

# International arbitration to decide Stans Energy's rights in Kyrgyzstan

✘ On March 21, Stans Energy Corp. ('Stans', TSXV: HRE | OTCQX: HREEF) announced that the Inter-District Court of Bishkek (the "Court") ruled in favor of the Kyrgyz General Prosecutor's Office (SPO) with respect to its claim regarding Stans' Kutessay II Project. Since 2012, the then Kyrgyz government adopted policies that effectively stalled all exploration and production activities at Kutessay II. Finally, in March, 2013, the SPO filed the claim against the Kyrgyz State Agency for Geology and Mineral Resources to overturn its original decision to grant Stans the mining license for Kutessay II, essentially annulling the whole license acquisition process. Stans has regularly defended itself, producing all relevant documents filed since the outset of its venture. Stans Energy has always adhered to Kyrgyz laws from the time of acquisition to the launch of operations.

Stans Energy acquired rights to re-develop the Kutessay II mine, which from 1960 to 1991, supplied some 80% of the former Soviet Union's rare earth needs. In late 2009, Stans acquired a 20-year mining license for Kutessay II, now fully within the jurisdiction of the independent Kyrgyz Republic. In 2011, Stans also purchased the Kashka Rare Earth Processing Plant (KRP), which was used to process rare earths in the Soviet period when it was able to produce 120 different metals, alloys, and oxides. The Kutessay-2 field during Soviet times, delivering up to 80% of the USSR's rare earth supply. Kutessay-2 contains up to 15 rare-earth elements, as well as lead, zinc, silver, bismuth, molybdenum, thorium, tin, and copper. In addition, it contains niobium, tantalum and hafnium.

Stans has always been able to defend itself, producing all relevant documents filed since the outset of its venture, confident in its right of ownership owing to its unwavering and transparent observation of Kyrgyz law and with the approval of the Kyrgyz Parliament from the time of acquisition to the launch of operations. Mining is crucial to the Kyrgyz economy and the legal entanglements affecting Stans Energy suggests that the obstacles have a political motivation. Indeed, the outcome of the March 21 ruling was predictable and Stans expects a more balanced hearing through international arbitration at the Moscow Chamber of Commerce, where Stans's case should win. Indeed, Prime Minister Satybaldiyev formed a working group to deal with Stans in order to reach an out-of-court settlement. Igor Zenkin leads Stan's arbitration team; he is an expert on International Trade Disputes within Russia and the former Soviet Republics



The next hearing in the arbitration lawsuit is scheduled for March 31, 2014. In January, the Government of Kyrgyzstan has established an inter-departmental working group to deal with the international arbitration claim for USD\$ 118 million. The legal wrangling in Kyrgyzstan since 2012 has prevented Stans Energy Corp. from performing further pilot tests of new technology as an injunction against the execution of all construction work on the future mine at Kutessay II. The working group has the mandate to negotiate with Stans and to reach an out-of-court settlement. Prime Minister Satybaldiyev himself formed the group, appointing a series of mining and geological authorities to it.

Kyrgyzstan is wrought with conflicting Russian, US and Chinese interests. The country has also suffered ethnic strife between Chinese and Uzbek minorities. The factional confrontations have also affected the legal status fate of foreign owned mining businesses. The Kyrgyz nationalist Ata-Zhurt party has

not shied from demonstrating hostility to several foreign owned companies in order to intimidate them into abandoning the country. Opportunist political leaders use foreign companies as scapegoats to gain stature and influence even as they drive away necessary investment. The Kyrgyz Parliament has often tried to nationalize the Canadian owned Cemterra Kumtor goldmine in a ploy aimed to secure a greater government share in the profits – the mine being Kyrgyzstan's main foreign currency earner.

Further suspicions of political meddling – and not necessarily, or exclusively, of a domestic origin – come from the fact that last week, the government led by Prime Minister Zhantoro Satybaldiyev, which had made a significant effort to improve legality, resigned after the Ata Meken Party withdrew its support from the ruling coalition. The government will remain in office until the formation of the new government, but it will effectively have a merely caretaker mandate. President Atambayev (the head of State) will ask one of the parties in Parliament the task of forming the new government. Should negotiations fail, Kyrgyzstan will be heading to early elections.