



EXTRACTIVE
INDUSTRIES
TRANSPARENCY
INITIATIVE



REPORT OF THE KYRGYZ REPUBLIC
FOR 2015-2017

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Executive summary

This document is the eleventh Extractive Industries Transparency Initiative (EITI) Report and covers period 2015, 2016 and 2017 years. The main goal in preparing the Report was to disclose information about payments and transfers made by companies, involved in extractive industries, in favor of the government in the reporting period.

EITI Report for 2015-2017 covers business entities, regardless of types of ownership, which were involved in mineral resources mining on the territory of the Kyrgyz Republic in the reporting period, and also covers central public authorities and government bodies, local government bodies, state and public entities, which received regular and non-regular basis payments and transfers from extractive industry companies. The list of companies is disclosed in section 3.1.2, and list of government bodies and state entities is disclosed in section 3.1.3.

Mining operations are a key component of the industrial complex of the Kyrgyz Republic. The industry's share in country's GDP (excluding intermediate consumption of products of other industries) amounted to about 10% in 2017. In 2016, the share of the extractive industry in GDP was 11%, and its growth was generated by the extraction and production of precious metals.

Extraction of minerals by type in 2015-2017.

Position	2015		2016		2017	
	million som	% of total	million som	% of total	million som	% of total
Metals extraction and production ¹	82 213	91.2%	101 327	88.8%	106 740	85.6%
Metal ore extraction ²	2 687	3.0%	7 329	6.4%	11 947	9.6%
Coal and lignite extraction	2 195	2.4%	2 094	1.8%	2 269	1.8%
Crude oil and natural gas extraction	2 336	2.6%	2 694	2.4%	3 079	2.5%
Other minerals extraction	696	0.8%	625	0.6%	612	0.5%
Total extractive industry	90 126	100.0%	114 069	100.0%	124 647	100.0%
GDP share calculation						
Gross value added of mining entities	41 596	9.7%	51 755	10.9%	53 029	10%
Gross domestic product	430 489	100.0%	476 331	100.0%	530 476	100.0%

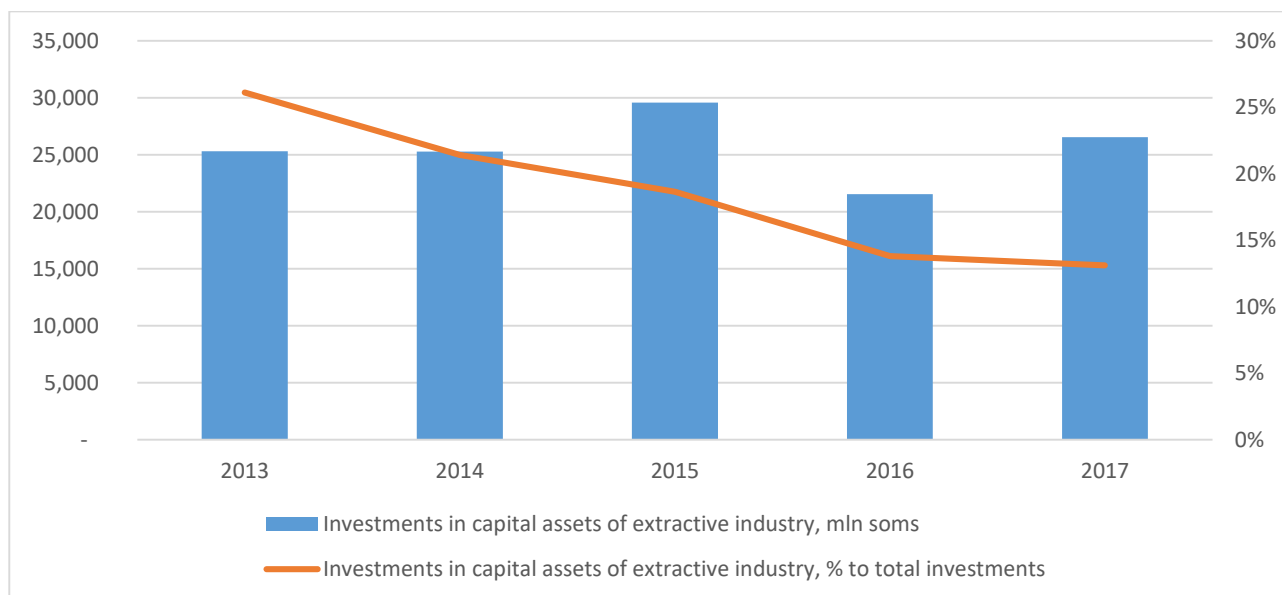
Investments in capital assets in extractive industries in average for the period amounted to 25'659 mln. Soms and stayed at a steady level throughout the period in nominal value. However, if we consider this category of investment as a share of total investments in capital assets in the industrial sector, we can

¹ By classification of National Statistical Committee of the Kyrgyz Republic (NSC) this category was stated as "Production of main metals and metal goods, other than machines and equipments". This consists of list of other activities, directly not related to minerals extraction. However, misstatement from including this category is much lower than misstatement in case of fully excluding it from analysis.

² According to NSC classification category "Metals extraction and production" includes entities, whose finished goods are metals (for example, Kumtor Gold Company). "Metal ore extraction" category includes entities, whose finished goods are metal ore (for example, KAZ Minerals Bozymchak).

conclude that the extractive industry's share in total investments declined every year and reached 13.1% in the year 2017.

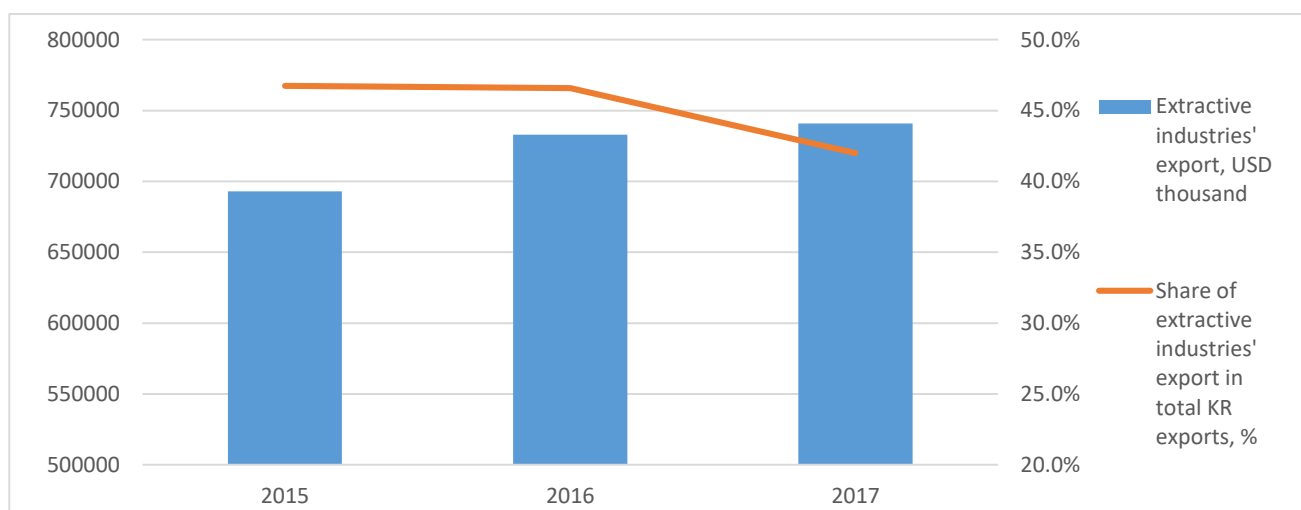
Investments in capital assets of extractive industry in mln KGS and in % to total investments in capital assets in 2015-2017



Extractive industries provide about half of export revenues of the Kyrgyz Republic. Thus, in 2017 the extractive industries' share in total export was 42%. At the same time with increase of extractive industry's exports in nominal value to USD 740,819 thousand in 2017 its share in total exports decreased from 47% in 2015.

	2015	2016	2017
Total exports, USD thousand	1 482 942	1 573 215	1 764 255
Extractive industry exports, USD thousand	693 060	732 931	740 819
Extractive industry exports' share in total exports, %	47%	47%	42%

Extractive industries exports in nominal value and in percentage to total volume of export in 2013-2017



Extractive industries are significant sources of state budget income of the KR. Extractive industries companies' share in overall tax income of the state budget was 9.7% (or KGS 9.9 bln) in 2017. There was a sharp surge in the income from extractive industries in 2015 up to 19.7% (KGS 15.4 bln), because of the revenue generated from Jerooy and Tereksai tenders. Moreover because of start of operations at Taldybulak ("Alтынken" LLC) in 2016 the tax payments were rising consistently during the reporting period.

Summary of the reconciliation for disclosing entities with breakdown by adjustments for 2015-2017:

Statement	Number of companies	2015	2016	2017
Companies' statements	14	13 299 690	14 444 578	32 462 457
State bodies' statements	14	30 335 907	33 990 431	29 611 978
Preliminary differences	-	(17 036 217)	(19 545 853)	2 850 479
Reconciliation				
Adjustment No. 1 for non-received reports	Companies	-	-	-
	State bodies	335 903	458 499	604 837
Amounts after adjustments	Companies	13 299 690	14 444 578	32 462 457
	State bodies	30 671 810	34 448 930	30 216 815
Differences, after adjustment No. 1		(17 372 120)	(20 004 352)	2 245 642
Adjustment No. 2	Companies	(1 006 494)	(2 322 543)	(18 089 221)
	State bodies	(18 377 396)	(22 348 181)	(15 913 682)
Amounts after adjustments	Companies	12 293 196	12 122 035	14 373 237
	State bodies	12 294 414	12 100 749	14 303 133
Final unexplained differences		(1 217)	21 286	70 104
In % of the initial total payments according to companies		(0.01%)	0.18%	0.49%



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27th May 2019

Report on factual findings

We performed procedures, agreed in Contract # C41766/7476/69235, signed on the 1st of May 2019, and stated below regarding collection and reconciliation of cash flows for annual Extractive Industries Transparency Initiative (hereafter EITI) Report in the Kyrgyz Republic. Procedures were performed in accordance with International Standards on Related Services 4400 “Engagements to perform agreed-upon procedures regarding financial information”. These procedures were performed by us solely to help you in preparing EITI Report for 2015-2017 period and were briefly presented by main stages below:

1. Determination of reconciliation scope and EITI reporting format.

Results are disclosed in Section 3.

2. Data collection for EITI Report.

Results are disclosed in Section 3.

3. Revenue data compilation and reconciliation.

Results are disclosed in Section 4.

4. Investigation of differences.

Results are disclosed in Section 7.

5. Discussion with Supervisory Board and their comments consideration.

Regarding this procedure, we had meeting with the Supervisory Board on the 27th of May 2019, after which we added information in Sections 4-6 of the current 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 and does not apply to the financial statements of KR extracting companies as a whole.

Zarylbek Abduvaliev
Managing Partner

«27» May 2019

1. List of abbreviations and glossary of terms

Terms/abbreviations	Clarification
BO	Beneficiary owner
GDP	Gross domestic product
STS	State Tax Service of the Kyrgyz Republic
SOE	State Owned Entity
SCIESU	State Committee for Industry, Energy and Subsoil Use
EITI	Extractive Industries Transparency Initiative (global standard that supports the transparency of revenues and reporting in the extractive industries)
MSG	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 the Kyrgyz Republic MSG is called EITI implementation Supervisory Board.
EITI International Secretariat	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
Supervisory Board, SB	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.
NSC	National Statistics Committee of the Kyrgyz Republic
VAT	Value Added Tax
Independent Administrator	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.
KR	Kyrgyz Republic
PEP	Politically exposed person
SGM	Sand and gravel mix
EITI Report	The report containing the main results of the procedures under the EITI implementation at the country level for the year (in this case for 2015-2017)
Disclosing entities	Companies and state bodies that submit deliverables for further processing and reflecting in EITI Report
Kyrgyzstan EITI Secretariat	EITI Secretariat is a working body of the Supervisory Board and it provides organizational support for Council's activities
EI	Extractive Industry
GKR	Government of Kyrgyz Republic

2. EITI in Kyrgyz Republic

The Extractive Industries Transparency Initiatives (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 following information on:

- ▶ Contracts and licenses in extractive industries;
- ▶ Production in extractive industries;
- ▶ Revenue collection in extractive industries;
- ▶ Allocation of revenue from extractive industries;
- ▶ Social and economic contribution of extractive industries in the national economy.

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.

International Board of EITI (“EITI Board”) made a decision on 8th March 2017 that the Kyrgyz Republic (“KR”) did not perform satisfactory progress in implementing the 2016 EITI Standard. The EITI Board decided that the KR did not perform satisfactory progress in implementing the following requirements: 1.2, 1.4, 2.2, 2.3, 2.4, 2.6, 3.2, 3.3, 4.3, 4.4, 4.5, 4.6, 4.9, 5.2, 6.1.a, 6.2, 6.3, 7.1, 7.3 and 7.4. As a result, the EITI Board made a decision that the Kyrgyz Republic’s status will be suspended with the requirement for a number of improvements in respect of the above mentioned requirements.

EITI implementation in the Kyrgyz Republic is coordinated by the State Committee for Industry, Energy and Subsoil Use (SCIESU) and controlled by Supervisory Board, which consists of the representatives from each group of concerned parties (government, companies and civil society). National Coordinator for EITI in the KR is Ekmat Baybakpaev, Deputy of Jogorku Kenesh, and the Chairman of the Supervisory Board is Karybek Ibraev, Deputy Chairman of SCIESU.

On 25th December 2018 the Supervisory Board adopted a work plan for 2019. The work plan considers recommendations made by the EITI Board and sets following goals for the KR EITI:

- ▶ EITI Institutionalization;
- ▶ Preparation for EITI validation (EITI implementation progress valuation);
- ▶ Further implementation of beneficial legislation in extractive industries.

3. Methodology and approach in EITI Report preparation

3.1 Scope of EITI Report

3.1.1 Payments and receipts to be analyzed and reconciled

The list of indicators for EITI Report was adopted by the Kyrgyz Republic Government Regulation #317 as of 8th of December 2010 and approved by the Decision of SB EITI as of 18th August 2017 (with subsequent amendment on 20 March 2018) as significant and subject to reconciliation³.

Section 1. Tax payments

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	12
Other taxes and charges	13

Section 2. Custom payments

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

³ Indicators numbered 25, 30, and 32 are direct payments within the agreed revenue streams from companies to local government bodies.

Section 3. Other significant payments

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 companies with state share.

Section 4. Additional expenses

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

The Supervisory board for EITI implementation in the Kyrgyz Republic adopted list of 14 major companies, whose payments should be reconciled under the Initiative for period 2015 – 2017. The criteria for selecting companies was set as threshold amount of annual income USD 1 mln in accordance with KR Government Regulation as of 8th of December 2010 #317.

The Supervisory board, taking into consideration recommendations of the International EITI Secretariat, informs that the share of payments of JSC “Kumtor Gold Company” to the KR state budget, may amount up to 86% of the total EI companies’ payments for the period 2015 – 2017. However, in order to achieve more reliable results, the Supervisory Board included other major

companies of the industry. Companies, whose major activities were in manufacturing and not in extracting, were also excluded⁴.

For determining the list of companies, which exceeded threshold level of USD 1 mln of taxes and payments in 2015, 2016 and 2017, the Supervisory Boards used detailed data by tax payers, presented in “Open Budget” portal of the KR Ministry of Finance <https://budget.okmot.kg/ru/>. 14 major companies in EI were selected with the largest payments to the State Budget of KR⁵.

Members of the Supervisory Board, taking into account the lack of information on crude oil and natural gas transit, low tariff rates for transportation of imported products, not extracted on the Kyrgyz Republic territory, recognized state income from barter and mineral resources transportation as not significant and EITI 4.3 requirement Income from transportation in the KR⁶ as not applicable, according to the minute of meeting as of 20 March 2018. Confirmation of barter operations absence was also received from SCIESU in letter as of 22 May 2019 (Annex 7).

Below is an extract from the SB EITI decision with indication of the state transport companies.

Table 3.1.2a – Income from transportation by state companies

Company	Product	Rate per ton-kilometer	Received income, KGS	
			2015	2016
SC Kyrgyztemir jolu	Coal	KGS 1.12-10.8	143 204	205 167
JSC Kyrgyzaltyn	Ore and others	KGS 5.36-5.51	107 657	97 144
Total			250 861	302 311

Table 3.1.2.b - List of Companies, included in the scope of EITI Report for 2015-2017:

№	Company
1	LLC KAZ Minerals Bozymchak
2	CJSC Kumtor Gold Company
3	LLC Vertex Gold Company
4	LLC Mountain Investment Company Kaydi
5	JSC Kyrgyzaltyn
6	LLC Alтынken
7	LLC Eti Bakyr Tereksay
8	CJSC Kichi-Chaarat
9	LLC Full Gold Mining
10	LLC Palladex KR
11	JSC Kyrgyzneftegaz
12	LLC Energoresursy Sredney Azii

⁴ Minutes of Meeting of EITI Supervisory Board as of 18th August 2017, as of 20th March 2018 and 27th May 2019.

⁵ Same source

⁶ <https://keitiweb.files.wordpress.com/2018/04/d0bfd180d0bed182d0bed0bad0bed0bb-20-03-18.pdf>

№	Company
13	LLC Parity Coal
14	JSC Yuzhno-Kyrgyzskiy Tsement

3.1.3 Government authorities, that provide information on Companies' payments

In accordance with KR Government Regulation as of 8th of December 2010 #317 "About developing process of Extractive Industries Transparency Initiative in Kyrgyz Republic" there are following government authorities, that provide information on payments:

1. Social Fund of KR;
2. State Tax Service of the KR Government;
3. State Committee of Industry, Energy and Subsoil Use;
4. State Property Management Fund of the KR Government;
5. State Agency of Environmental Protection and Forestry sector of the KR Government;
6. State Inspectorate on Environmental and Technical Security of the KR Government;
7. State Registration Service of the KR Government;
8. State Customs Service of the KR Government;
9. Local Government Authorities of the KR for the following regions:

№	Region
1	Chui oblast', Panfilovskiy region
2	Chui oblast', Keminskiy region
3	Chui oblast', Sokulukskiy region
4	Osh oblast', Chon-alaiskiy region
5	Osh oblast', Nookatskiy region
6	Osh oblast', Alaiskiy region
7	Naryn oblast', Narynskiy region
8	Issyk-kul oblast', Jetti-oguzskiy region
9	Jalalabad oblast', Chatkalskiy region
10	Jalalabad oblast', Toguz-torouzskiy region
11	Jalalabad oblast', Alabukinskiy region
12	Jalalabad oblast', Nookenskiy region
13	Batken oblast', Kadamjaiskiy region
14	Batken oblast', Kadamjaiskiy region

3.1.4 List of contextual information for description in EITI Report

In accordance with the Terms of Reference 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).
- ▶ *State participation in mining projects* – description of significant reforms in managing companies with state share, description of any loans and borrowings from the state to these companies, disclosure of reconciliation on quasi-fiscal payments.
- ▶ *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; survey on use of funds of the Issyk-Kul oblast Development Fund.
- ▶ *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 subsoil use.
- ▶ *Information on beneficial ownership in mining projects /companies* – results of information gathering about the companies' beneficiaries for 2015-2017.

Official statistics, legal acts, as well as development strategies, other relevant sources of information as well as data from the previous EITI report for 2013-2014 (in respective parts) shall be used in preparing contextual information together with consideration of the above issues.

3.2 Procedures of collecting payments data

Payment data was collected from following two sources for reconciliation to each other:

- ▶ Government authorities Reports, collected by KR EITI Secretariat from 14 companies for 2015 – 2017;
- ▶ Reports of 14 extractive industries companies for 2015 – 2017, collected by State committee of industry, energy and subsoil use⁷.

According to the Terms of References, the Independent Administrator also requested from the EI companies' information about beneficiaries in the prescribed form, however complete and correct answers were not received until 27th of May 2019. Due to that, the Independent Administrator used

⁷ Initially there were 15 companies, but Anbang company did not provide its data to SCIESU due to termination of the subsoil use license in 2017. Later on 27 May 2019 the SB EITI excluded this company from reconciliation scope for 2015-2017 due to immateriality: annual payments of the company did not exceed KGS 90 mln and amounted to 0.5%, 0.6% and 0.03% of the total payments of selected companies for 2015, 2016 and 2017 respectively.

official web resource of the Kyrgyz Republic Ministry of Justice to obtain information on legal owners of selected companies as of 13th of May 2019⁸.

3.3 Payment reconciliation procedures

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) were used when performing a reconciliation of data on companies' payments. However, it should be noted that reconciliation procedures do not constitute a full audit or independent assurance prepared in accordance with International Standards on Auditing. 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, by which these organisations guarantee the correctness of data provided by these organisations.
- ▶ Analytical procedures were performed based on data received from companies and state bodies, for example, the horizontal analysis (comparison with previous periods) and vertical analysis (analytical procedures, such as critical analysis of data, study of relations 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 certain cases, independent data, received by the EITI Secretariat from the KR Treasury were used for amounts, received by the state budget.
- ▶ Data per companies' reports were taken for cases when there were no reports from the state bodies, or if the indicators are not assigned to certain state body.

In accordance with the Terms of Reference 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 a 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 2015-2017 Report.

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

⁸<https://register.minjust.gov.kg/register/SearchAction.seam?jsessionid=55ED1AB1BAAE529190F334CF8104720A?logic=and&cid=10314892>

- ▶ Reported data of companies were compared with reported data of state bodies. Discrepancies for each payment /receipt were determined based on the results of analysis.
- ▶ 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 by sending requests to the state bodies for explanation of discrepancies, discussion with representatives of state bodies and companies and detailed review of the reconciliation acts with companies.
- ▶ For certain discrepancies where there were no explanations from companies or state bodies, data from web resource “Open Budget” of the KR Ministry of Finance was used (<https://budget.okmot.kg/ru/>.)
- ▶ Discrepancies below error materiality threshold were not studied.

If the company provided an adequate explanation of the discrepancy, indicated the amount of payments correct from its point of view and provided supporting documentation, then the Independent Administrator adjusted the amount of payment based on the information provided by the company. In this case that particular amount of payment is indicated, based on the company's information.

Based on the above procedures we consider the presented corrected financial data as full and reliable. However these procedures do not confirm that there were no other payments to state bodies besides those submitted to the Independent Administrator in reports of state bodies and companies. These other payments and/or differences that were not duly reported by companies or state bodies may have a significant effect on the completeness of the report.

Section 5 discloses the information about all detected discrepancies that exceed error materiality threshold and were not reasonably explained by companies. Also, Independent Administrator describes there its assumptions concerning the possible reasons of such discrepancies based on its experience.

4. Extracting industry of the Kyrgyz Republic in 2015-2017⁹

4.1 Legislative framework of the extracting industry

4.1.1 Applicable laws and other regulations in force in 2015-2017

In accordance with the Article 12.5 of the Constitution¹⁰ of the KR, 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 entities in the reporting period comprised the following main legal acts regulating the extractive industry, including means of granting subsoil use rights, procedure for granting and termination of subsoil use rights, and taxation¹¹:

- ▶ Land Code of the Kyrgyz Republic as of June 2, 1999 No. 45 (the “Land Code”);
- ▶ The Water Code of the Kyrgyz Republic as of January 12, 2005 No. 8 (hereinafter - the “Water Code”);
- ▶ Tax Code of the Kyrgyz Republic of October 17, 2008 No. 230 (the “Tax Code”);
- ▶ Law of the Kyrgyz Republic “On Non-Tax Payments” dated April 14, 1994 No. 1480-XII (the “Law on Non-Tax Payments”);
- ▶ Law of the Kyrgyz Republic “On Subsoil” dated August 9, 2012 No. 160 (the “Law on Subsoil”). This Law was substituted by the KR Law “On Subsoil” dated May 19, 2018 No. 49;
- ▶ Law of the Kyrgyz Republic “On Concessions and Concession Entities in the Kyrgyz Republic” of March 6, 1992, No. 850-XII (the “Law on Concessions”);
- ▶ Law of the Kyrgyz Republic “On Production Sharing Agreements for Subsoil Use” as of April 10, 2002 No. 49 (the “Law on PSA”);
- ▶ Law of the Kyrgyz Republic “On Oil and Gas” as of June 8, 1998 No. 77 (the “Law on Oil and Gas”);
- ▶ Law of the Kyrgyz Republic “On Coal” as of February 3, 1999 No. 18 (the “Law on Coal”);

⁹ Applicable parts were taken from EITI Report for 2013-2014.

¹⁰ 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”)

¹¹ Regulatory legal acts are published on the official website of the Ministry of Justice of the KR:

<http://cbd.minjust.gov.kg>

- ▶ Law of the Kyrgyz Republic “On Environmental Protection” dated June 16, 1999 No. 53 (hereinafter - the “Law on Environmental Protection”);
- ▶ 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”);
- ▶ Regulation on the Procedure for Subsoil Use Licensing approved by the Resolution of the KR Government on Approval of Legal Acts Related to Subsoil Use No. 834 dated 14 December 2012 (the “Licensing Regulation”). This Regulation was substituted by the new Regulation as of 29 November 2018;
- ▶ Regulation on the Procedure and Terms for Holding of an Auction for Granting Subsoil Use Right approved by the Resolution of the KR Government on Approval of Legal Acts Related to Subsoil Use No. 834 dated 14 December 2012 (the “Tender Regulation”). This Regulation was substituted by the new Regulation as of 29 November 2018;
- ▶ Regulation on the Procedure and Terms for Holding of a Competitive Tender for Granting Subsoil Use Right approved by the Resolution of the KR Government on Approval of Legal Acts Related to Subsoil Use No. 834 dated 14 December 2012 (the “Tender Regulation”). This Regulation was substituted by the new Regulation as of 29 November 2018;
- ▶ Resolution of the Government of the Kyrgyz Republic “On Approval of the Regulation on the Provision of Land Plots for Subsoil Use” dated April 12, 2006 No. 261;
- ▶ 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”);
- ▶ Regulation “On the State Committee for Industry, Energy and Subsoil Use”, approved by the Decree of the Government of the Kyrgyz Republic dated July 15, 2016 No. 401 (the “Provision on the SCIESU”);
- ▶ The procedure for payment of payment for withholding licenses for the right to use subsoil, approved by the Decree of the Government of the Kyrgyz Republic No. 760 of November 6, 2015;
- ▶ Decree of the Government of the Kyrgyz Republic “On approval of rates of payment for environmental pollution in the Kyrgyz Republic” No. 625 of September 10, 2015;
- ▶ Classification table of deposit bonus rates and mineral manifestations, approved by the Decree of the Government of the Kyrgyz Republic No. 736 of December 30, 2008;
- ▶ Classification table of bonuses for licensed area, approved by the Decree of the Government of the Kyrgyz Republic No. 736 of December 30, 2008;
- ▶ The list of mineral deposits of national importance put up for tender, approved by the Decree of the Government of the Kyrgyz Republic No. 350 dated June 13, 2013;
- ▶ as well as other regulatory acts.

The legal basis for the extractive industries is disclosed in the Database of regulatory legal acts of the Ministry of Justice of the Kyrgyz Republic ¹².

4.1.2 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 land¹³. The Land Code also governs matters related to provision of land plots for subsoil 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 relations¹⁴.

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 Republic¹⁵.

In addition, the Water Code regulates the use of surface and underground waters as well as payment for their use¹⁶.

The Tax Code

The Tax Code regulates the relations on establishment, enforcement and to collection of taxes in the Kyrgyz Republic¹⁷, including subsoil use taxes.

Subsoil use taxes include¹⁸:

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

The following persons are exempt from the payment of subsoil use taxes¹⁹:

- ▶ 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;

¹² <http://cbd.minjust.gov.kg/>

¹³ Preamble of the Land Code

¹⁴ Article 19-1 of the Land Code

¹⁵ Article 1 of the Water Code

¹⁶ Ibid

¹⁷ Article 1 of the Tax Code

¹⁸ Article 299 of the Tax Code

¹⁹ Article 300 of the Tax Code

- ▶ an entity which received the subsoil SGMRA 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;
- ▶ subsoil users carrying out geological, geophysical and other activities aimed at subsoil 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 subsoil integrity.

Non-Tax Payments Law

The Non-Tax Payments Law establishes the definition and list of non-tax payments²⁰, and governs the relations concerning their collection. The Non-Tax Payments Law defines the following types of non-tax payments²¹:

- ▶ **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 subsoil users for development and maintenance of local infrastructure.

As to the extracting entities, it should be noted that such entities make *payments* for retention of subsoil use licenses from the above non-tax payments list. Such payment is performed by a subsoil 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 authorities²². For more detailed information on non-tax payments please refer to Section 6.2 of this Report.

The Subsoil Law

The Subsoil Law governs relations arising from use of subsoil, involving the state and individuals / legal entities, as well as other states²³.

The Subsoil 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 subsoil use rights, as well as responsibility for violation of the KR subsoil use legislation²⁴.

²⁰ Preamble of the Non-Tax Payments Law

²¹ Article 2 of the Non-Tax Payments Law

²² Article 19-2 of the Non-Tax Payments Law

²³ Article 1.1 of the Subsoil Law

²⁴ Article 1.3 of the Subsoil Law

Subsoil use right is provided for the following purposes²⁵:

- ▶ 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 Subsoil Law provides for the following means of acquisition of subsoil use rights from the state²⁶:

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

In accordance with Article 23 of the Subsoil Law, subsoil 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 subsoil use right based on concession and production sharing agreements is governed by the Concessions Law and the PSA Law, respectively.

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 KR²⁷. 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 subsoil for temporary use. The main document governing concessionary relations among concession actors is a concession agreement²⁸ with duration from 5 (five) to 50 (fifty) years²⁹.

A concession agreement consists of general and additional provisions. General provisions comprise³⁰:

- ▶ subject matter of an agreement;
- ▶ types, terms, amounts and procedure for payments;

²⁵ Article 19 of the Subsoil Law

²⁶ Article 20.1 of the Subsoil Law

²⁷ Preamble of the Concessions Law

²⁸ Article 12 of the Concessions Law

²⁹ Article 13 of the Concessions Law

³⁰ Article 12 of the Concessions Law

- ▶ 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 assets³¹. Under the Concessions Law³² 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 competence³³). 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 Government³⁴. It should be noted that under the KR legislation the abovementioned concession tender procedure is not regulated in detail due to the fact that subsoil 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 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 legislation³⁵.

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 agreements³⁶.

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 subsoil use, including processing of extracted mineral raw

³¹ Article 8 of the Concessions Law

³² Article 4 of the Concessions Law

³³ Article 5 of the Concessions Law

³⁴ Article 9 of the Concessions Law

³⁵ Article 10 of the Concessions Law

³⁶ Article 1 of the PSA Law

material, terms and procedure for product sharing between the parties to the agreement under the PSA Law³⁷.

The parties to a production sharing agreement are³⁸:

- ▶ The KR represented by the KR Government or authorized state administration bodies; and
- ▶ investors (subsoil 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) years³⁹.

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 subsoil. 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)⁴⁰.

Under the PSA Law⁴¹ 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 subsoil are the exclusive property of the state⁴².

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 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 activities⁴³.

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:

³⁷ Article 2 of the PSA Law

³⁸ Article 3 of the PSA Law

³⁹ Article 5.1 of PSA Law

⁴⁰ Article 5.2 of PSA Law

⁴¹ Article 10.3 of PSA Law

⁴² Article 4 of the Oil and Gas Law

⁴³ Article 21 of the Oil and Gas Law

- ▶ recognition of a transaction as invalid due to its inconsistency with the law under Article 185 of the KR Civil Code⁴⁴ or due to its recognition as the transaction detrimental to the public and state interests under Article 187 of the KR Civil Code⁴⁵;
- ▶ imposition of administrative sanctions:
 - (a) in case of identification of a violation of the state's ownership right with respect to subsoil⁴⁶ 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 rules⁴⁷ 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 entrepreneurship⁴⁸ 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 KR⁴⁹.

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 therefrom⁵⁰.

The KR coal deposits located in the KR subsoil within the state boundaries are owned by the state⁵¹.

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 following⁵²:

- ▶ 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;

⁴⁴ Article 185 of Civil Code of the KR No. 15 dated 8 May 1996 (the "KR CC")

⁴⁵ Article 187 of the KR CC

⁴⁶ Article 97 of the KR Administrative Liability Code No. 114 dated 4 August 1998 (the "Administrative Liability Code")

⁴⁷ Article 285 of the Administrative Liability Code

⁴⁸ Article 180 of the KR Criminal Code No. 68 dated 1 October 1997 (the "KR Criminal Code")

⁴⁹ Preamble of the Coal Law

⁵⁰ Article 1 of the Coal Law

⁵¹ Article 7 of the Coal Law

⁵² Article 12 of the Coal Law

- ▶ transfer geological survey and upland graphic documentation upon liquidation of coal entities to the subsoil 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 subsoil 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 KR⁵³.

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.)⁵⁴;
- ▶ specific natural resources can be divided using types of used resources, including land use, subsoil use, forest use, water use, use of plant and animal life, use of atmospheric air.⁵⁵

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 nature⁵⁶.

According to the Environmental Protection Law, the following measures, inter alia, are taken for the purpose of environmental protection⁵⁷:

- ▶ governmental accounting, social and economic evaluation of natural resources;
- ▶ standardization of environmental quality (limits of acceptable concentration of harmful substances in the air, water, soil, subsoil 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;

⁵³ Article 1 of the Environmental Protection Law

⁵⁴ Article 10 of Environmental Protection Law

⁵⁵ Article 11 of Environmental Protection Law

⁵⁶ Article 15 of Environmental Protection Law

⁵⁷ Article 6 of Environmental Protection Law

- ▶ 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 activities⁵⁸.

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 resources⁵⁹.

The purposes of such audits are⁶⁰:

- ▶ 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 resources⁶¹.

In accordance with the Subsoil Law,⁶² commencement of work without a technical project with all the required positive examinations (environmental audit, industrial safety audit and audit with respect to protection of subsoil resources) constitutes grounds for termination of the subsoil use right. Moreover, subsoil users might be subject to administrative liability in the following instances:

- ▶ failure, by subsoil 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 subsoil resources⁶³ 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 audit⁶⁴ which entails imposition of administration fine of up to 50 (fifty) calculation indexes (which equals to KGS 5,000 (five thousand)).

⁵⁸ Preamble of the Environmental Audits Law

⁵⁹ Article 1 of the Environmental Audits Law

⁶⁰ Article 2 of the Environmental Audits Law

⁶¹ Article 3 of the Environmental Audits Law

⁶² Article 27.3 of Subsoil Law

⁶³ Article 103-2 of the Administrative Liability Code

⁶⁴ Article 162 of the Administrative Liability Code

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 resources⁶⁵.

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 subsoil 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)⁶⁶.

As to cancellation of licences/permits one should be aware that in accordance with the Licensing and Permits System Law⁶⁷, 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.⁶⁸

The procedure for licensing of subsoil 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 subsoil use legislation.

Legal enactments

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

- ▶ Licensing Regulation;
- ▶ Tender Regulation;
- ▶ Auction Regulation.

The above regulations provide more details for the respective provisions of the Subsoil Law and regulate the procedure for issuance of a subsoil 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 Subsoil Use No. 261 dated 12 April 2006, Regulation on Provision of Land Plots for Subsoil Use, which governs relations between subsoil 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 subsoil resources.

⁶⁵ Article 1 of the Licensing and Permits System Law

⁶⁶ Article 17 of the Licensing and Permits System Law

⁶⁷ Article 29 of the Licensing and Permits System Law

⁶⁸ Article 31 of the Licensing and Permits System Law

4.1.3 Major changes in Legislation during the reporting period

There were changes and amendments during the reporting period (2015-2017) in legislation documents, regarding extractive industries. The most important changes and amendments are described below.

Land Code

In accordance with the Law of KR “On changes in certain legislation documents on carrying tenders and auctions” as of 22 June 2016 #84 there were changes in the Land Code providing possibility to participate in tenders on lands purchase in electronic format.

In accordance with the Law of KR “On changes in certain legislation documents in lands use” as of 1 June 2017 #95, lands, which had been provided for certain purpose, may be used for other than the prescribed purposes during development of mineral resources and building infrastructure facilities.

Also in accordance with the above Law, lands, provided to subsoil user for development of mineral resources and building infrastructure facilities are given without transformation to other land category in order, prescribed by the KR Government, except for especially valuable agricultural lands and especially guarded nature territories. Payment for compensation of agricultural and forestry production losses shall be made by the subsoil user before granting of the title documents in order prescribed by the KR Government. After the end of subsoil use licenses period subsoil user shall make re-cultivation of lands In accordance with the subsoil legislation.

Water Code

In accordance with the Law of KR «On changes in certain legislation documents of the Kyrgyz Republic (in Water Code of the Kyrgyz Republic, KR Laws «On mountain territory of KR”, “On water”)” as of 7 May 2016 #57, the amount of payment for water use is charged as for a mineral resource. The rights to set water use rates were transferred from Jogorku Kenesh to the Government of KR.

According to the Law of KR “On changes in certain legislation documents of the Kyrgyz Republic (in Water Code, Law of KR “On Water”) as of 6 April 2017 #54, decisions on cancelling or temporary change in permission on water use could be appealed not only in court, but also under administrative pre-court procedure.

Tax Code

In accordance with the Law of KR “On changes and amendments in certain legislation documents of the Kyrgyz Republic” as of 13 February 2015 #32, the definition of “Stabilization regime” is adopted, which provides favorable legal regime for investors or investing entities in case of changes in legislation of KR, regulating taxation and non-taxation payments. These entities, which comply with conditions of stabilization regime, in period of 10 years from the date of signing stabilization agreement have the right to choose more favorable conditions on tax payments, including value added tax, but except for other non-direct taxes, and non-tax payments in order, prescribed by the Kyrgyz Republic legislation.

In extractive industries the rights to implement stabilization regime could be used by investor, who invests in investee entity not less than USD 20 million during 5 years after signing the stabilization agreement⁶⁹.

Also In accordance with the Law of KR “On changes and amendments in Tax Code of the Kyrgyz Republic” as of 15 April 2015 #81, certain definitions were adopted for: refined standard bars, refined measured bars, investing gold and silver coins, numismatic (collection) coins, marked bars.

In accordance with the Law of KR “On changes and amendments in Tax Code of the Kyrgyz Republic as of 13 July 2015 #153, imported electric energy was exempted from VAT.

According to the Law of KR “On changes and amendments in certain legislation documents of the Kyrgyz Republic (in Tax Code of the Kyrgyz Republic, Law of the Kyrgyz Republic “On Subsoil”)” as of 19 April 2017 #62:

- ▶ Sales and export of metal ores, concentrates, alloys and refined metals are defined as sales exempted from VAT, and export of other types of products are charged with 0% VAT rate;
- ▶ Subject for bonus taxation is defined:
 - Previously bonus was charged upon change in shareholding of 10% or more. Whereas the new edition the bonus is charged proportionately for any change in shareholding.
 - Definition of taxation base is defined for mineral resources exploration and development stage, for selection of underground waters and for transfers of the subsoil use rights;
 - Paragraph that “the bonus rate for mineral deposits submitted for tenders is set the by Government of the Kyrgyz Republic” was removed.

Non-Tax Revenues Code of KR

In accordance with the Law of KR “On changes and amendments in certain legislation documents of the Kyrgyz Republic” as of 13 February 2015 #32, the definition of “Stabilization regime” is adopted, which provides favorable legal regime for investors or investing entities in case of changes made in legislation documents of KR, regulating taxation and non-taxation payments (see above in section “Tax Cade”).

It should be mentioned, that the Law “On non-tax payments” is no longer in force starting from 1 January 2019. In accordance with the Law of KR “On adopting Non-Tax Revenues Code of the Kyrgyz Republic” as of 10 August 2018 #89, new Non-Tax Revenues Code of KR has come into force. No significant changes have been made regarding periods and rates of non-tax payments for entities in extractive industries.

Law On Subsoil

For the period 2015-2017 there were no significant changes adopted. In accordance with the Law of KR as at 19 May 2018 #49 the current Law was canceled. The Law of KR “On Subsoil” as of 19 May 2018 #49 came into force.

⁶⁹ Article 3, Law on Investments in the KR

In accordance with the new version of the Law “On Subsoil” main changes concern the following aspects⁷⁰:

- ▶ It is indicated that the Government of KR follow standards of EITI, and that subsoil users are required to provide reports to SCIESU according to the EITI standards;
- ▶ It is indicated that information on beneficiaries should be publicized on the web site of SCIESU within 10 days from the date of issuing new license or introduction of changes in current license, and also that subsoil users should provide SCIESU with information about beneficiaries. According to the new Law, if subsoil user does not provide or provides incorrect information on beneficiaries, it may lead to license revocation;
- ▶ The definition of independent examination is adopted. Subsoil users received option to engage independent examination of technical projects for performing certain works, reports of mineral resources balances calculation, feasibility studies’ conditions and their practicability. Independent examination shall be performed by independent experts certified in order prescribed by the legislation of KR;
- ▶ Social package is signed directly with local state authorities and relates to subsoils that are not necessarily from the national list of deposits;
- ▶ Following periods for subsoil use rights are set:
 - Geological prospecting works - up to 5 years without prolongation right;
 - Geological exploration works – up to 7 years without rights prolongation right;
 - Development of mineral deposits – up to 20 years, with the possibility for further prolongation till balance of mineral resources is exhausted;
- ▶ New approach of “right of first application submitted” for subsoil use rights is adopted:
 - For subsoils, other than those provided through auctions or tenders;
 - For subsoils, not related to geological survey of subsoils and development of mineral resources.

Additional information about new legislation in licensing is described in Section 4.5.2.

The Environmental Protection Law

According to the Law of KR “On amendments to the Law of KR “On Environmental Protection” as of 12 January 2015 #3 there were changes and amendments in regulation of ozone-depleting substances use to protect ozone layer. The list of ozone-depleting substances, which circulation is subject for state regulation, permitted volume of consumption of ozone-depleting substances in the Kyrgyz Republic, requirements for ozone-depleting substances are set by the Government of the Kyrgyz Republic.

In accordance with the Law of KR “On amendments to Law of KR “On Environmental Protection” as of 16 January 2015 #17 there was change that the rates of payments for subsoil use, environmental pollution and other negative impact on nature, methods of charging and use are set by the Government of the Kyrgyz Republic.

⁷⁰ According to the comparative table under the new law <http://www.kenesh.kg/ru/draftlaw/299774/show>

The Environmental Audits Law

According to the Law of KR “On changes to the Law of the Kyrgyz Republic “On Environmental Audits” as of 4 May 2015 #92 there were changes in responsibilities of project and other documentation developers and initiators, as well as financing of state environmental expertise.

Other enactments

In accordance with the Decree of the Government of the KR “On changes in the Decree of the Government of KR” as of 23 April 2015 there were changes in Regulation “On procedures and conditions of performing tenders for rights of subsoil use” concerning distribution of tender price amount, whereas this amount, excluding bonus and the price of geological information package, is distributed in the following way:

- ▶ 85 percent are transferred to republican budget,
- ▶ 3 percent – to Oblast Development Fund at subsoil location,
- ▶ 3 percent – to District Development Fund at subsoil location,
- ▶ 3 percent – to special account for development of mineral basis of the Kyrgyz Republic,
- ▶ 3 percent – to local budget of local state authorities, where the subsoil is located, and
- ▶ 3 percent – to special account of working body of the committee.

According to the Decree of the Government of KR “On changes in Decree of the Government of KR” as of 2 October 2017 changes had been adopted in Regulation “On procedures and conditions of performing auctions for subsoil use rights”, whereas this amount, excluding bonus and the price of geological information package, is distributed in the following way:

- ▶ 93 percent – transferred to the republican budget revenues,
- ▶ 7 percent – to local budget revenues at subsoil location.

It should be noted that in accordance with the Decree of Government of the Kyrgyz Republic as of 29 November 2018 #561 new Regulation “On procedure of subsoil use licensing” was adopted. Together with this Decree there were Regulation “On procedures and conditions of performing tenders for rights of subsoil use” and Regulation “On procedures and conditions of performing auctions for subsoil use rights” adopted. The above mentioned parts about distribution procedure for amounts from auctions and tenders were withdrawn.

4.1.4 KR extracting industry reform strategy

In accordance with the National Development Strategy of the Kyrgyz Republic for 2018–2040, approved by Decree of the President of the Kyrgyz Republic dated October 31, 2018 No. 211, reforms in the extracting industry in the Kyrgyz Republic will be carried out in the following areas:

- ▶ The industry must develop in a comprehensive manner, effectively using its own raw materials and production base, while emphasis will be given to the proportional location of entities throughout the country.

- ▶ It is necessary to achieve an increase in the efficiency of extracting, introduction of modern mining technologies with minimal impact on the environment.
- ▶ Mineral development should ensure formation of financial resources for development. Renewable capital funds should be created, which will be aimed at the development of the future, the development of technology, innovation, innovation in business, economy, culture, etc.
- ▶ Subsoil use must be carried out in compliance with the full range of environmental protection requirements, including the rehabilitation of natural landscapes and disturbed lands, and under public control.
- ▶ Support will be provided for research and training of specialists in the field of subsoil use.
- ▶ It is necessary to ensure the development of competitive production of high-quality petroleum products and building materials
- ▶ It is necessary to ensure the development of significant reserves of non-metallic mineral raw materials while respecting the requirements of environmental protection and taking into account the interests of local communities
- ▶ It is necessary to create conditions for the development of the jewelry industry potential with the key task of entering international markets.

4.2 Taxation of extracting projects

The activities of the extractive industry entities in the Kyrgyz Republic are generally subject to the general tax regime, which provides for the payment of taxes and the provision of tax reports by local organizations and foreign organizations operating in the Kyrgyz Republic through a permanent establishment in accordance with the tax legislation of the Kyrgyz Republic.

The general tax regime provides for state taxes, local taxes, and special tax regimes. Extracting companies, in contrast to entities in other industries, pay such specific taxes as royalties and bonuses. Royalty is a regular payment, the base of which is the revenue (excluding VAT and sales tax) from the sale of minerals or products obtained from the processing of minerals. Royalty rate varies from 1 to 12% depending on the type of raw materials produced. Bonus - a one-time payment for the right to use subsoil for the purpose of prospecting, exploration and development of mineral deposits. The tax base for calculating the bonus is the amount of geological reserves and forecast resources recorded by the State Cadastre.

There is no special tax regime for the extractive industry, with the exception of the Kumtor project. The tax regime for the Kumtor project stipulates that project companies (Kumtor Gold Company and / or Kumtor Operating Company) from January 1, 2008 until the termination of the Revised Concession Agreement must calculate and pay the following basic taxes and fees: (i) a tax on gross income of 13%, (ii) an annual amount of 4% of gross income minus documented investments and expenses for geological exploration, (iii) a contribution to the the Issyk-Kul Development Fund of the Kyrgyz Republic in the amount of 1 % of gross income, (iv) an annual fee for environmental pollution in the amount of USD 310,000⁷¹. Such project companies are exempt from paying all other current and future taxes and charges in respect of activities subject to the new tax regime, with the exception of taxes and payments that are stipulated and payable under the 2009 Kumtor Agreements

⁷¹ According to the Revised Investment Agreement between the Government of the Kyrgyz Republic, Centerra Gold Inc., CJSC Kumtor Gold Company and CJSC Kumtor Operating Company dated June 6, 2009

(such as social fund contributions for state social insurance, income tax, payment for environmental pollution, etc.).

4.2.1 Taxes and non-tax payments of extracting entities

The fiscal regime of the extracting industry is represented by tax and non-tax payments provided for by the legislation of the Kyrgyz Republic. 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:

Table 4.2.1a – KR tax system

Name	Tax base and rate	Dates and procedures of payment	Reporting requirements
Income tax	<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>0% (zero percent) 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>10% (ten percent) on income for other subsoil 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>Income tax is paid at the place of tax registration of the taxpayer.</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>
Tax on income of extracting and processing entities	<p>The tax rate is from 1% (one percent) to 20% (twenty percent) (depending on price of gold). Tax base is:</p> <p>a) revenues from sales of gold alloy and/or fine gold;</p>	<p>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</p>	<p>Not later than 20th day of the month following the reporting period.</p> <p>Tax period is a calendar month.</p>

Name	Tax base and rate		Dates and procedures of payment				Reporting requirements							
	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		the place of tax registration (legal address).											
Tax on income is set at following rates ⁷² :														
The price of gold for one troy ounce in US dollars	Up to 1300	From 1301 to 1400	From 1401 to 1500	From 1501 to 1600	From 1601 to 1700	From 1701 to 1800	From 1801 to 1900	From 1901 to 2000	From 2001 to 2100	From 2101 to 2200	From 2201 to 2300	From 2301 to 2400	From 2401 to 2500	From 2501 and above
Income tax rate, %	1	3	5	7	9	11	13	14	15	16	17	18	19	20
Tax on interest	The tax rate is 10% (ten percent) 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.					
Profits tax for non-residents without a permanent establishment in the KR	The tax rate is: • 5% (five percent) on the cost of international telecommunication and transportation services, insurance payments under the insurance or reinsurance risks agreements (except for mandatory insurance);				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.					

⁷² Article 221-1, part 4 of the KR Tax Code;

Name	Tax base and rate	Dates and procedures of payment	Reporting requirements
	<ul style="list-style-type: none"> • 10% (ten percent) 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. 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 application of reduced rates. 		
Value added tax (VAT)	The VAT rate is 12 percent ⁷³ . Exports of goods except for exports of metal ores, concentrates, alloys and refined metals, is a zero-rate supply. Supply and export of metal ores, concentrates, alloys and refined precious metals are exempted from VAT ⁷⁴ .	Not later than 26th day of the month following the reporting tax period.	Not later than 26th day of the month following the reporting tax period. The tax period for VAT calculation on taxable deliverables is a calendar month.

⁷³ Part 1 of Article 227 of the Tax Code of the Kyrgyz Republic;

⁷⁴ Article 266 of the Tax Code of the Kyrgyz Republic;

Name	Tax base and rate	Dates and procedures of payment	Reporting requirements
Sales tax	<p>The tax rate is from 1% (one percent) to 5% (five percent) 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>Monthly, not later than 21st 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>Monthly, not later than 21st day of the month following the reporting month.</p> <p>Tax period for sales tax is a calendar month.</p>
Bonus	<p>The bonus rate is set by the GKR by type of minerals according to the classification table depending on the amount of mineral reserves for development, as well as the size of the licensed area for prospecting and exploration of minerals and collecting mineralogical, paleontological collections for commercial purposes and stone material for decorative purposes and for use in quality ornamental stones and building materials⁷⁵. The rates are approved in the Classification Table of Bonuses for Deposits and License Areas⁷⁶.</p>	<p>Not later than 30 days from the day of receipt of the license for the right to use subsoil at the place of accounting registration.</p>	<p>A payer of bonus should submit a respective calculation to the tax authority agreed with the SCIESU not later than 30 days once the license for the use of subsoil resources is received.</p>
Royalty	<p>The royalty rate is set depending on the type of mineral (for example, the royalty rate for gypsum is 6 percent, and 1 percent for coal)</p>	<p>Monthly, not later than 21st day of the month following the reporting month.</p>	<p>Monthly, not later than 21st day of the month following the reporting month.</p> <p>Tax period for royalty is a calendar month.</p>

⁷⁵ Art.304 of the Tax Code of the Kyrgyz Republic;

⁷⁶ Approved by the Resolution of the GKR "On measures to implement the requirements of the norms of the Tax Code of the Kyrgyz Republic" dated December 30, 2008 No 736.

