	9,848	(140)	11,237	11,237	-
10	OJSC Osh Ak-Tash	10,438	8,530	(1,909)	-	-	10,438	8,530	(1 909)
11	Most Group LLC	10,019	8,155	(1,864)	-	-	10,019	8,155	(1 864)
12	OJSC Polybeton	5,011	7,471	2,460	2,525	-	7,536	7,471	(65)
13	CJSCBulak ABI	6,583	6,171	(413)	-	406	6,583	6,577	(7)

№	Company name	The amount, according to the companies, thousand of soms	The amount, according to the state bodies, thousand of soms	The difference, thousand of soms	Corrections made by companies, thousand of soms	Corrections made by state bodies, thousand of soms	The final amount, according to the companies, thousand of soms	The final amount, according to the state bodies, thousand of soms	The difference, thousand of soms
14	Toru LLC		5,630	5,630	613	-	613	5,630	5 017
15	Baitur Building LLC		5,161	5,161	8	-	8	5,161	5 153
16	OJSC Yuzhremstroi	2,505	4,874	2,369	-	-	2,505	4,874	2 369
17	CJSC Jalal-Abad Construction TT	5,020	4,345	(675)	-	-	5,020	4,345	(675)
18	YuVM-Service LLC	2,559	5,227	2,668	-	(1,494)	2,559	3,733	1 173
19	Reinforced concrete Stroindustria LLC	5,176	3,512	(1,663)	-	-	5,176	3,512	(1 663)
20	Munduz Brick Factory LLC	2,146	3,383	1,237	-	(135)	2,146	3,249	1 102
21	Ulan-Chi LLC	2,819	2,948	129	-	-	2,819	2,948	129
22	BIOR LLC	4,102	2,797	(1,306)	-	-	4,102	2,797	(1 306)
23	Da Shan LLC	-	2,464	2,464	2,727	20	2,727	2,484	(242)
24	New Soft LLC	-	2,332	2,332	2,278	-	2,278	2,332	53
25	Unik LLC	1,892,209	1,761	(1,890,448)	(1,890,317)	1	1,892	1,762	(130)
26	Oshstroiservice LLC	-	1,344	1,344	5,154	-	5,154	1,344	(3 810)
27	JSC Jibek-Jol	1,776	1,212	(563)	-	-	1,776	1,212	(563)
28	Neboskreb LLC	1,139	924	(215)	54	-	1,193	924	(269)
<b>Total sum of payments made by companies extracting construction materials</b>		<b>2 660 412</b>	<b>860,255</b>	<b>(1,800,157)</b>	<b>(1,803,806)</b>	<b>12,554</b>	<b>856,606</b>	<b>872,809</b>	<b>16,203</b>
<b>Total:</b>		<b>13 751 758</b>	<b>11,237,246</b>	<b>(2,514,512)</b>	<b>(3,577,913)</b>	<b>(1,498,255)</b>	<b>10,173,845</b>	<b>9,738,991</b>	<b>(434,855)</b>

The following tables show the data of state authorities on the companies that have not submitted their reports, and therefore they are not presented in the scope of data reconciliation: 6 companies for 2013 and 39 companies for 2014

Table 22

**Information on payments made by companies that have provided reports in 2013**

№	Company name	The amount, according to the companies, thousand of soms	The amount, according to the state bodies, thousand of soms	The difference, thousand of soms	Corrections made by companies, thousand of soms	Corrections made by state bodies, thousand of soms	The final amount, according to the companies, thousand of soms	The final amount, according to the state bodies, thousand of soms	The difference, thousand of soms
<b>Precious metals</b>									
1	Kalton LLC	-	1,966	1,966	0	(129)	-	1,837	1 837
2	Kasana Valley LLC	-	735	735	0	0	-	735	735
3	Kasansay-Ata LLC	-	0	0	0	0	-	0	0
4	Interbusiness LLC	-	0	0	0	0	-	0	0
<b>Total sum of payments made by companies extracting precious metals</b>		-	<b>2,701</b>	<b>2,701</b>	-	-	-	<b>2,572</b>	<b>2,572</b>
<b>Coal</b>									
1	Masaliev Besh-Burkan Mine LLC	-	1,270	1,270	0	0	-	1,270	1 270
<b>Total sum of payments made by companies extracting coal</b>		-	<b>1,270</b>	<b>1,270</b>	<b>0</b>	<b>0</b>	-	<b>1,270</b>	<b>1,270</b>
<b>Construction materials</b>									
1	OJSC Iygilik	-	1,522	1,522	0	0	-	1,522	1 522
<b>Total sum of payments made by companies extracting construction materials</b>		-	<b>1,522</b>	<b>1,522</b>	<b>0</b>	<b>0</b>	-	<b>1,522</b>	<b>1,522</b>
<b>Total:</b>		-	<b>5,493</b>	<b>5,493</b>	<b>0</b>	<b>0</b>	-	<b>5,365</b>	<b>5,365</b>

Table 23

## Information on payments made by companies that have provided reports in 2014

№	Company name	The amount, according to the companies, thousand of soms	The amount, according to the state bodies, thousand of soms	The difference, thousand of soms	Corrections made by companies, thousand of soms	Corrections made by state bodies, thousand of soms	The final amount, according to the companies, thousand of soms	The final amount, according to the state bodies, thousand of soms	The difference, thousand of soms
<b>Precious metals</b>									
1	CJSC Z-Explorer	-	35,975	35,975	0	0	-	35,975	35 975
<b>Total sum of payments made by companies extracting precious metals</b>		-	<b>35,975</b>	<b>35,975</b>	<b>0</b>	<b>0</b>	-	<b>35,975</b>	<b>35,975</b>
<b>Coal</b>									
1	Razrez Busurmankul-T LLC	-	43,682	43,682	0	-	-	43,682	43 682
2	Abke LLC	-	184,175	184,175	0	(179,816)	-	4,358	4 358
3	Panj Sher LLC	-	2,733	2,733	0	-	-	2,733	2 733
4	Shakhta Besh-Burkhan Komur LLC	-	1,403	1,403	0	-	-	1,403	1 403
5	Tashkomur ShSU LLC	-	1,225	1,225	0	-	-	1,225	1 225
6	Norus Coal LLC	-	764	764	0	-	-	764	764
<b>Total sum of payments made by companies extracting coal</b>		-	<b>233,980</b>	<b>233,980</b>	-	<b>(179,816)</b>	-	<b>54,164</b>	<b>54,164</b>
<b>Nonmetallic mineral resources</b>									
1	Orion Mining Company LLC	-	7,347	7,347	0	0	-	7,347	7 347
2	SmAn-007 LLC	-	1,513	1,513	0	0	-	1,513	1 513
3	Tuz-Bel Tash LLC	-	940	940	0	0	-	940	940
4	Kereit LLC	-	872	872	0	0	-	872	872
5	Ailin Tash LLC	-	741	741	0	0	-	741	741
6	Burana Plus LLC	-	297	297	0	0	-	297	297
7	Ismail Kaiydy Cooperative	-	113	113	0	0	-	113	113
8	TITAN LLC	-	12	12	0	0	-	12	12
9	Temirlan Nauss LLC	-	8	8	0	0	-	8	8
10	Yntymak KG LLC	-	0	0	0	0	-	0	0

№	Company name	The amount, according to the companies, thousand of soms	The amount, according to the state bodies, thousand of soms	The difference, thousand of soms	Corrections made by companies, thousand of soms	Corrections made by state bodies, thousand of soms	The final amount, according to the companies, thousand of soms	The final amount, according to the state bodies, thousand of soms	The difference, thousand of soms
<b>Total sum of payments made by companies extracting nonmetallic mineral resources</b>		-	11,844	11,844	-	-	-	11,844	11,844
<b>Construction materials</b>									
1	OJSC Kyrgyzenergostroi	-	25,086	25,086	0	-	-	25,086	25 086
2	Syn-Tash LLC	-	22,820	22,820	0	70	-	22,889	22 889
3	Avtotransstroi LLC	-	16,022	16,022	0	-	-	16,022	16 022
4	OJSC Reinforced Concrete Plant	-	14,710	14,710	0	-	-	14,710	14 710
5	Smutt LLC	-	7,339	7,339	0	-	-	7,339	7 339
6	Tokoshev LLC	-	6,753	6,753	0	-	-	6,753	6 753
7	CJSC Silikat	-	6,239	6,239	0	-	-	6,239	6 239
8	Kara-Balta ESI LLC	-	6,155	6,155	0	-	-	6,155	6 155
9	Kara-Balta Jol Kurulush LLC	-	6,032	6,032	0	-	-	6,032	6 032
10	Japaraliyev Melisbek Omurbekovich (sole trader)	-	505,360	505,360	0	(499,500)	-	5,860	5 860
11	JSC Bolot	-	4,802	4,802	0	-	-	4,802	4 802
12	Arek Stroi LLC	-	4,581	4,581	0	-	-	4,581	4 581
13	Burvod LLC	-	2,537	2,537	0	-	-	2,537	2 537
14	KanTiMal LLC	-	2,510	2,510	0	10	-	2,520	2 520
15	Eldos LLC	-	2,446	2,446	0	-	-	2,446	2 446
16	Shin Khu-Kurulush Keramika LLC	-	2,076	2,076	0	-	-	2,076	2 076
17	Safari LLC	-	2,048	2,048	0	-	-	2,048	2 048
18	Intergelpo LLC	-	1,984	1,984	0	-	-	1,984	1 984
19	Betonspetsstroi LLC	-	1,731	1,731	0	10	-	1,741	1 741
20	Corporation Asced LLC	-	1,139	1,139	0	-	-	1,139	1 139
21	ATS-Group LLC	-	855	855	0	-	-	855	855
22	JM Company LLC	-	528	528	0	97	-	625	625
<b>Total sum of payments made by companies extracting construction materials</b>		-	643,753	643,753	-	(499,313)	-	144,440	144,440
<b>Total:</b>		-	925,552	925,552	-	(679,130)	-	246,423	246,423

The tables of this section present reconciliation data for each type of payment of all companies for 2013 and 2014. In calculating the differences, data from the government authorities were taken as "basic" values. Therefore, when the table shows in a negative value of the difference - this means that the total number for that particular payment according to data from the government authorities is greater than the figure according to data from the companies.

## Tax payments

### 7.3.1 Individual income tax

	Results of primary analysis of data, thousand of soms	Adjustment of data based on results of responses to clarifying requests, thousand of soms	Finalized data after reconciliation and clarification, thousand of soms
<b>2013</b>			
Data of companies	2,260,440.90	(1,806,579.69)	453,861.21
Data of state bodies	452,874.75	1,077.15	453,951.90
Discrepancies	(1,807,566.15)	1,807,656.84	90.69
<b>2014</b>			
Data of companies	563,099.78	(46,791.06)	516,308.73
Data of state bodies	497,433.60	18,227.80	515,661.40
Discrepancies	(65,666.18)	65,018.86	(647.33)

The amount of discrepancy on individual income tax between data of companies and data of the government amounted to 90,69 thousand of soms for 2013 and 647,33 thousand of soms for 2014. The differences by companies for 2013 and 2014 are presented in the tables below.

#### 2013

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
1	Kutesay Mining	-	1,076.30	1,076.30
2	Kyrgyzneftegas	52,234.30	52,528.50	294.20
3	Kumtor Gold Company	212,700.00	212,979.10	279.10
4	Zhumgal suu kurulus	104.65	358.10	253.45
5	Kadamzhai Antimony Intergrated Plant	6,237.58	6,399.60	162.02
6	Concrete Products Plant	1,467.80	1,566.70	98.90
7	Alтынken	11,678.90	11,733.70	54.80
8	Kyrgyzaltyn	36,875.90	36,923.20	47.30
9	Suluktu-Karabulak	254.10	267.60	13.50
10	Batkenneftegas	946.50	951.10	4.60
11	Kai Enterprise	71.70	75.20	3.50

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
12	Tekstonik	42.71	45.30	2.59
13	Southern integrated plant of construction materials	5,419.00	5,419.70	0.70
14	Kaidi Mining Investment Company	4,835.70	4,835.80	0.10
15	Dary-Bulak-Abshir	307.05	307.10	0.05
16	Silikat	252.08	252.10	0.02
17	Yuzhnyi Derrik	32.60	32.60	(0.00)
18	Sulyuktashakhtakurulush	1,248.70	1,248.60	(0.10)
19	ELKO-service	9.15	4.60	(4.55)
20	Orion Mining Company	80.50	70.90	(9.60)
21	Tulek Mine	21.70	8.50	(13.20)
22	Ak Bulak komur	1,420.80	1,363.70	(57.10)
23	Kyrgyz-Tash	67.50	5.20	(62.30)
24	Nur	2,605.00	1,962.00	(643.00)
25	Kara-Keche	1,410.60	-	(1,410.60)

**2014**

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
1	Periti Koul LLC	2,401.60	-	(2,401.60)
2	Kyrgyzneftegas OJSC	50,061.90	49,703.50	(358.40)
3	Concrete Products Plant OJSC	1,296.50	1,037.70	(258.80)
4	Palladex KR LLC	206.80	-	(206.80)
5	Dannur Yug LLC	1,243.60	1,043.60	(200.00)
6	Most Group LLC	363.50	266.30	(97.20)
7	Toru LLC	95.60	-	(95.60)
8	ESK LTD LLC	563.20	471.20	(92.00)
9	Oshstroyservice LLC	128.40	41.70	(86.70)
10	Spectr OJSC	44.60	-	(44.60)
11	Erkin Ken LLC	31.28	-	(31.28)
12	Bozbu Ata LLC	22.40	-	(22.40)
13	Kyrgyzaltyn OJSC	33,624.30	33,605.60	(18.70)
14	Zhalalabatskoye SMU TT CJSC	171.10	152.80	(18.30)
15	Da Shan LLC	179.30	161.30	(18.00)
16	Tilek Shakhtasy LLC	17.10	1.20	(15.90)
17	Demilge plus LTD LLC	13.40	-	(13.40)
18	San Khe Mining Company LLC	106.90	95.00	(11.90)
19	Kench Stroy LLC	52.90	48.20	(4.70)
20	Bereket CJSC	2,923.00	2,919.50	(3.50)

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
21	ZhBI-Stroyindustriya LLC	87.00	84.10	(2.90)
22	BIOR LLC	154.00	152.00	(2.00)
23	New Soft LLC	107.80	106.60	(1.20)
24	LLC after Raimberdyev	240.00	239.80	(0.20)
25	Kum-Shagyl OJSC	5,133.50	5,133.40	(0.10)
26	Dary-Bulak-Abshir LLC	302.62	302.60	(0.02)
27	Chauvai Ken LLC	463.11	463.10	(0.00)
28	Southern integrated plant of construction materials LLC	15,380.09	15,380.10	0.01
29	Ak-Tilek-1 LLC	1,190.38	1,190.40	0.02
30	Dolina Kassana LLC	71.26	71.30	0.04
31	Bulak ABI CJSC	878.20	878.30	0.10
32	Yuzhnyi Derrik LLC	71.00	71.10	0.10
33	Munduz-Kirpich-Zavodu LLC	78.60	78.80	0.20
34	Tabylgy LLC	122.20	122.40	0.20
35	Kai Enterprise LLC	61.90	62.20	0.30
36	Zhibek-Zhol JSC	123.70	124.10	0.40
37	Aidoochu LLC	150.90	151.90	1.00
38	Branch of Merit More Investments Ltd joint-stock company in the Kyrgyz Republic	5.29	6.60	1.31
39	Chaarat Zaav CJSC	10,902.00	10,906.30	4.30
40	Yunik ltd LLC	33.77	39.80	6.03
41	Ak-Tash Dordoi LLC	215.80	223.30	7.50
42	Kichi-Chaarat CJSC	5,256.40	5,264.80	8.40
43	Yuzhremstroy OJSC	127.80	154.30	26.50
44	Osh Ak-Tash OJSC	927.60	965.10	37.50
45	ZhumgalSuuKurulush OJSC	77.23	365.60	288.37
46	Baitur Building LLC	-	319.90	319.90
47	Bai-Tash LLC	-	372.60	372.60
48	Altynken	23,562.20	24,635.20	1,073.00
49	Nur LLC	152.90	1,364.00	1,211.10

### 7.3.2 Income tax

	Results of primary analysis of data, thousand of soms	Adjustment of data based on results of responses to clarifying requests, thousand of soms	Finalized data after reconciliation and clarification, thousand of soms
<b>2013</b>			
Data of companies	1,822,642.10	(1,657,962.75)	164,679.35

	Results of primary analysis of data, thousand of soms	Adjustment of data based on results of responses to clarifying requests, thousand of soms	Finalized data after reconciliation and clarification, thousand of soms
Data of state bodies	211,909.75	(433.07)	211,476.68
Discrepancies	(1,610,732.35)	1,657,529.67	46,797.32
<b>2014</b>			
Data of companies	310,782.10	(128,763.49)	182,018.61
Data of state bodies	176,937.60	24,955.00	201,892.60
Discrepancies	(133,844.50)	153,718.49	19,873.99

The amount of discrepancy on income tax between data of companies and data of the government amounted to 46,797,32 thousand of soms for 2013 and 19,873,99 thousand of soms for 2014. As seen from the table below, the most significant difference for 2013 relates to Kyrgazaltyn due to the fact that part of the amount on this payment falls within EITI reporting indicator No.13 - *Other taxes and fees*. The differences by companies for 2013 and 2014 are presented in the tables below.

