

2867972

Addendum 2

Approved:

By the Order of the State Agency on Geology and Mineral Resources under the Government of the Kyrgyz Republic.

No \_\_\_\_\_ dated by «\_\_\_» March 2014

**Conditions of the auction for the right to use subsoil target -  
Western part of Ak-Suu sand and gravel deposit**

The Organizer of the Auction in accordance with the Resolution of the Government of the Kyrgyz Republic dated 14 December 2012 No 834: The State Agency on Geology and Mineral Resources under the Government of the Kyrgyz Republic, an authorized state body.

**1. The subject of the Auction and general information on the subsoil target.**

1.1. Subject of the Auction: The right of subsoil use for the development of sand and gravel deposits in the Western part of the Ak-Suu deposit in accordance with the Law of the Kyrgyz Republic "On Subsoil".

The target auctioned for the right of use: Western section of Ak-Suu sand and gravel deposit

1.2. Type of the Auction: Open

1.3. Subsoil target geographic location:

Eastern part of the Ak-Suu sand and gravel deposit is located in Aksu district of Issyk-Kul oblast, 4 km north-east of Karakol town, in the northern slope of Karabeltek mountains; its altitude ranging from 1,992 to 2,100m.

The deposit geographic coordinates: 42°29'50" N 78°28'20" E

The close availability of a motor road allows transporting of raw materials to Karakol town and Aksu district.

1.4. Area size:

The License area has the following coordinates:

Nos.	X	Y
1	14291170	4710087
2	14291642	4710067
3	14291745	4709767
S = 0.1625km <sup>2</sup>		

ID No of topographic map K-44-49; Area size-16.25 ha.

**2 Geological properties of the area**

The western part of the Ak-Suu sand and gravel deposit was discovered and explored in 1963 to 1965 by Chui Complex Expedition (A. Alimbekov; 1965).

Ak-Suu sand and gravel deposit has a simple structure with a stable thickness of mineral formation and is classified as Group I commercial deposit. The explored target morphologically is formed by two contiguous hill-like elevations. The commercial material layer has a considerable thickness, varying from several metres up to 115 metres.

In 1964 in the course of detailed exploration of the Ak-Suu deposit 33 pits were drilled; their numbers - 1 to 33; at the total scope of -318.3 running metres as well as two ditches 59 m long; 27 clearings were made.

In 1987, detailed exploration and reserve estimation of the deposit area was carried out by Inert Materials Group KGRENS inert materials (K.S. Sharshev, 1987).

The deposit terrain is hilly, crossed by shallow dry coombs.



2867972

The geological structure of the Ak-Suu sand and gravel occurrence is presented by Carboniferous deposits, formed by small-grained and fine-grained sandstones, siltstones and shales.

Upper Neogene deposits are developed in the south-eastern part of the area and presented by alternating gravelly grits; less often - by inequigranular sandstones; the upper layers comprise conglomerates, grits and inequigranular sandstones.

Pliocene-Quaternary deposits are presented by boulder-gravel and sand material with sand-and-clay and carbonate-clay filler. The thickness of commercial material layer is far greater than 36m (about 250); the productive rocks are overlaid from the surface by 0.8 to 2.2 layer of loam. The rocks are gently sloping northward (up to 3°).

The average grain size of the boulder-gravel-and-sand deposits is distributed as follows: 500-300mm-2%; 300-200mm-5%; 200-150mm-7%; 150-100mm-7%; 100-70mm-8%; 70-40mm-13%; 40-20mm-13%; 20-10mm-9%; 10-5mm-7%; less than 5 mm-28%.

Petrographically 90% of the fragmentary material is composed by strong, chemically resistant igneous rocks. The gravel is classified by its crushability as "Dr.-8"; rubble - as "Dr.-12"; by attrition properties - as "I-16". Both gravel and crushed stone meet the standard requirements and can be used for production of concrete type "300" as well as bituminous concrete. Sand (aggregate) is medium-coarse. Grain size module is 2.41-2.77. Grains passed through 0.14mm screen -11.3%. The average content of dust and clay particles - 4.9%. The processed sand can be used as aggregate in concrete and bituminous concrete production and in road construction.

Calculation of reserves at the deposit was carried out by method of geological blocks projection onto the horizontal plane. The reserves were estimated by industrial categories B and C<sub>1</sub>; further growth is possible from the lower levels. Mineable reserves of B+C<sub>1</sub> category make 8,432 thousand m<sup>3</sup> as of 01.01.2011. Besides the above mentioned categories, some C<sub>2</sub> reserves are available amounting to 6,269 thousand m.

