

# **Minmetals Resources Limited (HK: 1208)**

**Building a Major  
International Diversified  
Upstream Base Metals  
Company**

**Michael Nossal  
EGM Business Development**

**MInES Sydney 2011**



**五礦資源有限公司**  
MINMETALS RESOURCES LIMITED

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# 01

## THE STORY SO FAR



# THE STORY SO FAR

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## Mines take a long time to find and develop...

2009

- CMN bids for Oz Minerals, FIRB application denied
- Deal restructured to asset purchase, MMG formed

2010

- Strong operating performance
- MMR announces acquisition of MMG
- Transaction closes 31 Dec, creating HKEx listed platform

H1 2011

- Q1 production strong . Sepon copper up 7%, zinc up 8%
- US\$500m capital raising completed
- Planned divestment of downstream and trading businesses

**...mining companies evolve somewhat faster.**



## MMR in Mid-2011...

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- 1 An international diversified upstream base metals company**
- 2 Strong financial and operational performance**
- 3 Commitment to growth: organic, exploration and discovery, M & A**
- 4 Divestment of non-core trading and downstream assets**
- 5 China Minmetals commits to be a supportive majority shareholder**
- 6 Unique access to secure long term financing with CMC support**



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# 02

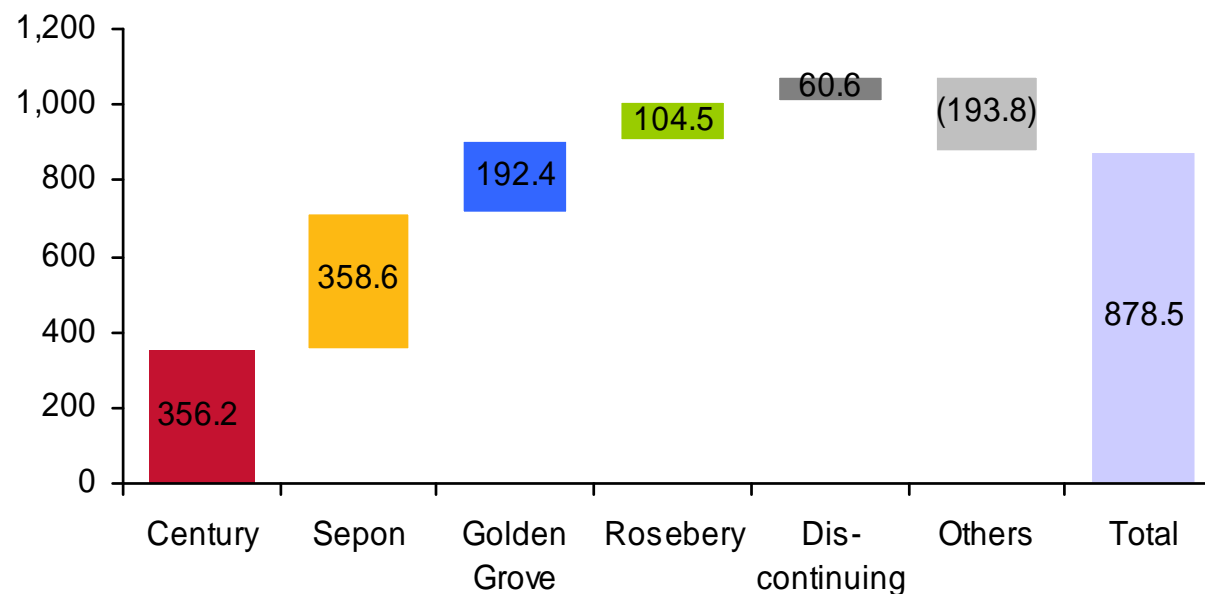
## FINANCIAL STRENGTH



## 2010 Financial Highlights

- EBITDA of US\$878.5 million on revenues of US\$3,582.1 million
- US\$323.2 million invested in capex
  - . US\$170.8 million for growth/development capex
  - . US\$152.4 million for sustaining capex
- US\$50.9 million invested in exploration

