

## The Investor's Answers to Citizens' Questions

# The birth of Šturecland?

---

Based on questions received from members of  
the Kremnica community

---

**Version 1**

**20<sup>th</sup> February 2013**

**All comments welcomed. Please feel free to point out unclear answers. These will be corrected in subsequent versions of this document.**

Note: the numbers in this document are based on one project scenario requiring an approximate investment of 750 Million Euro. The EIA process (which would include additional technical studies) could end up adjusting this number up or down.

**Contact details:**

Please feel free to send questions / comments to Viktor Pomichal, Managing Director, Ortac Slovakia, or Vassilios Carellas, CEO, Ortac Resources.

Email: [info@ortac.sk](mailto:info@ortac.sk)

Phone: 045 / 6 744 273

## Glossary:

There are a certain number of terms that are used in this document that need explaining – some of them are:

**Šturecland:** this is a temporary name for a new tourism development funded from the gold and silver in Šturec that combines adventure sports with theatre, health spas and biodiversity trails complimented by a vintage train trip and easy access to the accommodation, restaurants, museums and other activities available in the town of Kremnica. This concept is currently being designed by our architects based on feedback and ideas from members of the Kremnicko region. Once a first design is ready and published we can revisit the name. Alternative names already being talked about are Goldenland, Zlaté Údolie, Zlatý Lom, ŠturcLand, Sturzland. All other proposals from the community are also welcome.

**Constructive mining:** mining where the resulting excavation is used to build a landform that adds to the long-term economic and social development of the local community while at the same time ensuring that all impacts it has on the environment are responsibly and effectively managed. This forms a component of the Ortac Investment in Šturecland and would be closely examined during the EIA process.

**Destructive mining:** mining where materials and minerals are extracted from the ground without sufficient respect for the environment or local community. This is the kind of mining that the civic association Kremnica Nad Zlato have alerted local citizens to.

**The EIA Process** = ESIA + EIA (in that order). **ESIA** stands for Environmental and Social Impact Assessment. **EIA** stands for Environmental Impact Assessment.

**The EIA Process** is a process proposed for Šturecland which includes both what is required **by law** (an EIA) and what is required **by best practice and transparent community involvement** (an ESIA). The latter takes considerable time and effort from all parties, as it requires extensive dialogue to rule out misunderstandings and develop in partnership the best investments for all.

**ESIA:** Unlike an EIA, which concentrates on the direct effects of a proposed investment on its local environment, the ESIA is a process which follows a landscape and community approach that focuses on much broader relationships in the communities in question. This process looks at the biophysical, social, economic and other relevant effects of potential investment proposals in a transparent manner prior to major decisions being taken and commitments

made. For Šturecland, this process would report to a community – local authority – company partnership (Forum Kremnicko).

It would carefully study the alternative technological activities used for all stages of an investment to ensure all potential risks are effectively identified and mitigated, and benefits maximised, through openly agreed systems and procedures. All resulting agreements would then need to be contained within legal contracts that ensure what is agreed is not dependent on who is in the management of either the Company or the Local Authorities at any given time.

The project that is defined from the dialogue and studies of the ESIA process would then be subjected to an EIA.

**EIA:** This is an environmental assessment process for a proposed project that follows strict procedures defined by law (Zbierka zákonov č. 24/2006). This assessment is designed to make sure that all legal requirements are met before a project gets a positive decision to go ahead. This results in a final decision by the authorities to grant or not grant an environmental agreement for a proposed project.

**Forum Kremnicko:** is a local initiative in the region surrounding the Šturec deposit that provides a space for dialogue and collaboration to support local sustainable development initiatives and decisions. In particular, Forum Kremnicko is made up of people who wish to transparently identify, examine and address the strengths, weaknesses, opportunities and threats of local social, economical and environmental realities in the Kremnicko region.

Central to the Forum is a participatory decision-making process open to all stakeholders. In particular, the Forum works to:

- Ensure all voices are heard.
- Transparently examine the positives and negatives of potential investments.
- Maximise local business development and jobs.
- Ensure open dialogue to continuously improve the local development and conservation plans.
- Promote and develop local culture and resources.
- Maximise access to EU funds.
- Facilitate training that could help achieve the above.

**The long-term component of the project:** Šturecland including the health spa, biodiversity circuits, heat energy, etc.

**win-win:** a fair form of investment project where all parties involved win. In modern language this is referred to as socially responsible investment.

## Questions and answers:

### 1: What work and other opportunities could Ortac offer the area?

#### a) How could the town profit from the mining activities and investment?

- through services and goods provided by local businesses,
- through the jobs that would be created through the investment,
- through the investments made in the town from taxes and partnerships between the investment and the town,
- through having a new strong and profitable business in town,
- through the increased number of consumers who would be spending money in the town.

