

KUMTOR GOLD COMPANY CONGRATULATES KYRGYZSTAN CITIZENS ON THE NEW YEAR!



We are greeting the New Year looking forward to a better future and continuation of bringing with great dedication our warmth and care to the close and dear friends. On behalf of Kumtor Gold Company, I would like to extend my gratitude to our partners and to all those who we were working close with on the achievement of our common goal – development of Issyk-Kul Region.

In 2016, together with the people of Barskoon Village we managed to install drinking water to the houses of villagers. We have cleared and restored the fields irrigation system in the villages of An-Oston, Yrdyk, Tosor, Ak-Dobo, Lipenka, and Kyzyl-Suu of Jeti-Oguz District. We also continued clearance of water reservoir in Tort-Kul Village. Seventeen business projects within the Youth Entrepreneurship Program were launched in seven settlements of Issyk-Kul Region, making it possible for the young people to realize their business ideas. Five collection points of recyclable materials for their further processing were opened within the Green Point Project. Two workshops in Shor-Bulak

and Ak-Sai Villages of Ton District were repaired in 2016, as part of One Village – One Product joint project. We have traditionally continued funding the only zoo on the territory of Kyrgyz Republic. A project aimed at strengthening capacity of senior pupils with the involvement of 63 teachers was launched in nine pilot schools of Balykchy, Jeti-Oguz, and Ton Districts. BIO.kg, a new project in the agricultural sphere, was launched, which trained 300 farmers from 5 self-government bodies innovative technologies of field irrigation, usage of energy-saving equipment, efficient horticultural activities and business planning. According to the project's interim results, a number of farmers have already managed to produce organic certified products. Moreover, as part of the project, veterinary station was opened in Bokonbaevo, where artificial insemination of cattle is being implemented. The Company has also supported numerous requests for one-off donations and charitable support since the beginning of the year.

"I believe that all the joint plans which we could not finish in the past year, will be by sure put into practice in the future. I regret to inform that the judgement of the Inter-District Court of Bishkek, which bans KGC to transfer its assets, is still in force, since June, 3, 2016, not allowing us to work on the social investments and sponsorship projects. The Company is using all reasonable efforts to resolve the issue, but has no information about when the Court's judgement will be overturned.

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Miracles happen on New Year and we still have good news for the little citizens of Kyrgyz Republic: everyone who is waiting for traditional New Year greetings from Santa Claus, will be congratulated by sure. Traditional sweets will be delivered by all means to the inhabitants of orphanages, crisis centers, and communities of children with disabilities of Balykchy, Jeti-Oguz and Ton Districts. It should, however, be noted, that due to the judgement of the court banning the Company to transfer its assets, all the New Year gifts will be purchased directly by employees to their personal funds, not to deprive the kids of the holiday because of the court decision.

I am looking forward to your support in solving this issue and I think that Company's investments into Issyk-Kul Region should not be terminated."

**Aktilek Tungatarov,
Sustainable Development Director.**

2016 SOCIAL INVESTMENTS PROJECTS

In 2016, Kumtor Gold Company implemented a number of projects aimed at development of Issyk-Kul Region and reached a part of the planned results for the year. However, all the social investment payments had been stopped due to the judgement of the Inter-District Court of Bishkek, dated June, 3, 2016, which banned KGC to transfer its assets. The Company is using all reasonable efforts to resolve the issue, but has no information about when the Court's judgement will be overturned and the projects will continue to implement foreseen plans. However, even before June 2016 we managed to launch new projects and continue implementation of the old ones. Detailed information about our achievements and investments in the communities is provided below.

ONE VILLAGE – ONE PRODUCT



The two-year project aimed at development of entrepreneurship is being implemented in Ton and Jeti-Oguz districts and is a continuation of previously implemented stage, which the Company funded in 2012-2013. As part of the project, communities learn the basics of business, receive technical support, and have the opportunity to set out the final products in research stores of Karakol, Bishkek, at the coffee shops and hotels. All the products are made from environmentally friendly and affordable for the local communities products, and are also certified in accordance with standards and norms of Kyrgyz Republic. 20 villages and 78 different communities are involved into the project. 200 women are expected to get jobs, and about 300 residents of the Southern shore will be trained. Since the beginning of the year, 2 workshops of Shor Bulak Village and Ak-Sai Ton Districts have been already repaired, as part of the project.

MICROCREDIT AGENCIES

The microcrediting program for farmer and minor producers in the region was started in 2006 and is aimed at boosting the social and economic development of the Issyk-Kul region. Three microcrediting agencies with the lowest interest rate of 10% to 12% in

Kyrgyzstan, provide services to people of Ton and Jeti-Oguz districts, as well as city of Balykchy. The company has invested more than 4 billion USD in the microcrediting activities since 2006.

