

Natural Resources GP

**Sustainable Mining Development in Central and Eastern
Europe**

27 – 28 September 2010

Plovdiv, Bulgaria

V.Nicoletopoulos

Owner, Natural Resources GP

Steering Committee member, Euromines

***What do foreign investors look for
in E.European mining?***

***What do foreign investors look for
in E.European mining?***

Contents

1. Today's mining
2. E.Europe
3. When is a country attractive for FDI?
Resources + Competitiveness + the EU
4. Conclusions

What do foreign investors look for in E.European mining?

Today's mining...

- **The mining industry has come a long way**
- **Growth and Well-being.** Major player in many economies, contributing to GDP and to disadvantaged communities. New deposits discovered regularly, high economic potential.
- **Sophisticated equipment & technology vastly improved operations efficiency:** exploration, extraction, metal products. Robotics, computers, state-of-the-art equipment. Miners at workstation aboveground operating mining equipment kilometers underground...Peru!

What do foreign investors look for in E.European mining?

Today's mining...

- **Skilled Workers Needed.** Increased demand: mining extraction, mineral process technology, computer technology & information mgmt
- **Enviably Safety Record.** Highly physical, often dangerous, occupation → sophisticated industry, safety records improved significantly
- **Environmental & Social Responsibility.** Strong commitment. Sustainable environmental practices minimize impacts of exploration and devt on nat. environment & communities. Community engagement through consultation process → consensus-based solutions benefit communities.

What do foreign investors look for in E.European mining?

E.Europe...

- Euromines 1991!
- Since: All countries in economic transition
- Many are EU members...
- ...others in accession phase
- World economic crisis – not over!
- 'US in a long-term slow growth environment, quite real near-term risk of recession

- E Europe in more detail:

What do foreign investors look for in E.European mining?

...E.Europe...

- Is testing limits of its resilience
- ~18 months ago: bleak prospects for C & E Europe. hardest hit by global recession, w/ fears of regional meltdown ~ Asian financial crisis of late 1990s
- Gorged on cheap credit. Current-account deficits: grown, businesses & consumers: hefty foreign-currency debts
- When credit flows seized up & W Europe [region's main export market] slumped, economic growth stalled → Hungary, Romania, Serbia, Ukraine, Latvia: IMF loans.
- Yet, no sovereign defaults, broader crisis averted

What do foreign investors look for in E.European mining?

...E.Europe...

- Poland, only EU nation to avoid recession
- Today, although generally brightening, outlook varied
- Many countries reversed current account deficits. But budget deficits increased [stimulus & social protection costs], even in Poland. Many CEE citizens face years of austerity in public finances.
- Crisis → no big shifts in economic policy
- Governments remain committed to free market, and – for countries still outside – to €/EU membership. Admittance to take longer– though Estonia accepted fm Jan. 2010

What do foreign investors look for in E.European mining?

...E.Europe...

- Coal: different types
- Metal ores: ferrous, non-ferrous, precious - Cu, Sb, Bi, Au, Ag, Pb, Zn, Mn
- Industrial minerals: Barytes, Bentonite, Dolomite, Graphite, Kaolin, Marble/Limestone, Magnesite, Perlite, Quartz, Vermiculite, Wollastonite, Zeolites
- Rare earths
- Aggregates: sands [incl. industrial] and gravel

***What do foreign investors look for
in E.European mining?***

...E.Europe

Immediate projects by Natural Resources GP include:

- Industrial sands
- Talc
- Magnesite
- Rare earths: neodymium, dysprosium

What do foreign investors look for in E.European mining?

When is a country attractive for FDI?...

- Investment:
 - in stocks: *'Management & structure key to investing in mining juniors'*
 - in physical plant
- Western companies & funds vs. Chinese criteria – Norway!
- Funding for Junior Companies : Sources of equity finance, IPO & AIM, valuation of projects, role of joint ventures, case histories
- Tax & Company Structure : tax models, taxation agreements, carry forward provisions, royalties, depreciation allowances, management accounts & audits
- Resources
- Competitiveness
- the EU

Natural Resources GP

*What do foreign investors look for
in E.European mining?*

...When is a country attractive for FDI?...

- Resources

What do foreign investors look for in E.European mining?

...When is a country attractive for FDI?...

- Competitiveness
- Basic indicators: GDP, Population, GDP per capita, GDP as a share of world GDP
- Institutions: Strength of investor protection
- Infrastructure: Available airline seat kilometers, Fixed telephone lines, Mobile telephone subscriptions
- Macroeconomic environment: Government budget balance, National savings rate, Inflation, Interest rate spread, Government debt, Country credit rating

What do foreign investors look for in E.European mining?

...When is a country attractive for FDI?

- Health and primary education, eg Infant mortality, Life expectancy, Primary education enrollment
- Higher education and training, Secondary & Tertiary enrollment rate
- Goods market efficiency
- Total tax rate

***What do foreign investors look for
in E.European mining?***

Conclusions

- 1. Uncertain world**
- 2. Environment, CO2, H&S, 'social license': important**
- 3. E Europe has ±**
- 4. Communications. Image**
- 5. Needed: Windows to the world**

***What do foreign investors look for
in E.European mining?***

Thank you very much

Vasili Nicoletopoulos