Examples include:

Apart from some specialised machinery, the majority of the estimated EUR 750m planned investment would be split between Kremnica itself, and Slovakia as a whole during the proposed initial 12 years construction and operation period. A more precise breakdown would be provided in an economic study that would be made as part of the Environmental Impact Assessment (EIA) Process (see glossary at the front of this document) **if the community gives the green light for this assessment to be started.**

Perhaps the most important benefit to the town is that, under Ortac's plans, the mining is used to construct Šturecland: an attractive concept combining adventure sports with theatre, health spas and biodiversity trails complimented by a vintage train trip and easy access to the accommodation, restaurants, museums and other activities available in the town of Kremnica. This would create further new jobs and benefits that are long-term and bring Kremnica into the first league of tourism.

It is also becoming common in Europe that the investors give between 1 to 3 % of the investment ownership to an NGO created by the local community to invest in community sustainable development support projects. The initial precious metals project would be paralleled by a long-term project that generates profit and jobs in the fields of green energy, health, tourism and related services.

**In Šturec, mining under Ortac would be used to construct Šturecland.**

#### b) What kind of jobs do the three pillars of the investment entail, and how many?

The three pillars include a precious metals centre, geothermal heat energy and integrated tourism. It is estimated that the precious metals production centre would directly generate a minimum of 250 jobs. This would include engineers, metallurgists, geologists, mechanics, electricians, IT experts, administration and financial personnel, heavy plant operators, truck drivers, labourers and security. As many as 50 jobs could be generated by a geothermal heat energy plant and an estimated 50 extra jobs in tourism and

hospitality in Kremnica to cater for the increased number of visitors to the town. That's an estimated new 350 jobs. In addition, there could be an estimated 50 jobs created in a precious metals jewellery centre if local partners wish to develop this.

Operating the Šturecland tourism complex itself is anticipated to generate at least another 100 long-term jobs.

Other new additional jobs in retail and service industries would also be **created due to the spending of the local salaries in the region, as would the protection of existing jobs in this area.**

**c) It was mentioned in the meeting that local people could fill a lot of the jobs. How could you guarantee this?**

Apart from the fact that it is economically sensible to hire local people due to reduced transport costs and time and increased local knowledge and community involvement; Ortac would make the following guarantees:

1. Minimum of 50% of employees of the new operation would be from the Kremnica Region,
2. At least 75% of employees would be from the wider region,
3. We commit to a professional training program for motivated local applicants. This would be designed during the EIA process.

We are happy to make these guarantees a legal requirement. There is a high possibility that these would be exceeded. Naturally, we would only hire outside Kremnica and the surrounding area when skills are unavailable in the Kremnica region.

**d) How can some people reject these investments 'because of the peace and quiet for the old' when the young people have their whole lives ahead of them and will be here for a lot longer?**

This is a question which is probably best answered openly by community members and their representatives in the local authorities. Neither creation nor transition is easy. New investments mean change and people in general don't like change. In particular, it is up to Ortac to work with local people who are interested in knowing more about this local development opportunity to clearly present why they are convinced that the benefits are far greater than any of the risks involved.

**e) What other alternatives could be offered so that the young do not need to move away or even abroad to look for work?**

The answer to this question requires on-going and proactive dialogue between the local authorities, members of the community and entrepreneurs. If indeed the young do need to move away or abroad for work, as many

statistics perhaps suggest, then a strategic change rather than a quick but temporary fix is required.

Ortac's investment could play a strong part in this change through open **dialogue about the current and real local issues followed by concrete investment actions that would bring long term job opportunities especially for the young.** Ortac's investment would include jobs in the areas listed in question 1b.

It must be stressed that the creation of new jobs in the natural resource sector throughout the world has caused significant environmental damage. It is essential that the community – company – local authority partnership does not let this happen here as Šturecland needs a clean and healthy environment to be successful. See sections 2, 4, 7b, 8, 10 and 14 for more information.

**f) What other benefits? (e.g. taxes, royalties, etc.) and g) How much of the money generated as a result of mining activities would stay in the local community?**

Taxes, royalties, etc., would be respected as determined by the Slovak law:

- **VAT (DPH):** 20% of services supplied,
- **Income Tax, and Social Insurance and Health Insurance associated with Payroll.** Equivalent to approx. 40% of Payroll cost,
- **Corporate Income tax** – Currently 23% of taxable profits,
- **Local Property Tax,**
- **Royalty Payments on precious metals produced:** (5% of gold sales revenue),
- **Local NGO ownership** (e.g. under Forum Kremnicko): 1 to 3% of ownership of the investment.
- **Other:** jobs, services, etc. – see the rest of question 1.

We currently don't know exactly how much of the money would remain in the local community. We would know this only after a detailed benefit and impact study would be undertaken as part of the EIA process (see glossary at the front of this document).

Despite some fears to the contrary, based upon experience elsewhere, the spending power generated by the investment and new jobs and services **would lead to an appreciation in property prices and leisure activities in Kremnica.** This, would of course, need to be thoroughly examined during the EIA process to make sure that this is in fact the case as this is a very big concern of many local people.