### 2013

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
1	Kara-Keche	548.40	-	(548.40)
2	Kyrgyz-Tash	15.00	-	(15.00)
3	ELKO-service	8.15	-	(8.15)
4	Tulek Mine	96.20	93.50	(2.70)
5	Dary-Bulak-Abshir	1,500.10	1,500.00	(0.10)
6	Yuzhnyi Derrik	50.03	50.00	(0.03)
7	Kyrgyzneftegas	43,236.90	43,237.00	0.10
8	Chatkal-17	67.40	67.80	0.40
9	Kum-Shagyl	3,694.60	3,698.50	3.90
10	Silikat	-	75.90	75.90
11	Zhumgal suu kurulus	47.60	146.00	98.40
12	Orion Mining Company	-	171.50	171.50
13	Ak Bulak komur	1,500.90	3,420.30	1,919.40
14	Kyrgyzaltyn	49,782.70	94,884.80	45,102.10

**2014**

<b>No.</b>	<b>Company name</b>	<b>Data of companies, thousand of soms</b>	<b>Data of state bodies, thousand of soms</b>	<b>Discrepancies, thousand of soms</b>
1	Periti Koul LLC	10,535.40	-	(10,535.40)
2	Demilge plus LTD LLC	416.30	-	(416.30)
3	Erkin Ken LLC	143.16	-	(143.16)
4	Toru LLC	117.00	-	(117.00)
5	Ak-Tash Dordoi LLC	63.00	(36.30)	(99.30)
6	BIOR LLC	69.50	-	(69.50)
7	Tilek Shakhtasy LLC	69.30	7.80	(61.50)
8	Zhalalabatskoye SMU TT CJSC	64.20	23.30	(40.90)
9	YuVM-Service LLC	100.00	59.80	(40.20)
10	New Soft LLC	-	(21.40)	(21.40)
11	Nur LLC	157.80	155.30	(2.50)
12	Uzgen Energo Ugol LLC	1,038.00	1,037.70	(0.30)
13	AGK-Too Invest LLC	1,842.70	1,842.60	(0.10)
14	Dary-Bulak-Abshir LLC	1,559.04	1,559.00	(0.04)
15	Kyzyl-Bulak LLC	883.20	883.30	0.10
16	Ak Bulak komur LLC	1,057.10	1,061.50	4.40
17	Most Group LLC	612.00	627.00	15.00
18	Da Shan LLC	51.90	71.30	19.40
19	Southern integrated plant of construction materials LLC	24,047.65	24,067.80	20.15
20	Mega union industry LLC	-	22.80	22.80
21	Kai Enterprise LLC	297.70	362.50	64.80
22	ZhumgalSuuKurulus OJSC	137.95	203.70	65.75
23	Osh Ak-Tash OJSC	-	178.20	178.20
24	Kench Stroy LLC	305.30	510.40	205.10
25	Dolina Kassana LLC	130.51	403.10	272.59
26	ZhBI-Stroyindustriya LLC	-	323.70	323.70
27	Bai-Tash LLC	-	861.30	861.30
28	LLC after T. Maripov	-	1,260.10	1,260.10
29	Yuzhremstroy OJSC	163.70	1,529.30	1,365.60
30	Kyrgyzaltyn OJSC	27,260.00	39,798.70	12,538.70
31	Vertex Gold Company LLC	-	14,203.90	14,203.90

### 7.3.3 Land tax

	Results of primary analysis of data, thousand of soms	Adjustment of data based on results of responses to clarifying requests, thousand of soms	Finalized data after reconciliation and clarification, thousand of soms
<b>2013</b>			
Data of companies	274,652.27	(248,934.75)	25,717.52
Data of state bodies	24,837.36	225.60	25,062.96
Discrepancies	(249,814.91)	249,160.35	(654.56)
<b>2014</b>			
Data of companies	88,907.89	(63,749.12)	25,158.77
Data of state bodies	24,329.30	703.80	25,033.10
Discrepancies	(64,578.59)	64,452.92	(125.67)

The amount of discrepancy on land tax between data of companies and data of the government amounted to 654,56 thousand of soms for 2013 and 125,67 thousand of soms for 2014. The differences by companies for 2013 and 2014 are presented in the tables below.

#### 2013

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
1	Kyrgyzneftegas	1,938.80	1,459.90	(478.90)
2	Dannur Yug	234.10	95.80	(138.30)
3	Periti Koul	240.30	124.80	(115.50)
4	ESK LTD	296.70	202.10	(94.60)
5	Yuzhno-Kyrgyzskiy Cement	1,017.60	984.90	(32.70)
6	ZHENNAZTEM	24.50	-	(24.50)
7	Kyrgyzaltyn	5,134.50	5,114.30	(20.20)
8	Kyrgyz-Tash	13.50	-	(13.50)
9	Concrete Products Plant	261.90	249.40	(12.50)
10	Kara-Keche	10.00	-	(10.00)
11	Tulek Mine	9.80	5.90	(3.90)
12	Bishkekstroyaterialy	250.00	248.60	(1.40)
13	Kyrgyz Too-Tash	256.70	255.40	(1.30)
14	Full Gold Company	140.90	140.30	(0.60)
15	Kum-Shagyl	406.70	406.60	(0.10)
16	Silikat	225.25	225.20	(0.05)
17	Batkenneftegas	2,392.80	2,393.80	1.00
18	Altynken	1,125.80	1,128.60	2.80

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
19	Zhumgal suu kurulusu	19.81	27.40	7.59
20	Kadamzhai Antimony Intergrated Plant	568.50	586.50	18.01
21	Dary-Bulak-Abshir	259.40	297.90	38.50
22	Kutesay Mining	-	225.60	225.60

**2014**

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
1	Periti Koul LLC	274.95	-	(274.95)
2	LLC after T. Maripov	229.40	-	(229.40)
3	Branch of Merit More Investments Ltd joint-stock company in the Kyrgyz Republic	220.40	-	(220.40)
4	Bozbu Ata LLC	135.58	-	(135.58)
5	ESK LTD LLC	253.50	213.20	(40.30)
6	Erkin Ken LLC	36.00	-	(36.00)
7	ZhBI-Stroyindustriya LLC	117.00	94.20	(22.80)
8	Nur LLC	22.70	-	(22.70)
9	Ak-Tash Dordoi LLC	22.00	0.20	(21.80)
10	Pandzh-Sher LLC	149.80	131.30	(18.50)
11	Toru LLC	36.00	20.00	(16.00)
12	ULAN-CHI LLC	12.90	-	(12.90)
13	Kyrgyzaltyn OJSC	4,688.40	4,676.30	(12.10)
14	Spectr OJSC	10.10	-	(10.10)
15	Palladex KR LLC	9.80	-	(9.80)
16	Demilge plus LTD LLC	5.20	-	(5.20)
17	LLC after Raimberdyev	6.00	0.90	(5.10)
18	Dolina Kassana LLC	72.01	67.90	(4.11)
19	Ak On Ish LLC	48.70	47.00	(1.70)
20	Kench Stroy LLC	3.60	1.90	(1.70)
21	Da Shan LLC	41.60	40.00	(1.60)
22	Full Gold Company LLC	147.40	146.90	(0.50)
23	Kazakhmys Gold Kyrgyzstan LLC	1,498.40	1,498.30	(0.10)
24	Uzgen Energo Ugol LLC	124.70	124.60	(0.10)
25	Bereket CJSC	1,100.60	1,100.50	(0.10)
26	Dary-Bulak-Abshir LLC	115.75	115.70	(0.05)
27	Branch of Sparkler Mining Inc	407.14	407.10	(0.04)
28	Oshstroyservice LLC	4.68	4.70	0.02
29	Bulak ABI CJSC	403.80	403.90	0.10

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
30	Southern integrated plant of construction materials LLC	107.00	107.10	0.10
31	Fonta LLC	78.90	79.00	0.10
32	Tabylgy LLC	24.60	24.70	0.10
33	New Soft LLC	45.50	45.60	0.10
34	BKZ LLC	97.80	97.90	0.10
35	Kum-Shagyl OJSC	506.90	507.00	0.10
36	Zhalalabatskoye SMU TT CJSC	54.50	54.90	0.40
37	YuVM-Service LLC	41.60	42.30	0.70
38	Kurmanbek LTD LLC	9.70	10.40	0.70
39	San Khe Mining Company LLC	341.60	343.10	1.50
40	Kyzyl-Kiya komur OJSC	215.90	217.90	2.00
41	Kyzyl-Bulak LLC	12.00	14.90	2.90
42	Chauvai Ken LLC	47.38	51.10	3.72
43	Tilek Shakhtasy LLC	9.80	14.60	4.80
44	Yunik ltd LLC	64.20	72.60	8.40
45	Osh Ak-Tash OJSC	1,150.90	1,160.40	9.50
46	Altynken	3,868.10	3,888.00	19.90
47	ZhumgalSuuKurulush OJSC	7.68	28.00	20.32
48	Bai-Tash LLC	-	22.00	22.00
49	Yuzhremstroy OJSC	23.00	49.00	26.00
50	Baitur Building LLC	-	54.30	54.30
51	BIOR LLC	53.40	117.90	64.50
52	Kyrgyzneftegas OJSC	1,401.40	1,493.70	92.30
53	Concrete Products Plant OJSC	0.00	276.60	276.60
54	Tegene LLC	119.90	486.60	366.70

### 7.3.4 Property tax

	Results of primary analysis of data, thousand of soms	Adjustment of data based on results of responses to clarifying requests, thousand of soms	Finalized data after reconciliation and clarification, thousand of soms
<b>2013</b>			
Data of companies	298,400.82	(282,447.60)	15,953.22
Data of state bodies	15,560.12	(177.70)	15,382.42
Discrepancies	(282,840.70)	282,269.90	(570.80)
<b>2014</b>			

	<b>Results of primary analysis of data, thousand of soms</b>	<b>Adjustment of data based on results of responses to clarifying requests, thousand of soms</b>	<b>Finalized data after reconciliation and clarification, thousand of soms</b>
Data of companies	17,997.24	(3.69)	17,993.55
Data of state bodies	17,787.69	313.50	18,101.19
Discrepancies	(209.55)	317.19	107.64

The amount of discrepancy on property tax between data of companies and data of the government amounted to 570,80 thousand of soms for 2013 and 107,64 thousand of soms for 2014. The differences by companies for 2013 and 2014 are presented in the tables below.

### 2013

<b>No.</b>	<b>Company name</b>	<b>Data of companies, thousand of soms</b>	<b>Data of state bodies, thousand of soms</b>	<b>Discrepancies, thousand of soms</b>
1	Kaidi Mining Investment Company	446.30	99.80	(346.50)
2	Periti Koul	1,152.00	968.90	(183.10)
3	Kutesay Mining	-	(177.70)	(177.70)
4	Kara-Keche	132.50	-	(132.50)
5	Silikat	283.09	182.50	(100.59)
6	Kyrgyz-Tash	48.70	-	(48.70)
7	Concrete Products Plant	339.80	307.90	(31.90)
8	Kyrgyzaltyn	3,041.30	3,030.20	(11.10)
9	Andash Mining Company	119.60	112.10	(7.50)
10	Suluktu-Karabulak	6.00	-	(6.00)
11	Kyrgyzneftegas	1,232.50	1,226.80	(5.70)
12	ESK LTD	46.50	45.10	(1.40)
13	Nur	106.90	106.80	(0.10)
14	Ak Bulak komur	68.80	68.70	(0.10)
15	Sulyukta komur	77.00	76.90	(0.10)
16	Kadamzhai Antimony Intergrated Plant	363.30	363.30	(0.00)
17	Bereket	2,815.40	2,815.50	0.10
18	Altynken	199.80	200.30	0.50
19	ELKO-service	-	9.90	9.90
20	Yuzhnyi Derrick	-	13.10	13.10
21	Dary-Bulak-Abshir	13.60	43.80	30.20
22	Zhumgal suu kurulusu	-	74.30	74.30
23	Chatkal-17	5.30	80.30	75.00
24	Southern integrated plant of construction materials	46.40	325.50	279.10

**2014**

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
1	Periti Koul LLC	1,450.10	-	(1,450.10)
2	Kench Stroy LLC	311.50	36.60	(274.90)
3	Bozbu Ata LLC	52.83	-	(52.83)
4	Spectr OJSC	113.20	76.60	(36.60)
5	Kyrgyzaltyn OJSC	3,365.90	3,332.80	(33.10)
6	Da Shan LLC	40.20	12.30	(27.90)
7	Nur LLC	65.30	38.00	(27.30)
8	ULAN-CHI LLC	11.70	2.50	(9.20)
9	Andash Mining Company LLC	119.60	112.10	(7.50)
10	Ak On Ish LLC	141.30	135.70	(5.60)
11	Palladex KR LLC	4.70	-	(4.70)
12	Zhibek-Zhol JSC	18.50	14.00	(4.50)
13	San Khe Mining Company LLC	30.11	27.70	(2.41)
14	Munduz-Kirpich-Zavodu LLC	8.30	6.50	(1.80)
15	ESK LTD LLC	42.70	41.30	(1.40)
16	Erkin Ken LLC	1.00	-	(1.00)
17	Chaarat Zaav CJSC	136.00	135.60	(0.40)
18	Kum-Shagyl OJSC	244.90	244.80	(0.10)
19	Ak-Tilek-1 LLC	45.25	45.20	(0.05)
20	Dary-Bulak-Abshir LLC	39.36	39.40	0.04
21	Bulak ABI CJSC	236.80	236.90	0.10
22	BIOR LLC	6.20	6.30	0.10
23	ZhBI-Stroyindustriya LLC	42.40	42.50	0.10
24	Tabylgy LLC	44.10	44.20	0.10
25	Ak-Tash Dordoi LLC	30.70	30.80	0.10
26	Aidoochu LLC	5.20	5.40	0.20
27	Kurmanbek LTD LLC	11.20	11.40	0.20
28	Bereket CJSC	2,812.40	2,814.39	1.99
29	Oshstroyservice LLC	-	10.00	10.00
30	Osh Ak-Tash OJSC	332.20	343.50	11.30
31	Kyrgyzneftegas OJSC	1,247.70	1,273.30	25.60
32	Kyzyl-Bulak LLC	22.90	89.40	66.50
33	ZhumgalSuuKurulus OJSC	-	74.70	74.70
34	Yuzhremstroy OJSC	57.80	165.20	107.40
35	Bai-Tash LLC	-	129.50	129.50
36	Baitur Building LLC	-	147.20	147.20
37	Branch of Merit More Investments Ltd joint-stock company in the Kyrgyz Republic	-	220.40	220.40
38	Concrete Products Plant OJSC	0.00	325.20	325.20

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
39	Southern integrated plant of construction materials LLC	-	346.20	346.20
40	Zhalalabatskoye SMU TT CJSC	138.80	720.90	582.10

### 7.3.5 VAT on internal products

	Results of primary analysis of data, thousand of soms	Adjustment of data based on results of responses to clarifying requests, thousand of soms	Finalized data after reconciliation and clarification, thousand of soms
<b>2013</b>			
Data of companies	3,831,896.91	(3,383,355.20)	448,541.71
Data of state bodies	435,237.20	(392.90)	434,844.30
Discrepancies	(3,396,659.71)	3,382,962.30	(13,697.41)
<b>2014</b>			
Data of companies	2,207,707.40	(1,647,488.07)	560,219.33
Data of state bodies	508,354.80	28,254.62	536,609.42
Discrepancies	(1,699,352.60)	1,675,742.69	(23,609.91)

The amount of discrepancy on VAT on internal products between data of companies and data of the government amounted to 13,697,41 thousand of soms for 2013 and 23,609,91 thousand of soms for 2014. The differences by companies for 2013 and 2014 are presented in the tables below.

#### 2013

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
1	Kara-Keche	13,589.90	-	(13,589.90)
2	Zhumgal suu kurulush	1,158.51	598.90	(559.61)
3	ESK LTD	1,859.50	1,371.90	(487.60)
4	Kyrgyz-Tash	363.00	-	(363.00)
5	Orion Mining Company	579.00	469.50	(109.50)
6	Ak Bulak komur	6,384.70	6,300.20	(84.50)
7	Bishkekstroyaterialy	666.40	666.30	(0.10)
8	Silikat	3,388.73	3,388.70	(0.03)
9	Kadamzhai Antimony Intergrated Plant	1,987.07	1,987.10	0.03

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
10	Kyrgyzneftegas	99,852.20	99,853.80	1.60
11	Uzgen Energo Ugol	11,005.10	11,011.10	6.00
12	Nur	7,925.30	8,311.00	385.70
13	Concrete Products Plant	4,532.70	5,636.20	1,103.50

**2014**

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
1	Periti Koul LLC	20,668.20	-	(20,668.20)
2	Oshstroysservice LLC	3,644.80	221.60	(3,423.20)
3	Osh Ak-Tash OJSC	2,649.70	-	(2,649.70)
4	Kench Stroy LLC	2,922.90	885.40	(2,037.50)
5	BIOR LLC	1,670.40	-	(1,670.40)
6	Kumtor Gold Company	6,366.00	4,860.60	(1,505.40)
7	Bozbu Ata LLC	1,445.06	-	(1,445.06)
8	Kyzyl-Bulak LLC	6,237.80	5,858.90	(378.90)
9	Erkin Ken LLC	374.29	-	(374.29)
10	New Soft LLC	982.90	703.90	(279.00)
11	ZhBI-Stroyindustriya LLC	1,271.00	1,048.50	(222.50)
12	Yunik ltd LLC	1,248.02	1,026.80	(221.22)
13	San Khe Mining Company LLC	200.30	-	(200.30)
14	Zhalalabatskoye SMU TT CJSC	2,308.10	2,173.60	(134.50)
15	Ak-Tash Dordoi LLC	1,050.60	959.40	(91.20)
16	Toru LLC	89.00	-	(89.00)
17	Tegene LLC	6,471.00	6,406.80	(64.20)
18	Spectr OJSC	395.60	345.00	(50.60)
19	Zhibek-Zhol JSC	550.60	506.20	(44.40)
20	Uzgen Energo Ugol LLC	14,977.40	14,977.10	(0.30)
21	LLC after Raimberdyev	840.00	839.80	(0.20)
22	Kyrgyzneftegas OJSC	82,705.60	82,705.50	(0.10)
23	YuVM-Service LLC	1,336.04	1,336.00	(0.04)
24	Southern integrated plant of construction materials LLC	18,829.32	18,829.30	(0.02)
25	Ak-Tilek-1 LLC	4,292.48	4,292.50	0.02
26	Most Group LLC	590.60	590.70	0.10
27	Dary-Bulak-Abshir LLC	290.00	290.30	0.30
28	LLC after T. Maripov	6,810.00	6,810.30	0.30
29	Tabylyg LLC	8,494.00	8,494.50	0.50

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
30	Kurmanbek LTD LLC	313.30	318.20	4.90
31	Da Shan LLC	1,009.40	1,079.50	70.10
32	Concrete Products Plant OJSC	3,983.20	4,083.20	100.00
33	Alтынкен	164.10	309.50	145.40
34	Yuzhremstroy OJSC	896.90	1,338.20	441.30
35	ZhumgalSuuKurulus OJSC	2,262.32	2,747.70	485.38
36	AGK-Too Invest LLC	19,827.80	21,072.82	1,245.02
37	Demilge plus LTD LLC	1,251.70	2,573.80	1,322.10
38	Bai-Tash LLC	-	8,124.90	8,124.90

### 7.3.6 Excise tax on internal products

	Results of primary analysis of data, thousand of soms	Adjustment of data based on results of responses to clarifying requests, thousand of soms	Finalized data after reconciliation and clarification, thousand of soms
<b>2013</b>			
Data of companies	16,225.10	-	16,225.10
Data of state bodies	16,225.10	-	16,225.10
Discrepancies	-	-	-
<b>2014</b>			
Data of companies	31,216.90	-	31,216.90
Data of state bodies	31,216.90	-	31,216.90
Discrepancies	-	-	-

No differences have been identified based on reconciliation results for 2013 and 2014.

### 7.3.7 Sales tax

	Results of primary analysis of data, thousand of soms	Adjustment of data based on results of responses to clarifying requests, thousand of ssoms	Finalized data after reconciliation and clarification, thousand of soms
<b>2013</b>			
Data of companies	1,490,074.04	(1,232,814.99)	257,259.05

	Results of primary analysis of data, thousand of soms	Adjustment of data based on results of responses to clarifying requests, thousand of ssoms	Finalized data after reconciliation and clarification, thousand of soms
Data of state bodies	254,791.26	705.90	255,497.16
Discrepancies	(1,235,282.78)	1,233,520.89	(1,761.89)
<b>2014</b>			
Data of companies	242,902.50	24,675.16	267,577.66
Data of state bodies	233,133.30	21,444.60	254,577.90
Discrepancies	(9,769.20)	(3,230.56)	(12,999.76)

The amount of discrepancy on sales tax between data of companies and data of the government amounted to 1,761,89 thousand of soms for 2013 and 12,999,76 thousand of soms for 2014. The differences by companies for 2013 and 2014 are presented in the tables below.

