



Oriental Mining Club
Thursday 22 September 2011

Keynote Speech
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Minmetals Resources Limited and MMG

Title: "A new east-west partnership"

Introduction

Thank you Lixin for that introduction.

Ni hao and good evening.

I'd like to first thank the Oriental Mining Club for inviting me to speak with you this evening, in particular its Board including Mr Peter Arkell, Mr Clinton Dines and Mr Frank Xu who are all here this evening.

I'd like to also recognise Ms Frances Adamson, Australian Ambassador to the People's Republic of China and former Ambassador Mr Geoff Raby.

It is an honour to speak here tonight.

Tonight, I'd like to take the opportunity to address two of the questions I am most frequently asked:

- In the midst of current market volatility, what is your outlook for global commodity demand?
and;
- What is it really like working with a Chinese state owned enterprise?

Rebalancing the global economy – from west to east

We – all of us - are at a unique inflection point in the global economy.

I was shown analysis by one of Australia's leading economic thinkers recently in which he had mapped the global share of GDP across the last 2,000 years. While acknowledging the limitations of data a millennium old, what is striking from that research is that for 1,800 of the last 2,000 years, the Asian region led the global economy.

As China heads toward reclaiming its position as the world's largest economy, the centre of economic gravity is shifting from the west back to the east. It is happening at a rate, and in a way that is changing the way we think about capital, borders and growth.

This is nothing new for this audience, but when we look to the US or Europe, the realisation that several centuries of economic ascendancy may be about to end is a fundamentally unsettling one.

In 2011, the developed economies of Europe and the United States face significant structural challenges.

Australia, and arguably countries such as South Africa, Chile, Canada and Brazil, have been somewhat insulated from recent market volatility because of their natural resources and their exposure to open international trade and investment flows.

The long view suggests that while there will be some ups and downs in the journey, the fundamentals, that are driving this economic shift to the east, are the same as those that will drive the market for major commodities.

Economies are typically 'resource hungry' as they develop, especially as the urbanisation and the growth of the middle class become driving forces. This demand for resources does not abate until significant productive wealth has been established and GDP per capita grows to what some pundits estimate is around the US\$15-20,000 per capita level.

China, India and many other rapidly growing nations in this and other regions are now in this critical growth and will be for as far as I can see into the future.

That is good news for a base metals producer and provides an opportunity for the minerals industry to meet this sustained uptick in demand in a rational and responsible way.

Five decades, two booms

One of most wonderful things about working with our major shareholder, China Minmetals, is that after over fifty years in resources, they have a highly sophisticated and developed long term view. While current global economic and commodity market conditions are in some ways unprecedented, the lessons learnt through previous booms remain as important as ever.

Over my 4 decades in the resources industry, I've witnessed two significant mining booms and some protracted periods of real price deflation.

The boom of the late 1960s to early 1970s, was characterised by the sharp increases in mining of coal and iron ore, and the development of oil and bauxite discoveries.

I was working in Australia at this time and saw the impact first hand on the Australian economy. However, by the mid 1970s, both the Australian and global economies were experiencing severe difficulties, primarily flowing from the impacts of high inflation. The boom ended, mining investment fell to low levels and commodity prices stagnated.

Throughout the 1980s and 1990s metal prices were so bad that companies stopped exploration and development and focused instead on driving efficiency and productivity gains. While Australia reaped the benefits of these gains in innovative technological advances, when demand picked up investment was immediately directed at M&A to acquire supply. It was not until the mid 2000s that exploration again became a driver of future success.

By 2007 and early 2008, the current boom was severely testing the production capacity of the global commodities sector. Fundamentals and resource supply didn't change during the GFC, and the underlying dynamics of the boom have reappeared over the last two years.

This is where our challenge lies today and where Minmetals Resources unique business model comes into play.

A new and powerful model

As our Chairman Wang Lixin said in his introduction, Minmetals Resources is unique.

In many discussions I have had with mining sector peers, institutional investors and sovereign governments around the world, many find it difficult to reconcile their perceptions of Chinese owned enterprises with our business model.