EBITDA (US\$ million)





## MMR's balance sheet is strong and getting stronger

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**At 31 December 2010 MMR had circa \$1.5b in net debt. This position has or will further improve through:**

- \$500m raised in April equity placement
- proceeds from the sale of 4.2% stake in Equinox (>\$300m)
- Proposed sale of non core assets (expected to generate \$600-800m)
- Free cash flow from operations (\$470m in 2010)

**MMR could be net cash positive by December 2011**

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# 03

## OPERATIONAL PERFORMANCE



# March quarter highlights

## Safety

- TRIFR down from 4.8 to 4.5

## Production / operations

- Sepon copper output rose 7% following completion of expansion to 80ktpa
- Total zinc and lead production increased by 8 & 19% respectively despite a heavy wet season impacting operations at Century
- Copper in concentrate at Golden Grove fell by 61% due to zinc campaign

## Development

- Golden Grove enhanced
  - . Scuddles mine restarted
  - . \$22m approved for copper open pit to produce 56,000 tonnes of copper over 3 years
- Dugald River project moving forward
  - . Public consultation on Environmental Impact Statement completed with no major unexpected issues identified
  - . EPCM contractor appointed

## Markets

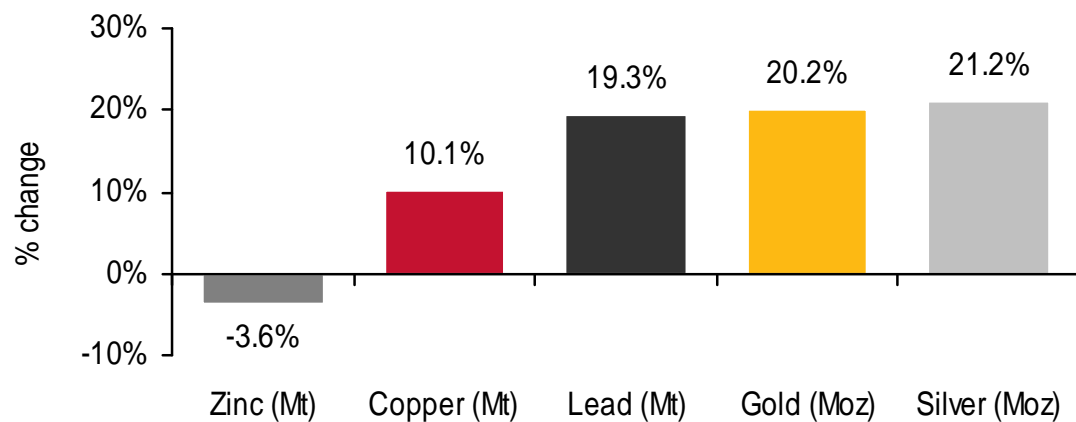
- Metal prices rose strongly - copper ↑ 12%, zinc ↑ 4%, lead ↑ 9%, silver ↑ 21%

## Corporate

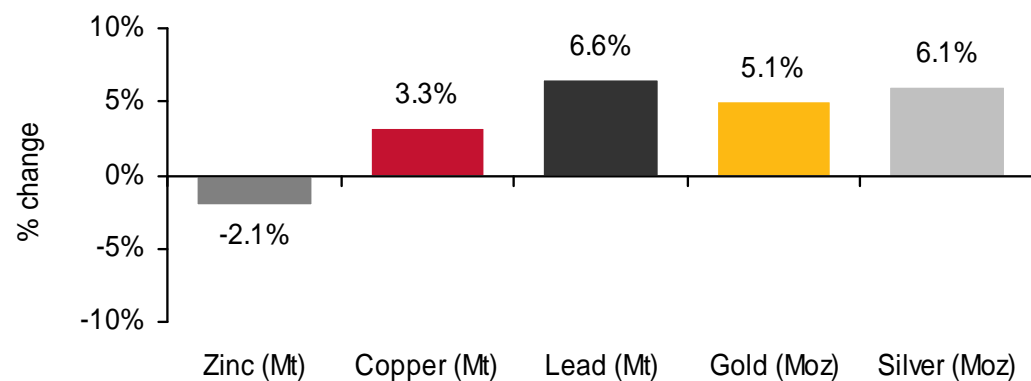
- Specific mandate placement raised US\$500m, reducing net debt to circa US\$1b
- US\$6.3b bid for Equinox discontinued when MMR no longer saw value
  - . Excellent return realised on MMR's 4.2% stake in Equinox
- 2011 production and cost guidance maintained