It is essential, however, that the long-term component of the project (see glossary at the front of this document) is initiated at the very beginning so that Kremnica would be helped to have a healthy economy not just in the early years of the investment but well into the future, due to health tourism, heat energy and lifestyle components.

## 2: What physical impacts to the town?

### a) What does it mean to have an open pit so close to the town?

**This depends on how close would be, how the open pit would be constructed and what it would be at the end of the construction.**

The biggest impacts, unless well managed, of having an open pit mine close to a town are visual, dust, noise, local vibration from blasting, and too rapid but short term local economic development.

**Visual impact:** The most visible parts of the investment would be the construction of the Šturec development (including the precious metals extraction and landscaping) during the first 10 years of the project. This would include the enlargement of the existing open pit which would continue to be seen from only some parts of the town. In particular, the top part of the west face would be visible, as is the case now, from elevated areas such as the top of the St Katherine's Church tower, the road going towards the train station and the upper neighbourhoods on the Eastern side of Kremnica. Some houses in Kremnicke Bane would have an extensive view of the project as they are overlooking Šturec. An integrated re-cultivation program would need to be developed in partnership with people who have a direct view and with landscape architects as part of the EIA process to make sure that any visual nuisance created would be minimised during the construction of Šturecland.

**Dust impact:** Dust is created by blasting dry rocks, and moving dry rocks to trucks to transport them out of an open pit. The tyres of the trucks also generate dust from dry earth tracks. It is also generated during processing of ore. Despite this, dust control is in fact quite simple, and relies on the principle that the material that is being worked be kept damp. For example, during dry periods, Ortac would need to minimise dust in the open pit by spraying water.

Using modern blasting techniques that minimize dust creation through directing most of the explosive energy into the ground would further mitigate the creation of dust. This has the combined benefit of reducing the amount of explosive needed, reducing resulting vibrations and reducing the amount of noise created.

All processing would need to be done within controlled factory conditions. Transport to the factory would also need to be done with zero tolerance for dust creation. The EIA process would need to look at dust generation during all weather and wind conditions to optimise the dust management system so that limits agreed with the community and authorities would be met.

**Vibrations:** This is a serious concern for house owners in the area due to the extensive underground network of tunnels from historic underground mining. Vibrations are generated through blasting. These blasts would,

therefore, need to be kept to a level that respects strict limits that are currently most stringently defined in Germany for blasting close to towns and also historic buildings. This German standard is called DIN 4150 and stipulates the level of vibration allowed for different situations. The design of this process would need to be done during the EIA process in full consultation with the house and property owners close to the open pit. Issues to be addressed would need to include: how often blasting could take place, at what time of the day blasting could occur, what warning methods would be used prior to each blast so people would not be taken by surprise, and what monitoring measures would be required to ensure that the agreed standards are met. Full transparency concerning how any breach of the agreement would be punished would form an important part of this discussion.

**Noise:** Machines make noise. Blasting makes noise. Warning systems make noise. A full disclosure of all noise sources plus noise reduction techniques would be part of the EIA process. Final solutions would need to be resolved based on a scientific study that shows the locations that could be affected by the noise. The design of a noise reduction and management system would need to be done during the EIA process in full consultation with those who live close by, or that the study shows may be impacted.

**Rapid Economic Development:** Building a modern gold and silver operation requires many skills and services. This results in a rapid increase in local jobs, successful businesses, hospitality industry, etc. (see question 1). This could be a kick-start for a very prosperous period – the length of which would depend on how well the local community and authorities plan for it and build on it.

All the activities that Ortac would undertake at Šturec that are considered to be a potential nuisance to the citizens of Kremnica would be subject to legal limits agreed by the Company, the Community and the Local Authorities during the EIA process.

In common with all other agreements pertaining to the operation, Ortac is aware that it would need to submit itself to financial penalties on the company in the event of any breaches of these agreements as imposed by the community and local authorities.

## **b) Would Kremnica be destroyed?**

No. A community – company - local authority partnership means that all parties have to prosper. Any investment would need to prove its risks would not become hazards, as evaluated by independent experts under the supervision of community, company and authority representatives before being accepted (within the EIA Process).



On top of this, it makes no sense for Ortac to invest its money in a project that would harm its neighbours and so risks being stopped or financially undermined. Any damage to the town fabric, given the historical value of Kremnica, would be inordinately costly, and would likely wipe out any profits Ortac could make. As such, it is Ortac's own investors in the first place, together with financing banks, who would need to be absolutely certain no damage would be caused before a single cent is invested.

**c) We heard from Ortac that there is a possibility to be able to move materials from the mine to the processing plant without using trucks at all. What do you mean?**

Three options that could be considered apart from trucks are (i) conveyor belts; (ii) aerial rope lines, and (iii) a combination of these plus trucks. All options would be analysed within the EIA process and reviewed with the community and authorities before jointly deciding which would be the best and most acceptable proposition.