Hydrogeological conditions: no natural discharge of groundwater was found in the course of hydrogeological survey at a scale of 1:50000, there are no surface water streams either.

Water supply for the deposit development may be arranged by the irrigation canal, which passes through the deposit, but is not currently used. In order to be able to use it, is necessary to repair the canal.

The mining conditions are favourable for open pit development with the use of mechanical equipment.

The terrain is hilly, the sand-and gravel deposits have a homogeneous composition, both in vertical section, and throughout the area.

Due to the specifics of the terrain, the deposit development should be started in the north-western part and gradually moving to the southeast.

The close availability of a road allows transporting of raw materials to Karakol town and Aksu district.

The total 8,432 thousand m<sup>3</sup> has been registered by the State Reserve Register on 01.01.2014 for the entire deposit (in B + C<sub>1</sub> categories). For the western part of the Ak-Suu deposit the preliminary estimated reserve (in B + C<sub>1</sub> categories) amounted to 4,060 m<sup>3</sup> of sand and gravel.

### **3. Principal requirements for use of the subsoil target.**

3.1. Principal requirements for use of the subsoil target are set forth in accordance with the legislation of the Kyrgyz Republic in terms of the subsoil use and shall be included into the license for subsoil use. The detailed requirements shall be specified in the course of License registration as set in the License Attachment.

3.2. The main requirements for the use of the licensed area are as follows:

- Effecting of a license attachment for development of a project of operations on commercial minerals mining at the license area;



2867972

- Adjustment of reserve calculation for the licensed area with registration with the State Reserve Register in the design phase;

- submission, within the time specified in the license attachment, the project of operations on commercial minerals mining at the license area, having passed the expert evaluation in terms of industrial and environmental safety as well as subsoil protection, along with Certificate for temporary use of land for the subsoil use;

- submission of semi-annual progress information regarding compliance with the license attachment requirements before 15 July of the current year;

- submission of an annual report before 31 January of the new year, in a set form, approved by the state body authorized for implementation of the governmental policy on Subsoil, with attachment of an electronic copy;

- Submission of a mining programme (plan) before 31 January of the following year; performing all the necessary types of geological prospecting works in strict compliance with the project, which has passed the expert evaluation on industrial and environmental safety and subsoil protection;

- development of an Action Plan to ensure the requirements of industrial safety at operational sites, including prevention of accidents and mitigation of their consequences with necessary justifications and calculations both at the site, and resulting from accidents at other facilities in the area of the operational site. In the course of development of the action plan the following hazards shall be considered: (mudflow accumulation areas, avalanche hazard, etc.), risk factors, conditions for the occurrence of accidents and their scenarios, the number and placement of operational personnel;

- Submission of a report on the results of geological studies with graphic materials and laboratory results attached;

- performing the technical and biological reclamation in compliance with the project concept, which has passed the expert evaluation on industrial and environmental safety and subsoil protection.

Failure to comply with the principal requirements to the use of the subsoil target by the winning bidder entails penalties imposed at a rate of 0.1 percent per day of the paid value of the subsoil target for each day of delay in fulfilment of commitments undertaken.

Final sizes of geological and mining allotments may be subjected to adjustments following the design results. In case of changes to the contour and size of the allotment towards decreasing or increasing, providing the adjacent area is not occupied, the license attachment shall be agreed by the licensor without any additional conditions. Whether the adjacent area is occupied, adjustments may be implemented only upon written consent of the owner of the adjacent licensed area and only upon agreement of a new license attachment with the said owner.

#### **4. Time and location of the Auction:**

The Auction shall be held on 12<sup>th</sup> of May in the Ak-Suu District Administration, Issyk-Kul oblast.

The Auction participants registration: from 11:00 a.m. to 11:50 a.m. The Auction shall start at 12:00.

#### **5. Deadline for applications for the Auction:**

Applications shall be accepted from 28<sup>th</sup> of March 2014 to 8<sup>th</sup> of May 2014, inclusive. Applications shall be submitted on weekdays from 9:00 a.m. to 3:00 p.m. to the Licensing Department of the State Agency on Geology and Mineral Resources under the Government of the Kyrgyz Republic, Office 220

#### **6. Location and time for reviewing the terms and conditions of the Auction:**

Licensing Department of the State Agency on Geology and Mineral Resources under the Government of the Kyrgyz Republic, Office 217, daily from 9:00 to 18:00.

