

Development of Batalinskoye and Krasnoarmeyskoye copper ore deposits

Mining and smelting industry

Project description

This investment project involves construction of an industrial complex for the extraction and beneficiation of copper ores at Bataly and Krasnoarmeysk deposits in Kostanay Oblast.

The project provides for the production of copper concentrate (copper rod-3) with a capacity of 162 thousand tonnes per year with subsequent processing at the Kazzinc copper plant and sale to end users.

The Project creates 31 permanent jobs.

Location: Bataly (ore reserves – 131 thous.t) and Krasnoarmeysk (85 thous.t) deposits are located not far from each other in Denisov district of Kostanay Oblast.

Initiator: Mystau LLP is a joint venture of SEC Tobol JSC and Bataly Copper LLP.

Produced products and capacity: Copper concentrate (copper rod-3) with the volume of 162 thousand tons per a year.

Sales markets: non-ferrous metal processing plants in CIS, China and Europe.

Key investment indicators of the Project

Indicator	Results
Project implementation period, years	17
Investment amount, US\$ thousands	298,600
Project NPV, US\$ thousands	124,607
IRR, %	19,8%
EBITDA margin, %	40-47%
Payback period, years	8.0
Discounted payback period, years	10.7

Investment structure



Construction and assembly work

38%

\$114.6 million



Machinery and equipment

49%

\$145 million



Other capital expenses

13%

\$39 million

Market conditions

Growing demand

Total refined copper production in 2019 amounted to 24.6 mln tonnes, which is 2% higher than in 2018. Stable production growth has been observed between 2015 and 2019. According to EMIS forecasts, refined copper consumption and production will grow between 2020 and 2029 with CAGR of 2.1%. From 2021, analysts are predicting a global copper deficit, which will result in an increase in prices for refined copper.

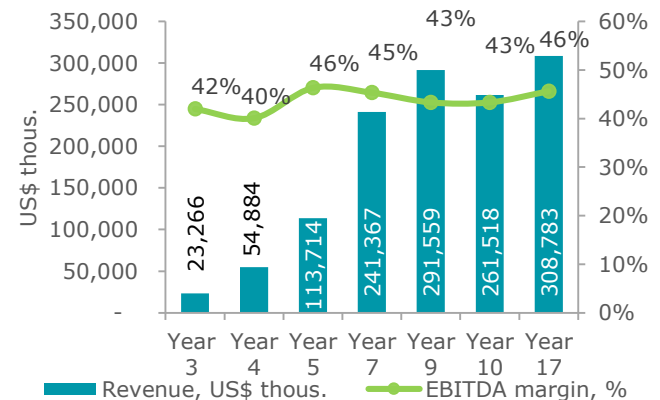
Price growth.

According to Bloomberg, there will be a medium- and long-term shortfall in copper supply. It is expected that copper prices will increase between 2021 (5.8 US\$ thous./ton) and 2024 (6.8 US\$ thous./ton).

Export potential.

Kazakhstan neighbors China, the world's largest importer of copper products, which provides a short transport shoulder for exports. In 2019, copper consumption in China was 34% higher than production. According to EMIS analysts, in the forecast period, copper consumption in China will grow quicker than production. As such, the copper deficit in the country will grow, and by 2029 domestic copper production will cover only 68% of consumption.

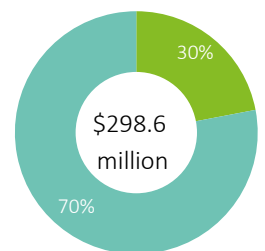
Project profitability



Financing structure

Participation of the Initiator
30% (\$89.5 million)

Debt financing subject to collateral
70% (\$209.1 million)



The proposed financing structure is indicative, the final financing and Project participation structures will be determined based on the results of negotiations with the Investor.