**d) I read that cyanide may not be as dangerous as I had previously thought. But you have not been clear about what processing methods you would use and what would be the dangers of each method?**

Cyanide is one of the chemicals used by the mining industry to extract gold and silver from rock – either in a factory where cyanide is used in a closed cycle or as “cyanide mining”<sup>1</sup>. At this stage, a number of solutions are being considered as part of the research into the Šturec deposit. Cyanide is one of them and is a dangerous chemical. This, like any other chemical, would only be considered as an option for gold extraction within the confines of a high security factory. The monitoring of such a factory would need to be done to the highest standards. **No community should accept exposure to the risk of cyanide pollution.** It may be true that it has been demonstrated that cyanide can be used safely in many developed countries, however placing anyone at any danger from the use of cyanide, or any other toxic chemical, is simply unacceptable.

Mercury, which may have been an option in the past, would not be used. Its use has in any case been severely restricted by the Minamata Convention, a new agreement between more than 140 countries.

Other options currently being examined by Ortac include Thiourea, Thiosulphate and related compounds.

When more information becomes available, this will be shared so that the community has access to all relevant information before any decision is made. All options would have to be transparently examined during the EIA process. Please let us stress again, however, that **whatever chemical would**

---

<sup>1</sup> Commonly referenced “Cyanide mining”, which entails placing cyanide on rocks in the open, is not being considered for the Šturec deposit at all.

**be used would be in a factory (in a closed and secure space) in line with all EU directives and never out in the open.**

### **3: What would the benefits be for older people?**

#### **a) What are the potential negative impacts to the quality of life? (Noise, dust, etc.)**

See answer to question 2 above on noise and dust. It is important to reiterate that agreements would need to be made on the acceptable limits of noise and dust between the company, the community and authorities which, if exceeded, would entail heavy fines for the company. This would need to be agreed before the detailed design is undertaken so that the correct costs could be calculated.

#### **b) What could Ortac offer to improve the quality of life for the retired people who are not interested in jobs anymore? (support for social services, activities, care, etc.)**

To begin with Ortac would partner with the Forum Kremnicko (a community – local authority – investor platform to enable win-win projects – see glossary at the front of this document) to begin its responsible involvement in the community and demonstrate its values and commitment to community partnership. Its first partnership project with the Forum will be the sponsorship of a EUR 50,000 fund for small projects up to a limit of EUR 500 each which can be applied for by groups and associations over the coming year. This would obviously include senior citizens.

If a precious metals investment project eventually proceeds, further so called “Investment and Benefit Agreements” (‘IBA’) would be part and parcel of the agreement between Ortac, the authorities and the community. The funds received under the IBA could then be used by the retired people to invest in a project that they feel they would benefit from directly.

We feel, however, that perhaps the biggest impact that the retired people would experience could well be being part of a community with a much more vibrant local economy with the resulting significantly improved level of public services. For example, there would be a real possibility to build a modern centre with social and rehabilitation services for the retired. In addition, Seniors could use their free time to take up jobs such as night watchmen, etc.

For some, in addition to a healthy living environment, having a local livelihood for their children and grand children is the most important improvement to their quality of life, in an environment where each can earn money and have all they need here in the Kremnicko region.

#### **4: Why would Ortac go to all this trouble?**

The simple answer is that the Ortac shareholders wish to make a profit on their investment. They cannot do so in an EU country such as Slovakia, especially with the past situation of conflict around natural resource projects in Kremnica, without meeting the highest standards and best practices. This includes winning the consent of the community and local authorities to any potential project which involves precious metal extraction, and including it in a responsible way as part of a much larger and long-term conservation and development project. **The reality is that the local communities would demand that such an approach be adopted and elaborated during the EIA process, and, if approval for its building was granted, thereafter until Šturecland was built.**

#### **5: How can we trust that Ortac would keep their promises about this investment after they have got their license, or if another company would respect these promises if Ortac sell the license to someone after a number of years?**

The reality is that no business should be trusted a priori. All businesses are part of society and society has an obligation and a right to make sure that businesses do what society needs.

##### **a) What do you mean by a legal entity that would have a contract with Ortac?**

This entity (open to everyone) would most probably emerge from the discussions held within the Forum Kremnicko. It would have to be a Trust or an NGO with a legal identity and with a duly elected Board representing all parties but with the community having the majority vote. They would be empowered to make contracts with Ortac on everything from acceptable noise, risk and nuisance levels, and correct use of chemicals, to the local investments in tourism and the conservation / enhancement of the town's cultural heritage and surrounding biodiversity. This would of course be in addition to any legal requirements from the local authorities and the State.

##### **b) Who would pay for the creation of this legal entity?**

Ortac would be willing to pay the minimal costs involved, unless the entity decided otherwise.

##### **c) How can we trust that Ortac would respect this agreement when our government and companies regularly disregard agreements?**

It is up to the Entity to make the agreements sufficiently watertight so as to ensure that Ortac always observed them, or would pay heavily if they failed to do so. Robust legal advice would need to be sought at all stages.

