

Stans Energy wins arbitration case in Moscow as Russian influence builds in Kyrgyzstan

Stans Energy Corp. ('Stans', TSX-V: HRE | OTCQX: HREEF), as  predicted, has won its international arbitration case in the matter between itself and the Government of the Republic of Kyrgyzstan at the Arbitration Court of the Moscow Chamber of Commerce and Industry (the "Court") whereby the Court has ruled in favor of Stans. This means that Stans will be entitled to receive compensation from the Kyrgyz government over the damages caused by the latter's interference in Stans' industrial and mining activities at the Kutessay II project. Stans literally sued the government of Kirgizstan for effectively preventing it from developing the Project. In effect, there was little doubt that the international arbitrators would rule in favor of the Company and throughout the month of April, Stans saw its shares rise 57% on the OTCQX and 33.3% on the TSXV.

Stans will outline the details of the case upon receipt of the written ruling, over the next three months, which will also include the final damage amount. Stans also intends to continue talks with the Kyrgyz government during this 'interim' period to reach a settlement and resume operations at the Kutessay II project. Doubtless, the fact that the Inter-District Court of Bishkek ruled in favor of the Kyrgyz General Prosecutor's Office (SPO) with respect to its claim regarding Stans' Kutessay II Project, essentially implying the annulment of Stans' whole license acquisition process, played an important role in influencing the arbitration Court's decision.

The fact that the Arbitration Court that issued the ruling is Russian adds more weight to the decision because the Kyrgyz government, and particularly the President, who has an edge in the balance of power over Parliament, has taken a decidedly pro-Moscow stance, which has withstood the international pressure related to the crisis in Ukraine. Kyrgyzstan envisages its future in partnership with Russia, said President Almazbek Atambayev last September. Russia is Kyrgyzstan's main strategic partner and recently signed a series of deep reaching bilateral agreements. One of these includes the construction and operation of new and much needed hydropower plants, including the Kambarata -1 facility atop the Naryn falls, which is to generate nearly 5 billion kWh of electricity per year and will cover the growing energy needs of the country. Earlier last month, moreover, Russian oil giant Rosneft offered a bid to purchase a majority stake in Manas, the state-controlled company that owns all of Kyrgyzstan's civilian airports, which it intends to use to build a major international logistics hub.

On the technical side, aside from the emerging market risk, Stans's Kutessay II project has not lost any of its appeal. Stans has taken over a project that historically operated in the USSR, producing rare earths and, which was only shut down in the wake of the collapse of the USSR. Apart from the mine, Stans was able to take over an associated processing plant, which it is preparing to resume production. The advantage to investors is that Stans can take a fast track toward achieving the right metallurgy to produce the oxides and metals. In the Soviet period, the Kashka Rare Earth Processing Plant (KRP), as it was known, was used to produce some 120 different metals, alloys, and oxides. The Kutessay-2 field during Soviet times delivered 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.

The only obstacle standing between Stans moving to full operation has been the Government's obstruction, which has now been dealt by the arbitration process. Interestingly, and almost unnoticed, at the same time that the Arbitration Court was issuing its ruling in favor of Stans Energy, another Court in Kyrgyzstan delivered another significant sentence, which suggests that Stans may yet have a fair chance. Former Kyrgyz President Kurmanbek Bakiyev, deposed in 2010, was sentenced in absentia to 25 years in prison. He was accused of ordering an attack against a British businessman, over a disagreement with the Kyrgyz government over the management of a gold mine in 2006. The court also ordered the seizure of Bakiyev's assets. Bakiyev took power in March 2005 after a violent revolt that ousted the then Head of State, Askar Akayev. He currently lives with his family in Belarus, which has so far resisted extradition.

Stans Energy Chairman provides update on international arbitration case on Kyrgyzstan rare earth claim

✘ April 9, 2014 – Rodney Irwin, Chairman and acting President of Stans Energy Corp. ('Stans', TSX-V: HRE | OTCQX: HREEF) speaks to Tracy Weslosky, Editor-in-Chief and Publisher of InvestorIntel about the complexities of Kyrgyzstan and how Stans has managed to deal with them and one of the most recent and flagrant examples has been the Inter-District Court of

Bishkek ruling in favor of the Kyrgyz General Prosecutor's Office (SPO) with respect to its claim regarding Stans' Kutessay II Project. The decision, as it stands, would essentially imply the annulment of Stans' whole license acquisition process.

Stans has regularly defended itself, producing all relevant documents filed since the outset of its venture. Rodney says that Stans "is waiting for a written decision from the Court [of Bishkek] and then we'll take it for appeal to a higher court." Nevertheless, Stans remains optimistic and maintains an active operations timeline "although the Kyrgyz Government is never above throwing you a curve; and one of the curves simply means that the government has fallen and that we'll have a new one." That always means that officials and ministers change and you have to go through a period to get them back working and signing documents. But, we feel that we've stayed on target with our principal issue, which is our international arbitration where we're suing the government of Kyrgyzstan for effectively preventing us from working on developing our mine and we think that that the arbitration process is going to come to a conclusion fairly shortly."

Rodney expects that Stans will be slowed down by a matter of months, if not weeks, and that in the grand scheme "it's not all that serious" a delay. There may even be a benefit. Rodney says that the recent decision by the Court "supports our arbitration case, where we have said that effectively the government has prevented us from being able to develop our mining property. And this case, which the Government has brought against us and has won in the interim, until we go to appeal, presents us with more evidence that we can deliver to the arbitration court, not permitting us to develop my mining property is effectively an expropriation."

