Centerra Gold hit with huge fine in Kyrgyzstan

Centerra Gold (TSX: CG)

Centerra Gold were hit with a huge $3.1 billion fine after the Kyrgyzstan government passed a new law last Friday, and found the company guilty of breaching it in a single day hearing on the Saturday!

The “breach” is the placing of tailings on a glacier, a charge that had previously been resolved in 2019.

Centerra Gold hit with huge fine and threatened with the “temporary” takeover of their Kumtor gold mine

Centerra Gold’s shares plunged 30% late Friday as they informed investors of a new law that has been passed in Kyrgyzstan, which only effects their Kumtor producing gold mine. This new law allows the government to temporarily takeover a local mine if its activities caused hard to humans or the environment.

Centerra, listed on the TSX, has now been informed that a court in Kyrgyzstan, which sat on Saturday, has issued it with a fine equivalent to $3.1 billion for “breaching environmental

laws.”

What is the problem?

The issue is the placing of tailing on a glacier, a source of previous disputed between the company and the government, the most recent of which was resolved in 2019.

Naturally, Centerra have stated that the charges are completely “without merit.”

History of disputes in Kyrgyzstan

The Kyrgyzstan government have had a long history of disputes with Centerra regarding the Kumtor mine. Previously they have campaigned to nationalise it, with the instigator of that being one Sadyr Japarov, the current incumbent president who assumed power following riots at the end of 2020.

Centerra, with a turnover of some $1.3 billion annually would clearly not be able to pay such a fine, so will obviously appeal the fine, but what chance will they have of overturning it in such a country?

Centerra Gold’s initial comments can be found **HERE**. Please note, these were written on Friday, before the court case heard on Saturday that imposed the fine.

Country risks

Once again, we see a country in the ‘Stans’ region of former Soviet republics treating mining companies badly, and manipulating their own laws to accommodate it, anyone remember Oxus Gold?

It is because of events like this that I now limit my investments to what I consider to be the Tier 1 locations of **Australia, Canada, Mexico, USA**, and the West coast of Africa. (Specifically **Ghana, Ivory Coast, Mali**, and **Burkina Faso**).

(I have just removed ***Chile***, as it has just proposed a harsh new mining tax regime).

Conclusion

Why take the risk of investing in higher risk areas when there is an abundance of quality projects in the tier 1 countries I have listed above?

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