**d) You say you only want a 1km long pit. But if the price of gold goes up, or technology improves, how can we know you won't try to increase the size?**

First – please let us clarify: the pit would likely need to be expanded to 1200m long by 450m wide. This is based on a very thorough geological research of the Šturec area, and on where reserves that are safe and economical to extract are situated. The existing Šturec pit is currently 600m long by 300m wide.

The project that would come out of the EIA process would be the project for which permits would be granted and for which the financing bodies would make funds available.

It is true that a change in the price of gold could impact the size of the pit, but there is absolutely no way Ortac could or would ever extend the size of the project without first obtaining the consent of the community and authorities, including for the reasons outlined in question 4. **Needless to say, for any change to the project we would need to submit a new project for approval together with its required EIA. This process takes considerable time and resources and would only be done if there were genuine community demand for it.**

**6: What do you mean by Geothermal Energy?**

**a) How do you intend to use this geothermal water?**

The geo-thermal water located well below the Šturec open pit is an important source of energy which could be used to heat the potential precious metal factory and part of the town, but feasibility studies are needed to determine the most practical ways of using it and which partners would be interested in its development.

The heating would be done using heat exchangers, not through direct contact so the integrity of the water would be ensured. Slovak and EU rules on the use of geo-thermal energy would need to be respected and all aspects looked at during the EIA process.

There is also a strong possibility to use the geothermal water as a cure in a health spa – this still needs to be looked at more closely.

**b) If you are going to be using the energy from the geothermal investment for your own precious metals extraction, how can you say that this investment is a benefit to the community?**

Currently, at peak usage, only 2 or 3 % of the geothermal water coming out of the exploration hole near Šturec (in Ludovika) is being used by the Kremnica swimming pool. The remainder (more than 97%) freely flows out into the Heritage Adit, which is then discharged into the Hron River near Ziar nad Hronom without further use. And this is before a full geothermal potential study has been done. Therefore it is likely that there is heating energy for

many uses. All potential impacts would need to be studied as part of the EIA process.

The use of geothermal water would enable the Šturec investment to be developed as a green development and under attractive economic conditions – this would be good for the reputation of both Ortac and the region as it would demonstrate a real commitment to a healthier environment and to sustainable business.

Further, if the resource proved to be large enough then this would provide the basis for long-term employment and a much greener and cheaper heating supply for Kremnica.

**c) What other opportunities could this offer for the town? (jobs, heating for the town, aqua park, what else?)**

Developing a geothermal heat source could result in health spas, alternative sources of heating, an aqua park and all the jobs related to these activities.

**7: What do you mean by integrated Tourism?**

**a) Tourists come to our town to look at biodiversity. Why would a tourist go to see a mine?**

At Šturec, the company's Andrej Adit is host to a museum that attracted approximately 5,500 people last year alone. People are genuinely interested in the underground world, geology, technology and related subjects.

Mining and tourism can and do coexist more and more in today's world.

**In Šturec, however, as mentioned in question 1a, the mining under Ortac's management would be used as a construction phase to build Šturecland.**

**b) What damage to our tourist attraction of Biodiversity would this mine do to us?**

During the construction of Šturecland any biodiversity attraction in the current Šturec open pit itself would not be available to tourists where the excavation is taking place: it would not be permitted near construction activities like in any other construction site.

Outside the construction and gold and silver extraction area there would be no potential damage to the biodiversity to the best of our knowledge. This, however, would be further examined during the EIA process to make sure all issues are made public.

Ortac would ultimately need to enhance the biodiversity around Šturec to meet EU requirements through biodiversity offsets, which would be determined in the EIA process in conjunction with the Local Authority and the Community. Biodiversity offsets are conservation activities designed to deliver biodiversity benefits in compensation for losses, in a measurable way.

**c) What financial benefit could this tourism provide? What kind of jobs could it provide?**

Tourism would increase in quantity and quality. While an increased number of tourists in town would multiply the factor of their spending in Kremnica, enhanced facilities and retention capabilities of an integrated tourism strategy would increase the spending per tourist. As more money was spent in Kremnica and the surroundings, numerous businesses could expand leading to more jobs across the board as well as an increase in the municipal tax take. The Kremnicko micro-region already has tourist attractions, and an integrated strategy would include synergies with Skalka and Krahule as well as other attractions to ensure tourists spend longer in the area, staying more nights and contributing more to the local economy. At this point we estimate around 50 extra jobs, but this very much depends on the development of local businesses associated with the building of new accommodation, eating, hospitality and other related services.

**8: This is finally an opportunity for something to happen to Kremnica for the first time in 20 years: why is it causing so much concern to some people?**

**a) What is the cause for people to be so afraid of something that is not even a project yet?**

Any investment of this size would naturally result in a significant impact. Any misunderstanding of the risks and benefits of such an investment can cause anxiety when it is associated with the potential size of this project. This investment would involve changes in Kremnica, and unknown change can cause fear. The purpose of the EIA process is to study and analyse the impact of the investment openly with the community and authorities in order to make sure that only win-win scenarios would be incorporated into the design of the final investment. There has been a considerable lack of trust developed over the years in connection with the companies which owned Kremnica Gold. On this point, there are many bad examples of mining throughout the world, particularly natural resource exploitations in the Third World, though not only.