Name	Tax base and rate	Dates and procedures of payment	Reporting requirements
	and the volume of gold, silver and platinum deposits (from 1 to 5 percent) ⁷⁷ .	Royalty is paid at the place of accounting registration.	
Land tax	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. With that, basic rate and adjustment coefficients depend on the regions of land plots locations, their designated purpose and other factors.	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.	Taxpayer submits land tax return not later than 2 February of the current year. Tax period for land tax is a calendar year.
Property tax	Taxable property includes: (1) Real estate (2) Temporary facilities made of metal or other constructions meant for and/or used for business purposes; (3) Transport vehicles, including self-propelled machinery. Tax rate for transport vehicles is determined depending on the engine capacity, year of manufacture and type of vehicle or its carrying value; 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	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. 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.	Taxpayer, that is an entity, should provide property tax form before 1 March of the current year. Tax period for property tax is a calendar year.

⁷⁷ Art.310 of the Tax Code of the Kyrgyz Republic;

Name	Tax base and rate	Dates and procedures of payment	Reporting requirements
	formula with account for adjustment coefficients (depending on designated purpose of facilities, construction materials and other factors).		
Personal income tax	The tax rate is 10% (ten percent) on income paid to employees and other individuals without individual entrepreneur status.	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 unit (if any).	<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 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>

Non-tax payments include the following:

- ▶ Payment for license retention for the right to use subsoil⁷⁸.. The procedure for payment, amount and calculation of this payment is determined in accordance with the Procedure for payment and calculating retention of license amount for the right to use subsoil, approved by the Government of the Kyrgyz Republic No. 760 of November 6, 2015.

⁷⁸ Article 19-2 of the Law of the Kyrgyz Republic "On Non-Tax Payments";

- ▶ Payment for the development and maintenance of local infrastructure. The payment amounts to 2 percent of revenue, excluding indirect taxes received from the sale of minerals⁷⁹.
- ▶ Payment for environmental pollution. Pollution charge rates are⁸⁰:
 - for emissions to the atmosphere in amount of KGS 3.24 for a given ton of pollutants;
 - for discharge of pollutants with wastewater into the environment in amount of KGS 10.5 per ton of pollutants;
 - for disposal of waste and waste dumps in the environment in amount of KGS 3.24 for a given ton of waste and dumps.
- ▶ Compensation of agricultural production losses during the transfer (transformation) of agricultural land. These payments are calculated based on the rate of KGS 1,760 per hectare of irrigated arable land, KGS 610 - of rainfed arable land, deposits, KGS 350 - of hayfields, KGS 90 - of pastures. At the same time, the amount of lost profits is calculated using ratio - 49 (when granting a land plot for use) and 99 (when granting a land plot for ownership)⁸¹.
- ▶ Social contributions to the Social Fund (SF), in accordance with the Law of the Kyrgyz Republic “On State Social Insurance”, all companies must submit monthly reports on social insurance and pay mandatory social contributions to the SF. The amounts of mandatory social contributions are⁸²:
 - At the expense of the company (employer): 17.25%.
Of which: 15% to the Pension Fund;
2% to the Mandatory Social Insurance Fund;
0.25% to the Workers Health Fund.
 - At the expense of employees: 10%.
Of which: 8% to the Pension Fund;
2% to the State Accumulation Pension Fund.

Deadline for the payment of mandatory social contributions is no later than the 15th day of each month. Deadlines for submission of reports to the SF: no later than the 19th day of each month.

The main regulatory legal act regulating each payment included in the reconciliation, as well as its reference is indicated in Annex 8.

4.2.2 Tax benefits for extractive industry entities

The tax code of the Kyrgyz Republic in the reporting period till December 31, 2017 provided for the following provisions, which can to some extent be regarded as tax privileges / benefits for the mining industry:

- ▶ *Depletion allowance*⁸³. 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

⁷⁹ Article 19-3 of the Law of the Kyrgyz Republic “On Non-Tax Payments”;

⁸⁰ GKR Resolution “On approval of payment rates for environmental pollution in the Kyrgyz Republic” No. 625 dated September 10, 2015;

⁸¹ Resolution "On approval of standard rates of compensation for losses of agricultural production and the use of funds received in order of their reimbursement" dated January 5, 2016 No. 1.

⁸² Law of the Kyrgyz Republic “On Tariffs of Insurance Contributions for State Social Insurance”.

⁸³ Article 197.3, Tax Code of the KR.

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*⁸⁴. Taxpayer's expenses related to geological exploration of mineral deposit and procurement of subsoil 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 subsoil use could be depreciated at accelerated rate of 50% (fifty percent) per year. With 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 subsoil users*⁸⁵. This opportunity allows investors to keep their tax regime in case of adverse changes in tax legislation.

In the reporting period, the legislation of the Kyrgyz Republic did not provide for any other special tax benefits intended specifically for the extractive industry entities.

4.2.3 Basic principles and approaches in 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.

⁸⁴ Article 200, paragraph 1, Tax Code of the Kyrgyz Republic.

⁸⁵ Since February 13, 2015, this issue is regulated by the Law "On Investments in the Kyrgyz Republic".

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 in 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 in 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 in amount of over 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, 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. With 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.

Scheduled tax audits shouldn't be conducted 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.

4.2.4 Extractive Industry Tax Revenues

The extractive industry is an important revenue source for the state budget of the Kyrgyz Republic. The share of government revenues from companies in the extractive industry⁸⁶ in total tax revenues of the country's budget was 9.7% in 2017. There is a noticeable increase in revenues from the extractive industry in 2015 to 19.7% due to the proceeds from the tender for the Jerooy field (see also Section 4.5.5).

⁸⁶ According to data collected by the EITI Secretariat from the State Tax Service for the 2015-2017 Report. Open tax service data on tax revenues and the execution of forecasts are disclosed at:

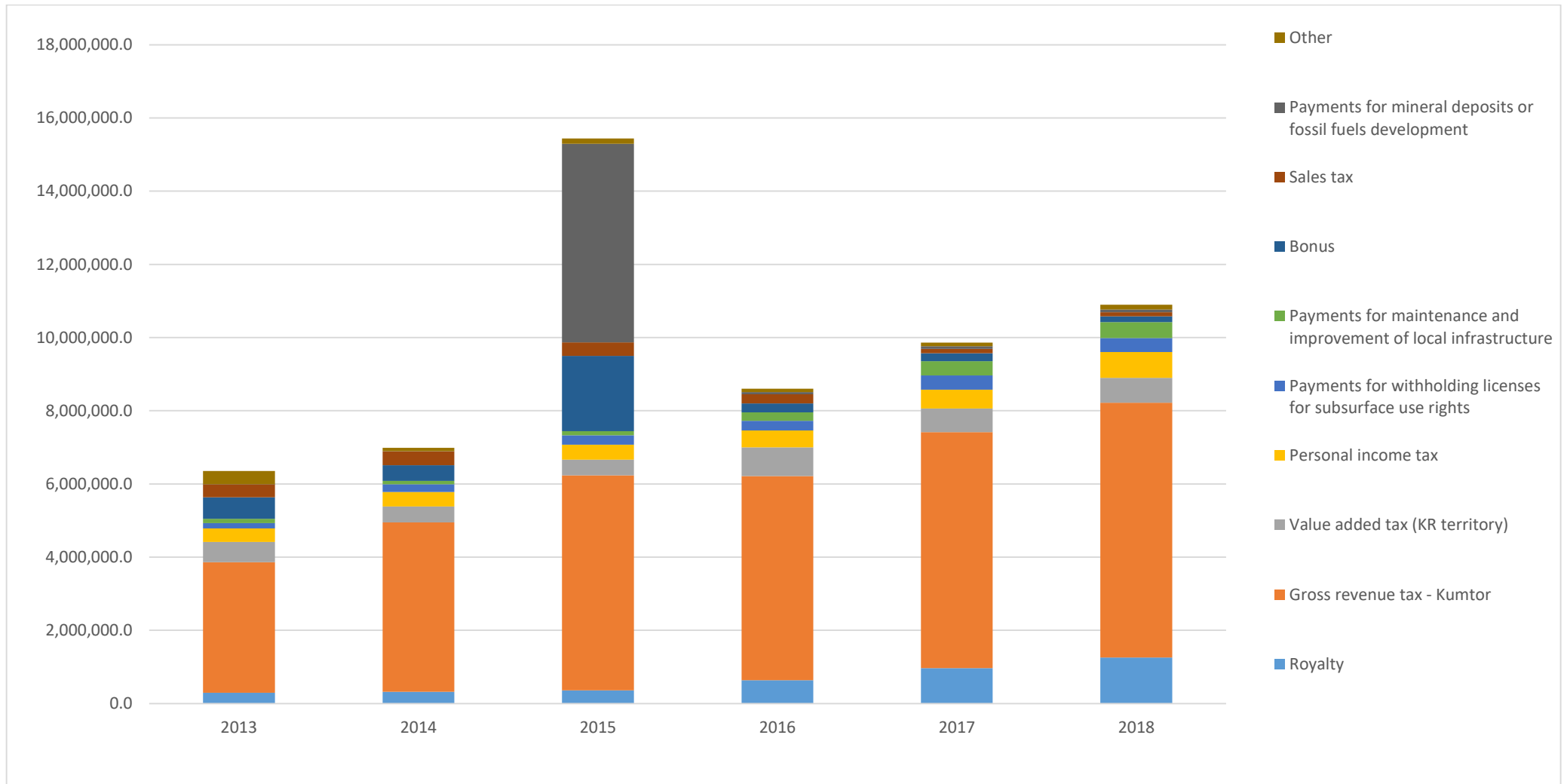
<http://sti.gov.kg/%D0%BE%D1%82%D1%87%D0%B5%D1%82-%D0%B4%D0%BE%D1%85%D0%BE%D0%B4%D0%BD%D0%BE%D0%B9-%D1%87%D0%B0%D1%81%D1%82%D0%B8>

Table 4.2.4a - Extractive industries share in total tax income of KR in 2013-2017

Income	2013		2014		2015		2016		2017		2018	
	Thousand som	% to total	Thousand som	% to total	Thousand som	% to total	Thousand som	% to total	Thousand som	% to total	Thousand som	% to total
Gross revenue tax - Kumtor	3 568 064	5,9%	4 624 314	6,7%	5 873 797	7,5%	5 580 303	6,0%	6 452 089	6,3%	6 963 788	6,1%
Royalty	293 559	0,5%	323 495	0,5%	363 959	0,5%	638 514	0,7%	964 376	0,9%	1 258 782	1,1%
Value added tax (territory of the KR)	557 251	0,9%	438 921	0,6%	428 008	0,5%	783 267	0,8%	648 371	0,6%	674 831	0,6%
Personal income tax	365 387	0,6%	393 538	0,6%	407 344	0,5%	458 657	0,5%	509 381	0,5%	709 184	0,6%
Payments for withholding licenses for subsoil use rights	148 577	0,2%	212 533	0,3%	254 427	0,3%	264 806	0,3%	392 852	0,4%	377 891	0,3%
Payments for maintenance and improvement of local infrastructure	112 696	0,2%	90 435	0,1%	114 651	0,1%	231 151	0,2%	387 218	0,4%	436 419	0,4%
Bonus	592 482	1,0%	426 120	0,6%	2 057 153	2,6%	242 011	0,3%	219 537	0,2%	157 330	0,1%
Sales tax	354 562	0,6%	381 104	0,6%	369 505	0,5%	248 647	0,3%	113 326	0,1%	117 016	0,1%
Payments for mineral deposits or fossil fuels development	168	0,0%	6 877	0,0%	5 426 486	6,9%	60 913	0,1%	72 652	0,1%	71 045	0,1%
Corporate profit tax	337 050	0,6%	65 413	0,1%	120 797	0,2%	65 388	0,1%	70 992	0,1%	93 535	0,1%
Land Tax (non agricultural)	20 471	0,0%	20 317	0,0%	20 320	0,0%	24 262	0,0%	24 995	0,0%	27 802	0,0%
Real estate property tax for business activities	3 513	0,0%	4 263	0,0%	3 457	0,0%	6 009	0,0%	4 951	0,0%	5 439	0,0%
Voluntary patent based tax	92	0,0%	413	0,0%	266	0,0%	483	0,0%	474	0,0%	564	0,0%
Subtotal for extractive industries	6 353 873	10,4%	6 987 743	10,1%	15 440 170	19,7%	8 604 409	9,3%	9 861 213	9,7%	10 893 626	9,5%
Total tax income in KR⁸⁷	60 956 168	100,0%	68 868 045	100,0%	78 435 536	100,0%	92 861 882	100,0%	101 995 406	100,0%	114 166 562	100,0%

⁸⁷ Calculated on the basis of the STS and the National Statistics Committee, section "Finance" <http://www.stat.kg/ru/statistics/finansy/>. The data for 2018 are preliminary

Diagram - Extractive industries share in total tax income of KR in 2013-2018



The share of tax revenues of the extractive industry to total revenues of the state budget of the Kyrgyz Republic⁸⁸ is presented below:

	2013	2014	2015	2016	2017	2018
Total revenues of the state budget of the Kyrgyz Republic	101 940 851	119 428 119	128 422 900	130 665 146	149 547 451	151 538 301
The share of tax revenues of the mining industry in total state revenues of the Kyrgyz Republic budget	6.2%	5.9%	12.0%	6.6%	6.6%	7.2%

A summary of the actual revenues for each type of taxes and revenues from the extractive sector is published monthly on the STS official website⁸⁹.

Artisanal activities

Artisanal activity is the extracting activity for mineral resources by the forces of an individual or a group of individuals without legal entity establishment. In Kyrgyzstan, this activity is carried out through the acquisition of a voluntary tax patent on the basis of the Regulation “On the implementation of individual artisanal gold mining alluvial gold in the Kyrgyz Republic”, approved by the Government of the Kyrgyz Republic dated July 23, 2015 No. 524⁹⁰.

Table 4.2.4b - payments under the patent "alluvial gold mining"⁹¹

	2015	2016	2017
The number of issued patents by "alluvial gold mining" type of activity	-	32	34
Amount of payments, thousand soms	-	22	55

The amount of an individual patent is determined in accordance with the Decree of the Government of the Kyrgyz Republic as of June 25, 2015 No. 418 “On approval of the base tax amounts under a voluntary patent by type of activity”. According to data provided by the State Tax Service (Table 4.2.4a), the amount of payments made by small entrepreneurs and artisans in the field of mining activities amounted to KGS 474 thousand in 2017 (which amounted to 0.0005% of the total tax revenues to the budget). At the same time, during the reporting period, the number of officially registered artisanal miners in tax services for individual patents did not exceed 34 (Table 4.2.4b). At the same time, according to unofficial sources, the

⁸⁸ Calculated based on the data of the National Statistical Committee of the Kyrgyz Republic under the section "Finance" <http://www.stat.kg/ru/statistics/finansy>

⁸⁹ <http://sti.gov.kg/%D0%BE%D1%82%D1%87%D0%B5%D1%82-%D0%B4%D0%BE%D1%85%D0%BE%D0%B4%D0%BD%D0%BE%D0%B9-%D1%87%D0%B0%D1%81%D1%82%D0%B8>

⁹⁰ <http://cbd.minjust.gov.kg/act/view/ru-ru/98005>

⁹¹ According to data collected by the EITI Secretariat from the STS for the 2015-2017 EITI Report.

annual gold mining by this method does not exceed 200 kg⁹², and the total number of employed people is about 2,400 people⁹³.

4.2.5 Other payments

The State Customs Service collects the following payments for import and export operations:

- ▶ Import customs duty;
- ▶ Customs duty for the actions related to the release of goods;
- ▶ Excise tax on goods imported into the territory of the Kyrgyz Republic;
- ▶ Value added tax on goods imported into the territory of the Kyrgyz Republic.

The SCIESU portal published links to the Open Budget portal⁹⁴, through which it is possible to view and collect information on tax and non-tax payments in real time:

- ▶ for each license holder;
- ▶ for each state body receiving payments;
- ▶ by type of payment.

Also, by the Order as of December 28, 2016 No. 1/1 “On improving reporting processes of subsoil users”, the SCIESU approved the instruction according to which the subsoil users are obliged to submit reports to the SCIESU on all types of payments to the state budget.

According to SCIESU, the collection of information from subsoil users began in January 2018.

4.3 Distribution of revenues from the extracting industry

4.3.1 Principles of budget law of the Kyrgyz Republic

The basic principles of the formation and execution of the republican budget and local budgets of the Kyrgyz Republic are regulated by the Budget Code of the Kyrgyz Republic, approved by law as of May 16, 2016. Until May 16, 2016, the Law of the Kyrgyz Republic “On Basic Principles of Budget Law in the Kyrgyz Republic” No. 78 dated June 11, 1998 was in force.

In accordance with the Budget Code, the budget system of the Kyrgyz Republic consists of:

- ▶ **Republican budget**, which covers funds intended for the financial support of the tasks and functions of state bodies and budgetary institutions under their jurisdiction. This budget is drawn up and executed by the Government of the Kyrgyz Republic, and approved by the Jogorku Kenesh (Parliament) of the Kyrgyz Republic.
- ▶ **Local Budgets**, which are compiled and executed by the executive bodies of local self-government, and approved by village and city keneshes (local authorities). The procedure for drafting,

⁹² <http://www.stanradar.com/news/full/11637-v-kyrgyzstane-ezhegodno-chernye-starateli-dobyvajut-porjadka-200-kg-zolota.html>

⁹³ “Mercury counting in the mineral raw materials base of the Kyrgyz Republic for the national plan to reduce the use of mercury”, Bishkek, April 25, 2019

⁹⁴ https://budget.okmot.kg/ru/inc_inn/index.html

reviewing, approving and executing local budgets are regulated by the Budget Law, the Law of the Kyrgyz Republic “On the Financial and Economic Basis of Local Self-Government”, other laws of the Kyrgyz Republic and decisions of village and city keneshes within the legislation of the Kyrgyz Republic.

- ▶ **Budget of Social Fund**, which covers funds intended for financing tasks and implementation of state policy in the field of social and pension funds.
- ▶ **The budget of the Mandatory Medical Insurance Fund**. This fund implements the state policy in the field of basic state and compulsory medical insurance.

State budget revenues (republican budget and local budgets) include:

- ▶ Tax revenues, including accrued interest, penalties and penalties for violation of tax laws;
- ▶ Non-tax payments under the law on non-tax payments;
- ▶ Grants and intergovernmental transfers;
- ▶ Revenues from the sale of capital assets (fixed assets, state stocks and land);
- ▶ Income from services provided by central and local state entities;
- ▶ Income from operations with financial and non-financial assets, including receiving loans.

Formation and approval of the republican and local budgets, as well as the preparation of reports on their execution are carried out according to the structure determined in accordance with international standards of government finance statistics.

The funds of the budgets of the budget system of the Kyrgyz Republic are accumulated on the Single Treasury account, which also reflects the operations of government agencies on the cash execution of the budget. The single treasury account is opened in the National Bank of the Kyrgyz Republic.

In the management of public finances, the Government of Kyrgyz Republic relies on the use of the IMF's government financial statistics manual. Accordingly, all budget classifications are used in accordance with IMF standards⁹⁵.

4.3.2 Overview of the distribution of taxes types and payments

The **State Taxes**⁹⁶ include:

- ▶ income tax;
- ▶ value added tax;
- ▶ excise tax;
- ▶ bonus;
- ▶ royalty;

⁹⁵ <http://kazna.gov.kg/index.php/normativnye-dokumenty/klassifikatsii>

⁹⁶ budget revenues, which are subject to distribution between the republican and local budgets according to the norms of deductions established by the tax code and the annual law on the republican budget. Law on republican budget for 2018 and the forecast for 2019-2020 is listed on: <http://cbd.minjust.gov.kg/act/view/ru-ru/111727?cl=ru-ru>

- ▶ voluntary patent tax;
- ▶ single tax under the simplified system;
- ▶ sales tax.

The **Republican Budget** receives:

- ▶ income tax;
- ▶ value added tax;
- ▶ excise tax;
- ▶ import and export customs duties;
- ▶ interest on loans issued from the republican budget;
- ▶ fees for issuing certificates to the specialist for the right to conduct operations with securities;
- ▶ fees for registration of securities issue;
- ▶ fee for registration of collateral, making an extract from the Unified State Register and additional collateral notice;
- ▶ fee for registration (re-registration) of vehicles;
- ▶ consular fees;
- ▶ fee and income for tourist and mountaineering activities;
- ▶ illegally obtained revenues, including for activities without a license, in respect of which a licensing procedure has been established;
- ▶ revenues from government and promotional lotteries;
- ▶ fee for testing and stamping jewelry (household) products made of precious metals (technical expertise and control analyzes of precious metals);
- ▶ rental income from state-owned facilities;
- ▶ concession revenues (from the rental of property, land and its subsoil by foreign investors);
- ▶ environmental pollution charges (including charges for discharges, emissions of pollutants and waste disposal);
- ▶ Revenues for paid services rendered by state organizations and work performed according to the register approved by the Government of the Kyrgyz Republic;
- ▶ revenues for alternative (non-military) service;
- ▶ revenues for the use of natural resources;
- ▶ proceeds from the sale of confiscated property, property that was transferred to the state property in the established manner, including goods and vehicles registered in the customs regime of refusal in favor of the state;
- ▶ income from profits of the National Bank of the Kyrgyz Republic;
- ▶ dividend income on state-owned shares;
- ▶ state duty levied in accordance with the legislation of the Kyrgyz Republic to the republican budget;
- ▶ incomes of penitentiary inspections;

- ▶ amounts charged from persons guilty of theft and shortage of material values, administrative fines and penalties levied by state bodies and their territorial divisions, as provided for by the legislation of the Kyrgyz Republic;
- ▶ other non-tax and other income provided for by the laws of the Kyrgyz Republic.

Local budgets of villages and cities receive following payments:

- ▶ revenues from management of municipal property;
- ▶ land tax;
- ▶ property tax;
- ▶ contribution to the development and maintenance of local infrastructure;
- ▶ deductions from the profits of municipal entities;
- ▶ retention license fee;
- ▶ garbage collection fees;
- ▶ fee for the use of pasture land, established by local authorities;
- ▶ revenues from the provision of municipal paid services;
- ▶ funds from municipal lotteries and payment for lottery activities;
- ▶ vehical parking fee;
- ▶ rent for land levied for the right to use the lands of the Fund for the redistribution of agricultural land;
- ▶ state duty levied in accordance with the legislation of the Kyrgyz Republic to the local budget;
- ▶ revenues of municipal institutions for the paid services rendered by them and the work performed, according to the register approved by aiyl and city keneshes;
- ▶ administrative fines and other sanctions, except for administrative fines levied for offenses that violate the rules of traffic safety and vehicle operation;
- ▶ transfers, voluntary contributions;
- ▶ other non-tax and other income provided by the legislation of the Kyrgyz Republic.

Table 4.3.2a- The distribution of taxes from the extractive industries by levels of budgets⁹⁷

Year	Budget level	KGS thousand	Share in %
2015	Republican Budget	10 734 825	70%
	Local Budgets	4 705 344	30%
	Total	15 440 170	100%
2016	Republican Budget	7 253 328	84%
	Local Budgets	1 351 081	16%

⁹⁷ Calculated on the basis of the shares of the distribution of taxes specified in the Budget Code and the shares established according to the annual law on the republican budget, with an error of up to 5%.

Year	Budget level	KGS thousand	Share in %
	Total	8 604 409	100%
2017	Republican Budget	8 220 856	83%
	Local Budgets	1 640 357	17%
	Total	9 861 213	100%

The total expenditures of the republican budget mainly consist of financing the following areas:

Costs and Expenditures distribution	% to total ⁹⁸
Social protection	21.2%
Education	20.3%
General government services	15.5%
Defense, Public Order and Security	15.1%
Health care	12.2%
Economic issues	9.8%
Others	5.9%
Total	100%

Payments for the development and maintenance of local infrastructure are sent in full to regional development funds.

4.3.3 Summary of the Central Treasury system

The Treasury forms the Consolidated Fund of the Kyrgyz Republic (hereinafter referred to as the “Consolidated Fund”). All revenues in national and foreign currencies that are rightfully owned by the state - tax, non-tax, budget, extrabudgetary, periodical and one-time, deductions to trust funds, transfers, credit funds and any other types of government revenues are immediately and completely directed (credited) to Consolidated fund, except as provided for in regulations developed by the Treasury. All settlement operations of republican and local organizations are carried out from the Consolidated Fund.

The single treasury account is a centralized bank account of the Central Treasury, on which funds of the republican and local budgets are accumulated, and also reflects the operations of government bodies on the cash execution of the state budget of the Kyrgyz Republic. Receipts from cash payers and payments for transfers of funds to be credited to a single treasury account are conducted by commercial banks operating in the territory of the Kyrgyz Republic, within the framework of the current business day set for bank customers.

The following types of receipts are credited to the single treasury account:

- ▶ taxes and fees;
- ▶ customs taxes and fees;
- ▶ advance customs payments and mortgage amounts;

⁹⁸ On the report on the execution of the republican budget of the Kyrgyz Republic for 2017. Resolution of the Government of KR as at 15 may 2018 # 235.

- ▶ repayment of the principal amount and payment of interest, penalties and interest on budget loans and loans;
- ▶ funds received for the temporary use of budgetary institutions, that are included in the republican budget средства;
- ▶ special funds of budgetary institutions, including payments for the use of state and municipal property;
- ▶ restoration of previously conducted cash expenditures (for non-cash payments);
- ▶ non-tax and other payments directed to the revenues of the respective budgets of the Kyrgyz Republic;
- ▶ som equivalent of foreign currency to be credited to the budget;
- ▶ other payments to the Ministry of Finance of the Kyrgyz Republic and the Central Treasury.

Funds received on the single treasury account that should be credited to the revenues of respective budgets are reflected in the bank statement credit.

Accounting for funds received on the single treasury account, and the distribution of income between budgets of different levels is carried out on the basis of the following documents:

- ▶ electronic bank statement from the single treasury account;
- ▶ payment documents, orders, payers' memorial orders, containing full information about revenues attached to the bank statement, on paper and in electronic form;
- ▶ conclusions of the tax and customs authorities of the Kyrgyz Republic to offset or refund overpaid taxes.

Upon completion of processing the information contained in the electronic bank statement and electronic payment documents in the information system of the Treasury (hereinafter - "IST"), the following information is automatically stored in the IST databases, recorded on the credit of the electronic bank statement from the Single Treasury Account:

- ▶ payment amount;
- ▶ name of the payer;
- ▶ TIN (taxpayer's identification number) of the payer;
- ▶ payer registration number assigned by the Social Fund of the Kyrgyz Republic;
- ▶ date of receipt (date of transfer of funds to the single treasury account);
- ▶ payment document number;
- ▶ code of payment according to budget classification of income;
- ▶ code of administrative territory unit;
- ▶ code of the territorial body of the administrator of revenues according to the budget classification of revenues.

Based on the results of processing the electronic bank statement, IST automatically divides and groups the revenue received into the following revenue groups:

- ▶ classified revenues:
 - tax (customs) and non-tax revenues with elements of revenue classification;
 - revenues from transactions with assets and liabilities;
 - revenues to special accounts of budgetary institutions;
- ▶ unexplained (erroneous) revenues.

Grouped by type of revenue data is stored in electronic databases of IST.

Revenues received on the single treasury account are distributed in the IST between budgets of different levels in accordance with the tax and budget legislation of the Kyrgyz Republic according to the deduction rates (as a percentage) established for the relevant fiscal year, and in terms of local taxes and fees - regulatory legal Acts of local governments on local budgets for the relevant fiscal year.

The distribution of revenue between the budgets of different levels is made according to the established norms of deductions in general for the amount of revenue received (revenue classification element).

4.3.4 Review of Development Funds financing mechanisms

Regional Development Funds in the Kyrgyz Republic were introduced on November 10, 2014, as one of the tools for collecting and distributing revenues from the Extractive industry. In particular, the Regional Development Funds have been created to finance the development and maintenance of infrastructure of local importance, the implementation of other targeted activities in order to implement programs for the socio-economic development of regions. Regional development funds consist of

- ▶ Regional Development Funds (established by the Government of the Kyrgyz Republic) and
- ▶ District Development Funds (established by the district state administration), which are non-profit organizations and are registered in the form of an institution.

Financing of the Regional Development Funds is carried out through an account in the Treasury of the Kyrgyz Republic from:

- ▶ 3% of the final price for the realization of the right to use the subsoil of the tender object, deducting the bonus and the cost of the geological information package;
- ▶ Funds from payments for withholding a license for the right to use subsoil;
- ▶ Deductions for the development and maintenance of local infrastructure⁹⁹. These deductions amount to 2% of the proceeds of mining companies (at the location of the deposits) received from the sale of mineral resources. The distribution of deductions is made in the following order:

	regional development fund	district development fund	local budgets
Deposits where gold reserves are more than 50 tons or deposits of national importance (for other minerals)	50%	30%	20%

⁹⁹ Article 19-3 of the Law on Non-Tax Payments that was in force e in 2015-2017.

	regional development fund	district development fund	local budgets
Deposits where gold reserves are less than 50 tons or not included in the list of deposits of national importance	-	80%	20%

- ▶ voluntary contributions from donors and sponsors to a separate special account of funds.

Sources of funds can be spent only on the development and maintenance of local infrastructure.

Functioning of Development Funds in 2015-2017

According to the Ministry of Justice of the Kyrgyz Republic,¹⁰⁰ at the end of 2018, 43 Regional Development Funds (the “Fund” or “RDF”) passed state legal registration in accordance with the requirements of the KR Regulations:

They are:

- ▶ 7 regional funds:
 - Development Fund of Chui region;
 - Development Fund Talas region;
 - Development Fund “Tenir Too” Naryn region;
 - “Issyk-Kul” Development Fund;
 - “Jalal-Abad” Development Fund;
 - Development Fund of the Osh region;
 - Development Fund of Batken region.
- ▶ 36 district funds (DDF), by regions:
 - There are 3 district funds in Batken region;
 - In the Jalal-Abad region - 8 district funds;
 - In Naryn oblast there are 4 district funds (there is no DDF of Kochkor district);
 - There are 6 district funds in the Osh region (there is no DDF of the Karakulzha district);
 - In Talas oblast - 4 district funds;
 - There are 7 district funds in the Chui region (there is no DDF of the Moscow district);
 - There are 4 district funds in the Issyk-Kul region (there is no DDF of the Jeti-Oguz region).

At the same time, in 2015-2017 in fact, 4 regional funds and 18 district funds functioned:

¹⁰⁰ <https://register.minjust.gov.kg/register/home.seam>

Table 4.3.4a - Receipts and expenditure by funds (KGS thousand)¹⁰¹

	Name of funds	2015			2016			2017			2018		
		actual receipts	Cash expenses	Balance at 01.01.2016	actual receipts	Cash expenses	Balance at 01.01.2017	actual receipts	Cash expenses	Balance at 01.01.2018	actual receipts	Cash expenses	Balance at 01.01.2019
1	development fund of Talas oblast	170 365		170 365		7 097	163 268		97 499	65 769		45 485	20 284
2	development fund of Chui oblast				16 163		16 163	46 388	3 583	58 968	98 988	30 593	127 364
3	development fund of Jalal-Abad oblast	39 418		39 418			39 418		811	38 607	63 930	7 313	95 224
4	development fund of the Osh Oblast									-	673	210	463
	total for regional development funds	209 782	-	209 782	16 163	7 097	218 849	46 388	101 892	163 344	163 592	83 601	243 335
1	development fund of Talas district	170 365	191	170 174		145 484	24 689		20 093	4 597	-	4 276	321
2	development fund of Chon-Alai district	302		302	7 234		7 536	7 976	10 452	5 059	21 384	11 633	14 811
3	development fund of Ala-Buka district	28 595		28 595	91 571	28 991	91 175	123 738	118 693	96 220	53 224	132 482	16 962
4	development fund of Toguztorou district	21 043	14 003	7 040	9 174	12 247	3 967	8 604	12 552	19	5 378	4 798	600
5	development fund of Chatkal district	88 282		88 282	13 598	4 638	97 242	34 763	74 484	57 521	29 968	23 410	64 079
6	development fund of Aksy district	553		553			553	789	0	1 342	101	-	1 443
7	development fund of Naryn district	254		254	1 541	51	1 743	2 549	2 261	2 031	1 730	3 045	716
8	development fund of Nookan district	7 157		7 157	102 095	175	109 078	57 615	65 594	101 100	82 063	77 746	105 417
9	development fund of Leilek district	147		147	2 853	45	2 955	2 911	2 132	3 733	4 081	3 621	4 193
10	development fund of Kadamzhai district				3 743	1 127	2 616	236	1 551	1 302	7 386	3 236	5 451
11	development fund of Suzak district	-		-	2 124		2 124	2 184	-	4 308	2 884	-	7 192
12	development fund of Karasu district				342		342		-	342	-	-	342
13	development fund of Uzgen district	160		160	320	160	320			320	-	320	-
14	development fund of Kemin district				25 864	1 426	8 274	27 849	18 031	18 092	60 551	36 374	42 269
15	development fund of Chui district										1 448		1 448
16	development fund of Alamedin district										1 800		1 800
17	development fund of Ysyk-Ata district										1 108		1 108
18	development fund of Nookat district							287		287	674	-	961
	total for district development funds	316 857	14 194	302 664	260 459	194 344	352 615	269 500	325 841	296 273	273 781	300 941	269 114
	TOTAL for Regional Development Funds	526 640	14 194	512 446	276 622	201 441	571 463	315 887	427 733	459 617	437 373	384 542	512 448

¹⁰¹ According to data provided by the Ministry of Economy for the EITI Report for 2015-2017.

Table 4.3.4b - Breakdown by direction of expenditures of funds is shown below:

No	Name		2015	2016	2017	2018
1	New schools	Number of projects	-	1	2	1
		Amount		3 500	7 932	600
1	New kindergartens	Number of projects	-	1	5	14
		Amount		2 821	32 902	44 687
1	School renovation	Number of projects	-	2	16	34
		Amount		776	24 363	54 442
1	Kindergarten repair	Number of projects	-	5	10	14
		Amount	-	5 320	11 619	21 534
2	Health care: construction of health facilities (obstetric points, hospitals)	Number of projects	-	1	-	3
		Amount		600	-	2 306
2	Health care: repair of health facilities (obstetric points, hospitals)	Number of projects	-	-	2	1
		Amount	-	-	100	-
3	Culture: construction of cultural facilities (houses of culture, libraries, monuments, parks, etc.)	Number of projects	-	-	2	1
		Amount		993	16 596	10 929
3	Culture: repair of cultural objects DK, libraries, monuments, parks, etc.)	Number of projects	-	1	1	4
		Amount		2 800	7 638	15 014
4	Sports: construction of sports facilities (mini-football fields)	Number of projects	-	11	10	8
		Amount		31 912	21 023	14 745
4	Sports: construction of sports facilities	Number of projects	-	3	7	6
		Amount		4 185	29 039	27 301
4	Sport: repair of sports facilities	Number of projects	-	-	1	1
		Amount		4 281	-	8 732
5	Purchase of equipment	Number of projects	2	19	28	16
		Amount	13 580	96 603	101 781	31 913
6	Development of master plans	Number of projects	-	11	5	10
		Amount		7 404	7 006	9 926
7	Water supply	Number of projects	1	7	17	8
		Amount	329	19 023	68 628	17 994
8	Power facilities	Number of projects	-	5	21	17
		Amount		4 212	39 396	18 958
9	Roads (40.94 km.)	Number of projects	-	5	8	5

№	Name		2015	2016	2017	2018
		Amount		3 040	25 395	53 197
10	Irrigation networks (16.2 km.)	Number of projects	-	2	6	6
		Amount		5 012	3 014	6 777
11	Purchase, construction and repair of administrative buildings	Number of projects	-	3	4	7
		Amount		350	1 331	19 394
12	Communication (Internet)	Number of projects	-	-	1	-
		Amount		-	650	-
13	Operating expenses	Number of projects	-	10	12	14
		Amount	285	6 732	9 475	9 433
14	Opening new businesses	Number of projects	-	1	-	4
		Amount		-	-	4 201
15	Others (projects left for the next year, construction of a training tower for the district fire brigade, fencing, etc.)	Number of projects	-	-	4	4
		Amount		1 877	19 848	12 460
	Total	Number of projects	3	88	162	178
		Amount	14 194	201 441	427 733	384 542

In the Model Regulations on the procedure for the formation of regional development funds there are the following disadvantages¹⁰².

- ▶ There is no requirement for disclosure of information on each project application rating in accordance with the criteria and indicators for selecting projects.
- ▶ There is no general procedure for conducting independent monitoring and evaluation of the implementation of projects financed by the RDF. The basic regulations state that the monitoring procedure is developed and approved by the Board of the RDF.
- ▶ There are no requirements for disclosing information about approved projects and reporting data on the implementation of these projects.
- ▶ In order to eliminate the risk of loss of documents when submitting applications to the RDF, a system for online submission of project applications should be implemented.

The independent administrator has been provided with information regarding the payment for license retention, which is sent to the Funds. Comparison of the forecast of receipts to the Regional Development Funds with the actual receipt of payment for license retention is shown below¹⁰³:

<i>Receipt of payments for withholding licenses, KGS thousands</i>	2015	2016	2017
- accrued (according to SCIESU calculations)	472 995	588 835	529 086
- actual receipts	254 400	264 806	352 343
Deviation	(218 595)	(324 029)	(176 743)

¹⁰² http://base.spininform.ru/show_doc.fwx?rgn=71893

¹⁰³ According to data collected by the EITI Secretariat from the SCIESU for the 2015-2017 EITI Report.

4.3.5 Social packages

Local taxes, deductions from national taxes and payments for withholding licenses are administered by the STS. Deductions for the maintenance of local infrastructure from the gold extracting companies, funds from the sale of licenses, payments for the retention of licenses for the right to use subsoil resources that are on non-municipal lands are transferred to regional development funds and are further distributed to local budgets.

Thus, according to the legislation of the Kyrgyz Republic, there are no direct payments from subsoil users to local budgets, except for the social package.¹⁰⁴

Social package¹⁰⁵ - is an agreement between the subsoil user and the executive body of the relevant administrative and territorial unit where the subsoil use national importance object is located, which is prepared on the basis of the socio-economic development program of the local community.

The minimum amount of such investments in the socio-economic development of the local community is indicated in the tender documentation. Social package may include:

- ▶ Infrastructure construction;
- ▶ Staff training;
- ▶ Employment of the local population;
- ▶ Other conditions.

Neither the Law of the Kyrgyz Republic “On Subsoil”, nor any of the provisions or regulations details the requirements for the compilation of a social package. This may mean that, on the one hand, local communities and local governments have a certain amount of freedom in setting requirements that may not be feasible for companies, and on the other hand, that local communities may receive less benefits than they could because of the lack of knowledge (including negotiation and international practice)¹⁰⁶.

The Ministry of Finance of the Kyrgyz Republic informed about the absence of data on receipts for the social package. Accordingly, the data was submitted by companies or development funds unilaterally, and reconciliation of data on social packages was not possible.

According to the results of tenders held in 2015-2017 (see also Section 4.5.5) the following agreements on social packages were concluded¹⁰⁷:

¹⁰⁴ According to Article 4 of the Law of the Kyrgyz Republic “On Subsoil”, a social package is an agreement between a subsoil user and an executive body on assistance in the socio-economic development of the region on whose territory an object of subsoil use of national importance is located, which is prepared on the basis of the program of socio-economic development of the local community.

¹⁰⁵ According to the Subsoil Law in force in 2015-2017.

¹⁰⁶ Page 26 NRG Report “Improving Mineral Resource Management in the Kyrgyz Republic: 12 Priority Issues for the Mining Sector”

¹⁰⁷ Agreements and related information have been collected by the EITI Secretariat from SCIESU for the 2015-2017 EITI Report.

1. On the Jerooy deposit, Alliance Altyn LLC concluded an agreement with the Plenipotentiary representative of the Government of the Kyrgyz Republic in Talas oblast dated June 17, 2017 with the following conditions:

- ▶ Create a welfare fund “Bakubat Talas” with annual contributions to the Fund from the company of 100 million soms during the first three years and 150 million soms for the following years. “Alliance Altyn” LLC confirmed the annual funding of the Fund in 2015-2017 in the amount of 100 million som with a separate letter.
- ▶ 30% of the Fund's sources are directed to social and economic programs. Actual expenses, according to the report submitted to the SCIESU in this area in 2016 amounted to:

Direction	KGS thousand
Reconstruction of roads and government offices	4 931
Construction and arrangement of educational institutions	1 307
Purchase of machinery and equipment for urban infrastructure	98
Others	50
Total	6 386

- ▶ 70% of the Fund’s funds are directed to lending to entrepreneurs in the region. In September 2016, an agreement was concluded between “Bakubat Talas” Fund and OJSC “Commercial Bank Kyrgyzstan” on preferential loans to the local population at 8% per annum. As of December 30, 2016, 167 borrowers (as of June 30, 2017¹⁰⁸ - 259 borrowers) received 42.7 million soms (as of June 30, 2017 - 70 million soms), of which 19.1 million for agricultural development (as of June 30, 2017 - 32.5 million soms) and 23.6 million soms for the development of small and medium-sized businesses (as of June 30, 2017 - 37.5 million soms).

2. LLC "Eti bakyr tereksay" concluded an agreement with the Tereksai ayyl aimak for 2016-2026 in March 2016 where, among other things, the following conditions were indicated:

- ▶ Invest 202.5 million soms on social development of the region. Of these funds, in fact, in 2016, 16.4 million soms were spent on asphaltting the road. In 2017, 12.1 million soms were spent on asphaltting the road, 1 million soms were allocated in cash to victims of the fire and 0.2 million soms were allocated in cash under this agreement;
- ▶ Tereksai ayyl aimak undertakes to inform LLC “These bakyr tereksay” on the progress of investments.

¹⁰⁸ <http://www.alliance-altyn.kg/fond/novosti-fonda/new-44/>

3. On the Akart deposit, LLC “Aldayar Coal Limited” concluded an agreement with the aiyl okmotu of the Nookat and Zhany-Nookat districts of the Osh region on December 26, 2017 with the following conditions¹⁰⁹:

- ▶ allocate 600 thousand soms per year for the development of the territory and local community. At the same time, in 2017 only 300 thousand soms were allocated (of which, in fact, 60 thousand soms were transferred to Nookat district and 240 thousand soms to Zany-Nookat);
- ▶ create 20 (twenty) and more jobs, of which 60% should be local workers;
- ▶ annually plant at least 50 seedlings in the Zhany-Nookat district;
- ▶ to reflect and agree specific dates and amounts of transfers between the parties in the plan of activities.

Development Fund of the Issyk-Kul oblast

This Fund has different status from other development funds and is regulated by the Kumtor agreements of 2009 (see Section 4.5.6). From 1998 to 2018, the Issyk-Kul oblast Development Fund received funds in the amount of 3 856 098.8 thousand soms from Kumtor Gold Company CJSC to finance expenses in the following areas¹¹⁰:

Table 4.3.5a - Distribution of expenditure of funds from the Development Fund of the Issyk-Kul region by districts for the period 2009-2018 (in millions of soms)

District/City/Oblast	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total:
Ton district	18.3	56.1	47.1	57.3	49.1	52.5	76.6	53.3	68.6	37.5	516.4
Jeti-Oguz district	2.8	55.9	92.6	77.0	78.6	105.0	103.9	88.1	92.8	88.4	785.1
Balykchy City	2.6	25.3	40.4	35.9	22.2	41.3	45.6	27.0	30.0	54.2	324.6
Ak-Suu district	32.6	41.3	38.5	22.1	38.6	40.4	50.2	39.8	48.6	46.4	398.3
Tup district	43.7	54.8	39.8	19.9	36.0	34.1	45.4	36.8	32.9	43.6	386.9
Yssyk-Kul district	20.2	34.5	53.5	24.5	38.8	40.9	57.6	53.3	67.6	46.7	437.7
Karakol City	6.8	22.1	31.9	21.0	28.7	33.8	47.5	23.7	63.2	32.3	304.9
Oblast purpose	9.4	64.6	84.6	50.2	52.2	64.3	68.2	47.2	36.8	61.1	538.7
Total:	136.4	354.7	428.4	308.0	344.2	412.2	495.1	369.1	440.3	410.2	3 692.6

¹⁰⁹ The mentioned points according to the Company were executed in 2018.

¹¹⁰ Data collected by the EITI Secretariat from the Issyk-Kul Development Fund for the 2015-2017 EITI Report.

Table 4.3.5b - Disbursement of funds from the Issyk-Kul Oblast Development Fund by directions for 2009–2018 (in millions of soms)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
Education	24.4	117.8	170.4	95.9	131.5	166.2	134.2	91.9	122.6	90.2	1 145.1
Health care	2.9	21.9	52.1	50.1	26.1	27.5	47.3	21.8	15.3	31.9	296.9
Culture	2.6	12.9	11.3	12.7	18.2	12.9	17.3	15.8	8.8	17.2	129.7
Sports	3.6	9.8	31.9	57.9	41.7	50.4	87.6	92.7	74.7	46.7	497.0
Roads and water supply	102.7	192.2	162.5	91.1	98.3	128.4	146.9	110.1	73.4	43.0	1 148.6
Investments	-	-	-	-	5.6	18.0	30.1	35.2	43.4	58.3	190.6
Profitable projects	-	-	-	-	22.1	8.5	27.9	1.6	-	-	60.1
Others	-	-	-	-	-	-	-	-	102.0	122.9	224.9
Total	136.2	354.6	428.2	307.7	343.5	411.9	491.3	369.1	440.2	410.2	3 692.6

Infrastructure facilities put into operation by directions as funded by the Development Fund of the Issyk-Kul oblast for 2010-2018.

№	Facilities	2010	2011	2012	2013	2014	2015	2017	2018	Total
1	Schools	13	3	4		8	3	1		32
2	Sport gyms		2		2	3	5	6	2	20
3	Medical and obstetric objects			1	3			1	2	7
4	Hospitals		1							1
5	House of culture		1							1
6	Museum				1					1
7	Kindergartens					1	2	2	4	9
8	Temporary isolation ward					1				1
9	Roads						11 км	4 км	1,3 км	16,3 км
	Total	13	7	5	6	13	10	10	8	72

According to the approved Laws “On the State Budget” for 2015, 2016 and 2017, the following are the amounts of the projected income to the Issyk-Kul Development Fund in comparison with actual data.

<i>Payments to the Issyk-kul Development Fund, KGS thousand</i>	2015	2016	2017
- State budget projection	433 500	500 000	500 000
- actual receipts	387 000	482 000	475 000
Deviations	(46 500)	(18 000)	(25 000)

Discretionary social spending

It should be noted that this requirement of the EITI Standard (6.1b) is only encouraged or recommended and should not be taken into account in assessing the compliance of the Kyrgyz Republic with EITI standards.

The large gold mining company Kumtor Gold Company on its official website discloses information on the amount of discretionary social expenditures and community development projects.¹¹¹

Altynten company on its official website discloses information on the amounts made by the charity in the context of aiyl okmotu and the purpose of spending these amounts.¹¹²

Most mining companies do not disclose this information. Due to the lack of information, it is necessary to determine the materiality level of discretionary social expenditures.

4.3.6 Public Finance Audit and Budget Execution Reports

A separate mechanism to ensure transparency and accountability, including an audit of the expenditure of the Development Funds or local governments resources, is not prescribed by law. These conditions are stipulated in separate agreements for each field between local governments and the company that won the tender.

The legislation of the Kyrgyz Republic at the present time also lacks requirements for the implementation of mandatory independent audits in relation to funds directed by extracting companies directly to the implementation of special social and other programs, as well as such extracting companies themselves, except when the mining company is a public company (that made a public offer of securities) and is subject to mandatory audit in accordance with the Law of the Kyrgyz Republic on auditing as of July 30, 2002 No. 134¹¹³.

It should be noted that within the framework of reporting on the implementation of the EITI in the Kyrgyz Republic, approved by the Government of the Kyrgyz Republic “On Improving the Process of Implementing the Transparency Initiative of the Extractive Industries in the Kyrgyz Republic” dated December 8, 2010 No. 317 (hereinafter – “Regulation on Improving EITI Implementation Process in KR”), extractive companies submit EITI report, including, disclosure of education costs and social infrastructure support, to the SCIESU on an annual basis¹¹⁴. At the same time, in accordance with the Regulation on Improving EITI Implementation Process in KR¹¹⁵, government agencies should ensure that an independent company reconciles reports on financial flows from the activities of extracting companies in the Kyrgyz Republic and relevant government data.

¹¹¹ <https://www.kumtor.kg/ru/social-responsibility/>

¹¹² <http://www.altynken.kg/charity>

¹¹³ Article 3 of the Law of the Kyrgyz Republic on auditing as of July 30, 2002, No. 134

¹¹⁴ Paragraph 5 of Article 35 of the Law on Subsoil and paragraph 5 of the Regulation of the Government of the Kyrgyz Republic “On Improving the Process of Implementing the Initiative of Transparency of the Extractive Industries in the Kyrgyz Republic” dated December 8, 2010 No. 317

¹¹⁵ Items 4 and 5 of the Regulation of the Government of the Kyrgyz Republic “On Improving the Process of Implementing the Initiative of Transparency of the Extractive Industries in the Kyrgyz Republic” dated December 8, 2010 No. 317

The use of funds transferred to regional development funds, which should be formed mainly from non-tax deductions of subsoil users, should be outside the control and management of extracting companies. In fact, they are completely controlled by the Supervisory Boards with the participation of fund administrations. Funds are subject to verification by the Chamber of Accounts of the Kyrgyz Republic, and may also be subject to audit at the initiative of the Supervisory Boards of the Funds.

In accordance with the legislation of the Kyrgyz Republic,¹¹⁶ the Chamber of Accounts of the Kyrgyz Republic is an independent supreme body of state audit. The Chamber of Accounts conducts audit of financial statements, accounts and other information of state and municipal entities, organizations and institutions. The Chamber of Accounts applies international auditing standards and uses international financial reporting standards and international accounting standards. Upon completion of the audit, the Chamber of Accounts prepares an audit report and within a week after its approval by the Council of the Chamber of Accounts places it on its official website - <http://esep.kg>.

