



*CSE : KRI*

Annual General Meeting  
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**Cautionary Note to United States Investors Concerning Estimates of Measured, Indicated and Inferred Resources:** This presentation uses the terms “Measured”, “Indicated” and “Inferred” Resources. United States investors are advised that while such terms are recognized and required by Canadian regulations, the United States Securities and Exchange Commission does not recognize them. “Inferred Mineral Resources” have a great amount of uncertainty as to their existence, and as to their economic and legal feasibility. It cannot be assumed that all or any part of an Inferred Mineral Resource will ever be upgraded to a higher category. Under Canadian rules, estimates of Inferred Mineral Resources may not form the basis of feasibility or other economic studies. **United States investors are cautioned not to assume that all or any part of Inferred Mineral Resources will ever be converted into Measured or Indicated Resources or into Mineral Reserves. United States investors are also cautioned not to assume that all or any part of an Inferred Mineral Resource exists, or is economically or legally mineable.**



# Market Capitalization

(in C\$mm)

	<u>FEB</u> <u>2012</u>	<u>FEB</u> <u>2013</u>	<u>FEB</u> <u>2014</u>	<u>FEB</u> <u>2015</u>
Shares Outstanding	54.5	68.1	75.9	76.8
Market Capitalization	9.0	11.7	25.8	30.7
Composed of:				
Cash	4.7	3.3	0.8	0.3
Investments (YEL)	2.5	2.3	1.7	0.6
Dornod (residual value)	1.8	6.1	23.3	29.8



## International Arbitration – In Final Stages

- November 2013: Evidentiary hearing on merits and damages held in Paris
- February 5, 2014: Submission of first post-hearing brief
- April 11, 2014: Submission of second and final post-hearing brief



# Claimant's Damage Claim – now \$390MM

## As Assessed by Claimants:

Raymond James	<u>US\$MM</u>
Comparable Companies	
P/NAV	232
TEV/Total Resources	206
Comparable Transactions	
P/NAV	224
TEV/Total Resources	318
 Berkeley Research Group	
NAV	265
 Amount Claimed as at July 2009	251
Plus Interest and costs (to 03/2015)	<u>140</u>
<b>Total</b>	<u><u>391</u></u>



## Respondent's Damage Claim – still \$0

### As Assessed by Respondents:

1. Amount Due – Nil, as Mongolia did nothing wrong

OR

2. If Mongolia is at fault, then Khan should only be awarded its actual expenditures in Mongolia (less than US\$20 million)

OR

3. If fair value is the criteria, then Khan's share price in 2009 is the best indicator



# Remaining Steps

- Rendering of decision
- Collection of award
  - Settlement Issues
  - Enforcement Issues



# International Arbitration-Gold Reserve Award

## ➤ Background

- Expropriation of Brisas gold project in Venezuela
- Valuation date: April 2008
- Final hearing: Oct 2013; in Paris under ICSID
- Claim: \$2.1 Billion
- Decision: September 2014 (225 pages)





# Gold Reserve Award

COMPONENT	AMOUNT (US\$MM)
Fair Value (Apr 2008)	713
Interest	22
Costs	<u>5</u>
	740



# Collection Phase

- Settlement Issues
  - Co-operative Approach
    - GOM confirms “the rule of law”
    - GOM initiates negotiations
  - Obstructive approach
    - GOM initiates appeal (likely to fail)
    - GOM ignores “the rule of law” and stonewalls



# Settlement - Co-operative vs Obstructive

- Mongolia – Recent events
  - Political
    - (+) Change of PM
  - Economic
    - (+) IMF involvement
    - (- ) Debt
  - Resource projects
    - (+) Oyu Tolgoi
    - (+) Gatsuurt
    - (+) Exploration licenses
    - (- ) South Gobi



## Collection Phase - Enforcement

- Under the “New York Convention”, arbitral awards are treated as court awards
- If the award is not paid, certain GOM assets can be seized
- Assets must be “commercial” assets and not “sovereign” assets
- First phase is “asset tracing”
- Seizures are more easily effected in “rule of law” countries