YOUTH MEAN BUSINESS

In 2015, as part of the project, there was held a large-scale competition where young people aged 20-28, who are willing to run their own business, could submit applications to take part in the project and receive financial support for realization of their business ideas.

As a result, mentors, represented by notable entrepreneurs of Kyrgyz Republic, chose the best 17 projects and awarded their authors with certificates for funding on behalf of Kumtor Gold Company. The winners shared the prize fund of 150 thousand USD. Nearly all the winners managed to get the necessary equipment before the court decision, and most of them have already begun to conquer the local market of goods and services.



ENHANCING KNOWLEDGE OF THE 10-11 GRADES STUDENTS

The three-year project aims to raise the competitiveness of the students of Issyk-Kul Region when they are entering institutions of higher education. The admission of the

students in Kyrgyzstan is based on the results of national examination (ORT), which does not take into account different level of preparation of students from rural areas and urban schools. The purpose of the program is to increase the number of Issyk-Kul students, accepted to the institutions of higher education of Kyrgyz Republic. Unfortunately, the project had been suspended due to the judgement of the court regarding ban on transactions of KGC assets.

THE GREEN POINT ENVIRONMENTAL PROJECT



In 2016, youth organizations of Issyk-Kul Region with the support of Jashyl Bilik (Green Point) Public Foundation successfully implemented separate collection of solid wastes. Five collection points of recyclable materials were installed among the settlements. They were working till the end of October this year, but in the future will be operating all year round. The project is expected to provide 25 permanent workplaces, as well as get involved about 200 young people during the summer for smooth running of the points.

KARAKOL ZOO



Kumtor is one of the few sponsors of Bugu Ene Public Foundation that is funding the only zoo operating on the

territory of Kyrgyz Republic. The zoo takes care of 36 species of animals and birds, 15 of which are included in the Red Book. There are 140 zoo inhabitants in total. Money provided as part of support from Kumtor are being spent on improvement of zoo infrastructure.

BIO.KG

BIO.kg, a new project in the agricultural sphere, was launched, which trained 300 farmers from 5 self-government bodies innovative technologies of field irrigation, usage of energy-saving equipment, efficient horticultural activities and business planning.

According to the project's interim results, a number of farmers have already managed to produce organic certified products. Moreover, as part of the project, veterinary station was opened in Bokonbaevo, where artificial insemination of cattle is being implemented.

LAND AND WATER REHABILITATION

We have cleaned and restored the irrigation system in the villages of Al-Oston, Yrdyk, Tosor, Ak-Dobo, Lipenka and Kyzyl-Suu in Jeti-Oguz district. In Tort-Kul village we have continued reservoir cleaning.



COMMUNITY OWNED PROJECTS

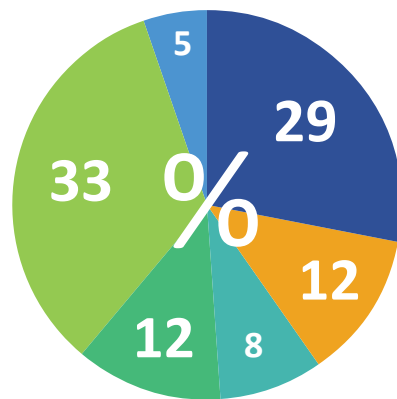
In 2016 together with Barskoon village residents we managed to install drinking water to the villagers' homes. We also contributed to the purchase of an artificial sport turf for the new

football field in Ak-Sai village, built by the residents themselves. Project for families of children with disabilities support was implemented in Shoola Kol PF Rehabilitation Centre. The project included training for both, parents and children. Decisions regarding community owned projects co-funding are made during the quarterly meetings of the regional committees of Jeti-Oguz and Ton districts and approved by all members of the committee.



KGC Investment in Sustainable Development

43,086,387 KGS
invested in total



Youth



Agriculture



Environment



Vulnerable Groups



Community Owned Projects



Small-Medium Size Businesses

5,354,808
Youth Mean Business

13,451,584
Land and Water rehabilitation in
Ton and Jeti-Oguz districts

1,069,791
Bio.kg. Organic Aimaks

4,209,687
Green Point

1,053,126
Karakol Zoo

3,611,435
Education Empowerment in Issyk-Kul Region

2,225,032
Community Owned Projects

4,552,174
One Village - One Product

7,558,750
Microcredit Agencies



0312 90 07 07



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ONE-OFF DONATIONS AND CHARITABLE SUPPORT

In addition to our sustainable community development programs, we provide one-off donations, usually in form of equipment or services. We receive many requests for support from across the country. Donation requests and proposals may be supported and are reviewed on a monthly basis by our donations committee. According to the court's decision, donation payments, as well as the donations committee meetings were suspended.

KUMTOR AMBASSADORS

Kumtor Ambassadors program was implemented in 2015 as a part of the Company's donations and social investments initiative. The program is aimed at strengthening cooperation with local communities and raising employees awareness about the sustainable development projects in the region.