- ▶ Social Fund. Available audit reports: <http://esep.kg/images/docs/reports/2017/otchet-po-socfonde-sa-2016-god.pdf>; <http://esep.kg/images/docs/reports/2017/otchet-po-socfonde1.pdf>
- ▶ State committee of industry, energy and subsoil use. Available audit reports: <http://esep.kg/images/docs/reports/2017/otchet1.pdf>;
- ▶ State customs service of Government of Kyrgyz Republic. Available audit reports: <http://esep.kg/images/docs/reports/2017/otchet-po-gts-sa-2016-g-.pdf>; <http://esep.kg/images/docs/reports/2017/otchet-gts1.pdf>;
- ▶ State Property Management Fund of Government of the Kyrgyz Republic. Available audit reports: <http://esep.kg/images/docs/reports/2017/otchet-po-fugi-sa-2016-g-1.pdf>;
- ▶ State Tax Service of the Kyrgyz Republic Government.

Reports and recommendations prepared by the Chamber of Accounts are presented to: the audit subject; the state or local government body in charge of the audit subject; Jogorku Kenesh of the Kyrgyz Republic; President of the Kyrgyz Republic. Jogorku Kenesh of the Kyrgyz Republic is provided by the Chamber of Accounts report on an annual basis. The audit report on the execution of the republican budget when approving the report on the execution of the republican budget is submitted to Jogorku Kenesh no later than October 1 of the year following the reporting one. Report on the activities of the Accounts Chamber is submitted no later than June 20.

The Chamber of Accounts is a member of INTOSAI and ASOSAI. In addition, the Chamber of Accounts cooperates with foreign supreme financial control bodies, namely the Russian Federation, Georgia, the Republic of Kazakhstan, the Republic of Armenia, the Republic of Turkey, the Republic of Latvia, and the Republic of Belarus. State-owned companies in the extracting industry are represented in the form of JSC and SOEs.

In accordance with the legislation of the Kyrgyz Republic, companies OJSCs that publicly place their shares are required to conduct an annual audit. And those companies that have been listed on the Kyrgyz Stock Exchange are required to have an auditor who meets the requirements for conducting an audit of public companies established by the regulatory legal acts of the Kyrgyz Republic and publish audit

¹¹⁶ Articles 7 and 8 of the Law of the Kyrgyz Republic “On the Accounts Chamber of the Kyrgyz Republic” dated August 13, 2004 No. 117

reports. Compulsory audit of public companies should be conducted in accordance with International Financial Reporting Standards. The Chamber of Accounts is the state auditor of all state and municipal entities, organizations and institutions of the Kyrgyz Republic.

The auditor of SOEs is also the Chamber of Accounts. However, due to the lack of legislative regulation of the SOEs, the Chamber of Accounts, when verifying the State Property Management Fund, cannot receive full information on the exact number of SOEs and their financial indicators.

Regarding reports, we note that in accordance with the Budget Code, a report on the execution of the republican budget of the Kyrgyz Republic is prepared by the Ministry of Finance of the Kyrgyz Republic on the basis of reporting data from ministries, state committees, administrative departments, state commissions, foundations and other central executive bodies, and submitted to the Government of the Kyrgyz Republic within the report on the execution of the state budget of the Republic.

The Government of the Kyrgyz Republic, in turn, submits to Jogorku Kenesh of the Kyrgyz Republic for consideration and adoption, the draft Law of the Kyrgyz Republic on the approval of the execution report of the republican budget for the previous year with an explanatory note to it no later than May 1 of the year following the reporting¹¹⁷.

As for local budgets, in accordance with the Law on Budget, reports on the execution of local budgets are prepared by the relevant executive bodies of local self-government once a year, unless otherwise provided by law. Budget commissions of aiyl and city keneshes (councils) review the budget execution report, draw up conclusions and submit them to the respective kenesh. Aiyl and city keneshes receive reports from the executive bodies of local self-government and budgetary commissions, review the conclusions of budgetary commissions and approve reports on the execution of local budgets. In turn, the approved reports on the execution of local budgets are submitted to the Ministry of Finance of the Kyrgyz Republic no later than March 1 of the year following the reporting one.

At the same time, it should be noted that, in accordance with the legislation of the Kyrgyz Republic, state and local financial bodies, upon request of the Chamber of Accounts, are obliged to provide copies of documents necessary to verify the preparation and execution of the budget.

Information on the execution of state and local budgets for the relevant period is posted on the website of the Ministry of Finance of the Kyrgyz Republic <http://www.minfin.kg/ru/novosti/otchet-yu-polneniyu-byudzheta.html>.

4.4 State participation in extracting projects

4.4.1 Government agencies regulating the industry

¹¹⁷ Article 116 of the Budget Code

In accordance with the legislation of the Kyrgyz Republic, the main state bodies that regulate and control operations in the extractive sector in the Kyrgyz Republic are the President, Jogorku Kenesh (Parliament), the Government, the SCIESU and other bodies listed below in this section.

President: The President participates in the legislative process, in particular, signs and promulgates laws, returns laws with objections to Jogorku Kenesh (Parliament)¹¹⁸.

Jogorku Kenesh (Parliament): Jogorku Kenesh (Parliament) represents the legislative power, adopts laws, approves national development programs of the Kyrgyz Republic, introduced by the Government, has the right to form temporary commissions and form their composition to consider various issues, including the activities of extracting companies¹¹⁹.

Government: The Government manages the sphere of subsoil use and within its authority¹²⁰:

- ▶ manages the State Fund of Mineral Resources of the Kyrgyz Republic;
- ▶ approves technical regulations in the field of subsoil use;
- ▶ ensures the implementation and improvement of state policy and legislation in the field of subsoil use;
- ▶ defines subsoil areas and deposits intended to meet state needs in strategic types of mineral raw materials;
- ▶ approves the list of subsoil areas, deposits of strategic importance;
- ▶ approves the list of objects of national importance to be put up for tender;
- ▶ approves the composition of the Commission for the conducting of tenders for the provision of subsoil use rights and its regulations;
- ▶ imposes restrictions and prohibitions on the use of subsoil in order to ensure national security, public safety and environmental protection;
- ▶ controls the state of balances of oil and natural gas, organizes state accounting of the exploration of mineral resources;
- ▶ ensures the formation of strategic reserves of oil and natural gas and accounting for their location in the republic;
- ▶ develops and implements an 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 subsoil use, including regulatory legal acts in the field of subsoil use, investment policy in subsoil use¹²¹.

¹¹⁸ Article 64 of the Constitution of the Kyrgyz Republic

¹¹⁹ Article 74 of the Constitution of the Kyrgyz Republic

¹²⁰ Article 5 of the Subsoil Law

¹²¹ Paragraph 1 of the Regulation on the Ministry of Economy of the Kyrgyz Republic, approved by the Decree of the Government of the Kyrgyz Republic of February 20, 2012 N 117

State Committee for Industry, Energy and Subsoil Use of the Kyrgyz Republic: SCIESU being the authorized body for the implementation of state policy on subsoil use, among other powers¹²²:

- ▶ organizes a system for granting rights to use subsoil and land plots;
- ▶ attracts investments in industry, fuel and energy complex and mining and geological works;
- ▶ accounts for the State Balance of Mineral Reserves and the State Cadastre of Mineral Deposits;
- ▶ organizes work on the management of the State Geological Information Fund;
- ▶ organizes the work of the State Commission on Mineral Reserves of the Kyrgyz Republic;
- ▶ oversees the protection of mineral resources within the boundaries of geological, mining and land allotments;
- ▶ carries out state registration of rights to use subsoil in cases provided for by the Law on Subsoil;
- ▶ grants, suspends and terminates the right to use subsoil and use lands of the State Reserve of lands of mineral deposits;
- ▶ conducts expertise of mining and geological projects;
- ▶ represents the Government of the Kyrgyz Republic in litigation over subsoil use;
- ▶ develops technical regulations, rules in the field of subsoil use;
- ▶ monitors the use and protection of subsoil in the geological study and industrial development of subsoil;
- ▶ approves the list of minerals put up for auction.

The State Inspectorate for Technical and Environmental Safety: The State Inspectorate for Technical and Environmental Safety exercises state supervision over the provision of environmental and industrial safety within the boundaries of geological, mining and land allotment and monitoring compliance with environmental legislation and industrial safety during geological exploration and industrial development of the subsoil.¹²³.

State Agency for Environmental Protection and Forestry: The State Agency for Environmental Protection and Forestry is the authorized agency for implementing policies and regulating relationships in the field of environmental protection and the use of natural resources, ensuring environmental safety and environmental management¹²⁴.

¹²² Regulations on the State Committee for Industry, Energy and Subsoil Use of the Kyrgyz Republic, approved by the Resolution of the PKR of July 15, 2016 No. 401

¹²³ Regulation on the State Inspectorate for Environmental and Technical Safety of the Kyrgyz Republic, approved by the Resolution of the PCR of February 20, 2016 No. 136

¹²⁴ Regulation on the State Agency for Environmental Protection and Forestry of the Kyrgyz Republic, approved by the Resolution of the PCR dated February 20, 2012 No. 123

State Tax Service: The State Tax Service is the authorized body for monitoring compliance with tax legislation, proper calculation and timeliness of tax payments to the budget, assisting taxpayers in fulfilling tax obligations.¹²⁵

State Customs Service: The State Customs Service is the authorized body performing, among other things, the functions of regulating relations connected with the movement of mining companies across the customs border of goods and vehicles¹²⁶.

Bodies of local state administrations and local self-government: bodies of local state administrations and local self-government exercise the following powers in the sphere of subsoil use¹²⁷:

- ▶ provide land allotment and the right of temporary use of land for a period determined by the license;
- ▶ provide unrestricted access for licensees to the licensed area;
- ▶ suppress the unauthorized mining;
- ▶ control the liquidation and conservation of mining and other property used in the development of deposits or the geological study of the subsoil, as well as the reclamation of land and licensed facilities;
- ▶ participate in the work of the commissions for holding tenders and auctions for licensed facilities located within the boundaries of the administrative-territorial unit;
- ▶ organize public environmental impact assessment of subsoil use projects;
- ▶ carry out work among the local population in order to prevent unlawful interference with the activities of subsoil users, and also exercise other powers in the field of subsoil use in accordance with the legislation of the Kyrgyz Republic.

4.4.2 Main reforms in state management of the industry

In the period from 2015 to 2017, there were some structural changes in the system of executive bodies of the Kyrgyz Republic. In accordance with the Decree of the Government of the Kyrgyz Republic dated July 15, 2016 No. 401, the State Committee of Industry, Energy and Subsoil Use of the Kyrgyz Republic was established as the successor of the State Agency for Geology and Mineral Resources under the Government of the Kyrgyz Republic (hereinafter referred to as the “State Geology”). The powers of the Committee were significantly expanded, so in addition to the functions of the previous State Geology, functions were added to facilitate and coordinate activities in the field of industrial production and the fuel and energy complex of the Kyrgyz Republic, including but not limited to:

¹²⁵ Paragraph 6 of the Regulations on the State Tax Service under the Government of the Kyrgyz Republic, approved by the Government of the Kyrgyz Republic on February 16, 2012 №100

¹²⁶ Regulation on the State Customs Service under the Government of the Kyrgyz Republic, approved by the Decree of the Government of the Kyrgyz Republic of December 18, 2009 N 767

¹²⁷ Section 9 of the Subsoil Law

- ▶ participation in the development of a strategy for the effective development of industrial production, the fuel and energy complex and subsoil use;
- ▶ implementation of solutions to the problems of water supply by conducting hydrogeological, engineering-geological and other specialized works, studying the regime and condition of underground fresh and thermal-mineral waters, the dynamics of dangerous exogenous geological processes that threaten the population and production and social complexes;
- ▶ fulfillment of obligations in industrial production, fuel and energy complex and subsoil use;
- ▶ development of mechanisms for the rational use of water and energy resources;
- ▶ approval in accordance with the established procedure of import (export) into (from) the Kyrgyz Republic of industrial explosive materials and highly toxic substances;
- ▶ assistance in promoting the interests of domestic industrial entities, the fuel and energy complex in other countries;
- ▶ participation in the work of international, intergovernmental commissions on military-technical, military-economic cooperation, where the Kyrgyz Republic is a participant, etc.

4.4.3 Entities with a state controlling share

The mining industry with a state controlling share of participation is represented by a small number of joint-stock companies and state-owned entities:

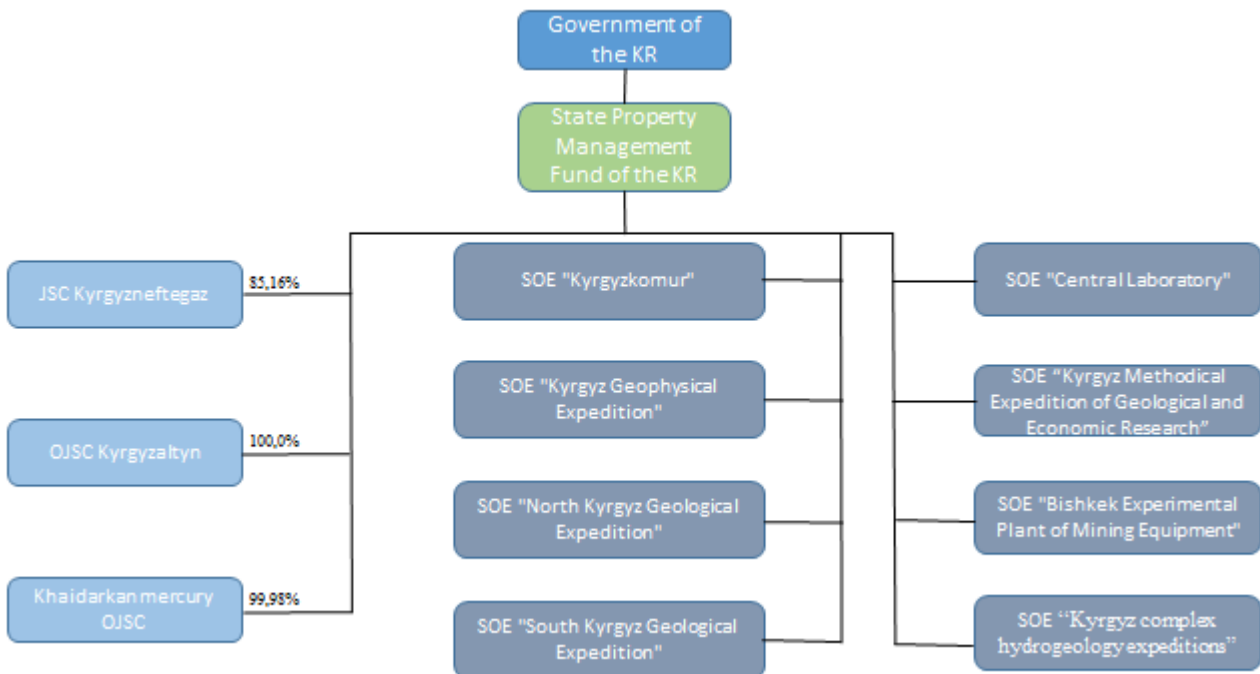
- ▶ Kyrgyzaltyn OJSC (gold);
- ▶ Kyrgyzneftegaz OJSC (oil);
- ▶ Khaidarkan mercury OJSC (monometallic ores, mercury);
- ▶ SOE "Kyrgyzkomur" (coal);
- ▶ SOE "Kyrgyz Geophysical Expedition";
- ▶ SOE "North Kyrgyz Geological Expedition" (geological surveying, prospecting and evaluation work within the Talas, Chui, Issyk - Kul and Naryn regions of the Kyrgyz Republic);
- ▶ SOE "South Kyrgyz Geological Expedition" (geological survey, prospecting, evaluation and exploration of mineral deposits, the development of technical projects for conducting mining of commonly occurring minerals in the open way throughout the territory of the south of the Republic);
- ▶ SOE "Bishkek Experimental Plant of Mining Equipment" (production of mining and drilling, crushing, grinding and stone-cutting equipment and spare parts to it);
- ▶ SOE "Central Laboratory" (analysis of rocks, ores, products of their processing, minerals, solid combustible minerals, natural waters, brines, salts, soils, aqueous and acid extracts, alloys, organic substances after ashing for about 60 elements periodic tables, analysis of precious and semiprecious stones);

- ▶ SOE “Kyrgyz Methodical Expedition of Geological and Economic Research” (development of priority areas and scientific and technical programs in the field of geological study of the territory of the Republic, development and implementation of new techniques and advanced technologies of geological study of the subsoil);
- ▶ SOE “Kyrgyz Hydrogeological Expedition” (exploration, hydrogeological work for water supply of cities, industrial entities, rural settlements, irrigation of land and irrigation of pastures).

The State Property Management Fund under the Government of the Kyrgyz Republic acts as a founder of legal entities and a shareholder (participant) in mining entities with state ownership. The State Property Management Fund for the implementation of the tasks assigned to it is authorized to:

- ▶ make proposals on candidates for election to the management bodies of joint stock companies where the state owns a share;
- ▶ act on behalf of the state as a founder of legal entities, to exercise the powers of a shareholder (participant) in business entities with state ownership;
- ▶ conduct an audit and analysis of the financial and economic activities of business entities with state participation (state-owned entities, joint-stock and other companies);
- ▶ receive dividends in accordance with the legislation of the Kyrgyz Republic.

Diagram - Ownership of state-owned companies in the extractive sector



The register of state entities is available at the following link:
http://www.fgi.gov.kg/index.php?act=view_material&id=737

The register of JSCs with state participation is publicly available at the following link:

http://www.fgi.gov.kg/index.php?act=view_material&id=1581

In addition to this, information on state-owned entities and joint-stock companies with state participation can be found in open source <http://finance.page.kg/>.

According to Part 2 of Art. 81 of the Law of the Kyrgyz Republic “On Joint-Stock Companies”, the obligation to disclose its financial reporting is assigned only to those open joint-stock companies whose number of shareholders is more than 500 or that publicly placed at least 1 issue of securities. Other joint-stock companies are not required to publicly disclose their financial and economic activities¹²⁸.

According to Article 63 of the Law of the Kyrgyz Republic “On Joint-Stock Companies”, companies that are obliged to conduct annual audit of financial statements in accordance with the legislation of the Kyrgyz Republic must engage an independent auditor.

According to Article 3 of the Law of the Kyrgyz Republic “On Auditing”, among others, public companies that offer public securities are subject to annual mandatory audit. Accordingly, all OJSC are required to conduct an annual audit.

Moreover, the Order of the State Committee of the Kyrgyz Republic on State Property Management dated May 19, 2008 No. 9-p approved the list of joint-stock companies with state ownership that should publicly offer their securities and disclose information on the portal of the Kyrgyz Stock Exchange. According to this list, in the field of subsoil use these joint-stock companies include Kyrgyzaltyn OJSC and Kyrgyzneftegaz OJSC. The websites of Kyrgyzaltyn¹²⁹ and Kyrgyzneftegaz¹³⁰ publish annual financial reports.

The website of the Kyrgyz Stock Exchange¹³¹ provides information only on Kyrgyzaltyn OJSC. On the site there are: reference data of the JSC (name of the company; type of activity; name of the head; position of the head; address; phone; name of the registrar; type of securities; number of securities; price of placement); annual reports on securities and financial condition; company's news.

Despite the fact that Kyrgyzneftegaz OJSC was included in the list of companies subject to listing on the Kyrgyz Stock Exchange, there is no information on it.

Unfortunately, information on financial and economic activity is not published on the website of Khaidarkan Mercury Joint-Stock Company¹³². SOE “Kyrgyzkomur” published data on financial and economic activities for 2016 and the Audit Act on the website¹³³.

State Property Management Fund - SPMF

The main agent of the Government of the Kyrgyz Republic on the management of state-owned entities and companies with state participation is the State Property Management Fund under the Government

¹²⁸ <http://cbd.minjust.gov.kg/act/view/ru-ru/1188/170?cl=ru-ru>

¹²⁹ <http://kyrgyzaltyn.kg/>

¹³⁰ <http://www.kng.kg/index.php/istoriya-predpriyatiya/nashi-pokazateli>

¹³¹ <http://www.kse.kg/ru/PublicInfo>

¹³² <http://khaydarkan.su/>

¹³³ <http://kyrgyzkomur.gov.kg/otchet-o-finansovo-hozyajstvennoj-deyatelnosti-s-2016-po-2017g-v-razreze-po-godam/>
<http://kyrgyzkomur.gov.kg/akt-audita-deyatelnosti-gosudarstvennogo-predpriyatiya-kyrgyzkomur-za-2016-god/>

of the Kyrgyz Republic. However, for state-owned entities in the sphere of subsoil use, direct management is carried out by the SCIESU, where the entities are subordinate.

Relations between joint stock companies and the SPMF are regulated by the Law of the Kyrgyz Republic “On Joint Stock Companies” dated March 27, 2003 No. 64. This law determines the order and legal status of joint stock companies, as well as the rights and obligations of shareholders. The SPMF, as the majority shareholder in the above joint-stock companies, determines the composition of the board of directors of joint-stock companies, which in turn determines the strategic goals and controls the executive body.

Also, the Resolution of the Government of the Kyrgyz Republic approved the Regulation “On the State Property Management Fund under the Government of the Kyrgyz Republic” dated February 20, 2012 No. 134, which stipulates that the SPMF represents the interests of the state as the owner of state property, ensuring the implementation of state policy on the management and privatization of state property.

In its activities, the SPMF is guided by the Constitution of the Kyrgyz Republic, the laws of the Kyrgyz Republic, other regulatory legal acts of the Kyrgyz Republic and the above mentioned Regulations.

It is worth noting that regarding the sale and privatization of state property, such relationships are regulated by the Law of the Kyrgyz Republic dated March 2, 2002 No. 31 “On privatization of state property in the Kyrgyz Republic”, which establishes the organizational and legal basis for the transformation of property relations in the Kyrgyz Republic through the privatization of state property.

Regarding the extractive industry, the State owns a stake in the gold mining company CJSC “Kumtor Gold Company”, which is a strategic objects of the Kyrgyz Republic. All strategic objects¹³⁴ of the Kyrgyz Republic are regulated by the Law of the Kyrgyz Republic “On Strategic Objects of the Kyrgyz Republic” dated May 23, 2008 No. 94, which establishes the legal framework for determining and regulating strategic objects in order to ensure national (public) security of the Kyrgyz Republic.

Issues of the activities of state representatives in the governing bodies of state-owned companies are reflected in the Resolution of the Government of the Kyrgyz Republic “On new principles for the formation and use of candidate staff reserve for the positions of Boards of Directors, Audit Commissions and Secretaries of Entities with state participation” dated December 19, 2014 No. 716.

Ministry of Finance (MOF)

There is an authorized state body (the State Agency for Management of Budget Loans under the Ministry of Finance of the Kyrgyz Republic)¹³⁵, which manages budget loans provided from the republican budget to state entities. However, the website of the Ministry of Finance of the Kyrgyz Republic does not disclose detailed information on the state loans provided by the State Entities.

The Kyrgyz Republic Government does not provide state guarantees due to the ban imposed in the late 90s. Currently the country has a Budget Code¹³⁶, which provides that the Kyrgyz Republic does not provide state guarantees, except for cases when the state guarantee is provided in accordance with a

¹³⁴ The list of strategic objects was approved by Government Decree No. 99 of February 17, 2014

¹³⁵ <http://minfin.kg/ru/novosti/ministrlikke-karashtuu-mekemeler/ekonomikany-nktr-mamlekettik-fondu.html>

¹³⁶ Article 63 of the Budget Code of the Kyrgyz Republic, <http://cbd.minjust.gov.kg/act/view/ru-ru/111338>

contract where the Government undertakes to pay creditors overdue amounts, stipulated by international agreements and international and interstate organizations membership obligations.

Payments of state entities and joint stock companies with state participation to the state budget are made according to the Tax Code of the Kyrgyz Republic as of October 17, 2008 No. 230, the Code of the Kyrgyz Republic “On Non-Tax Payments” as of August 10, 2018 No. 89¹³⁷ and the Law “On State Social Insurance” as of June 17, 1996 year N 20.

The state, represented by the Government of the Kyrgyz Republic and the State Property Management Fund under the Government of the Kyrgyz Republic, is also guided by the following legal acts regarding the management of state-owned entities and joint-stock companies with state participation:

- ▶ Law “On privatization of state property in the Kyrgyz Republic”;
- ▶ Law of the Kyrgyz Republic “On the securities market”;
- ▶ Law of the Kyrgyz Republic “On Investments in the Kyrgyz Republic”;
- ▶ Law of the Kyrgyz Republic “On business partnerships and companies”;
- ▶ Constitutional Law of the Kyrgyz Republic “On the Government of the Kyrgyz Republic”.

4.4.4 The role of state entities

Open Joint Stock Company "Kyrgyzaltyn" is the largest domestic company in the Kyrgyz Republic, specializing in the development of gold deposits.

Kyrgyzaltyn OJSC was established on October 15 1992¹³⁸ as “Kyrgyzaltyn” State Concern to unite mining entities of the Kyrgyz Republic for supporting the production of existing entities and implementing new gold mining projects.

Kyrgyzaltyn OJSC

According to Kyrgyzaltyn OJSC, it produces more than 97% of gold in Kyrgyzstan¹³⁹ including entities and projects implemented jointly with partners.

Kyrgyzaltyn OJSC includes seven branches:

- ▶ “Makmal Gold Mining Plant”;
- ▶ "Terek-Sai mine”;
- ▶ “Mine of Solton-Sary”;
- ▶ “Refinery factory”;
- ▶ “Motor Transport Enterprise”;
- ▶ “Specialized construction production enterprise”;
- ▶ “Sanatorium “Kyrgyz seaside”.

¹³⁷ Prior to the adoption of the Code of the Kyrgyz Republic “On Non-Tax Payments”, the Law of the Kyrgyz Republic “On Non-Tax Payments” dated April 14, 1994 No. 1480 was in force

¹³⁸ According to the official website of Kyrgyzaltyn: www.kyrgyzaltyn.kg

¹³⁹ According to the official website of Kyrgyzaltyn: www.kyrgyzaltyn.kg

In addition, it should be noted that the Kyrgyz Republic indirectly through Kyrgyzaltyn OJSC is the holder of:

- ▶ 26.6% of the shares of Centerra Gold Inc., a legal entity registered in accordance with the laws of Canada, which in turn is the sole shareholder of Kumtor Gold Company CJSC and Kumtor Operating Company CJSC. In 2016, ownership decreased from 32.1% to 26.6% due to additional issue of shares for the purchase of the North American mining company Thompson Creek Metals Inc. At the same time, the number of shares owned by Kyrgyzaltyn OJSC, as a result, remained the same - 77,401,766 shares. It is important to note that the additional issue led to a proportional decrease in the share of all other Centerra shareholders¹⁴⁰.
- ▶ 40% in LLC Altynken, engaged in the development of Taldybulak field.
- ▶ 25% in LLC "Eti Bakyr Tereksai", engaged in the development of Tereksai group of fields.

The main generators of net profit for the state budget are Kyrgyzneftegaz OJSC, whose share was 86% of the total profit generated by state joint-stock companies for 2017, and Kyrgyzaltyn JSC (14% for 2017).

In 2016 and 2017 the net profit of state-owned companies declined as compared to a peak in 2015, due to the fall in net profit of Kyrgyzaltyn JSC in 2016 and 2017.

JSC Kyrgyzneftegaz

Open Joint Stock Company Kyrgyzneftegaz owns reserves of 11.3 million tons of oil and 4.7 billion cubic meters of gas in the territory of Kochkor-Aty, Mailuu-Suu and Nookan. In total, the company manages 35 small oil and gas fields in the territory of Jalal-Abad Oblast.

The company produces oil and gas that are processed at Kochkor-Ata plant, where diesel, gasoline and fuel oil are produced.

The company owns a 100% subsidiary, JSC "Kyrgyz Petroleum Company"¹⁴¹ with a production capacity of 500,000 tons. Output products are: gasoline, diesel, fuel oil.

JSC Khaidarkan Mercury JSC

The company is engaged in the production of mercury. For 2016-2017 the company reports losses in its financial results. Since 2011, production volumes have consistently decreased. There are no subsidiaries.

¹⁴⁰ According to Centerra's 2016 reports. <https://www.centerragold.com/investor/financials> and information received from Kyrgyzaltyn JSC for the EITI Report for 2015-2017.

¹⁴¹ <http://www.kpc.kg/>

Financial results of joint-stock companies and state entities with state share
Table 4.4.4a - Financial performance of public companies¹⁴², thousands soms

№	SOE name	Deductions from net profit to the budget		
		2015	2016	2017
1	SOE "South Kyrgyz Geological Expedition"	186,1	67,7	167,7
2	SOE " Bishkek Experimental Plant of Mining Equipment"	75	247	143
3	SOE "Kyrgyz Geophysical Expedition"	-	56	139
4	SOE "North Kyrgyz Geological Expedition"	14	117	107
5	SOE "Kyrgyz Methodical Expedition"	67	60	60
5	SOE "Kyrgyz Hydrogeologic Expedition"	-	112	31
6	SOE "Central Laboratory"	60	26	19
7	SOE "Kyrgyzkomur"	2 508	7 291	-
	Total	2 910	7 976	667
№	SOE name	Net profit / (loss), thousand som		
		2015	2016	2017
1	"Kyrgyzneftegaz" OJSC	433 561	388 583	587 481
2	"Kyrgyzaltyn" OJSC	533 300	255 000	99 466
3	"Khaidarkan Mercury Joint-Stock Company" JSC	1 549	(32 194)	(53 103)
	Total	968 409	611 389	633 845

Kyrgyzaltyn as a shareholder receives dividends as well as management fees from its associated projects. Below is the information provided by Kyrgyzaltyn JSC for the EITI Report for 2015-2017:

¹⁴² The data were collected by the EITI Secretariat from SPMF for the EITI Report for 2015-2017, and were also partially provided by the public council of SPMF. Dividends of JSC are shown in reconciliation, Section 6, Indicator 20.

Name of the company making the payment	period					
	2015		2016		2017	
	Dividends, Thousand USD	Management Fee, thousand KGS	Dividends, Thousand USD	Management Fee, thousand KGS	Dividends, Thousand USD	Management Fee, thousand KGS
Centerra gold	11 765	-	8 824	-	-	-
Kumtor	-	31 079	-	34 498	-	34 357
Altynten	-	34 286	-	36 998	-	36 829
Total:	11 765	65 365	8 824	71 496	-	71 186

During the period 2015-2017, there were no operations on the transfer of ownership of state-owned entities or their subsidiaries, except for reducing the share of Kyrgyzaltyn in Centerra Gold Inc., mentioned above.

Additional information on the financial results of SOEs and JSCs with the state share is indicated on the website of the SPMF <http://finance.page.kg>, which is working in test mode.

4.4.5 State lending and quasi-fiscal expenses

Apart from dividend payments, loans and borrowings transactions the main types of transactions between the state (state budget), on the one hand and state-owned entities and joint-stock companies with state share, on the other hand, according to the regulatory acts of the Kyrgyz Republic. The provision of guarantees by the state to state-owned entities and joint-stock companies with state share is not provided for by the legislation of the Kyrgyz Republic and is not implemented in practice.

Thus, for the reporting period of 2015-2017, according to the data provided by the Ministry of Finance of the Kyrgyz Republic and the SCIESU, the following transactions on loans and borrowings were carried out:

For SOE Kyrgyzkomur

According to the information provided by the SPMF, out of the above companies, SOE Kyrgyzkomur had 2 government loans during 2015-2017.:

- ▶ Budget interest-free loan in accordance with debt obligation No. 19-05 / 52 dated November 21, 2014, in amount of 50 million soms. This loan should be repaid in 12 equal installments of approximately 4.2 million soms. As of December 31, 2017 SOE Kyrgyzkomur were repaying the loan on schedule and had its balance of 25 million soms.
- ▶ Agreement on the provision of financial assistance from the special account of SCIESU KR No. 02-35 / 19 dated April 10, 2017 in amount of 15 million som. The repayment date is set till

December 2020. As of December 31, 2017, 1 million soms were repaid and the balance for this assistance amounted to 14 million soms.

For Kyrgyzaltyn OJSC

In accordance with the order of the Government of the Kyrgyz Republic as of August 21, 2014 No. 343-p, the Debt Obligation as of August 25, 2014 No. 19-05 / 1 was entered into between the Ministry of Finance of the Kyrgyz Republic and Kyrgyzaltyn OJSC for provision of a budget loan in amount of 6 million USD on interest-free basis.

By order of the Government of the Kyrgyz Republic dated September 2, 2014 No. 371-p, the repayment date of this budget loan was extended until October 1, 2015, and therefore, the above mentioned Debt Obligation was amended by Additional Agreement dated September 8, 2014 No. 19-05 / 3.

In addition, the order of the Kyrgyz Republic Government dated September 2, 2014 No. 370-p additionally provided budget loan in amount of 412,405.5 USDs to Kyrgyzaltyn OJSC on an interest-free basis, with the Ministry of Finance of the Kyrgyz Republic and Kyrgyzaltyn OJSC concluding Debt obligation as of September 2, 2014 №19-05/2.

In accordance with the order of the Government of the Kyrgyz Republic dated July 31, 2015 No. 368-p, the debt of Kyrgyzaltyn OJSC was restructured through Additional Agreements dated August 6, 2015 No. 19-05 / 45 and No. 19-05 / 46, where the maturity dates of the state borrowed funds were set on March 1, 2017.

In addition, in accordance with the Government of the Kyrgyz Republic Order No. 367-p as of July 31, 2015, Kyrgyzaltyn OJSC was granted a budget loan in amount of 30.0 million soms on an interest-free basis. In this connection, the Ministry of Finance of the Kyrgyz Republic and Kyrgyzaltyn OJSC signed the Debt Obligation as of August 7, 2015 No. 19-05 / 47.

Kyrgyzaltyn OJSC repaid debts to the Ministry of Finance of the Kyrgyz Republic in total amount of 471,333.8 thousand soms. As of February 2019, Kyrgyzaltyn OJSC does not have any debt to the Ministry of Finance of the Kyrgyz Republic.

For OJSC "Suluktakomur"

In accordance with the order of the GKR dated May 7, 2008 No. 192-p, debt obligations were concluded with OJSC Sulyuktakomur with re-registration as a budget loan of funds previously disbursed under "Capital investments" article as grant based on the orders of the GKR dated October 18, 2002 No. 566-r, dated June 25, 2003 No. 372-r, dated April 9, 2004 No. 203-r and dated May 27, 2005 No. 236-r. Further, the following debt obligations were concluded between the Ministry of Finance of the Kyrgyz Republic and OJSC Suluktakomur:

- ▶ As of December 20, 2012 No. 5-401 / 402 in amount of 5 million som with maturity date of October 1, 2013;

- ▶ As of December 5, 2008 №5-401 / 442 in amount of 3 million som with maturity date of October 1, 2013;
- ▶ As of December 5, 2008 No. 5-401 / 443 in amount of 3.5 million som with maturity date of October 1, 2013;
- ▶ As of December 5, 2008 # 5-401 / 444 in amount of 5.0 million som with maturity date of July 1, 2020;
- ▶ As of April 1, 2006 in amount of 1.28 million som with maturity date of June 1, 2008.

By the decision of the Interdistrict Court of Economic and Administrative Cases of Batken Oblast dated March 13, 2017, Suluktakomur OJSC was declared bankrupt. As of March 1, 2019, the balance of debt of OJSC Sulyuktakomur amounts to 24.5 million soms.

Quasi-fiscal payments and materiality

Quasi-fiscal expenditures include measures by which SOEs, state-owned entities, subsidiaries and joint ventures incur public social expenses, such as payment for social services, public infrastructure, employment, fuel subsidies, public debt service, etc. beyond the state budget process.

In May, requests for a breakdown of quasi-fiscal expenditures for 2015–2017 were sent. There were three groups on the classification of quasi-fiscal expenditures clearly indicated:

- ▶ *Transactions related to the financial system:*
 - Subsidized loans;
 - Obligatory reserves, interest accrued at a reduced rate;
 - Crediting Limits.
- ▶ *Emergency financial assistance operations:*
 - Transactions related to the currency and foreign trade systems;
 - Multiple exchange rates;
 - Imported deposits;
 - Deposits on the acquisition of foreign assets;
 - Exchange rate guarantees;
 - Subsidized currency risk insurance;
 - Non-tariff barriers.
- ▶ *Operations related to the business sector:*
 - Charging lower commercial prices;
 - Provision of non-commercial services (for example, social services that are provided free of charge or cheaper than their cost and are not reported in the government budget);
 - Pricing based on the goals of ensuring budget revenues;

- Payments to suppliers at higher than commercial prices..

Initially, zero-value responses were received from a number of companies. Further, after explanatory work on the term “quasi-fiscal”, written responses were received with the following figures:

Table 4.4.5a- quasi-fiscal expenses for 2015-2017

№	SOE Name	Quasi-fiscal expenses, thousand som		
		2015	2016	2017
1	"Kyrgyzneftegaz" OJSC	32 713	34 779	35 808
2	"Kyrgyzaltyn" OJSC	7 866	6 485	7 269
3	"Khaidarkan Mercury Joint-Stock Company" JSC	-	-	-
4	SOE "Kyrgyzkomur"	-	-	-
	Total	40 578	41 264	43 077

Expenses directions

According to Kyrgyzneftegaz OJSC, the following institutions were funded from the company's funds in the period 2015-2017 (thousand som):

- 3 kindergartens (educational facilities) - 63 692
- sanatorium dispensary - 12 694
- sports complex - 12 762
- other social objects - 14 152

In Kyrgyzaltyn OJSC, Makmal Gold Mining Plant provides financing for housing and utilities.

4.5 Extractive industry licensing system

4.5.1 Regulatory framework governing the licensing system

Licensing of companies in the extractive industry is carried out in accordance with the following regulatory acts that were in force in 2015-2017:

- ▶ Law of the Kyrgyz Republic “On Subsoil” dated August 9, 2012 No. 160 (hereinafter - the “Law on Subsoil”). This law was replaced by the Law of the Kyrgyz Republic “On Subsoil” dated May 19, 2018 No. 49;

- ▶ Law of the Kyrgyz Republic “On the licensing system in the Kyrgyz Republic” dated October 19, 2013 No. 195;
- ▶ The Regulation “On the Procedure for Licensing Subsoil Use”, approved by the Government of the Kyrgyz Republic “On Approval of Normative Legal Acts in the Area of Subsoil Use” dated December 14, 2012 No. 834 (hereinafter referred to as “Regulation on Licensing”). This Regulation was replaced by the new Regulation as of November 29, 2018;
- ▶ The Regulation “On the Procedure and Conditions for Holding Auction for the Right to Use Subsoil”, approved by the Decree of the Government of the Kyrgyz Republic “On Approval of Regulatory Legal Acts in the Field of Subsoil Use” dated December 14, 2012 No. 834 (hereinafter referred to as “Regulation on Auction”). This Regulation was replaced by the new Regulation as of November 29, 2018;
- ▶ Regulation “On the Procedure and Conditions for Tender for the Right to Use Subsoil”, approved by the Government of the Kyrgyz Republic” dated December 14, 2012 No. 834 (hereinafter referred to as “Regulation on Tender”). This Regulation was replaced by the new Regulation as of November 29, 2018.

According to the Law on Subsoil, the right to use subsoil in the Kyrgyz Republic is granted on the basis of ¹⁴³:

- ▶ licenses;
- ▶ state registration;
- ▶ concession agreement;
- ▶ production sharing agreements.

State registration

State registration is required for¹⁴⁴:

- ▶ subsoil research conducted under approved program;
- ▶ individual mining activity.

The state registration of scientific research works on the study of subsoil, carried out according to approved program, is carried out by SCIESU¹⁴⁵.

State registration of individual mining activities is carried out by local state administrations¹⁴⁶.

Concession agreement

Concession agreement is a form of the right to use subsoil on the basis of concession agreement between the Government of the Kyrgyz Republic and (or) the authorized state body for the implementation of state policy on subsoil use and the subsoil user, where the subsoil user is granted the exclusive right to

¹⁴³ Article 20 of the Law of the Kyrgyz Republic “On Subsoil”;

¹⁴⁴ Par. 2, Article 20 of the Law of the Kyrgyz Republic “On Subsoil”;

¹⁴⁵ Par. 3, Article 20 of the Law of the Kyrgyz Republic “On Subsoil”;

¹⁴⁶ Par. 4, Article 20 of the Law of the Kyrgyz Republic “On Subsoil”;

explore the subsoil and (or) develop mineral deposits on conditions determined by the concession agreement¹⁴⁷.

Legislative regulation of the concession agreement is established by the Law of the Kyrgyz Republic “On Concessions and Concession Entities of the Kyrgyz Republic” No. 850-XII of March 6, 1992.

Concession agreement is concluded for a period of 5 to 50 years¹⁴⁸.

Currently, only one concession agreement for the Kumtor deposit has been concluded in the Kyrgyz Republic. There are no other cases of using a concession agreement as a method of granting rights to use subsoil.

Production Sharing Agreement

Production Sharing Agreement is an agreement in accordance with which Government of the Kyrgyz Republic grants the subsoil user exclusive rights to develop a mineral deposit for a certain period, and the subsoil user undertakes to carry out the agreed works at his own expense and at his own risk. The Production Sharing Agreement defines all the conditions for the use of subsoil, the conditions and procedure for dividing the production between the parties to the agreement, as well as other conditions stipulated by the legislation of the Kyrgyz Republic on production sharing agreements¹⁴⁹.

The procedure for granting rights to use subsoil resources on the basis of a production sharing agreement is established by the Law of the Kyrgyz Republic “On Production Sharing Agreements for Subsoil Use” No. 49 dated April 10, 2002.

The term of the production sharing agreement is set by the parties themselves, but it should not be more than 10 years¹⁵⁰.

Production sharing agreements have not been concluded until today, and the only concession agreement was concluded in relation to the Kumtor gold project. Payments in kind were not made.

Licenses

The license is the most common basis for the use of subsoil resources and is a document certifying the right to use subsoil issued by SCIESU. The legislation of the Kyrgyz Republic establishes the following types of licenses depending on the type of work:

- ▶ for geological prospecting works, issued for a period of up to 5 years with subsequent renewal in accordance with the technical project;
- ▶ for geological exploration work, issued for a period of up to 10 years with the subsequent extension in accordance with the technical project;
- ▶ for development of mineral deposits issued for a period of up to 20 years with the subsequent extension till depletion of mineral reserves;

¹⁴⁷ Article 4 of the Law of the Kyrgyz Republic “On Subsoil”;

¹⁴⁸ Article 13 of the Law of the Kyrgyz Republic “On Concessions and Concession Entities of the Kyrgyz Republic” No. 850-XII of March 6, 1992;

¹⁴⁹ Article 4 of the Law of the Kyrgyz Republic “On Subsoil”;

¹⁵⁰ Article 5 of the Law of the Kyrgyz Republic “On Production Sharing Agreements for Subsoil Use” No. 49 dated April 10, 2002;

- ▶ for facilities not related to geological study of the subsoil and the development of mineral deposits, issued for a period stipulated by the technical project, with a subsequent extension when the project is corrected¹⁵¹.

A license for the right to use subsoil is a fixed format and strict reporting template with the name of the licensing authority and with the National Emblem of the Kyrgyz Republic, a serial number and information on licensing.

The license for subsoil use contains the following information¹⁵²:

- (a) alphanumeric license code for subsoil use;
- (b) type of subsoil use;
- (c) name and details of the licensee;
- (d) subsoil use license number;
- (e) type of mineral;
- (f) administrative location of the license object;
- (g) date of issue and term of license for the right to use subsoil;
- (h) date of changes and addendums to the license;
- (i) seal and signature of the head of SCIESU.

In addition to the license, the License Agreement, which is an integral part / attachment to the license, is signed between SCIESU and the subsoil user. The license agreement defines the terms of use of the subsoil object and contains the following information:

- (a) coordinates of the corner points and the size of the licensed area;
- (b) purpose of work;
- (c) subsoil use procedure and conditions;
- (d) information on the pledge of license for the use of subsoil;
- (e) reporting deadlines;
- (f) additional information;
- (g) seal and signature of the head of the licensing authority;
- (h) surname, name, patronymic of the head of the entity.

In practice, as a rule, at least two licensing agreements are concluded. After obtaining license for the right to use subsoil and license agreement No. 1, the licensee draws up and submits to the licensor a technical project with positive expert opinions on industrial, environmental safety and protection of the

¹⁵¹ Article 22 of the Law of the Kyrgyz Republic “On Subsoil”;

¹⁵² Article 32 of the Law on subsoil

subsoil. Then, in accordance with the project, which received positive expert opinions, the further license agreement No. 2 is signed for work.

4.5.2 Information about the process of issuing a license

Depending on the importance of the field / license area, a license can be obtained on the basis of a tender (57 (fifty seven) fields of national importance¹⁵³), an auction (136 (one hundred thirty six) fields, the list of which is approved by SCIESU¹⁵⁴) or direct negotiations (all other fields)¹⁵⁵. Any individual or legal entities of Kyrgyzstan or foreign individual or legal entities can participate in the tender or auction.

▶ **Tender¹⁵⁶** is held in two stages. When a tender is held for the right to use subsoil for each object of national importance, the Government of the Kyrgyz Republic will form an interdepartmental tender commission (hereinafter referred to as the “Commission”) consisting of at least 7 commission members. At the first stage, the tender of documents is performed. At the second stage, the programs, offers, economic and financial capabilities of the organization and other conditions determined by the commission are performed, including:

- program for the development of deposits with enlarged technical and economic calculations for capital investments, operating costs and project profitability;
- exploration works program;
- confirmation of the financial capacity for exploration and mining;
- document confirming experience in the geological and mountain mining industries;
- proposal for the date of entity’s putting into operation after obtaining license for the right to develop mineral deposits;
- proposal on the implementation of modern technologies for the exploration, extraction and processing of minerals at the tender site;
- Proposal for the implementation of a set of measures to ensure industrial, environmental safety, conservation of mineral resources and the rational use of minerals;
- land reclamation proposal;
- proposal (when foreign legal entities and individuals participate in the tender) about the ratio of attracted domestic specialists and workers to the total number of employees;
- social package in accordance with the Law of the Kyrgyz Republic “On Subsoil”;

¹⁵³ The list of mineral deposits of national importance, put up for tender, approved by the Government of the Kyrgyz Republic on June 13, 2013 No. 350

¹⁵⁴ Order of the State Agency for Geology and Mineral Resources No. 35 of February 21, 2013

¹⁵⁵ Paragraph 4 of Article 23 of the Law “On Subsoil”. According to the new Law “On Subsoil”, this method is replaced by the “Rule of the first application”

¹⁵⁶ Regulations on the procedure and conditions of the tender for the right to use subsoil, approved by the Government of the Kyrgyz Republic on December 14, 2012 No. 834 (hereinafter - the “Regulations on the Tender”)

- bidding price for the right to use the subsoil of the tender object, which includes the amount of the bonus (tax on the right to use the subsoil) and the price for a package of geological information about the subsoil. With this the bidders may be offered a higher price.

The Commission may also establish other necessary conditions. Evaluation of competitive materials is made by the Commission using the scoring system. The procedure for evaluating materials on the scoring system is determined by the Commission. The decision to recognize the winner of the tender in accordance with its terms is taken by the Commission on the basis of the points scored. According to the new tender regulation¹⁵⁷, there were no significant innovations.

With regard to mineral deposits of national importance, it should be noted that the right of subsoil use for them is granted solely on the basis of tender results¹⁵⁸. This category includes coal deposits with approved and accounted reserves of the State Balance of Mineral Reserves of at least 30 million tons, and for gold - at least 10 tons. For other fields of this category, only a general description as “medium and large deposits” is indicated¹⁵⁹.

In addition, it should be noted that if mineral deposits of national importance are included in the list of strategic objects¹⁶⁰, then the Government of the Kyrgyz Republic will have a preferential right to purchase such a deposit if the owner intends to sell it¹⁶¹.

▶ **Auction**¹⁶² is held by SCIESU on the following subsoil sites:

- subsoil objects included in the list of auction objects;
- objects for which the decision made by the Commission to transfer the right to use them to auction as a result of failure to identify the winner following results of two tenders;
- subsoil objects not intended for auctioning, but for which two or more applications have been received for obtaining subsoil use rights.

The auction is carried out by a commission established by the order of SCIESU and consisting of at least 5 people. The conditions of auction are established by SCIESU and, depending on the type of use of the subsoil, the degree of knowledge of the subsoil object and other factors, in accordance with the legislation on the subsoil, contain:

- general information about the subsoil object;
- geological characteristics of the subsoil object;
- basic requirements for the use of the subsoil object;

¹⁵⁷ Regulations on the procedure and terms of tender for the right to use subsoil as of November 29, 2018

¹⁵⁸ Article 5 of the Law “On Subsoil”

¹⁵⁹ Regulations on the procedure and terms of tender for the right to use subsoil as of November 29, 2018

¹⁶⁰ Resolution of the Government of the Kyrgyz Republic “On Approval of the List of Strategic Objects of the Kyrgyz Republic” dated February 17, 2014 No. 99

¹⁶¹ Article 4 of the Law of the Kyrgyz Republic on Strategic Objects of the Kyrgyz Republic of May 23, 2008, No. 94

¹⁶² Regulations on the procedure and terms of holding an auction for the right to use subsoil resources, approved by the Government of the Kyrgyz Republic No. 834 of 14 December 2012 (hereinafter referred to as “Regulations on auction”)

- auction starting price;
- the amount of the fee (non-refundable) for participation in the auction and the guarantee fee (returned), as well as payment details for their payment;
- Auction bid¹⁶³.

The winner of auction shall be that participant of the auction whose number and proposed bid is declared last by the auctioneer¹⁶⁴. According to the new auction regulation¹⁶⁵, there were no significant innovations.

▶ **Direct negotiations**¹⁶⁶ are held when granting subsoil use rights for the following assets¹⁶⁷:

- Subsoil assets not included in the list of assets of national importance and the list of assets set for an auction;
- Subsoil assets if two auctions thereon are recognized as not held;
- Subsoil sites not associated with geological exploration and development of fields.
- Subsoil assets subject to licensing under procedure of exercising the exclusive right of the subsoil user.

The decision to hold direct negotiations with the applicant for the subsoil use right through direct negotiations shall be adopted by the Subsoil Use Licensing Committee to SCIESU (the "Licensing Committee") members of which shall be approved by the SCIESU head.

Direct negotiations with the applicant are held by SCIESU. In order to obtain the subsoil use right through direct negotiations, an interested party shall apply to SCIESU, 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 application¹⁶⁸:

- 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;

¹⁶³At 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.

