



IN TOUCH

ISSUE 2 Jan 2013



It seems like only yesterday that we were celebrating New Year's, but already it is the end of January. Welcome to our first edition of In Touch for 2013.

2013 is off to a busy start for Kumtor, with new hiring for equipment operators and plans to move our warehouse and administration building due to an approaching glacier. We also have several community development projects underway or about to start, and we are very excited about the opportunities that these will provide to residents in Issyk-Kul Oblast. Apart from One Village One Product (which you can read about in this newsletter) we also will be starting work around greenhouse projects, land rehabilitation for wheat farmers, and our flagship YouthBank project.

Apart from community, environment is another important dimension that will be receiving a lot of attention this year at Kumtor, as usual. We have started our partnership with Flora Fauna International providing support to the Sary Chat Nature Reserve and begun implementing our biodiversity plan, the first for a mining company in Kyrgyzstan. Environmental monitoring is an ongoing activity at Kumtor and this edition of Kumtor "In Touch" discusses the work we do to ensure our mine is always operating within the environmental norms and laws.

But we must not forget why we are here: gold! Kumtor has set production targets of between 550,000 and 600,000 ounces of gold for 2013.

Michael Fischer
*President of
Kumtor Operating Company*

ENVIRONMENTAL MONITORING

over **9,000**
samples

Each year over 9,000 samples of air, soil, and water are taken at Kumtor. From these, over 50,000 different analyses are conducted, to ensure we are within environmentally acceptable and safe levels of emissions and discharges.

Sampling is the responsibility of the environmental team at Kumtor. As well as sampling in and around the mine site, we travel as far away as Naryn to conduct water quality testing. We also monitor the concentration of airborne dust along the main technical access road to Kumtor.

The frequency and type of monitoring required is laid out in Kyrgyz law, as well as in Kumtor's environmental management plan, which has been approved by the Kyrgyz Government.

The highest level of attention is given to our surface water monitoring, by both the company and the public. The Kumtor mine site lies within the Kumtor River catchment (which flows to Naryn) so it is vital that this water is safe and within environmentally acceptable limits. Kumtor uses an Effluent Treatment Plant (ETP) to treat the tailings water before discharging. The quality of this water is tested daily to ensure it meets acceptable levels. The Kumtor River water quality is tested weekly before it exits the Concession Area. Water is only discharged from the ETP into the Kumtor River from April – October when the river is flowing. The remainder of the year it is stored in the tailings dam.



In order to ensure that testing results are accurate, we often send the same samples to multiple laboratories (labs) in order to compare results. We use our lab on site, plus 4 external labs located in Kyrgyzstan and Canada. In addition, equipment is calibrated regularly to maintain accuracy. From time to time, the Kyrgyz Government also conducts their own sampling and analysis to ensure we meet acceptable and safe limits.

The results of the environmental monitoring program, including comparison against accepted limits and background concentrations, is published yearly in the Annual Environment Report (available at the Kumtor website www.kumtor.kg) or at any of our offices or locations. Kumtor is the only company in Kyrgyzstan which releases its environmental monitoring results to the public.

Other environmental sampling we do does not require laboratory analysis; such as plant and animal surveys, monitoring the flow of the Kumtor River, and radiation monitoring.

The environment department always welcomes feedback and is happy to answer any questions you may have about environmental management at Kumtor.

50,000
different analyses



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EDUCATION SUPPORT

Kumtor continues to support social projects designed to boost the development of the region. In early January 2013, support was provided for the following educational institutions and organizations located in Issyk-Kul province:

- Sports equipment was donated to the Balykchi Taekwondo Federation and Tort-Kul ayil okmotuu in Ton district under the Healthy Adolescent Project implemented by the Youth Committee;
- Office equipment, clocks, MP3 players and audiobooks were donated to the Society of the Deaf and Blind;
- Pieces of furniture and a TV set were donated to the Nadezhda Krupskaya school;
- Various books were distributed to the library at Tosor, Jety-Oguz district;

- Musical instruments and desks were donated to the music school at Tamga;
- Skates, benches and musical equipment were donated to the Jety-Oguz Youth Committee for improvement of the district park and building a skating-rink;
- Various sports equipment, pieces of furniture and office equipment were donated to the Kaji-Say Youth Committee for gym renovation.

AN EXAMPLE TO US ALL

Kumtor mine employees, on their own initiative, provided assistance for children's homes on the eve of the New Year celebrations. A mechanic team A-1 has been supporting needy children and families throughout the year.

Between December 2011 and December 2012, the team raised 111,400 soms which contributed towards hospital treatment of needy children, poor families and homeless victims of fires. Also, assistance was provided for children's homes in Karakol as well as at Ak-Suu, Kyzyl-Suu and Kaji-Say.

What a great example to follow!



PRELIMINARY RESULTS

Q4 2012 2012

189,438oz 315,238oz

FORECAST

2013

500-600,000oz

Centerra Gold Inc. and Kumtor Operating Company have summed up preliminary 2012 operating results.

- During the fourth quarter of 2012, the Kumtor mine produced 189,438 ounces or 5.9 tonnes of gold.
- During the twelve months of 2012, gold production was 315,238 ounces or 9.8 tonnes.
- Kumtors' 2013 production forecast is in the 550,000 to 600,000 ounces (17.1 to 18.7 tonnes) range.
- Exploration expenditures in 2013 are expected to be \$13.5 million.
- The capital expenditures for 2013 at Kumtor are estimated to be \$95 million.



CALLING ALL ENTREPRENEURS!