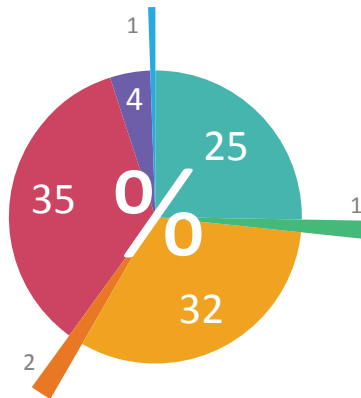
More than 30 events and activities involving staff from all departments of the company were held in 2016. Some of the examples are listed below:

- KGC employees and partners cleaned Ton beaches;
- KGC employees visited Mobile Jailoo Kindergarten;
- Kumtor employees supported the Karakol Zoo;

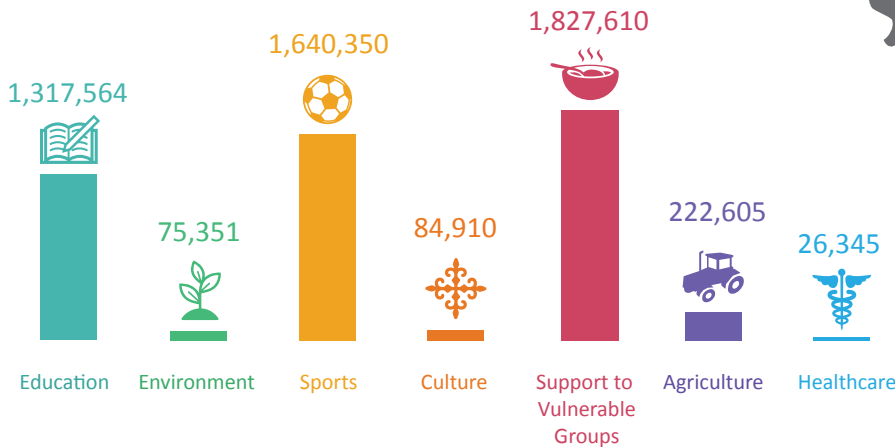
- The staff of Kumtor Gold Company medical department presented appliances to the first children's hospice in Kyrgyzstan;
- Employees of Balykchy Marshalling Yard rendered aid to the Crisis Center Adamzatka Jardam in Balykchy;
- Children's intensive care burn unit at Bishkek Research Center of Traumatology and Orthopedics was repaired. New windows, door, linoleum flooring, sink, air conditioner, quartz lamps, ceiling lampshades and wall sockets were installed, ceilings and walls were painted. Linoleum flooring was replaced in two wards in the process. New plumbing was installed in one of the wards.

KGC Donations

2015 DONATIONS BY REGION & CATEGORY (%)

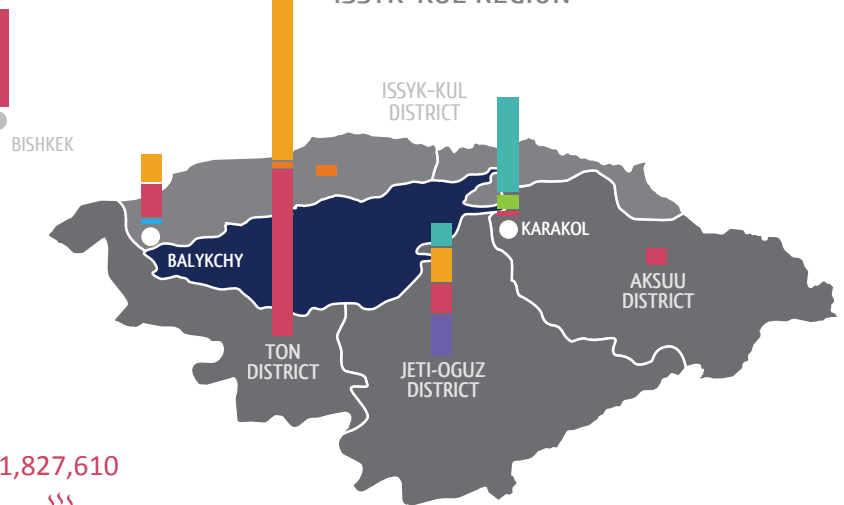


AMOUNTS BY CATEGORY (KGS)



5,194,735 KGS
donated in total

ALL OF
ISSYK-KUL REGION



MAIN OFFICE in BISHKEK
24 Ibraimov Street, Bishkek, 720031
Reception: 996 (312) 90-07-07

KARAKOL REGIONAL OFFICE
1G Karasaeva St., Karakol,
03922 5-77-99

BALYKCHY INFO CENTRE
0312 90-07-39 ext 5124

KYZYL-SUU INFO CENTRE
0775 585 360

BOKONBAEVO INFO CENTRE
0779 055 778