



## OVERVIEW OF THE GOLD MINING INDUSTRY OF KYRGYZSTAN

As most of the other Central Asian countries, Kyrgyzstan is an energy-rich country with a wide range of minerals. However, the main mineral mined in the country is gold, which has made the gold mining industry one of the pillars of the Kyrgyzstan's economy.

The major gold mine in the country that significantly contributes to the economic development of Kyrgyzstan is the Kumtor gold mine. The Kumtor gold mine is the largest open pit gold mine in Central Asia, having 68,509 tons of proven reserves (7,778 tons) and probable reserves (60,729) with 190.85 tons of contained gold at an average grade of 2.1 grams per ton as of December 31, 2014. The mine is operated by the Canadian company Centerra Gold Inc., which has a 100% interest in the Kumtor mine through the Kumtor Gold Company (KGC). The government of Kyrgyzstan holds 33% of shares of the company.

The mine-life was extended until 2023 and processing operations are expected to be concluded later, in 2026. The production of the company has been increasing since 1997 when it started operations. 7,289 and 8,640 tons of ore were mined in 2013 and 2014, respectively. However, the production at the Kumtor gold mine decreased by 6% in 2014 compared to 2013. The company produced 18.7 and 17.5 tons of gold in 2013 and 2014, respectively. As a result of the reduction in the production of the Kumtor gold mine, the economic slowdown in Russia and decline of the agricultural yields, the real GDP growth of the country decreased to 3.6% in 2014 from 10.9% in 2013. However, in January-July 2015, the GDP increased by 7.1% compared to the same period of 2014. The increase is mostly due to the increased

gold production at the Kumtor gold mine, without it the real growth accounts only for 4.5%. The Kumtor gold mine produced 5.1 tons of gold in the first quarter and 3.8 tons of gold in the second quarter of 2015.

The Kumtor gold mine has a major benefit for the Kyrgyz economy. According to the National Statistics Committee, in 2014 the Kumtor gold mine contributed to 7.4% of the GDP and the share of the mine in the aggregate industrial output was 23.1% (the industrial sector made up 27.5% of GDP in 2014). Also, the country has received over \$2.707 billion in the period of 1994-2014 from the development of the mine. As of July 1, 2015 the company employs over 2500 people, most of whom are Kyrgyz citizens.

The second largest gold mine, Makmal, is operated by the OJS Company KyrgyzAltyn. The company is solely owned by the government of Kyrgyzstan. The production at the Makmal gold mine totaled to 21.47 tons of gold in the period of 1986-1996. After 1996 the remaining gold reserves were estimated to total 20 tons. Nowadays, the mine is on the last stage of operation. The mine-life is extended only until 2016. Other gold mines under development are Ishtamberdy, Solton-Sary, Terek and Terekkan. Development of Taldy-Bulak, Levoberezhnyi and Bozymchak gold deposits started in 2015.

The foreign trade of Kyrgyzstan deteriorated in the second half of 2014. Weakening of the economies of the main trade partners reduced demand for Kyrgyz products, the stricter border control and the drop in the international gold prices affected exports negatively. As a result of these negative impacts on trade, total exports reduced by 6.4% and

total imports reduced by 7.2% in terms of US dollars in 2014. The deterioration in trade also negatively affected revenues from gold exports in 2014. Although gold exports increased in volume by 6%, their value fell by nearly 3% in terms of US dollars as a result of reduction in world prices. In January-August 2015 the foreign trade declined by 17% compared to the same period of 2014. The amount of exports of non-gold goods declined by 27.5%. However, despite the general trend, the export of gold increased by 40.5% in January-August 2015 compared to the same period of 2014 and the share of the gold exports accounted for over 52% in total exports. In addition, despite strict legislative system and corruption that hinder the progress of the mining industry, the industry attracts foreign investors. For example, Canadian investment into the Kumtor gold mine was \$793 million in 2014, which accounts for 27% of foreign direct investments.

In this sense, in the recent years in order to develop the mining industry, the government has sought for opportunities to attract investors in exploration, mining and production of mineral resources. In this respect, the government developed a strategy for the mining sector until 2052. Besides, the government has been planning to implement some other effective reforms in order to reduce investment risks and to allow an industrial development of additional gold deposits at the Kumtor gold mine and at the other gold mines. The gold mines, particularly the Kumtor gold mine, have substantial economic and social effects on the Kyrgyz economy.