# Significant Upgrade of Ore Reserves and Mineral Resources

Change in ore reserves (contained metal) Jun 10 vs. June 09



Change in mineral resources (contained metal) Jun 10 vs. Jun 09



Note: Data from MMG Mineral Resources and Ore Reserves Statement (in accordance to the JORC Code) as at 30 June 2010 as announced by MMR on 16 February 2011. Resources are inclusive of reserves

# Century Operations

## Location



## Open-pit mine



## Mining operations



## Karumba port and dewatering facility



# Segmental Performance – Century

	2010	2H 2010	1H 2010	2H 2009
<b>Financial (US\$ million)</b>				
Revenue	<b>711.4</b>	454.3	257.1	221.1
EBITDA	<b>356.2</b>	227.0	129.3	74.2
EBIT	<b>136.9</b>	87.9	48.8	(1.2)
Segment result	<b>122.4</b>	80.8	41.6	(12.4)
<b>Operational</b>				
Zinc produced (kt)	<b>510.6</b>	272.1	238.5	163.0
Lead produced (kt)	<b>38.8</b>	21.3	17.5	7.0
C1 costs (USc / lb Zn)	<b>53.1</b>	54.4	51.8	N/A

## Production guidance 2011

Zinc (kt)	490	to	510
C1 costs (USc / lb)	50	to	55

## Key developments

- Current mine plan shows production to mid-2015
- Study underway for further cutback to access additional resources
  - 4.8Mt @ 8.7% Zn (potential to extend mine life by approximately 1 year)
  - Production of ~300kt Zn and ~20kt Pb
  - Approximately US\$180m capex
  - Decision expected 1Q 2012
- Other projects include Silver King and phosphate study

# Sepon Operations

## Location



## Mining operations



## Processing facility



## Copper cathode products



# Segmental Performance – Sepon

	2010	2H 2010	1H 2010	2H 2009
<b>Financial (US\$ million)</b>				
Revenue	<b>596.7</b>	288.0	308.7	241.9
EBITDA	<b>358.6</b>	167.0	191.6	146.8
EBIT	<b>343.8</b>	161.7	182.0	130.5
Segment result	<b>334.2</b>	153.4	180.8	126.3
<b>Operational</b>				
Copper cathode produced (kt)	<b>64.2</b>	29.9	34.3	34.0
Gold produced (koz)	<b>104.5</b>	49.9	54.6	49.0
C1 costs (USc / lb Cu)	<b>96.6</b>	104.3	88.9	80.6
C1 costs (US\$ / oz Au)	<b>609.3</b>	700.7	518.0	547.8

## Production guidance 2011

Copper cathode (kt)	75	to	80
C1 costs (USc / lb Cu)	95	to	100
Gold (koz)	70	to	85
C1 cost (US\$ / oz Au)	930	to	940

## Key developments

- Copper Expansion complete; ramping up to nameplate capacity of 80kpta
- Cu reserves increased by 10% in 2010
- Thengkham copper pits being developed
- Primary gold scoping study nearing completion:
  - Potential to produce 100koz pa for 10+ years



# Golden Grove Operations

## Location



## Mining operations



## Processing facility



## Flotation Cells



# Segmental Performance – Golden Grove

	2010	2H 2010	1H 2010	2H 2009
<b>Financial (US\$ million)</b>				
Revenue	<b>391.3</b>	209.3	182.0	152.6
EBITDA	<b>192.4</b>	106.8	85.6	68.8
EBIT	<b>155.6</b>	90.1	65.5	54.4
Segment result	<b>147.7</b>	86.5	61.2	44.4
<b>Operational</b>				
Zinc produced (kt)	<b>73.3</b>	29.5	43.8	36.0
Copper produced (kt)	<b>33.5</b>	19.3	14.2	16.0
C1 costs (USc / lb Zn)	<b>7.7</b>	(23.6)	39.0	14.9