On the technical side, aside from the emerging market risk, Stans offers a great advantage in that "we have taken over a

project that historically operated in the good old days of the USSR. This was a rare earth mine that produced a lot of rare earths and when the USSR collapsed, this mine was effectively closed down.” Moreover, the mine has an associated processing plant, which Stans purchased and has been putting back together. This means that Stans has the right metallurgy to produce the oxides and metals. In the Soviet period, the Kashka Rare Earth Processing Plant (KRP), as it was known, was used to produce some 120 different metals, alloys, and oxides. The Kutessay-2 field during Soviet times delivered 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.

The only obstacle standing between Stans moving to full operation is the Government’s obstruction, which will be dealt by the arbitration process.

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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.

Kyrgyz chessboard of Russian, Chinese and U.S. interests takes pragmatic turn

☒ Stans Energy Corp. OTCQX:HREEF was up + 53.62% and TSXV:HRE was up +36.36% for the week ending Friday, February 7th, so Tracy asked me to find out what was going on...literally on a plane this morning with a top-notch Kyrgyzstan expert, this is my geo-economic perspective...

Stans Energy Corp. ('Stans') recently announced the Government of Kyrgyzstan has established an inter-departmental working group to deal with the Company's current International Arbitration claim. 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. The announcement comes in what appears to be a favorable evolution of the Kyrgyz legal context. Two of the main

political figures who mobilized disruptive action against the Kumtor gold mine, Bakhtiyar Kurmanov and Ermek Dzhunushbayev, were recently sentenced to 7 years of imprisonment by the chief judge of the Pervomai District Court, Almazbek Moldobayev.

The two men had organized and participated in disorders blocking work at the mine as well as extorting one of Kumtor's top managers. They were sentenced under the Articles "Hooliganism" and "Arbitrariness" of the Criminal Code. This is a welcome development because it suggests that the courts are hitting hard against those organizing illegal action against – especially foreign owned – mining operations. Stans Energy, as an employer, was well respected in the local community and enjoyed its support, even if has suffered similar disruptions as those faced by Kumtor. Meanwhile, the arbitration proceedings will continue as was determined at a hearing on February 6, 2014, in Moscow and a detailed plan of the hearings should be released promptly.

This is another encouraging signal. The resumption of arbitration hearings imply that the Kyrgyz government and Stans will be re-engaging in dialogue, allowing both sides to express their needs and concerns, eventually leading to Stans resuming full activity, producing rare earths, at its Kutessay II property as the desired outcome. Stans' interim CEO and President, Rodney Irwin, is said to be optimistic about the arbitration talks. Opportunist political leaders use foreign companies as scapegoats to gain stature and influence even as they drive away necessary investment. However, a new and more pragmatic government, which came into power toward the end of September, has shown that it is serious about improving the business conditions for mining companies. The government has made it very clear that it considers mining and extraction to be core economic sectors that are not to be tampered with, much to the satisfaction of mining firms. The government has also announced that it would vastly increase the number of

mining and geological experts working at the State Agency for Geology and Mineral Resources, which is oversees licensing procedures and management.

Stans filed an arbitration claim on October 30, 2013, claiming, "Certain actions by agencies and/or representatives acting on behalf of the Government of Kyrgyzstan were aimed to impede the Company from executing its responsibilities under its licence and have created conditions for termination of the operations of Kutessay Mining LLC". Stans claims that the Kyrgyz government adopted a series of regulations since 2012 that led to the closure of Kutessay II. In March 2013, the Kyrgyz Prosecutor General's Office filed a lawsuit against the state Kyrgyz Agency for Geology and Mineral Resources complaining about the terms under which Stans Energy acquired the mining license for Kutessay II. In fact, then CEO Robert Mackay, legally and rightfully acquired a 20-year license for the development of the Kutessay-2 field in 2009, at the price \$860.000. Two years later the company completed the purchase of the local Kashkinsky plant of rare earth elements, specialized in the processing of rare earth elements from 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. The property is very desirable because of its proven metallurgy and until Lynas (ASX: LYC) started production last March, Stans was the only operational REE processing facility outside of China.

Kyrgyzstan is one of the diplomatic chessboards where the confrontation between Russian, Chinese interests and US will be most intense. The country has also suffered ethnic strife, as tensions between Chinese and Uzbek minorities exploded in violence in 2010, discouraging foreign investment. Kyrgyzstan, unlike its neighbors, has been a parliamentary republic with a strong prime ministerial role since 2010, yet its path to

democracy has been marred by factional confrontations loaded with repercussions for foreign owned mining businesses. The Kyrgyz Parliament has continued to attempt nationalizing the Canadian owned Centerra Kumtor goldmine in a ploy aimed to secure a greater government share in the profits. The opposition has been using mining as a weapon in a purely political struggle, dragging rural communities and alleged environmental violations into the mix as buffers.

The government has been taking the right steps; however, in order to offer foreign mining firms a more reliable regulatory framework, it should establish more control in rural areas, leaving the locals less susceptible to unscrupulous manipulation. Nevertheless, the current government has been very serious about improving the investment climate and reducing political risks for such companies as Stans Energy and the other miners operating in Kyrgyzstan. Kyrgyzstan's parliament, last week, isolated the nationalists who wanted to lift Centerra Gold's license to operate at the Kumtor mine, by proposing a 50/50 joint venture agreement that investors seemed to appreciate as the company's stock rose 1.5% on the news. The government will have to restructure the project under the terms of the agreement and further negotiations with Centerra are expected, but the parliamentary in Kyrgyzstan barometer appears to have swung back in favor of the pragmatists, which is good news for Stans.