As mentioned in our last newsletter, Kumtor, in partnership with the European Bank for Reconstruction and Development, have commissioned a study which will result in a "business map" of Issyk-Kul Oblast.

The research, conducted by PromoTank, will provide an overview of what businesses are in demand in the region, and also, what sectors have been over-done - leading to a lower chance of success.

Economic development in Issyk-Kul is important, especially to diversify the economy away from its dependence on agriculture and tourism. This will provide a more stable tax base for government as well as open up possibilities for more employment.

To present the results of the study, workshops will be held according to the schedule (right). Along with the results, participants will also receive information on EBRD's business consulting services and lessons in business planning including, finances, marketing and HR.

All sessions run from 09:00-16:00.

If you are thinking of starting your own business but not sure where to start, come out to one of the sessions and get a head start!



	DATE	LOCATION
Bokonbaevo	5 Feb	Toikana "Agymak"
Kyzyl-suu	6 Feb	House of Culture
Cholpon-Ata	7 Feb	Hotel "Tree Crowns"
Karakol	8 Feb	House of music students
Balykchy	11 Feb	Balykchy City Hall (Frunze street, 252)

HAND-CRAFTED BUSINESSES



Many people spend time at home working on small scale production of jam, soap, felt products and honey; whether it is for their own consumption or use, or to sell. However turning a hobby into a business that can provide much needed income is often a challenge.

Lack of skills or knowledge, inability to access markets, and the cost of meeting standards such as food safety, means that many small entrepreneurs cannot gain a reasonable income from their efforts.

Kumtor, in partnership with The Japanese International Cooperation Agency (JICA) has been sponsoring a project along the south shores of Issyk-Kul called One Village One Product (OVOP). Using a proven approach that bands individuals into community based organisations (CBO),

we have been able to support the growth in small businesses and provide much needed income to individual craftspeople and artisans, who are mainly women.

Dozens of participants in the program have benefited from training, access to new techniques and infrastructure - for example, a jam making facility in Karakol which meets all sanitary standards. Experts from Japan were brought in by JICA to teach about food safety and production, among other topics. The program also helps to procure raw materials needed by participants such as jars, sugar and felt.

The OVOP program is one of many that will be supported by Kumtor in order to provide residents of Issyk-Kul Oblast an opportunity to improve their socio-economic conditions.



"Thanks to our collaboration with this project, we learned how to process fruits from our gardens. We were also taught how to pack products, and how to sell them. I'm getting ready for the holiday season and planning to continue my small juice business."

*Anara Kylchykbaeva,
Head of "Malika - Issyk-Kul" Jamaat*



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COMMUNITY RELATIONS AND SUSTAINABLE DEVELOPMENT

As a major contributor to the economy of Kyrgyzstan and a main employer in the Issyk-Kul Region, we understand that we have a responsible role in the economic development of the country.



In addition to our economic contributions, Kumtor works in partnership with the local community to further the socioeconomic development of the Issyk-Kul region through development projects, direct contributions and support to the development of infrastructure. We invest 1% of our revenue annually into the Issyk-Kul Development fund which is used to support development across the entire Issyk-Kul Oblast.

REGIONAL COMMITTEES AND STAKEHOLDER ENGAGEMENT

Regional committees are a formal monthly meeting with representatives of the Kumtor Sustainable Development and Environmental departments with local government representatives, NGOs and other representatives from the region. These monthly meetings are an opportunity to provide feedback on environmental issues and to understand community issues. There are currently three regional committees, in Jety-Oguz and Ton Regions and the city of Balykchy.

Alongside of the formal regional committees, formal and informal stakeholder engagement occurs on a regular basis across our host communities. Outreach centres, located in Karakol, Barskoon, Bokonbaevo and Balykchy provide a central and permanent location for local residents to come and talk with a company representative.

DEVELOPMENT PROJECTS

Kumtor works in partnership with a number of international and local organisations to develop and implement community development projects. In order to maximize

the impact, we focus mainly on the southern shores of Lake Issyk-Kul, and on Issyk-Kul Oblast as a whole. Projects are developed taking into account company risks, community needs and stakeholder input, and availability of an experienced partner that can deliver against expected outcomes. **Projects must fall into one of the following focus areas:**

1. Support to business growth & diversity (especially SMEs)
2. Support to the development of the agricultural sector
3. Youth and educational projects
4. Environmental projects
5. Support to the culture of Kyrgyzstan
Issyk-Kul Development Fund

ISSYK-KUL DEVELOPMENT FUND

As part of its operating agreement, Kumtor pays 1% of gross annual revenues into the Issyk-Kul Development Fund. This fund, which in 2012 received approximately 4.638 million USD from Kumtor, is designed to develop the socioeconomic infrastructure in Issyk-Kul Oblast. Since 2009 when the fund was started, more than 25 million USD from Kumtor has been spent on projects as diverse as kindergartens, schools, sports clubs and irrigation across the entire Oblast. Funding is spent in line with the local and regional government priorities and oversight is provided by a steering committee which includes local government representatives and NGOs.

DONATIONS

As the largest company operating in Issyk-Kul Region, Kumtor receives many requests for support from across the country. Donation requests for in-kind support, goods or materials or cash are reviewed on a monthly basis by our Donations Committee and may be supported if they meet the following criteria:

1. Donations are to local community groups or organisations, not individuals or companies
2. Donations are not sponsoring travel or medical care
3. Donations are not for political parties or political activities

Examples of recent support include audio book readers for blind children, sports equipment for local teams and sports clubs, and paint and furniture for local schools.

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