### 2013

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
1	Kara-Keche	1,105.80	-	(1,105.80)
2	Kyrgyz-Tash	715.20	-	(715.20)
3	Chaarat Zaav	390.40	-	(390.40)
4	Nur	1,634.00	1,364.00	(270.00)
5	Kai Enterprise	172.50	-	(172.50)
6	Orion Mining Company	96.50	-	(96.50)
7	Kyrgyzaltyn	34,637.60	34,589.80	(47.80)
8	Tulek Mine	86.20	59.30	(26.90)
9	Sulyuktashakhtakurulush	1,186.70	1,182.10	(4.60)
10	Branch of Sparkler Mining Inc	0.40	-	(0.40)
11	Yuzhno-Kyrgyzskiy Cement	59,518.50	59,518.40	(0.10)
12	Silikat	988.43	988.40	(0.03)
13	Yuzhnyi Derrik	213.83	213.80	(0.03)
14	Tekstonik	45.52	45.50	(0.02)
15	Kadamzhai Antimony Intergrated Plant	12,515.31	12,515.30	(0.01)
16	Kyrgyzneftegas	32,373.76	32,373.80	0.04
17	Altynken	-	0.10	0.10
18	Nur KM	511.20	511.30	0.10
19	Chatkal-17	202.20	203.40	1.20
20	ESK LTD	961.20	963.90	2.70
21	Batkenneftegas	348.50	352.10	3.60
22	Ak Bulak komur	1,418.97	1,566.90	147.93

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
23	Zhumgal suu kurulus	193.58	426.10	232.52
24	T. Maripova	935.70	1,215.90	280.20
25	Periti Koul	8,674.90	9,074.90	400.00

**2014**

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
1	Periti Koul LLC	13,442.90	-	(13,442.90)
2	San Khe Mining Company LLC	5,008.00	50.10	(4,957.90)
3	Most Group LLC	3,116.20	1,422.10	(1,694.10)
4	Zhalalabatskoye SMU TT CJSC	1,504.70	817.90	(686.80)
5	ESK LTD LLC	812.40	486.80	(325.60)
6	Neboskreb LLC	269.20	-	(269.20)
7	Bozbu Ata LLC	240.84	-	(240.84)
8	Oshstroyservice LLC	566.86	361.10	(205.76)
9	Erkin Ken LLC	81.24	-	(81.24)
10	Spectr OJSC	257.30	214.00	(43.30)
11	Tilek Shakhtasy LLC	80.00	41.70	(38.30)
12	Toru LLC	15.00	-	(15.00)
13	Munduz-Kirpich-Zavodu LLC	188.00	173.60	(14.40)
14	Chaarat Zaav CJSC	93.00	89.00	(4.00)
15	Nur LLC	367.90	364.10	(3.80)
16	Kench Stroy LLC	487.10	483.90	(3.20)
17	Uzgen Energo Ugol LLC	3,299.80	3,297.90	(1.90)
18	Yuzhnyi Derrik LLC	265.40	265.10	(0.30)
19	LLC after Raimberdyev	127.00	126.90	(0.10)
20	Bereket CJSC	3,450.00	3,449.90	(0.10)
21	Dolina Kassana LLC	364.13	364.10	(0.03)
22	Ak-Tilek-1 LLC	916.83	916.80	(0.03)
23	Dary-Bulak-Abshir LLC	798.51	798.50	(0.01)
24	Southern integrated plant of construction materials LLC	16,717.39	16,717.40	0.01
25	Kyzyl-Bulak LLC	1,019.90	1,020.00	0.10
26	Tabylyg LLC	1,497.00	1,497.60	0.60
27	Aidoochu LLC	2,010.50	2,011.30	0.80
28	Da Shan LLC	246.30	247.30	1.00
29	Ak-Tash Dordoi LLC	237.80	248.80	11.00
30	Osh Ak-Tash OJSC	1,133.40	1,148.80	15.40

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
31	Altynken	57.10	82.80	25.70
32	ZhBI-Stroyindustriya LLC	689.00	715.10	26.10
33	BIOR LLC	850.40	877.80	27.40
34	Kyrgyzaltyn OJSC	27,800.60	27,859.50	58.90
35	Chauvai Ken LLC	203.60	291.40	87.80
36	New Soft LLC	163.80	338.60	174.80
37	Kai Enterprise LLC	595.80	780.80	185.00
38	Yunik ltd LLC	0.21	210.30	210.09
39	Yuzhremstroy OJSC	271.40	616.00	344.60
40	Demilge plus LTD LLC	104.30	752.40	648.10
41	ZhumgalSuuKurulus OJSC	377.05	1,469.70	1,092.65
42	Baitur Building LLC	-	2,971.20	2,971.20
43	Bai-Tash LLC	-	3,147.80	3,147.80

### 7.3.8 Tax on income of foreign companies, which does not arise from a permanent establishment in the Kyrgyz Republic

	Results of primary analysis of data, thousand of soms	Adjustment of data based on results of responses to clarifying requests, thousand of soms	Finalized data after reconciliation and clarification, thousand of soms
<b>2013</b>			
Data of companies	209,395.40	(23.58)	209,371.82
Data of state bodies	210,979.70	-	210,979.70
Discrepancies	1,584.30	23.58	1,607.88
<b>2014</b>			
Data of companies	205,042.00	586.50	205,628.50
Data of state bodies	204,632.90	-	204,632.90
Discrepancies	(409.10)	(586.50)	(995.60)

The amount of discrepancy on tax on income of foreign companies, which does not arise from a permanent establishment in the Kyrgyz Republic between data of companies and data of the government amounted to 1,607,88 thousand of soms for 2013 and 995,60 thousand of soms for 2014. The differences by companies for 2013 and 2014 are presented in the tables below.

**2013**

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
1	Chaarat Zaav	122.20	122.10	(0.10)
2	Full Gold Company	229.32	229.30	(0.02)
3	Kyrgyzneftegas	23,604.40	23,604.50	0.10
4	Dary-Bulak-Abshir	25.60	26.10	0.50
5	Concrete Products Plant	59.20	67.70	8.50
6	Batkenneftegas	28,526.30	28,641.40	115.10
7	Saryzhaz Minerals Mining Company	-	1,483.80	1,483.80

**2014**

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
1	Fonta LLC	1,366.20	-	(1,366.20)
2	Concrete Products Plant OJSC	84.40	62.60	(21.80)
3	Altynken	117,951.20	118,343.60	392.40

**7.3.9 Bonuses**

	Results of primary analysis of data, thousand of soms	Adjustment of data based on results of responses to clarifying requests, thousand of soms	Finalized data after reconciliation and clarification, thousand of soms
<b>2013</b>			
Data of companies	4,335,982.09	(3,844,592.05)	491,390.04
Data of state bodies	426,062.20	61,837.60	487,899.80
Discrepancies	(3,909,919.89)	3,906,429.65	(3,490.24)
<b>2014</b>			
Data of companies	266,321.32	(2,511.21)	263,810.11
Data of state bodies	261,785.70	554.50	262,340.20
Discrepancies	(4,535.62)	3,065.71	(1,469.91)

The amount of discrepancy on bonuses between data of companies and data of the government amounted to 3,490,24 thousand of soms for 2013 and 1,469,91 thousand of soms for 2014. The differences by companies for 2013 and 2014 are presented in the tables below.

**2013**

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
1	Tekstonik	3,802.90	659.70	(3,143.20)
2	Kyrgyzneftegas	232.20	-	(232.20)
3	Kai Enterprise	51.60	-	(51.60)
4	Chatkal-17	46.90	-	(46.90)
5	ZHENNAZTEM	41.43	-	(41.43)
6	Altynken	12.40	-	(12.40)
7	Yuzhnyi Derrick	4.11	4.10	(0.01)
8	Kyrgyzaltyn	-	5.50	5.50
9	T. Maripova	-	32.00	32.00

**2014**

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
1	Spectr OJSC	3,387.50	332.30	(3,055.20)
2	Periti Koul LLC	324.90	-	(324.90)
3	Oshstroysservice LLC	296.59	-	(296.59)
4	Kai Enterprise LLC	144.20	-	(144.20)
5	Demilge plus LTD LLC	29.60	-	(29.60)
6	Toru LLC	89.00	72.50	(16.50)
7	Da Shan LLC	4.90	-	(4.90)
8	New Soft LLC	98.00	96.50	(1.50)
9	Noeliya Group LLC	-	(0.30)	(0.30)
10	Dary-Bulak-Abshir LLC	564.35	564.30	(0.05)
11	Branch of Sparkler Mining Inc	2,870.97	2,871.00	0.03
12	YuVM-Service LLC	2.70	2.80	0.10
13	Osh Ak-Tash OJSC	32.60	32.90	0.30
14	Tabylyg LLC	18.70	20.10	1.40
15	Yunik ltd LLC	3.20	31.00	27.80
16	Aidoochu LLC	98.80	135.70	36.90
17	San Khe Mining Company LLC	197.10	310.40	113.30
18	Dannur Yug LLC	-	122.30	122.30
19	BIOR LLC	-	584.90	584.90
20	Kyrgyzaltyn OJSC	1,534.90	3,051.70	1,516.80

### 7.3.10 Royalty

	Results of primary analysis of data, thousand of soms	Adjustment of data based on results of responses to clarifying requests, thousand of soms	Finalized data after reconciliation and clarification, thousand of soms
<b>2013</b>			
Data of companies	1,022,236.67	(816,418.85)	205,817.82
Data of state bodies	197,854.32	5,414.40	203,268.72
Discrepancies	(824,382.35)	821,833.25	(2,549.10)
<b>2014</b>			
Data of companies	531,290.42	(310,456.17)	220,834.24
Data of state bodies	215,213.30	1,182.30	216,395.60
Discrepancies	(316,077.12)	311,638.47	(4,438.64)

The amount of discrepancy on royalty between data of companies and data of the government amounted to 2 549,10 thousand of soms for 2013 and 4 438,64 thousand of soms for 2014. The differences by companies for 2013 and 2014 are presented in the tables below.

#### 2013

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
1	Kyrgyz-Tash	801.90	-	(801.90)
2	Orion Mining Company	579.00	-	(579.00)
3	Periti Koul	3,477.40	3,077.40	(400.00)
4	Kara-Keche	365.60	-	(365.60)
5	T. Maripova	467.20	186.80	(280.40)
6	Kai Enterprise	86.20	-	(86.20)
7	Kyzyl-Bulak	383.70	345.10	(38.60)
8	Dary-Bulak-Abshir	1,159.10	1,120.60	(38.50)
9	Altynken	0	-35.5	-35.5
10	Concrete Products Plant	172.20	140.70	(31.50)
11	Zhumgal suu kurulush	94.43	72.00	(22.43)
12	Tulek Mine	28.70	13.30	(15.40)
13	Ak Bulak komur	673.60	667.90	(5.70)
14	Sulyuktashakhtakurulush	477.70	475.40	(2.30)
15	Kyrgyzneftegas	46,630.60	46,629.10	(1.50)
16	T. Ibrahimova	497.20	497.00	(0.20)
17	Bishkekstroyaterialy	9.70	9.60	(0.10)
18	Silikat	428.17	428.20	0.03

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
19	Yuzhnyi Derrick	320.85	320.90	0.05
20	Uzgen Energo Ugol	1,295.60	1,295.70	0.10
21	Chatkal-17	67.42	67.80	0.38
22	ESK LTD	1,299.90	1,300.80	0.90
23	Batkenneftegas	71.70	74.50	2.80
24	Tekstonik	68.24	81.10	12.86
25	Kyrgyzaltyn	31,877.70	31,907.30	29.60
26	Kadamzhai Antimony Intergrated Plant	-	109.00	109.00

**2014**

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
1	Periti Koul LLC	4,114.70	-	(4,114.70)
2	Pandzh-Sher LLC	2,548.20	2,155.00	(393.20)
3	ESK LTD LLC	590.90	374.10	(216.80)
4	Dannur Yug LLC	1,633.90	1,511.60	(122.30)
5	Bozbu Ata LLC	120.42	-	(120.42)
6	ZhBI-Stroyindustriya LLC	1,140.40	1,078.80	(61.60)
7	San Khe Mining Company LLC	50.08	-	(50.08)
8	Kench Stroy LLC	220.40	171.70	(48.70)
9	Spectr OJSC	369.50	327.50	(42.00)
10	BIOR LLC	264.30	224.80	(39.50)
11	Erkin Ken LLC	39.26	-	(39.26)
12	Demilge plus LTD LLC	104.30	66.10	(38.20)
13	Yunik ltd LLC	312.00	282.40	(29.60)
14	Oshstroyservice LLC	58.15	38.90	(19.25)
15	Tegene LLC	1,942.50	1,923.90	(18.60)
16	Kyrgyzaltyn OJSC	21,260.00	21,241.60	(18.40)
17	Zhalalabatskoye SMU TT CJSC	10.00	-	(10.00)
18	Tilek Shakhtasy LLC	22.00	14.40	(7.60)
19	Ak-Tash Dordoi LLC	301.20	294.20	(7.00)
20	LLC after T. Maripov	592.00	586.40	(5.60)
21	Dary-Bulak-Abshir LLC	761.53	756.10	(5.43)
22	Kazakhmys Gold Kyrgyzstan LLC	5.10	4.70	(0.40)
23	Baitur Building LLC	8.19	8.00	(0.19)
24	Mega union industry LLC	39.80	39.70	(0.10)
25	Dolina Kassana LLC	161.10	161.10	(0.00)

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
26	Ak-Tilek-1 LLC	434.76	434.80	0.04
27	Kyrgyzneftegas OJSC	49,861.30	49,861.40	0.10
28	Kyzyl-Kiya komur OJSC	614.20	614.30	0.10
29	YuVM-Service LLC	299.00	299.20	0.20
30	Da Shan LLC	246.30	247.20	0.90
31	Aidoochu LLC	2,743.70	2,744.90	1.20
32	Sary-Tash-Stalkonstruktsiya LLC	256.60	258.60	2.00
33	Nur LLC	704.00	706.30	2.30
34	Sulyukta shakhta kurulush OJSC	377.10	384.10	7.00
35	Osh Ak-Tash OJSC	660.50	683.50	23.00
36	Yuzhremstroy OJSC	407.20	431.60	24.40
37	ZhumgalSuuKurulush OJSC	186.66	224.00	37.34
38	Kai Enterprise LLC	297.90	390.40	92.50
39	Chauvai Ken LLC	331.49	436.80	105.31
40	Concrete Products Plant OJSC	27.10	362.10	335.00
41	Ak On Ish LLC	2,411.60	2,750.50	338.90

### 7.3.11 Gross income tax

	Results of primary analysis of data, thousand of soms	Adjustment of data based on results of responses to clarifying requests, thousand of soms	Finalized data after reconciliation and clarification, thousand of soms
<b>2013</b>			
Data of companies	3,590,319.00	-	3,590,319.00
Data of state bodies	3,590,185.40	-	3,590,185.40
Discrepancies	(133.60)	0.00	(133.60)
<b>2014</b>			
Data of companies	4,649,223.00	(110.00)	4,649,113.00
Data of state bodies	4,626,437.40	-	4,626,437.40
Discrepancies	(22,785.60)	110.00	(22,675.60)

The amount of discrepancy on gross income tax between data of companies and data of the government amounted to 133,60 thousand of soms for 2013 and 22,785,60 thousand of soms for 2014. The differences by companies for 2013 and 2014 are presented in the tables below.

## 2013

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
1	Sulyukta komur	1,100.00	-	(1,100.00)
2	Tulek Mine	2.70	-	(2.70)
3	Kumtor Gold Company	3,567,085.30	3,568,054.40	969.10

## 2014

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
1	VertexGoldCompany LLC	14,203.90	-	(14,203.90)
2	Kyrgyzaltyn OJSC	12,489.60	-	(12,489.60)
3	ZHBI-Stroyindustriya LLC	698.10	-	(698.10)
4	OshAk-Tash OJSC	118.90	-	(118.90)
5	TilekShakhtasy LLC	4.00	-	(4.00)
6	HighlandExploration LLC	-	2,123.10	2,123.10
7	KumtorGoldCompany	4,621,598.50	4,624,314.30	2,715.80

### 7.3.12 Annual amount for the development of mineral resource base

As it was mentioned before, in the Government Resolution № 317 of December 8, 2010, 12-th indicator is called the “Annual amount for the development of mineral resource base”. In the RFP for the Independent Administrator, 12-th indicator is called the “Charge for development and maintenance of local infrastructure”. In all reports for 2013 and majority reports for 2014 that were provided by companies in order to conduct data reconciliation, 12-th indicator is called the same as stated in the Government Resolution of the Kyrgyz Republic.

Therefore, in this Report and all annexes, the 12-th indicator is called “Annual amount for the development of mineral resource base” and the other name in brackets, “Charge for development and maintenance of local infrastructure”.

	Results of primary analysis of data, thousand of soms	Adjustment of data based on results of responses to clarifying requests, thousand of soms	Finalized data after reconciliation and clarification, thousand of soms
<b>2013</b>			
Data of companies	158,249.05	(148,264.53)	9,984.52
Data of state bodies	7.10	9,578.04	9,585.14

	<b>Results of primary analysis of data, thousand of soms</b>	<b>Adjustment of data based on results of responses to clarifying requests, thousand of soms</b>	<b>Finalized data after reconciliation and clarification, thousand of soms</b>
Discrepancies	(158,241.95)	157,842.57	(399.38)
<b>2014</b>			
Data of companies	39,354.40	6,197.80	45,552.20
Data of state bodies	67,375.30	-	67,375.30
Discrepancies	28,020.90	(6,197.80)	21,823.10

The amount of discrepancy on annual amount for the development of mineral resource base (charge for development and maintenance of local infrastructure) between data of companies and data of the government amounted to 399,38 thousand of soms for 2013 and 21,823,10 thousand of soms for 2014. The differences by companies for 2013 and 2014 are presented in the tables below.

### 2013

<b>No.</b>	<b>Company name</b>	<b>Data of companies, thousand of soms</b>	<b>Data of state bodies, thousand of soms</b>	<b>Discrepancies, thousand of soms</b>
1	Sulyukta komur	212.00	-	(212.00)
2	Yuzhnyi Derrik	109.29	-	(109.29)
3	Zhumgal suu kurulus	72.25	-	(72.25)
4	Tekstonik	12.94	-	(12.94)
5	Tulek Mine	-	7.10	7.10

### 2014

<b>No.</b>	<b>Company name</b>	<b>Data of companies, thousand of soms</b>	<b>Data of state bodies, thousand of soms</b>	<b>Discrepancies, thousand of soms</b>
1	San Khe Mining Company LLC	4,445.00	-	(4,445.00)
2	Kai Enterprise LLC	595.80	185.00	(410.80)
3	Spectr OJSC	192.10	-	(192.10)
4	Zhibek-Zhol JSC	20.00	-	(20.00)
5	Tilek Shakhtasy LLC	9.00	-	(9.00)
6	Vertex Gold Company LLC	-	11,167.00	11,167.00
7	Kyrgyzaltyn OJSC	-	15,733.00	15,733.00

### 7.3.13 Other taxes and charges

	Results of primary analysis of data, thousand of soms	Adjustment of data based on results of responses to clarifying requests, thousand of soms	Finalized data after reconciliation and clarification, thousand of soms
<b>2013</b>			
Data of companies	119,274.20	20,793.40	140,067.60
Data of state bodies	117,912.00	(1,214.60)	116,697.40
Discrepancies	(1,362.20)	(22,008.00)	(23,370.20)
<b>2014</b>			
Data of companies	114,391.26	(62,075.29)	52,315.97
Data of state bodies	36,941.50	846.50	37,788.00
Discrepancies	(77,449.76)	62,921.79	(14,527.97)

The amount of discrepancy on other taxes and duties between data of companies and data of the government amounted to 23,370,20 thousand of soms for 2013 and 14,527,97 thousand of soms for 2014. The differences by companies for 2013 and 2014 are presented in the tables below.