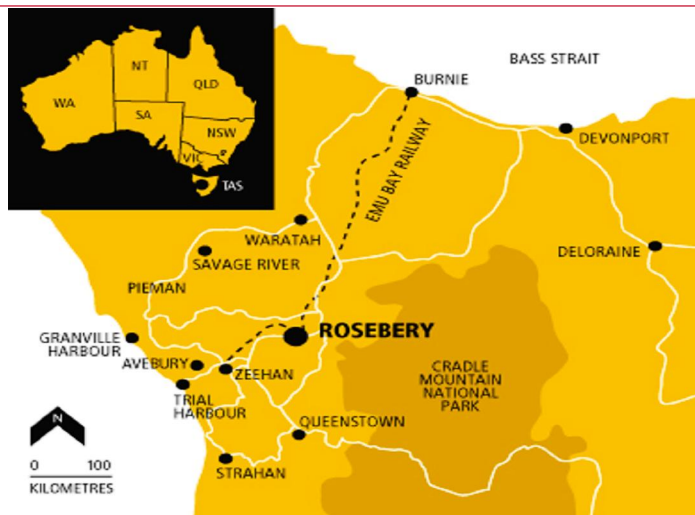
<b>Production guidance 2011</b>				
Zinc (kt)		83	to	87
Copper (kt)		19	to	22
C1 costs (USc / lb Zn)		15	to	20

## Key developments

- Scuddles re-opening underway
- Copper oxide pit approved
  - Adds 3 years to mine life to 2018
  - Expected to commence construction
- Completion of TSF3 with 15 years life
- Exploration success continuing at Gossan Valley

# Rosebery Operations

## Location



## Townsite



## Mining operations



## Concentrate product



# Segmental Performance – Rosebery

	2010	2H 2010	1H 2010	2H 2009
<b>Financial (US\$ million)</b>				
Revenue	<b>220.5</b>	123.6	96.9	122.0
EBITDA	<b>104.5</b>	65.2	39.3	57.9
EBIT	<b>78.8</b>	52.1	26.7	43.9
Segment result	<b>76.8</b>	50.4	26.4	43.3
<b>Operational</b>				
Zinc produced (kt)	<b>86.3</b>	48.2	38.1	46.0
Lead produced (kt)	<b>28.9</b>	14.9	14.0	14.0
C1 costs (USc / lb Zn)	<b>28.4</b>	5.8	51.0	28.3

<b>Production guidance 2011</b>					
Zinc (kt)			80	to	83
Lead (kt)			24	to	25
C1 costs (USc / lb Zn)			15	to	20

## Key developments

- Ventilation shaft completed
- Zn resource increased by 11.5% in 2010
- Deep drilling continues
  - promising indications
- Surface upgrade option; study underway

