

Centerra Gold announced postponement of Strategic Agreement with Government of Kyrgyzstan

Aliya Assilbekova — May 29, 2019

Yesterday Centerra announced an agreement to extend the deadline for the fulfillment of all conditions precedent under a strategic agreement previously concluded with Kyrgyzstan from May 31, 2019 until July 31, 2019.

On 11th of September, 2017 Centerra Gold entered into an agreement with the Kyrgyz government, according to which the Company agreed to make a one-time payment of 57 mn USD. Out of 57 mn USD, 50 mn USD would be paid to the Nature Development Fund and 7 mn USD to the Cancer Care Support Fund, and after 12 months the Company also would have to transfer an additional 3 mn USD to the Cancer Care Support Fund. The company pledged to make annual payments in the amount of 2.7 mn USD to Development of Nature Fund, subject to compliance with the agreement by the Kyrgyz side. The company also agreed to pay USD 6 mn to the Trust Fund for the reclamation of the Kumtor mine annually until the amount of payments reaches the cost of reclamation (not less than 69 mn USD). We note that the Company extends the postponement of concluding all the terms of the agreement with the Kyrgyz side for the seventh time.

Previously, most of the terms of the agreement have already been fulfilled, including the re-issuance of the relevant documents to permit the use of land at Kumtor and the termination of a number of court tax claims that affect the operating activities of Kumtor.

Our opinion:

At the moment, we believe that the extension of the fulfillment of all conditions under a strategic agreement with Kyrgyzstan will not have a significant impact on the financial and operational performance of Centerra Gold because the Company has all the necessary permissions to work for Kumtor in 2019. Given the need to update our forecast, our recommendation is under review.

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