¹⁶⁴ Point 55 of the Auction Regulation

¹⁶⁵ Regulations on the procedure and terms of the tender for the right to use subsoil on November 29, 2018

¹⁶⁶ This way of obtaining licenses was revised as amended by the Law of the Kyrgyz Republic "On Subsoil" dated May 29, 2018

¹⁶⁷ Article 23.4 of the Subsoil Law and Point 11 of the Licensing Regulation.

¹⁶⁸ Article 30.6 of the Subsoil Law.

- 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 subsoil 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 subsoil use license issued by the KR banks (in case of licensing of the subsoil 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 subsoil use right may be denied in the following cases¹⁶⁹:

- 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 subsoil 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 subsoil site is located in a specially protected natural area.

► **Rule of the first application submitted** was introduced in the new Law “On Subsoil” on May 29, 2018. This rule replaced the previously existing procedures of "direct negotiations" and applies to the following objects:

- subsoil areas, except those provided by tender or auction;
- subsoil areas not related to the geological study of the subsoil and the development of mineral deposits.

The granting of the right to use subsoil according to the rule of first submitted application is carried out by SCIESU. In order to obtain the right to use subsoil resources according to the rule of first submitted application, the applicant submits an application to SCIESU. Subsoil areas where the right to use subsoil has been terminated, the subsoil use right is granted according to the rule of first submitted application not earlier than 3 months from the date of termination of the right, if during

¹⁶⁹Article 30.8 of the Subsoil Law.

this time the second application was not received. In case of receipt of the second application, this subsoil site shall be included in the register of auction sites.

Following documents are attached to the application¹⁷⁰:

- notarized copy of the certificate of state registration (re-registration) of the legal entity and (or) individual entrepreneur;
- a copy of the decision (minutes) on the appointment of the head of the legal entity or another document (contract, agreement) on the creation of a collegial or sole executive body certified by the applicant's seal;
- power of attorney to represent the interests of the applicant in case of application for the license by a representative;
- consent or refusal of the authorized state body on water resources to obtain rights to use subsoil and work in the river beds or on the banks of rivers and other water bodies;
- consent or refusal of the authorized state body for emergency situations to obtain the rights to use subsoil and work in the river beds or on the banks of rivers and other water bodies;
- certificate of the tax service about the absence of tax debt of the applicant;
- information about the beneficiaries of the company, with the exception of the companies listed on stock exchanges (in the case of the listing of the company on stock exchanges, an official supporting document is provided).

Application for obtaining a license for the right to use subsoil for the selection and use of groundwater is additionally attached with:

- consent of the owner of the well - if such well is in private ownership;
- technological scheme of operation;
- conclusion of the authorized public health authority;
- conclusion of the State Enterprise "Kyrgyz Complex Hydrogeological Expedition" under the State Committee for Industry, Energy and Subsoil Use of the Kyrgyz Republic.

Other matters

To obtain license, a foreign legal entity needs to register a subsidiary (with 100% ownership) in the Kyrgyz Republic, indicating the name and address of the licensee in the Kyrgyz Republic, before obtaining a license. The license agreement states that the license is issued to a subsidiary¹⁷¹.

The decision to issue a license for the right to use subsoil or to refuse to issue a license for the right to use subsoil is made by the licensing authority within 60 (sixty) days from the date of application for obtaining the license to use the subsoil¹⁷². Decisions of the SCIESU on awarding subsoil use rights are published on the website <http://www.gkpen.kg/index.php/2017-12-22-09-23-23>.

¹⁷⁰ Regulation on the Procedure for Licensing Subsoil Use as of November 29, 2018

¹⁷¹ Paragraph 43 of the Regulations on the Procedure for Licensing Subsoil Use

¹⁷² Paragraph 9 of Article 30 of the Subsoil Law

In 2017, an electronic portal “Assistance to the Subsoil User” was developed, where the technical procedures related to the licensing of subsoil use are described in more detail <http://open.gkpen.kg/portal/>.

4.5.3 Suspension and cancellation of the license for the right to use subsoil

According to the Subsoil Law, subsoil 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 ¹⁷³:

- ▶ Non-compliance with subsoil 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 subsoil 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.

Subsoil use rights may be terminated in case of¹⁷⁴:

- ▶ failure to notify the SCIESU 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 Republic¹⁷⁵;
- ▶ waiver of the subsoil use right by the subsoil user;
- ▶ expiry of the license for subsoil 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 subsoil use rights;
- ▶ Identification of provision by the subsoil user of unreliable data on the ultimate owners of the company or financial opportunities when obtaining a subsoil use license.

¹⁷³Article 27.1 of the Subsoil Law.

¹⁷⁴Article 27.3 of the Subsoil Law.

¹⁷⁵ This item was canceled on April 19, 2017.

Additional grounds for termination of subsoil use rights to the assets included in the list of fields of nationwide importance and granted by way of tender:¹⁷⁶

- ▶ non-payment or late payment of subsoil 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 subsoil resources.

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

The decision of the SCIESU to suspend or terminate the subsoil 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 subsoil user within 10 (ten) business days from the date of taking such a decision.¹⁷⁷ The law provides for a possibility to appeal against such a decision through the courts.

In addition, the subsoil use right can be terminated if the court invalidates the decision to issue the subsoil use license.¹⁷⁸ Thus, if the initial granting of subsoil use right was challenged in court, and the court decided to invalidate the decision on granting the subsoil use right, such right would have been deemed as terminated from the effective date of the court decision.

According to the Subsoil Law¹⁷⁹ a licensee has the right to transfer the subsoil use right to a third party. However there exist certain conditions when such a transfer of the subsoil 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 subsoil use.¹⁸⁰

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 SCIESU provided that enforcement of subsoil 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.¹⁸¹

The procedure for registration and re-registration of subsoil use rights is governed by the Regulation on the Subsoil Licensing Procedure¹⁸². It should be noted, that the KR legislation does not establish a separate procedure for the transfer of subsoil use rights under the license (i.e. not within the collateral). In this regard, we do not exclude, that, while transferring rights of subsoil user under the license to a third party during the re-registration of license, the SCIESU may require submission of additional documents confirming the implementation of / compliance with necessary provisions for the transfer of licensed

¹⁷⁶Article 27.4 of the Subsoil Law.

¹⁷⁷Article 27.6 of the Subsoil Law.

¹⁷⁸Article 27.5 of the Subsoil Law.

¹⁷⁹Article 37.5 of the Subsoil Law.

²³⁷Ibidem

²³⁸Article 37 of the Subsoil Law

²³⁹Points 92-97 of the Licensing Regulation

²⁴⁰Article 37.6 of the Subsoil Law

rights, and can 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 SCIESU to transfer the license to a third party, however, it is supposed that the re-registration of the license with the "new" subsoil user may require a respective decision of the SCIESU Licensing Committee.

In accordance with the Subsoil Law¹⁸³ 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 SCIESU's refusal of re-registration / issue of the license to a "new" subsoil user;
- ▶ recognition of transaction for the transfer of license to a third party as void¹⁸⁴;
- ▶ administrative or criminal liability depending on the specific circumstances.

4.5.4 Problems of transparency and access to license information

Legislative requirements to transparency of information on licenses

According to the KR legislation¹⁸⁵, information on licensed and available subsoil use assets is published on the official website of the SCIESU.¹⁸⁶ At the time of writing of this Report, the SCIESU web-site provides Interactive Map of Mineral Resources of the Kyrgyz Republic with a detailed description of each subsoil 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 SCIESU website, with indication of asset's name, the subsoil user, location, number and expiry date of the licensed agreement(s), type of minerals, etc.

Licensing system drawbacks

The main licensing system drawbacks are as follows¹⁸⁷:

¹⁸⁴ Articles 185 and 187 of the KR Civil Code

¹⁸⁵ Point 12-1 of the Licensing Regulation

¹⁸⁶ <http://open.gkpen.kg/>

¹⁸⁷ Extractive Industry Development Strategy Project published on the website of the Ministry of Economy of the Kyrgyz Republic: <http://mineconom.gov.kg>

1. *Granting of the subsoil use right through direct negotiations.* Direct negotiations are held in the course of granting licenses (in relation to the assets for which subsoil 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). This type of licensing is often opaque and carries great risks of corruption and subjectivity, as a result on November 29, 2018 a new Regulation “on Licensing Procedures” (hereinafter “New Regulation on Licensing”) was introduced, which introduces the concept of “first submitted application”.

The right to use subsoil according to the “first submitted application” rule is granted for:

- 1) subsoil areas, except those provided by tender or auction;
- 2) subsoil plots, if two auctions thereon are recognized as not held;
- 3) subsoil plots not related to the geological study of the subsoil and the mineral deposits exploitation.

The granting of the right to use subsoil according to the “first submitted application” rule is carried out by the SCIESU. To obtain the subsoil resources use rights according to the “first submitted application” rule, the applicant submits application to the authorized state body for the implementation of the state policy on subsoil.

2. *Transfer of subsoil use license as collateral.* The KR legislation permits transferring the subsoil 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 SCIESU has not taken place, and information on collateral of licenses is only contained in the documents of each individual subsoil user. Besides the absence of collateral registration system of subsoil use rights there are no mechanisms of enforcement of the subsoil use rights under license. Absence of such regulations in the period 2015-2017, on the one hand, was a serious impediment in attracting finances for projects in the mining industry, on the other hand it created non-transparent mechanisms for concealed sale and purchase of licenses.

To solve this problem, in the New Regulation on Licensing, the procedure for registering the subsoil resources use rights as collateral was adopted. Thus, a subsoil user must notify SCIESU about the license pledge within 30 days after concluding the collateral agreement, and SCIESU must make a corresponding entry in the license agreement and the collateral registration.

Still, this process may entail significant difficulties. Thus, in open sources, it was stated that in September 2018 Alliance Altyn LLC, which holds the license for the development of the Jerooy gold deposit, received permission from SCIESU to pledge the mine license as collateral under USD 180 million loan from Russian VTB Bank¹⁸⁸. In accordance with the terms of the agreement, part of collateral for this loan was the license. However, after change of management, the SCIESU canceled its permission. Currently, the parties continue to negotiate.

When foreclosing collateral, relevant documents must be submitted to the SCIESU within 30 days by the entity that received the subsoil use right. SCIESU then decides on transferring the license to the new entity within 30 days after receipt of all documents.

¹⁸⁸ <https://rus.azattyk.org/a/29660584.html>

3. *No registration of subsoil 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 subsoil use rights. Notwithstanding the law requires registration of subsoil use rights in the Unified State Register of the Rights to Real Property, in fact, the subsoil 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.
4. *No exclusivity for licenses.* According to the legislation, the SCIESU may issue more than one subsoil 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 subsoil 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.

In order to improve the current system of issuing licenses in this part, the Committee has reduced mineral resource groups from eight to three in accordance with the Law of the Kyrgyz Republic "On Subsoil" dated May 19, 2018.

With this, to avoid the above problems, issued licenses coordinates verification system is currently working on the SCIESU website <http://open.gkpen.kg/checklic/>.

5. *Expertise of geological and mining projects.* The subsoil use law requires that 3 (three) expert examinations must be carried out in preparing the geological and mining projects: (a) for compliance with subsoil 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 non-transparent and creating conditions for corruption, including delays in obtaining expert opinions

In this direction, the SCIESU has initiated a number of regulations for the procedures of examination of industrial safety¹⁸⁹ and protection of mineral resources¹⁹⁰. Regulations on the procedure for carrying out state environmental expertise in the Kyrgyz Republic were approved by Resolution of the Government of the Kyrgyz Republic on May 7, 2014 No. 248¹⁹¹.

4.5.5 Information on licenses valid and issued in 2015-2017

During the review period, the number of valid licenses for the subsoil resources use has steadily increased. Thus, at the end of 2017 2,435 licenses were valid in the Kyrgyz Republic, which is about 80% more than at the end of 2014.

At the same time, despite the increase in the number of licenses issued, the amount of auctions and tenders dropped sharply in 2016 and 2017, compared with the peak in 2015, which was due to the tender on Jerooy field (for USD 100 million)

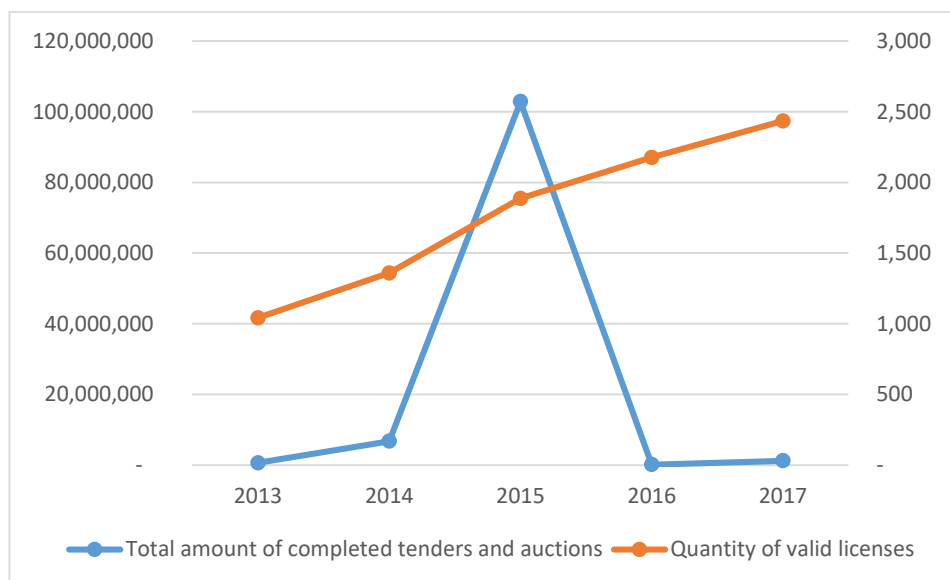
¹⁸⁹ <http://www.gov.kg/?p=118898&lang=ru>

¹⁹⁰ <http://cbd.minjust.gov.kg/act/view/ru-ru/200169>

¹⁹¹ <http://cbd.minjust.gov.kg/act/view/ru-ru/96456>

According to the SCIESU (Appendix 7) for 2015-2017 there were no deviations from standard licensing procedures.

The number of valid licenses for the use of subsoil (right on the axis) and the amount of auctions and tenders held in the Kyrgyz Republic (left on the axis, US dollars), 2013-2017¹⁹²



Information on the list of all valid licenses, and not only on companies participating in the EITI, indicating the subsoil user, location, expiration date, coordinates, subsoil user contact information, type of mineral and subsoil use is available on the SCIESU website: <http://www.gkpen.kg/index.php/2017-12-22-09-23-23>

Table 4.5.5a - The distribution of licenses by type of work in 2015-2017.¹⁹³

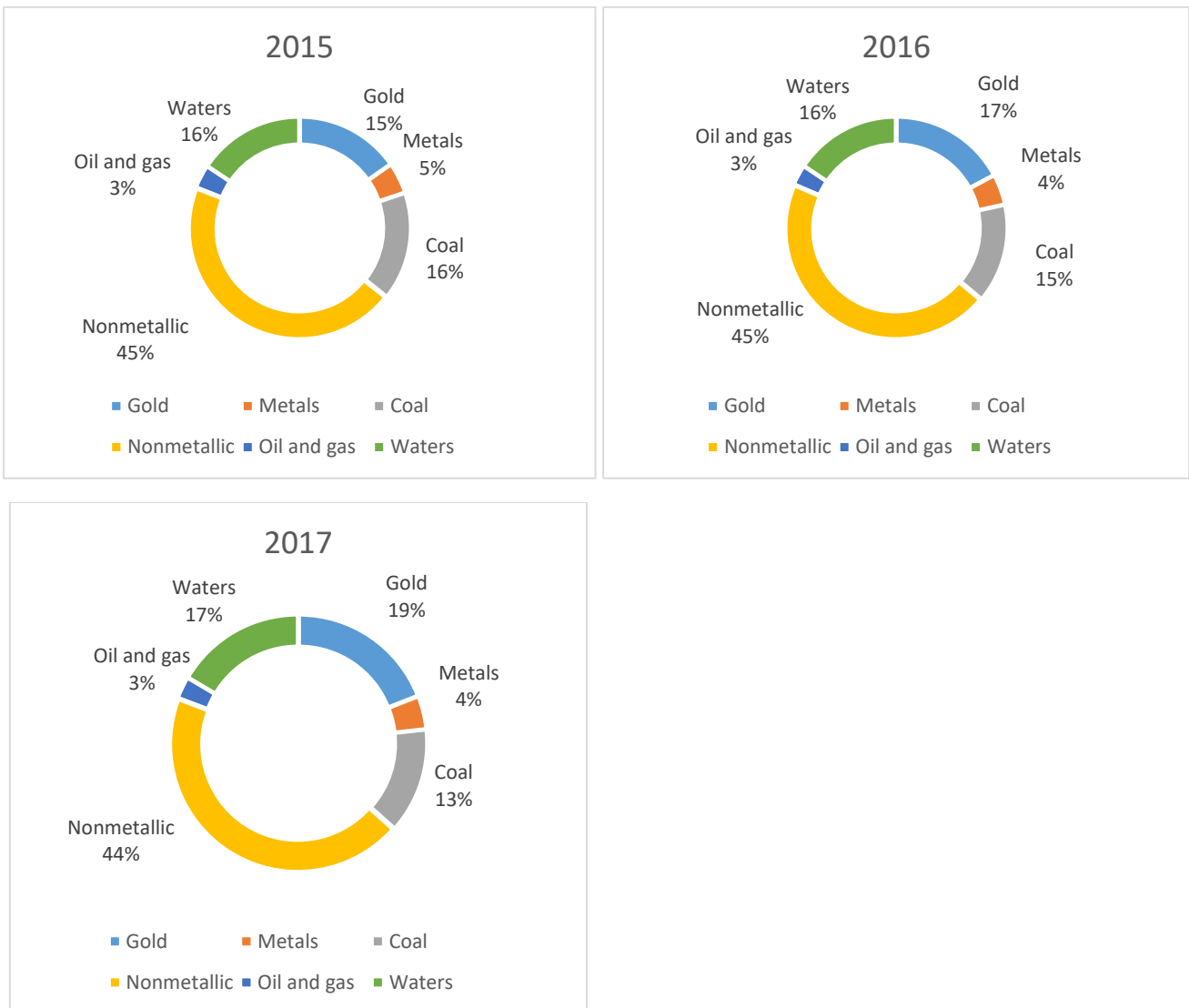
№	Item	2015	2016	2017
1	Gold	289	373	464
2	Metal	85	97	102
3	Coal	299	316	325
4	Nonmetallic	854	986	1 075
5	Oil and Gas	64	64	67
6	Water	295	340	402
Total number of licenses		1 886	2 176	2 435

№	Item	2015	2016	2017
1	Prospecting	230	252	292
2	Exploration	692	866	959
3	Development	964	1 058	1 184
Total number of licenses		1 886	2 176	2 435

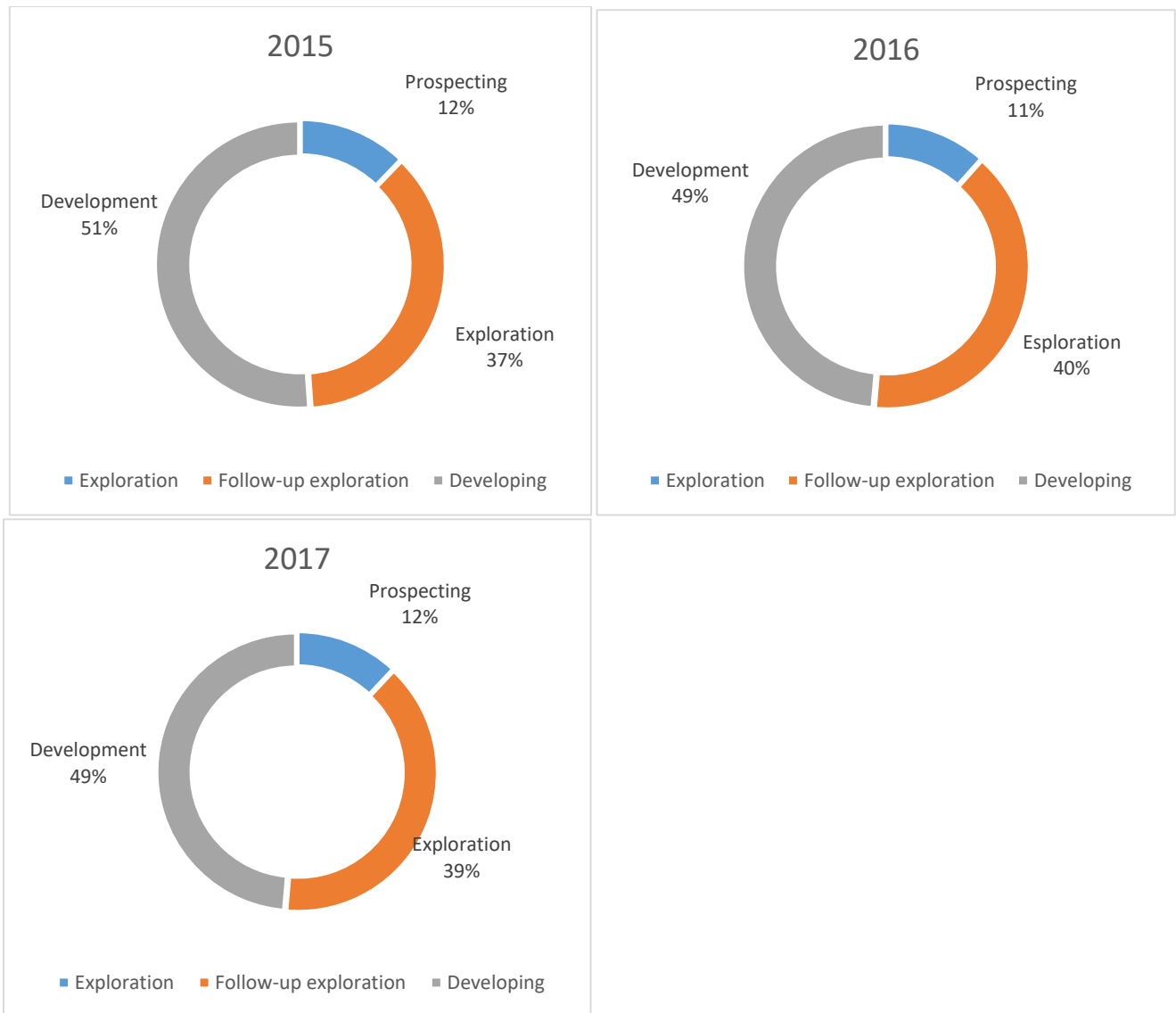
¹⁹² Data for 2013 and 2014 were taken from the KR EITI Report for 2013-2014 as of December 30, 2015

¹⁹³ According to data collected by the EITI Secretariat from the SCIESU for the 2015-2017 Report.

Distribution of existing licenses by type of minerals, 2015-2017



Distribution of valid licenses by type of work, 2015-2017



The intensity and amounts of auctions and tenders for subsoil areas varied greatly over the review period:

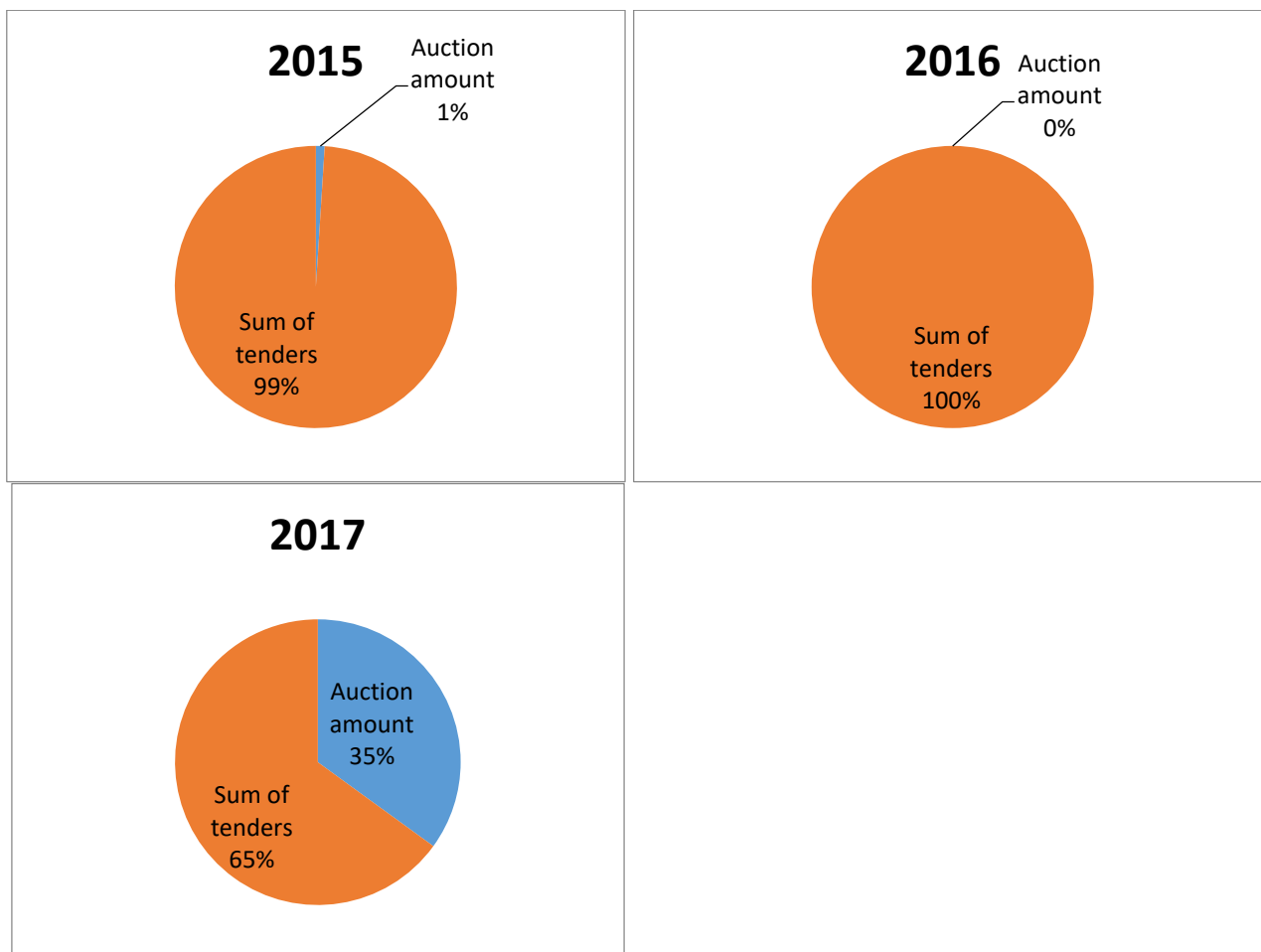
Table 4.5.5b - Total revenue from auctions and tenders in US dollars for 2015-2017

	2015	2016	2017	2018*

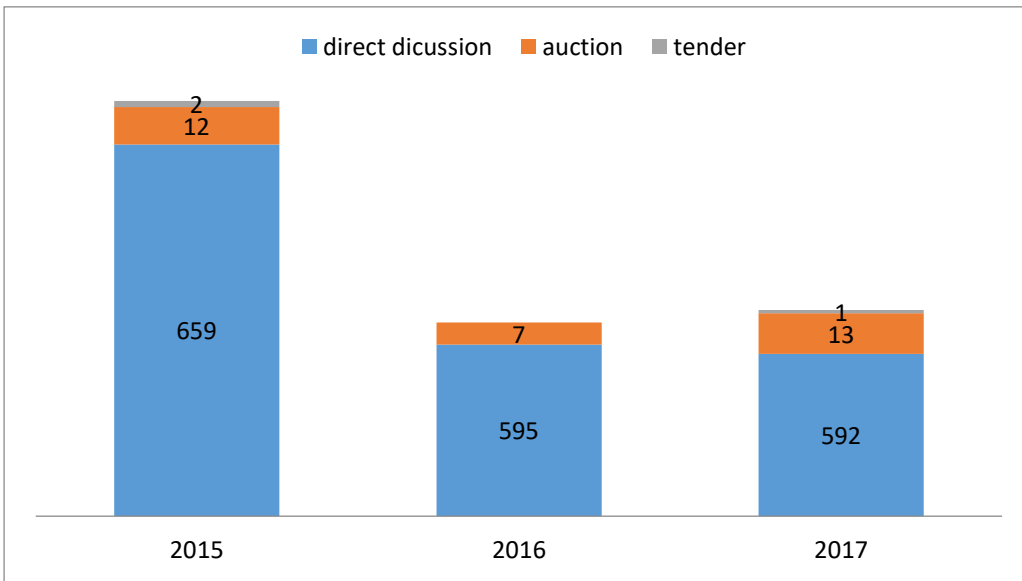
The amount of revenue from auctions	1 663 483	137 788	781 215	<i>1 100 693</i>
The amount of revenue from tenders	120 000 000	-	412 000	<i>20 000 000</i>
Total	121 663 483	137 788	1 193 215	<i>21 100 693</i>

*- preliminary data provided for information.

Below is a chart with the distribution of funds by shares for the period:



The diagram below indicates the number of licenses issued for 2015-2017 by procedure types for obtaining subsoil use rights:



The list of past auctions and tenders for subsoil areas of the Kyrgyz Republic for 2015-2017 is indicated below.

Table 4.5.5c - Brief information on auctions and tenders held in 2015-2018¹⁹⁴
Auctions for 2015-2018:

No	Subsoil area	Location	Winner company	Type of mineral, type of work	Date of auction	Starting price, USD	Final price, USD	Participants in auction
1	Kumbel Southeast section	Suzak district of Jalal-Abad oblast	LLC GDK Jin Lun	hard coal mining	02.03.2015	100 000	140 000	LLC Tien Shan LLC GDK Jin Lun
2	Sultansarinskoe ore field	Naryn district of Naryn oblast	LLC Egiz-Tor Development	gold exploration	14.04.2015	47 730	130 730	LLC Egiz-Tor Development Asia Gold Company LLC
3	Urmizan deposit (Chukur)	Batken district of Batken oblast	LLC Dogmon-Ken	brown coal exploration	20.07.2015	22 900	27 500	LLC Dogmon-Ken LLC Batken Too Ken
4	Kuylu Arpa Takyr 2 section	Aksu district of Issik-Kul oblast	LLC Avante Capital	graphite mining	23.07.2015	47 110	61 243	LLC Avante Capital LLC Favorit Asia Product Service
5	Uzun-Tashty deposit	Bakay-Ata district of Talas oblast	LLC Beryl Corporation	beryllium, prospecting	02.09.2015	6 618	70 000	LLC Green Pond LLC Mining Company Rich Mount LLC A & A Central LLC Agrotechservice Asyl-Tash LLC Shin Sin Investment Company LLC Beryl Corporation
6	Taldy Bulak (East) deposit	Jungal district of Naryn oblast	LLC Sun Resources	brown coal exploration	25.09.2015	6 965	36 000	Kyrgyz Altyn LLC LLC Sun Resources LLC Urankay Koal Company
7	Block 17 Southern, Terek	Chatkal district of Jalal-Abad oblast	LLC IC Hua Xin	Antimony mining	16.10.2015	100 000	130 000	LLC IC Hua Xin LLC Business Nur
8	Chakush deposit	Batken district of Batken oblast	LLC San Qing Chuan	gold exploration	19.10.2015	60 000	460 000	LLC Sanashi LLC DNKA LLC STB - Service LLC San Qing Chuan
9	Area Middle Chanach	Chatkal district of Jalal-Abad oblast	LLC Danai Service	placer gold, exploration	23.10.2015	1 645	3 010	LLC Danai Service LLC Sky Light LLC Asman Group LLC B.E.B. LLC Askar Too Ken

¹⁹⁴ According to data collected by the EITI Secretariat from the SCIES for the Report for 2015-2017

10	Echkilutash Are	Aksu district of Issik-Kul oblast	LLC Sardonyx	placer gold, prospecting	12.11.2015	73 140	500 000	Khan Teniri-Tookenderi LLC Yan Shen LLC LLC Sardonyx Shen Sin LLC
11	Kuilu Are	Aksu district of Issik-Kul oblast	LLC Shen Sin	placer gold, prospecting	12.11.2015	21 390	45 000	Khan Teniri-Tookenderi LLC Yan Shen LLC LLC Cloud Cloud Investment Shen Sin LLC
12	Tegene deposit, East mine	Aksy district of Jalal-Abad oblast	LLC Tegene	hard coal mining	04.12.2015	49 476	60 000	LLC YUGELE LLC Tegene
Total for 2015						536 974	1 663 483	
13	Kugartskoye deposit No. 1	Suzak district of Jalal-Abad oblast	LLC J-Ab wholesale market	sand and gravel, exploration	31.03.2016	1 000	1 500	LLC Ay-Nuru LLC J-Ab wholesale market PE Moidinov PE Mirkamalova MA
14	Kugartskoye deposit No. 2	Suzak district of Jalal-Abad oblast	LLC J-Ab wholesale market	sand and gravel, exploration	31.03.2016	1 050	1 680	LLC Ay-Nuru LLC J-Ab wholesale market
15	Kugartskoye deposit No. 4	Suzak district of Jalal-Abad oblast	LLC BTNiK	sand and gravel, exploration	31.03.2016	1 660	2 158	LLC BTNiK PE Mamytov
16	Kugartskoye deposit No. 6	Suzak district of Jalal-Abad oblast	LLC Abiy	sand and gravel, exploration	31.03.2016	1 700	2 700	LLC Abiy LLC Chrysoberyl LLC J-Ab wholesale market
17	Kugartskoye deposit No. 7	Suzak district of Jalal-Abad oblast	LLC J-Ab wholesale market	sand and gravel, exploration	31.03.2016	3 500	5 500	LLC Kutturghan Initiatives LLC Ay-Nuru PE Niyazov I.K. LLC J-Ab wholesale market
18	Kurmentinskoe deposit	Suzak district of Jalal-Abad oblast	TC Ak-Tash	limestone, loam, mining	16.05.2016	100 000	120 000	LLC Huaghhe Group LLC TC Aktash
19	Changet deposit Pordu South site	Suzak district of Jalal-Abad oblast	LLC Goldbat	dolomite exploration	15.09.2016	2 250	4 250	LLC Kut AR LLC Goldbat
Total for 2016						111 160	137 788	
20	The area of alluvial gold Ayuchachinskaya	Chatkal district of Jalal-Abad oblast	LLC Optimum Trade	placer gold, exploration	18.08.2017	1 600	61 000	LLC Kyrgyz Minings LLC Argymak Service LLC Maximum Basis

								LLC Opimum Trade LLC BNNK
21	Duvatash gold deposits	Batken district of Batken oblast	LLC Duvatash	gold, exploration	08.08.2017		43 370	LLC Duvatash Ltd. Bereke Altyn LLC Standard LLC Chyguu mining company
22	Sulukta deposit, North Flang field of mine 2/8	Sulyukta city of Batken oblast	Ashimbai LLC	coal mining	14.06.2017	2 233	2 750	LLC Kyzyl-Sai LLC Ashimbai
23	Urmartal deposit	Bakai-Ata district of Talas oblast	LLC Plus Gold KG	placer gold, exploration	4.05.2017	6 250	7 525	LLC Plus Gold KG LLC Relief modul - D
24	Kumushtag deposit	Bakai-Ata district of Talas oblast	LLC Plus Gold KG	Silver, exploration	4.05.2017	15 320	18 384	LLC Union Gold LLC Plus Gold KG
25	Chaartas gold mine	Chatkal district of Jalal-Abad oblast	LLC AsmanTash	gold, exploration	3.03.2017	10 000	200 000	LLC Too Aymak LLC CHTA LLC Asman Tash Hua Xin Jin Gong Construction and Assembly Corporation LLC Tet t KO
26	Turpaktushu deposit	Chatkal district of Jalal-Abad oblast	LLC Altyn-John	gold, exploration	10.04.2017	41 040	71 040	LLC Altyn-John LLC Sapat Komur LLC Altyn-Kaynar Hua Xin Jin Gong Construction and Assembly Corporation LLC Aiu Trans Group
27	Bashkarasui Area	Sokuluk district of Chui oblast	LLC Resource Snab	Sand and gravel exploration	14.09.2017	2 400	10 260	LLC Dortest IP Zhaparaliev M.O.
28	The Tashkumyr South deposit, the Kaptalnaya are, the Eastern flank 2	Nohoken district of Jalal-Abad district	LLC Komur-Ken	Hard coal mining	14.09.2017	5 720	10 000	LLC Komur Ken LLC Aziz Biy
29	Sary-Tash deposit, North-West section	Uzgen district of Osh oblast	LLC Monarch	shell limestone, exploration	26.09.2017	100 000	120 000	LLC Monarch LLC Rail Group
30	Ulan area	Naryn district of Naryn oblast	LLC Basis-Gold	placer gold, mining	24.11.2017	3 720	31 600	LLC Basis Gold Kyrgyzaltyn OJSC

								LLC Geoservice Keiji
31	Little Naryn deposit	Naryn district of Naryn oblast	LLC Egiz-Suu	placer gold, exploration	24.11.2017	40 030	53 000	LLC Egiz-Suu LLC Linex
32	Pervenetz deposit	Naryn district of Naryn oblast	LLC Premier Law	gold, exploration	24.11.2017	3 990	232 000	Kyrgyzaltyn OJSC LLC Sary Jaz Resource LLC Keregitash Ken LLC Express Highway LLC Tusan Ming LLC Premier Law
32	Kyzyltash deposit	Alabuka district of Jalal-Abad oblast	Asian Mining Company LLC	gold, exploration	8.12.2017	62 200	74 640	LLC Asian Mining Company LLC South Mining
Total for 2017						279 183	781 215	
33	Sarydzhazskaya Area	Aksu district of Issik-Kul oblast	LLC Primera Group Inc	Uran	26.01.2018	14 790	17 790	LLC Primera Group Inc LLC Imeksport
34	Kumbel Area	Naryn district of Naryn oblast	LLC AT Minerals	Alluvial gold	31.01.2018	87 790	214 000	LLC Kumbel mining company LLC Kuvaki ken LLC Koltash Minerals LLC AT Minerals
35	Uchkorgon deposit	Kakamjai district of Batken oblast	LLC Tabyshker	coal	16.02.2018	9782	15 500	LLC Ashat LLC Dolomite LLC Tabyshker
36	Uchkorgon Southern Field	Kakamjai district of Batken oblast	LLC Too Tash Expo	coal	28.03.2018	7071	8500	LLC Too Tash Expo LLC Dolomite
37	South Ax site of the Sary-Tash deposit	Uzgen district of Osh oblast	LLC Dan Yug LTD	limestone shell rock	25.04.2018	29 897	36 000	LLC Kyrgyz Travertine LLC Kut AR LLC Tuz Bel Tash LLC Altyn-Bulak LEG LLC Dan Yug LTD LLC Abina
38	section 2, 15-A, 11 deposits Sary-Tash	Uzgen district of Osh oblast	LLC Middle Asia Ecological Medical Mable Co., Ltd	limestone shell rock	25.04.2018	44 045	310 000	LLC Middle Asia Ecological Marble Mining Co. LTD LLC Kyrgyz Travertine LLC Kersara LLC Too Ken Plus LLC Joint Kyrgyz-Chinese society for the construction of hydropower

39	North-East Sulu-Terekskoye area	Kemin district of Chui oblast	LLC Elet Bai Terek	basalt	8.05.2018	4380	216 000	Kyrgyz Basalt LLC LLC Energy Company LLC Tabylgy LLC Elet Bai Terek
40	South-West Suluterek area	Kemin district of Chui oblast	LLC Elet Bai Terek	basalt	8.05.2018	1276	2026	LLC Elet Bai Terek LLC Tabylgy
41	Atbashi-1 area	Atbashi district of Naryn oblast	LLC Geo Sphere	Placer gold	31.05.2018	3024	31024	LLC AYA LLC Geosphere
42	Yatan area	Nohokat district of Osh oblast	LLC May Er	coal	28.06.2018	8760	9600	LLC May Er LLC Ak Niet Ken Jenish Nuru LLC
43	South section of Sary-Mogol area	Alai district of Osh oblast	LLC Alai Gold	coal	18.06.2018	2991	110 200	LLC Asman Tash LLC Alai Gold LLC Nedra Invest LLC Alai Lignite LLC AYU Tourism
44	Severny section of Kyzyl-Bulak area	Alai district of Osh oblast	LLC Yasina Mining	coal	18.06.2018	2610	4900	LLC Yasina LLC ULUCHAT
45	Kahn deposit	Kakamjai district of Batken oblast	LLC Kunshen Gornoprom	lead and zinc	29.06.2018	32 563	50 063	LLC Kunshen Gornoprom LLC Visa Kerben
46	Tahmat-Dangyz, Central, Shunk, Kamilsay and East Kan areas	Kakamjai district of Batken oblast	LLC Kunshen Gornoprom	lead and zinc	29.06.2018	51 090	75 090	LLC Kunshen Gornoprom LLC Visa Kerben
Total for 2018						300 069	1 100 693	

Tenders for 2015-2018

№	Subsoil area	Location	Winner company	Type of mineral, type of work	Date of tender	volume and categories of deposits	Final price, USD	Participants
1	Jeruy area	Talas district of Talas oblast	Vostok-geoldobycha OJSC	Gold, mining	4.05.2015	Category C1 in the amount of 75,141 kg ¹⁹⁵	100 000 000	Kyrgyzaltyn OJSC Vostok-geoldobycha OJSC
2	Terekkan, Perevalnoe and Terek gold and antimony deposits field (Except for block 17)	Chatkal district of Jalal-Abad oblast	LLC Eti Bakir Tereksai	gold, antimony, mining	27.11.2015	<i>Gold category C1:</i> Terekkan - 2,227 kg; Perevalny - 5 471 kg; Terek - 7 168.2 kg. ¹⁹⁶	20 000 000	LLC Mining and Metallurgical Company Alliance LLC Eti Bakir Tereksai
3	Aqart deposit	Nohokat district of Osh oblast	LLC Aldayar-Coal Limited	white marble, mining	21.04.2017	Categories A + B + C1 in the amount of 3,127 thousand m ³ ¹⁹⁷	412 000	LLC Aldayar-Coal Limited
4	Bel-Alma deposit	Kakamjai district of Batken oblast	LLC Besh-Archa	coal	6.05.2018	80 000 000 (eighty million) tons in P1 category	20 000 000	LLC Periti-Koal LLC Ormosh-Oil LLC Besh-Archa

¹⁹⁵ <http://cbd.minjust.gov.kg/act/view/ru-ru/214325>

¹⁹⁶ <http://cbd.minjust.gov.kg/act/view/ru-ru/214778>

¹⁹⁷ <http://cbd.minjust.gov.kg/act/view/ru-ru/215113>

Terms of the tenders:

1. The Jerooy deposit

The following conditions and the tender procedure were fixed by the Order of the Government of the Kyrgyz Republic dated February 16, 2015 No. 41-p:

- ▶ Rights granted:
 - The right of development is granted for 20 years with subsequent extension till the depletion of mineral reserves if the winner fulfills the licensing conditions;
 - The right of exploration work on Jerooy Field for a period of 5 (five) years, with subsequent extension in accordance with the technical project, if the winner fulfills the licensing conditions;
- ▶ Bidders must provide the following information and documents:
 - confirming work experience in the field of geological exploration and development of gold deposits for at least 5 (five) years;
 - confirming own funds and / or have the opportunity to attract additional funding necessary for the development of the Jerooy gold deposit and geological exploration on Jerooy field;
 - guarantees of compliance in its activities with international standards and standards of the Kyrgyz Republic in the field of industrial safety, environmental safety, protection of mineral resources and the rational use of mineral resources.
 - information and documents disclosing persons who are the ultimate owners and / or beneficiaries of the bidders, in accordance with the established form.
- ▶ Bidders must pay a non-refundable fee of 1 million soms.
- ▶ The winner of the tender within 5 (five) working days from the date of declaring its victory must pay a guarantee fee in amount of 10 (ten)% of the price offered.
- ▶ the price for the right to use the subsoil of the tender object cannot be below the minimum threshold, which is 100,000,000 (one hundred million) US dollars. The winner of the tender is obliged to pay the price offered by him for the subsoil use right of the tender object within 30 (thirty) working days from the date of publication of the decision of the tender commission.
- ▶ the bidder, if he is recognized as the winner of the tender, agrees at his own expense to ensure the protection of the interests of the Kyrgyz Republic and the Government of the Kyrgyz Republic in international courts and courts of the Kyrgyz Republic with a previous licensee and / or its founders and / or other beneficiaries and / or other interested parties in claims related to the rights to Jerooy mine and / or Jerooy field.
- ▶ the bidder, if he is recognized as the winner of the tender, agrees to pay all fines provided for in these Terms, in case of violation of the deadline to start construction of the gold-extracting factory and / or its putting into production.
- ▶ the bidder agrees to compensate for the damage caused to the environment as a result of its activities, and to take measures to restore the disturbed state of the environment if such damage is caused as a result of environmental offense and other conditions;
- ▶ The winner of the tender is determined by evaluating the submitted documents and information. The winner of the tender is the bidder with the highest score. The

documents are evaluated by the tender commission according to the following criteria using scoring system:

№	The name of the criterion	Points
1	The quality of the submitted program for the development of the Jerooy field, including its compliance with the requirements established by these Terms	Up to 5 points
2	The quality of the presented exploration program in Jerooy Field, including its compliance with the requirements established by these Terms	Up to 3 points
3	Proposals for the application of modern technologies for exploration of mineral deposits, mining and processing of mineral resources, ensuring industrial safety, environmental safety, protection and rational use of the subsoil	Up to 10 points
4	Financial opportunities for the development of the Jerooy deposit (own and borrowed funds)	Up to 5 points
5	The amount (amount) of funds allocated to the social package in excess of the amount specified in subparagraph 13 of paragraph 11 of these Terms	Up to 3 points
6	The excess of the minimum price for the subsoil use right of the tender object (the final points for this criterion are set after bidding the highest bid by the participants)	1 point for each subsequent 10 million US dollars, exceeding the minimum price for the use right of the tender object, but not more than 10 points
7	Terms of construction and delivery of the factory, as well as infrastructure facilities	Up to 18 months - 2 points; Up to a year - 4 points
8	Free of charge transfer to the Kyrgyz Republic of a share in the authorized capital of the legal entity - the future licensee	For every 10 percent - 1 point

2. Terekkan, Perevalnoe and gold and antimony deposit of Terek

The following conditions and the tender procedure were fixed by the Order of the Government of the Kyrgyz Republic dated September 16, 2015 No. 459-p:

- ▶ The rights to develop the Terekkan, Perevalnoye gold and Terek gold-antimony deposits (with the exception of block 17) are granted for a period of 20 (twenty) years, with a subsequent extension till the depletion of mineral reserves if the winner fulfills the licensing conditions;

- ▶ Tender participant should pay the price for the subsoil use right of the tender object in the amount specified in the relevant application for participation in the tender, but not less than 20,000,000 (twenty million) US dollars
- ▶ Not later than 1 (one) year from the date of the license issue, the bidder should facilitate preparation and coordination with the authorized state bodies of the technical project for the development of Terekkan, Perevalnoe and gold-antimony Terek gold deposits (with the exception of block 17) with positive expert opinions on industrial, environmental safety and preservation of subsoil;
- ▶ The bidder must acquire the specified geological information for a fee in the amount of 1,677,610 (one million six hundred seventy seven thousand six hundred and ten) soms;
- ▶ After determining the winner of the tender, the full package of geological information worth 7,845,325 (seven million eight hundred forty-five thousand three hundred twenty-five) soms (including the cost of brief geological information) is transferred to him. The cost of this package is included in the final price for the subsoil use right of the tender object.
- ▶ The bidder must pay a non-refundable fee in the amount of 1,000,000 (one million) soms;
- ▶ The bidder should perform gold refining in the Kyrgyz Republic and other conditions;
- ▶ The winner of the tender is determined by evaluating the submitted documents and information. The winner of the tender is the participant with the highest score. The documents are evaluated by the tender commission according to the following criteria by scoring system:

№	The name of the criterion	Points
1	The quality of the submitted program for the development of the Terekkan gold, Perevalnoe gold deposits and the Terek gold-antimony deposit (with the exception of block 17), including its compliance with the requirements established by these Terms	Up to 5 points
2	The quality of the presented exploration program, including its compliance with the requirements established by these Terms	Up to 3 points
3	Financial possibilities for the development of deposits (own and borrowed funds)	Up to 3 points
4	The volume (amount) of funds allocated to the social package in excess of the amount specified in subparagraph 8 of paragraph 13 of these Terms	Up to 3 points
5	The shortest period of commissioning of mineral deposits, after obtaining the subsoil use rights	Up to 18 months - 5 points, up to 30 months - 2 points
6	Construction of a gold-extracting factory	gold-extracting factory – 5 points, manual extracting - 20 points

№	The name of the criterion	Points
7	The construction of technological road at Perevalnoe and Terekkan fields	up to 12 months - 6 points; up to 6 months - 10 points
8	Construction of the power line	up to 6 months - 10 points; up to 12 months - 5 points
9	Free of charge transfer to the Kyrgyz Republic of a share in the authorized capital of the legal entity - the future licensee	for every 10 percent - 10 points

3. Aqart Deposit

The following conditions and the tender procedures were fixed by the Order of the Government of the Kyrgyz Republic of March 30, 2016 No. 132-p:

- ▶ The rights to develop the Aqart white marble deposit are granted for a period of 20 years, with subsequent extension in accordance with the technical project, if the tender winner complies with the licensing conditions;
- ▶ The bidder must pay the price for the subsoil use right of the tender object in the amount specified in the corresponding application for participation in the tender, but not less than USD 412,000 (four hundred and twelve thousand);
- ▶ Not later than 1 (one) year from the date of the license issue, the bidder should facilitate preparation and coordination with the authorized state bodies of the technical project for the development of Aqart white marble deposit with positive expert opinions on industrial, environmental safety and preservation of subsoil;
- ▶ The bidder must build a plant for processing extracted materials using stone-cutting equipment not later than 3 months from the date of approval with the authorized state bodies and relevant departments of the technical project for the development of the field.
- ▶ The bidder must ensure the commissioning of the processing plant for extracted materials with the use of stone-cutting equipment into industrial operation within the declared period, which may not exceed 1 year from the date of approval with the authorized state bodies and relevant departments of the technical project for the development of the field.
- ▶ The bidder must attract foreign specialists not more than 10% of the total number of licensee's employees, taking into account contracting and subcontracting organizations.
- ▶ Tender participants must pay a fee for participation in the tender in amount of 100,000 (one hundred thousand) soms
- ▶ The working body of the commission provides each bidder with a package of brief geological information. To participate in the tender, bidders must purchase the

specified package of brief geological information for a fee of 249,758 (two hundred forty-nine thousand seven hundred fifty eight) soms;

- ▶ after determining the winner of the tender, he is given a package of geological information worth of 460,822 (four hundred sixty thousand eight hundred twenty-two) som (including the cost of a package of brief geological information). The cost of this package is included in the final price for the subsoil use right of the tender object and other conditions;
- ▶ The winner of the tender is determined by evaluating the submitted documents and information. The winner of the tender is the bidder with the highest score. The documents are evaluated by the tender commission according to the following criteria by scoring system:

	Name of the criterion	Points
1	The quality of the submitted program for the development of white marble deposits of Aqart, including its compliance with the requirements established by these Terms	Up to 3 points
2	Proposals for the application of modern technologies for the exploration of mineral deposits, mining and processing of mineral resources, ensuring industrial safety, environmental safety, protection and rational use of mineral resources	Up to 10 points
3	Financial possibilities for the development of Aqart deposit of white marble (own and borrowed funds)	Up to 5 points
4	The volume (amount) of funds allocated to the social package specified in subparagraph 9 of paragraph 13 of these Terms, in excess of the amount	Up to 3 points
5	Exceeding the minimum threshold for the subsoil use right of the tender object	1 point for each subsequent 10,000 (ten thousand) US dollars paid in excess of the established amount of payment for the right to use the subsoil of the tender object
6	The start date of the development of the field, as well as the construction of infrastructure facilities	Up to 6 months - 6 points; during the year - 4 points
7	Free of charge transfer to the Kyrgyz Republic of a share in the authorized capital of a legal entity - the future licensee	For every 10 percent - 5 points

4.5.6 Description of the Kumtor Mine Agreement

The Kumtor mine was discovered in 1978 in the Kyrgyz Republic. The main reserves and resources of the field are located on the site "Central". There are also eight (8) flank perspective areas: "South-West", "Sary-Tor", "North-East", "Davydov Glacier", "Lysy Glacier", "Akbel-Boordu", "Akbel-Yuzhny", "Kumtor-Irtash interfluve"¹⁹⁸. Taking into account the flanks, the Kumtor deposit, according to local experts, had a potential gold volume of 953 (nine hundred and fifty-three) tons.

