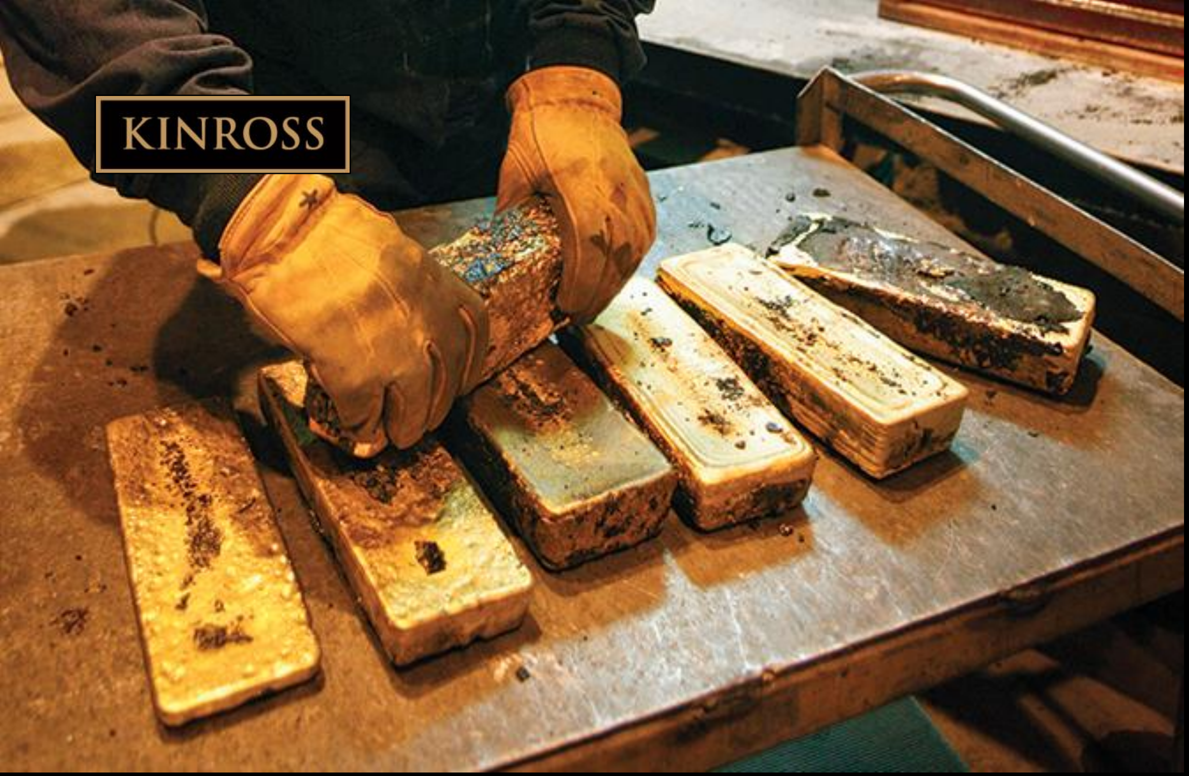

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RUSSIA AND THE FAR EAST / ASIA PACIFIC REGION:

PERSPECTIVES OF A FOREIGN INVESTOR IN RUSSIA

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1. The Russian Far East is well positioned to cooperate with business from countries in **ALL** parts of the Asia Pacific region