Ortac believes that changes, if conducted in partnership between their management, the local citizens and authorities, would be for the good of Kremnica and its surroundings, and would be used to kick-start sustainable development independent of natural resources.

**b) What could Ortac do to help reverse the past years of decay in quality of life in Kremnica?**

Ultimately, it would be up to the partnership between Ortac, the Community and the Local Authority to ensure the investment is used in a way that would be sustainable and in the best interests of the community.

However, the proposed investment would certainly create additional jobs, complement and enhance the existing tourism experience, revive the geothermal related activities and promote sustainable development. An influx of investment leads to natural revival and regeneration as people and local authorities improve their living standards with newly acquired resources. Lessons could be learned from the example of the responsible natural resource re-development of close-by Hodrusa.

**c) How do we know that Ortac's investments would not just make things worse?**

All risks and benefits would be exposed, studied and examined during the EIA process. The community, the company and the authorities could then weigh up the positive and negative impacts based on having the full facts.

**9: Concretely, what are the investments you are talking about?**

**a) Which technologies, which spin off investments?**

Technologies and expertise needed include:

- safe gold and silver extraction systems including up-to-the-minute environmental control mechanisms, modern quarrying and ore processing,
- jewellery design and production as well as jewellery brand management,
- geothermal heat production and management of green energy sources,
- state-of-the-art health spa creation,
- new and alternative healing methods,
- state-of-the-art computerised control systems,
- geological and hydrogeological research laboratories,
- advanced dust and noise control mechanisms,
- landscape design and engineering,
- alternative sports expertise,
- extreme sport equipment,
- outdoor theatre creation,
- tourist brand management and destination marketing.

An obvious mining spin-off in the past is the Kremnica Mint. Similarly, it is very possible that many of the above would develop further independently from the initial Ortac investment. Further, a thriving operation would also be likely to attract new investment to the town, due to the new riches being unearthed at Šturec and the development of Šturecland. Evidence of the positive impact of unearthing these riches in the past and their resulting spin-offs is still very much evident in Kremnica today.

Future spin-off investments could include vegetable greenhouses using geothermal heat, fish ponds, water sports, etc. Feasibility studies for all of these would be encouraged within the Forum Kremnicko.

**b) What is involved with this alleged expenditure of 750 million euro? What are the benefits?**

See responses to 1 a) and 1 b) above

**c) How can you possibly expect us to agree to something (e.g. a rehabilitated open pit mine) which we cannot visualise?**

We have been working hard to collect opinions from many of you as to what you think our design should include. We do not expect anyone to agree to anything without all available information. This includes visual aids. We are currently in the process of pulling together all the feedback and producing project documentation to show you what could potentially be done. Following the publication of this Q&A we would welcome the opportunity to present the current design of Šturecland to you.

**d) Can Ortac report back to the town hall every month so that our elected representatives are fully informed and could help guide the investment?**

Yes. We would be more than willing to do so. It is up to the elected representatives to decide how frequently and in what manner we should report. We will engage with them further on this to receive their instructions.

**e) We keep asking you what you will do and you keep giving us vague answers. How can we think you are a serious company with serious plans to invest here if you don't tell us what you are doing?**

We hope our responses here to all the questions raised in the Forum meetings of November and December 2012 will help clear up much of this vagueness. We are also trying to present our activities in a transparent manner in the monthly Newsletter "Ortac Info" (any suggestions to improve the design or content of this newsletter are welcomed). In addition, and as indicated in our response to 9d above, we are more than willing to report to the Town Hall every month starting from now if this is agreed by the Authorities and is what the community wants.

At the end of the day, we could put out very specific plans for a project that would turn out to be unsuitable and unacceptable; or we could first agree on common principles and ensure the final investment we design respects them. We have chosen the latter as the Ortac strategy so that we can put the days of conflicting and polarising situations in the past. Any proposal would of course be worked out to the smallest detail before implementation through the EIA process.



**f) We do not understand from your vision document exactly what it is you intend to do. Can you explain it more simply?**

Our vision sets out the broad principles which form the basis to our process and our investment philosophy. As such, it is a wide-ranging document that is not trying to propose an investment but rather let you know what we are able to invest in. We have introduced ourselves and our way of thinking to you in the Ortac Vision. In these questions and answers we hope we have made clearer our intentions and plan.

**10: What would be the contents of a legal agreement?**

The contents of any legal Impact and Benefits Agreement (IBA) would be negotiated between Ortac, the community and the local authority with guidance from legal experts. It would cover acceptable nuisance limits and would contain details of support to Forum initiatives aimed at improving life in the community. It is the legal confirmation of our understanding with the community and all interested stakeholders, and any agreements that are not covered under existing national legislation.