#### 2013

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
1	Kyrgyzaltyn	69,077.60	24,750.10	(44,327.50)
2	Kyrgyz-Tash	34.80	0.10	(34.70)
3	Dary-Bulak-Abshir	32.20	1.60	(30.60)
4	ESK LTD	8.60	-	(8.60)
5	Tulek Mine	5.60	-	(5.60)
6	Yuzhno-Kyrgyzskiy Cement	42.20	42.10	(0.10)
7	ZHENNAZTEM	0.10	-	(0.10)
8	ELKO-service	-	0.10	0.10
9	Fonta	-	1.00	1.00
10	Kutesay Mining	-	2.50	2.50
11	Kum-Shagyl	23.60	27.00	3.40
12	Kyrgyz Too-Tash	14.70	26.80	12.10
13	Kadamzhai Antimony Intergrated Plant	-	16.60	16.60
14	Zhumgal suu kurulus	-	19.20	19.20
15	Chatkal-17	-	47.50	47.50
16	GMK Alliance	0.20	93.40	93.20
17	Yuzhnyi Derrik	-	109.30	109.30
18	Sulyukta komur	650.70	1,059.70	409.00

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
19	Nur	1,182.50	1,709.80	527.30
20	T. Maripova	12.4	1206.7	1194.3
21	Tegene	-	1,514.10	1,514.10
22	Kichi-Chaarat	-	1,598.80	1,598.80
23	Highland Exploration	0.60	2,435.40	2,434.80
24	Saryzhaz Minerals Mining Company	1,483.80	4,018.60	2,534.80
25	Kyrgyzneftegas	35,740.00	38,781.60	3,041.60
26	Kaidi Mining Investment Company	10.30	7,487.70	7,477.40

**2014**

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
1	Kyrgyzaltyn OJSC	15,876.90	112.80	(15,764.10)
2	Vertex Gold Company LLC	11,167.00	-	(11,167.00)
3	AGK-Too Invest LLC	5,796.50	5.80	(5,790.70)
4	Tegene LLC	-	(689.90)	(689.90)
5	Southern integrated plant of construction materials LLC	385.56	40.00	(345.56)
6	Demilge plus LTD LLC	219.50	-	(219.50)
7	Da Shan LLC	200.00	0.20	(199.80)
8	Dolina Kassana LLC	273.35	74.60	(198.75)
9	Spectr OJSC	165.60	1.90	(163.70)
10	Nur LLC	57.70	0.20	(57.50)
11	Zhibek-Zhol JSC	24.40	1.40	(23.00)
12	Concrete Products Plant OJSC	17.90	-	(17.90)
13	Chauvai Ken LLC	15.25	-	(15.25)
14	Kyrgyz-Tash OJSC	20.00	6.30	(13.70)
15	Zhalalabatskoye SMU TT CJSC	17.90	4.50	(13.40)
16	Toru LLC	10.00	-	(10.00)
17	ESK LTD LLC	14.20	7.10	(7.10)
18	Nur LLC	4.10	0.20	(3.90)
19	Kazakhmys Gold Kyrgyzstan LLC	50.50	47.20	(3.30)
20	Baitken Mining Company LLC	0.40	-	(0.40)
21	ZhBI-Stroyindustriya LLC	1.40	1.10	(0.30)
22	Yuzhno-Kyrgyzskiy Cement CJSC	42.60	42.50	(0.10)
23	Dary-Bulak-Abshir LLC	1.32	1.30	(0.02)
24	Branch of Sparkler Mining Inc	2,868.92	2,868.90	(0.02)
25	Branch of Merit More Investments Ltd	5,436.57	5,436.60	0.03

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
	joint-stock company in the Kyrgyz Republic			
26	BIOR LLC	2.50	2.60	0.10
27	BKZ LLC	16.70	16.80	0.10
28	Ak-Tash Dordoi LLC	0.50	0.70	0.20
29	ZhumgalSuuKurulus OJSC	-	0.20	0.20
30	Bereket CJSC	85.80	86.10	0.30
31	Yuzhremstroy OJSC	1.50	2.40	0.90
32	Highland Exploration LLC	0.90	1.80	0.90
33	Nark-Too LLC	12.70	13.70	1.00
34	Munduz-Kirpich-Zavodu LLC	0.70	2.40	1.70
35	Oshstroyservice LLC	-	2.50	2.50
36	Uzgen Energo Ugol LLC	2.30	4.80	2.50
37	Tabylgy LLC	1.10	4.50	3.40
38	Baitur Building LLC	-	6.10	6.10
39	Bai-Tash LLC	-	6.50	6.50
40	Osh Ak-Tash OJSC	5.80	15.30	9.50
41	LLC after T. Maripov	-	12.00	12.00
42	Kyzyl-Bulak LLC	-	12.00	12.00
43	Tilek Shakhtasy LLC	-	12.90	12.90
44	ULAN-CHI LLC	-	16.00	16.00
45	New Soft LLC	19.80	44.70	24.90
46	Ak Bulak komur LLC	12.90	45.00	32.10
47	Ak-Tilek-1 LLC	45.00	208.60	163.60
48	San Khe Mining Company LLC	-	246.80	246.80
49	Kaidi Mining Investment Company LLC	7.50	2,674.30	2,666.80
50	Altynken	-	3,198.80	3,198.80
51	Noeliya Group LLC	-	6,097.90	6,097.90
52	Kyrgyzneftegas OJSC	3.40	7,660.60	7,657.20

## Customs payments

### 7.3.14 Customs duties

	Results of primary analysis of data, thousand of soms	Adjustment of data based on results of responses to clarifying requests, thousand of soms	Finalized data after reconciliation and clarification, thousand of soms
<b>2013</b>			
Data of companies	213,016.56	(151,700.67)	61,315.89

	<b>Results of primary analysis of data, thousand of soms</b>	<b>Adjustment of data based on results of responses to clarifying requests, thousand of soms</b>	<b>Finalized data after reconciliation and clarification, thousand of soms</b>
Data of state bodies	25,880.20	29,791.90	55,672.10
Discrepancies	(187,136.36)	181,492.57	(5,643.79)
<b>2014</b>			
Data of companies	31,654.60	9,614.81	41,269.41
Data of state bodies	32,755.90	10,995.72	43,751.62
Discrepancies	1,101.30	1,380.91	2,482.21

The amount of discrepancy on customs duties between data of companies and data of the government amounted to 5 643,79 thousand of soms for 2013 and 2 482,21 thousand of soms for 2014. The differences by companies for 2013 and 2014 are presented in the tables below.

### 2013

<b>No.</b>	<b>Company name</b>	<b>Data of companies, thousand of soms</b>	<b>Data of state bodies, thousand of soms</b>	<b>Discrepancies, thousand of soms</b>
1	Periti Koul	5,668.50	-	(5,668.50)
2	Kazakhmys Gold Kyrgyzstan	6,702.20	5,990.60	(711.60)
3	Yuzhno-Kyrgyzskiy Cement	7,449.96	6,995.80	(454.16)
4	Full Gold Company	601.40	350.80	(250.60)
5	Vertex Gold Company	670.20	560.40	(109.80)
6	Kaidi Mining Investment Company	104.90	-	(104.90)
7	Kyrgyzneftegas	28.10	-	(28.10)
8	Yuzhnyi Derrik	159.14	146.10	(13.04)
9	AGK-Too Invest	2.00	-	(2.00)
10	Kyzyl-Bulak	95.70	95.50	(0.20)
11	Concrete Products Plant	62.70	62.60	(0.10)
12	Fonta	428.89	428.90	0.01
13	Batkenneftegas	15.70	15.80	0.10
14	Chaarat Zaav	924.10	931.30	7.20
15	Nur	-	118.90	118.90
16	Kyrgyzaltyn	1,823.50	3,396.50	1,573.00

## 2014

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
1	Kyzyl-Kiya komur OJSC	6.80	-	(6.80)
2	Zhalalabatskoye SMU TT CJSC	2.50	-	(2.50)
3	Periti Koul LLC	5,184.20	5,182.10	(2.10)
4	Full Gold Company LLC	5.00	5.10	0.10
5	Most Group LLC	86.00	103.70	17.70
6	Kichi-Chaarat CJSC	548.60	572.90	24.30
7	Kyrgyzneftegas OJSC	9,395.50	9,423.70	28.20
8	Chaarat Zaav CJSC	91.00	120.90	29.90
9	Tegene LLC	469.80	510.10	40.30
10	Vertex Gold Company LLC	29.50	82.30	52.80
11	Aidoochu LLC	-	94.00	94.00
12	Bozbu Ata LLC	-	131.60	131.60
13	Altynken	11,756.60	12,043.50	286.90
14	Southern integrated plant of construction materials LLC	9,521.79	9,935.60	413.81
15	Kyzyl-Bulak LLC	-	419.70	419.70
16	Kyrgyzaltyn OJSC	481.60	904.40	422.80
17	Yuzhno-Kyrgyzskiy Cement CJSC	1,920.30	2,451.80	531.50

**7.3.15 Customs fees**

	Results of primary analysis of data, thousand of soms	Adjustment of data based on results of responses to clarifying requests, thousand of soms	Finalized data after reconciliation and clarification, thousand of soms
<b>2013</b>			
Data of companies	85,471.43	(17,653.60)	67,817.83
Data of state bodies	62,651.50	3,640.80	66,292.30
Discrepancies	(22,819.93)	21,294.41	(1,525.53)
<b>2014</b>			
Data of companies	70,643.20	1,576.71	72,219.91
Data of state bodies	69,252.90	1,720.90	70,973.80
Discrepancies	(1,390.30)	144.19	(1,246.11)

The amount of discrepancy on customs fees between data of companies and data of the government amounted to 1 525,53 thousand of soms for 2013 and 1 246,11 thousand of soms for 2014. The differences by companies for 2013 and 2014 are presented in the tables below.

**2013**

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
1	Kumtor Gold Company	47,563.60	44,431.30	(3,132.30)
2	Kyrgyzneftegas	1,114.50	262.50	(852.00)
3	Periti Koul	264.70	-	(264.70)
4	Kazakhmys Gold Kyrgyzstan	1,585.50	1,386.70	(198.80)
5	Full Gold Company	258.90	112.60	(146.30)
6	Yuzhno-Kyrgyzskiy Cement	2,452.84	2,352.70	(100.14)
7	Dannur Yug	34.30	2.40	(31.90)
8	Tegene	39.00	9.10	(29.90)
9	Batkenneftegas	38.70	32.20	(6.50)
10	Nur	7.10	3.40	(3.70)
11	Uzgen Energo Ugol	34.70	33.20	(1.50)
12	Silikat	21.12	20.90	(0.22)
13	Eventys	20.00	20.20	0.20
14	Branch of Sparkler Mining Inc	-	0.20	0.20
15	Branch of Merit More Investments Ltd joint-stock company in the Kyrgyz Republic	-	0.20	0.20
16	Highland Exploration	-	0.20	0.20
17	Ak Bulak komur	11.20	12.70	1.50
18	AGK-Too Invest	12.80	14.40	1.60
19	Kyzyl-Bulak	2.60	4.20	1.60
20	Orion Mining Company	-	1.90	1.90
21	Nark-Too	-	2.10	2.10
22	Kyrgyz Too-Tash	35.90	39.70	3.80
23	Bereket	-	10.10	10.10
24	Zhumgal suu kurulusush	-	11.30	11.30
25	Chaarat Zaav	85.10	101.70	16.60
26	Sharbon	-	23.40	23.40
27	Khaidarkanskoye Rtutnoye JSC	316.40	341.70	25.30
28	Kyzyl-Kiya komur	-	25.50	25.50
29	Sulyukta komur	5.30	33.70	28.40
30	ESK LTD	211.40	251.10	39.70
31	Kaidi Mining Investment Company	-	95.00	95.00
32	Nur KM	-	114.10	114.10
33	Kyrgyzaltyn	573.30	763.70	190.40
34	Kadamzhai Antimony Intergrated Plant	3,388.06	3,676.20	288.14
35	Yuzhnyi Derrik	-	422.60	422.60
36	Fonta	42.50	596.90	554.40
37	Vertex Gold Company	3,085.50	4,469.70	1,384.20

**2014**

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
1	Vertex Gold Company LLC	10,478.80	9,410.10	(1,068.70)
2	Kumtor Gold Company	50,247.10	49,447.10	(800.00)
3	Zhibek-Zhol JSC	458.30	-	(458.30)
4	Yuzhno-Kyrgyzskiy Cement CJSC	2,283.50	1,946.00	(337.50)
5	Dannur Yug LLC	129.20	15.40	(113.80)
6	Concrete Products Plant OJSC	19.20	-	(19.20)
7	Too Tash OJSC	57.00	43.60	(13.40)
8	ZhBI-Stroyindustriya LLC	23.40	10.90	(12.50)
9	Kyrgyzaltyn OJSC	411.60	401.50	(10.10)
10	Kutesay Mining OJSC	8.40	-	(8.40)
11	Nur LLC	15.80	7.70	(8.10)
12	Mega union industry LLC	7.50	-	(7.50)
13	AGK-Too Invest LLC	36.30	32.10	(4.20)
14	Zhalalabatskoye SMU TT CJSC	3.00	-	(3.00)
15	New Soft LLC	6.50	4.80	(1.70)
16	Kum-Shagyl OJSC	5.10	4.90	(0.20)
17	Fonta LLC	95.70	95.60	(0.10)
18	Da Shan LLC	32.20	32.30	0.10
19	Andash Mining Company LLC	2.60	2.80	0.20
20	ZhumgalSuuKurulush OJSC	-	0.20	0.20
21	Highland Exploration LLC	-	0.40	0.40
22	Tegene LLC	112.20	112.70	0.50
23	Uzgen Energo Ugol LLC	19.00	20.00	1.00
24	Sharbon CJSC	-	1.10	1.10
25	Polybeton OJSC	-	2.10	2.10
26	Most Group LLC	415.50	417.90	2.40
27	Tabylgyl LLC	-	3.60	3.60
28	San Khe Mining Company LLC	-	4.00	4.00
29	Sulyukta shakhta kurulush OJSC	42.60	46.90	4.30
30	Oshstroyservice LLC	-	4.90	4.90
31	Nur KM JSC	97.00	102.10	5.10
32	Kyzyl-Kiya komur OJSC	0.50	7.30	6.80
33	Ak Bulak komur LLC	10.80	17.90	7.10
34	Aidoochu LLC	253.50	261.40	7.90
35	Kyzyl-Bulak LLC	-	10.30	10.30
36	Baitur Building LLC	-	12.10	12.10
37	Ak-Tilek-1 LLC	-	13.10	13.10
38	ESK LTD LLC	-	18.40	18.40

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
39	Dary-Bulak-Abshir LLC	368.00	391.20	23.20
40	Chaarat Zaav CJSC	8.00	34.60	26.60
41	Osh Ak-Tash OJSC	21.20	66.10	44.90
42	Kichi-Chaarat CJSC	92.30	137.50	45.20
43	Southern integrated plant of construction materials LLC	1,536.41	1,593.20	56.79
44	Toru LLC	-	59.30	59.30
45	BKZ LLC	21.60	93.40	71.80
46	Full Gold Company LLC	58.20	136.50	78.30
47	Kazakhmys Gold Kyrgyzstan LLC	510.70	598.60	87.90
48	Periti Koul LLC	409.90	521.40	111.50
49	Demilge plus LTD LLC	-	137.60	137.60
50	Bozbu Ata LLC	-	151.10	151.10
51	Altynken	2,307.10	2,505.10	198.00
52	Kyrgyzneftegas OJSC	1,379.40	1,802.20	422.80

### 7.3.16 Excise tax on imported products

	Results of primary analysis of data, thousand of soms	Adjustment of data based on results of responses to clarifying requests, thousand of soms	Finalized data after reconciliation and clarification, thousand of soms
<b>2013</b>			
Data of companies	110.20	-	110.20
Data of state bodies	80.00	-	80.00
Discrepancies	(30.20)	-	(30.20)
<b>2014</b>			
Data of companies	144.80	22.61	167.41
Data of state bodies	134.60	221.90	356.50
Discrepancies	(10.20)	199.29	189.09

The amount of discrepancy on excise tax on imported products between data of companies and data of the government amounted to 30,20 thousand of soms for 2013 and 189,09 thousand of soms for 2014. The differences by companies for 2013 and 2014 are presented in the tables below.

**2013**

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
1	Full Gold Company	41.10	14.70	(26.40)
2	Alтынкен	16.00	-	(16.00)
3	Kazakhmys Gold Kyrgyzstan	33.50	45.70	12.20

**2014**

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
1	Alтынкен	59.90	49.70	(10.20)
2	Southern integrated plant of construction materials LLC	22.61	22.40	(0.21)
3	Toru LLC	-	199.50	199.50

**7.3.17 VAT on imported products**

	Results of primary analysis of data, thousand of soms	Adjustment of data based on results of responses to clarifying requests, thousand of soms	Finalized data after reconciliation and clarification, thousand of soms
<b>2013</b>			
Data of companies	824,587.51	(534,368.42)	290,219.09
Data of state bodies	204,193.50	79,508.40	283,701.90
Discrepancies	(620,394.01)	613,876.82	(6,517.19)
<b>2014</b>			
Data of companies	194,086.90	29,360.19	223,447.09
Data of state bodies	208,016.80	34,218.37	242,235.17
Discrepancies	13,929.90	4,858.18	18,788.08

The amount of discrepancy on VAT on imported products between data of companies and data of the government amounted to 6 517,19 thousand of soms for 2013 and 18 788,08 thousand of soms for 2014. The differences by companies for 2013 and 2014 are presented in the tables below.