2. Ideas and Prescriptions for Development of the Far East

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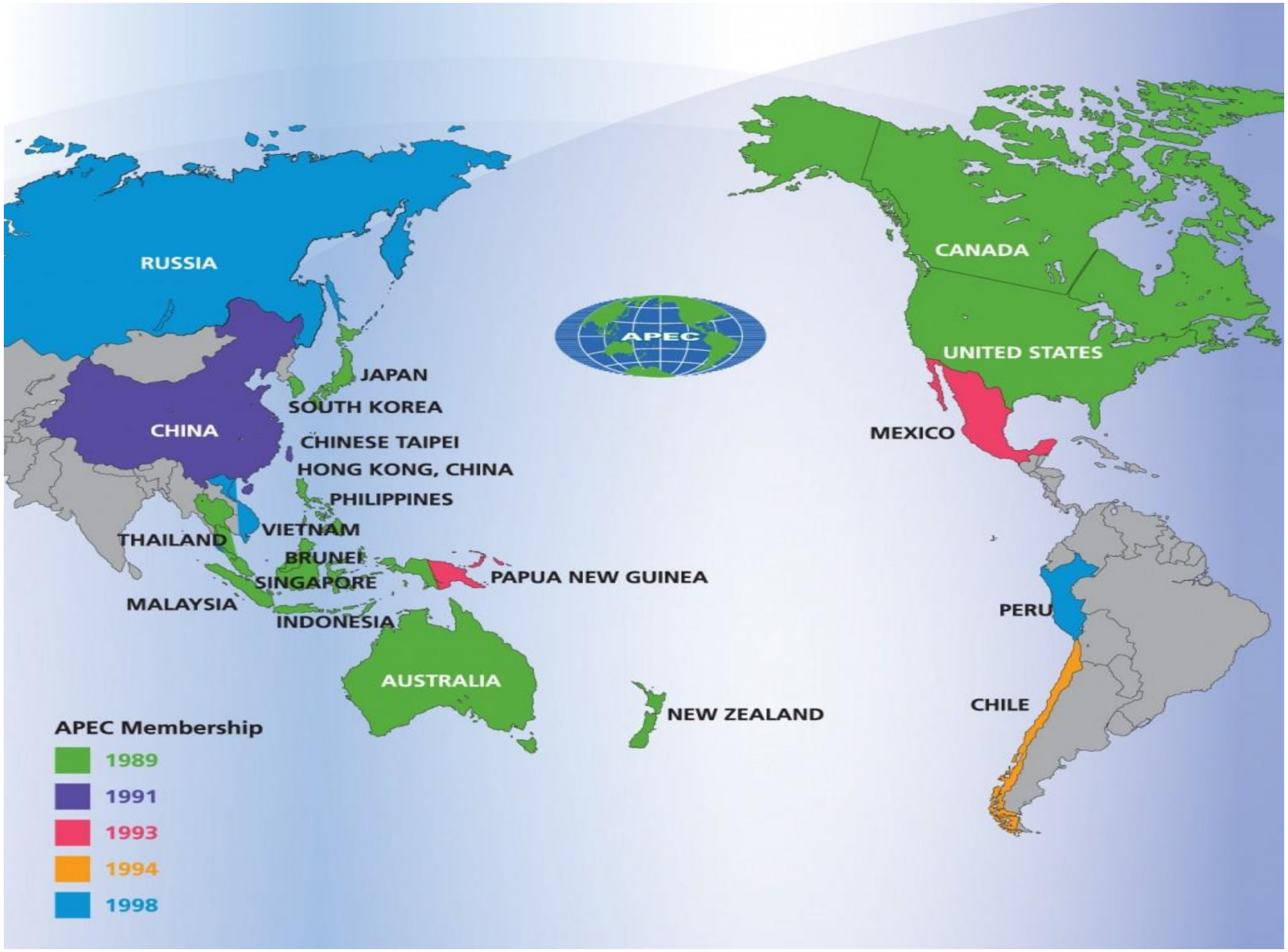
4. Leveraging Natural Resource Wealth and the Mineral Endowment

RUSSIA'S FAR EAST: OPPORTUNITIES IN THE ENTIRE ASIA-PACIFIC REGION



HOW TO DEVELOP THE FAR EAST

The Far East is strategically important for Russia. It provides an outlet to the Pacific Ocean that Russia has not fully exploited.

Various approaches / perspectives:

- Intensive capital investment?
- Why have previous programs have failed to produce desired results?
- Why not evaluate successes of other countries in developing remote territories with severe climates, (i.e., Alaska or the Northern Territories in Canada).
- For a separate region to improve, the general investment climate must be more open, leveraging a region's physical and human resources.
- Opportunity to turn the Russian Far East into a Pacific — not only Asian — economy in its own right.
- New, innovative thinking required:

"If Moscow wants the Far East to develop, then it should let the Far East develop".

ATTRACTING FOREIGN INVESTMENT IS IMPORTANT FACTOR OF THE NEW STRATEGY OF THE FAR EAST

- Export orientation of development is emphasized in the new strategic plan, prepared by the Ministry of the Far East
- Companies with foreign ownership exports three times more often than purely Russian. This is facilitated by:
  - Advanced Manufacturing technologies and management practices
  - Knowledge of foreign markets
  - Integration into existing international processes, etc.

THE IMPACT OF FOREIGN DIRECT INVESTMENT ON THE DEVELOPMENT OF THE FAR EAST

- The creation of jobs and training of employees; Progressive HR policies in terms of health and safety and training
- Significant investments in human capital, the provision of social benefits
- Significant tax payments to state and federal budgets
- In economically depressed regions, budget revenues from taxes paid by foreign companies may account for between 1/5 and 1/3 of total budget revenues
- The development of infrastructure to ensure the operation of their own enterprises
- The purchase of goods and services of local suppliers
- Use of new and innovative technologies
- Compliance with environmental standards

LEVERAGE NATURAL RESOURCE ENDOWMENT OF THE FAR EAST

- Mining sector is the basis of competitive advantage of the Far East
- High labor costs and shortage or skilled trades, the lack of infrastructure compared to neighbouring countries emphasize the role of the mining sector as the basis for the successful development of the regional economy
- It is important to take advantage of it as a base for the development of the manufacturing industry integrated into international value chains
- Experience of Norway, Australia and other developed countries rich with natural resources is indicative in this respect
- The key to “letting the Far East Develop” can be found in the further relaxation of regulations and a broadening of access to prospective precious metals deposits

IMPROVEMENTS IN SUBSOIL REGULATION

Recent improvements initiated by the RF Ministry of Natural Resources and Rosnedra include:

- Geological claim-staking on deposits with no recorded reserves
- On-going subsoil licence review procedure (removal of excessive requirements for subsoil users)
- Extension of geological study duration up to 7 years for remote regions of Russia, including the Far East
- Introduction of electronic workflow

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