**11: Mining is our heritage, why are we rejecting it?**

Mining in Kremnica is currently most often understood to mean the destruction of the quality of life that the community has. This is underlined again and again by members of organisations such as Kremnica Nad Zlato who always link mining with destruction.

Under this definition we also believe it should be rejected.

There is constructive and destructive mining (see glossary at the start of this document). We have chosen construction as the way forward. Ortac believes that destructive mining and all it means has no place in Europe or the world today.

It should be noted that some politicians build on the fear of destructive mining to win votes. Such a situation normally means that those who once fought against destructive mining and became popular do not wish for the source of their popularity to disappear, even if those intending to undertake destructive mining have left.

**12: What does the government think about this proposed investment?**

We are of the view that the Government is supportive of any investment that the Community wants and is good for the economy. Conversely, we believe that the Government is not supportive of any investment that is detrimental to the environment or that has long-term negative effects on its people.

We are not interested in investments that the Community does not benefit from – it makes no business sense.

### **13: What could we, the people, get from an investment from Ortac?**

#### **a) This gold belongs to the State - how can we take some of this for ourselves?**

Ortac holds the rights to the Kremnica mining licence area within which the State-owned gold and silver reserves are located. In effect, were the project to go ahead, Ortac would be buying the precious metals from the state and the local community through the investment, various benefits, taxes and royalties it would be paying as part of its operation and they would then have to sell it in a form that makes sufficient profit to justify the initial investment needed. Ortac is now listening to the community and local authority to understand their needs. Based on this they would be able to determine whether it would be a viable option to extract the precious metals.

The Community could also benefit through short-term gains and long-term sustainable opportunities. For more details, see response to Questions 1a and 1b.

#### **b) Why should we let people come in and take away our gold to England?**

It is not in Ortac's interest to take any gold to England. **Gold and silver only have monetary value, however, once they are out of the ground and processed.** It would therefore be in the interest of the community to have an investor spend a large sum of capital and advanced expertise in order to turn the reserves into value if this could be done to long-term benefit and without endangering the environment as elaborated in the answers above.

Ortac would have no objection to work with the State and local authorities to find a way to keep the precious metals in Slovakia. Being traceable, and ethically produced, the finite resource of precious metals could have an enhanced value and could be used to support production of coinage and jewellery.

**Ethical gold from the Heart of Europe adds real value, not just to Ortac, but to brand Kremnica and the region.**

### **14: What are the Environmental Impacts of having a mine? How can we trust you would tidy up after yourselves?**

The environmental impacts would depend on how the mine is built. This would be examined in public during the EIA process so that all relevant information – good and bad – could be shared before decisions are made.

Regarding trust – it is much safer to ensure legal guarantees rather than to rely on trust. These would also need to be robustly designed during the EIA process. In the case of this investment, this might be easier as Ortac would need to be building Šturecland from the very beginning – so there would be a continuous process of “tidying up” during the construction.

**a) Who would do the Environmental Impact Assessment (EIA)?**

If the local authorities and communities gave their approval for the EIA process, it would be carried out by experts chosen by Ortac in partnership with the Community and the Local Authority. The law requires that Ortac covers the cost of the EIA experts. To balance this, these experts would need to report to the community – company – local authority partnership (under the umbrella of Forum Kremnicko) and prove their independence to all three parties.

**b) What guarantees are there that the countryside would be restored?**

During the extraction process, funds would be set aside to cover the post-production regeneration process. The baseline survey for the EIA would serve as a benchmark to ensure that eventually the biodiversity would not just be restored, but ultimately enhanced.

**c) What financial provisions would be made for this?**

This would be covered by the IBA. Essentially it would require that for every tonne of material mined, there would be an agreed amount of money set aside for the post-production regeneration. As required by law, this money would be untouchable until Šturecland is completed and all environmental impacts are mitigated.

**d) What would it look like after the mining?**

See answers to 7a and others for description of Šturecland. We will, as already stated, be presenting this visually after publication of these Q&As.

**15: Why do people in Kremnica think that it is the same company still trying to push through a mining project? What more can you do to show that you are not the same people?**

It took us two years to fully come to terms with the legacy that the conflict between the previous company, the local authority and Kremnica Nad Zlato has left us all. Even today, we are still sometimes surprised by the depth of this conflict and the fear and mistrust it has generated. Our investment vision is the result of our efforts to define a common ground where we outline what could be done to have a solution that works for everyone. In this, we thank everyone for their input, especially those who have given much of their valuable time to help us understand, but also including those that have been adamantly against destructive mining. Once people have fully understood the difference between destructive mining and a constructive investment then it is much easier to understand the great difference that Ortac presents.

Obviously, to address this issue we need open and transparent communication with the community and local authority and this we can

always improve – and still very much need to. Our monthly newsletters with updates on developments, our one-on-one and Forum meetings, the increased accessibility of our senior management, our published vision and this Q & A are only the start of what we still need to do. Further effort to be open and transparent, while still being action orientated with the people of the Kremnica region to build partnerships with the Community and Local Authorities is essential. All advice along our journey will be very much appreciated.