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# 04

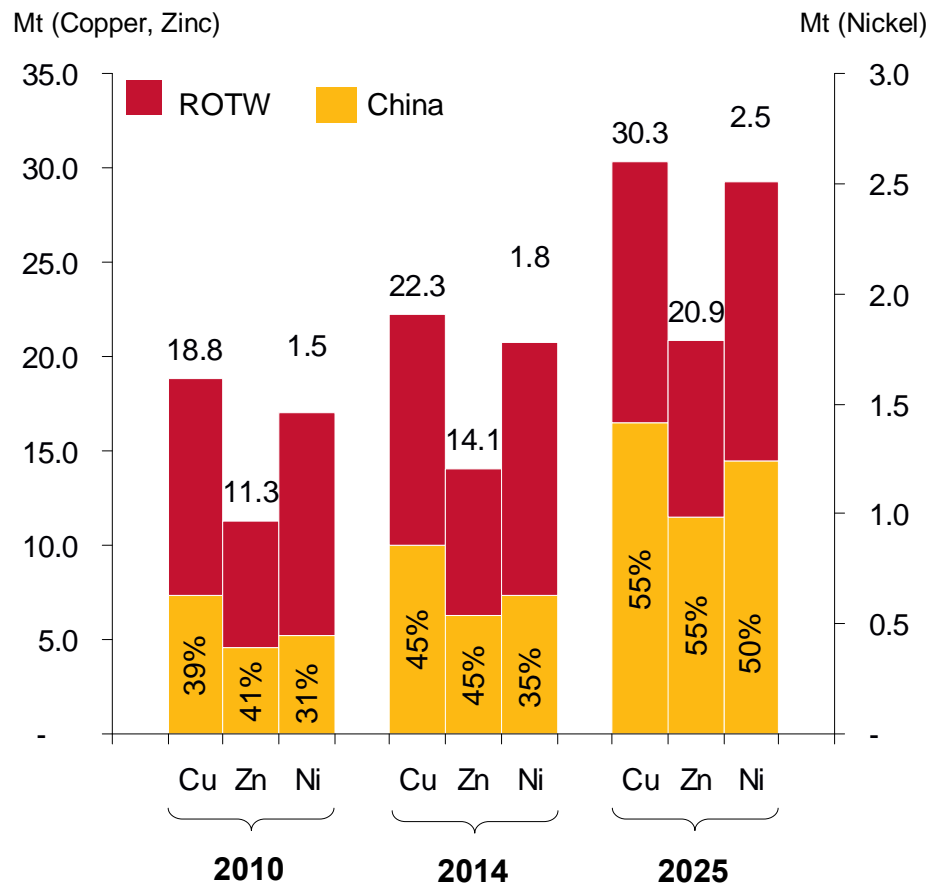
## STRATEGY AND GROWTH



# The External Environment

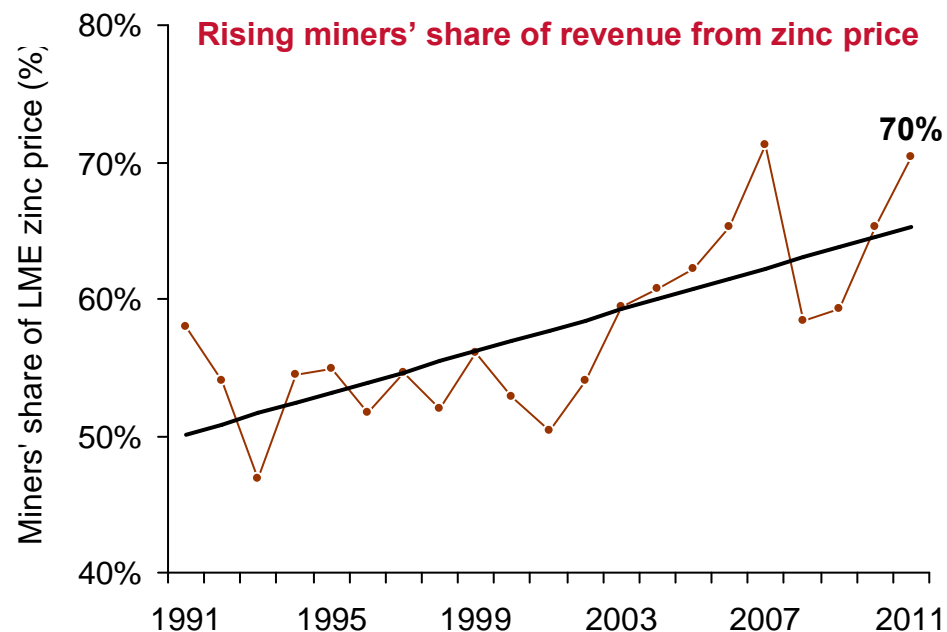
## Rapid urbanization will drive China's appetite for commodities to expand further