**2013**

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
1	Kyrgyzneftegas	15,475.20	7,118.40	(8,356.80)
2	Full Gold Company	10,372.90	7,725.60	(2,647.30)
3	Yuzhno-Kyrgyzskiy Cement	37,793.19	36,184.10	(1,609.09)
4	Batkenneftegas	2,015.50	1,289.30	(726.20)
5	Silikat	544.91	545.00	0.09
6	Eventys	804.00	804.80	0.80
7	Kumtor Gold Company	1,136.50	1,161.80	25.30
8	Kadamzhai Antimony Intergrated Plant	715.69	756.40	40.71
9	Ak Bulak komur	-	66.80	66.80
10	Zhumgal suu kurulush	-	71.10	71.10
11	Dary-Bulak-Abshir	-	150.00	150.00
12	Chaarat Zaav	5,302.90	5,649.20	346.30
13	Kazakhmys Gold Kyrgyzstan	78,698.10	79,400.00	701.90
14	Vertex Gold Company	3,645.90	4,444.10	798.20
15	Kyrgyzaltyn	10,768.60	12,351.30	1,582.70
16	Yuzhnyi Derrik	-	3,038.30	3,038.30

**2014**

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
1	Kyrgyzaltyn OJSC	5,142.90	4,330.90	(812.00)
2	Zhalalabatskoye SMU TT CJSC	219.50	-	(219.50)
3	Dannur Yug LLC	199.80	-	(199.80)
4	Full Gold Company LLC	389.90	203.30	(186.60)
5	ZhBI-Stroyindustriya LLC	20.10	-	(20.10)
6	Kum-Shagyl OJSC	403.90	393.20	(10.70)
7	Too Tash OJSC	188.70	188.80	0.10
8	Chaarat Zaav CJSC	2,333.00	2,333.90	0.90
9	ZhumgalSuuKurulush OJSC	-	6.90	6.90
10	Andash Mining Company LLC	132.40	140.60	8.20
11	Highland Exploration LLC	-	17.80	17.80
12	Kyzyl-Bulak LLC	-	64.20	64.20
13	Most Group LLC	3,110.80	3,181.60	70.80
14	Sharbon CJSC	-	85.00	85.00
15	San Khe Mining Company LLC	-	167.50	167.50
16	Oshstroyservice LLC	-	197.90	197.90

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
17	Concrete Products Plant OJSC	789.40	1,007.40	218.00
18	Osh Ak-Tash OJSC	-	348.30	348.30
19	Erkin Ken LLC	-	372.60	372.60
20	Baitur Building LLC	-	472.40	472.40
21	Kichi-Chaarat CJSC	2,354.50	3,729.80	1,375.30
22	Vertex Gold Company LLC	1,602.90	3,470.10	1,867.20
23	Southern integrated plant of construction materials LLC	27,863.32	29,951.30	2,087.98
24	Kyrgyzneftegas OJSC	32,157.50	34,776.90	2,619.40
25	Toru LLC	-	4,764.90	4,764.90
26	Demilge plus LTD LLC	-	5,491.40	5,491.40

## Other material payments

### 7.3.18 State social insurance contributions

	Results of primary analysis of data, thousand of soms	Adjustment of data based on results of responses to clarifying requests, thousand of soms	Finalized data after reconciliation and clarification, thousand of soms
<b>2013</b>			
Data of companies	2,812,834.51	(1,072,889.95)	1,739,944.56
Data of state bodies	1,757,687.30	(396.80)	1,757,290.50
Discrepancies	(1,055,147.21)	1,072,493.15	17,345.94
<b>2014</b>			
Data of companies	2,202,745.44	(385,700.34)	1,817,045.10
Data of state bodies	1,961,327.90	(127,854.40)	1,833,473.50
Discrepancies	(241,417.54)	257,845.94	16,428.40

The amount of discrepancy on state social insurance contributions between data of companies and data of the government amounted to 17,345,94 thousand of soms for 2013 and 16,428,40 thousand of soms for 2014. The differences by companies for 2013 and 2014 are presented in the tables below.

**2013**

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
1	Kara-Keche	2,593.60	2,310.30	(283.30)
2	Vertex Gold Company	29,444.30	29,353.30	(91.00)
3	Batkenneftegas	1,501.30	1,419.30	(82.00)
4	Tulek Mine	14.10	1.20	(12.90)
5	Nur	7,378.40	7,372.40	(6.00)
6	ELKO-service	17.13	12.20	(4.93)
7	T. Maripova	4,541.60	4,541.40	(0.20)
8	Nur KM	1,956.80	1,956.70	(0.10)
9	Yuzhnyi Derrik	107.83	107.80	(0.03)
10	Silikat	868.78	868.80	0.02
11	Branch of Sparkler Mining Inc	65.27	65.30	0.03
12	Tekstonik	98.35	98.40	0.05
13	Ak-Zhol komur	310.60	310.70	0.10
14	T. Ibraimova	7,051.50	7,051.60	0.10
15	GlavNefteGas	54.40	54.60	0.20
16	Kyrgyzneftegas	165,429.10	165,445.20	16.10
17	Busurmankul-T	590.70	609.30	18.60
18	Branch of Merit More Investments Ltd joint-stock company in the Kyrgyz Republic	-	20.30	20.30
19	Kyzyl-Bulak	5,564.90	5,598.60	33.70
20	Kai Enterprise	227.20	279.20	52.00
21	GMK Alliance	118.50	187.10	68.60
22	Southern integrated plant of construction materials	7,419.34	7,502.30	82.96
23	Orion Mining Company	-	236.70	236.70
24	Kumtor Gold Company	998,721.20	999,136.30	415.10
25	Zhumgal suu kurulush	369.95	1,223.70	853.75
26	Kyzyl-Kiya komur	-	1,196.60	1,196.60
27	Kutesay Mining	-	3,513.70	3,513.70
28	Sharbon	-	4,955.00	4,955.00
29	Kyrgyzaltyn	152,519.80	158,882.60	6,362.80

**2014**

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
1	Vertex Gold Company LLC	35,871.40	35,528.30	(343.10)
2	Erkin Ken LLC	250.00	25.20	(224.80)

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
3	ZhBI-Stroyindustriya LLC	295.40	73.10	(222.30)
4	Periti Koul LLC	7,900.00	7,750.00	(150.00)
5	Zhalalabatskoye SMU TT CJSC	520.60	396.60	(124.00)
6	Fonta LLC	2,120.40	2,066.30	(54.10)
7	Oshstroysservice LLC	454.53	401.10	(53.43)
8	Palladex KR LLC	444.50	401.10	(43.40)
9	Nark-Too LLC	151.30	113.20	(38.10)
10	Kyrgyzaltyn OJSC	138,654.70	138,626.80	(27.90)
11	Sary-Tash-Stalkonstruksiya LLC	14.90	-	(14.90)
12	Demilge plus LTD LLC	33.10	24.50	(8.60)
13	Bozbu Ata LLC	77.12	72.10	(5.02)
14	Da Shan LLC	400.20	397.80	(2.40)
15	Spectr OJSC	164.20	162.50	(1.70)
16	Kyzyl-Kiya komur OJSC	1,119.90	1,119.70	(0.20)
17	YuVM-Service LLC	335.00	334.90	(0.10)
18	Dolina Kassana LLC	161.73	161.70	(0.03)
19	Southern integrated plant of construction materials LLC	7,558.72	7,558.70	(0.02)
20	Yunik ltd LLC	76.39	76.40	0.01
21	Chaarat Zaav CJSC	33,791.00	33,791.10	0.10
22	ESK LTD LLC	1,632.70	1,632.80	0.10
23	Kurmanbek LTD LLC	-	0.10	0.10
24	Munduz-Kirpich-Zavodu LLC	268.90	269.00	0.10
25	ULAN-CHI LLC	518.80	518.90	0.10
26	Tabylgy LLC	397.40	397.50	0.10
27	Kutesay Mining OJSC	3,132.70	3,132.80	0.10
28	Kazakhmys Gold Kyrgyzstan LLC	96,613.90	96,614.00	0.10
29	Neboskreb LLC	129.00	129.40	0.40
30	BKZ LLC	8,479.40	8,481.50	2.10
31	Most Group LLC	1,119.50	1,121.90	2.40
32	Chauvai Ken LLC	1,375.95	1,378.40	2.45
33	Ak On Ish LLC	7,986.60	7,989.40	2.80
34	BIOR LLC	511.00	514.50	3.50
35	Branch of Merit More Investments Ltd joint-stock company in the Kyrgyz Republic	-	11.70	11.70
36	Ak-Tash Dordoi LLC	884.40	899.80	15.40
37	Toru LLC	151.20	167.70	16.50
38	Branch of Sparkler Mining Inc	-	36.00	36.00
39	T. Ibragimova LLC	6,105.00	6,144.50	39.50
40	Kench Stroy LLC	362.20	403.80	41.60

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
41	You and Me Co LLC	-	68.80	68.80
42	San Khe Mining Company LLC	-	70.30	70.30
43	Tekstonik CJSC	-	73.90	73.90
44	Tilek Shakhtasy LLC	16.50	94.80	78.30
45	New Soft LLC	235.70	329.90	94.20
46	Osh Ak-Tash OJSC	3,052.80	3,148.30	95.50
47	Yuzhremstroy OJSC	444.00	546.40	102.40
48	Kai Enterprise LLC	-	171.30	171.30
49	Ak Bulak komur LLC	5,541.80	5,733.40	191.60
50	Yuzhnyi Derrick LLC	-	195.10	195.10
51	Eventys LLC	488.40	705.80	217.40
52	ZhumgalSuuKurulus OJSC	746.77	1,274.50	527.73
53	Bai-Tash LLC	-	813.20	813.20
54	Full Gold Company LLC	13,663.30	14,501.50	838.20
55	Concrete Products Plant OJSC	4,209.80	5,110.00	900.20
56	Altynken	36,811.40	37,797.20	985.80
57	Baitur Building LLC	-	1,056.80	1,056.80
58	Ak-Tilek-1 LLC	-	2,717.00	2,717.00
59	Sharbon CJSC	-	4,139.00	4,139.00
60	LLC after T. Maripov	-	4,230.60	4,230.60

### 7.3.19 Payment for concession

	Results of primary analysis of data, thousand of soms	Adjustment of data based on results of responses to clarifying requests, thousand of soms	Finalized data after reconciliation and clarification, thousand of soms
<b>2013</b>			
Data of companies	-	-	-
Data of state bodies	-	-	-
Discrepancies	-	-	-
<b>2014</b>			
Data of companies	-	-	-
Data of state bodies	-	-	-
Discrepancies	-	-	-

No concession payment amounts existed in the data provided for 2013 and 2014, accordingly no differences have been identified.

### 7.3.20 Dividends accrued on state- owned shares <sup>263</sup>

	Results of primary analysis of data, thousand of soms	Adjustment of data based on results of responses to clarifying requests, thousand of soms	Finalized data after reconciliation and clarification, thousand of soms
<b>2013</b>			
Data of companies	108,846.90	-	108,846.90
Data of state bodies	101,829.90	-	101,829.90
Discrepancies	(7,017.00)	-	(7,017.00)
<b>2014</b>			
Data of companies	275,937.10	(169,393.20)	106,543.90
Data of state bodies	4,797.60	-	4,797.60
Discrepancies	(271,139.50)	169,393.20	(101,746.30)

The amount of discrepancy on dividends accrued on state-owned shares between data of companies and data of the government amounted to 7,017,00 thousand of soms for 2013 and 101 746,30 thousand of soms for 2014. The differences by companies for 2013 and 2014 are presented in the tables below.

#### 2013

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
1	Kyrgyzneftegas	97,737.40	90,720.40	(7,017.00)

#### 2014

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
1	Kyrgyzneftegas OJSC	104,225.30	4,797.60	(99,427.70)
2	Khaidarkanskoye Rtutnoye JSC	2,318.60	-	(2,318.60)

<sup>263</sup> For entities with the state share

### 7.3.21 Payments for state-shares, purchased by the company from the state

	Results of primary analysis of data, thousand of soms	Adjustment of data based on results of responses to clarifying requests, thousand of soms	Finalized data after reconciliation and clarification, thousand of soms
<b>2013</b>			
Data of companies	-	-	-
Data of state bodies	-	-	-
Discrepancies	-	-	-
<b>2014</b>			
Data of companies	-	-	-
Data of state bodies	-	-	-
Discrepancies	-	-	-

No amounts of Payments for state-shares, purchased by the company from the state was shown in the data provided for 2013 and 2014. Accordingly, no differences have also been identified.

### 7.3.22 Lease of land owned by the government

	Results of primary analysis of data, thousand of soms	Adjustment of data based on results of responses to clarifying requests, thousand of soms	Finalized data after reconciliation and clarification, thousand of soms
<b>2013</b>			
Data of companies	186,845.98	(172,122.77)	14,723.21
Data of state bodies	1,483.00	5,444.20	6,927.20
Discrepancies	(185,362.98)	177,566.97	(7,796.01)
<b>2014</b>			
Data of companies	346,616.80	(327,068.47)	19,548.33
Data of state bodies	199,803.72	(191,939.87)	7,863.85
Discrepancies	(146,813.08)	135,128.60	(11,684.48)

For 2013, the amount of discrepancies on lease of land owned by the government, between the data from companies and data from the government amounted to 7 796,01 thousand of soms, and for 2014 - 11 684,48 thousand of soms. The differences by companies for 2013 and 2014 are presented in the tables below.

**2013**

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
1	Concrete Products Plant	2,190.00	50.00	(2,140.00)
2	Chaarat Zaav	1,461.50	-	(1,461.50)
3	Vertex Gold Company	1,230.20	-	(1,230.20)
4	Kazakhmys Gold Kyrgyzstan	861.60	-	(861.60)
5	Yuzhno-Kyrgyzskiy Cement	802.94	-	(802.94)
6	Pand-Sher	668.90	-	(668.90)
7	Eventys	592.10	-	(592.10)
8	Saryzhaz Minerals Mining Company	387.30	-	(387.30)
9	Kyrgyzneftegas	349.70	-	(349.70)
10	Fonta	317.40	-	(317.40)
11	Southern integrated plant of construction materials	262.84	-	(262.84)
12	AGK-Too Invest	182.80	-	(182.80)
13	Tegene	170.00	-	(170.00)
14	Kyrgyzaltyn	167.90	-	(167.90)
15	Full Gold Company	131.80	-	(131.80)
16	T. Maripova	107.00	-	(107.00)
17	ESK LTD	70.50	-	(70.50)
18	GlavNefteGas	68.30	-	(68.30)
19	Kyzyl-Bulak	57.60	-	(57.60)
20	Suluktu-Karabulak	39.60	-	(39.60)
21	Nur KM	38.00	-	(38.00)
22	Dary-Bulak-Abshir	33.50	-	(33.50)
23	Tekstonik	23.40	-	(23.40)
24	Ak Bulak komur	15.00	-	(15.00)
25	Highland Exploration	10.50	-	(10.50)
26	Silikat	148.73	148.00	(0.73)
27	Tulek Mine	-	6.00	6.00
28	Batkenneftegas	-	2,389.10	2,389.10

**2014**

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
1	Concrete Products Plant OJSC	2,520.00	10.00	(2,510.00)
2	Bereket CJSC	2,008.50	-	(2,008.50)
3	Vertex Gold Company LLC	1,040.70	-	(1,040.70)

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
4	Fonta LLC	987.00	-	(987.00)
5	Yuzhno-Kyrgyzskiy Cement CJSC	795.00	-	(795.00)
6	ZhBI-Stroyindustriya LLC	750.00	-	(750.00)
7	Kai Enterprise LLC	568.00	-	(568.00)
8	AGK-Too Invest LLC	456.00	-	(456.00)
9	Eventys LLC	425.40	-	(425.40)
10	Nur KM JSC	421.30	-	(421.30)
11	Pandzh-Sher LLC	370.00	-	(370.00)
12	Kum-Shagyl OJSC	364.60	30.00	(334.60)
13	Spectr OJSC	333.00	-	(333.00)
14	BIOR LLC	500.40	180.00	(320.40)
15	T. Ibragimova LLC	300.00	-	(300.00)
16	ESK LTD LLC	193.70	-	(193.70)
17	Uzgen Energo Ugol LLC	190.00	-	(190.00)
18	Dolina Kassana LLC	176.28	-	(176.28)
19	Kyrgyzaltyn OJSC	167.90	-	(167.90)
20	Full Gold Company LLC	164.80	-	(164.80)
21	Alтынкен	2,299.20	2,161.12	(138.08)
22	Kyrgyzneftegas OJSC	136.20	-	(136.20)
23	Yunik ltd LLC	132.00	-	(132.00)
24	Sarydzhas Minerals Mining Company LLC	129.10	-	(129.10)
25	Sary-Tash-Stalkonstruksiya LLC	80.50	-	(80.50)
26	Osh Ak-Tash OJSC	167.20	90.00	(77.20)
27	Dary-Bulak-Abshir LLC	74.40	-	(74.40)
28	Tabylyg LLC	65.00	-	(65.00)
29	Kaidi Mining Investment Company LLC	62.60	-	(62.60)
30	Nur LLC	60.00	-	(60.00)
31	Kyzyl-Bulak LLC	57.60	-	(57.60)
32	Aidoochu LLC	53.90	-	(53.90)
33	Yuzhremstroy OJSC	46.80	-	(46.80)
34	Too Tash OJSC	138.40	93.40	(45.00)
35	Polybeton OJSC	36.00	-	(36.00)
36	Most Group LLC	29.00	-	(29.00)
37	LLC after Raimberdyev	20.00	-	(20.00)
38	Ak Bulak komur LLC	15.00	-	(15.00)
39	Munduz-Kirpich-Zavodu LLC	10.50	-	(10.50)
40	Kyzyl-Kiya komur OJSC	7.60	-	(7.60)
41	Neboskreb LLC	27.00	26.90	(0.10)
42	Southern integrated plant of construction materials LLC	262.85	262.80	(0.05)

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
43	ULAN-CHI LLC	-	20.00	20.00
44	Toru LLC	-	36.00	36.00
45	Periti Koul LLC	-	39.00	39.00
46	Baitur Building LLC	-	60.00	60.00
47	Dannur Yug LLC	-	273.94	273.94
48	Tegene LLC	366.70	833.00	466.30
49	YuVM-Service LLC	-	1,209.50	1,209.50

### 7.3.23 Reimbursement of agricultural production losses

	Results of primary analysis of data, thousand of soms	Adjustment of data based on results of responses to clarifying requests, thousand of soms	Finalized data after reconciliation and clarification, thousand of soms
<b>2013</b>			
Data of companies	159,164.18	(152,946.90)	6,217.28
Data of state bodies	-	-	-
Discrepancies	(159,164.18)	152,946.90	(6,217.28)
<b>2014</b>			
Data of companies	129,387.92	(112,841.03)	16,546.89
Data of state bodies	6,985.95	2,755.58	9,741.53
Discrepancies	(122,401.97)	115,596.61	(6,805.36)

The amount of discrepancy on reimbursement of agricultural production losses between data of companies and data of the government amounted to 6,217,28 thousand of soms for 2013 and 6,805,36 thousand of soms for 2014. The differences by companies for 2013 and 2014 are presented in the tables below.