#### **16: What would be the size of the quarry?**

If a project materialises, it is estimated that the eventual size of the quarry (known as Open Pit in mining terminology) would be 1200 metres in length and 450 m wide. This compares to the existing size of 600m long by 300m wide. The final depth would vary between 120 and 260 metres, depending on the surface point from which the elevation is measured; this means down to 540m above sea level - about 100m deeper than the current bottom of the existing Šturec open pit.

#### **17: What would happen to the quarry and waste rock piles when the ore has been extracted?**

The quarry (open pit) forms the foundation of Šturecland (see question 7a) For the waste rock (and ground processed ore) - this would depend on where people would want them to be and what we would agree they would be used to build. Traditionally these have been stored as waste rock dumps but this is often a missed opportunity for local development. This could be informed from some examples from around the world of creative landforms – sometimes land art, sometimes man-made ponds and recreation areas, sometimes flat land for industrial parks, roads and motorways, golf courses or sports fields. **The key is that whatever land form these would be used to construct, it would be a landform that the community and local biodiversity could genuinely benefit from in the medium and long-term.** In reality, just like for Šturecland, this process would need to be used to construct a useful development.

All information and ideas would be shared and discussed within the various potentially impacted communities to identify the best win-win solution. An example of a solution from the UK from earlier this year is where a landform in the shape of a human sculpture was made from a waste rock pile. It has already become a tourist attraction (known as Northumberlandia).

#### **18: How would the Geo-thermal component work?**

Please see question 6.

**19: How would the community find the necessary technical and professional skills to negotiate agreements with Ortac?**

It is our belief that many of the necessary skills already exist in Kremnica and the region and it is a matter of identifying and building on these. But more mutual trust is needed to mobilise them. We, on our side, must patiently earn trust. As part of this trust-building process we are happy to do team-building activities, share leadership and communication experiences and practise fair negotiation skills. We would also participate whenever we are welcome and where there are win-win projects within the Forum Kremnicko.

Within a partnership created under Forum Kremnicko we would also be happy to provide reasonable financial support for expertise the Forum believe they need to contract.

**20: How many jobs would be created?**

Please see question 1b.

**21: What sort of salaries would be paid?**

According to a recent study, the average mining sector wages are above National average and Ortac would respect what the sector pays. (Note: the answer in the January Newsletter was more specific).

**22: Could transport other than trucks (e.g. aerial rope) be used to take ore from pit to factory?**

Please see question 2c.

**23: If everything was agreed, when would the investment start? What is the timeline?**

An Environmental Impact Assessment (EIA) would need to be completed first and then there are as many as 50 permits to be obtained before construction could start.

The time from the moment the community asked the EIA to commence to the start of production of precious metals and geothermal heat energy would very much depend on the speed desired by the community and local authorities.

The related tourism and Šturecland development would start at the same time as the precious metals component.

**24: How would the estimated EUR 750 m be invested? How much of this would be for the different components of the project and how much would be spent in town?**

Please see questions 1a, 1b, 3, 6 and 7.

**25: Would there be cyanide mining?**

Commonly referenced “Cyanide mining”, which entails placing cyanide on rocks in the open, is not being considered for the Šturec deposit at all. Whatever chemical would be used would be in a factory and not out in the open.

Please see question 2d for more info on the potential use of cyanide.

**26: Is it true that there are eight tons of uranium under the gold deposit in Šturec?**

The known very low-level radioactivity in the thermal water that is currently used in the Kremnica swimming pool does not get its source from the gold and silver deposit in Šturec. Geologically, the Kremnica region is part of a very young and still partially active tectonic zone that has formed the Carpathian Mountains and the Alps between 15 and 55 million years ago. The Kremnica volcanic rocks are themselves only 15-20 million years old (relatively young in the geological time scale). As a result of all this tectonic activity there are many igneous rocks underlying the whole Alpine-Carpathian belt. These igneous rocks, such as granite and andesite, often contain very small amounts of radioactive minerals. Circulating waters at depth can pass through these rocks and pick up some of the radioactive minerals – hence giving the characteristic waters of many of the health Spas of the region. However, until there is a study of the hydrogeological systems that exist, and the patterns of water movement in and around the region, we cannot categorically identify the source of the radioactivity present in the thermal water.

Much higher up towards the surface, where the gold and silver deposit is, we (and others before us) have conducted extensive geological research in the Šturec area and have found no indications whatsoever that uranium is present. Historically, the deposit has been mined underground down to 250m above sea level (a long way below where Šturecland would be built) and no evidence of uranium has been found.

Whatever is the case, this would need to be thoroughly examined during the EIA process to make sure the facts are well known and in the public domain.

Vassilios Carellas,  
CEO, Ortac Resources.



Viktor Pomichal,  
Managing Director,  
Ortac Slovakia.



**Next step:**

The immediate next step is for those who read these questions and answers to decide if there is a valid reason to ask Ortac to fund an EIA process conducted under a community – company – local authority partnership using the entity Forum Kremnicko.