On December 4, 1992, the Government of the Kyrgyz Republic, the Kyrgyz state concern Kyrgyzaltyn and the Canadian Cameco Corporation concluded the General Agreement on the Kumtor field. In accordance with the General Agreement, Kumtor Gold Company CJSC was established, 2/3 (two thirds) of whose shares belonged to the Government of the Kyrgyz Republic (through Kyrgyzaltyn state concern), and 1/3 (one third) to the Canadian corporation Cameco Corporation.

On April 24, 2009, in the process of restructuring the Kumtor project, the Agreement on New Terms¹⁹⁹ was signed. On June 6, 2009, pursuant to the Agreement on New Terms, further agreements were concluded, including the Revised Investment Agreement and the Revised Concession Agreement, which were approved by the Government of the Kyrgyz Republic on June 5, 2009 No. 355. The main provisions of these agreements were the following:

- ▶ Cameco Corporation placed 25.3 (twenty five point three) million shares of Kyrgyzaltyn OJSC in its escrow account from its stake in Centerra Gold Inc., and Centerra Gold Inc. issued in favor of Kyrgyzaltyn OJSC treasury shares in the amount of 18.2 (eighteen point two) million. As a result, the percentage of Kyrgyzaltyn shares in Centerra Gold Inc. increased from 15.66% (fifteen-sixty-six hundredth) percent to 32.75% (thirty-two whole seventy-five) percent²⁰⁰.
- ▶ The Kumtor Gold Company concession area has been significantly expanded²⁰¹.
- ▶ The stabilization of the legislation of the Kyrgyz Republic was provided for, except for certain areas²⁰².
- ▶ A new tax regime was envisaged for the Kumtor project, according to which the project companies (Kumtor Gold Company and / or Kumtor Operating Company) from January 1, 2008 until the termination of the Revised Concession Agreement²⁰³:
 - must pay the following basic taxes and payments: tax on gross income in amount of 13% (thirteen) percent, annual amount in amount of 4% (four) percent of gross income minus documented investments and expenses for geological exploration, contribution to the Issyk-Kul Development Fund of the Kyrgyz Republic in amount of 1% (one)

¹⁹⁸ 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

¹⁹⁹ Available in the electronic legislation database of the Ministry of Justice <http://cbd.minjust.gov.kg/>

²⁰⁰ Clause 2.1 of the New Terms Agreement. In 2016, the share was reduced to 26.6%, see Section 4.4.4.

²⁰¹ Appendix 1 of the Revised Concession Agreement between the Government of the Kyrgyz Republic on behalf of the Kyrgyz Republic and Kumtor Gold Company CJSC, approved by resolution of the Government of the Kyrgyz Republic on the approval of draft agreements and contracts arising from the Kumtor Agreement on New Conditions as of June 5, 2009 N 355 (hereinafter - "Revised Concession Agreement")

²⁰² Clause 6.2. Revised investment agreement between the Government of the Kyrgyz Republic on behalf of the Kyrgyz Republic, Centerra Gold Inc., Kumtor Gold Company CJSC and Kumtor Operating Company CJSC, approved by the Government Decree on the approval of draft agreements and contracts arising from the Agreement on new project conditions Kumtor No. 355 of June 5, 2009 (hereinafter referred to as the "Revised Investment Agreement")

²⁰³ Clause 5.1 of the Revised Investment Agreement.

percent of gross income, annual pollution charge in the amount of 310 (three hundred ten thousand) thousand US dollars²⁰⁴;

- are exempt from paying all other current and future taxes and payments in respect of activities subject to the new tax regime, with the exception of taxes and other payments that are provided for and payable according to the 2009 Kumtor Agreements.

On September 11, 2017, the Strategic Agreement on Environmental Protection and Investment Development was concluded between Centerra (together with its subsidiaries, Kumtor Gold Company and Kumtor Operating Company) and the Government of the Kyrgyz Republic (hereinafter referred to as the Strategic Agreement), which, among other things, establishes the following conditions²⁰⁵:

- ▶ Preservation of the above agreements from 2009 regulating the activities of the Kumtor project, including the tax and fiscal regime;
- ▶ Full and final refusal and closure by the Government of the Kyrgyz Republic of all current and future (for the same reasons) arbitration and environmental claims and claims against the above legal entities, including but not limited to:
 - Claims from the State Inspectorate for Technical and Environmental Safety for improper disposal of waste rock (about USD 96.6 million) and unrecorded wastewater of the treatment plants (about USD 9.6 million);
 - Claims for land damage (about \$ 2.3 million) and non-payment for water use (about \$ 2.7 million);
 - Criminal proceedings regarding the issues raised by the above lawsuits;
 - The trial initiated by the Prosecutor General's Office of the Kyrgyz Republic on the abolition of land use rights in the concession area of the Kumtor deposit. On August 28, 2017, the Bishkek Interdistrict Court terminated this trial and Centerra received new rights to use it on January 24, 2019;
 - Trial regarding additional taxation of Kumtor Gold Company for highland surcharges paid to employees working at the field. In December 2018, a local court approved lawsuit from Kumtor Gold Company for the annulment of this charge.
 - Investigation by the General Prosecutor's Office of the Kyrgyz Republic, launched in June 2016 regarding the legality of the agreements on the Kumtor project concluded in 2003, 2004 and 2009.
- ▶ Kumtor Gold Company agreed to:
 - Pay USD 50 million to the Public Fund “Fund for the Development of Nature” managed by the Government of the Kyrgyz Republic, as well as USD 7 million to the Public Fund “Foundation for Support of Cancer Aid” (hereinafter the “Cancer Fund”). These USD 7 million were transferred in 2017.;

²⁰⁴ Article 5.3, Clause d of the Revised Investment Agreement

²⁰⁵ According to the annual financial statements of Centerra for 2018 and 2017

<https://www.centerragold.com/investor/financials>

- Within 12 months after the execution of the Strategic Agreement, make a further payment of USD 3 million to the Cancer Fund;
- Make annual payment of USD 2.7 million to the Nature Development Fund, subject to continued implementation of the Strategic Agreement by the Government of the Kyrgyz Republic;
- Accelerate the annual replenishment of the Trust Fund for the recultivation of the field up to USD 6 million per year until the total amount of the fund reaches USD 69 million (the current estimated cost of recultivation, scheduled for 2026). The amount reserved by Centerra on the deposit for this Trust Fund as of December 31, 2017 amounted to USD 26.4 million.

The execution of the above Strategic Agreement was postponed several times by agreement of all parties (most recently until May 31, 2019). Due to this fact, Centerra and its subsidiaries also postponed their previously initiated international arbitration claims against the Government of the Kyrgyz Republic and Kyrgyzaltyn JSC until May 31, 2019²⁰⁶.

4.5.7 Register of licenses and license agreements

According to the EITI 2.4 (c) standard, there is a requirement to disclose the full text of the license for the right to extract minerals. Most of the information contained in the license for the right to extract minerals is published on the SCIESU portal www.gkpen.on.kg.

- ▶ License / application number, date of issue, validity period;
- ▶ Name of the object;
- ▶ Subsoil user;
- ▶ PIN / OKPO;
- ▶ The location of the object, region, district;
- ▶ The number and term of the license agreement.
- ▶ Type of mineral;
- ▶ Type of subsoil use;
- ▶ Mineral;
- ▶ Size of the area;
- ▶ Subsoil user contact details;
- ▶ Coordinates.

²⁰⁶ According to preliminary estimates of these arbitration claims, Kyrgyzstan may be required to pay about USD 2 billion. <https://rus.azattyk.org/a/kyrgyzstan-kumtor-isakov/29174680.html>

In order to improve the progress of the Kyrgyz Republic on the disclosure of information about licenses, it is advisable to publish on the portal of the SCIESU a scanned version of the original license for the right to use subsoil.

According to clause 12-1 of the Regulations on the procedure for licensing subsoil use (GKR Resolution as of December 14, 2012 N 834), information on licensed and free subsoil use objects is posted on the official website of the authorized state body for the implementation of state policy on subsoil use.

On the SCIESU portal information on existing licenses is published²⁰⁷. However the published information on licenses does not meet the requirements laid down in Art. 32 of the Law of the Kyrgyz Republic "On Subsoil" in the part of information about the date of changes and additions to the license (2.4. (C)).

In the part of the license agreement, as an integral part of the license for the right to use subsoil, the following information is missing on the SCIESU portal:

- ▶ purpose of work;
- ▶ the procedure and conditions for the use of mineral resources;
- ▶ information on the pledge of license to use the subsoil as collateral;
- ▶ reporting deadlines.

Also, according to the EITI Standard (2.3.b.iii), disclosure of the application date for obtaining a license to use subsoil is required. Information on the date of application for obtaining a license for the right to use subsoil resources is disclosed on the SCIESU portal.

4.6 Information on beneficial participation in extractive projects

Legislative reforms on beneficial ownership

The Law of the Kyrgyz Republic "On Subsoil" introduced the definition of beneficiary, the compulsory nature of annual public reporting on beneficial ownership, as well as punishment in the form of termination of the subsoil use rights in case of failure to provide information or provide false information about the beneficiaries. The mentioned amendments to the Law came into force on June 29, 2018.

In addition, at the request of the State Committee for Industry, Energy and Subsoil Use of the Kyrgyz Republic to support the preparation of amendments to relevant regulations and instructions, the European Bank for Reconstruction and Development (EBRD) supported the work on the preparation of secondary legislation to the aforementioned draft law by Kalikova & Associates law firm on September 22, 2018

Within the framework of this project, the consultant, in close cooperation with the State Committee, develops amendments to the relevant bylaws, including the procedure for submitting data, the reporting

²⁰⁷ <http://www.gkpen.on.kg/Licenses/Licenses/LicensesList?isLicense=True>

form on beneficial ownership, and instructions for filling it out. After the adoption of the changes, training will also be held for representatives of the private sector to provide information on beneficiaries.

Reward for progress

On October 23, 2017, the Kyrgyz Republic received award for “Progress in implementing beneficial ownership” of the EITI during the International Conference on Beneficial Law in Jakarta, Indonesia during October 23-24, 2017. The Chairman of the International EITI Board Frederick Reinfeldt handed over the main EITI award to the EITI National Coordinator in the Kyrgyz Republic, Chairman of the State Committee, Ulanbek Ryskulov.

Among 52 EITI countries, the United Kingdom, Ghana, Ukraine received honorable mentions.

The Kyrgyz Republic, in particular, was noted for adopting in the third reading the draft Law of the Kyrgyz Republic “On Subsoil” initiated by the chairman of the Fuel and Energy Complex and Subsoil Use Committee of the Jogorku Kenesh, deputy K. Ryspaev, which provides for mandatory reporting on the beneficiary.

Public participation in the implementation of beneficial ownership principles

When drafting amendments to the Law of the Kyrgyz Republic “On Subsoil”, members of the Jogorku Kenesh, SCIESU, civil society organizations, representatives of the business community and members of the EITI Implementation Supervisory Board in the Kyrgyz Republic (hereinafter “the National Assembly”) were invited to discuss the introduction of beneficial ownership in the Kyrgyz Republic. Following the consultations with each of the parties mentioned, the consultant-law firm Kalikova & Associates developed and submitted relevant proposals for amendments to the Law and by-laws.

Moreover, with the support of the EBRD, the UK Department for International Development (DFID), a number of activities on beneficial ownership were held for members of the National Assembly, civil society organizations and journalists in Bishkek:

- ▶ On November 14, 2016, representatives of the EITI International Secretariat and Kalikova & Associates discussed with members of the National Assembly and interested parties the issue of integrating beneficial ownership in the institutional and legal framework in the Kyrgyz Republic;
- ▶ On December 16, 2016, training on tools for disclosing information about beneficial owners in the mining industry gathered 13 representatives of civil society in the mining industry and journalists to explore the existing opportunities for disclosing company owners in the Kyrgyz Republic;
- ▶ On March 16-17, 2017, during practical training for journalists “Using information on beneficial ownership in the Kyrgyz Republic: local and world practice”, representatives of more than 15 key media in the mining industry were trained for skills of investigative journalism by international experts from Ukraine and the UK.
- ▶ On September 21, 2018, a round table on the disclosure of beneficial owners in the mining industry was held at SCIESU with participation of the private sector representatives from the International Business Council, members of the National Assembly, Kalikova & Associates. Representatives of “Open Ownership” informed the parties about the experience of disclosure of owners in the UK and gave recommendations on the development of the legal framework.

- ▶ On January 31, 2019 and April 30, 2019, the SCIESU reviewed the draft bylaws on beneficial ownership with participation of all subordinate departments of the SCIESU to discuss proposed reforms and dialogue on possible obstacles and ways to solve them with Kalikova & Associates.

In addition, with the support of DFID, a Communication Strategy for the Promotion of Beneficial Law was also developed. During the development of the strategy, members of the EITI supervisory board and stakeholders also discussed the implementation of beneficial ownership, presenting possible benefits for the Kyrgyz Republic. It is expected that the implementation of the strategy activities will contribute to further intensifying the debate on the disclosure of beneficial ownership.

Preventing obstacles and owners disclosing risks using international experience

It is worth noting that the introduction of beneficial law was initially greeted by some concern of the business community. In particular, business representatives were disturbed by the possible resource nationalism and there was some criticism from companies about existence of many opportunities to conceal owners, including through offshore companies.

At the request of business representatives, with the support of DFID, a risk analysis of beneficial ownership implementation in the Kyrgyz Republic was conducted²⁰⁸. Companies, legal entities, government agencies were interviewed for the study. The study identified the main risks and ways to overcome them. At the presentation of the study, the parties agreed that there are no insurmountable risks of implementation.

Also, based on the experience of the UK and Ukraine in the implementation of beneficial ownership, experts from Open Ownership presented the study²⁰⁹ entitled “Implementing the principles of beneficial ownership transparency in the extractive industries of the Kyrgyz Republic. Preliminary conclusions and recommendations”. This study indicates and prevents the risks that the KR may face in legal and technical aspects when disclosing beneficial owners in the KR.

Beneficiaries of disclosing entities

No information on the list of companies participating in the EITI reporting including beneficial owners with a stake of 5% 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 2015-2017, under the approved form (see Annex 5). Forms to be filled-out by extracting companies were sent to 14 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% share and higher. If the beneficial owner is a politically exposed person their share must be disclosed irrespective of the size of the share.

2 companies out of 14 companies responded to the request for information about beneficial interest. In addition, information on shareholders' interest was provided by 1 company.

²⁰⁸ https://keitiweb.files.wordpress.com/2017/05/eiti_bo-disclosure-risks-analysis-kyrgyz-republic.pdf

²⁰⁹ <https://www.openownership.org/uploads/opo-kyrgyz-republic-scoping-report-russian.pdf>

<https://www.openownership.org/uploads/opo-kyrgyz-republic-scoping-report.pdf>

The detailed results of collecting of information from companies on beneficiaries are provided in the table on the following pages. The register of licenses contains reference to the registration of the company with the Ministry of Justice of the Kyrgyz Republic, where legal owners are indicated. The following table is compiled based on the open data of the Ministry of Justice of the Kyrgyz Republic <https://register.minjust.gov.kg/register/SearchAction.seam;?number=&tin=00808201710222&fullnameRu=&logic=or&okpo=29277567> as of May 13, 2019, and also on the basis of data provided by the EITI Supervisory Board and SCIESU upon request.

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 Subsoil 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).

Table 4.6a - Information on beneficiaries of Extractive Industry Companies

№	Company name	Unique identification number	Government / Private Legal Entity	Shareholders	% of participation	Name of the beneficiary	Information on how ownership is controlled				Acquisition date of beneficial ownership	Additional comments
							By shares		By % voting rights			
							number of shares (pcs)	% of shares	% direct voting rights	% of indirect voting rights		
1	CJSC Kumtor Gold Company	01602199310040	private legal entity	Centerragold Inc	100%	-*	-*	-*	-*	-*	-*	Toronto Stock Exchange (TSX) http://www.tsx.com/
2	Altynken LLC	00504200610034	private legal entity	OJSC Kyrgyzaltyn	40%	-*	-*	-*	-*	-*	-*	Kyrgyz Stock Exchange (KSE) https://www.kse.kg/ru/PublicInfo/JSC_Kyrgyzaltyn
2	Altynken LLC	00504200610034	private legal entity	SUPERB PACIFIC LIMITED (PRC)	60%	-*	-*	-*	-*	-*	-*	-*
3	OJSC Kyrgyzaltyn	02403199310039	Government	State property fund	100%	State property fund	9,641,239	100%	-*	-*	-*	Kyrgyz Stock Exchange (KSE) https://www.kse.kg/ru/PublicInfo/JSC_Kyrgyzaltyn
4	JSC Kyrgyzneftegaz	00101199610251	Government	State property fund	85,2%	-*	-*	-*	-*	-*	-*	-*
4	JSC Kyrgyzneftegaz	00101199610251	Government	Social fund KR	3,92%,	-*	-*	-*	-*	-*	-*	-*
	JSC Kyrgyzneftegaz	00101199610251	private legal entity	individuals	10,92 %	-*	-*	-*	-*	-*	-*	-*
5	KAZ Minerals Bozymchak LLC	02606200310117	private legal entity	Kitko Bi Vi LLC	100%	-*	-*	-*	-*	-*	-*	London Stock Exchange (LSE) http://www.londonstockexchange.com/exchange/prices-and-

№	Company name	Unique identification number	Government / Private Legal Entity	Shareholders	% of participation	Name of the beneficiary	Information on how ownership is controlled				Acquisition date of beneficial ownership	Additional comments
							By shares		By % voting rights			
							number of shares (pcs)	% of shares	% of direct voting rights	% of indirect voting rights		
												markets/stocks/summary/company-summary/GB00B0HZPV38GBGBXSTMM.html?lang=en
6	Gornaya investitsionnaya kompaniya Kaidi LLC	00810200810129	private legal entity	Tianyun Mining Development Company" in Anhui LLC	100%	-*	-*	-*	-*	-*	-*	-*
7	Vertex Gold Company LLC	01609200310175	private legal entity	VERTEX HOLDING LLP	19%	-*	-*	-*	-*	-*	-*	-*
7	Vertex Gold Company LLC	01609200310175	private legal entity	Kurkanin Feder Fedorovich	81%	-*	-*	-*	-*	-*	-*	-*
8	Eti Bakir Tereksay LLC	01610201510143	private legal entity	JSC Eti Bakir	75%	-*	-*	-*	-*	-*	-*	-*
8	Eti Bakir Tereksay LLC	01610201510143	private legal entity	OJSC Kyrgyzaltyn	25%	-*	-*	-*	-*	-*	-*	Kyrgyz Stock Exchange (KSE) https://www.kse.kg/ru/PublicInfo/JSC_Kyrgyzaltyn
9	CJSC Kichi-Charat	01709199810150	private legal entity	TUN-LIN LLC	100%	-*	-*	-*	-*	-*	-*	-*
10	Full Gold Mining LLC	00706200710162	private legal entity	"Investment Company" Linsi" LLC	8%	-*	-*	-*	-*	-*	-*	-*

№	Company name	Unique identification number	Government / Private Legal Entity	Shareholders	% of participation	Name of the beneficiary	Information on how ownership is controlled				Acquisition date of beneficial ownership	Additional comments
							By shares		By % voting rights			
							number of shares (pcs)	% of shares	% direct voting rights	% of indirect voting rights		
10	Full Gold Mining LLC	00706200710162	private legal entity	JSC Lingbao Huangqing	82%	-*	-*	-*	-*	-*	-*	-*
10	Full Gold Mining LLC	00706200710162	private legal entity	China corporation for the construction of roads and bridges	10%	-*	-*	-*	-*	-*	-*	-*
11	Palladex KR LLC	00702200710370	private legal entity	LLC Lingbao Huangqing	70%	-*	-*	-*	-*	-*	-*	-*
11	Palladex KR LLC	00702200710370	private legal entity	Investment Company" Linsi " LLC	30%	-*	-*	-*	-*	-*	-*	-*
12	CJSC South Kyrgyz Cement	02306200510026	private legal entity	NETNIX LIMITED LLC (KR citizen Dorokhov Alexey Vladimirovich)	100%	-*	-*	-*	-*	-*	-*	-*
13	Energoresursy Sredney Azii	01901201310031	private legal entity	Zhang Daofu	49%	-*	-*	-*	-*	-*	-*	-*
13	Energoresursy Sredney Azii	01901201310031	private legal entity	Chiang Fenjin	51%	-*	-*	-*	-*	-*	-*	-*
14	Parity Coal LLC	03001200410044	private legal entity	Primov Berdibay	100%	-*	-*	-*	-*	-*	-*	-*

*- data not provided.

4.7 Key industry indicators

4.7.1 Mineral Production in the Kyrgyz Republic

Mining is a key component of the industrial complex of the Kyrgyz Republic. The contribution of the extractive industry (excluding intermediate consumption of products of other industries) to the country's GDP amounted to about 10% in 2017. In 2016, the share of the extractive industry in GDP was 11%, and its growth was provided by the mining and production of precious metals.

Share of mining industry in GDP and industrial production of the Kyrgyz Republic²¹⁰

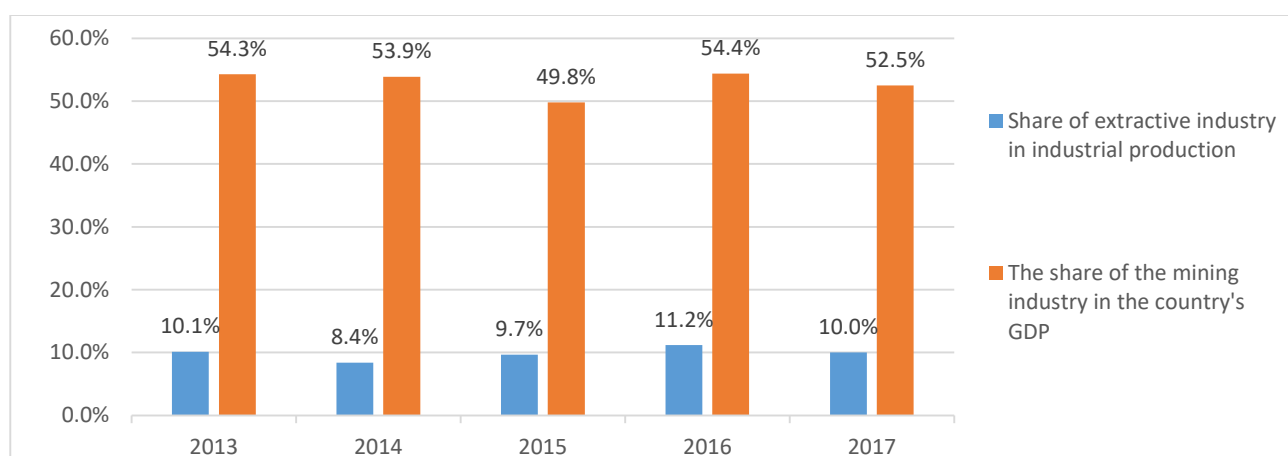


Table 4.7.1a - Mining by type for the period 2015-2017²¹¹.

Position	2015		2016		2017		2018	
	million som	% of total	million som	% of total	million som	% of total	million som	% of total
Metals extraction and production ²¹²	82 213	91.2%	101 327	88.8%	106 740	85.6%	111 285	84.9%
Metallic ore extraction ²¹³	2 687	3.0%	7329	6.4%	11 947	9.6%	11 925	9.1%
Coal and lignite extraction	2 195	2.4%	2 094	1.8%	2 269	1.8%	2 894	2.2%
Crude oil and natural gas extraction	2 336	2.6%	2 694	2.4%	3 079	2.5%	4 102	3.1%
Other minerals extraction	696	0.8%	625	0.6%	612	0.5%	891	0.7%
Total extractive industry	90 126	100.0%	114 069	100.0%	124 647	100.0%	131 097	100.0%

Calculation of the share of GDP

²¹⁰ According to data collected by the EITI Secretariat from the National Statistics Committee for the EITI Report for 2015-2017. Data for 2013-2014 were taken from the 2013-2014 EITI Report.

²¹¹ Calculated on the basis of data of the National Statistical Committee of the Kyrgyz Republic (<http://www.stat.kg>), per section "1.04.01.01 Volume of industrial production by economic activity." The figures for 2018 are preliminary and are given for information.

²¹² According to the classification of the National Statistical Committee, this item is designated as the "Production of basic metals and finished metal products, except for machinery and equipment". It 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.

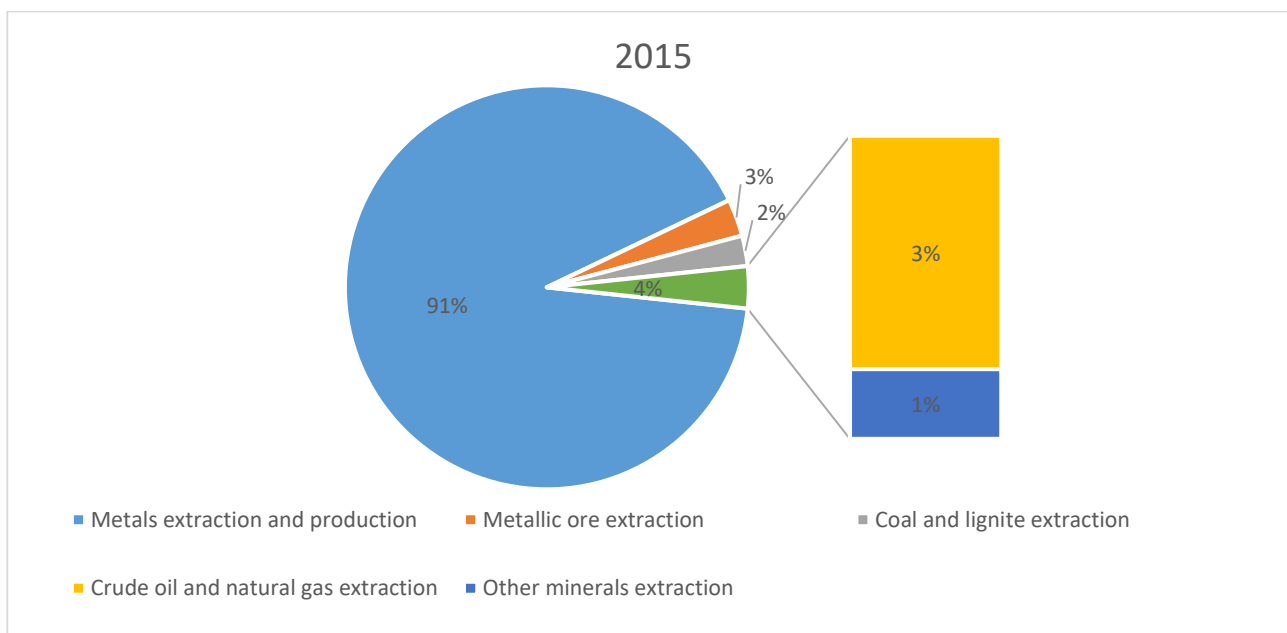
²¹³ According to the classification of the National Statistics Committee, the position "Metals extraction and production" includes organizations whose final product is metal (for example, Kumtor Gold Company). The position "Metallic ore extraction" includes organizations whose final product is metal ore (for example, KAZ Minerals Bozymchak).

Position	2015		2016		2017		2018	
	million som	% of total	million som	% of total	million som	% of total	million som	% of total
Gross value added of mining entities	41 596	9.7%	51 755	10.9%	53 029	10%	_*	_*
Gross domestic product	430 489	100.0%	476 331	100.0%	530 476	100.0%	557 113	100.0%

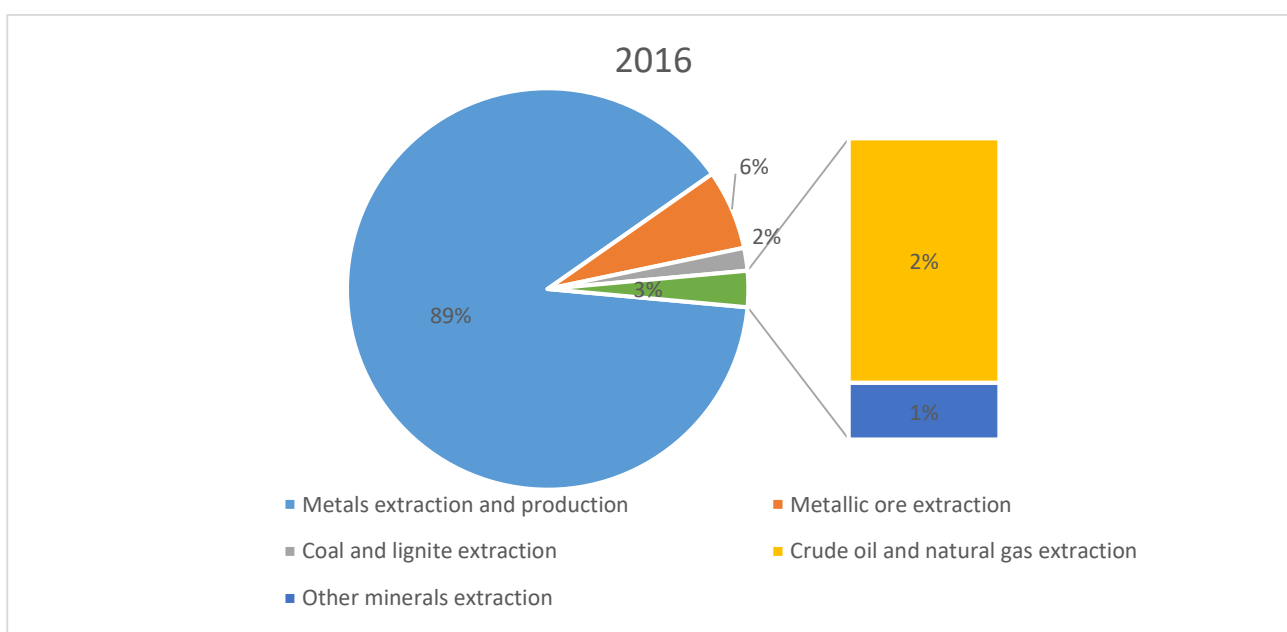
*- no data.

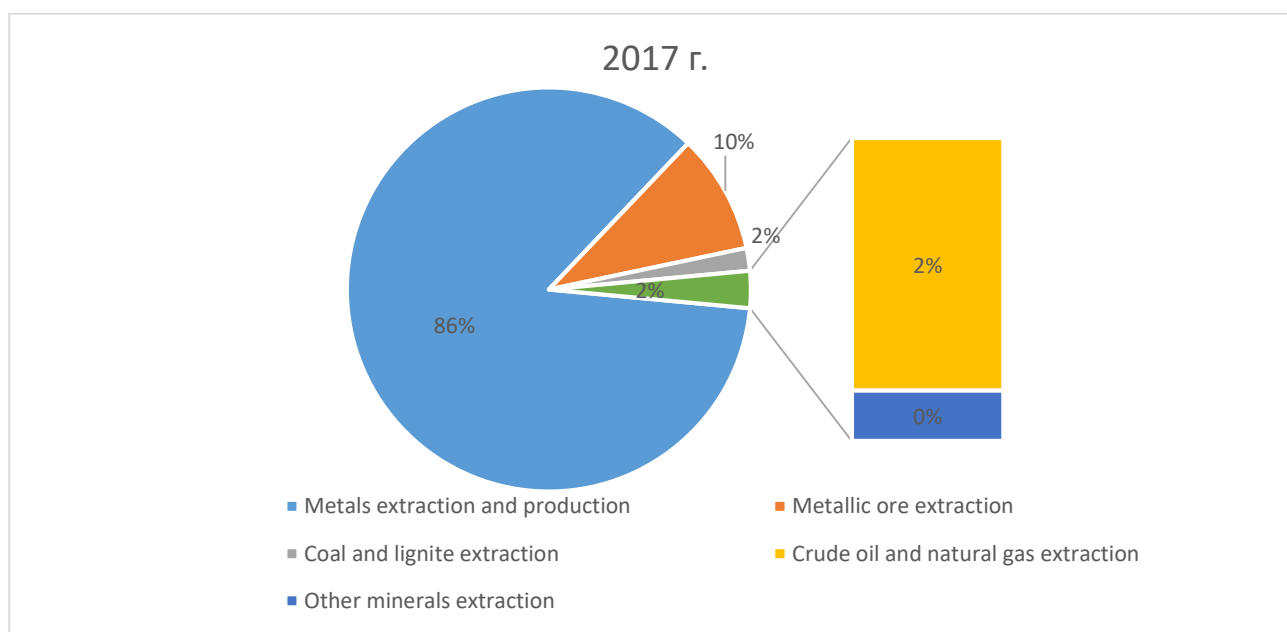
Below is a graphic image of the above table by years:

Breakdown of shares of the extractive industry by types for 2015



Breakdown of shares of the extractive industry by types for 2016



Breakdown of shares of the extractive industry by types for 2017


Information on the production of gold, mining of precious and rare metals is classified as “Top Secret” in accordance with the “List of information to be classified for the National Statistical Committee of the Kyrgyz Republic”. In this regard, as well as due to the lack of data on quantity from the National Statistics Committee, the amount of gold and coal in the table below is indicated according to data collected by the EITI Secretariat from the SCIESU for the 2015-2017 Report. The cost of mining gold and coal is indicated from table 4.7.1a above.

The remaining mineral resources are indicated according to the data collected by the EITI Secretariat from the National Statistics Committee for the 2015-2017 Report.

Table 4.7.1b - Mining of the main types of minerals in 2015-2017²¹⁴

Mineral type	Unit	2015		2016		2017		2018	
		Qty	million soms	Qty	million soms	Qty	million soms	Qty	million soms
Gold	Thousand tons (ore)	7 550	84 900	10 576	108 656	6 456	118 687	8 387	123 210
	kg (metal)	16 160		16 398		17 766		20 403	
Coal	Thousand tons	1 925	2 195	1 794	2 094	1 927	2 269	2 391	2 894
Oil	Thousand tons	69	1 400	86	1 563	111	2 033	208	4 102
Water	Thousand m ³	77 809	500	77 494	529	80 183	548	-*	-*
Sand	Tons	597 111	132	769 747	162	771 309	168	-*	-*
Salts	Tons	4 900	11	8 426	18	3 847	8	-*	-*
Other marble and limestone for construction, monuments and decoration	Tons	89 664	102	98 639	51	181 392	92	-*	-*
Other minerals			886		995		859	-*	891
Total			90 126		114 069		124 664		131 097

²¹⁴ According to data collected by the EITI Secretariat from the SCIEMC and the National Statistics Committee for the 2015-2017 Report. 2018 preliminary figures.

*- no data.

The mining of gold ore by the largest companies is listed below. All of the companies listed below (except TC Geo Resource for 2017) were selected for this EITI Report. Thus, the coverage of the EITI Report on this type of minerals was 99% -100% during 2015-2017:

Table 4.7.1c - Gold ore mining by companies in 2015-2017²¹⁵

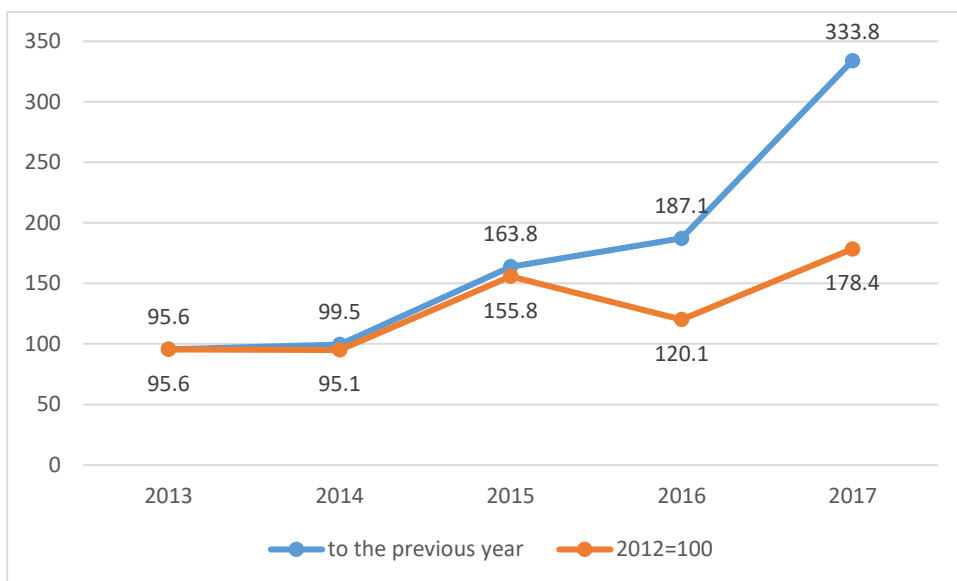
Company	2015		2016		2017	
	thous. tons of ore	% of total	thous. tons of ore	% of total	thous. tons of ore	% of total
Kumtor	6 570	87.02%	8 859	83.76%	4 440	68.78%
Kaz Minerals	448	5.93%	927	8.76%	919	14.23%
Alтынken	189	2.50%	205	1.93%	423	6.56%
Kyrgyzaltyn	208	2.75%	228	2.16%	190	2.94%
Full Gold	101	1.34%	129	1.22%	189	2.93%
Vertex Gold	19	0.26%	128	1.21%	130	2.02%
Kaidi	-	0.00%	24	0.23%	97	1.50%
Geo Resource	15	0.20%	76	0.72%	-*	-*
Subtotal	7 550	100.00%	10 576	100.00%	6 388	98.95%
Other	-	0.00%	-	0.00%	68	1.05%
Total	7 550	100.00%	10 576	100.00%	6 456	100.00%

* no data.

Since 2015, the physical volume of mining has steadily increased. So, in 2017 the volume of mining as compared to the level of 2012 increased by 3.3 times, and as compared to the level of 2016 - by 1.8 times, which was due to the growth of metal ores, crude oil, mining of coal and other minerals production.

²¹⁵ According to data collected by the EITI Secretariat from the SCIEMC for the Report for 2015-2017. The data were given taking into account an error of up to 0.5% of the total for the corresponding year.

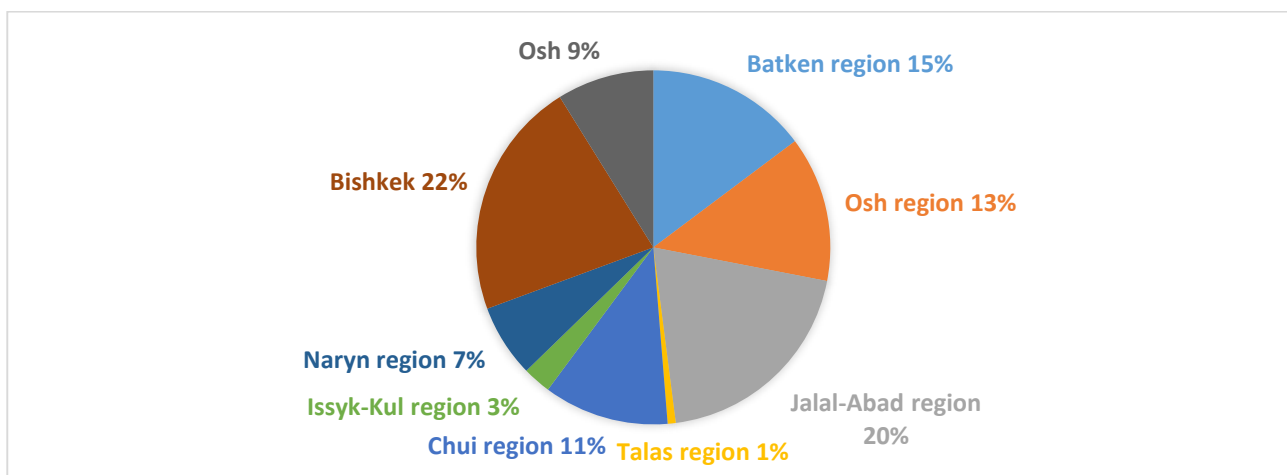
Volume Indices of Mineral Extraction²¹⁶(in percents)



Major mining regions²¹⁷

In 2017, there were 268 entities in the extractive industry of the Kyrgyz Republic, which is 4 entities more than in 2014 (264 entities). As of the end of 2017, the majority of mining entities operated in three regions of the Kyrgyz Republic: Bishkek (22%), Jalalabad oblast (16%) and Batken oblast (15%).

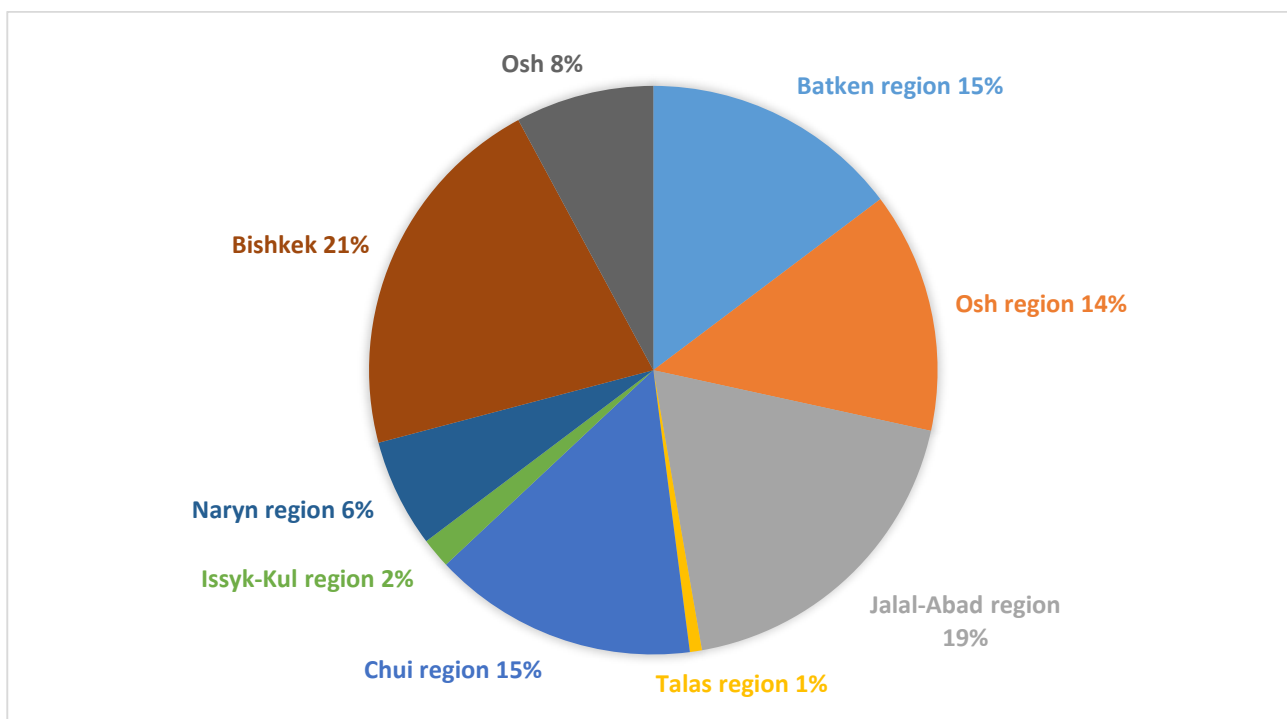
Distribution of the KR extractive industry entities number by regions in 2015



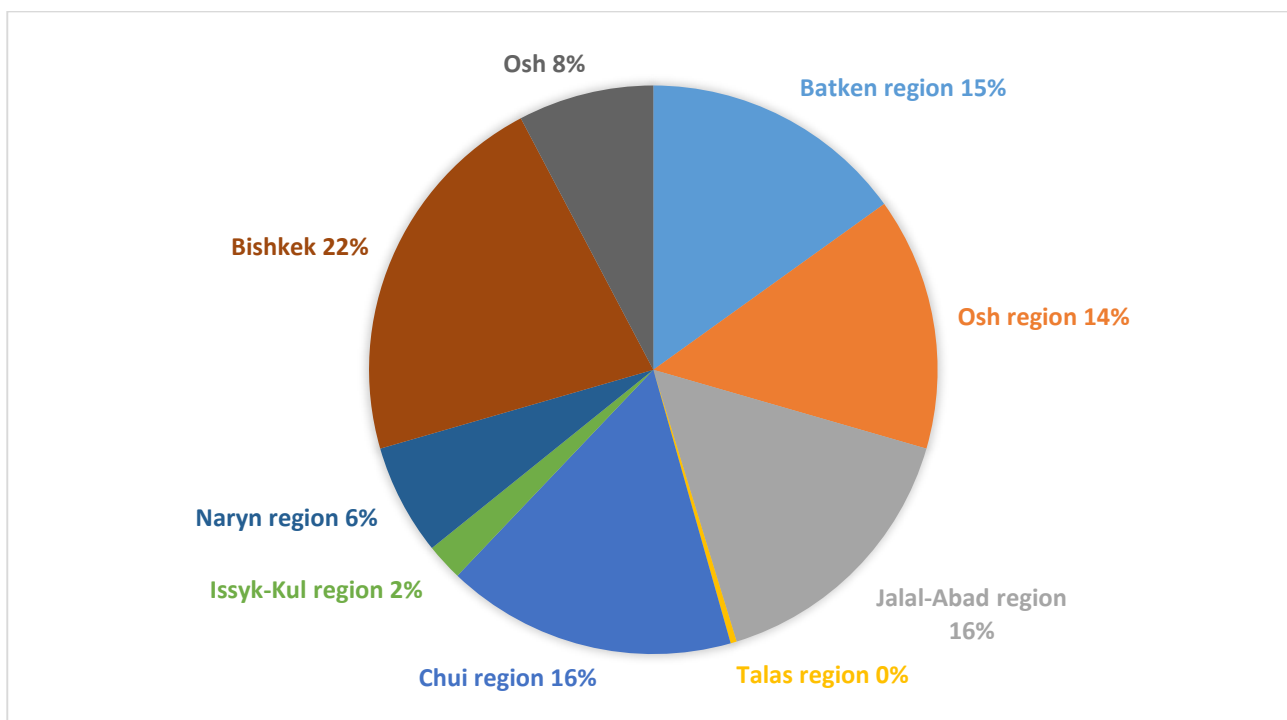
²¹⁶ Annual publication of the National Statistical Committee of the Kyrgyz Republic “Industry of Kyrgyzstan” for 2013-2017 <http://www.stat.kg/ru/publications/>

²¹⁷ *ibid*

Distribution of the KR extractive industry entities number by regions in 2016



Distribution of the KR extractive industry entities number by regions in 2017



It should be noted that the above distribution is based on the place of state registration of the legal entity, and not at the place of the actual operations. In fact, in the country, the main operating mining

activities in 2015-2017 were concentrated in Issyk-Kul oblast (Kumtor deposit), Chui oblast (Taldy-Bulak deposit) and Jalalabad oblast (Bozymchak deposit). Below is a breakdown of gold production, based on the above data (Table 4.7.1c) for ore mining by location of the deposits of the first three large companies. The volume of output is based on the average world price for 1 kg of gold, shown in Table 4.7.5b:

Table 4.7.1d - Production breakdown by region

Region	2015		2016		2017	
	production volume, kg	production volume, thous. USD	production volume, kg	production volume, thous. USD	production volume, kg	production volume, thous. USD
Issykkul	14 062	524 446	13 735	552 411	12 219	493 816
Jalalabad	958	35 739	1 436	57 774	2 528	102 166
Chuy	404	15 067	316	12 729	1 165	47 098
Other	735	27 422	910	36 603	1 853	74 884
Total	16 160	602 673	16 398	659 516	17 766	717 965

4.7.2 Major deposits and mineral reserves

Mineral resources are of great importance for the economy of the Kyrgyz Republic. As of January 1, the following types of minerals²¹⁸ are listed on the State Balance of Minerals of the Kyrgyz Republic:

Table 4.7.2a - State balance of minerals for 2015-2017

№	Mineral Types	Unit measure.	2012	2013	2014	2015	2016	2017
ORE MINERAL RESOURCES								
1	Gold	Kg	565 818	575 098	699 254	690 611	694 444	672 547
2	Silver	T	485	619	605	593	609	695
3	Mercury	T	10 511	10 504	39 895	40 735	40 311	40 311
4	Copper	Thsd. tn	315	637	626	627	653	649
5	Iron	Thsd. tn	944	917	846	846	549	549
6	Antimony	T	263 968	263 968	263 968	263 968	265 622	265 622
7	Plumbum	Thsd. tn	30	30	30	30	41	41
8	Zinc	Thsd. tn	18	18	18	18	25	25
9	Rare earth	Thsd. tn	52	52	52	52	52	52
10	Molybdenum	T	2 523	2 523	2 523	2 523	2 523	2 523
11	Bismuth	T	5 082	5 082	5 082	5 082	5 083	5 083
12	Arsenic	T	65 200	65 200	65 200	65 200	65 200	65 200
13	Fluorspar (Fluorite)	Thsd. tn	2 282	2 282	2 282	2 282	2 282	2 282
14	Tin	T	186 761	186 761	186 761	186 761	186 761	186 761
15	Tungsten	T	117 233	117 233	117 233	117 233	117 233	117 233
16	Aluminum	Thsd. tn	—*	—*	42 101	42 101	42 101	42 101
17	Manganese	T	—*	49 403	49 403	49 403	48 918	48 918
18	Titanium Magnetite	Thsd. tn	—*	—*	—*	1 606	1 606	1 606
19	Thorium	T	—*	—*	—*	8 500	8 500	8 500

²¹⁸ The state balance of mineral reserves at December 31, 2017, provided by the State Committee for Industry, Energy and Subsoil Use.

