



IN TOUCH

ISSUE 3 Feb 2013



February 16 2013 marked a huge milestone for Kumtor. On this day we marked our 20 year anniversary since Kumtor was formed.

Of course opening a mine site at 4,000m presents unique technological and physical challenges, and ahead lay 4 years of construction until the first gold was poured 1997.

In these 20 years much has changed, both in Kyrgyzstan, the world and with our company. But in those 20 years we have managed to mine and sell 8.4 million ounces of gold and contribute over 2 billion dollars to the Kyrgyz economy. But, this does not even count the money that our employees spend or is added to the economy from buying local goods and services.

Whilst it is always sentimental to think back and remember all that has happened in those 20 years, we are just as excited to look forward. Our latest mine plan will have us mining until 2024, with gold production for two years after that to 2026.

This summer we have some exciting projects starting as part of our community development. In this edition of In Touch you will read about two that we are particularly proud of: Karagat and YouthBank. These projects are part of our strategy for community development in Issyk-Kul to help the development of different business sectors and the economy as a whole.

We hope that you are finding our newsletters informative and we encourage you to send us your feedback.

Michael Fischer
*President of
Kumtor Operating Company*

PROJECT "KARAGAT"

A landmark project is about to start in Issyk-Kul oblast: Project "Karagat" - named after the popular blackcurrant berry.

Kumtor is partnering with AVEP, a leading Issyk-Kul based development NGO for a three year project involving this local treat.

This project is one of the most ambitious community development projects conducted by Kumtor to date. It was developed over a period of several months with some specific outcomes in mind:

- Development of the agricultural sector
- Focus on youth and women
- Holistic approach: from nurseries to farmers to end-users
- Focus on existing entrepreneurs and businesses (with the exception of storage and collection points which are lacking)
- Supporting development of environmentally friendly irrigation systems

Using a Market Development framework, the project aims to work on the supply and demand sides of the market.

It is not about training, but more about creating lasting change that will benefit everyone in the market. By including all participants, from nurseries to farmers, to processors, the project seeks to impact the entire value chain for this berry. This will ensure benefits are felt beyond the life of the project and do not end in three years' time.



Some of the highlights of the project includes introduction of newer, more nutritious forms of blackcurrants, cofinanced storage and collection facilities, and efficient drip irrigation systems. The project will be supplemented by changes to vocational education courses. A regional "berry festival" is planned which will serve to promote the blackcurrant berry.

While the project will not be for everybody, those that do participate can expect increased yields, increased incomes and a more stable market for their products. Planning and initial work on the project will be starting in February 2013.



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CARING AND SHARING

By tradition the Company renders charity and sponsor aid to public unions, low-income families, vulnerable population, supports socially important projects in education, health care, culture, sports and other related spheres of public life, supports social projects and projects oriented to sustainable development in the region.

In January and early February of 2013 we assisted the following organizations and educational institutions:

Balykchy Regional Center of Development and Education

for conducting two interactive training courses on computer basics and development of small business. The two-month project is oriented to training people from low-income and needy families.

SIFE team of American University in Central Asia

for implementation of the "Teenagers in Free Enterprise" Project within Global Enterprise Week aimed at training of senior school children to the fundamentals of economics and business planning.

Social Integration Center for Children

in Bishkek, received bedclothes, soaps and cleaning agents, water-based paints, coloured pencils, drawing-book, notebooks and other stationery.

National Mental Health Center

in Bishkek received a playground slide and the Speech Pathology Department received a carpet.

Libraries of Barskoon, Tamga and Tosor villages

were provided aid with subscriptions to newspapers.

The "Teplokluchenka" Public Foundation

was assisted in providing drinking water to the "Ulybka" Kindergarten for disabled children in Teplokluchenka.



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BUSINESS SEMINARS FOR ENTREPRENEURS A RESOUNDING SUCCESS

Early February saw a series of seminars presenting on the business map of Issyk-Kul and business opportunities for entrepreneurs in 6 towns around the lake. Over 1,000 small businessmen and women took advantage of the free seminars presenting results of a study sponsored by Kumtor and developed by the European Bank of reconstruction and Development (EBRD).

