

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.

Stans Energy to leverage growing Russian influence in Kyrgyzstan through Board appointment

Stans Energy Corp. ('Stans', TSX-V: HRE | OTCQX: HREEF) announced that it has appointed Vadim Veshchezerov to its Board of Directors. Mr. Veshchezerov has many years of experience in both the microelectronics and banking sectors but for the past 13 years he has held a number of senior positions at RUSNANO, a Russian state sponsored investment fund, involved in developing the nanotech and high technology industries within the Russian Federation. Normally, a Board appointment represents an important decision for a company; however, Stans' selection of Mr. Veshchezerov is significant as it is an indicator of the Company's overall strategy in its dealings with the Kyrgyz government. Stans has been developing its Kutessay-II Heavy Rare Earth Elements (HREEs) mine in Kyrgyzstan, but it has faced regulatory obstacles and license suspensions due to political infighting. It was just last week that the Arbitration Court of the Moscow Chamber of Commerce

and Industry, which ruled in Stan's favor in the matter between itself and the Government of the Republic of Kyrgyzstan, asked the State of Kyrgyzstan to compensate Stans to the tune of USD\$118.2 million.

Stans now has the authority to seize Kyrgyzstan's foreign assets as well as any capital transfers beyond its borders, including shipments of minerals such as...gold. In other words, Stans has sufficient means of applying pressure on Bishkek that it has a good chance of resolving the situation through negotiations. Nevertheless, Stans still has the appetite to become one of the leading producers and suppliers of rare earths and this is where Mr. Veshchezerov, as a Russian and an experienced professional with strong ties to Russian state institutions, banking and mining can be most effective. He understands the challenges and opportunities faced by international and Canadian junior companies working on projects in Russia and the Eurasian region. Mr. Veshchezerov will play a critical role in leveraging Russia's growing influence at all levels of Kyrgyzstan's institutions so as to lead Stans closer to securing its compensation and the right to pursue the development of its rare earths project.

Russia's presence in Kyrgyzstan has been increasing and current regional developments suggest that Moscow's influence can only intensify over the next few years. Similarly, Russia has secured stronger ties to China, reaching an understanding that essentially leaves it free to pursue deeper foreign policy interests in Kyrgyzstan and other Central Asian states that were very much in Beijing's economic and geopolitical targets. Russia has recognized some of Beijing's geopolitical concerns in Asia, strengthening the bilateral relationship with an impressive increase in the sale of weapons and energy resources to China and throughout the region including hydrocarbons, electricity and perhaps uranium for civilian nuclear power. Moscow's 'Asian Ambition' accelerated even before the start of the crisis in Ukraine. Its goal –

especially if the West continues to pursue policies to broaden the scope of NATO to all members of the former USSR to permanently weaken Russia – is to reassemble a diplomatic and economic union based on the former Soviet central Asian countries (Kazakhstan, Kyrgyzstan and Tajikistan) and the Caucasus (Armenia, Azerbaijan).

Russia aims to provide its partners a “customs union” that intensifies cooperation in trade, aiming towards the creation of a single economic space; a system of increasingly integrated political relations and a defensive military alliance (the Collective Security Treaty Organization), providing a sort of “umbrella” capable of a wide-ranging defense. It would recreate a sort of “soft” version of the former Soviet Union with a few essential items in common (defense, foreign policy, domestic and international trade, energy). This is an indispensable tool for achieving Putin’s foreign policy goal of restoring the global geo-strategic sphere of influence that the Soviet Union once had. This will take the form of a Customs and Eurasian Union as an alternative bridge between East and West that will come into effect on January 1, 2015 and Kyrgyzstan is one of its central pillars.

This new type of economic-political association is, in fact, an important to thwart China’s ambitions in Central Asia, allowing the Kremlin to increase its influence in Central Asia. This is Russia’s answer to NAFTA, the EU or Mercosur in which it plays the role of leader. Inevitably, Kyrgyzstan, as well as the other states, will have to give up a certain share of their sovereignty in favor of the Kremlin’s ambitions.

Meanwhile, the United States and NATO now have ever fewer interests in Central Asia, especially with the gradual withdrawal from Afghanistan. Russia for its part has a tough challenge ahead. The validity and effects of the renewed emphasis on its Asian ‘satellites’ carrier imply the need for a strategy to develop these regions and success is linked to

investment and infrastructure in places like Kyrgyzstan. This new type of economic-political association is, in fact, an important tool, allowing the Kremlin to increase their bargaining power in an institutional manner and limit the penetration of China in Central Asia. The economic progress of member countries, however, must be the priority of the Union. It must produce tangible economic benefits or it could collapse in the same way as the Commonwealth of Independent States, the Russia-Belarus Union or the Union of Central Asia before it.