### China's growing consumption of base metals



Source: EIU, Brook Hunt

### Continued revenue shift towards miners



- Zinc revenue continues the progressive long-term structural shift away from smelters, towards mines
- Copper and lead miners capture even more price rise upside as concentrates already sell on flat terms

Source: Brokers research report

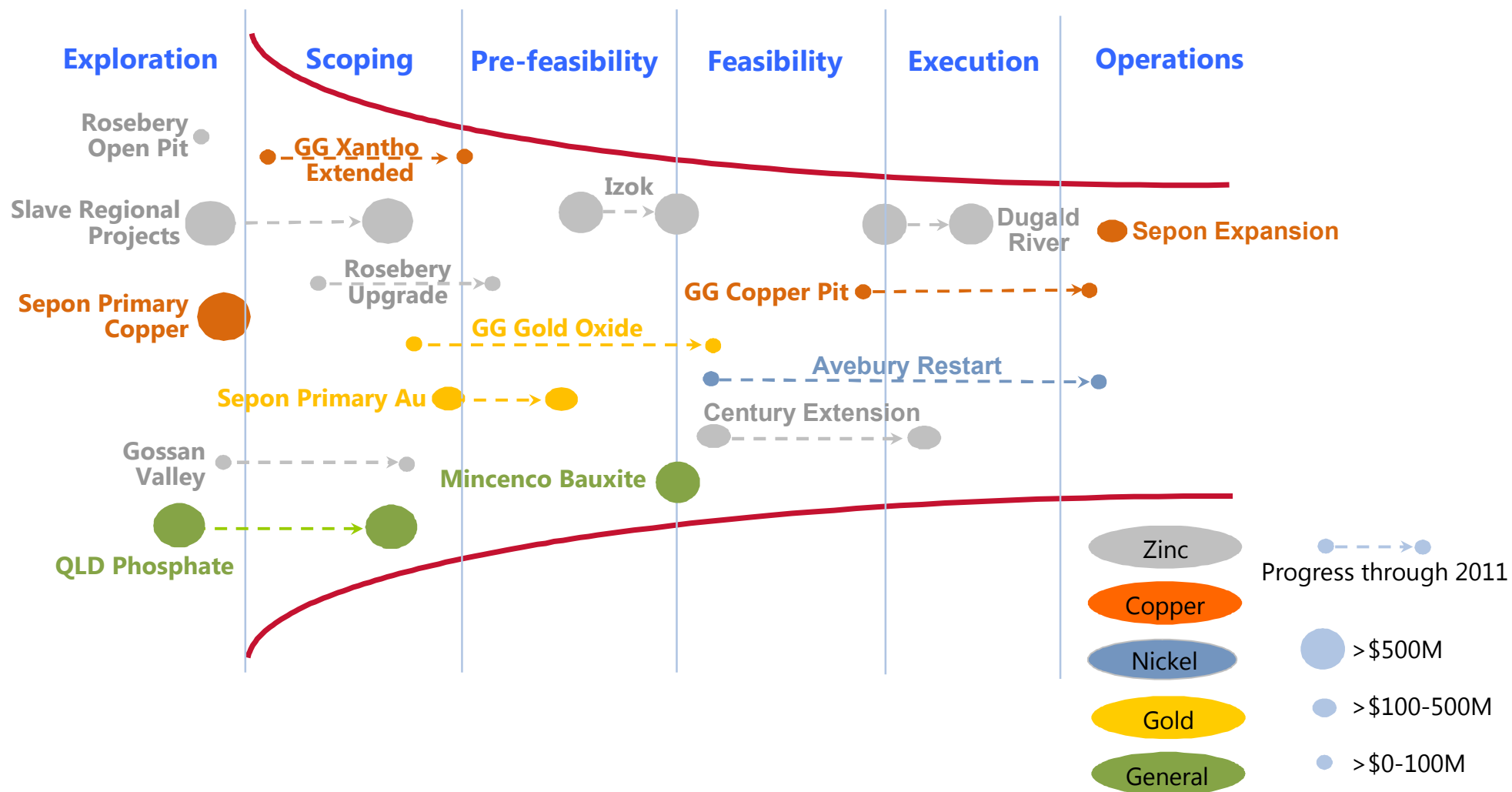
# MMR's strategy

## Build a major international upstream base metals group

<b>Major</b>	<ul style="list-style-type: none"><li>▪ Top 3 of mid tier resource companies within 5 years</li></ul>
<b>International</b>	<ul style="list-style-type: none"><li>▪ Outside China</li></ul>
<b>Upstream</b>	<ul style="list-style-type: none"><li>▪ Mining</li><li>▪ First stage processing . not smelting</li></ul>
<b>Base Metals</b>	<ul style="list-style-type: none"><li>▪ Copper, Zinc</li><li>▪ Nickel, Bauxite / Alumina</li></ul>

through internal exploration and development opportunities as well as M&A

