

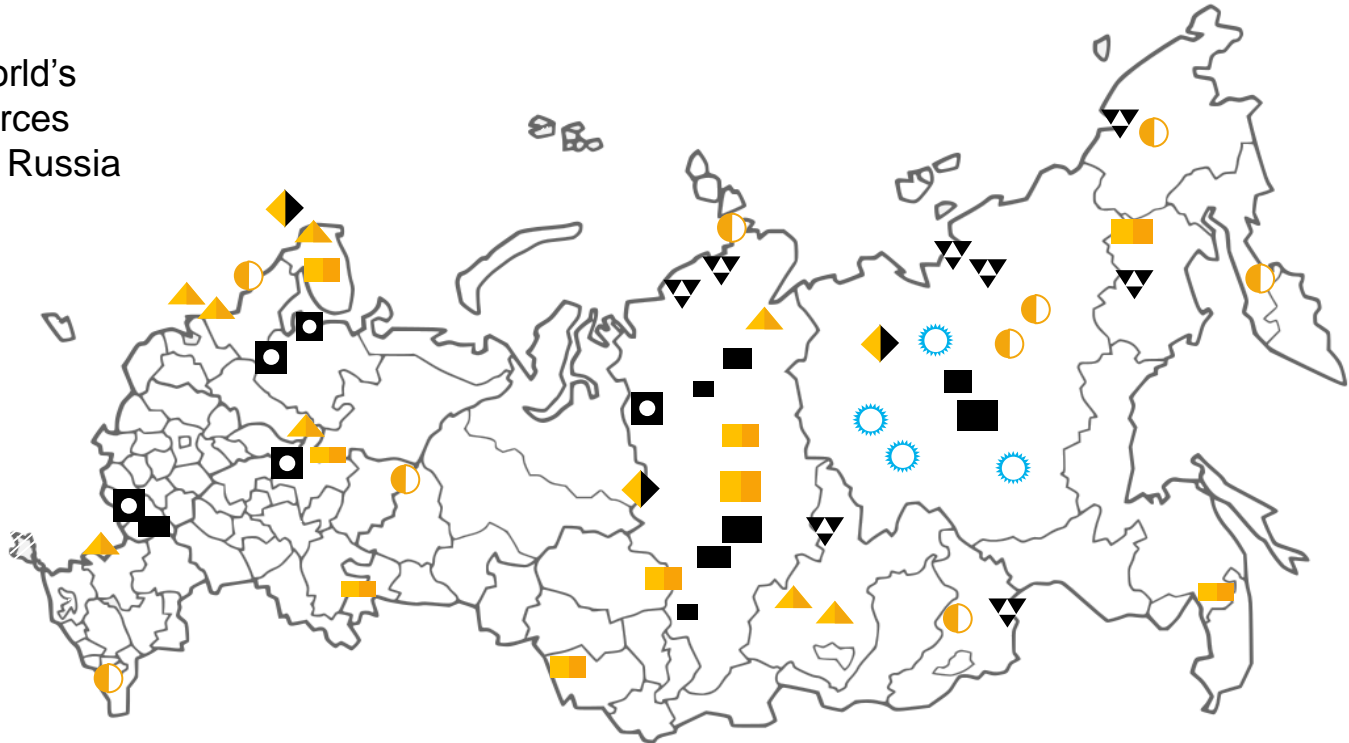
# METS opportunities in Russia

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# Overview: Map of Resources

21% of the world's mineral resources are located in Russia

-  Lead
-  Uranium
-  Gold
-  Copper
-  Aluminum
-  Coal
-  Diamonds
-  Nickel
-  Platinum
-  Iron Ore



Map template "Map of federal subjects of Russia (2014)" by Roman Poulvas, used under [CC BY-SA 4.0](https://creativecommons.org/licenses/by-sa/4.0/) / Desaturated from original

# Overview: Russian mining sector

| Russia's share of global production |     |
|-------------------------------------|-----|
| Aluminum                            | 6%  |
| Diamonds                            | 30% |
| Gold                                | 8%  |
| Nickel                              | 9%  |
| Coal                                | 5%  |
| Platinum                            | 11% |
| Palladium                           | 40% |

Source: Fitch Solutions, BMA Research, IMF, EMIS

# Opportunities for foreign suppliers

| Share of imported goods by category |                                    |                                |                   |                             |
|-------------------------------------|------------------------------------|--------------------------------|-------------------|-----------------------------|
| Power shovels<br>10%                | Hydraulic excavators<br>95%        | High volume dump trucks<br>20% | Bulldozers<br>50% | Automation equipment<br>30% |
| Stackers<br>30%                     | Drilling & boring equipment<br>50% | Low volume dump trucks<br>40%  | Loaders<br>60%    | Conveyors<br>30%            |

- To maintain its current growth, the industry is highly dependent on international equipment.

| Areas with predominant foreign suppliers |                              |                          |                                  |                                   |
|--|------------------------------|--------------------------|----------------------------------|-----------------------------------|
| Lifting machinery & cranes               | Roadheaders, Roller crushers | Mechanized penetrators   | Concentrate dewatering equipment | Geological IT surveying solutions |
| Control support systems                  | Magnetic separators          | Photo & X-ray separators | Self-propelled drilling rigs     | Hydraulics                        |

- Major opportunities in efficiency increase, automation, logistic and safety equipment.