№	Mineral Types	Unit measure.	2012	2013	2014	2015	2016	2017
20	Uranus	T	—*	—*	—*	3 519	3 519	3 519
21	Phosphorus	T	—*	—*	—*	10 121	10 121	10 121
22	Zirconium	Thsd. tn	—*	—*	—*	34	34	34
NON-METAL MINERAL RESOURCES								
1	Barit	Thsd. tn	8	8	110	105	113	109
2	Wollastonite	Thsd. tn	2 901	2 899	2 899	2 899	2 899	2 843
3	Gypsum	Thsd. tn	40 208	40 059	39 962	40 344	43 262	44 208
4	Humins	Thsd. tn	15	15	15	15	15	15
5	Kaolin	Thsd. tn	—*	—*	50	50	10	739
6	Expanded clay, agloporite	Thsd. m3	110 270	110 270	110 270	110 270	110 270	110 270
7	Silica feedstock	Thsd. tn	25 884	26 007	25 979	27 184	27 168	27 139
8	Mineral wool	Thsd. m3	1 398	1 397	1 396	1 396	1 396	1 396
9	Oil geological	Thsd. tn	101 304	107 044	106 963	107 504	107 359	—*
9	Oil recoverable	Thsd. tn	13 143	14 377	14 296	14 205	14 059	13 889
10	Natural combustible gases geological	mln m ³ St+Gsh	7 262	7 453	7 423	7 811	7 896	—*
10	Natural combustible gases recoverable	mln m ³ St+Gsh	—*	—*	—*	357	454	—*
10	Natural combustible gases geological	mln m ³ P	757	757	754	821	820	—*
10	Natural combustible gases recoverable	mln m ³ P	16	16	16	71	70	—*
11	Butane	Thsd. tn	9	9	9	9	9	—*
12	Helium	Thsd m ³	1 482	1 482	1 482	1 474	1 474	—*
13	Condensate geological	Thsd. tn	1 123	1 123	1 123	1 123	1 123	—*
13	Condensate recoverable	Thsd. tn	375	375	375	375	375	—*
14	Propane	Thsd. tn	13	13	13	13	13	—*
15	Ethane	Thsd. tn	12	12	12	12	11	—*
16	Coating raw materials	Thsd. m3	44 474	44 430	50 428	51 859	54 070	54 158
17	Sand and Gravel compound	Thsd. m3	500 663	515 773	517 975	529 274	544 890	312 293
18	Sulfur Pyrite	Ore Thsd. tn	8 592	8 592	8 592	8 592	8 592	8 592
18	Sulfur Pyrite	Sulfur Thsd. tn	2 547	2 547	2 547	2 547	2 547	2 547
19	Muscovite mica	Raw mica in Tons	1 432	1 432	1 432	1 432	1 432	1 432
20	Salt stone	Thsd. tn	31 945	32 699	32 699	32 691	32 691	32 694
21	Building limestone	Thsd. tn	126 913	126 825	128 464	40 274	57 088	58 265
22	Building stone	Thsd. m3	101 294	101 200	101 189	101 156	101 162	103 289

№	Mineral Types	Unit measure.	2012	2013	2014	2015	2016	2017
23	Construction sand	Thsd. m3	73 826	73 636	74 918	74 773	75 567	75 793
24	Loam	Thsd. m3	267 245	268 430	270 533	290 620	301 843	304 659
25	Technological raw materials	Ore Thsd. tn	665	665	665	665	665	665
25	Technological raw materials	Graphite Thsd. tn	28,6	28,6	28,6	28,6	28,6	28,6
26	Coal: including	Thsd. tn	1 379 961	1 379 660	1 390 776	1 411 352	1 425 435	1 442 300
26.1	Brown coal	Thsd. tn	1 079 535	1 080 219	1 079 110	1 083 530	1 094 923	—*
26.2	Coal	Thsd. tn	300 426	299 441	311 666	327 822	330 512	—*
27	Porcelain, faience	Thsd. tn	9 670	9 665	9 664	9 664	9 664	9 665
27	Porcelain, faience	Thsd. m3	1 401	1 401	1 401	1 401	1 401	1 395
28	Cement Raw material	Thsd. tn	902 244	890 186	860 755	901 870	939 166	932 661
28	Cement Raw material	Thsd. m3	71 822	71 754	77 605	72 453	72 443	25 559

* No data

Table 4.7.2b – Description of the main mineral deposits of Kyrgyzstan

Mineral type	Description
Gold	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 (Jerooy, Taldybulak Levoberezhnyi); average-30-70 tons (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.
Silver	The only silver minefield is Kumyshtak with inferred mineral resources and forecast resources of 2 thousand tons.
Copper	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 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.
Iron	Two deposits of iron were studied, 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.

Mineral type	Description
Mercury	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.
Tin	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).
Wolfram	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.).
Lead	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.
Zinc	
Antimony	Antimony mineralization is represented by two types of deposits: conical, 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.
Rare earth	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.
Oil	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 deposits of Neogene. The government balance recorded 12 deposits, including six oil deposits (Maili-Sai, Chigirchik, Changyrtash, Kragachi, Tamchi, Bishkent-Togap-Tashravat), 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).
Gas	

Mineral type	Description
Coal	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: Alaiskiy, 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. Movable coal-bearing layers are associated with the lower part of mining plant, with the Early Jurassic rocks.
Beryllium	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).
Aluminum	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).
The groundwater	In the KR significant reserves of underground fresh and mineral and thermal waters were discovered. The main underground resources of high quality fresh water are concentrated in the intermountain basins 44 deposits. were explored, of which 20 are for potable and industrial water supply, and the rest - for irrigation.

Estimated data on the value of deposits based on average world prices and available data on the state balance for 2017 are as follows:

Table 4.7.2c – Estimate of the state balance according to the data as of December 31, 2017²¹⁹

Mineral Type	Unit of Measure	Quantity as of 2017	market price per unit, thousand USD	price as of	Estimate, million USD	reference to market value
Coal	Thsd t	1 442 300	55.0	2019	79 327	https://www.finanz.ru/birzhevyve-tovary/ugol-cena
Aluminum	Thsd t	42 101	1 796.0	2019	75 613	https://news.yandex.ru/quotes/1500.html
Gold	Kg	672 547	40.4	2017	27 180	Table 4.7.5b
Titanium Magnetite	Thsd t	1 606	7 000.0	2019	11 240	http://www.infogeo.ru/metalls/price/?act=show&okp=171500
Wolfram	Ton	117 233	42.5	2019	4 982	http://www.infogeo.ru/metalls/worldprice/?vid=3
Zirconium	Thsd t	34	132 000.0	2017	4 491	http://www.infogeo.ru/metalls/price/?act=show&okp=176200
Copper	Thsd t	649	5 800.0	2019	3 764	https://news.yandex.ru/quotes/1501.html
Gypsum	Thsd t	44 208	80.0	2019	3 537	https://russian.alibaba.com/product-detail/iran-raw-gypsum-powder-price-per-ton-62021751190.html?spm=a2700.8699010.29.1.33f37846giZfb4
Thorium	Ton	8 500	380.0	2019	3 230	https://russian.alibaba.com/product-detail/THORIUM-OXIDE-60735471014.html?spm=a2700.galleryofferlist.normalList.22.520ecd1ecTkr5T
Tin	Ton	186 761	14.8	2017	2 763	http://www.infogeo.ru/metalls/price/?act=show&okp=172200
Antimony	Ton	265 622	8.0	2019	2 125	http://www.infogeo.ru/metalls/worldprice/?vid=16
Salt stone	Thsd t	32 694	60.0	2019	1 962	https://biysk.flagma.ru/sol-o4285690.html
Building stone	Thsd m ³	103 289	18.0	2019	1 859	http://transnerud.com/materialyi/kamen-stroitelnyij/
Mercury	Ton	40 311	29.5	2017	1 189	http://www.infogeo.ru/metalls/worldprice/?vid=30

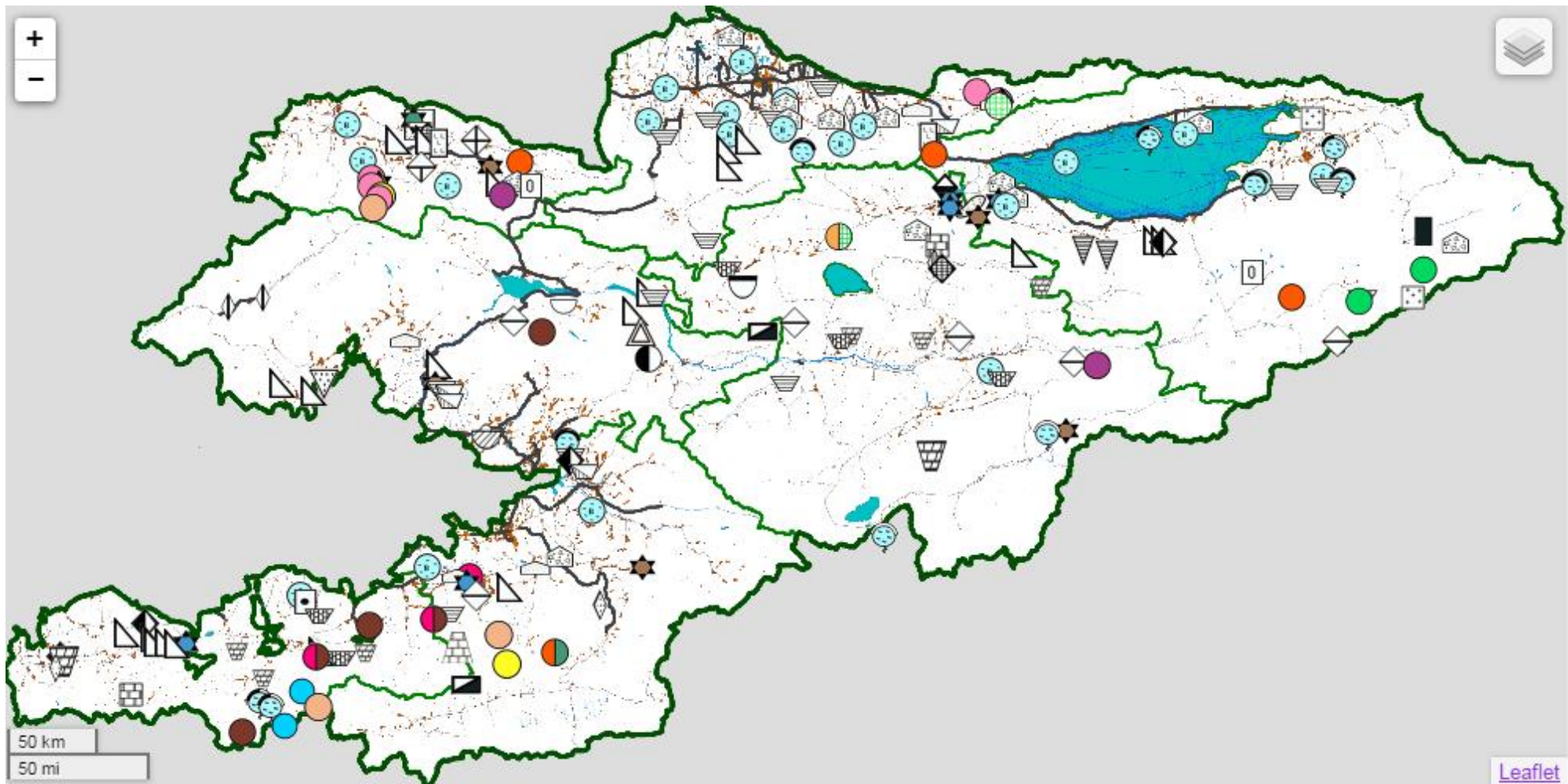
²¹⁹ Provided solely for the purpose of information from available sources and does not constitute an expert estimate of the value of reserves.

Mineral Type	Unit of Measure	Quantity as of 2017	market price per unit, thousand USD	price as of	Estimate, million USD	reference to market value
Building limestone	Thsd t	58 265	17.1	2019	996	https://www.pulscen.ru/price/100309-izvestnjak
Fluorspar (fluorite)	Thsd t	2 282	320.0	2019	730	https://russian.alibaba.com/product-detail/Calcium-Fluoride-Powder-Fluorspar-CaF2-80-820837334.html?spm=a2700.galleryofferlist.normalList.18.628651b7MqWwH9
Construction sand	Thsd m ³	75 793	9.2	2019	699	http://globaleruz.ru/pesok-kupit-v-spb/
Arsenic	Ton	65 200	10.0	2019	652	https://russian.alibaba.com/product-detail/White-Arsenic-and-Arsenic-Trioxide-As2O3-60827089429.html?spm=a2700.galleryofferlist.normalList.37.3e0b12eaixhoyY
Sulfur Pyrite	Сера тыс. т	2 547	250.0	2019	637	https://russian.alibaba.com/product-detail/sulphur-pyrite-62001973428.html?spm=a2700.8699010.normalList.1.202d79483AiVQr
wollastonite	Thsd t	2 843	200.0	2019	569	https://russian.alibaba.com/product-detail/Wollastonite-price-supplier-60648570283.html?spm=a2700.galleryofferlist.normalList.59.aac22aaagCEU6W
Sand and Gravel Compaound	Thsd m ³	312 293	1.5	2019	468	http://progressavtostroi.ru/nerudnye-materialy/dostavka-peska/pgs-cena/
Silver	Ton	696	539.0	2017	375	Table 4.7.5e
Expanded clay, aglopomite	Thsd m ³	110 270	2.4	2019	269	https://orenburg.flagma.ru/keramzit-o2142710.html
Kaolin	Thsd t	739	300.0	2019	222	https://russian.alibaba.com/product-detail/--60834166932.html?spm=a2700.galleryofferlist.normalList.11.17a33712fvJSbh&s=p
Oil (recoverable)	Thsd t	13 889	8.2	2019	114	https://1prime.ru/energy/20190412/829888141.html
Rare earth	Thsd t	52	2 000.0	2019	103	http://www.infogeo.ru/ (the price is for metal Cerium)
Manganese	Ton	48 918	2.1	2019	103	http://www.infogeo.ru/metalls/price/?act=show&okp=83400
Iron	Thsd t	549	165.0	2019	91	https://priem-metalla.ru/jelezo/
Uranus	Ton	3 519	23.9	2019	84	https://www.finanz.ru/birzhevyye-tovary/cena-uran

Mineral Type	Unit of Measure	Quantity as of 2017	market price per unit, thousand USD	price as of	Estimate, million USD	reference to market value
Plumbum	Thsd t	41	1 782.0	2019	74	http://metallischekiy-portal.ru/index-cen-lme
Molybdenum	Ton	2 523	27.0	2019	68	http://www.infogeo.ru/
Zinc	Thsd t	25	2 680.0	2019	67	http://metallischekiy-portal.ru/index-cen-lme
Bismuth	Ton	5 083	8.5	2019	43	http://www.infogeo.ru/
Mineral wool	Thsd m ³	1 396	28.1	2019	39	http://knigastroitelya.ru/uteplenie-doma/mineralnaya-vata-cena.htm
Barite	Thsd t	109	200.0	2019	22	https://russian.alibaba.com/product-detail/barite-stone-barite-prices-2019-barite-powder-used-in-drilling-60833446330.html?spm=a2700.8699010.normalList.7.368a1114UZgvo9&s=p
Phosphorus	Ton	10 121	2.0	2019	20	https://russian.alibaba.com/product-detail/phosphorus-pentoxide-white-powder-1391961936.html?spm=a2700.8699010.normalList.85.74712b7arfiols
Humins	Thsd t	15	800.0	2019	12	https://russian.alibaba.com/product-detail/huminrich-humine-powder-organic-k-humic-acid-solubility-super-potassium-f-humate-60516587020.html?spm=a2700.8699010.29.11.a72c34425uKsge
Technological raw materials	Thsd t	29	400.0	2019	11	https://russian.alibaba.com/product-detail/synthetic-carbon-graphite-powder-with-competitive-price-60842360932.html?spm=a2700.8699010.normalList.7.1bb851c00xwAyZ&s=p
Muscovite mica	Ton	1 432	0.4	2019	1	https://russian.alibaba.com/product-detail/factory-price-premium-paint-plastics-muscovite-mica-powder-wholesale-62110804811.html?spm=a2700.8699010.normalList.1.9239c78cnXrblD&s=p
			Total		229 729	

An interactive map of mineral resources of the Kyrgyz Republic is available to the public on the official website of the SCIESU: http://open.gkpen.kg/minresources/fl_ru.aspx. This resource (<http://www.gkpen.kg/index.php/home1212-12>) also indicates:

- ▶ license payment map;
- ▶ map of power supply centres;
- ▶ map of small hydroelectric power plants.



Schematic map of mineral resources of the Kyrgyz Republic²²⁰

²²⁰ Source - website http://open.gkpen.kg/minresources/fl_ru.aspx

Table 4.7.2d- Pointers to the schematic map of mineral resources of the Kyrgyz Republic

Pointers to a schematic map of mineral resources of the Kyrgyz Republic ²²¹		
Brown Coal	Silver, polymetals	Sulfur Pyrite
Iron	Dolomites	Mineral pigments
Iron, vanadium, titanium	Quartz-feldspar rocks	Andalusite
Aluminum (nepheline syenite)	Pottery, fireproof, ceramic clay	Flux limestone
Rare earth and scattered elements	Gold, copper	Limestone for lime production
Tantalum and niobium	Gold, cobalt	Sand construction
Zirconium	Silver	Sour effusive
Gold	Uranium, molybdenum, vanadium	Raw materials for claydite and agloporite
Aluminum, rubidium	Uranium, thorium	Fresh water
Tin, wolfram	Pomegranate (Almandine)	Brick clay and loam
Tin	Iridescent feldspar	Quartz sands
Arsenic	Chalcedony	Quartz sandstones
Beryllium	Chalcedony color	Quartzite
Mercury	Hornwood, decorative marble	Pyrophyllite
Mercury, antimony	Horn flakes decorative	Wollastonite
Antimony	Gneiss	Tripoli
Bromine, boron (brine)	Gliège-porcelain jasper	Rock salt (halite)
Intrusive and volcanic rocks	Jasper greenish gray	Sodium sulfate
Marbles	Anhydrite	Sand and gravel
Marble	Glaucanites	Petrolurgic raw materials (basalts)
Dolomite, limestone	Peat	Ozokerite
Igneous rocks	Gypsum	Mica
Limestone and dolomites for cement	Mineral water	High-silica raw materials
Clay and loam for cement	Thermal water	Graphite
Active additives in cement		

²²¹ Ibid

Regional distribution of the main types of minerals

Oblasts	Mineral types	Main deposits
Batken oblast	gold, aluminum (nepheline syenites), mercury, antimony, brown coal	Altyn Dzhilga, Zardalek, Khaidarkan, Novoe together with Khaidarkan, Kadamzhai, Sulukta-field 11, Shurab III
Jalal-Abad oblast	gold, copper, coal, marble, limestone	Makmal, Bozymchak, Ishtamberdy, Kuru-Tegerek, Terekkan, Akjolskoe ore field, Unkurtash, Chaarati group of fields, Tegene underground, Kok-Kiya, Kok-Yangak, Arym II, Changyrtash
Issik-Kul oblast	gold, tin, tungsten, hard coal	Kumtor, Togolok and Djangarskaya Square, Trudovoye - Central plot, Trudovoye - Wooded and Tashkorou, Kensuu, Uchkoshkon, Sarybulak, Jergalan
Naryn oblast	iron, aluminum (nepheline syenites), brown coal	Dzhetymskoe, Sandyk, Minkush, Kara-Keche
Osh oblast	mercury, coking coal, coal, semi-anthracite, brown coal, white marble, limestone, gypsum	Chonkoy, Tuyuk-Kargash, Karatyube, Beshterek, Chitty and Aksur, Beshburkhan, Bel-Alma, Akart, Aksai, Naukat
Talas oblast	gold, copper, silver, iron, granites, marble gray, colored marble, limestone	Jerooy, Shiraldzhin, Bala-Chichkan, Kaindinskoe, Tashkoro, Chaartash, Ozgorushskoe
Chui oblast	gold, rare earths, limestone, beryllium	Taldy-Bulak Levoberezhny, Kutessai-II, Karagailybulakskoe, Kalesay

Large operating gold deposits and brief information about them²²²

Deposit name	Developed by	Description
Kumtor deposit in Issik-Kul oblast	CJSC Kumtor Gold Company	The Kumtorzoloto project got its name from the Kumtor River, in the upper reaches of which large deposits of gold were discovered. Geological surveys have been conducted in this area since the 1920s. But the field itself was discovered only in

²²² The information in the table is presented according to the companies developing the respective fields (taken from the websites of companies and their public reports), as well as according to the SCIESU website.

Deposit name	Developed by	Description
		<p>1978. Based on the company's information, as of December 31, 2017, reserves were approximately 127.6 tons of gold²²³.</p> <p>The Mine development is performed by cut-open method using generally accepted methods of drilling, blasting operations, loading and transportation.</p> <p>Since the beginning of industrial production in May 1997 to December 31, 2017, Kumtor has produced 326 tons of gold²²⁴</p>
Makmal Gold Factory in Toguz-Torou district of Jalal-Abad oblast	KyrgyzAltyn 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. At present, work at the mine is suspended.</p>
The Solton-Sary mine is located 355 km from Bishkek in the Naryn oblast	KyrgyzAltyn OJSC	<p>The Solton-Sary field is located 355 km from Bishkek in the Naryn oblast on the northern slope of the Kapka-Tash range, at absolute elevations of 3,500-3,600 meters above sea level.</p> <p>Its total reserves within the quarry amount to about 539.79 thousand tons of ore for 2017. With an average ore grade of 3.4 grams per ton, this is 1,835 kg of gold²²⁵.</p>
Group of Tereksai deposits of Chatkal district of Jalal-Abad oblast	LLC Eti Bakir Tereksai	<p>Terek deposit, Interlayer ore body. The industrial type of mineralization is sulfide-quartz-carbonate. Ore bodies are plasiform with a sloping (25°-45°) drop. The reserves of the Interlayer Ore Body on the gallery horizons have been exploited by the "Tereksai Mine" branch of Kyrgyzaltyn open joint stock company. The remaining balance reserves below the gallery horizons are opened by the Exploration and Production Mine (NES), which was passed in the 1990s by the open joint-stock company "Kadamzhai Antimony Plant". This mine mainly opens antimony reserves of the Terek antimony deposit. The remaining reserves of the Interlayer ore body in structural terms are located above the antimony ore bodies and are opened by the Exploration and Production Mine along the way.</p> <p>The Terekkan deposit belongs to vein geological and industrial type, ore-bearing rocks are quartz-feldspar-mica schists. Ore bodies have lenticular and pillar-like forms. The oxidation zone extends to a depth of 30 m from the surface. The ore contains</p>

²²³ <https://www.kumtor.kg/wp-content/uploads/2019/02/2017031-AESR17-WEB2-RUS.pdf>

²²⁴ <https://www.kumtor.kg/wp-content/uploads/2019/02/2017031-AESR17-WEB2-RUS.pdf>

²²⁵ https://24.kg/ekonomika/50762_vnbspkvirgizstane_vozobnovil_rabotu_rudnik_laquosolton-saryiraquo/

Deposit name	Developed by	Description
		<p>arsenic up to 4.73%, in the oxidized - 6.44%, in the sulfide - 4%.</p> <p>Perevalnoe deposit is classified as the 3rd difficulty group. The industrial type of mineralization is vein, the ore formation is gold-sulphide. The genesis of mineralization is hydrothermal. Balance ores have intermittent lenticular forms. Gold in sulphides - 85.7% and free - 2.8%, extraction into the flotation concentrate - 87.2%, arsenic in the ore - 0.98-1.95%. 86.9% is extracted into concentrate and its content in the concentrate is 3.02-4.11%. The oxidation zone is traced to a depth of 30 m from the surface (see also the Table of Tenders, Table 4.6.5c)²²⁶.</p>
Taldy-Bulak Levoberezhny deposit in the Kemin district	Altynken (40% of them belong to Kyrgyzaltyn and 60% belong to Chinese 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 years²²⁷.</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>
Jerooy deposit, 65 km south-east of Talas	Alliance Altyn LLC	<p>Jerooy is the second largest gold deposit in the Kyrgyz Republic. Currently, on the state balance of reserves there are the following categories are recorded (GKZ KR, 2004, №90): balance C1 - 75,141 kg, C2 – 5,774 kg; total C1 + C2 – 80,915 kg, off-balance – 16,161 kg, total – 97,076 kg²²⁸.</p> <p>Over the 21 years of the Jerooy field, it is planned to produce 2.391 million ounces of gold - an average of 114 thousand ounces per year.</p>
Kuran-Jayloo deposit is located in the Kemin district	CJSC TK Geo Resource	<p>The field 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,</p>

²²⁶ <http://cbd.minjust.gov.kg/act/view/ru-ru/214778>

²²⁷ <http://www.altynken.kg/about/occurrence> and <https://rus.azattyk.org/a/28570200.html>

²²⁸ <http://cbd.minjust.gov.kg/act/view/ru-ru/214325>

Deposit name	Developed by	Description
		brown iron ore. With respect to 10 largest ore bodies of the deposit the gold reserves amount to 4,249 kilograms, and silver reserves – to 9,342 kilograms ²²⁹ .
Altyn-Dzhilga deposit in Batken district	LLC Batken Mining Company	Gold reserves are estimated at 40-42 ²³⁰ tons.
Kuru-Tegerek field in Chatkal district, Jalal-Abad oblast	CJSC Kichi-Chaarat	<p>Kuru Tegerek is a large deposit of gold, silver and copper. Potential reserves of gold are estimated at 98 tons, copper – at more than 370 thousand tons. Located in Chatkal district of Jalal-Abad oblast. In the development of the field, as Jiang Liang-Yu said, KGS 10.5 billion was invested (USD 150 million at the current exchange rate)²³¹.</p> <p>The company created about 500 jobs. After the start of the processing plant, the company intends to further increase the volume of investments and the number of jobs.</p>
Chaarat group of deposits in the Chatkal district of the Jalal-Abad oblast	Chaarat ZAAV	According to preliminary data, the estimated gold reserves at the Chaarat deposit amount to about 100 tons. The results of prospecting works can show even greater gold reserves ²³² .
Ishtamberdy deposit in Ala-Buka district of Jalal-Abad oblast	Full Gold Mining	The mine construction phase is complete. Gold reserves at Ishtamberdy deposit are projected at 79.5 tons ²³³ . USD 112.35 million was invested in the development of Ishtamberdy gold deposit, by the Chinese company Full Gold Mining, which is currently developing the deposit.
Bozymchak field in Ala-Buka district of Jalal-Abad oblast	KAZ Minerals Bozymchak	There is more copper at this deposit in Ala-Buqa than gold. According to the State Commission on Mineral Reserves, explored reserves of copper at Bozymchak are 140.78 thousand tons, gold - 22.96 tons, silver - 144.2 tons ²³⁴ .

²²⁹ <http://ru.nts.kg/proryv-truby-dlya-himothodov-v-kemine-opasnosti-net-avariu-ustranili/> and https://kaktus.media/doc/385884_razrabotchiki_mestorojdeniia_kyrandjayliay_zadoljali_sotrydnikam_postavshikam_i_z_a_arendy.html

²³⁰ <https://wedocs.unep.org/bitstream/handle/20.500.11822/11442/prefeasibility-rus.pdf?sequence=1&isAllowed=y>

²³¹ <https://economist.kg/2018/11/08/ugolovnoe-delo-ne-pomeshalo-kichi-chaarat-nachat-razrabotku-zolotorudnogo-mestorozhdeniya-kuru-tegerek/>

²³² https://www.gezitter.org/economics/72489_kompaniya_chaarat_postroit_zolotodobyivayuschiy_zavod/

²³³ <https://www.akhabar.kg/ru/article/business/zoloto-ishtamberdy/>

²³⁴ https://rus.azattyk.org/a/kyrgyzstan_gold_mines/29576512.html and <https://economist.kg/2018/08/17/kaz-minerals-stala-menshe-poluchat-zolota-i-serebra-s-bozymchaka/>

Deposit name	Developed by	Description
		<p>In 2007, Kazakhmys, a Kazakh company, received license to develop the field. In 2015, local company KAZ Minerals Bozymchak was established, and it began mining and producing gold.</p> <p>Currently, the mining and processing plant employs around one thousand people. During operation, the company paid 3 billion soms in taxes.</p>
Karakazyk field in Chon-Alai district of Osh oblast	Kaidi Company	<p>LLC "Kaidi" holds license for the exploration of gold, silver and copper at the site and the ore body of Karakazyk deposit in Chon-Alai district of Osh region: prospecting for gold, copper, plumbu and zinc in Karautek area in this region²³⁵.</p> <p>The license for the development of gold, silver and copper of the Chinese company was issued on February 14, 2008.</p> <p>The remaining reserves of the deposit amount to 27.9 thousand tons of ore and 342.3 kg of gold with an average concentration of 12 g /t.</p>

4.7.3 Investments in Extractive industries of Kyrgyz Republic²³⁶

Investments in non-financial assets in the Kyrgyz Republic for the period 2013-2017 are primarily (95% in 2017) represented by investments in fixed assets²³⁷. These investments show a positive trend. Total investment in 2017 amounted to 202.4 billion soms, which is by 105.4 billion soms more than in 2013 or by 109%.

Table 4.7.3a - Share of capital assets investments in the KR extractive industry in 2013-2017

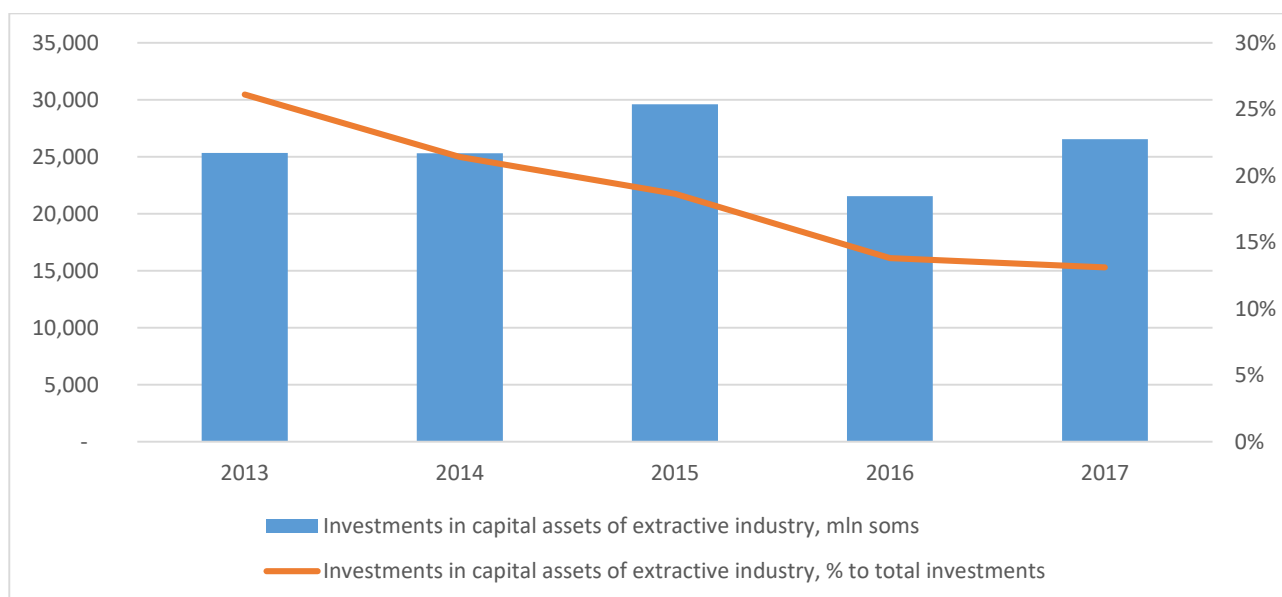
Item	2013	2014	2015	2016	2017
Investments in capital assets, million soms	97 013	118 108	158 732	155 923	202 379
Investments in capital assets of the extractive industry, million soms	25 326	25 296	29 594	21 544	26 535
Investments in capital assets of the extractive industry, in % of total investments	26%	21%	19%	14%	13%

²³⁵ <https://barometr.kg/zhanar-akaev-platit-li-nalogi-kitajskaya-kompaniya-kaidi-razrabotchik-zolotogo-mestorozhdeniya-karakazyk>

²³⁶ The data for the section are taken from the annual publication of N KR "Investments in the Kyrgyz Republic for 2013–2017" <http://www.stat.kg/ru/publications/>

²³⁷ The total of costs aimed at the creation and reproduction of fixed assets (new construction, expansion, as well as reconstruction and modernization of facilities, which lead to an increase in the initial value of objects and relate to the additional capital of the organization, the purchase of machinery, equipment, vehicles, the cost of forming the main herd, the cultivation of perennial plantations, etc.)

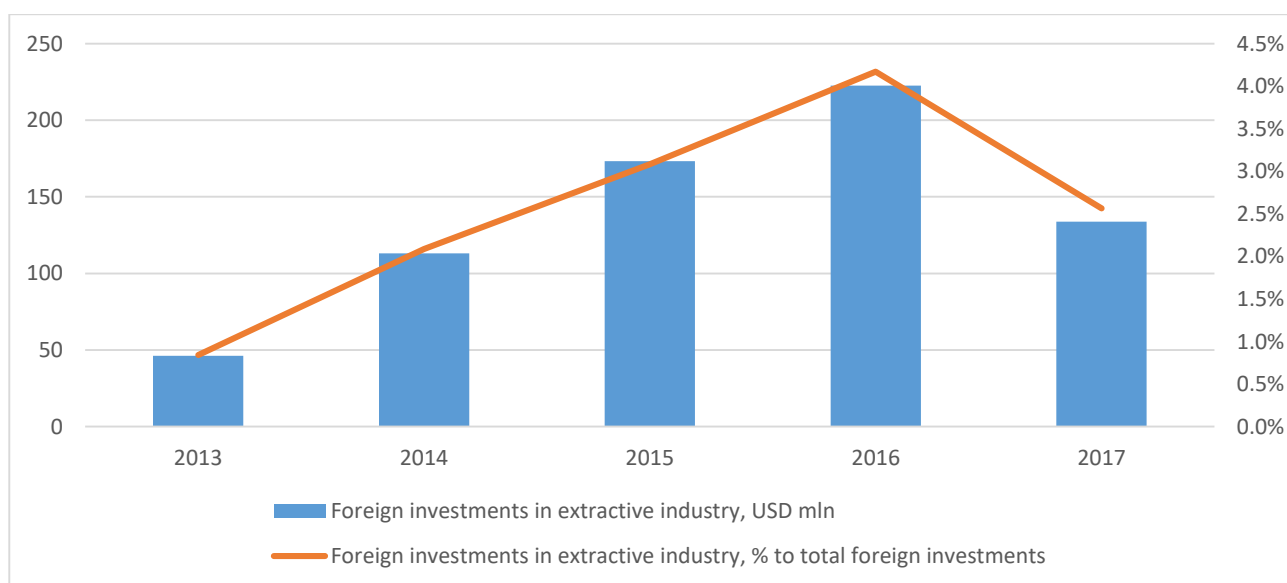
Investments in capital assets of extractive industry in mln KGS and in % to total investments in capital assets in 2015-2017



Capital assets investments in extractive industry remained relatively stable in absolute terms. However, if we compare these investments to total investments in capital assets, then its share decreases during the period to 13.1% in 2017.

At the same time, overall trend of foreign investments in extractive industry showed increase and reached maximum of USD 222.6 mln in 2016, which was higher than in 2013 by USD 176.4 million. In 2017 volume of attracted foreign investments to the industry decreased (USD 133.9 million).

Foreign investments inflow in Extractive industries in nominal value and in percentage to total foreign investments in Kyrgyz Republic in 2013-2017.



4.7.4 Employment and salaries in Extractive industries of the Kyrgyz Republic²³⁸

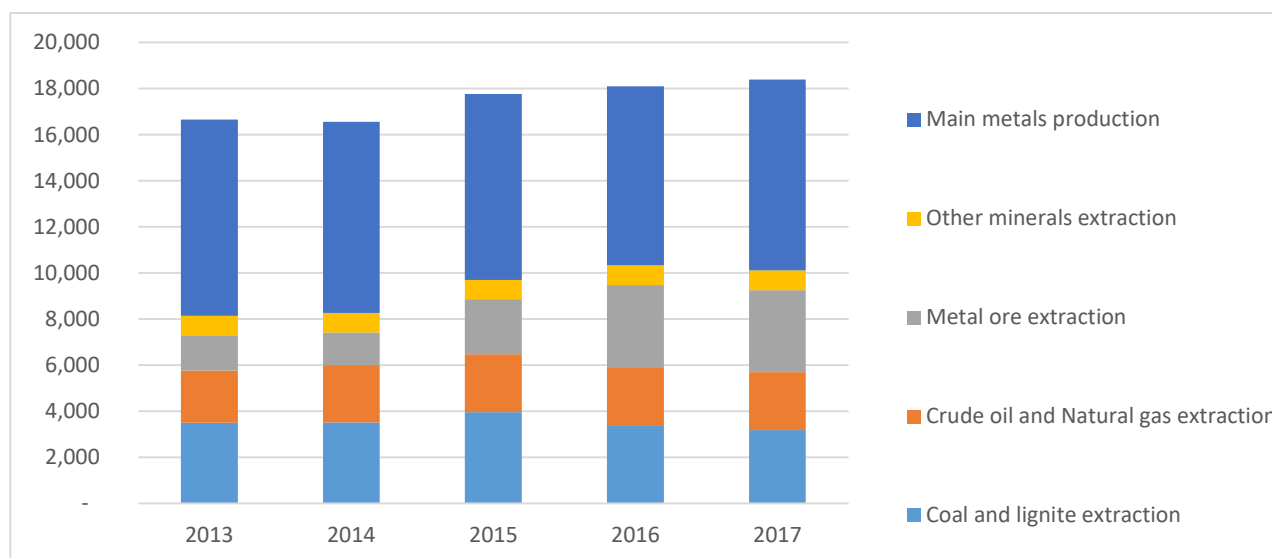
Employment in KR Extractive Industries has positive trend for the past 5 years with several fluctuations. Thus, employment in extractive industries in 2017 amounted to 18 389 individuals, which is more by 1 734 individuals (or 10.4%) than in 2013.

Main part of the employed is in sector “main metals production” (45% of the total number of employed in extractive industries in 2017) and “metal ore extraction” (19% of the total number of employed in extractive industries in 2017):

Table 4.7.4a - Employment in extractive industries in 2013-2017.

Type of activity	2013		2014		2015		2016		2017	
Main metals production	8 514	51%	8 296	50%	8 059	45%	7 765	43%	8 271	45%
Metallic ore extraction	1 500	9%	1 421	9%	2 381	13%	3 593	20%	3 562	19%
Coal and lignite extraction	3 494	21%	3 510	21%	3 965	22%	3 358	19%	3 178	17%
Crude oil and Natural gas extraction	2 268	14%	2 486	15%	2 509	14%	2 520	14%	2 511	14%
Other minerals extraction	879	5%	842	5%	843	5%	857	5%	867	5%
Total	16 655	100%	16 555	100%	17 757	100%	18 093	100%	18 389	100%

Diagram - Breakdown of employment in extractive industries of KR in 2013-2017 (number of individuals)



Share of employment to the total number of employees of entities in the country for 2015-2017²³⁹

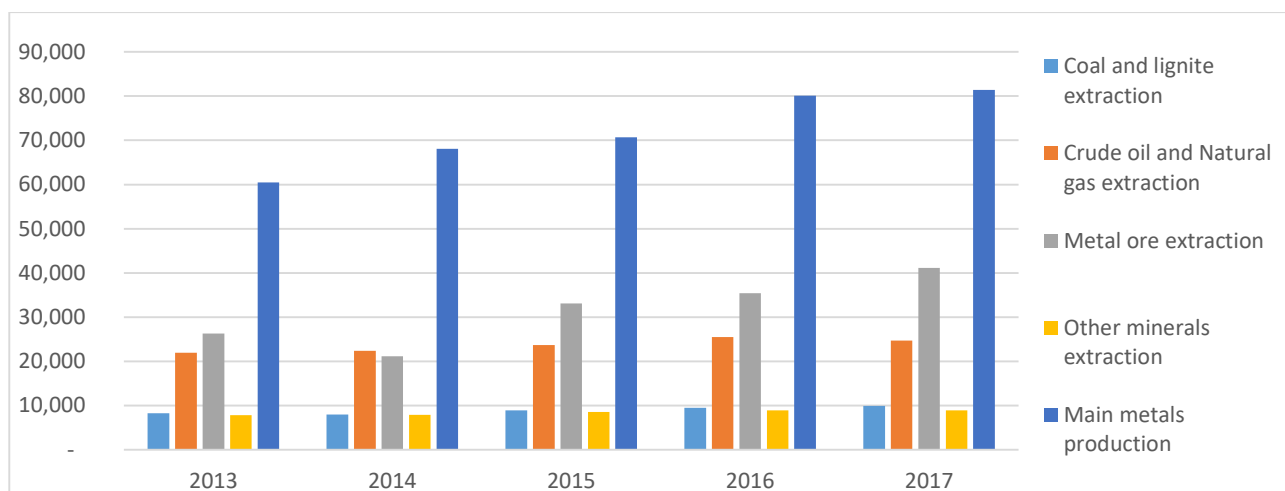
	2015		2016		2017	
Extractive industries	17 757	10%	18 093	10%	18 389	10%
Total in country	180 996	100%	181 266	100%	185 546	100%

²³⁸ These sections are taken from annual publication of the National Statistical Committee of the Kyrgyz Republic “Industry of Kyrgyzstan” for 2013-2017 <http://www.stat.kg/ru/publications/>

²³⁹ Total number of employees taken from <http://www.stat.kg/ru/opendata/category/2637/>

Average salary is presented in lower graph in nominal value. Average salary for the period was growing each year with some fluctuations. The correlation of salaries in extractive industries between types of activities stayed constant, which indicates established practice of remuneration. The highest amount of salary is in “main metals production” category, which includes gold production. In 2017 average salary in companies in “main metals production” was 81 435 som, in “coal and lignite extraction” - 9 945 som, in “crude oil and natural gas extraction” – 24 723 som, in “metal ore extraction” – 41 116 som, in “other minerals extraction” – 8 893 som.

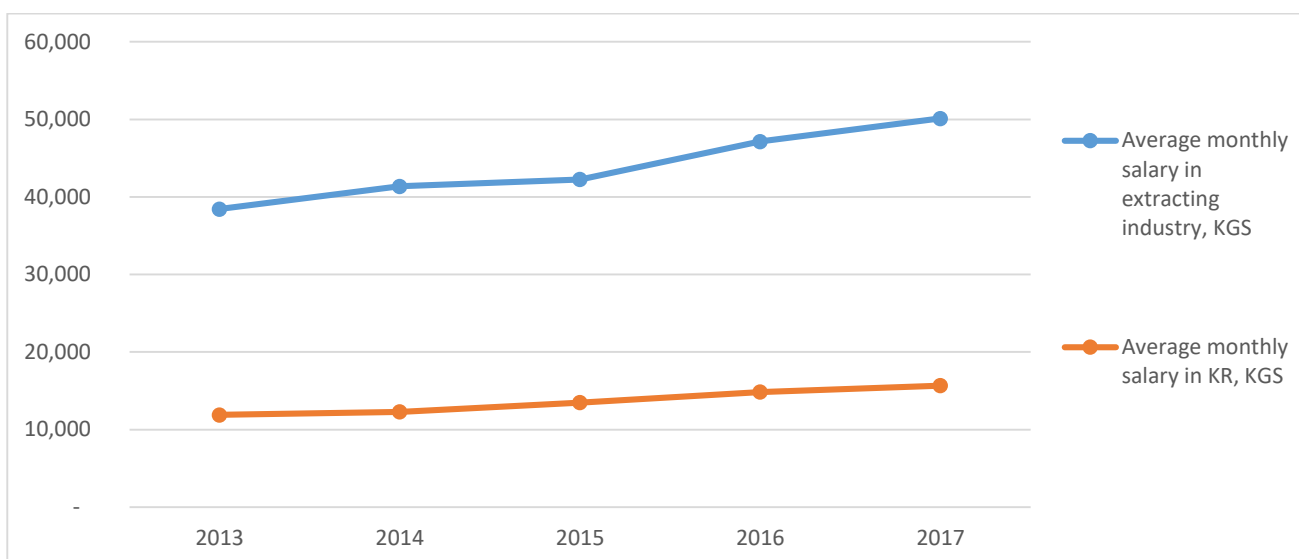
Diagram - Average salary in extractive industries of the KR in 2013-2017 (som)



The average salary in the Extractive industries for the period 2013-2017 was steadily grown as did the average wage of the Kyrgyz Republic as a whole. However, for all years in the reporting period, the average wage at the entities of the extractive industries was exceeding its national level by 3 or more times on average, which indicates the attractiveness of this industry for the population.

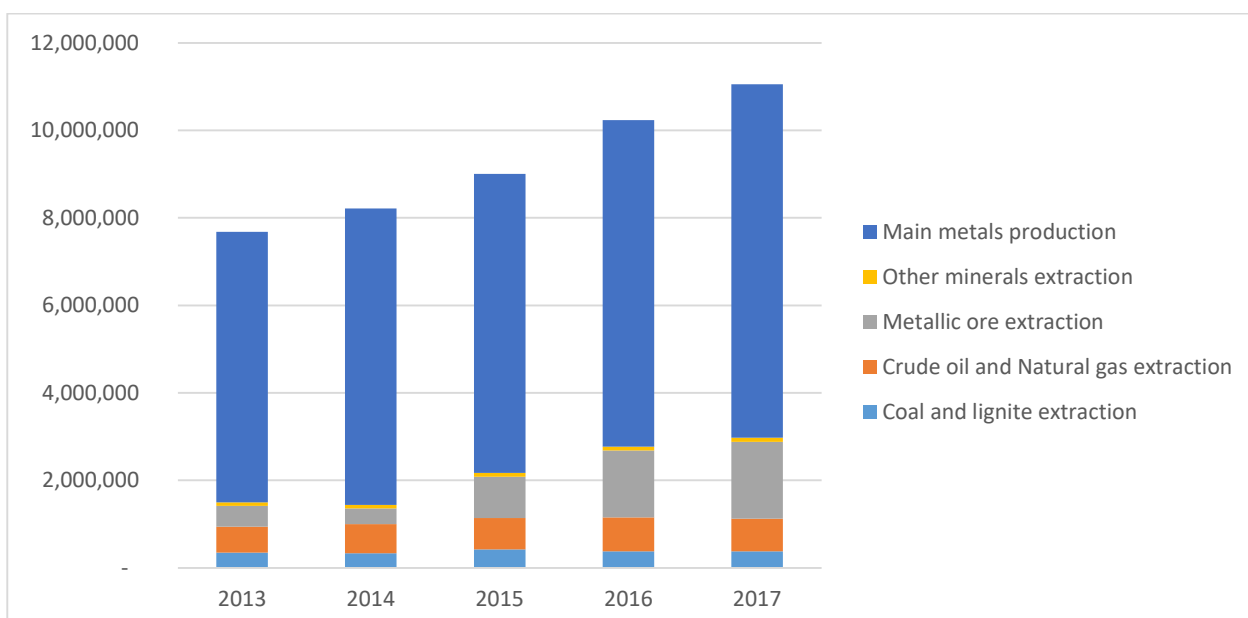
Comparison of the average monthly salary in the Extractive industries and average in the Kyrgyz Republic for the period 2013-2017²⁴⁰

²⁴⁰ <http://www.stat.kg/ru/opendata/category/112/>



Salary fund (salary costs) of the extractive industries for the period 2013-2017 had increased significantly and reached KGS 580.4 million in 2017, which is higher than this indicator in 2013 by KGS 144.3 million or 33.1% more than in 2013. The main share of the salary fund is salary to employees of the “Production of basic metals and finished metal products, except for machinery and equipment” sector as well as the “Metallic ore extraction” sector. Particularly due to these two sectors the total salary fund of the extractive industry of the Kyrgyz Republic increased.

Monthly salary fund by sector of the Extractive industries of the Kyrgyz Republic for the period 2013-2017, thousand som²⁴¹



4.7.5 Export of products of the Extractive industries of the Kyrgyz Republic

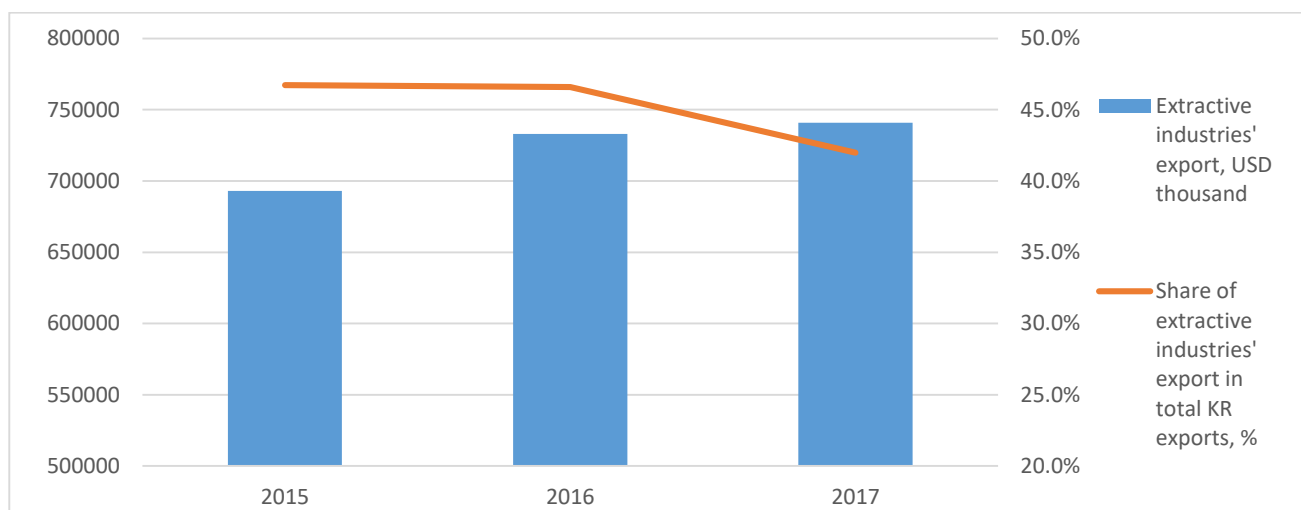
²⁴¹ Annual publication of the National Statistical Committee of the Kyrgyz Republic “Industry of Kyrgyzstan” for 2013-2017 <http://www.stat.kg/ru/publications/>.