# Organic Growth Pipeline





# Dugald River Project

## Overview

- High grade, world-scale deposit; 53Mt at 16% Zn equivalent grade (12.5% Zn; 1.9% Pb; 36g/t Ag)
- Planned 200ktpa Zn for +23 years
- Pre-Commitment activities underway
- Expect MMR Approval 3Q 2011
- Subject to permitting, first production expected 1H 2014
- Indicative Capex US\$850 . 950m
- Projected C1 costs ~US\$0.65/lb (based on 200ktpa Zn in concentrate, excluding approximately 25ktpa Pb and 900koz Ag of by-product credits)
- Jacobs Engineering appointed EPCM contractor

## Location



# Dugald River Project

Exploration drilling



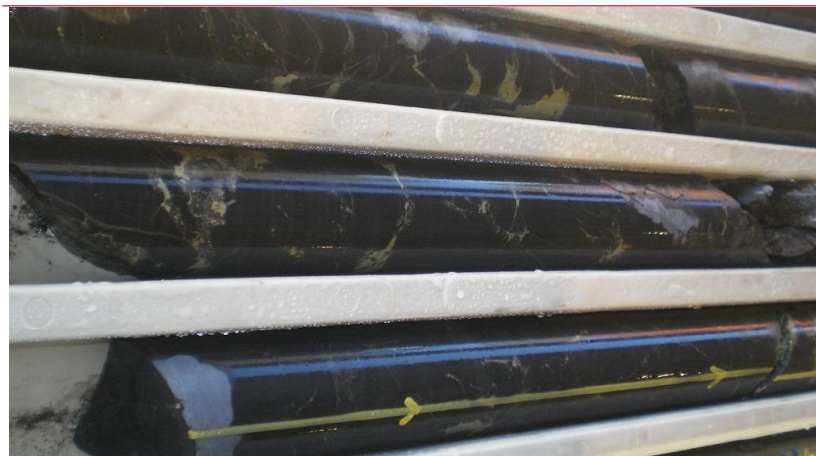
Camp accommodation



Site offices



Core samples



# Izok Lake

## Overview

- Izok resource: 15Mt at 27% Zn eq.
- PFS-level study:
  - 11-year open pit and u/g mine
  - 150 ktpa Zn and 30 ktpa Cu
- Plan for 2011:
  - >20,000m of drilling
  - Final infrastructure study
- Target:
  - Start permitting process by end 2011
  - Indicated production 2016 - 2017