#### 2013

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
1	Central Asian Tin Company	2,861.20	-	(2,861.20)
2	Periti Koul	1,989.00	-	(1,989.00)
3	GlavNefteGas	632.00	-	(632.00)
4	Dannur Yug	243.00	-	(243.00)
5	ZHENNAZTEM	153.10	-	(153.10)

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
6	Kichi-Chaarat	121.50	-	(121.50)
7	Yuzhno-Kyrgyzskiy Cement	75.68	-	(75.68)
8	Kyrgyzaltyn	73.10	-	(73.10)
9	Uzgen Energo Ugol	54.00	-	(54.00)
10	Kyrgyz Too-Tash	12.60	-	(12.60)
11	GMK Alliance	2.10	-	(2.10)

### 2014

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
1	Kichi-Chaarat CJSC	4,392.00	-	(4,392.00)
2	Spectr OJSC	1,044.80	-	(1,044.80)
3	Kyrgyzaltyn OJSC	461.80	-	(461.80)
4	San Khe Mining Company LLC	237.20	5.00	(232.20)
5	Kyrgyzneftegas OJSC	213.46	-	(213.46)
6	You and Me Co LLC	180.70	-	(180.70)
7	Dolina Kassana LLC	120.00	-	(120.00)
8	Uzgen Energo Ugol LLC	62.50	-	(62.50)
9	Ak-Tash Dordoi LLC	35.00	-	(35.00)
10	Polybeton OJSC	33.70	-	(33.70)
11	Da Shan LLC	29.20	-	(29.20)

### 7.3.24 Reimbursement of forest production losses

	Results of primary analysis of data, thousand of soms	Adjustment of data based on results of responses to clarifying requests, thousand of soms	Finalized data after reconciliation and clarification, thousand of soms
<b>2013</b>			
Data of companies	2,746.80	-	2,746.80
Data of state bodies	-	-	-
Discrepancies	(2,746.80)	-	(2,746.80)
<b>2014</b>			
Data of companies	4,539.40	(0.03)	4,539.37
Data of state bodies	-	472.37	472.37

	Results of primary analysis of data, thousand of soms	Adjustment of data based on results of responses to clarifying requests, thousand of soms	Finalized data after reconciliation and clarification, thousand of soms
Discrepancies	(4,539.40)	472.40	(4,067.00)

The amount of discrepancy on reimbursement of forest production losses between data of companies and data of the government amounted to 2 746,80 thousand of soms for 2013 and 4 067,00 thousand of soms for 2014. The differences by companies for 2013 and 2014 are presented in the tables below.

### 2013

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
1	Eventys	1,557.80	-	(1,557.80)
2	Fonta	1,142.90	-	(1,142.90)
3	Kichi-Chaarat	46.10	-	(46.10)

### 2014

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
1	Kichi-Chaarat CJSC	2,694.40	-	(2,694.40)
2	Baitken Mining Company LLC	1,054.70	-	(1,054.70)
3	Fonta LLC	317.90	-	(317.90)

## 7.3.25 Opportunity cost of provided land plots

	Results of primary analysis of data, thousand of soms	Adjustment of data based on results of responses to clarifying requests, thousand of soms	Finalized data after reconciliation and clarification, thousand of soms
<b>2013</b>			
Data of companies	8,343.46	(7,552.44)	791.02
Data of state bodies	1.30	7.50	8.80
Discrepancies	(8,342.16)	7,559.94	(782.22)
<b>2014</b>			
Data of companies	650.51	(1.43)	649.08
Data of state bodies	1,498.24	4.90	1,503.14

	<b>Results of primary analysis of data, thousand of soms</b>	<b>Adjustment of data based on results of responses to clarifying requests, thousand of soms</b>	<b>Finalized data after reconciliation and clarification, thousand of soms</b>
Discrepancies	847.73	6.33	854.06

The amount of discrepancy on opportunity cost of provided land plots between data of companies and data of the government amounted to 782,22 thousand of soms for 2013 and 854,06 thousand of soms for 2014. The differences by companies for 2013 and 2014 are presented in the tables below.

### 2013

<b>No.</b>	<b>Company name</b>	<b>Data of companies, thousand of soms</b>	<b>Data of state bodies, thousand of soms</b>	<b>Discrepancies, thousand of soms</b>
1	GlavNefteGas	371.20	-	(371.20)
2	Eventys	219.30	-	(219.30)
3	Kichi-Chaarat	114.70	-	(114.70)
4	GMK Alliance	34.50	-	(34.50)
5	Dannur Yug	29.20	-	(29.20)
6	Kyrgyzaltyn	6.20	-	(6.20)
7	Highland Exploration	3.00	-	(3.00)
8	Yuzhno-Kyrgyzskiy Cement	2.16	-	(2.16)
9	Tegene	1.60	-	(1.60)
10	Kyrgyz Too-Tash	0.30	-	(0.30)
11	ZHENNAZTEM	7.56	7.50	(0.06)

### 2014

<b>No.</b>	<b>Company name</b>	<b>Data of companies, thousand of soms</b>	<b>Data of state bodies, thousand of soms</b>	<b>Discrepancies, thousand of soms</b>
1	Spectr OJSC	57.40	-	(57.40)
2	Kichi-Chaarat CJSC	56.50	-	(56.50)
3	Periti Koul LLC	55.35	-	(55.35)
4	Ak-Tash Dordoi LLC	26.00	-	(26.00)
5	You and Me Co LLC	15.00	-	(15.00)
6	Kyrgyzaltyn OJSC	14.70	-	(14.70)
7	Kurmanbek LTD LLC	12.20	-	(12.20)
8	Kyrgyzneftegas OJSC	1.43	-	(1.43)
9	Altynken	410.50	410.54	0.04
10	Dannur Yug LLC	-	4.90	4.90

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
11	Tegene LLC	-	33.00	33.00
12	Baitken Mining Company LLC	-	1,054.70	1,054.70

### 7.3.26 Payment for retention of mining license

	Results of primary analysis of data, thousand of soms	Adjustment of data based on results of responses to clarifying requests, thousand of soms	Finalized data after reconciliation and clarification, thousand of soms
<b>2013</b>			
Data of companies	61,782.00	(28,111.86)	33,670.14
Data of state bodies	20,813.12	999.06	21,812.18
Discrepancies	(40,968.88)	29,110.92	(11,857.96)
<b>2014</b>			
Data of companies	47,012.84	(7,573.38)	39,439.46
Data of state bodies	47,796.74	(9,626.47)	38,170.27
Discrepancies	783.90	(2,053.09)	(1,269.19)

The amount of discrepancy on payment for retention of mining license between data of companies and data of the government amounted to 11,857,96 thousand of soms for 2013 and 1,269,19 thousand of soms for 2014. The differences by companies for 2013 and 2014 are presented in the tables below.

#### 2013

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
1	Kaidi Mining Investment Company	6,336.80	1,190.00	(5,146.80)
2	Chaarat Zaav	4,903.20	362.95	(4,540.25)
3	Kyrgyzneftegas	3,243.70	1,048.32	(2,195.38)
4	Nur KM	59.60	-	(59.60)
5	Dannur Yug	45.00	4.17	(40.83)
6	Chatkal-17	47.50	8.30	(39.20)
7	Bishkekstroyaterialy	18.70	-	(18.70)
8	Kai Enterprise	2.00	-	(2.00)
9	Uzgen Energo Ugol	1.40	-	(1.40)
10	Kyrgyzaltyn	1,132.10	1,131.10	(1.00)
11	Kyrgyz Too-Tash	0.10	0.08	(0.02)

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
12	Tulek Mine	7.10	7.10	(0.00)
13	Suluktu-Karabulak	1.90	1.91	0.01
14	Southern integrated plant of construction materials	-	0.02	0.02
15	Nark-Too	1.40	1.43	0.03
16	Eventys	82.60	82.63	0.03
17	Busurmankul-T	3.60	3.66	0.06
18	ESK LTD	129.70	129.76	0.06
19	GMK Alliance	56.60	56.67	0.07
20	Sharbon	-	0.19	0.19
21	Kyrgyz-Tash	-	0.99	0.99
22	Kum-Shagyl	-	2.55	2.55
23	Ak Bulak komur	-	26.46	26.46
24	Sulyukta komur	-	37.90	37.90
25	ZHENNAZTEM	28.14	147.00	118.86

**2014**

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
1	Kyrgyzneftegas OJSC	7,164.20	630.14	(6,534.06)
2	San Khe Mining Company LLC	107.70	-	(107.70)
3	Dannur Yug LLC	43.00	11.45	(31.55)
4	Bereket CJSC	23.87	-	(23.87)
5	Tilek Shakhtasy LLC	12.80	-	(12.80)
6	Uzgen Energo Ugol LLC	6.60	-	(6.60)
7	Kum-Shagyl OJSC	6.40	-	(6.40)
8	Spectr OJSC	5.10	-	(5.10)
9	Sary-Tash-Stalkonstruksiya LLC	4.70	-	(4.70)
10	New Soft LLC	2.30	-	(2.30)
11	Neboskreb LLC	1.50	-	(1.50)
12	Too Tash OJSC	0.80	0.08	(0.72)
13	Ak-Tash Dordoi LLC	0.30	-	(0.30)
14	You and Me Co LLC	0.30	-	(0.30)
15	Da Shan LLC	0.30	0.25	(0.05)
16	ZhBI-Stroyindustriya LLC	14.50	14.46	(0.04)
17	Southern integrated plant of construction materials LLC	-	0.02	0.02
18	Munduz-Kirpich-Zavodu LLC	1.50	1.59	0.09

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
19	Sharbon CJSC	-	0.19	0.19
20	Oshstroysservice LLC	-	0.23	0.23
21	Toru LLC	-	0.30	0.30
22	Kyrgyz-Tash OJSC	-	0.99	0.99
23	Baitur Building LLC	-	1.20	1.20
24	Central Asian Tin Company LLC	1,455.60	6,921.40	5,465.80

### 7.3.27 Payment for environmental pollution and damages

	Results of primary analysis of data, thousand of soms	Adjustment of data based on results of responses to clarifying requests, thousand of soms	Finalized data after reconciliation and clarification, thousand of soms
<b>2013</b>			
Data of companies	25,691.71	-	25,691.71
Data of state bodies	22,078.14	2,012.70	24,090.84
Discrepancies	(3,613.57)	2,012.70	(1,600.87)
<b>2014</b>			
Data of companies	37,988.47	(6,878.38)	31,110.09
Data of state bodies	1,425,412.09	(1,393,424.71)	31,987.38
Discrepancies	1,387,423.62	(1,386,546.33)	877.29

The amount of discrepancy on payment for environmental pollution and damages between data of companies and data of the government amounted to 1 600,87 thousand of soms for 2013 and 877,29 thousand of soms for 2014. The differences by companies for 2013 and 2014 are presented in the tables below.

#### 2013

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
1	Kyrgyzaltyn	766.20	4.30	(761.90)
2	Silikat	524.00	-	(524.00)
3	Vertex Gold Company	612.10	287.30	(324.80)
4	Periti Koul	556.10	317.40	(238.70)
5	Kyrgyzneftegas	232.80	67.34	(165.46)
6	Southern integrated plant of construction	453.98	322.20	(131.78)

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
	materials			
7	AGK-Too Invest	180.80	50.00	(130.80)
8	Kum-Shagyl	287.90	169.80	(118.10)
9	Dary-Bulak-Abshir	82.90	-	(82.90)
10	Concrete Products Plant	83.10	8.30	(74.80)
11	Khaidarkanskoye Rtutnoye JSC	503.60	435.50	(68.10)
12	Uzgen Energo Ugol	120.50	58.70	(61.80)
13	Bereket	223.80	201.70	(22.10)
14	Tegene	14.40	12.50	(1.90)
15	ESK LTD	5.80	4.20	(1.60)
16	Dannur Yug	149.70	149.10	(0.60)
17	Kadamzhai Antimony Intergrated Plant	873.00	872.60	(0.40)
18	Zhumgal suu kurulush	75.72	75.70	(0.02)
19	Kyzyl-Bulak	13.80	13.90	0.10
20	Pand-Sher	315.90	316.00	0.10
21	Kyzyl-Kiya komur	-	1.30	1.30
22	Fonta	46.00	48.00	2.00
23	Tekstonik	-	2.10	2.10
24	Yuzhnyi Derrick	-	5.10	5.10
25	Kazakhmys Gold Kyrgyzstan	72.60	79.90	7.30
26	Ak Bulak komur	10.10	30.10	20.00
27	Nur	-	26.60	26.60
28	Orion Mining Company	-	41.50	41.50
29	Kichi-Chaarat	20.30	66.43	46.13
30	Kumtor Gold Company	14,695.50	14,764.30	68.80
31	Full Gold Company	-	72.40	72.40
32	Chaarat Zaav	8.60	85.97	77.37
33	Busurmankul-T	-	86.30	86.30
34	Yuzhno-Kyrgyzskiy Cement	2,290.71	2,422.50	131.79
35	Kaidi Mining Investment Company	-	162.30	162.30
36	Sharbon	-	357.70	357.70

**2014**

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
1	Southern integrated plant of construction materials LLC	1,071.03	-	(1,071.03)
2	Chauvai Ken LLC	846.00	-	(846.00)

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
3	Noeliya Group LLC	690.20	-	(690.20)
4	Vertex Gold Company LLC	1,078.50	509.79	(568.71)
5	Kyrgyzaltyn OJSC	359.20	93.00	(266.20)
6	Nur LLC	33.20	-	(33.20)
7	Yuzhremstroy OJSC	65.00	41.50	(23.50)
8	Most Group LLC	43.80	26.10	(17.70)
9	Tegene LLC	13.30	-	(13.30)
10	ZhumgalSuuKurulus OJSC	80.00	69.80	(10.20)
11	Zhibek-Zhol JSC	17.70	7.90	(9.80)
12	Too Tash OJSC	235.10	227.48	(7.63)
13	Bulak ABI CJSC	68.40	62.40	(6.00)
14	Erkin Ken LLC	6.00	-	(6.00)
15	Altynken	3,936.80	3,933.58	(3.22)
16	Kyzyl-Bulak LLC	27.70	24.70	(3.00)
17	New Soft LLC	16.60	15.00	(1.60)
18	Khaidarkanskoye Rtutnoye JSC	1.50	-	(1.50)
19	Kyrgyzneftegas OJSC	230.24	229.30	(0.94)
20	Andash Mining Company LLC	0.90	-	(0.90)
21	Kyrgyz-Tash OJSC	0.50	-	(0.50)
22	Yunik ltd LLC	7.90	8.00	0.10
23	ZhBI-Stroyindustriya LLC	25.90	26.00	0.10
24	Sulyukta shakhta kurulush OJSC	16.20	16.30	0.10
25	Dary-Bulak-Abshir LLC	84.40	84.72	0.32
26	Nur KM JSC	4.10	4.61	0.51
27	Yuzhno-Kyrgyzskiy Cement CJSC	1,955.60	1,958.30	2.70
28	Polybeton OJSC	8.80	11.90	3.10
29	YuVM-Service LLC	2.60	5.70	3.10
30	Kench Stroy LLC	60.00	63.54	3.54
31	LLC after Raimberdyev	7.30	12.00	4.70
32	San Khe Mining Company LLC	-	5.00	5.00
33	Ak Bulak komur LLC	30.20	35.20	5.00
34	Mega union industry LLC	5.50	12.60	7.10
35	Oshstroyservice LLC	-	7.50	7.50
36	Uzgen Energo Ugol LLC	179.40	188.76	9.36
37	Baitur Building LLC	-	11.60	11.60
38	Ak-Tilek-1 LLC	-	11.60	11.60
39	Ak On Ish LLC	126.50	138.30	11.80
40	BIOR LLC	20.20	36.00	15.80
41	ESK LTD LLC	32.70	48.99	16.29

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
42	ULAN-CHI LLC	44.90	61.20	16.30
43	Spectr OJSC	11.10	27.60	16.50
44	Concrete Products Plant OJSC	55.20	72.40	17.20
45	Periti Koul LLC	803.20	820.79	17.59
46	Dannur Yug LLC	189.40	209.03	19.63
47	Nark-Too LLC	-	25.00	25.00
48	LLC after T. Maripov	-	25.00	25.00
49	Nur LLC	15.50	40.90	25.40
50	Kichi-Chaarat CJSC	-	25.50	25.50
51	Naryn Komur LLC	-	30.00	30.00
52	Ak-Tash Dordoi LLC	20.00	55.00	35.00
53	Aidoochu LLC	16.30	51.82	35.52
54	Kyzyl-Kiya komur OJSC	14.60	54.39	39.79
55	Eventys LLC	-	45.74	45.74
56	Ak zhol Komur LLC	-	58.10	58.10
57	Kai Enterprise LLC	-	91.11	91.11
58	You and Me Co LLC	-	100.00	100.00
59	Tereksai Zhashtary LLC	-	101.66	101.66
60	AGK-Too Invest LLC	101.80	232.60	130.80
61	Osh Ak-Tash OJSC	98.90	229.90	131.00
62	Fonta LLC	48.80	179.80	131.00
63	Bereket CJSC	44.10	276.10	232.00
64	Demilge plus LTD LLC	-	485.44	485.44
65	Sharbon CJSC	-	857.60	857.60
66	Kumtor Gold Company	15,248.70	16,894.90	1,646.20

### 7.3.28 Fee for the issuance of license

	Results of primary analysis of data, thousand of soms	Adjustment of data based on results of responses to clarifying requests, thousand of soms	Finalized data after reconciliation and clarification, thousand of soms
<b>2013</b>			
Data of companies	22.90	-	22.90
Data of state bodies	0.90	-	0.90
Discrepancies	22.00	-	22.00
<b>2014</b>			

	<b>Results of primary analysis of data, thousand of soms</b>	<b>Adjustment of data based on results of responses to clarifying requests, thousand of soms</b>	<b>Finalized data after reconciliation and clarification, thousand of soms</b>
Data of companies	161.70	-	161.70
Data of state bodies	1.20	-	1.20
Discrepancies	160.50	-	160.50

The amount of discrepancy on fee for the issuance of license between data of companies and data of the government amounted to 22,00 thousand of soms for 2013 and 160,50 thousand of soms for 2014. The differences by companies for 2013 and 2014 are presented in the tables below.

### 2013

<b>No.</b>	<b>Company name</b>	<b>Data of companies, thousand of soms</b>	<b>Data of state bodies, thousand of soms</b>	<b>Discrepancies, thousand of soms</b>
1	Kyrgyzaltyn	17.10	-	(17.10)
2	Concrete Products Plant	3.40	-	(3.40)
3	Tulek Mine	0.30	-	(0.30)
4	Kyrgyzneftegas	0.30	-	(0.30)
5	Khaidarkanskoye Rtutnoye JSC	0.30	-	(0.30)
6	Andash Mining Company	0.30	-	(0.30)
7	Altynken	0.30	-	(0.30)

### 2014

<b>No.</b>	<b>Company name</b>	<b>Data of companies, thousand of soms</b>	<b>Data of state bodies, thousand of soms</b>	<b>Discrepancies, thousand of soms</b>
1	Aidoochu LLC	90.00	-	(90.00)
2	Kyrgyzaltyn OJSC	66.90	-	(66.90)
3	Spectr OJSC	1.20	-	(1.20)
4	Altynken	1.00	-	(1.00)
5	Bulak ABI CJSC	0.80	0.30	(0.50)
6	Ak On Ish LLC	0.30	-	(0.30)
7	Sary-Tash-Stalkonstruksiya LLC	0.30	-	(0.30)
8	Tilek Shakhtasy LLC	0.30	-	(0.30)

### 7.3.29 Fee for the issuance of certificates and other permits

	Results of primary analysis of data, thousand of soms	Adjustment of data based on results of responses to clarifying requests, thousand of soms	Finalized data after reconciliation and clarification, thousand of soms
<b>2013</b>			
Data of companies	2,908.20	-	2,908.20
Data of state bodies	-	-	-
Discrepancies	(2,908.20)	-	(2,908.20)
<b>2014</b>			
Data of companies	5,516.19	74.90	5,591.09
Data of state bodies	-	-	-
Discrepancies	(5,516.19)	(74.90)	(5,591.09)

The amount of discrepancy on fee for the issuance of certificates and other permits between data of companies and data of the government amounted to 2,908,20 thousand of soms for 2013 and 5,591,09 thousand of soms for 2014. The differences by companies for 2013 and 2014 are presented in the tables below.