Extractive industries provide about half of export revenues of the Kyrgyz Republic. Thus, in 2017, the share of the Extractive industries amounted to 42% in the country's exports²⁴². At the same time, with the growth of exports of the extractive industries in absolute value up to USD 740,819 thousand in 2017, the share of these exports in total exports decreased as compared to 47% in 2015.

Table 4.7.5a - Exports of the Kyrgyz Republic by extractive industries, Thsd USD

	2015	2016	2017
Exports for all products of the Kyrgyz Republic, Thsd USD	1 482 942	1 573 215	1 764 255
Export of extractive industries, Thsd USD	693 060	732 931	740 819
Export share of extractive industries in total exports of the Kyrgyz Republic, in %	47%	47%	42%

Diagram - Exports of the Extractive industries of the Kyrgyz Republic in absolute value and as a percentage of the total exports of the Kyrgyz Republic for 2015-2017



In accordance with Standard 3.3, Extractive Industries Transparency Initiatives information is provided on the volumes of main products of the extractive industry exported during the reporting period, according to United Nations (UN) statistics, as well as average world prices for each year of the reporting period:

Table 4.7.5b – Gold prices for 2015-2017

	2015	2016	2017
The average price of gold ounce of the Kyrgyz Republic exports ²⁴³	1 071	1 142	1 141
Average world prices per ounce ²⁴⁴	1 160	1 251	1 257
Average world prices for 1 kg ²⁴⁵	37 295	40 221	40 413

²⁴² Calculated based on the data of the National Statistical Committee of the Kyrgyz Republic provided for the EITI Report.

²⁴³ <https://comtrade.un.org/data/>

²⁴⁴ <http://www.lbma.org.uk/precious-metal-prices>

²⁴⁵ calculated by the equivalent of 32.1507 ounces per 1 kg.

Ounce price difference	(89)	(109)	(116)
The difference in % of the export price	(7.7%)	(9.6%)	(10.2%)

Below is the export data collected according to the National Statistics Committee, provided for the EITI Report for 2015-2017. The volume of gold was indicated according to UN data (<https://comtrade.un.org/data>). The estimated cost of 1 unit is indicated for information purposes and does not represent the exact actual cost of the items, due to the grouping of various subspecies of minerals in the National Statistical Committee classifications, as well as the fact that the National Statistical Committee data may differ from the information provided by the UN.

Table 4.7.5c - Export of Extractive industries by types in 2015

Regions	Unit of measure	Gold	Silver	Oil and oil products	Coal	Cement	Stone and stone products; lime, sand, etc.	Others	Total for Extractive industries
Batken oblast	Tons	-	-	-	9 555.8	64 598.4	7 884.7	-	82 038.9
	Thsd USD	-	-	-	257	3 969.8	46.2	-	4 273
Jalal-Abad oblast	Tons	-	-	179	34 564	-	3 590.4	-	38 333.3
	Thsd USD	-	-	35	757	-	622	21	1 434
Issyk-Kul oblast	Tons	-	-	-	-	-	89 649.3	-	89 649
	Thsd USD	-	-	-	-	-	694	1.0	695
Naryn oblast	Tons	-	-	-	-	-	8 134	-	8 134
	Thsd USD	-	-	-	-	-	2 010	2.9	2 013
Osh oblast and Osh city	Tons	-	-	-	186 086	-	245 401.4	-	431 487.6
	Thsd USD	-	-	-	3 853	-	2 479	-	6 332
Talas oblast	Tons	-	-	-	-	-	4 003	-	4 003
	Thsd USD	-	-	-	-	-	77	-	77
Chui oblast	Tons	-	-	-	-	-	1 983.1	-	1 983
	Thsd USD	-	-	-	-	-	402	706	1 108
Bishkek City	Tons	-*	-	22 324	1 084.0	-	-	-	23 408
	Thsd USD	704 458	-	12 494	21.7	-	-	25	716 998
Total	Thsd USD	704 458	-	12 529	4 888	3 970	6 331	755	732 931
Price per 1 kg	USD	-*	-	0.56	0.02	0.06	0.02	-	1.08

*no date

Table 4.7.5d - Export of Extractive industries by types in 2016.

Regions	Unit of measure	Gold	Silver	Oil and oil products	Coal	Cement	Stone and stone products; lime, sand, etc.	Others	Total for Extractive industries
Batken oblast	Tons	-	-	-	10 418.9	22 571.8	4 105.0	-	37 095.7
	Thsd USD	-	-	-	274	1 664.2	27.6	-	1 966
Jalal-Abad oblast	Tons	-	-	99	43 088.5	-	4 091.9	-	47 279.4
	Thsd USD	-	-	57	952	-	1 260	15	2 284
Issyk-Kul oblast	Tons	-	-	-	-	-	0.6	-	1
	Thsd USD	-	-	-	-	-	21	1.0	22
Naryn oblast	Tons	-	-	-	-	-	9 825	-	9 825
	Thsd USD	-	-	-	-	-	2 090	-	2 090
Osh oblast and Osh city	Tons	-	-	-	63 971	443.5	236 769.2	-	301 184.1
	Thsd USD	-	-	-	1 908	38.4	2 999	-	4 946
Talas oblast	Tons	-	-	-	-	-	1 002	-	1 002
	Thsd USD	-	-	-	-	-	22	-	22
Chui oblast	Tons	-	-	-	-	-	3 825.4	-	3 825
	Thsd USD	-	-	-	-	-	595	324	919
Bishkek City	Tons	-*	-	44 995	-	-	384.1	-	45 379.1
	Thsd USD	647 857	-	32 781	-	-	111	62	680 810
Total	Tons	-*	-	45 094.3	117 478.8	23 015.3	260 002.7	-	445 591.1
	Thsd USD	647 857	-	32 838	3 134	1 703	7 127	402	693 060
Price per 1 kg	USD	-*	-	0.73	0.03	0.07	0.03	-	-

*no data

Table 4.7.5e - Export of Extractive industries by types in 2017

Regions	Unit of measure	Gold	Silver	Oil and oil products	Coal	Cement	Stone and stone products; lime, sand, etc.	Others	Total for Extractive industries
Batken oblast	Tons	-	-	-	16 374.8	145 636.9	-	-	162 011.7
	Thsd USD	-	-	-	454	6 128	-	-	6 582
Jalal-Abad oblast	Tons	-	-	7 823.4	16 889.0	-	4 156.0	-	28 868.4
	Thsd USD	-	-	1 960	355	-	551	-	2 866
Issyk-Kul oblast	Tons	-	-	-	-	-	-	-	-
	Thsd USD	-	-	-	-	-	-	0.1	0.1
Naryn oblast	Tons	-	-	-	-	-	1 932	-	1 932
	Thsd USD	-	-	-	-	-	481	-	481
Osh oblast and Osh city	Tons	-	-	-	281 727.0	-	20 353.1	-	302 080.1
	Thsd USD	-	-	-	6 018	-	226	-	6 244
Talas oblast	Tons	-	-	-	-	-	3 117.2	-	3 117
	Thsd USD	-	-	-	-	-	57	-	57
Chui oblast	Tons	-	-	10 820.6	-	-	633.1	-	11 454
	Thsd USD	-	-	3907	-	-	144	823	4 874

Bishkek City	Tons	-*	10.5	20 660.8	1 511.0	-	634.6	-	22 834.3
	Thsd USD	700 070	5 674	13 812	34	-	105	19	719 714
Total	Tons	-*	10.5	39 304.8	316 501.8	145 636.9	30 826.0	-	532 297
	Thsd USD	700 070	5 674	19 680	6 862	6 128	1 564	842	740 819
Price per 1 kg	USD	-*	540.38	0.50	0.02	0.04	0.05	-	-

According to the United Nations ²⁴⁶, below is a table of countries to which gold was exported during the reporting period²⁴⁷. There are differences within 6% with the data of the National Statistical Committee of the Kyrgyz Republic indicated above.

Table 4.7.5f - Gold exports by countries for 2015-2017

Country	2015			2016			2017		
	Quantity, kg.	% to total quantity	Amount, Thsd USD	Quantity, kg.	% to total quantity	Amount, Thsd USD	Quantity, kg.	% to total quantity	Amount, Thsd USD
Switzerland	14 717.0	83.59%	559 262.4	15 863.0	91.05%	644 009.9	12 090.0	69.47%	484 664.6
Great Britain	-	0.00%	-	775.0	4.45%	31 273.5	4 568.0	26.25%	186 798.4
UAE	2 342.0	13.30%	85 629.2	748.0	4.29%	25 698.5	713.0	4.10%	28 603.0
Turkey	31.0	0.18%	446.1	37.0	0.21%	602.1	22.0	0.13%	207.7
Italy	-	0.00%	-	-	0.00%	-	11.0	0.06%	106.8
British Virgin Islands	517.0	2.94%	20 023.3	-	0.00%	-	-	0.00%	-
Total	17 607.0	100%	665 361.0	17 423.0	100%	701 584.0	17 404.0	100%	700 380.5

According to the table above, the main country where gold was delivered during the reporting period was Switzerland. In 2017, a significant share of 26.25% of gold from total exports of Kyrgyzstan was purchased by the Great Britain.

²⁴⁶ <https://comtrade.un.org/data/>

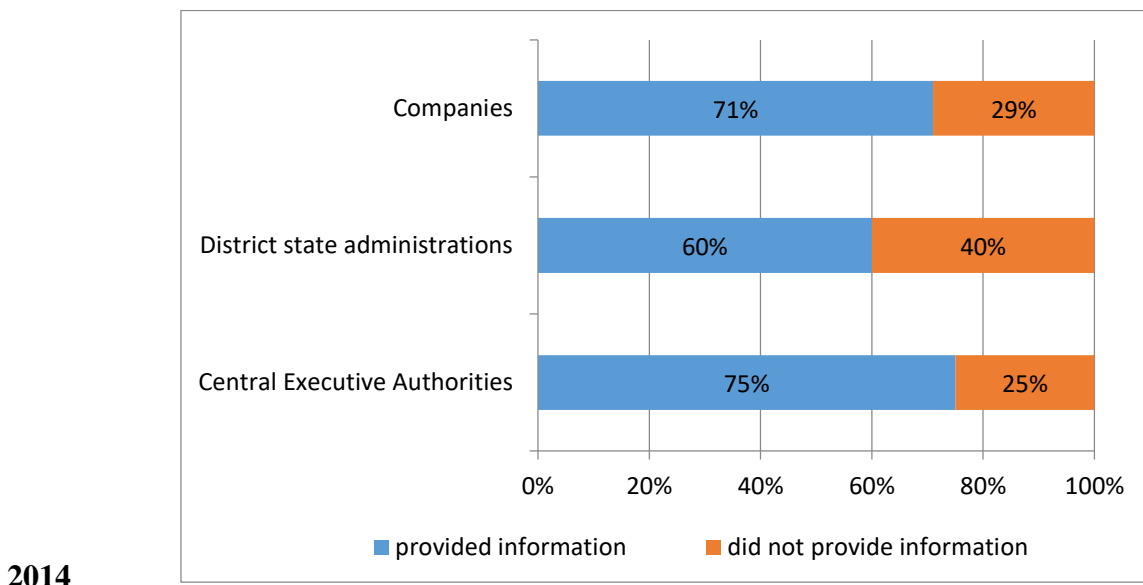
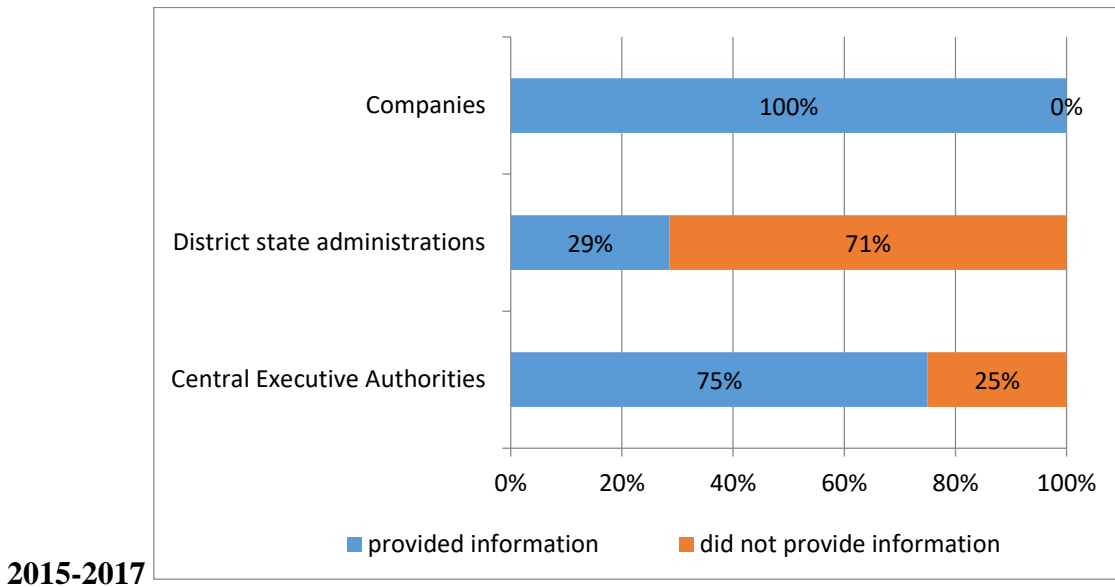
²⁴⁷ Calculation error within 0.5%.

5. Reconciliation of tax and other payments

5.1 Payments reconciliation results

According to the Terms of Reference for the Independent Administrator, 14 companies for 2015-2017 were included in the EITI Report. As of 27 May 2019, all 14 companies have provided data. At the same time, not all government bodies provided reports with data for reconciliation, i.e. for 2015-2017 10 reports out of 22 required were provided:

Status of data availability from companies and government bodies



The reports of 2 central executive bodies (out of 8) were not provided to the Independent Administrator²⁴⁸:

²⁴⁸ According to the Regulation on improving the implementation process of the Extractive Industries Transparency Initiative in the Kyrgyz Republic of December 8, 2010 (as amended on December 25, 2018)

- ▶ State registration service for indicator “Compensation for agricultural production losses” for 2015-2016. (In particular, data for 2015-2017 were indicated without breakdown by years, and as a result of reconciliation to supporting documents these amounts were included in 2017. This body also did not provide information for the 2013-2014 EITI Report);
- ▶ The State Inspectorate for Technical and Environmental Safety for indicator “Fee for issuing certificates and other permits”.

According to the EITI Regulation²⁴⁹ two indicators are not assigned to a specific government body and are provided only by companies:

- ▶ “Education Support” indicator;
- ▶ “Reclamation fund charges” indicator.

In particular, according to the Law of the Kyrgyz Republic “On Subsoil” (Article 47), licensee (i.e. the subsoil user) is obliged to transfer funds to the reclamation fund monthly. These funds are placed on the licensee's accounts with banks of the Kyrgyz Republic. Therefore, “Reclamation fund charges” are simply the accumulation of funds on separate bank accounts, which then will be used for the reclamation of lands disturbed by this subsoil user. Thus, we can say that this is a kind of reserve for future needs, made on cash basis and which should not be considered as payment to state by the mining company.

In addition, education support payments are not payments to state either, since companies make such payments on their own, without participation of government agencies.

The Supervisory Board decided to exclude these two payments from the scope of the reconciliation and show them solely for informative purposes according to the data, provided by the companies.

Also, no reports were submitted from 10 District State Administrations (DSA) (out of 14), a list of which is presented in the table below:

No	Oblast	District State Administrations
1	Chui	Panfilov DSA (also did not provide information for the 2013-2014 Report)
2	Chui	Sokuluk District State Administration
3	Osh	Chon-Alai District State Administration
4	Osh	Nookat DSA (also did not provide information for the 2013-2014 Report)
5	Osh	Alai District State Administration
6	Jalal-Abad	Chatkal DSA (also did not provide information for the 2013-2014 Report)
7	Jalal-Abad	Toguz-Torouz DSA (also did not provide information for the 2013-2014 Report)
8	Jalal-Abad	Ala-Buka DSA (also did not provide information for the 2013-2014 Report)
9	Jalal-Abad	Nooken DSA (also did not provide information for the 2013-2014 Report)
10	Batken	Batken District State Administration

The lack of responses from all companies and government bodies made it impossible to fully reconcile data on payments to the state from extracting companies. Reconciliation of data on the actual payment of taxes and other payments to the state was carried out for 14 companies for 2015, 2016, 2017 according to

²⁴⁹ Ibid

available reports of state bodies. For this, the reports of companies and government bodies were adjusted for not submitted reports (adjustment No. 1 in Table 5.1a). Independent Administrator prepared and sent formal requests for missing data to all companies.

The main reasons for the subsequent adjustments (Adjustment No. 2 in Table 5.1a) of the reports of companies and state bodies were:

- ▶ Indicating amounts in soms as thousand soms;
- ▶ Incorrect classification of payments by indicators;
- ▶ Indicating amounts in companies' reports, where corresponding indicator is not registered by this Government authority.

Table 5.1a - Summary of reconciliation with breakdown by adjustments for 2015-2017

Reports of	Number of companies	2015	2016	2017
Companies	14	13 299 690	14 444 578	32 462 457
Government authorities	14	30 335 907	33 990 431	29 611 978
Preliminary differences	-	(17 036 217)	(19 545 853)	2 850 479
Reconciliation				
Adjustment #1 for not provided reports of	Companies	-	-	-
	Gov. authorities	335 903	458 499	604 837
Amounts after adjustments	Companies	13 299 690	14 444 578	32 462 457
	Gov. authorities	30 671 810	34 448 930	30 216 815
Differences, after adjustment # 1		(17 372 120)	(20 004 352)	2 245 642
Adjustment # 2	Companies	(1 006 494)	(2 322 543)	(18 089 221)
	Gov. authorities	(18 377 396)	(22 348 181)	(15 913 682)
Amounts after adjustments	Companies	12 293 196	12 122 035	14 373 237
	Gov. authorities	12 294 414	12 100 749	14 303 133
Final unexplained differences		(1 217)	21 286	70 104
In % of the preliminary total of payments per companies		(0.01%)	0.18%	0.49%

5.2 Reconciliation results for each payment

The following are payments of mining companies in aggregated form for 2015-2017 by type of payment, for each company and also for government bodies. Negative numbers are shown in brackets, zero (without decimal places) is indicated as “-”.

Table 5.2a - Information on payments of mining companies in 2015, by type of payment (thousand soms)

№ of payment	Taxes and Non-Tax payments	Amounts according to companies	Amount, according to government agencies	Preliminary difference	Adjustments (№1 and 2) made by companies	Adjustments (№1 and 2) made by government agencies	The final amount by companies	The final amount by government agencies	Unexplained differences
Tax deductions									
1	Personal Income Tax	594 402	485 807	108 594	(94 620)	-	499 781	485 807	13 974
2	Income Tax	416 442	230 203	186 239	(199 800)	(19 524)	216 642	210 679	5 963
3	Land Tax	12 555	12 241	314	-	-	12 555	12 241	314
4	Property Tax	9 554	8 066	1 488	56	1 214	9 610	9 280	330
5	VAT on goods and services produced in the Kyrgyz Republic	323 422	339 825	(16 403)	-	-	323 422	339 825	(16 403)
6	Excise tax on goods produced in the Kyrgyz Republic	38 225	38 225	-	-	-	38 225	38 225	-
7	Sales Tax	180 385	180 397	(11)	-	-	180 385	180 397	(11)
8	Income tax of foreign organizations not associated with a permanent establishment in the Kyrgyz Republic	163 932	165 826	(1 894)	-	-	163 932	165 826	(1 894)
9	Bonuses	1 347 169	1 347 169	0	-	-	1 347 169	1 347 169	0
10	Royalty	830 453	231 313	599 140	(599 400)	-	231 053	231 313	(260)
11	Gross Income Tax	5 883 823	5 887 686	(3 863)	-	-	5 883 823	5 887 686	(3 863)
12	The annual amount for the development of the mineral resource base (Contributions for the development and maintenance of local infrastructure)	-	27 923	(27 923)	106 768	78 956	106 768	106 879	(111)
13	Other taxes and fees	203 118	128 205	74 913	(162 645)	(84 099)	40 474	44 107	(3 633)
	Total by section	10 003 480	9 082 887	920 594	(949 641)	(23 453)	9 053 839	9 059 433	(5 594)
Custom payments									
14	Custom duties	72 391	76 750	(4 359)	(28 958)	(31 773)	43 433	44 977	(1 544)
15	Custom fees	46 305	25 344	20 961	(6 316)	14 813	39 989	40 157	(168)
16	Excise tax on goods imported into the territory of the Kyrgyz Republic	81	56	25	(25)	-	55	56	(1)
17	VAT on goods imported into the territory of the Kyrgyz Republic	194 209	246 319	(52 110)	16 393	(32 521)	210 602	213 798	(3 196)
	Total by section	312 985	348 469	(35 483)	(18 907)	(49 481)	294 079	298 988	(4 909)

№ of payment	Taxes and Non-Tax payments	Amounts according to companies	Amount, according to government agencies	Preliminary difference	Adjustments (№1 and 2) made by companies	Adjustments (№1 and 2) made by government agencies	The final amount by companies	The final amount by government agencies	Unexplained differences
Other significant payments									
18	State Social Insurance Contributions	1 889 046	1 671 864	217 182	(197 660)	1 525	1 691 385	1 673 389	17 997
19	Concession fee	-	-	-	-	-	-	-	-
20	Dividends accrued and paid on the state-owned shares	92 308	279 005	(186 697)	167 526	-	259 834	279 005	(19 171)
21	Payment for government share purchased by the company	-	-	-	-	-	-	-	-
22	Payment for lease of land owned by state and municipal property, rent for plots of forest fund	6 258	4 082	2 175	(3 671)	(1 568)	2 587	2 514	73
23	Compensation for agricultural losses	1 175	-	1 175	-	1 175	1 175	1 175	-
24	Reimbursement of losses of forestry production	-	1 772	(1 772)	3 298	1 526	3 298	3 298	(0)
25	Opportunity cost of provided land plots	108	-	108	(19)	89	89	89	-
26	Fee for retention of licenses for the right to use subsoil	27 328	10 962	16 366	(6 782)	7 604	20 547	18 565	1 981
27	Payment for environmental pollution and compensation for damage to the environment	34 097	18 825 874	(18 791 777)	-	(18 794 343)	34 097	31 531	2 565
28	License issue fee	641	-	641	(639)	2	2	2	(0)
29	Fee for issuing certificates and other permits	17 182	-	17 182	-	17 182	17 182	17 182	-
	Total by section	2 068 141	20 793 559	(18 725 418)	(37 946)	(18 766 809)	2 030 196	2 026 750	3 445
Additional companies' expenses									
30	Payments established by agreements concluded with the Government of the Kyrgyz Republic	500 183	103 883	396 300	-	396 300	500 183	500 183	-
31	Education support payment	34 311	-	34 311	-	34 311	34 311	34 311	-
32	Social infrastructure support payment	180 219	7 110	173 109	-	167 268	180 219	174 378	5 841
33	Reclamation fund charges	200 370	-	200 370	-	200 370	200 370	200 370	-
	Total by section	915 083	110 993	804 090	-	798 249	915 083	909 242	5 841
Total:		13 299 690	30 335 907	(17 036 217)	(1 006 494)	(18 041 494)	12 293 196	12 294 414	(1 217)

Table 5.2b - Information on payments of mining companies in 2016, by type of payment (thousand soms)

№ of payment	Taxes and Non-Tax payments	Amounts according to companies	Amount, according to government agencies	Preliminary difference	Adjustments (№1 and 2) made by companies	Adjustments (№1 and 2) made by government agencies	The final amount by companies	The final amount by government agencies	Unexplained differences
Tax deductions									
1	Personal Income Tax	685 856	555 633	130 223	(134 031)	-	551 825	555 633	(3 808)
2	Income Tax	217 776	217 898	(121)	-	-	217 776	217 898	(121)
3	Land Tax	14 564	14 144	420	-	-	14 564	14 144	420
4	Property Tax	10 118	9 602	516	42	42	10 160	9 644	516
5	VAT on goods and services produced in the Kyrgyz Republic	334 440	345 046	(10 606)	-	-	334 440	345 046	(10 606)
6	Excise tax on goods produced in the Kyrgyz Republic	32 206	32 206	-	-	-	32 206	32 206	-
7	Sales Tax	173 627	70 596	103 031	(103 031)	-	70 596	70 596	(0)
8	Income tax of foreign organizations not associated with a permanent establishment in the Kyrgyz Republic	590 732	617 911	(27 179)	-	-	590 732	617 911	(27 179)
9	Bonuses	56 165	56 169	(4)	-	-	56 165	56 169	(4)
10	Royalty	1 491 555	489 619	1 001 936	(1 001 289)	647	490 266	490 266	(0)
11	Gross Income Tax	5 600 628	5 580 303	20 325	-	22 858	5 600 628	5 603 161	(2 532)
12	The annual amount for the development of the mineral resource base (Contributions for the development and maintenance of local infrastructure)	1 060 337	14 765	1 045 572	(1 006 164)	40 737	54 173	55 502	(1 330)
13	Other taxes and fees	220 617	188 948	31 668	(96 545)	(72 688)	124 071	116 260	7 811
	Total by section	10 488 621	8 192 840	2 295 781	(2 341 018)	(8 404)	8 147 603	8 184 436	(36 833)
Custom payments									
14	Custom duties	147 565	131 153	16 412	(36 401)	(33 681)	111 164	97 472	13 692
15	Custom fees	38 623	39 458	(835)	294	(474)	38 916	38 984	(68)
16	Excise tax on goods imported into the territory of the Kyrgyz Republic	11 016	287	10 729	968	11 809	11 984	12 096	(112)
17	VAT on goods imported into the territory of the Kyrgyz Republic	254 688	193 504	61 184	177 806	223 036	432 494	416 540	15 954
	Total by section	451 892	364 402	87 490	142 666	200 691	594 559	565 093	29 466
Other significant payments									

№ of payment	Taxes and Non-Tax payments	Amounts according to companies	Amount, according to government agencies	Preliminary difference	Adjustments (№1 and 2) made by companies	Adjustments (№1 and 2) made by government agencies	The final amount by companies	The final amount by government agencies	Unexplained differences
18	State Social Insurance Contributions	2 300 227	1 991 105	309 122	(280 894)	8 243	2 019 333	1 999 348	19 985
19	Concession fee	-	-	-	-	-	-	-	-
20	Dividends accrued and paid on the state-owned shares	82 732	337 729	(254 997)	186 700	(68 300)	269 432	269 429	3
21	Payment for government share purchased by the company	-	-	-	-	-	-	-	-
22	Payment for lease of land owned by state and municipal property, rent for plots of forest fund	8 521	1 640	6 881	(4 115)	2 466	4 406	4 106	300
23	Compensation for agricultural losses	468	-	468	-	468	468	468	-
24	Reimbursement of losses of forestry production	-	4	(4)	-	-	-	4	(4)
25	Opportunity cost of provided land plots	262	-	262	-	262	262	262	-
26	Fee for retention of licenses for the right to use subsoil	23 936	9 585	14 351	(1 118)	12 988	22 817	22 573	245
27	Payment for environmental pollution and compensation for damage to the environment	48 615	22 970 416	(22 921 801)	(22 395)	(22 945 922)	26 219	24 494	1 725
28	License issue fee	59	-	59	-	-	59	-	59
29	Fee for issuing certificates and other permits	2 795	-	2 795	(2 369)	426	426	426	-
	Total by section	2 467 614	25 310 479	(22 842 866)	(124 192)	(22 989 370)	2 343 422	2 321 110	22 312
Additional companies' expenses									
30	Payments established by agreements concluded with the Government of the Kyrgyz Republic	591 991	120 902	471 089	-	471 089	591 991	591 991	-
31	Education support payment	10 431	-	10 431	-	10 431	10 431	10 431	-
32	Social infrastructure support payment	212 268	1 808	210 460	-	204 120	212 268	205 928	6 341
33	Reclamation fund charges	221 762	-	221 762	-	221 762	221 762	221 762	-
	Total by section	1 036 452	122 710	913 741	-	907 401	1 036 452	1 030 111	6 341
	Total:	14 444 578	33 990 431	(19 545 853)	(2 322 543)	(21 889 682)	12 122 035	12 100 749	21 286

Table 5.2c - Information on payments of mining companies in 2017, by type of payment (thousand soms)

№ of payment	Taxes and Non-Tax payments	Amounts according to companies	Amount, according to government agencies	Preliminary difference	Adjustments (№1 and 2) made by companies	Adjustments (№1 and 2) made by government agencies	The final amount by companies	The final amount by government agencies	Unexplained differences
Tax deductions									
1	Personal Income Tax	1 044 615	591 855	452 760	(445 419)	-	599 196	591 855	7 341
2	Income Tax	177 429	258 226	(80 797)	57 483	(19 572)	234 912	238 654	(3 742)
3	Land Tax	16 825	16 315	510	-	-	16 825	16 315	510
4	Property Tax	1 085 789	9 799	1 075 990	(1 076 145)	(972)	9 644	8 827	818
5	VAT on goods and services produced in the Kyrgyz Republic	392 171	390 870	1 301	-	-	392 171	390 870	1 301
6	Excise tax on goods produced in the Kyrgyz Republic	15 815	15 815	0	-	-	15 815	15 815	0
7	Sales Tax	237 008	5 404	231 604	(231 555)	-	5 453	5 404	49
8	Income tax of foreign organizations not associated with a permanent establishment in the Kyrgyz Republic	513 757	515 576	(1 819)	-	-	513 757	515 576	(1 819)
9	Bonuses	3 279 875	58 807	3 221 068	(3 217 847)	-	62 028	58 807	3 221
10	Royalty	8 222 078	796 216	7 425 862	(7 423 974)	-	798 104	796 216	1 888
11	Gross Income Tax	6 480 887	6 452 089	28 798	-	28 798	6 480 887	6 480 887	(0)
12	The annual amount for the development of the mineral resource base (Contributions for the development and maintenance of local infrastructure)	4 891 093	39 145	4 851 948	(4 761 921)	90 142	129 172	129 286	(114)
13	Other taxes and fees	363 001	346 617	16 384	(322 468)	(304 489)	40 533	42 128	(1 595)
	Total by section	26 720 342	9 496 733	17 223 609	(17 421 845)	(206 094)	9 298 497	9 290 639	7 857
Custom payments									
14	Custom duties	105 163	104 151	1 012	50 396	42 653	155 558	146 804	8 755
15	Custom fees	42 026	40 641	1 385	2 893	2 745	44 919	43 386	1 533
16	Excise tax on goods imported into the territory of the Kyrgyz Republic	291	956	(665)	(214)	(883)	78	73	5
17	VAT on goods imported into the territory of the Kyrgyz Republic	257 528	130 948	126 580	(9 201)	109 708	248 327	240 656	7 671
	Total by section	405 009	276 696	128 313	43 874	154 223	448 882	430 919	17 963

№ of payment	Taxes and Non-Tax payments	Amounts according to companies	Amount, according to government agencies	Preliminary difference	Adjustments (№1 and 2) made by companies	Adjustments (№1 and 2) made by government agencies	The final amount by companies	The final amount by government agencies	Unexplained differences
Other significant payments									
18	State Social Insurance Contributions	3 105 074	2 223 169	881 905	(831 824)	8 824	2 273 249	2 231 993	41 257
19	Concession fee	-	-	-	-	-	-	-	-
20	Dividends accrued and paid on the state-owned shares	125 335	103 274	22 061	209 006	231 067	334 341	334 341	-
21	Payment for government share purchased by the company	-	-	-	-	-	-	-	-
22	Payment for lease of land owned by state and municipal property, rent for plots of forest fund	24 339	12 521	11 818	-	9 857	24 339	22 378	1 962
23	Compensation for agricultural losses	2 944	715	2 229	(2 473)	(245)	470	470	0
24	Reimbursement of losses of forestry production	2 864	3 371	(507)	(1 059)	(1 536)	1 805	1 835	(30)
25	Opportunity cost of provided land plots	1 639	-	1 639	-	1 639	1 639	1 639	-
26	Fee for retention of licenses for the right to use subsoil	226 295	183 630	42 666	(83 768)	(39 204)	142 528	144 426	(1 898)
27	Payment for environmental pollution and compensation for damage to the environment	47 218	17 030 926	(16 983 708)	(104)	(16 984 255)	47 113	46 671	442
28	License issue fee	29 182	-	29 182	-	29 128	29 182	29 128	54
29	Fee for issuing certificates and other permits	1 397	-	1 397	(1 027)	369	369	369	0
	Total by section	3 566 285	19 557 605	(15 991 320)	(711 249)	(16 744 357)	2 855 036	2 813 248	41 787
Additional companies' expenses									
30	Payments established by agreements concluded with the Government of the Kyrgyz Republic	1 186 339	205 930	980 408	-	980 407	1 186 339	1 186 338	1
31	Education support payment	42 913	-	42 913	-	42 913	42 913	42 913	-
32	Social infrastructure support payment	203 028	75 014	128 014	-	125 519	203 028	200 533	2 495
33	Reclamation fund charges	338 543	-	338 543	-	338 543	338 543	338 543	-
	Total by section	1 770 822	280 944	1 489 878	-	1 487 382	1 770 822	1 768 326	2 496
Total:		32 462 457	29 611 978	2 850 479	(18 089 221)	(15 308 845)	14 373 237	14 303 133	70 104

Table 5.2d - Information on payments of mining companies in 2015 by companies (thousand soms)

№	Companies	Amounts according to companies	Amount, according to government agencies	Preliminary difference	Adjustments (№1 and 2) made by companies	Adjustments (№1 and 2) made by government agencies	The final amount by companies	The final amount by government agencies	Unexplained differences
Precious metals mining									
1	Kumtor Gold Company	8 162 818	26 209 015	(18 046 197)	(11 460)	(18 058 736)	8 151 359	8 150 279	1 079
2	Kyrgyzaltyn	360 793	558 864	(198 071)	167 466	(16 906)	528 259	541 958	(13 699)
3	Alтынken	234 853	201 733	33 121	(11 017)	22 302	223 836	224 035	(199)
4	Kichi-Chaarat	106 909	132 987	(26 078)	(36 682)	(60 590)	70 227	72 397	(2 170)
5	Full Gold Mining	100 698	110 196	(9 498)	3 882	(4 236)	104 580	105 960	(1 380)
6	Vertex Gold Company	169 794	132 159	37 635	(8 474)	21 943	161 321	154 102	7 219
7	Gornaya investitsionnaya kompaniya Kaidi	26 514	11 179	15 335	-	15 333	26 514	26 512	2
8	Kaz Minerals Bozymchak	351 004	316 596	34 408	(1 405)	39 495	349 599	356 091	(6 492)
9	Palladex	8 139	4 939	3 200	-	3 200	8 139	8 139	0
10	Eti Bakyr Tereksay	1 377 098	1 377 098	0	-	-	1 377 098	1 377 098	0
Total for precious metals mining companies		10 898 621	29 054 766	(18 156 145)	102 311	(18 038 195)	11 000 932	11 016 571	(15 639)
Oil and Gas mining									
1	Kyrgyzneftegas	580 424	556 713	23 712	(566)	5 137	579 859	561 849	18 009
2	Energoresursy Sredney Azii	1 148 287	57 839	1 090 448	(1 107 976)	(16 821)	40 311	41 018	(707)
Total for oil and gas mining companies		1 728 711	614 552	1 114 159	(1 108 541)	(11 684)	620 170	602 867	17 302
Coal mining									
1	Parity Coal	69 996	63 373	6 623	(163)	5 134	69 833	68 507	1 326
Total for coal mining companies		69 996	63 373	6 623	(163)	5 134	69 833	68 507	1 326
Construction materials minings									
1	South-Kyrgyz Cement	602 362	603 217	(854)	(101)	3 252	602 262	606 468	(4 207)
Total for construction materials mining companies		602 362	603 217	(854)	(101)	3 252	602 262	606 468	(4 207)
Total:		13 299 690	30 335 907	(17 036 217)	(1 006 494)	(18 041 494)	12 293 196	12 294 414	(1 217)

Table 5.2e - Information on payments of mining companies in 2016 by companies (thousand soms)

№	Companies	Amounts according to companies	Amount, according to government agencies	Preliminary difference	Adjustments (№1 and 2) made by companies	Adjustments (№1 and 2) made by government agencies	The final amount by companies	The final amount by government agencies	Unexplained differences
Precious metals mining									
1	Kumtor Gold Company	7 980 043	30 241 148	(22 261 106)	(2 369)	(22 265 179)	7 977 674	7 975 969	1 704
2	Kyrgyzaltyn	409 695	702 742	(293 047)	182 775	(112 799)	592 470	589 943	2 526
3	Alтынken	741 144	707 488	33 656	2 041	35 241	743 185	742 729	457
4	Kichi-Chaarat	325 227	218 137	107 091	(70 433)	35 087	254 794	253 224	1 570
5	Full Gold Mining	123 525	111 619	11 905	-	1 399	123 525	113 019	10 506
6	Vertex Gold Company	169 499	110 312	59 187	(3 605)	46 737	165 895	157 049	8 846
7	Gornaya investitsionnaya kompaniya Kaidi	126 492	75 360	51 132	(599)	47 237	125 893	122 597	3 296
8	Kaz Minerals Bozymchak	672 399	525 029	147 371	(22 001)	131 599	650 398	656 628	(6 230)
9	Palladex	9 931	7 222	2 709	-	2 700	9 931	9 922	9
10	Eti Bakyr Tereksay	153 653	136 335	17 318	-	16 350	153 653	152 686	967
Total for precious metals mining companies		10 711 608	32 835 393	(22 123 785)	85 808	(22 061 628)	10 797 416	10 773 765	23 651
Oil and Gas mining									
1	Kyrgyzneftegas	672 164	692 989	(20 825)	(749)	(15 779)	671 415	677 210	(5 795)
2	Energoresursy Sredney Azii	2 623 302	36 611	2 586 691	(2 606 885)	(18 932)	16 417	17 679	(1 262)
Total for oil and gas mining companies		3 295 466	729 600	2 565 866	(2 607 634)	(34 711)	687 832	694 889	(7 057)
Coal mining									
1	Parity Coal	40 099	34 769	5 329	(173)	4 157	39 926	38 926	1 000
Total for coal mining companies		40 099	34 769	5 329	(173)	4 157	39 926	38 926	1 000
Construction materials minings									
1	South-Kyrgyz Cement	397 406	390 670	6 736	199 455	202 499	596 861	593 168	3 692
Total for construction materials mining companies		397 406	390 670	6 736	199 455	202 499	596 861	593 168	3 692
Total:		14 444 578	33 990 431	(19 545 853)	(2 322 543)	(21 889 682)	12 122 035	12 100 749	21 286

Table 5.2f - Information on payments of mining companies in 2017 by companies (thousand soms)

№	Companies	Amounts according to companies	Amount, according to government agencies	Preliminary difference	Adjustments (№1 and 2) made by companies	Adjustments (№1 and 2) made by government agencies	The final amount by companies	The final amount by government agencies	Unexplained differences
Precious metals mining									
1	Kumtor Gold Company	9 631 416	19 039 526	(9 408 110)	(37 817)	(9 455 855)	9 593 599	9 583 671	9 928
2	Kyrgyzaltyn	306 419	380 055	(73 636)	255 125	167 308	561 544	547 363	14 181
3	Alтынкен	880 119	6 804 039	(5 923 921)	1 474	(5 936 755)	881 592	867 284	14 308
4	Kichi-Chaarat	384 014	320 937	63 076	(38 917)	26 925	345 096	347 862	(2 766)
5	Full Gold Mining	181 274	483 375	(302 100)	(8 802)	(300 971)	172 472	182 404	(9 932)
6	Vertex Gold Company	249 805	213 722	36 083	-	24 481	249 805	238 203	11 602
7	Gornaya investitsionnaya kompaniya Kaidi	169 025	136 713	32 312	115	31 692	169 140	168 405	735
8	Kaz Minerals Bozymchak	773 165	615 498	157 667	2	157 307	773 166	772 805	361
9	Palladex	143 792	274 586	(130 794)	(14 083)	(144 877)	129 709	129 709	0
10	Eti Bakyr Tereksay	100 730	83 530	17 200	-	17 709	100 730	101 239	(509)
Total for precious metals mining companies		12 819 758	28 351 982	(15 532 223)	157 095	(15 413 036)	12 976 854	12 938 945	37 908
Oil and Gas mining									
1	Kyrgyzneftegas	828 534	680 421	148 113	(47 731)	89 767	780 804	770 188	10 616
2	Energoresursy Sredney Azii	18 297 358	104 770	18 192 588	(18 200 283)	(979)	97 075	103 791	(6 716)
Total for oil and gas mining companies		19 125 892	785 191	18 340 702	(18 248 014)	88 788	877 879	873 979	3 900
Coal mining									
1	Parity Coal	53 625	40 148	13 476	1 698	14 886	55 322	55 035	287
Total for coal mining companies		53 625	40 148	13 476	1 698	14 886	55 322	55 035	287
Construction materials minings									
1	South-Kyrgyz Cement	463 182	434 658	28 525	-	517	463 182	435 174	28 008
Total for construction materials mining companies		463 182	434 658	28 525	-	517	463 182	435 174	28 008
Total:		32 462 457	29 611 978	2 850 479	(18 089 221)	(15 308 845)	14 373 237	14 303 133	70 104

Table 5.2g - Information on payments of mining companies in 2015 by government agencies (thousand soms)

№	Government bodies	Amounts according to companies	Amount, according to government agencies	Preliminary difference	Adjustments (№1 and 2) made by companies	Adjustments (№1 and 2) made by government agencies	The final amount by companies	The final amount by government agencies	Unexplained differences	Unexplained differences to the total by companies
1	State Tax Service	10 003 480	9 082 887	920 594	(949 641)	(23 453)	9 053 839	9 059 433	(5 594)	0.1%
2	Social Fund	1 889 046	1 671 864	217 182	(197 660)	1 525	1 691 385	1 673 389	17 997	1.1%
3	District State Administrations*	680 509	110 993	569 516	(19)	563 657	680 491	674 650	5 841	0.9%
4	State Customs Service	312 985	348 469	(35 483)	(18 907)	(49 481)	294 079	298 988	(4 909)	1.7%
5	State Property Management Fund	92 308	279 005	(186 697)	167 526	-	259 834	279 005	(19 171)	7.4%
6	State Agency for Environmental Protection and Forestry	40 354	18 831 729	(18 791 375)	(373)	(18 794 385)	39 982	37 344	2 638	6.6%
7	SCIESU	27 969	10 962	17 008	(7 421)	7 606	20 549	18 567	1 981	9.6%
8	State Inspectorate for Environmental and Technical Safety under the Government of the Kyrgyz Republic *	17 182	-	17 182	-	17 182	17 182	17 182	-	0.0%
9	State Register Service	1 175	-	1 175	-	1 175	1 175	175	-	0.0%
10	The indicator is not assigned	234 681	-	234 681	-	234 681	234 681	234 681	-	0.0%
Total:		13 299 690	30 335 907	(17 036 217)	(1 006 494)	(18 041 494)	12 293 196	12 294 414	(1 217)	(0.01%)

* Data is not complete or not provided. Final amounts were adjusted according to companies' data.

Table 5.2h - Information on payments of mining companies in 2016 by government agencies (thousand soms)

№	Government bodies	Amounts according to companies	Amount, according to government agencies	Preliminary difference	Adjustments (№1 and 2) made by companies	Adjustments (№1 and 2) made by government agencies	The final amount by companies	The final amount by government agencies	Unexplained differences	Unexplained differences to the total by companies
1	State Tax Service	10 488 621	8 192 840	2 295 781	(2 341 018)	(8 404)	8 147 603	8 184 436	(36 833)	1.0%
2	Social Fund	2 300 227	1 991 105	309 122	(280 894)	8 243	2 019 333	1 999 348	19 985	0.8%
3	District State Administrations*	804 521	122 710	681 811	-	675 470	804 521	798 180	6 341	5.0%
4	State Customs Service	451 892	364 402	87 490	142 666	200 691	594 559	565 093	29 466	0.0%
5	State Property Management Fund	82 732	337 729	(254 997)	186 700	(68 300)	269 432	269 429	3	6.6%
6	State Agency for Environmental Protection and Forestry	57 136	22 972 060	(22 914 925)	(26 511)	(22 943 456)	30 625	28 605	2 020	1.3%
7	SCIESU	23 995	9 585	14 410	(1 118)	12 988	22 877	22 573	304	0.0%
8	State Inspectorate for Environmental and Technical Safety under the Government of the Kyrgyz Republic *	2 795	-	2 795	(2 369)	426	426	426	-	0.0%
9	State Register Service	468	-	468	-	468	468	468	-	0.0%
10	The indicator is not assigned	232 193	-	232 193	-	232 193	232 193	232 193	-	1.0%
Total:		14 444 578	33 990 431	(19 545 853)	(2 322 543)	(21 889 682)	12 122 035	12 100 749	21 286	0.18%

* Data is not complete or not provided. Final amounts were adjusted according to companies' data.

Table 5.2i - Information on payments of mining companies in 2017 by government agencies (thousand soms)

№	Government bodies	Amounts according to companies	Amount, according to government agencies	Preliminary difference	Adjustments (№1 and 2) made by companies	Adjustments (№1 and 2) made by government agencies	The final amount by companies	The final amount by government agencies	Unexplained differences	Unexplained differences to the total by companies
1	State Tax Service	26 720 342	9 496 733	17 223 609	(17 421 845)	(206 094)	9 298 497	9 290 639	7 857	0.1%
2	Social Fund	3 105 074	2 223 169	881 905	(831 824)	8 824	2 273 249	2 231 993	41 257	1.8%
3	District State Administrations*	1 391 005	280 944	1 110 061	-	1 107 565	1 391 005	1 388 509	2 496	0.2%
4	State Customs Service	405 009	276 696	128 313	43 874	154 223	448 882	430 919	17 963	4.0%
5	State Property Management Fund	125 335	103 274	22 061	209 006	231 067	334 341	334 341	-	0.0%
6	State Agency for Environmental Protection and Forestry	74 420	17 046 818	(16 972 397)	(1 163)	(16 975 935)	73 257	70 883	2 374	3.2%
7	SCIESU	255 477	183 630	71 847	(83 768)	(10 076)	171 709	173 554	(1 844)	1.1%
8	State Inspectorate for Environmental and Technical Safety under the Government of the Kyrgyz Republic *	1 397	-	1 397	(1 027)	369	369	369	0	0.1%
9	State Register Service	2 944	715	2 229	(2 473)	(245)	470	470	0	0.1%
10	The indicator is not assigned	381 456	-	381 456	-	381 456	381 456	381 456	-	0.0%
Total:		32 462 457	29 611 978	2 850 479	(18 089 221)	(15 308 845)	14 373 237	14 303 133	70 104	0.49%

* Data is not complete or not provided. Final amounts were adjusted according to companies' data.

5.3 Results of selected procedures

To identify significant errors in reconciling data from companies and government agencies, as well as to determine the differences that need to be adjusted in order to obtain adequate results on payments to the state, certain analytical procedures were carried out.

The results, with the exception of a few issues, showed that, as a whole, the data obtained adequately correlate with each other. These issues are described in more detail below.

An abnormally large difference between data from companies and data from government bodies

After adjusting the numbers for non-received reports (Adjustment No. 1), the main initial differences were identified in relation to Kumtor Gold Company CJSC and Energoresursy Srednei Azii LLC:

2015

Company	Amount according to companies	Amount according to government agencies	Difference, Thsd KGS	Difference, %
Kumtor Gold Company (Indicator 27 "Payment for environmental pollution and compensation for environmental damage")	18 258	18 813 156	(18 794 898)	(102 943%)
Energoresursy Sredney Azii (all indicators)	1 148 287	57 839	1 090 448	95%

2016

Company	Amount according to companies	Amount according to government agencies	Difference, Thsd KGS	Difference, %
Kumtor Gold Company (Indicator 27 "Payment for environmental pollution and compensation for environmental damage")	23 528	22 905 528	(22 882 000)	(97 254%)
Energoresursy Sredney Azii (all indicators)	2 623 302	36 611	2 586 691	99%

2017

Company	Amount according to companies	Amount according to government agencies	Difference, Thsd KGS	Difference, %
Kumtor Gold Company (Indicator 27 "Payment for environmental pollution and compensation for environmental damage")	21 461	10 715 352	(10 693 890)	(49 829%)
Energoresursy Sredney Azii (all indicators)	18 297 358	104 770	18 192 588	99%

Corresponding requests for clarification were sent to the relevant state bodies and companies, however, a response was not received at the date of approval of the EITI Report with the EITI Supervisory Board (SB). As a result, it was decided to leave the decision of the SB EITI for the Report for 2013-2014 on bringing the

amounts to a reasonable proportion, where an obvious error in the data dimension was noted,. Thus, translate figures from soms to thousand soms.

Contributions for the development and maintenance of local infrastructure

According to the EITI Regulation²⁵⁰ and Terms of Reference for an independent administrator, indicator 12 “Annual amount for the development of the mineral resource base” is indicated in the list of indicators for reconciliation, although according to the Tax Code and the Law on Non-Tax Payments acting in 2015-2017, this payment was absent. Moreover, in the period under review, "Contributions for the development and maintenance of infrastructure of local importance" were in effect. In a number of confirmations received from tax authorities and companies, this payment was indicated within indicator 13 “Other taxes and fees” or within indicator 12 “Annual amount for the development of the mineral resource base”. In cases where these positions varied, the Independent Administrator, in agreement with the EITI SB, adjusted position “other taxes and fees” to reconcile with the amount indicated at “Annual amount for the development of the mineral resource base” indicator.