# Main Players

## Diversified Metals & Mining



## Diamonds



## Platinum Group



## Gold



## Iron Ore



## Copper



## Aluminum



## Coal



## Kuzbassrazrezugol



## Steel



## Vostsibugol



## Siberian Business Union



# Trends: Digitalization

Governmental Program  
“Digitalization of Industry”



- Ministry of Industry and Trade and the Industry Development Fund
- Loan financing for projects with digital and technological solutions
- Financing is provided under the following conditions:
  - loan amount from 20 to 500 million rubles
  - interest rate 1% or 5% per annum
  - loan term up to 60 months
- To strengthen areas:
  - ✓ Production management
  - ✓ Design and development systems
  - ✓ New manufacturing technologies

# Trends: Digitalization

- **Polyus Gold** - established wireless communication at Olimpiada and Nataalka mines
- **EVRAZ** - implemented ZM KARIER Mine Fleet Management System at the Kachkanarsk ore-dressing combine (GOK)
- **Zyfra** (Finnish-Russian AI and IoT Based Industrial Digital Solutions Vendor) develops industrial digitalization technologies
- **Zyfra Mining** is dealing with development and implementation of information technologies for digital mining
- **VIST Robotics** is engaged in the creation and development of the Intellectual Quarry project

# Impact of COVID-19 on Mining

- Lengthened shifts for workers in remote fields
- Olympiadinsky mining and processing plant
- Decline in global metal prices would negatively impact Russia
- Global GDP contraction in 2020 will cause fall in global copper demand
- Short-term iron ore and hard coking coal prices are supported by reduced supply
- Oversupply in aluminum market. Low energy costs and the devaluation of local currencies will enable aluminum producers to compete more aggressively
- Nickel prices are sensitive to weaker demand from sectors that consume stainless steel
- Short-term zinc prices are under pressure



# State regulation

- In Russia, subsoil operations can be conducted under one of the following types of subsoil licenses: **exploration, production, and combined licenses.**
- The fees payable by subsoil users include:
  - A bid fee to participate in a tender or auction
  - A signing bonus for the award of the subsoil license
  - One-time payments due when certain events specified in the subsoil license occur
  - Regular payments for subsoil use
  - Taxes
- Regulatory authorities:
  - Ministry of Natural Resources and Environment
  - Federal Agency for Subsoil Use (Rosnedra)
  - Federal Supervisory Service for Nature Management (Rosprirodnadzor)
  - Federal Service for Ecological, Technological and Nuclear Supervision (Rostekhnadzor)

Source: Fitch Solutions, EMIS, Thomson Reuters Practical Law

# State regulation

- Subsoil license holder generally undertakes commitments under the soil.
- Gold ore deposits can be declared assets of national strategic importance.
- Strategic Law stipulates that foreign miners must obtain a permit from a government commission and can own a stake of no more than 25% in any Russian mine.
- Government declared to increase coal production by 25-52% by the year 2035.
- Russian government will spend an estimated USD 123 bn on the coal sector between 2012 and 2030.
- Restructuring plan will focus on decommissioning outdated mining capacity, retiring unviable and unprofitable coal operations.
- Starting from January 2020 Russia has reduced the tax on mining of rare metals: the tax rate on the extraction of rare minerals has been reduced by almost half - from 8% to 4.8%.

# International Australian mining companies operating in Russia



# Events & information

- Ugol & Mining Rossii, Novokuznetsk: 08-11 September 2020 <https://www.ugol-rossii.com>
- MINEX Russia, Moscow: 06-08 October 2020 [2020.minextrussia.com](https://2020.minextrussia.com)
- MiningWorld Russia, Moscow: 20-22 October 2020 [www.miningworld.ru](http://www.miningworld.ru)
- Russian & CIS Metals & Mining Summit 2020, Moscow: 19 November 2020 <http://www.russian-metals-mining.com>

## **SCHNEIDER GROUP Mining Report:**

[https://schneider-group.com/wp-content/uploads/2019/10/191021\\_Mining-Report\\_en.pdf](https://schneider-group.com/wp-content/uploads/2019/10/191021_Mining-Report_en.pdf)



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