#### 2013

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
1	Kumtor Gold Company	2,085.50	-	(2,085.50)
2	Kyrgyzneftegas	339.90	-	(339.90)
3	ESK LTD	214.50	-	(214.50)
4	Kyrgyzaltyn	200.20	-	(200.20)
5	Kichi-Chaarat	51.20	-	(51.20)
6	Eventys	15.60	-	(15.60)
7	Kyrgyz Too-Tash	1.30	-	(1.30)

#### 2014

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
1	Kumtor Gold Company	4,130.10	-	(4,130.10)
2	Vertex Gold Company LLC	520.50	-	(520.50)
3	Kyrgyzaltyn OJSC	205.10	-	(205.10)
4	Most Group LLC	134.10	-	(134.10)
5	Chaarat Zaav CJSC	120.00	-	(120.00)
6	Spectr OJSC	99.60	-	(99.60)
7	Aidoochu LLC	82.60	-	(82.60)

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
8	Da Shan LLC	74.90	-	(74.90)
9	Baitken Mining Company LLC	70.00	-	(70.00)
10	Kyzyl-Kiya komur OJSC	65.30	-	(65.30)
11	Tabylyg LLC	44.70	-	(44.70)
12	T. Ibragimova LLC	24.80	-	(24.80)
13	Ak-Tash Dordoi LLC	4.10	-	(4.10)
14	Neboskreb LLC	3.70	-	(3.70)
15	Munduz-Kirpich-Zavodu LLC	3.70	-	(3.70)
16	Zhibek-Zhol JSC	3.70	-	(3.70)
17	Fonta LLC	1.79	-	(1.79)
18	Too Tash OJSC	0.80	-	(0.80)
19	LLC after Raimberdyev	0.60	-	(0.60)
20	Altynken	0.50	-	(0.50)
21	Bulak ABI CJSC	0.30	-	(0.30)
22	Polybeton OJSC	0.20	-	(0.20)

### 7.3.30 Payments established by agreements with the government.

	Results of primary analysis of data, thousand of soms	Adjustment of data based on results of responses to clarifying requests, thousand of soms	Finalized data after reconciliation and clarification, thousand of soms
<b>2013</b>			
Data of companies	394,505.50	-	394,505.50
Data of state bodies	78,729.30	315,907.30	394,636.60
Discrepancies	(315,776.20)	315,907.30	131.10
<b>2014</b>			
Data of companies	416,058.59	-	416,058.59
Data of state bodies	197,415.60	223,850.54	421,266.14
Discrepancies	(218,642.99)	223,850.54	5,207.55

The amount of discrepancy on payments established by agreements with the government between data of companies and data of the government amounted to 131,10 thousand of soms for 2013 and 5,207,55 thousand of soms for 2014. The differences by companies for 2013 and 2014 are presented in the tables below.

**2013**

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
1	Tulek Mine	-	15.00	15.00
2	ZHENNAZTEM	-	28.10	28.10
3	Silikat	-	88.00	88.00

**2014**

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
1	Branch of Sparkler Mining Inc	2,868.92	2,868.90	(0.02)
2	Branch of Merit More Investments Ltd joint-stock company in the Kyrgyz Republic	5,436.57	5,436.60	0.03
3	Dannur Yug LLC	-	1.50	1.50
4	Periti Koul LLC	-	1.60	1.60
5	Osh Ak-Tash OJSC	-	32.70	32.70
6	New Soft LLC	-	98.00	98.00
7	Tegene LLC	-	242.00	242.00
8	Central Asian Tin Company LLC	-	1,094.49	1,094.49
9	Munduz-Kirpich-Zavodu LLC	-	1,130.55	1,130.55
10	Palladex KR LLC	-	2,606.70	2,606.70

## Additional expenses

### 7.3.31 Support for social infrastructure

	Results of primary analysis of data, thousand of soms	Adjustment of data based on results of responses to clarifying requests, thousand of soms	Finalized data after reconciliation and clarification, thousand of soms
<b>2013</b>			
Data of companies	343,177.50	19,658.10	362,835.60
Data of state bodies	64,715.00	17,144.70	81,859.70
Discrepancies	(278,462.50)	(2,513.40)	(280,975.90)
<b>2014</b>			
Data of companies	720,377.40	(378,617.02)	341,760.38
Data of state bodies	22,654.27	11,680.40	34,334.67

	Results of primary analysis of data, thousand of soms	Adjustment of data based on results of responses to clarifying requests, thousand of soms	Finalized data after reconciliation and clarification, thousand of soms
Discrepancies	(697,723.13)	390,297.42	(307,425.71)

The discrepancy between data from the companies and data from the government on payments intended to support the social infrastructure amounted to 280 975,90 thousand of soms for 2013 and 307 425,71 thousand of soms for 2014.

The bulk of the amounts of differences is caused by discrepancies related to Kumtor Gold Company. As explained by the company, the difference is due to the fact that the company implements a number of projects using own resources, without the involvement of government authorities. Accordingly, in this case the figure from the government authorities will be inherently lower than the figure indicated by the company.

The differences by companies for 2013 and 2014 are presented in the tables below.

### 2013

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
1	Kumtor Gold Company	219,405.40	24,476.00	(194,929.40)
2	Vertex Gold Company	33,387.30	-	(33,387.30)
3	Chaarat Zaav	23,787.20	-	(23,787.20)
4	Kai Enterprise	10,101.70	-	(10,101.70)
5	Kichi-Chaarat	6,783.70	-	(6,783.70)
6	Fonta	5,272.90	-	(5,272.90)
7	Eventys	4,025.00	-	(4,025.00)
8	Kyrgyzaltyn	2,510.00	-	(2,510.00)
9	Tegene	1,344.10	-	(1,344.10)
10	Full Gold Company	913.40	-	(913.40)
11	Kyzyl-Bulak	782.00	-	(782.00)
12	Kaidi Mining Investment Company	377.00	-	(377.00)
13	Suluktu-Karabulak	373.20	-	(373.20)
14	Kyrgyzneftegas	2,276.20	1,927.40	(348.80)
15	Dannur Yug	213.80	-	(213.80)
16	Nark-Too	200.00	-	(200.00)
17	Central Asian Tin Company	178.00	-	(178.00)
18	Ak Bulak komur	169.00	-	(169.00)
19	T. Maripova	143.00	-	(143.00)
20	Highland Exploration	142.00	-	(142.00)
21	Chatkal-17	134.80	-	(134.80)
22	AGK-Too Invest	100.00	-	(100.00)
23	Kum-Shagyl	209.00	150.00	(59.00)

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
24	Saryzhaz Minerals Mining Company	55.60	-	(55.60)
25	Pand-Sher	25.00	-	(25.00)
26	ESK LTD	20.00	-	(20.00)
27	Kadamzhai Antimony Intergrated Plant	20.00	-	(20.00)
28	Kyrgyz Too-Tash	10.00	-	(10.00)
29	Tulek Mine	-	5.00	5.00
30	Concrete Products Plant	-	10.00	10.00
31	ZHENNAZTEM	880.00	905.00	25.00
32	Busurmankul-T	(259.00)	-	259.00
33	Periti Koul	220.00	5,351.00	5,131.00

**2014**

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
1	Kumtor Gold Company	240,953.60	-	(240,953.60)
2	Vertex Gold Company LLC	27,279.40	-	(27,279.40)
3	Kazakhmys Gold Kyrgyzstan LLC	12,798.00	-	(12,798.00)
4	Kichi-Chaarat CJSC	8,157.00	-	(8,157.00)
5	Chaarat Zaav CJSC	7,025.00	-	(7,025.00)
6	Periti Koul LLC	2,893.80	-	(2,893.80)
7	Tegene LLC	2,619.00	140.00	(2,479.00)
8	Eventys LLC	2,020.00	-	(2,020.00)
9	Kench Stroy LLC	1,166.30	-	(1,166.30)
10	Altynten	17,505.90	17,031.77	(474.13)
11	Naryn Komur LLC	400.00	-	(400.00)
12	Full Gold Company LLC	386.90	-	(386.90)
13	Dolina Kassana LLC	378.88	-	(378.88)
14	Kyrgyzaltyn OJSC	368.40	-	(368.40)
15	Nark-Too LLC	256.40	-	(256.40)
16	Pandzh-Sher LLC	167.30	-	(167.30)
17	Highland Exploration LLC	151.40	-	(151.40)
18	Spectr OJSC	205.70	100.00	(105.70)
19	Demilge plus LTD LLC	100.00	-	(100.00)
20	Ak-Tash Dordoi LLC	95.70	-	(95.70)
21	Erkin Ken LLC	85.00	5.00	(80.00)
22	Dannur Yug LLC	78.00	-	(78.00)
23	You and Me Co LLC	70.00	-	(70.00)
24	Sary-Tash-Stalkonstruksiya LLC	50.00	-	(50.00)

No.	Company name	Data of companies, thousand of soms	Data of state bodies, thousand of soms	Discrepancies, thousand of soms
25	AGK-Too Invest LLC	50.00	-	(50.00)
26	New Soft LLC	30.00	-	(30.00)
27	Kyzyl-Kiya komur OJSC	26.50	-	(26.50)
28	Branch of Merit More Investments Ltd joint-stock company in the Kyrgyz Republic	25.00	-	(25.00)
29	LLC after Raimberdyev	16.00	-	(16.00)
30	Sulyukta shakhta kurulush OJSC	15.00	-	(15.00)
31	LLC after T. Maripov	15.00	-	(15.00)
32	Too Tash OJSC	10.00	-	(10.00)
33	Zhalalabatskoye SMU TT CJSC	5.00	-	(5.00)
34	Baitken Mining Company LLC	100.00	98.80	(1.20)
35	Kyrgyzneftegas OJSC	4,554.90	4,555.00	0.10
36	Neboskreb LLC	-	5.00	5.00
37	Bozbu Ata LLC	-	6.00	6.00
38	Kum-Shagyl OJSC	142.00	150.00	8.00
39	Tilek Shakhtasy LLC	-	9.60	9.60
40	Da Shan LLC	-	25.00	25.00
41	Kaidi Mining Investment Company LLC	-	25.00	25.00
42	Palladex KR LLC	-	33.30	33.30
43	Baitur Building LLC	-	40.00	40.00
44	Oshstroysservice LLC	-	52.00	52.00
45	ULAN-CHI LLC	-	98.90	98.90
46	BIOR LLC	-	100.00	100.00
47	Toru LLC	-	300.00	300.00

## 8. Recommendations to improve the reporting process

### 8.1 EITI Reporting Forms

The table below presents the key recommendations related to EITI reporting forms for the companies and government authorities.

#	Description of recommendation
1	<p>Consider including additional items related to contextual information of EITI Report into the Form of annual administrative statistical reporting on financial flows from the activities of extractive companies in the Kyrgyz Republic (EITI Form No. 4) .</p> <p>See the details of the respective request in the form presented in Annex 3.</p>
2	<p>Consider including the request for data on the beneficial interest in the companies in the above-mentioned EITI form No. 4.</p> <p>See the details of the respective request in the form presented in Annex 6.</p>
3	<p>Consider supplementing the list of government agencies that provide data on company payments as part of EITI reporting with the National Statistical Committee of the Kyrgyz Republic. The Committee's task in this case is to provide the EITI Secretariat of the EITI in the Kyrgyz Republic with information contained in the Annex 4.</p>
4	<p>It is required to oblige companies to correctly indicate the dimension of the reported amounts of payments. It is required to introduce penalties for incorrectly reported figures (in terms of dimensions).</p> <p>Most of the discrepancies between data on payments from the companies and government authorities were caused by an incorrect dimension of amounts in the reports of companies, and in the reports of the government authorities.</p>
5	<p>It is required to introduce stricter liability of government authorities to ensure accurate reporting of payments.</p> <p>For example, this project identified problems in reports from the State Agency for Environmental Protection and Forestry under the KR Government and the State Inspection on Environmental and Occupational Safety under the KR Government. In particular, both government agencies reported amounts of payments under reporting indicator No. 27, where the amounts of payments under this indicator were different in the reports of these agencies. According to the Regulation of the Government of the Kyrgyz Republic № 317 from December 8, 2010, there is an indicator №27, which is called " Payment for environmental pollution and damages ", Moreover, according to this Regulation, a state authority that is responsible for providing data on this indicator is State Agency on Environment Protection and Forestry under the Government of KR.</p>
6	<p>It is required to take relevant measures to ensure that the reporting companies indicate the amounts of their payments to the government correctly correlating them with the indicators of EITI reporting.</p>

#	Description of recommendation
	<p>Thus, there are serious suspicions that in the reports of some companies the amounts of payments are confused under reporting indicators No. 2 and No. 11, No. 12 and No. 13.</p>
7	<p>Consider implementing information system in Gosgeologoagenstvo that enables companies and government authorities to provide EITI reporting in an electronic form as part of EITI initiative in the Kyrgyz Republic. It may be forms in Excel format filled in using a single pre-approved template and sent to a special secured email of Gosgeologoagenstvo or EITI Secretariat. It may be a specialized IT system accessible online, in which companies and government authorities may enter data for EITI reporting.</p> <p>It is important to note that in this case it will be necessary to consider a procedure using which companies and government authorities will be able to confirm the accuracy of the data provided. One of the measures to confirm reliability of data validation is to provide the scanned version of the appropriate letter signed by the CEO and stamped by company / government authority. A scanned copy of an audit report of the company may be provided.</p>

## 8.2 Confirmation of reliability of information on payments to the government

The table below shows the basic processes to confirm reliability of information on payments to the government for the EITI Report and the status of their implementation.

#	Name of process	The essence of the process to confirm reliability of information	Status
1	The filled in forms are signed and stamped by the responsible persons of the companies and government authorities	All forms received from companies and government authorities will be reviewed by the Independent Administrator for availability of signatures and a stamp of responsible persons of a company or a government agency; the availability of signatures and stamps guarantee the reliability of data provided.	Already used
2	Reconciliation between data of companies and government authorities	Each payment according to data of the company is reconciled with the corresponding figure according to data from the government authorities. In fact, this is a variation of the fundamental double-entry accounting principle, which significantly increases the reliability of financial records.	Already used
3	Performance of analytical procedures	Performance of analytical procedures based on data received from the companies and government authorities, for example, vertical and horizontal analysis.	Performed for the Report for 2013-2014*
4	Use of financial information confirmed by the auditor	<p>Using of data on payments to the government certified by an independent auditor for EITI Report can significantly improve the reliability of the data.</p> <p>In the future, it will be reasonable to include a question on availability of the audited financial statements into the Payment Data Form from the companies. The representation of the company's management stating that all information for EITI report was taken from these financial statements.</p> <p>However there are complications associated with application of this recommendation, namely: Assurance of the financial statements by an independent auditor is a voluntary initiative and the majority of extractive</p>	Recommendation for future EITI Reports

#	Name of process	The essence of the process to confirm reliability of information	Status
		<p>companies do not get their financial statements audited by external auditors.</p> <p>It may be considered to stimulate extractive companies to prepare publicly available financial statements and engage independent auditors for assurance as one of the solutions to the problem.</p> <p>For example, introduction of the legislative requirement for mandatory preparation of the financial statements by extractive companies, and independent audit of the financial statements. At least, independent auditors should be engaged to provide a separate opinion on payments under the EITI.</p>	

*\* this procedure might have been performed by the previous Independent Administrators but we do not have reliable information on this matter*

### 8.3 Information on the status of previous year recommendations

The table below present preliminary information on the status of implementation of recommendations from the previous reports of EITI of Kyrgyz Republic.

No.	Recommendation (From previous reports)	Status of application	Comments
1	<p>The breaking down of the company’s payments by types of activity, in particular, segregation of the share of payments from non-core activities</p> <p>Quote from the report for 2012: «<i>Jumgal suukurulush LLC and Nark-Too LLC are engaged in both coal mining and construction activity, Kyrgyzaltyn JSC included in EITI Report-K payments made by its branch, which is engaged in</i></p>	<p>As far as we understand - Not acknowledged</p>	<p>In general, the idea may be considered correct. The problem is not many companies may separate taxes depending on the types of activities even if they wish to.</p> <p>Maybe for future periods it would be reasonable to consider separating two lines for each payment in the Data Form: From extraction and other activities</p>

No.	Recommendation (From previous reports)	Status of application	Comments
	<i>tourism sector»</i>		
2	<p>Other non-tax payments</p> <p>Quote from the report for 2012: <i>«Majority of additional expenses were directly paid to third parties and therefore were not registered by government agencies. Therefore, payments directly made to third parties are not subject to reconciliation.</i></p> <p><i>We recommend the Kyrgyzstan EITI to clearly state in EITI Instruction that only payments directly made to the government agencies shall be included in EITI reports.»</i></p>	Not acknowledged	<p>This recommendation is not quite correct. After all, according to this recommendation, companies are encouraged not to show other payments, as they go to third parties and are not recorded by the government. However, the EITI standard requires the opposite: take maximum account of social costs, quasi-social and various payments to the government owned enterprises for administrative services. They are difficult to reconcile, however it is required by the standard.</p> <p>If it was meant that companies in their reports had included payments for various business services, then the recommendation was incorrectly stated.</p>
3	<p>Introducing adjustments into Information Collection Form - transfer of three payments from Unit 4 to Unit 3</p> <p>Quote: <i>«Section 4 of the EITI reports 'Additional expenses of companies' comprised of voluntary payments for educational support, support of social infrastructure and compulsory reclamation fund charges made by mining companies in accordance with the requirements of Kyrgyz legislation.</i></p> <p><i>We recommend moving reclamation fund charges from section 4 to section 3 'Other material payments', which is comprised of compulsory payments made by mining companies, in order to</i></p>	Not acknowledged	<p>We believe that, it does not fundamentally change anything. Recommendation is purely technical.</p>

No.	Recommendation (From previous reports)	Status of application	Comments
	<i>maintain logical structure of EITI report templates.»</i>		
4	<p>Regular updating of the list of companies, which operate in the industry and are covered by EITI reports</p> <p>Quote: <i>«Contact information of many mining companies and their responsible employees are out of date. As a result the independent audit firm had to spend more time on establishing contact with the companies»</i></p>	Not acknowledged	<p>This recommendation seems useful. In the current project, we came up against a situation where many companies could not be found using their addresses and telephone numbers listed in the contact list provided by Gosgeologoagentstvo. In addition, wrong information was provided with respect to some companies, and it was identified when an Independent Administrator made calls to clarify the contact details: It was either the phone number of a completely different organization or company has not been operating for a long time, or it was the phone number of an individual.</p>
5	<p>Incomplete data: not all companies provide information and information is not provided on all payments.</p> <p>Also, not all companies provide explanation of the differences and the appropriate original documents.</p>	Partially acknowledged	<p>The same state of matters also existed in the current project See details in the section on reconciliation of data about payments (section 3.3).</p>
6	Audit of these companies for EITI reporting	Not acknowledged	<p>This recommendation seems to be helpful. See detailed information in the table below.</p>