Kumtor Differences

According to the data received from Kumtor Gold Company CJSC (hereinafter referred to as Kumtor), significant differences were also revealed in payments to the local district administration (Jetioguz district):

Year	Thsd KGS	30 Payments established by agreements concluded with the Government of the Kyrgyz Republic	32 Social infrastructure support payment
2017	Amount according to companies	922 612	63 288
	Amount according to government agencies	92 505	-
	Preliminary difference	830 107	63 288
2016	Amount according to companies	429 059	58 517
	Amount according to government agencies	88 054	-
	Preliminary difference	341 005	58 517
2015	Amount according to companies	469 278	105 146
	Amount according to government agencies	103 883	-
	Preliminary difference	365 396	105 146

After request to the companies about the reasons for the differences, a response was received explaining that payments are made to the Ministry of Finance of the Kyrgyz Republic, from where they are partially transferred to local district administrations. Reconciliation report with the Ministry of Finance in US dollars was provided. It is also explained that the difference for indicator No. 30 for 2017 was due to a payment of USD 7 million in accordance with an agreement with the Government of the Kyrgyz Republic under the strategic agreement (see Section 4.5.6). As a confirmation payment order as of October 18, 2017 for this amount was provided. As a result, the above differences were adjusted according to the company’s data.

²⁵⁰ Regulation of the Government of the Kyrgyz Republic “On improving the implementation of the Extractive Industries Transparency Initiative in the Kyrgyz Republic” dated December 8, 2010 No. 317

Open Budget Reconciliation

For a number of companies, due to the lack of responses for requests to explain from both companies and government agencies, we checked the figures according to the Ministry of Finance' data indicated in the open budget portal (<https://budget.okmot.kg/ru>). The main alleged cause of these differences is the human factor, primarily from the government agencies, since the open budget data is closer to figures reported by the companies.

2015 Open Budget Reconciliation

№	Companies	Taxes and Non-Tax payments	State bodies	Amount according to companies	Amount according to state bodies	Preliminary differences
1	Kumtor Gold Company	Custom duties	State Custom Service	12 368	17	12 351
2	Kumtor Gold Company	Custom fees	State Custom Service	35 605	12 985	22 620
3	South-Kyrgyz Cement	Payment for lease of land owned by state and municipal property, rent for plots of forest fund	State Agency for Environmental Protection and Forestry	1 337	-	1 337
4	South-Kyrgyz Cement	Lost gains in the provision of land	District State Administrations	19	-	19
5	Kichi-Chaarat	Custom fees	State Custom Service	23 466	38 148	(14 682)
6	Kichi-Chaarat	VAT on imported goods	State Custom Service	33 514	52 870	(19 356)
7	Kichi-Chaarat	Payment for lease of land owned by state and municipal property, rent for plots of forest fund	State Agency for Environmental Protection and Forestry	63	1 948	(1 885)
8	Kichi-Chaarat	Reimbursement of losses of forestry production	State Agency for Environmental Protection and Forestry	-	1 626	(1 626)
9	Kichi-Chaarat	License Fee	SCIESU	509	-	509
10	Gornaya investicionnaya kompaniya Kaidi	Fee for retention of licenses for the right to use subsoil	SCIESU	2 189	-	2 189
11	Kyrgyzneftegaz	Land Tax	State Tax Service	1 359	201	1 158
12	Kyrgyzneftegaz	Reimbursement of losses of forestry production	State Agency for Environmental Protection and Forestry	-	1	(1)
13	Vertex Gold Company	Payment for lease of land owned by state and municipal property, rent for plots of forest fund	State Agency for Environmental Protection and Forestry	1 700	-	1 700
14	Vertex Gold Company	Fee for retention of licenses for the right to use subsoil	SCIESU	10 990	6 964	4 027
15	Kyrgyzaltyn	Fee for retention of licenses for the right to use subsoil	SCIESU	1 509	-	1 509
16	Full Gold Mining	VAT on imported goods	State Custom Service	8 087	16 979	(8 892)

№	Companies	Taxes and Non-Tax payments	State bodies	Amount according to companies	Amount according to state bodies	Preliminary differences
17	Full Gold Mining	Reimbursement of losses of forestry production	State Agency for Environmental Protection and Forestry	-	144	(144)
18	Altynken	Custom duties	State Custom Service	18 799	12 326	6 473
19	Altynken	VAT on imported goods	State Custom Service	51 963	25 117	26 847
20	Palladex	Fee for retention of licenses for the right to use subsoil	SCIESU	6 660	-	6 660
Total:				210 138	169 325	40 813

2016 Open Budget Reconciliation

№	Companies	Taxes and Non-Tax payments	State bodies	Amount according to companies	Amount according to state bodies	Preliminary differences
1	Kumtor Gold Company	Fee for issuing certificates and other permits	State Inspectorate for Environmental and Technical Safety	2 689	-	2 689
2	South-Kyrgyz Cement	Other taxes and fees	State Tax Service	24 714	25 686	(972)
3	South-Kyrgyz Cement	Excise tax on imported goods	State Custom Service	10 858	-	10 858
4	South-Kyrgyz Cement	VAT on imported goods	State Custom Service	-	11 098	(11 098)
5	South-Kyrgyz Cement	Payment for lease of land owned by state and municipal property, rent for plots of forest fund	State Agency for Environmental Protection and Forestry	1 585	-	1 585
6	Kichi-Chaarat	VAT on imported goods	State Custom Service	65 488	42 714	22 774
7	Palladex	Fee for retention of licenses for the right to use subsoil	SCIESU	8 880	900	7 980
8	Altynken	VAT on imported goods	State Custom Service	52 139	21 540	30 598
9	Altynken	Payment for lease of land owned by state and municipal property, rent for plots of forest fund	State Agency for Environmental Protection and Forestry	2 601	-	2 601
10	Kaz Minerals Bozymchak	VAT on imported goods	State Custom Service	33 608	15 160	18 448
11	Kaz Minerals Bozymchak	Payment for lease of land owned by state and municipal property, rent for plots of forest fund	State Agency for Environmental Protection and Forestry	1 405	-	1 405

№	Companies	Taxes and Non-Tax payments	State bodies	Amount according to companies	Amount according to state bodies	Preliminary differences
12	Kaz Minerals Bozymchak	Fee for retention of licenses for the right to use subsoil	SCIESU	1 138	-	1 138
13	Kaz Minerals Bozymchak	Payment for environmental pollution and compensation for damage to the environment	State Agency for Environmental Protection and Forestry	16 587	14 731	1 856
14	Kyrgyzneftegaz	Payment for lease of land owned by state and municipal property, rent for plots of forest fund	State Agency for Environmental Protection and Forestry	768	1 174	(406)
15	Kyrgyzneftegaz	Fee for retention of licenses for the right to use subsoil	SCIESU	4 699	567	4 132
16	Vertex Gold Company	Payment for lease of land owned by state and municipal property, rent for plots of forest fund	State Agency for Environmental Protection and Forestry	1 693	-	1 693
17	Energoresursy Sredney Azii	Custom fees	State Custom Service	-	1 250	(1 250)
18	Energoresursy Sredney Azii	Excise tax on imported goods	State Custom Service	-	17	(17)
19	Energoresursy Sredney Azii	VAT on imported goods	State Custom Service	-	15 492	(15 492)
20	Energoresursy Sredney Azii	State Social Insurance Contributions	Social Fund	281 175	434	280 741
21	Energoresursy Sredney Azii	Payment for lease of land owned by state and municipal property, rent for plots of forest fund	State Agency for Environmental Protection and Forestry	-	298	(298)
22	Gornaya investitsionnaya kompaniya Kaidi	Fee for retention of licenses for the right to use subsoil	SCIESU	3 073	2 216	856
Total:				513 098	153 276	359 823

2017 Open Budget Reconciliation

№	Companies	Taxes and Non-Tax payments	State bodies	Amount according to companies	Amount according to state bodies	Preliminary differences
1	South-Kyrgyz Cement	Reimbursement of losses of forestry production	State Registration Service	-	245	(245)
2	Palladex	Other taxes and fees	State Tax Service	-	104 544	(104 544)
3	Kichi-Chaarat	VAT on imported goods	State Custom Service	74 043	40 731	33 313
4	Full Gold Mining	Excise tax on imported goods	State Custom Service	6	939	(933)

№	Companies	Taxes and Non-Tax payments	State bodies	Amount according to companies	Amount according to state bodies	Preliminary differences
5	Full Gold Mining	Payment for environmental pollution and compensation for damage to the environment	State Agency for Environmental Protection and Forestry	1 258	320 017	(318 759)
6	Altynken	Gold Mining Income Tax	State Tax Service	-	56 975	(56 975)
7	Altynken	VAT on imported goods	State Custom Service	100 605	1 301	99 304
8	Altynken	Payment for environmental pollution and compensation for damage to the environment	State Agency for Environmental Protection and Forestry	32	5 960 788	(5 960 755)
9	Kyrgyzaltyn	Fee for issuing certificates and other permits	State Inspectorate for Environmental and Technical Safety	76	-	76
10	Kaz Minerals Bozymchak	VAT on imported goods	State Custom Service	27 664	12 857	14 807
11	Kyrgyzneftegaz	Reimbursement of losses of forestry production	State Agency for Environmental Protection and Forestry	1 059	1 536	(478)
12	Energoresursy Sredney Azii	Custom duties	State Custom Service	-	50 105	(50 105)
13	Energoresursy Sredney Azii	Custom fees	State Custom Service	-	901	(901)
14	Energoresursy Sredney Azii	Excise tax on imported goods	State Custom Service	-	16	(16)
15	Energoresursy Sredney Azii	VAT on imported goods	State Custom Service	-	28 835	(28 835)
16	Gornaya investicionnaya kompaniya Kaidi	Excise tax on imported goods	State Custom Service	280	-	280
17	Gornaya investicionnaya kompaniya Kaidi	Fee for retention of licenses for the right to use subsoil	State Agency for Environmental Protection and Forestry	1 112	3 324	(2 213)
18	Gornaya investicionnaya kompaniya Kaidi	Fee for issuing certificates and other permits	State Inspectorate for Environmental and Technical Safety	1 320	-	1 320
Total:				207 456	6 583 113	(6 375 657)

5.4 Reliability of data for reconciliation

The reliability of the reports for reconciliation is ensured by the Decree of the Government of the Kyrgyz Republic “On Improving the Implementation Process of the Extractive Industries Transparency Initiative in the Kyrgyz Republic” dated December 8, 2010 No. 317, which indicates that the heads of companies and state bodies providing payment data are responsible for the accuracy of the information in these reports in

accordance with the Instructions for the preparation and submission of report on financial flows from the activities of mining companies in the Kyrgyz Republic . The managers sign the forms they give for reconciliation. Their signatures must be certified by the appropriate seal²⁵¹.

Companies' reports were appropriately certified by management signatures and seals. However, the following deficiencies were found in reports received from government agencies:

State bodies	Report	Deficiency
State Tax Service	2015 Kumtor Gold Company Report	Lack of Stamp
State Agency for Environmental Protection and Forestry	Report on companies 2015-2017	Lack of Stamp
State Property Management Fund	Report on companies 2015-2017	Lack of Stamp
SCIESU	Report on companies 2015-2017	Lack of Stamp

The EITI SB, in accordance with the decision as of May 27, 2019, does not believe that the above deficiencies will significantly affect the completeness and reliability of the report, since the data of state bodies were sent through official channels to the EITI Secretariat and were verified with similar data from companies whose data were properly certified.

Companies' Audit

EITI reports provided by companies do not undergo an independent audit. Following the request sent by the Independent Administrator to the companies regarding the audit of the annual financial statements, 2 out of 14 companies sent official responses confirming the annual audit. In addition, confirmations were received from other sources, including from the government procurement site, about the audit. As a result, the audit of financial statements was confirmed by 8 out of 14 companies:

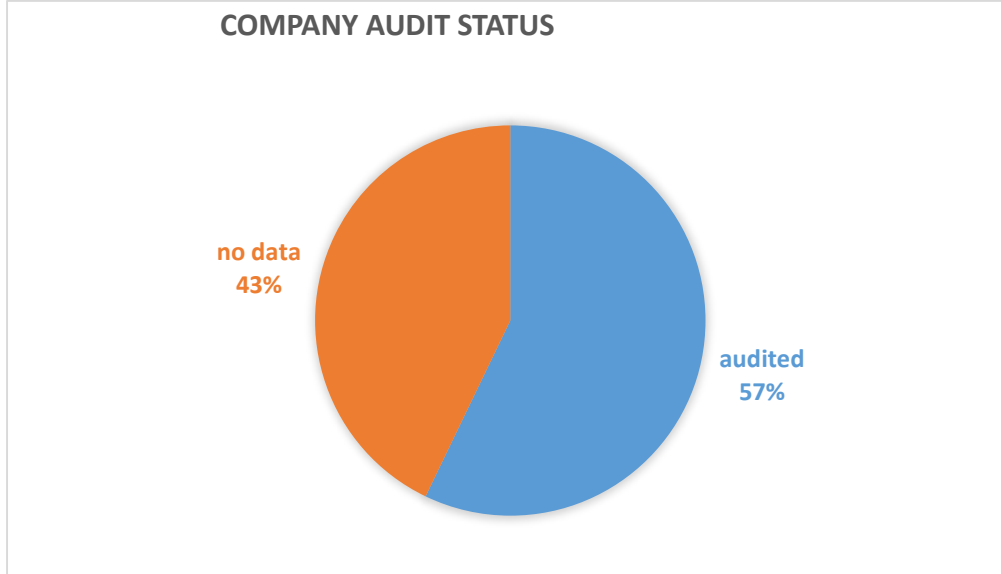
№	Name of business entity	Audit status
1.	LLC KAZ Minerals Bozymchak LLC	audited
2.	CJSC Kumtor Gold Company	audited
3.	LLC Vertex Gold Company LLC	audited
4.	Kaidi Mining Investment Company LLC	no information
5.	OJSC Kyrgyzaltyn	audited (open access report ²⁵²)
6.	Alтынken LLC	audited
7.	Eti Bakir Tereksay LLC	audited
8.	CJSC Kichi-Chaarat	no information
9.	Full Gold Mining LLC	no information
10.	Palladex KR LLC	no information
11.	JSC Kyrgyzneftegaz	audited
12.	Energoresursy Sredney Azii LLC	no information

²⁵¹ Paragraphs 5 and 6 of the Instructions for the preparation and submission of reports on financial flows from the activities of mining companies in the Kyrgyz Republic.

²⁵² <http://www.kse.kg/Listing/KALT-auditreport-2018-12-31.pdf>

№	Name of business entity	Audit status
13.	Parity Coal LLC	no information
14.	CJSC South Kyrgyz Cement	audited

Diagram - Availability of audited annual financial statements among the companies.



6. Recommendations for improving the EITI reporting process

6.1 Recommendations of the current report

The table below summarizes the main recommendations made based on the results of the preparation of the EITI Report for 2015-2017.

#	Description of recommendation
1	<p>When requesting data from government agencies, it is recommended that the EITI Secretariat performs brief master class on filling out reporting forms in order to have it done correctly in accordance with Decree of the GKR dated December 8, 2010 No. 317. When requesting data from companies, SCIESU is recommended to perform brief master class on filling out reporting forms in order to have it done correctly in accordance with Decree of the GKR dated December 8, 2010 No. 317.</p> <p>For organizations that provide incorrect data or that do not provide data on time, introduce an administrative fine.</p>

#	Description of recommendation
2	Ensure the same classification of extracting companies between SCIESU, the National Statistics Committee and the STS. Currently, the classification is different, which leads to incomparability of data obtained on the extractive industry from the above government bodies.
3	Discuss with the district state administrations, the State Registration Service and the State Inspectorate for Technical and Environmental Safety on the reasons for not submitting indicator reports for 2015-2017 in order to prevent this issue for future EITI reports. If necessary, adjust the responsibility of government agencies in the EITI Regulation.
4	Using state payments data certified by an independent auditor for the EITI Report can significantly increase the reliability of these data. SCIESU may recommend companies to include a disclosure note with main payments for EITI purposes in their financial statements, which are then audited annually. In future, it is advisable to supplement the request for the payments data from companies with a request for audited financial statements for the respective period (if any).
5	The reconciliation assignment agreement was signed with the Independent Administrator on May 1, 2019 and actually provided about 4 weeks for the preparation of the EITI Report for 2015-2017. Due to the fact that the preparation of this report requires sending requests and receiving responses from a large number of organizations, translation into Kyrgyz and English, as well as printing, compliance with such deadlines may be at risk. In the future, an independent administrator must be given a period of at least 2 months to prepare a report for the year.
6	Determine the level of materiality of discretionary social expenses incurred by companies.
7	Consider providing the EITI report with data on the country of registration or citizenship of beneficiaries for the disclosing entities.

6.2 Information on the status of past recommendations

The table below provides preliminary information on the status of implementation of recommendations from past EITI reports of the Kyrgyz Republic.

№	Recommendation (EITI Report 2013-2014)	Implementa- tion status	Comments
1.	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).	Partially implemented	Items that individually do not give an overall picture of the country are proposed for the annual administrative statistical reporting form on financial flows from the activities of mining companies in the Kyrgyz Republic. As a result, it is necessary to consolidate data for all companies and perform analysis. These data are currently presented in a consolidated form at the National Statistics Committee for the extractive industry. In addition, this form creates additional burden and requires allocation of additional time for employees to fill out.

№	Recommendation (EITI Report 2013-2014)	Implementa- tion status	Comments
2.	Consider including the request for data on the beneficial interest in the companies in the above-mentioned EITI form No. 4.	Partially implemented	<p>In accordance with the Law “On Subsoil” dated May 19, 2018 No. 49, the authorized state body for subsoil use compiles a detailed list of data for each license, including the name of the licensee, geographical coordinates of the license area, date of application for the license, date of issue of the license, period and type of license, information about the beneficiaries, as well as the type of mineral.</p> <p>Also, in accordance with Article 6 of the aforementioned Law, SCIESU has the authority to post information on valid licenses on the website, the coordinates of license areas, the conditions for permitting subsoil use and information on beneficiaries.</p>

			<p>In accordance with Article 20 of the aforementioned Law, entities are required to provide information on beneficiaries in the manner established by the Government of the Kyrgyz Republic.</p> <p>In accordance with Article 26 of the aforementioned Law, failure to provide or identification of false information about the beneficiaries of the company, provided by the subsoil user is the basis for terminating the rights to use subsoil.</p> <p>In accordance with the previous Subsoil Law as of August 9, 2012, when applying for subsoil use rights, companies must provide information and documents that disclose individuals who are the ultimate owners and beneficiaries of the applying legal entity.</p> <p>In accordance with the Regulation on “Licensing of Subsoil Use” dated November 29, 2018 No. 561, when applying for the right to use subsoil, companies must provide information about the beneficiaries of the company, except for companies that have been listed on stock exchanges.</p>
p. 175			

№	Recommendation (EITI Report 2013-2014)	Implementa- tion status	Comments
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</p> <p>Ошибка! Источник ссылки не найден..</p>	Implemented	<p>In accordance with the GKR Regulation dated December 25, 2018 No. 631 “On Amending the Regulation of the Government of the Kyrgyz Republic “On Improving the Implementation of the Extractive Industries Transparency Initiative in the Kyrgyz Republic” dated December 8, 2010 No. 317, it was recommended that the National Statistics Committee submits to the EITI Secretariat, under the Supervisory Board for EITI Implementation in the Kyrgyz Republic, completed annual report form on statistical information about the extracting industry in the Kyrgyz Republic for the state bodies in accordance with the approved form.</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>	Not implemented	<p>In accordance with the Regulation of the Kyrgyz Republic dated December 8, 2010 No. 317, companies are required to provide correct data in accordance with the approved forms. With regard to sanctions, we recommend continuing the established practice of requesting reports and information between SCIESU and the companies.</p>

№	Recommendation (EITI Report 2013-2014)	Implementa- tion status	Comments
5.	It is required to introduce stricter liability of government authorities to ensure accurate reporting of payments.	Not implemented	In accordance with the Regulation of the Kyrgyz Republic dated December 8, 2010 No. 317, government agencies are required to provide correct data in accordance with the approved forms. With regard to sanctions, we recommend continuing the established practice for report and information requests for the government agencies.
6.	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. 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.	Not implemented	

№	Recommendation (EITI Report 2013-2014)	Implementa- tion status	Comments
7.	<p>Consider implementing information system in Gosgeologogestvo 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 Gosgeologogestvo 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>	Not implemented	SCIESU information system is currently being supplemented and reformed.

Appendix 1. Request form for companies to explain 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 2015-2017, 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 2015-2017.

Table 1 – Discrepancies on payments to the government 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...					

Appendix 2. Request form for state authorities to explain 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 2015-2017, 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 2015-2017.

Table 1 - Discrepancies on payments to the government between data from {Name of the government agency} and data from extractive companies for respective year

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...							

Appendix 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		
	2015	2016	2017
<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 01/01/2016	As at 01/01/2017	As at 01/01/2018
<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		
	2015	2016	2017
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	2016	2017
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		
	2015	2016	2017
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)			

Appendix 4 - 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 2015, thousands of Som	For 2016, thousands of Som	For 2017, thousands of Som
Tax payments				
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			
Customs payments				
14	Customs duties			
15	Customs fees			
16	Excise tax on imported products			
17	VAT on imported products			
Other material payments				
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			
Additional expenses of the company				
31	Support for education			
32	Support for social infrastructure			
33	Reclamation fund charges			

Appendix 5 - Request for information on beneficial ownership

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 ²⁵³	
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 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.**

²⁵³ 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.

Beneficial ownership declaration ²⁵⁴						
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			
[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.] ²⁵⁵	[date] [residential/service address] [other contact details]
Are any of the beneficial owners a Politically Exposed Person (PEP)? <input type="checkbox"/> Yes. Name: _____ .Public office position and role: _____ Date when office was assumed: ____ / ____ / ____ Date when office was left, if applicable: ____ / ____ / ____ <input type="checkbox"/> 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:].....						

²⁵⁴ 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.

²⁵⁵ 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.

Appendix 6. Consolidated payment base for extractive companies for 2015-2017

Annex 6 is presented in three separate tables attached to this document.

Appendix 7. SCIESU letter on barter and license issue

КЫРГЫЗ РЕСПУБЛИКАСЫНЫН
ӨНӨР ЖАЙ, ЭНЕРГЕТИКА
ЖАНА ЖЕР КАЗЫНАСЫН
ПАЙДАЛАНУУ
МАМЛЕКЕТТИК КОМИТЕТИ



720040, Бишкек ш., Эркиндик проспекти, 2,
тел.: 30 04 10, 30 07 06, факс: 30 07 18
э/э №4402031101016101 (бюджеттик эсеп)
э/э №4402031103007732 (атайын эсеп)
Банк: КР М.Ф. Борбордук казыналыгы
БИК 440203
ИНН 03010199610110; ОКПО 05804223

ГОСУДАРСТВЕННЫЙ КОМИТЕТ
ПРОМЫШЛЕННОСТИ,
ЭНЕРГЕТИКИ И
НЕДРОПОЛЬЗОВАНИЯ
КЫРГЫЗСКОЙ РЕСПУБЛИКИ

720040, г. Бишкек, проспект Эркиндик, 2,
тел.: 30 04 10, 30 07 06, факс: 30 07 18
р/с № 4402031101016101 (бюджетный счет)
р/с №4402031103007732 (специальный счет)
Банк: Центральное Казначейство МФКР
БИК 440203
ИНН 03010199610110; ОКПО 05804223

22 05 18 № 06-5/ 7125

На № _____ от _____

Секретариат ИПДО в КР

Настоящим Государственный комитет промышленности, энергетики и недропользования КР во исполнение п.3 Приказа ГКПЭН от 13 июля 2018 г. №01-7/339 «Об утверждении Плана по подготовке к оценке соответствия Кыргызской Республики Стандарту ИПДО» сообщает о том, что с 2015 г. и по сегодняшний день:

1. Нормативно-правовая база в части недропользования не предусматривает предоставление лицензий на право пользования недрами в обмен на инфраструктуру или бартерные сделки. Разрешения на отклонения от налоговых или неналоговых выплат в случае финансирования инфраструктурных проектов также не предусматриваются;
2. Нормативно-правовая база в части предоставления прав пользования недрами не предусматривает платежи в натуральном выражении;
3. Права на пользование недрами выдаются в соответствии с нормативно-правовой базой в сфере недропользования.

Заместитель председателя

К.Ибраев

Исп.К.Усонов тел.
90-40-40 доб.1050

Appendix 8. List of regulatory legal acts on payments and references

Payment #	Types of taxes and charges	Regulatory Legal Document	Reference to open source
1	Individual income tax	Tax Code of the Kyrgyz Republic of 2008, Section 7	http://cbd.minjust.gov.kg/act/view/ru-ru/202445?cl=ru-ru
2	Income tax, revenue tax for gold mining companies	Tax Code of the Kyrgyz Republic of 2008, Section 8	http://cbd.minjust.gov.kg/act/view/ru-ru/202445?cl=ru-ru
3	Land tax	Tax Code of the Kyrgyz Republic of 2008, Section 14	http://cbd.minjust.gov.kg/act/view/ru-ru/202445?cl=ru-ru
4	Property tax	Tax Code of the Kyrgyz Republic of 2008, Section 13	http://cbd.minjust.gov.kg/act/view/ru-ru/202445?cl=ru-ru
5	VAT on internal products	Tax Code of the Kyrgyz Republic of 2008, Section 9	http://cbd.minjust.gov.kg/act/view/ru-ru/202445?cl=ru-ru
6	Excise tax on internal products	Tax Code of the Kyrgyz Republic of 2008, Section 10	http://cbd.minjust.gov.kg/act/view/ru-ru/202445?cl=ru-ru
7	Sales tax	Tax Code of the Kyrgyz Republic of 2008, Section 12	http://cbd.minjust.gov.kg/act/view/ru-ru/202445?cl=ru-ru
8	Tax on income of foreign companies, which does not arise from a permanent establishment in the Kyrgyz Republic	Tax Code of the Kyrgyz Republic of 2008, Section 8	http://cbd.minjust.gov.kg/act/view/ru-ru/202445?cl=ru-ru
9	Bonuses	Tax Code of the Kyrgyz Republic of 2008, Section 11	http://cbd.minjust.gov.kg/act/view/ru-ru/202445?cl=ru-ru
10	Royalty	Tax Code of the Kyrgyz Republic of 2008, Section 11	http://cbd.minjust.gov.kg/act/view/ru-ru/202445?cl=ru-ru
11	Gross income tax	Tax Code of the Kyrgyz Republic of 2008, Section 8	http://cbd.minjust.gov.kg/act/view/ru-ru/202445?cl=ru-ru
12	Charge for development and maintenance of local infrastructure	L. On non-tax payments from 1994,	http://cbd.minjust.gov.kg/act/view/ru-ru/741
13	Other taxes and charges	Not applicable	
14	Customs duties	L. On Customs Regulation of 2014, Section 6	http://cbd.minjust.gov.kg/act/view/ru-ru/205395
15	Customs fees	L. On Customs Regulation of 2014, Section 6	http://cbd.minjust.gov.kg/act/view/ru-ru/205436
16	Excise tax on imported products	Tax Code of the Kyrgyz Republic of 2008, Section 10	http://cbd.minjust.gov.kg/act/view/ru-ru/202445?cl=ru-ru
17	VAT on imported products	Tax Code of the Kyrgyz Republic of 2008, Section 9	http://cbd.minjust.gov.kg/act/view/ru-ru/202445?cl=ru-ru
18	State social insurance contributions	L. On Tariffs of Insurance Contributions for State Social Insurance of 2004	http://cbd.minjust.gov.kg/act/view/ru-ru/1393
19	Payment for concession	L. On the bowels of 2012	http://cbd.minjust.gov.kg/act/view/ru-ru/203760
20	Dividends accrued on state-owned shares	L. On Joint-Stock Companies 2003	http://cbd.minjust.gov.kg/act/view/ru-ru/1188
21	Payments for state-shares, purchased by the company from the state	Civil Code of 1998, chapter 23	http://cbd.minjust.gov.kg/act/view/ru-ru/5
22	Lease of land owned by the government	Land Code of 1999	http://cbd.minjust.gov.kg/act/view/ru-ru/8?cl=ru-ru
23	Reimbursement of agricultural production losses	Land Code of 1999 Resolution of the Kyrgyz Republic "On approval of standards for the cost of compensation for losses of agricultural production and the use of funds received in the order of their compensation" from 2016	http://cbd.minjust.gov.kg/act/view/ru-ru/8?cl=ru-ru http://cbd.minjust.gov.kg/act/view/ru-ru/98290
24	Reimbursement of forest production losses	1999 Forest Code	http://cbd.minjust.gov.kg/act/view/ru-ru/10
25	Opportunity cost of provided land plots	Land Code of 1999	http://cbd.minjust.gov.kg/act/view/ru-ru/8?cl=ru-ru

Payment #	Types of taxes and charges	Regulatory Legal Document	Reference to open source
26	Payment for retention of mining license	Regulation of the Government of the Kyrgyz Republic of 2015	http://cbd.minjust.gov.kg/act/view/ru-ru/98155
27	Payment for environmental pollution and damages	Regulation of the Government of the Kyrgyz Republic of 2011	http://cbd.minjust.gov.kg/act/view/ru-ru/95267
28	Fee for the issuance of license	Regulation of the Government of the Kyrgyz Republic from 2001	http://cbd.minjust.gov.kg/act/view/ru-ru/6849/10?cl=ru-ru
29	Fee for the issuance of certificates and other permits	Resolution of the Government of the Kyrgyz Republic from 2012	http://cbd.minjust.gov.kg/act/view/ru-ru/93449
30	Payments established by agreements concluded with the Government of the Kyrgyz Republic	Agreement on new conditions for the Kumtor project of 2009 Strategic agreement with Centerra from 2017	https://s3.amazonaws.com/rgi-documents/1dc6ddb55d5ca65d898b536c8a7f771136271814.pdf https://www.kumtor.kg/ru/centerra-gold-reaches-comprehensive-settlement-with-the-government-of-the-kyrgyz-republic/
31	Support for education	2012 Subsoil law	http://cbd.minjust.gov.kg/act/view/ru-ru/203760
32	Support for social infrastructure	2012 Subsoil law	http://cbd.minjust.gov.kg/act/view/ru-ru/203760
33	Reclamation fund charges	2012 Subsoil law	http://cbd.minjust.gov.kg/act/view/ru-ru/203760

Appendix 9. Production volumes by companies (provided by SCIESU)

Below are production volumes that were provided by SCIESU. Total payments represent the final payment amount reconciled in Section 5.2 of the current EITI Report based on companies' data.

№	Company	Mineral resource, Unit of measure	2015		2016		2017		2018
			In natural volume	Total payments according to the company, thousand soms	In natural volume	Total payments according to the company, thousand soms	In natural volume	Total payments according to the company, thousand soms	In natural volume
1	Kumtor Gold Company ²⁵⁶	Gold, kg	16 195	8 151 359	17 137	7 977 674	17 503	9 593 599	16 627
2	Kyrgyzaltyn	Gold, kg	270	528 259	172	592 470	193	561 544	110
3	KAZ Minerals Bozymchak ²⁵⁷	Gold, kg	794	349 599	1 220	650 397.70	1 169	773 166	1 124
		Silver, tons	3.66		7.75		7.05		6.85
		copper, tons	3 098.90		7 900.00		7 500.00		7 200.00
4	Kaidi Mining Investment Company	Gold, kg	-	26 514	233	125 893	246	169 140	200
		Silver, tons	-		1.96		1.27		1.21
		copper, tons	-		438.00		356.00		344.00
5	Altynken	Gold (+dore), kg	110	223 836	1 090	743185.4	2 104	881 592	_*
		Silver, tons	-		1.43		1.59		_*
		copper, tons	-		432.00		495.00		_*
6	Full Gold Mining	Gold (+dore), kg	-	104 580	205	123 525	460	172 472	240
		Silver, tons	-		0.00		0.03		-
7	Vertex Gold Company	Gold, kg	380	161 321	680	165 895	590	249 805	590
8	Kyrgyzneftegaz	oil, thousand tons	114.31	579 858.50	147.75	671 414.86	_*	780 803.55	_*
		gas, thousand tons	31.60		28.92		_*		_*
9	Eti Bakir Tereksay	Gold (projection)	_*	1 377 098	_*	153 653	_*	100 730	_*

²⁵⁶ Source: Company official operating data, www.kumtor.kg

²⁵⁷ Source for 2016-2018: Company official operating data, <https://www.kazminerals.com/ru/our-business/bozymchak>

№	Company	Mineral resource, Unit of measure	2015		2016		2017		2018
			In natural volume	Total payments according to the company, thousand soms	In natural volume	Total payments according to the company, thousand soms	In natural volume	Total payments according to the company, thousand soms	In natural volume
10	Energoresursy Sredney Azii	Oil (geo- development)	_*	40 311	_*	16 417	_*	97 075	_*
11	Parity Coal	coal, thousand tons	428.00	69 832.89	428.00	39 926.11	_*	55 322.00	_*
12	South Kyrgyz Cement	iron, thousand tons	30.50	602 261.80	19.67	596 860.52	_*	463 182.20	_*
13	Palladex	Gold (geo- development)	_*	8 139	_*	9 931	_*	129 709	_*
14	Kichi-Chaarat	Gold	_*	70 227.18	_*	254 794.25	_*	345 096.38	_*
	Total Gold, kg		17 750	11 000 931	20 737	10 797 416	22 265	12 976 853	18 891
	Total silver, tons		3.66	-	11.17	-	9.94	-	8.06
	Total copper, tons		3 098.90	-	8 770.00	-	8 351.00	-	7 544.00
	Total coal, thousand tons		428.00	69 832	428.00	39 926	_*	55 322	_*
	Total iron, thousand tons		30.50	602 262	19.67	596 861	_*	463 182	_*
	Total oil, thousand tons		114.31	620 170	147.75	687 832	_*	877 879	_*
	Total gas, thousand tons		31.60	-	28.92	-	_*	-	_*

*- no production was carried out.

Appendix 10. Payments by company

Table 10a- Information on adjusted payments by companies' data in 2015 (thousand soms)

№	Types of taxes and payments	Kumtor Gold Company	South Kyrgyz Cement	Kichi Chaarat	Perity Coal	Gornaya investitsionnaya kompaniya Kaidi	Enrgoresur sy Srednei Azii	Kyrgyznefte gaz	Vertex Gold Company	Kaz Minerals Bozymchak	Kyrgyz- altyn	Eti Bakir Tereksay	Full Gold Mining	Altyn- ken	Palladex
Tax payments															
1	Individual income tax	272 197	19 081	19 574	1 531	3 142	95	60 718	8 740	36 198	30 806	-	13 977	33 214	509
2	Income tax, revenue tax for gold mining companies	-	104 817	-	12 758	-	200	26 284	-	-	72 583	-	-	-	-
3	Land tax	-	948	323	318	2 080	-	1 336	40	1 450	4 221	-	147	1 683	10
4	Property tax	-	821	53	2 743	758	56	1 359	69	686	2 451	-	254	358	2
5	VAT on internal products	5 801	185 187	-	23 712	-	-	77 487	-	-	30 906	-	-	329	-
6	Excise tax on internal products	-	-	-	-	-	-	38 225	-	-	-	-	-	-	-
7	Sales tax	279	55 989	-	8 698	60	-	31 735	28 246	31 200	23 899	-	-	263	17
8	Tax on income of foreign companies, which does not arise from a permanent establishment in the Kyrgyz Republic	46 341	26 608	-	-	573	-	-	272	8 875	26 263	-	3 000	52 000	-
9	Bonuses	-	6 917	-	-	-	-	-	814	-	138	1 298 262	41 038	-	-
10	Royalty	-	82 583	-	3 169	-	600	47 188	14 040	64 788	18 686	-	-	-	-
11	Gross income tax	5 869 934	-	-	-	-	-	-	13 889	-	-	-	-	-	-
12	The annual amount for the development of mineral resources base	-	-	-	-	-	-	-	27 932	-	-	78 836	-	-	-
13	Other taxes and charges	-	331	2	0	3	-	21 440	-	4 269	14 389	-	-	40	-
Total section		6 194 552	483 281	19 952	52 929	6 616	950	305 772	94 041	147 466	224 342	1 377 098	58 416	87 886	538
Custom payments															
14	Customs duties	9 425	3 900	1 550	-	627	6 135	6 275	76	5 948	612	-	322	8 565	-

№	Types of taxes and payments	Kumtor Gold Company	South Kyrgyz Cement	Kichi Chaarat	Perity Coal	Gornaya investitsionnaya kompaniya Kaidi	Enrgoresur sy Srednei Azii	Kyrgyznefte gaz	Vertex Gold Company	Kaz Minerals Bozymchak	Kyrgyz-altyn	Eti Bakir Tereksay	Full Gold Mining	Altyn-ken	Palladex
15	Customs fees	27 137	1 320	1 760	123	17	2 152	271	2 850	2 261	387	-	247	1 465	-
16	Excise tax on imported products	-	-	-	-	-	23	-	-	16	-	-	-	16	-
17	VAT on imported products	304	31 662	15 956	803	883	30 852	30 794	2 516	29 585	4 099	-	11 969	51 180	-
Total section		36 866	36 881	19 266	926	1 526	39 162	37 340	5 441	37 810	5 097	-	12 538	61 226	-
Other significant payments															
18	State social insurance contributions	1 085 754	63 416	14 607	9 914	4 553	198	131 826	32 492	121 883	127 262	-	31 308	67 731	442
19	Payment for concession	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20	Dividends accrued on state-owned shares	-	-	-	-	-	-	92 308	-	-	167 526	-	-	-	-
21	Payments for state-shares, purchased by the company from the state	-	-	-	-	-	-	-	-	-	-	-	-	-	-
22	Lease of land owned by the government	-	1 335	66	-	65	-	585	-	-	320	-	216	-	-
23	Reimbursement of agricultural production losses	-	173	-	-	-	-	1 001	-	-	-	-	-	-	-
24	Reimbursement of forest production losses	-	-	3 296	-	-	1	1	-	-	-	-	-	-	-
25	Opportunity cost of provided land plots	-	-	-	-	-	-	89	-	-	-	-	-	-	-
26	Payment for retention of mining license	-	80	427	163	2 189	-	4 135	4 217	151	1 501	-	1 021	3	6 660
27	Payment for environmental pollution and damages	18 258	10 557	-	604	11	-	208	440	2 794	1 064	-	162	-	-
28	Fee for the issuance of license	-	-	2	-	-	-	-	-	-	-	-	0	-	-
29	Fee for the issuance of certificates and other permits	17 008	-	-	-	-	-	-	-	-	174	-	-	-	-
Total section		1 121 019	75 560	18 398	10 681	6 818	199	230 153	37 149	124 828	297 847	-	32 708	67 734	7 102
Additional expenses															

№	Types of taxes and payments	Kumtor Gold Company	South Kyrgyz Cement	Kichi Chaarat	Perity Coal	Gornaya investitsionnaya kompaniya Kaidi	Enrgoesur sy Srednei Azii	Kyrgyznefte gaz	Vertex Gold Company	Kaz Minerals Bozymchak	Kyrgyz-altyn	Eti Bakir Tereksay	Full Gold Mining	Altyn-ken	Palladex
30	Payments established by agreements concluded with the Government of the Kyrgyz Republic	469 278	-	-	-	-	-	-	-	30 905	-	-	-	-	-
31	Support for education	33 816	133	-	276	32	-	-	-	-	55	-	-	-	-
32	Support for social infrastructure	105 146	5 931	12 612	4 782	10 250	-	-	24 690	8 470	30	-	818	6 990	500
33	Reclamation fund charges	190 682	475	-	240	1272	-	6 594	-	120	887	-	100	-	-
Total section		798 922	6 539	12 612	5 297	11 554	-	6 594	24 690	39 495	972	-	918	6 990	500
Total:		8 151 359	602 262	70 227	69 833	26 514	40 311	579 859	161 321	349 599	528 259	1 377 098	104 580	223 836	8 139

Table 10b- Information on adjusted payments by company data in 2016 (thousand som)

№	Types of taxes and payments	Kumtor Gold Company	South Kyrgyz Cement	Kichi Chaarat	Perity Coal	Gornaya investitsionnaya kompaniya Kaidi	Enrgoesurs y Srednei Azii	Kyrgyznef tegaz	Vertex Gold Company	Kaz Minerals Bozymchak	Kyrgyzal tyn	Eti Bakir Tereksay	Full Gold Mining	Altyn-ken	Palladex
Tax deductions															
1	Individual income tax	288 391	16 720	36 426	3 253	4 366	134	59 272	12 382	44 840	29 720	3 111	21 766	94	551
2	Income tax, revenue tax for gold mining companies	-	64 540	-	4 953	-	-	48 950	650	86	98 573	26	-	-	-
3	Land tax	-	1 017	366	334	2 142	-	1 482	61	1 777	5 579	-	147	650	10
4	Property tax	-	757	237	2 524	556	42	1 359	9	1 054	2 966	31	257	367	-
5	VAT on internal products	6 101	125 062	475	1 692	-	-	133 633	-	-	64 038	-	-	3 439	-
6	Excise tax on internal products	-	-	-	-	-	-	32 206	-	-	-	-	-	-	-
7	Sales tax	27	19 938	-	6 851	-	103	19 473	2 184	566	20 849	-	-	604	2
8	Tax on income of foreign companies, which does not arise from a permanent establishment in the Kyrgyz Republic	63 246	5 625	75 696	-	200	-	-	286	37 671	8 468	4 140	-	5 401	-
9	Bonuses	-	-	-	-	29 161	-	-	10 252	45	-	16 708	-	-	-
10	Royalty	-	65 791	-	4 021	7 421	1 002	47 379	20 065	245 967	17 687	-	647	80 284	-
11	Gross income tax	5 577 771	-	-	-	8 304	-	-	14 554	-	-	-	-	-	-
12	The annual amount for the development of mineral resources base	-	-	-	-	-	-	-	14 755	-	-	39 418	-	-	-
13	Other taxes and charges	28 667	24 714	-	0	1	-	24 750	-	96	23 591	-	388	21 864	-
Section total		5 964 203	324 164	113 201	23 627	52 150	1 282	368 504	75 198	332 101	271 471	63 434	23 206	534 501	563
Customs deductions															
14	Customs duties	118	4 206	34 512	530	6 128	-	-	424	5 103	896	15 604	14 884	28 759	-
15	Customs fees	27 196	788	1 952	-	1 037	893	-	186	692	275	1 611	1 325	2 963	-
16	Excise tax on imported products	-	11 809	-	-	-	17	-	-	19	6	-	55	78	-
17	VAT on imported products	108	198 754	31 456	-	1 533	13 944	14 029	4 845	30 708	4 872	43 773	34 294	54 178	-
Section total		27 422	215 557	67 920	530	8 698	14 854	14 029	5 455	36 522	6 050	60 987	50 557	85 977	-

№	Types of taxes and payments	Kumtor Gold Company	South Kyrgyz Cement	Kichi Chaarat	Perity Coal	Gornaya investitsionnaya kompaniya Kaidi	Enrgoresurs y Srednei Azii	Kyrgyznef tegaz	Vertex Gold Company	Kaz Minerals Bozymchak	Kyrgyzal tyn	Eti Bakir Tereksay	Full Gold Mining	Altyn-ken	Palladex
Other significant deductions															
18	State social insurance contributions	1 257 023	48 159	31 675	10 429	10 788	281	196 570	46 136	150 993	120 672	12 728	48 001	85 391	488
19	Payment for concession	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20	Dividends accrued on state-owned shares	-	-	-	-	-	-	82 732	-	-	186 700	-	-	-	-
21	Payments for state-shares, purchased by the company from the state	-	-	-	-	-	-	-	-	-	-	-	-	-	-
22	Lease of land owned by the government	-	1 335	-	-	-	-	-	-	0	168	-	300	2 603	-
23	Reimbursement of agricultural production losses	-	-	-	-	-	-	468	-	-	-	-	-	-	-
24	Reimbursement of forest production losses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
25	Opportunity cost of provided land plots	-	-	88	-	-	-	174	-	-	-	-	-	-	-
26	Payment for retention of mining license	-	123	592	173	3 073	-	4 718	1 409	-	2 790	77	832	153	8 880
27	Payment for environmental pollution and damages	23 528	379	70	838	880	-	222	-	28	122	-	133	20	-
28	Fee for the issuance of license	-	-	-	-	-	-	-	-	-	52	-	3	4	-
29	Fee for the issuance of certificates and other permits	320	-	-	-	-	-	-	-	-	106	-	-	-	-
Section total		1 280 871	49 996	32 424	11 439	14 740	281	284 884	47 544	151 021	310 610	12 805	49 268	88 171	9 368
Additional expenses of the company															
30	Payments established by agreements concluded with the Government of the Kyrgyz Republic	429 059	-	-	-	-	-	-	-	113 656	-	16 427	-	32 848	-
31	Support for education	6 463	90	-	1 083	90	-	-	-	2 657	49	-	-	-	-
32	Support for social infrastructure	58 517	5 446	41 249	3 247	50 215	-	-	36 198	14 201	1 015	-	493	1 688	-
33	Reclamation fund charges	211 138	1 609	-	-	-	-	3 999	1 500	240	3 276	-	-	-	-
Section total		705 177	7 144	41 249	4 330	50 305	-	3 999	37 698	130 754	4 339	16 427	493	34 536	-
Total:		7 977 674	596 861	254 794	39 926	125 893	16 417	671 415	165 895	650 398	592 470	153 653	123 525	743 185	9 931

Table 10c- Information on adjusted payments broken down by company data in 2017 (thousand soms)

№	Types of taxes and payments	Kumtor Gold Company	South Kyrgyz Cement	Kichi Chaarat	Perity Coal	Gornaya investicion-naya kompaniya Kaidi	Enrgoresursy Srednei Azii	Kyrgyzne ftegaz	Vertex Gold Company	Kaz Minerals Bozymchak	Kyrgyz-alytn	Eti Bakir Tereksay	Full Gold Mining	Alтынken	Palla-dex
Tax payments															
1	Individual income tax	316 483	12 132	36 333	4 074	3 807	446	58 033	16 711	49 449	28 535	9 538	24 627	38 775	254
2	Income tax, revenue tax for gold mining companies	-	72 945	-	3 816	-	-	67 543	-	2 000	31 125	508	-	56 975	-
3	Land tax	-	298	2 589	435	3 592	-	1 474	60	1 784	3 614	640	689	1 650	-
4	Property tax	-	739	239	2 382	624	104	1 346	74	878	2 326	238	286	409	-
5	VAT on internal products	7 051	116 122	-	10 537	-	-	211 804	-	-	43 119	1 672	-	1 866	-
6	Excise tax on internal products	-	-	0	-	-	-	15 815	-	-	-	-	-	-	-
7	Sales tax	1	-	-	2 709	2	232	696	17	-	1 277	-	-	519	-
8	Tax on income of foreign companies, which does not arise from a permanent establishment in the Kyrgyz Republic	38 985	113 674	169 138	-	177	-	-	315	69 918	6 263	4 066	3 818	107 404	-
9	Bonuses	1 865	-	-	379	49 310	3 221	-	6 710	500	-	-	-	42	-
10	Royalty	-	66 436	-	3 374	7 664	7 431	54 681	64 420	284 224	20 641	955	43 732	244 546	-
11	Gross income tax	6 452 089	-	-	-	9 226	-	-	19 573	-	-	-	-	-	-
12	The annual amount for the development of mineral resources base	-	-	-	-	9 970	4 881	40 193	39 151	-	16 859	634	17 484	-	-
13	Other taxes and charges	35	24 884	-	173	-	-	4 625	-	112	10 646	-	0	59	-
Total section		6 816 508	407 229	208 299	27 880	84 371	16 315	456 211	147 030	408 864	164 406	18 251	90 636	452 244	254
Custom payments															
14	Customs duties	-	2 563	28 574	7 594	2 213	49 976	-	1 006	2 819	734	8 869	4 833	46 378	-
15	Customs fees	32 808	107	1 005	2 351	1 080	1 295	-	128	487	264	514	1 165	3 716	32 808
16	Excise tax on imported products	-	-	-	-	-	17	-	-	-	-	-	55	6	-
17	VAT on imported products	-	4 380	35 126	-	2 342	28 566	3 709	3 304	27 666	3 060	20 775	17 325	102 074	-
Total section		32 808	7 049	64 706	9 945	5 635	79 854	3 709	4 438	30 972	4 058	30 158	23 378	152 174	32 808
Other significant payments															

№	Types of taxes and payments	Kumtor Gold Company	South Kyrgyz Cement	Kichi Chaarat	Perity Coal	Gornaya investicion-naya kompaniya Kaidi	Enrgoresursy Srednei Azii	Kyrgyzne ftegaz	Vertex Gold Company	Kaz Minerals Bozymchak	Kyrgyz-altyn	Eti Bakir Tereksay	Full Gold Mining	Altynken	Palladex
18	State social insurance contributions	1 381 536	40 942	37 436	11 870	10 786	833	220 851	62 490	178 246	115 613	35 740	54 857	121 664	388
19	Payment for concession	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20	Dividends accrued on state-owned shares	-	-	-	-	-	-	78 885	-	-	255 456	-	-	-	-
21	Payments for state-shares, purchased by the company from the state	-	-	-	-	-	-	-	-	-	-	-	-	-	-
22	Lease of land owned by the government	-	2 144	9 792	-	365	-	1 792	3 595	1 395	174	412	363	4 308	-
23	Reimbursement of agricultural production losses	-	-	-	-	-	-	-	-	-	-	470	-	-	-
24	Reimbursement of forest production losses	-	1 805	-	-	-	-	-	-	-	-	-	-	-	-
25	Opportunity cost of provided land plots	-	-	-	-	581	-	-	-	-	-	1 058	-	-	-
26	Payment for retention of mining license	-	150	805	-	4 454	73	735	2 103	1 714	2 501	49	790	87	129 068
27	Payment for environmental pollution and damages	21 461	368	-	514	3 017	-	2 380	1 048	9 477	7 574	90	1 149	37	-
28	Fee for the issuance of license	29 128	-	-	-	5	-	-	-	-	45	-	2	2	-
29	Fee for the issuance of certificates and other permits	-	-	-	-	369	-	-	-	-	0	-	-	-	-
Total section		1 432 125	45 408	48 032	12 384	19 576	906	304 642	69 235	190 833	381 363	37 818	57 161	126 097	129 456
Additional expenses															
30	Payments established by agreements concluded with the Government of the Kyrgyz Republic	922 612	-	-	-	-	-	-	-	136 990	-	13 311	-	113 426	-
31	Support for education	39 917	168	-	1 032	86	-	-	-	1 500	56	20	-	135	-
32	Support for social infrastructure	63 288	2 854	24 059	4 082	58 030	-	-	29 102	3 619	398	172	1 197	16 227	-
33	Reclamation fund charges	286 342	474	-	-	1 442	-	16 242	-	390	11 262	1 000	100	21 291	-
Total section		1 312 159	3 496	24 059	5 114	59 558	-	16 242	29 102	142 499	11 716	14 503	1 297	151 078	-
Total:		9 593 599	463 182	345 096	55 322	169 140	97 075	780 804	249 805	773 166	561 544	100 730	172 472	881 592	129 709

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