

Stans Energy can use the new geopolitical order in its quest for justice

☒ Stans Energy Corp. (TSXV: HRE | OTCQX: HREEF) announced that the Ontario Superior Court of Justice has issued an order prohibiting the Kyrgyz Republic and Kyrgyzaltyn JSC “from selling, disposing, exchanging, assigning, transferring, pledging or encumbering 47,000,000 shares in the capital of Centerra Gold Inc. (which is operating the Kumtor Gold Mine near Bishkek). Stans obtained the order as part of its efforts to enforce an international arbitration award issued by the Arbitration Court at the Moscow Chamber of Commerce & Industry against Kyrgyz Republic for US\$118,206,058.04. The Kyrgyz Republic has not paid the award nor are there any assurances that the Kyrgyz government will do so. However, by using Centerra, Stans can apply heavy pressure on the authorities in Bishkek. Centerra operates the Kumtor gold mine in Kyrgyzstan, Stans has the legal right to pursue any of the Kyrgyz State’s foreign assets including its 32.7% stake, worth about some USD\$ 500 million, in Centerra.

Kyrgyzstan is a poor country and needs foreign investment to survive. To date, its most important asset is the Kumtor gold mine, which alone accounts for 5.5% of GDP. Gold exports serve as Kyrgyzstan’s main source of foreign currency. Centerra Gold, for its part, has always been able to keep the Kumtor mine up and running, no matter how difficult the political situation in Kyrgyzstan, even managing to receive the Government’s approval of its mine plan for 2014 – notwithstanding the five and a half months delay. Centerra had even threatened to close the Kumtor mine if it did not get the approval, after 17 years of activity, but it was able to exercise pressure because the Kyrgyz government needs the Canadian gold company’s expertise to operate Kumtor and that a

closure would have had serious economic and social consequences.

Gold exports serve as Kyrgyzstan's main source of foreign currency. Yet Kyrgyzstan is considered to be one of the most democratic states in Central Asia. Other than gold, Kyrgyzstan's growing relationship with Russia might be the most effective lever to engage in Stan's pursuit of justice – and rightful compensation, given that the Arbitration Court that has ruled in favor of Stans is in Moscow. Stan's Kutessay-2 project itself has Soviet roots. The mine and processing plant supplied some 80% of the USSR's rare earth needs including 15 rare-earth elements, as well as lead, zinc, silver, bismuth, molybdenum, thorium, tin, and copper. In addition, it contains niobium, tantalum and hafnium.

Russia, even as its involvement in the Ukraine crisis has alienated it from Western Europe, Canada and the United States, has been very active in cementing closer ties to the republics of Central Asia and China into something called the Eurasian Economic Union (EAO). Kyrgyzstan plans to enter the EAO by late 2014. Russia and Kazakhstan are already members. The EAO will pursue an ever more coordinated and common industrial and economic policy, which implies the adoption and enforcement of shared legal and regulatory systems.

Kyrgyzstan's President Atambayev said that he expects the EAO to "more easily and quickly solve regional problems [while gaining] enormous geopolitical advantages." Surely, the kind of geopolitical benefits Atambayev hopes to secure, implies equally important obligations, including those toward foreign owned companies operating in Kyrgyzstan's crucial economic sectors. Centerra is clearly the most important of these and, by linking its arbitration claim to Centerra, Stans Energy has a higher probability of a successful outcome.

The Eurasian Union aims not only to strengthen economic ties between the members, but also to promote a future political integration and it represents an element of considerable

significance in the international political scene. Moreover, the EAU will also bring Kyrgyzstan in the sphere of influence of the Shanghai Cooperation Organization (SCO), which was created in 2001 by Russia, China, Kazakhstan, Kyrgyzstan and Uzbekistan with the aim of ensuring regional security and fighting terrorism, separatism and extremism, defined the "three evil forces". In the future, Iran, Pakistan and even India might join, even if these steps will be complex, given the dispute between India and Pakistan on their respective borders. The SCO plans to challenge to American leadership in a region where the superpower has seen ever diminishing influence. The organization orbits around China, as its name indicates, marking the consolidation of the alliance between Russia and China, with its geopolitical and geo-energy considerations (including a Russian gas pipeline to China).

The SCO is the Asian answer to Western encroachment in the region and it is predicated on the restoration of what was once known as the 'Silk Road', linking it directly with Western Europe through Russia. The new Silk Road combines two powerful industrial centers in Chongqing in China with Duisburg in Germany, through Kazakhstan, Russia and Belarus, thus circumventing the more contentious areas south of the Caspian Sea as Afghanistan, Iran and Turkey. It could become the biggest 'mall' or 'bazaar' in the world, whose railroad cuts the time of shipping for five weeks only fifteen days. It might well lead to China becoming Germany's largest trading partner, which implies a major geopolitical shift. This explains the energy agreement with Russia, which is the only way that China can ensure a safe supply. 'The Economist' considers the SCO as "a kind of NATO led by China." This has also implications for the BRICS (Brazil, Russia, India, China and South Africa) economic bloc. Russian president Vladimir Putin has promised that he would lead BRICS to a new and closer level of alliance in 2015. In 2015 Russia will have the rotating presidency of the two main emerging economy blocs: the SCO and the BRICS. It should be stressed that at

present both structures are developing rapidly. SCO members have all backed the Russian position on the situation in Ukraine, endorsing the ceasefire agreement signed in Minsk and backing Putin's peace plan.

Evidently, Stans has garnered some powerful allies and it could still play a very productive role within the emerging geopolitical and economic landscape.