## Politics, Foreign Affairs and Security

- The President of Russia, Vladimir Putin, held a meeting with the President of Syria, Bashar Assad, in Moscow. The Russian-Syrian talks were held in the narrow and extended format with the participation of the Russian high-ranked officials. It was the first foreign visit of Bashar Assad since the beginning of the civil war in Syria.
- The Organization for Security and Cooperation in Europe Special Monitoring Mission has confirmed that the self-proclaimed Luhansk People's Republic withdrew weaponry of less than 100mm caliber from the contact line.
- The Prime Minister of Japan, Shinzo Abe, started his six-day tour to Central Asia. His agenda includes visiting Kyrgyzstan, Kazakhstan, Mongolia, Tajikistan, Turkmenistan and Uzbekistan. This first visit of Abe to the region is also the first one for the Japanese government since 2006.
- A four-party meeting on the situation in Syria was held in Vienna. The Foreign Minister of Russia, Sergey Lavrov, the U.S. Secretary of State, John Kerry, the Foreign Minister of Saudi Arabia, Adel Al-Jubeir, and the Foreign Minister of Turkey, Feridun Sinirlioglu, attended the meeting. At the end of the meeting, Jordan and Russia agreed to coordinate military operations in Syria.
- According to the Ministry of Defense of Russia, a counter-terrorism operation was launched in the village of Gimry in Russia's North Caucasus Republic of Dagestan.

## Economy, Finance and Energy

- According to the Minister of Energy and Coal Mining Industry of Ukraine, Volodymyr Demchyshyn, the Ukrainian Naftogaz transferred \$136 million to the Russian national gas producer company, Gazprom, as a pre-payment for winter package of natural gas.
- According to the report of the Minister of Energy of Azerbaijan, Natig Aliyev, the volume of oil production in the country stood at 31.41 million tons in January-September 2015, or 3.2% more

than the forecasted volumes amounted to 30.44 million tons. In addition, it was announced that the export of Azerbaijani gas to Turkey and to Georgia amounted to 4.24 billion and 519.7 million cubic meters, respectively, in January-September 2015.

- The State Oil Company of Azerbaijan, SOCAR, and the Austrian Pörner Group have signed a contract for the construction of a bitumen unit as part of the modernization of the Heydar Aliyev Baku Oil Refinery.
- As a result of the meeting of President of Turkmenistan, Gurbanguly Berdimukhamedov, and the Japanese Prime Minister, Shinzo Abe, the parties inked 10 international documents. Turkmenistan and Japan agreed to cooperate on infrastructure development and on natural gas plant projects totaled ¥2.2 trillion.
- The Russian Government approved a draft agreement on extension of €1.2 billion loan to Cuba for financing the construction of power units at Maximo Gomez and East Havana thermal power plants. The loan interest rate is 4.5% per annum. Funds are to be repaid in ten years.
- On the sidelines of the 7th China Overseas Investment Fair (COIFAIR-2015) in Beijing, Russia and China agreed to create a free economic zone in Irkutsk, East Siberia. The Agreement was inked by the representatives of the Irkutsk region and the Liaoning province in Northeast China.
- The first BRICS Heads of Industrial Authorities meeting to discuss industrial cooperation and new opportunities for growth was hosted by Russia in Moscow. The parties developed a short-term action plan and signed the Declaration on Industrial Cooperation between BRICS Countries.
- The National atomic company of Kazakhstan, Kazatomprom, and the American Centrus Energy Corp. signed a Memorandum of cooperation in the nuclear sector. As part of the Memorandum, Kazatomprom and Centrus Energy Corp. will develop mutually beneficial relations on competitive

supplies of Kazakh uranium to the global market.

- According to the Central Bank of Russia, the international reserves of the country mostly comprising gold and foreign exchange grew by \$3.5 billion to \$377.3 billion.
- According to the National Bank of Kazakhstan, the international reserves, including gross gold and exchange currency reserves decreased by 6.2% in January-September 2015. These reserves amounted to \$96.1 billion as of late September 2015. As of late 2014, the international reserves of Kazakhstan amounted to \$102.481 billion.
- The International Monetary Fund (IMF) has downgraded its outlook for GDP growth in Kazakhstan in 2015 and 2016 to 1.5% and 2.4%, respectively. In August 2015, the IMF predicted that the economy of Kazakhstan would grow by 2% in 2015 and by 3.25% in 2016.
- According to the Chairperson of the Central Bank of Russia, Elvira Nabiullina, the foreign debt of the country has declined by 30% since 2014 despite sanctions and economic challenges. Namely, the foreign debt of Russia decreased to \$521.60 billion in October 2015 from \$723.9 billion in January 2014.

## Society and Culture

- The Russian Federal Security Service and the Russian Interior Ministry detained 22 members of the Hizb ut-Tahrir al-Islami (the Islamic Party of Liberation), international terrorist organization, including its leaders as a result of a joint operation in Moscow.
- According to the draft amendments to law on space activities, the Aerospace Committee of the Ministry of Investment and Development of Kazakhstan was empowered to monitor the environmental situation at the Baikonur Cosmodrome.
- The protocol on cooperation of the CIS countries in space was signed in Minsk. The partners agreed to establish an international intergovernmental research organization, namely, the Joint Institute for Space Research.