## 8.4 Other recommendations

#	Description of recommendation
1	<p>Certain enforcement actions shall be provided for the reporting organizations in the event of failure to provide or delay in providing information for the EITI Report.</p> <p>The lack of any enforcement actions allows separate companies to ignore formal letters requesting to provide information for the preparation of the EITI Report.</p>
2	<p>Switching to preparation of the EITI Report as up-to-date as possible: In the current year for the previous year.</p> <p>Two-years' lag between the reporting period and period of actual preparation of the EITI Report is quite a serious problem. There have been changes in the list of companies, management, significant changes have been introduced into the legislation, there were difficulties in finding and restoring data on the activities of companies for the past periods.</p>
3	<p>Extractive companies should be encouraged to prepare the publicly available financial statements and engage independent auditors for assurance of the financial statements.</p> <p>For example, introduction of the legislative requirement for mandatory preparation of the financial statements by extractive companies, and independent audit of the financial statements. At least, independent auditors should be engaged to provide a separate opinion on payments under the EITI.</p>
4	<p>Information Request Forms should be finalized and incorporated with questions regarding audits of financial statements of companies.</p> <p>The following questions should be included into the form:</p> <ol style="list-style-type: none"> <li>1. Does your firm prepare financial statements? If yes, please specify how they can be obtained or provide a link to the document.</li> <li>2. Was there any independent audit of the financial statements of your firm?</li> </ol>
5	<p>Continuation of initiatives to develop the format of "open source data" about the mining industry. In particular, considering to introduce the open source data format in all government agencies regulating the extractive industry in the Kyrgyz Republic, including local governments, as well as the further development of the web-site "Open Budget".</p> <p>This initiative could help to ensure public availability of more data regarding volumes of extraction in the industry, export, government proceeds</p>

#	Description of recommendation
	from the industry players and their spending.
6	<p>Ensuring that data on licenses and licensees is up-to-date.</p> <p>Based on the results of the National Conference <i>Promoting Reporting under EITI Standards involving the general public and preparation of Kyrgyzstan for validation of the EITI</i> held in Bishkek on 23-24 December 2015, this recommendation was made by one of the working groups. In particular, the working group recommended to consider implementing the following initiatives:</p> <ol style="list-style-type: none"> <li>1) Ensuring that data on licenses and licensees is up-to-date on the web-site of Gosgeologoagentstvo.</li> <li>2) Contact data on the licensees, in particular, addresses of their location should be regularly (several times a year) updated.</li> <li>3) Publication of licensing agreements on the website of Gosgeologoagentstvo.</li> <li>4) Publish information on the government stake in all companies-licensees / deposits, if any.</li> <li>5) Present the register of licenses not only in tables, but also in the form of an interactive map on the website of Gosgeologoagentstvo.</li> </ol>
7	<p>Allocation of the economic activities associated with the extraction and processing of gold separately in a national statistics.</p> <p>As of today, the official statistical information of the Kyrgyz Republic about extraction and processing of gold is part of the "Manufacture of basic metals and fabricated metal products, except machinery and equipment" sector, which includes a significant number of companies engaged in other activities not related to the extraction and processing of gold. The lack of precise information on gold mining reduces the accuracy of assessment of mining industry role in the country's economy.</p>
8	<p>In future, it is important to consider the consolidation in the Central Treasury of the Ministry of Finance of the Kyrgyz Republic of all information from state authorities on payments made by extractive companies in order to provide Independent Administrator with this information . This would considerably simplify data collection and improve accuracy of the information.</p>

## 9. Annex 1. Request form for companies to explain the discrepancies

### Explanation of discrepancies in the data on payments to the government

Based on the results of reconciliation of information about taxes and other contributions to the government for 2013 and 2014, discrepancies were identified between data provided by your company, and data from the government agencies. Information on identified discrepancies is presented in Table 1 and Table 2 below. Please provide explanation of reasons of the difference for each of the discrepancy and difference below and present supporting documents (e.g. copies of acts of reconciliation with the State Tax Service of the Kyrgyz Republic or other government agency).

If there is no response or it is impossible to identify the reasons of detected inconsistencies, existence of discrepancies will be recorded as "unexplained difference" in the final EITI report of the Kyrgyz Republic for the 2013-2014.

**Table 1 – Discrepancies on payments to the government for 2013 between data from the Company and data from the government agency**

Company name	National Classifier of Businesses and Organisations	Types of taxes and contributions	Government agency	Amount according to company, thousand of soms	Amount according to government agency, thousand of soms	Difference, thousand of soms	Explanation of difference by the Company
		Type of payment 1					
		Type of payment 2...					

**Table 2 – Discrepancies on payments to the government for 2014 between data from the Company and data from the government agency**

Company name	National Classifier of Businesses and Organisations	Types of taxes and contributions	Government agency	Amount according to company, thousand of soms	Amount according to government agency, thousand of soms	Difference, thousand of soms	Explanation of difference by the Company
		Type of payment 1					
		Type of payment 2...					

## 10. Annex 2. Request form for state bodies to explain the discrepancies

### Explanation of discrepancies in the data on payments to the government

Based on the results of reconciliation of information about taxes and other contributions to the government for 2013 and 2014, discrepancies were identified between data provided by {*name of the government agency*}, and data of some extracting companies. Information on identified discrepancies is presented in Table 1 and Table 2 below.

It is requested to explain the difference in writing with respect to each of the following discrepancies.

If there is no response or it is impossible to identify the reasons of detected inconsistencies, existence of discrepancies will be recorded as "unexplained difference" in the final EITI report of the Kyrgyz Republic for the 2013-2014.

**Table 1 - Discrepancies on payments to the government between data from {Name of the government agency} and data from extractive companies for 2014**

Company name	Line code	National Classifier of Businesses and Organisations	Types of taxes and contributions	Amount according to data of company, thousand of soms	Amount according to data of government agency, thousand of soms	Difference, (thousand of soms)	Explanation of difference by { <i>name of government agency</i> }
Company 1							
Company 2...							

**Table 2 - Discrepancies on payments to the government between data from {Name of the government agency} and data from extractive companies for 2013**

Company name	Line code	National Classifier of Businesses and Organisations	Types of taxes and contributions	Amount according to data of company, thousand of soms	Amount according to data of government agency, thousand of soms	Difference, (thousand of soms)	Explanation of difference by { <i>name of government agency</i> }
Company 1							
Company 2...							

## 11. Annex 3 - Request form for contextual information

### UNIT 1 – Non-financial indicators

#### 1.1 Total volume of produce extracted in the Kyrgyz Republic and exported

Type of produce	Value for the financial year		
	2012	2013	2014
<i>{Type of main produce extracted by the Company}</i>			

#### Clarification

Total volume of the Company's products (resources) that were produced in the Kyrgyz Republic and exported. If the Company extracts and exports several types of produce, please indicate the values for all types of produce. Also please indicate the appropriate units of measurement.

#### 1.2 Explored reserves (on the company in the Kyrgyz Republic)

Type of produce	Value		
	As at 01/01/2013	As at 01/01/2014	As at 01/01/2015
<i>{Type of main produce extracted by the Company}</i>			

#### Clarification

If the Company extracts several types of produce, please indicate the values for all types of produce, as well as the appropriate units of measurement.

#### 1.3 Employment

Type of produce	Number, persons		
	2012	2013	2014
Number of employees at the end of the year, persons			
Average number of employers for the year, persons			

#### 1.4 System of licensing

Describe what weaknesses exist for license owners in the current licensing system in the Kyrgyz Republic (if any).

### 1.5 Financial statements

Issue	2013	2014
Did you have an independent audit of the financial statements for the current year? (yes/no)		
Does the Company have publicly accessible financial statements? If yes, please specify how they can be obtained or provide a link to these statements (no/description or link)		

## UNIT 2 – Financial information

### 2.1 Financial indicators

Name of indicator	Value for the financial year		
	2012	2013	2014
Net financial result (profit or loss) of the company (thousand of soms)			
Including financial result (profit or loss) before taxes associated with extractive activities (thousand of soms)			
Expenditures for exploration, research and development of new fields relating to the current year recognized in the statement of financial results in the current year (tangible and intangible assets associated with the acquisition of rights to explore reserves, implementation of the topographic, engineering, geological exploration works, geochemical and geodetic studies etc.) (thousand of soms)			
Total revenue from sale of the main produce extracted by the company (thousand of soms) including:			
Total revenue from export of the main produce extracted by the company (thousand of soms)			

## **12. Annex 4 – Request to the National Statistics Committee of KR**

**To the Head of the National Statistics Committee of KR**

### **Regarding data collection for preparation of the Report of the Kyrgyz Republic as part of Extractive Industry Transparency Initiative (EITI)**

According to the Resolution of the Government of the Kyrgyz Republic dated 14 May 2004 No.361 “On measures to ensure the Extractive Industries Transparency (EITI)”, the Kyrgyz Republic has adopted the EITI principles and announced its accession to the Initiative in June 2004. In December 2010, the Government issued the updated Resolution No. 317 to improve the process of implementation of Extractive Industries Transparency Initiative in the Kyrgyz Republic. Preparation of the Report on the implementation of EITI for 2013 and 2014 in compliance with the requirements of Resolution 317 and EITI Standard is currently in progress.

We request the National Statistical Committee of the Kyrgyz Republic to provide some statistical information on the extractive industry for the purposes of presentation in the Report of the most complete and objective information on the extractive industry of the Kyrgyz Republic, as well as to meet the requirements of the EITI standard with respect to the contextual part of the Report. Details of the request are presented in Annex 1.

We request the National Statistical Committee of the Kyrgyz Republic to completely fill in the Annex to this letter, and by the 10th of December get a scanned copy sent by e-mail to [Elizaveta.Tsoy@kg.ey.com](mailto:Elizaveta.Tsoy@kg.ey.com). The original copy of the Annex shall be sent to Ernst & Young Audit in the Kyrgyz Republic at 720011, Abdрахmanov Str., 191, Bishkek.

If you have questions, please contact the responsible representative of Ernst & Young Audit LLC Yelizaveta Tsoy ([Elizaveta.Tsoy@kg.ey.com](mailto:Elizaveta.Tsoy@kg.ey.com), +996 312 62 30 96).

Regards,

Ryskulov Ulanbek Duulatovich,

Deputy Director of the State Agency for Geology and Mineral Resources under the Government of the Kyrgyz Republic

**Annex 1**  
**Request for information for the Report**

**1.1 Statistical information about the extractive industry of the Kyrgyz Republic (KR)**

Type of information	Value for the financial year		
	2012	2013	2014
Total volume of export in the Kyrgyz Republic per a year, thousand of soms			
Volume of export of KR extractive industry, thousand of soms			
Total tax proceeds per a year in KR, thousand of soms			
Employment in KR extractive industry, persons.			
Average salary in KR extractive industry, soms			

**1.2 Financial information regarding income from transportatio of mineral resources (gold, copper, silver, mercury, tin, tungsten, plumbum, coal, brown coal, non-metallic mineral resources) oil and gas**

Type of information	2012	2013	2014
Income from transportation of oil (including pumping, storage and transfer from underground and ground tanks / storage facilities extracted in the Kyrgyz Republic (thousand of soms)			
Physical volume of transportation of oil extracted in the Kyrgyz Republic (thousands of tons)			
The tariff for the transportation of oil produced in the Kyrgyz Republic (including for pumping, storing and downloading of underground and surface tanks / storage facilities), average for the year ( <i>som / t</i> )			
Revenues from transportation of solid mineral raw materials extracted in the Kyrgyz Republic ( <i>thousand of soms</i> )			
Physical volume of transportation of solid mineral raw materials extracted in the Kyrgyz Republic (thousands of tons)			
The tariff for transportation of solid mineral raw materials extracted in the Kyrgyz Republic, average for the year ( <i>som/t</i> )			

## 13. Annex 5 – Request for information on extractive companies payments to the state

### Information on payments to the state

Full name of the company: \_\_\_\_\_

National Classifier of Businesses and Organisations: \_\_\_\_\_

Address: \_\_\_\_\_

Full name of the head: \_\_\_\_\_

Full name and contact details of the Company: \_\_\_\_\_

Line code	Indicator name	For 2013, thousands of Som	For 2014, thousands of Som
<b>Tax payments</b>			
1	Individual income tax		
2	Income tax, revenue tax for gold mining companies		
3	Land tax		
4	Property tax		
5	VAT on internal products		
6	Excise tax on internal products		
7	Sales tax		
8	Tax on income of foreign companies, which does not arise from a permanent establishment in the Kyrgyz Republic		
9	Bonus		
10	Royalty		
11	Gross income tax		
12	Charge for development and maintenance of local infrastructure		
13	Other taxes and charges		
<b>Customs payments</b>			
14	Customs duties		
15	Customs fees		
16	Excise tax on imported products		
17	VAT on imported products		
<b>Other material payments</b>			
18	State social insurance contributions		
19	Payment for concession		
20	Dividends accrued on state- owned shares		
21	Payments for state-shares, purchased by the company from the state		
22	Lease of land owned by the government		



23	Reimbursement of agricultural production losses		
24	Reimbursement of forest production losses		
25	Opportunity cost of provided land plots		
26	Payment for retention of mining license		
27	Payment for environmental pollution and damages		
28	Fee for the issuance of license		
29	Fee for the issuance of certificates and other permits		
30	Payments established by agreements with the government		
<b>Additional expenses of the company</b>			
31	Support for education		
32	Support for social infrastructure		
33	Reclamation fund charges		

## 14. Annex 6 – Request for beneficial ownership information

### Template beneficial ownership declaration form

*This beneficial ownership declaration form has been issued by the EITI International Secretariat as a model template to countries that wish to collect beneficial ownership information as part of the EITI reporting process. The template includes sections to be completed by the extractive company.*

Company identification		
Full legal name of the company (including legal form of legal entities)		
Unique identification number		
	Is the company a publicly listed company, or a wholly owned subsidiary of a publicly listed company? <input type="checkbox"/> Yes. <input type="checkbox"/> No <sup>264</sup>	
Contact address (registered office for legal entities)		
Shareholder(s)	Government/private entity	% interest
Declaration form prepared by	[Name]	[Position]
	[Email address]	[Telephone number]

Beneficial ownership definition
In accordance with the EITI Standard, Requirement 3.11.d.i, a beneficial owner in respect of a company means the natural person(s) who directly or indirectly ultimately owns or controls the corporate entity. Further to Requirement 3.11.d and in accordance with the decision of Kyrgyz Republic EITI Supervisory Board dated 12 June 2014, a <b>beneficial owner is defined as a natural person who has the title to property, influences transactions, obtains a certain benefit from transactions, and who has an ownership stake of at least 5%. If the beneficial owner is a politically exposed person their stake must be disclosed irrespective of the size of the stake.</b>

### Beneficial ownership declaration<sup>265</sup>

<sup>264</sup> In accordance with the EITI Standard, requirement 3.11.d.iii, publicly listed companies, including wholly owned subsidiaries, are not required to disclose information on their beneficial owner(s). Thus, any publicly listed companies, including wholly owned subsidiaries, are not required to fill in the remainder of this beneficial ownership declaration form.

<sup>265</sup> Companies should provide details about their beneficial owner(s) here. Where, in accordance with the beneficial ownership definition, there are more than one owner, the information should be provided for all owners.



**Kyrgyz Republic EITI Report for 2013-2014**

Annex 6 Request for information concerning the beneficial interest for 2014

In accordance with the beneficial ownership definition, as per [date] the beneficial owner/s of [company] is/are:

Identity of the beneficial owner	Information about how ownership is held or control over the company is exercised				Date when beneficial interest was acquired	Means of contact	
	By shares		By % of voting rights		Other	[date]	[residential/service address] [other contact details]
[Full name as it appears on national identify card] [Date of birth and/or national identify number] [Nationality] [Country of residence]	[number of shares]	[% of shares]	[% of direct voting rights]	[% of indirect voting rights]	[Where control over the company is exercised through other companies (legal entities), details should be provided here.] <sup>266</sup>		

Are any of the beneficial owners a Politically Exposed Person (PEP)?  
 Yes. Name: \_\_\_\_\_ Public office position and role:  
 Date when office was assumed: \_\_\_\_ / \_\_\_\_ / \_\_\_\_ Date when office was left, if applicable: \_\_\_\_ / \_\_\_\_ / \_\_\_\_  
 No.

**Attestation**

I, undersigned, for and on behalf of the reporting entity confirm that all information provided in the above beneficial ownership declaration is accurate and reliable.

[Name] \_\_\_\_\_

[Position] \_\_\_\_\_ [Signature] \_\_\_\_\_

[We attach further information to verify the accuracy of the beneficial ownership information provided:].....

<sup>266</sup> For example, if the beneficial owner holds shares in the entity via a separate company, details of this company, its place of registration and unique identification number should be provided here.



## **15. Annex 7 – List of extractive companies**

Annex 7 is presented in two separate tables attached to this document.



## **16. Annex 8. Consolidated database of mining companies payments for 2013 and 2014**

Annex 8 is presented in two separate tables attached to this document.



## EY | Assurance | Tax | Transactions | Advisory

### About EY

EY is a world leader in auditing, taxation, transaction assistance and advisory services. Our knowledge and quality of services help to enhance public confidence in the capital markets and economies around the world. We form great leaders, and under their leadership our team always performs its obligations. By so doing we make a significant contribution to improvement of business environment for the benefit of our employees, clients and public in general.

We cooperate with CIS companies helping them to achieve business objectives. We have 4,500 specialists working in 20 offices of our firm (in Moscow, St. Petersburg, Novosibirsk, Ekaterinburg, Kazan, Krasnodar, Rostov-on-Don, Togliatti, Vladivostok, Yuzhno-Sakhalinsk, Almaty, Astana, Atyrau, Bishkek, Baku, Kyiv, Tashkent, Tbilisi, Yerevan and Minsk).

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited – a legal entity incorporated in accord with the laws of the United Kingdom, is a company limited by guarantees of its participants, and does not provide services to clients. Further information is available on our website: [ey.com](http://ey.com).

© 2015 Ernst & Young LLC  
All rights reserved

This document was prepared based on the EITI Standard and Statement of Work for the Independent Administrator that was approved by Kyrgyz Republic EITI Supervisory Board. Information contained in this document is based on the data from subsurface users and state bodies provided under the project. Independent Administrator relied on the data provided and carried out no verification procedures or evaluation with respect to its completeness, accuracy or correctness. For all questions related to the data presented on payments of subsurface users and respective receipts of state bodies of the Kyrgyz Republic, please refer to respective companies and/or state bodies.

Information contained in this document is intended only for general review and may not serve as the basis for professional judgement, be used as legal evidence.

EY is not liable for loss or damage suffered by any entity as a result of the use of data contained in this document. Entities using the information contained in this document in any way, are doing it at their own risk.

[ey.com](http://ey.com)