7. In order to participate in the Auction, the bidder shall submit an application to the Auction Organisers either in person, or by proxy, before 3:00 p.m. 8<sup>th</sup> of May 2014, in two



2867972

copies, in the form set forth by the Auction Organizer and posted on the official website of the Organizer of the Auction: [www.geology.kg](http://www.geology.kg).

Applications filed by mail shall not be accepted.

Application for participation in the Auction for the right to use subsoil targets should be filled in electronically in the State and/or Official languages, and printed out via electronic printers.

The following shall be attached to the application form:

- Copies of the founding documents and certificates of incorporation of a legal entity;
- copy of state registration certificate of a citizen as a private entrepreneur;
- a copy of appointment of the executive body of the Company;
- a Power of attorney to the Company representative, executed in accordance with the legislation of the Kyrgyz Republic, should the said person shall act through a representative;
- a documented proof of payment of the guarantee fee;
- a document confirming payment of the fee for participation in the Auction;
- foreign legal entity shall additionally provide authorized extract from state register or any other document verifying its status as acting legal entity under the legislation of the respective country;
- companies registered in the Kyrgyz Republic, including foreign companies' branches registered in the Kyrgyz Republic, shall additionally submit a certificate from the tax authority justifying absence of outstanding tax payable.

Submission of an application shall be considered as consent of the applicant with all the terms of the Auction.

Certificates and documents formalised by the applicant, shall be signed by an authorized person and stamped by the applicant.

The copies of the documents shall be submitted duly certified, in compliance with the established procedure.

The documents of incorporation and other documents submitted by a foreign entity should be apostilled and submitted with a notarised translation into the State and/or Official languages.

All the above documents shall be submitted to the Organizer of the Auction along with the application.

Application materials received after the deadline for submission of applications shall not be registered and shall be returned to the applicant.

8. The Auction winner, who signed the Report on the results of the Auction, shall pay all the fees stipulated by the legislation, to the budget of the Kyrgyz Republic.

9. The fee for participation in the Auction in the amount of KGS 12,000 (twelve thousand), shall be paid by the applicant to the special account of the Organizer of the Auction:

The State Agency on Geology and Mineral Resources under the Government of the Kyrgyz Republic

Payee: Pervomaisky Regional Treasury Department

Payee's bank RSK Bank OJSC Bishkek Branch

Account No 1290524132820096

c/a: 4402012100002662

BIC (MFO) 129052

Tax Payer ID 03010199610110

GCFE 05804223

State Tax Service Code 004, Pervomaisky district

Payment code 14238900 (in the bank)

Details of payment: to the State Geology Agency; payment for participation or the guarantee fee

The fee for participation in the Auction is not refundable, except cancellation of the Auction, or whether the applicant withdraws its application prior to the Auction, or will not be

2867972

admitted for participation in the Auction. Whether the fee shall be refunded, it is payable to the applicant within 30 banking days.

10. A Guarantee fee in the amount of USD 100,000 (one hundred thousand) dollars shall be paid by the applicant in the national currency at the rate of the National Bank of the Kyrgyz Republic on the date of transfer or payment of the guarantee fee to the special account of the Auction Organizer, specified in Clause 10 herein.

The Guarantee fee shall be refunded to the applicant / participant within 30 banking days from the date of signing of the final minutes of the Auction Committee meeting.

A bidder who refused to sign the Auction Report as the winner of the Auction, shall be withdrawn from the participants of the Auction. The guarantee fee contributed such bidder is not refundable.

11. The starting price of the subject of the Auction is USD 20,500 (twenty thousand five hundred).

12. Auction increment is set at USD 2040 (two thousand forty); at the maximum amount of 41,000 (forty one thousand).

13. The Auction shall be declared cancelled in the following cases:

- 1) in the absence of applications for participation in the Auction;
- 2) whether only one application is filed for participation in the Auction;
- 3) whether only one participant or no participant arrived for participation in the Auction;
- 4) All the applicants are not admitted for participation in the Auction;
- 5) No bidder offered a price higher than the starting price.

14. The bidder who offered the highest price for the target shall be declared the Auction winner. On the day of the auction, the winner of the auction shall sign the Auction Report. Refusal of the winner of the auction to confirm its results on the same day (i.e. refusal to sign the Auction Report) or failure to pay the proposed price for the right to use subsoil within five banking days following signing of the Auction Report shall be deemed a waiver of the right to use subsoil target; the guarantee fee is not refundable.