This is as much a challenge for our business as for any Chinese company with major overseas operations.

From my perspective, we are experiencing a transitional stage in the development of Chinese direct investment. As familiarity grows, so does understanding and acceptance. I can see that process accelerating.

I have worked for boards and shareholders of many nationalities and cultures – British, American, Swiss, Russian and, now, Chinese. I've learnt to disregard the cultural stereotypes and, rather, focus on the people and the leaders and what they really stand for. Any successful partnership depends on shared values, trust in each other, having quality people and transparency

What strikes me most strongly about my own Board, major shareholder and the management of Minmetals Resources is not how different, but how similar it is to global practice.

Minmetals and MMG are forging a new kind of east-west partnership based on three elements - harnessing the skills and experience of local employees, attracting a diverse management team and Board, and providing access to what I like to call 'patient capital'.

China Minmetals is a Fortune 500 company, one of the world's largest and most successful metals traders, China's largest supplier of metallurgical minerals, and a miner of iron ore and rare earths. They have over 60 years experience operating in the west.

So when they partnered with us to form MMG in 2009, they knew from experience the importance of harnessing the skills and experience of the existing people. The transition was quite seamless and demonstrates the value for us in retaining local knowledge when integrating acquisitions as we grow further.

We have a clear strategy to become one of the worlds leading mid-tier base metals companies and a Board that has the expertise and belief to drive our organisation.

We assess operational performance, capital decisions and strategy against purely commercial criteria. And we carry the same central commitments to safety, social development and community acceptance – part of our enduring DNA and our commitment as International Council of Mining and Metals members.

Two years on, our company is in a very strong financial position with a first class internationally experienced management team.

- Our Chief Operating Officer Marcelo Bastos comes from Brazil with over 20 years experience operating across South America.
- Our Chief Financial Officer David Lamont has worked in the international chemicals, fertiliser, manufacturing and resources sectors .
- Our head of exploration Steve Ryan, has managed exploration projects in China, Iran and Indonesia.
- Our head of Business Development, Mike Nossal, has worked in the resources in Russia, London, Turkey and Africa, as well as Australia.

This diverse team draws together experience in the most prosperous mineral provinces in the world.

Uniquely with a partner of the calibre of China Minmetals, we also have the ability to draw on their experience and financial strength.

As market volatility continues, the importance of a major shareholder that looks through the noise and sees the benefits in the fundamentals is of enormous benefit. The fact that we have access to patient capital that expects an attractive rate of return and knows it is entitled to a risk premium for being patient, is a distinct area of competitive advantage for our company.

We have the support and confidence to embark on value-adding growth. We've invested in our already successful Sepon copper mine to further increase annual capacity by almost 30% to 80,000 tonnes of copper cathode per annum, and we expect to be producing at that level from next year.

With this support and vision, we will continue to grow through:

- developing greenfields projects in the world's developing minerals provinces, such as the zinc deposits at Dugald River in Australia and Izok and High Lake in Canada,
- undertaking substantial exploration programs in prospective regions, and
- pursuing targeted M&A for established projects.

Our recent offer to acquire Equinox earlier this year was a clear demonstration of our ability to assess opportunities and act consistently with our strategy.

It was also a demonstration that we will decide where value lies for us and, if we believe a transaction cannot be justified on the fundamentals, we'll walk away.

By accumulating a strategic stake in Equinox, we were also able to ensure that we didn't walk away empty handed.

Conclusion

In conclusion, I see Minmetals Resources uniquely positioned to prosper.

We have a new kind of east-west partnership.

Utilising local knowledge, headed by a diverse management team and Board and with access to patient capital we have a new, and unique, model for the resources industry.

While there will be some ups and downs ahead, we are a company set to prosper through the cycles and we have the support of a major shareholder to do so.

Our overriding focus is, and will continue to be, generating improved shareholder value.

Whether that is operating current assets to their full potential, finding and developing new projects or by strategic M&A activity, we are committed to our objective to become one of the world's top mid tier diversified base metals companies.

I thank for your time this evening and would be happy to take your questions.