The business map will be an invaluable tool for those wishing to understand what business opportunities exist in the Oblast. It is one of several projects that Kumtor is sponsoring which are aimed at supporting business growth in Issyk-Kul oblast.



YOUNG PEOPLE GET A UNIQUE OPPORTUNITY TO IMPLEMENT THEIR IDEAS IN ISSYK-KUL

Young residents of the Issyk-Kul region will be granted a unique opportunity to implement their ideas for benefiting local communities through their active participation in the YouthBank for Issyk-Kul project.

Initiatives will be prioritized and run by young people and will be supported through a network of **YouthBanks** established in six localities across the Issyk-Kul province including Balykchy, Karakol, Bokonbayevo, Tamga, Tup and Kyzyl Suu. The establishment and operation of six YouthBanks will be made possible with the support of Kumtor Operating Company, which regards the project as an innovative opportunity to promote sustainable development in Issyk-Kul province and one which will truly benefit young people and local residents.

YouthBank is not a financial institution but a bank of young people's ideas. Young people are involved in developing and running community initiatives for themselves. Each **YouthBank** is composed of a group of 8-10 young volunteers acting as a local grant-making committee. **YouthBank** members assess local needs, review applications from other young people, select and fund youth-led community initiatives. All young people aged 14-25 who have ideas to make a difference in their community are encouraged to apply.



The **YouthBank** methodology is based on the promotion of core values - citizenship, capacity-building, and self-responsibility. It has a proven track record of success. Since its establishment in Northern Ireland in 1999, the methodology was implemented across different contexts around the world including Eastern Europe, South Caucasus and Central Asia. From March 2010-May 2012, the Eurasia Foundation of Central Asia (EFCA) applied the concept to unite young people from divided Kyrgyz and Tajik cross-border communities.

The project will be implemented by young people with assistance of EFCA for a duration of two years. From February 2013 to March 2013, EFCA will start conducting a series of training workshops across the Issyk-Kul province to reach out target communities and support young people with the selection of **YouthBank** members and the establishment of six **YouthBanks**. Youth-led community initiatives can include infrastructure rehabilitation, employment and training activities, as well as cultural, sport and social events.



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WATER USAGE



ANNUAL FIGURES

112 million m³

Kumtor River flow near mine

5 million m³

Water treated & discharged

6 million m³

Raw water intake

175,000 m³

Potable water use

5.4 million m³

In-mill recycling

Good water management is a high priority for the Company. It's vital from a production and environmental perspective, and important for our reputation that water is managed well.

In our In Touch newsletters, which are available on Kumtor's website and in our Information Centers, we answer frequently asked questions raised by our workers, communities, the media and other stakeholders. The previous In Touch issue (January 2013) provided a description of Kumtor's environmental monitoring program. We noted that, each year, over 9,000 samples of air, soil, and water are taken at Kumtor and over 50,000 different analyses are conducted. Our monitoring program helps us ensure that we remain within environmentally acceptable and safe levels of emissions and discharges. In this issue, we will focus on a number of aspects related to our water use and management. This includes our raw water intake and recycling efforts.

Kumtor is a large scale mining operation. Its mills can process nearly 6 million tons of ore per year. This process requires the use of relatively large quantities of water. We obtain our raw water intake, approximately 6 million m³ per year, from the Petrov Lake, which forms the beginning of the Kumtor River. Our water intake represents approximately 6-8% of the annual water inflow into the Petrov Lake.



The design of our mill allows us to recycle large quantities of process water. We refer to this as in-mill water re-circulation. Annually, we recycle approximately 5.4 million m³ of process water within our mill. During the summer months, when the tailings pond surface and Kumtor River are no longer frozen, we also treat and discharge approximately 5 million m³ of water per year from our Tailings Management Facility.

Overall, our water intake does not result in significant impacts in terms of water quantity and its availability for downstream users. In the next In Touch issue (March 2013), we will share with you the challenging undertaking of providing potable water to our mine camp. It houses about 2,000 workers at an elevation of 3,500 meters. We will also provide insights into why water quality concerns in Naryn, located 200 km further downstream and separated by a major water reservoir, are unrelated to Kumtor's activities.

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