## Location



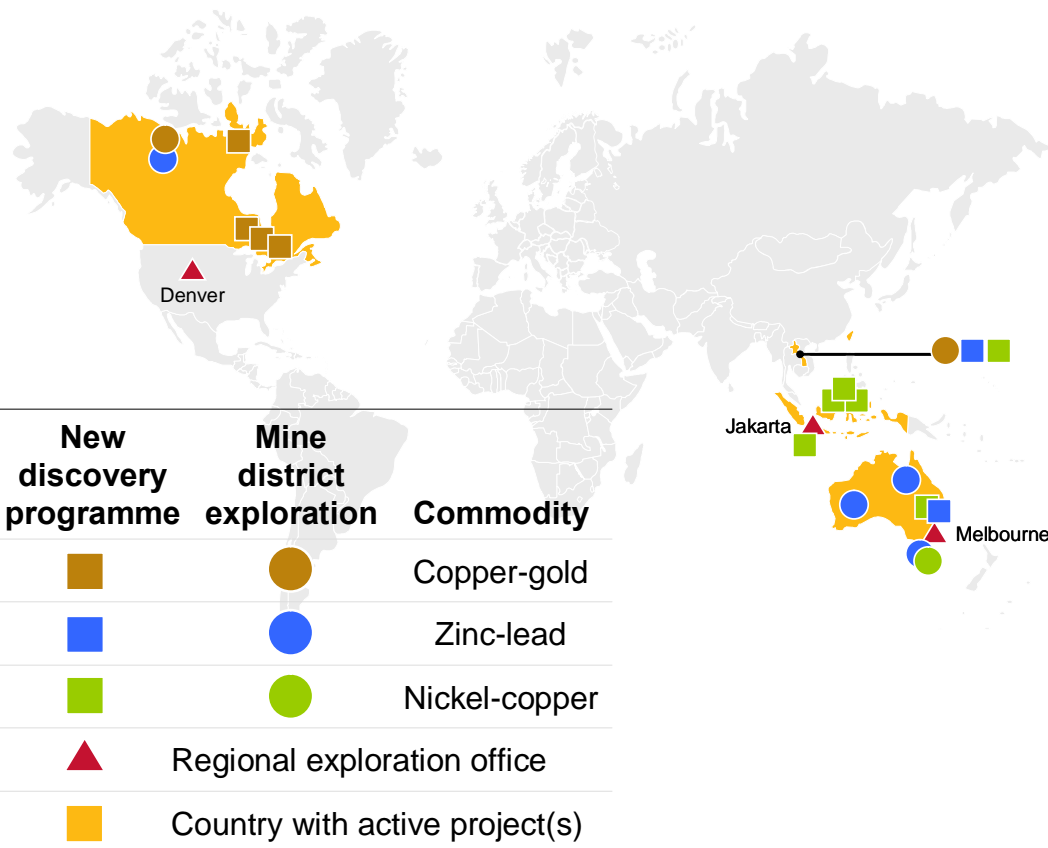
# Izok Lake Project



**Dugald River plus Izok Lake targeted to replace Century in Zn eq. by 2017**

# Our Exploration Strategy

- Focused on copper, zinc, nickel and gold (Sepon)
- Exploration spending of ~US\$60 million per annum in 2011 and 2012
- Target regions: Australia, North America, Asia, Africa



## 3 Tiered Sub-strategy

**Mine District** – ~ 70% of budget,  
Short-term value add - <1 year

**New Discovery** . ~20% of budget,  
Mid term value add . 1 to 3 years

**Project Generation** . ~10% of  
budget, Long term value add and seed  
capital into core intellectual property .  
3 to 5 years

# Disciplined value-focused acquisition

## M&A will be necessary to achieve growth targets

### Commodities

- Copper, zinc / lead
- Nickel, bauxite / alumina

### Geographies

- Careful analysis of political and operational risk
- Insights available from PRC Government

### Scale

- Must be meaningful to MMR's scale

### Stage of development

- Prefer producing assets
- Can add value to early-stage assets available at the right price

**Creation of shareholder value is paramount. MMR will move onto the next opportunity rather than pay too much**

## Material acquisitions can be funded

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### MMR:

- has access to considerable Chinese debt facilities
- at typically lower cost than Western syndicated debt
- with long tenor and high level of security
- and has the support of China Minmetals Corporation to borrow at levels beyond those normally available to companies MMR's size

**All shareholders benefit from MMR's access to secure long term low cost Chinese debt and ability to sustain higher gearing**

# CONCLUSION

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## MMR:

- is now an international diversified upstream base metals business
- has generated strong financial and operational performance
- has a strong development and exploration pipeline
- is a highly-differentiated investment opportunity on the Hong Kong market
- has the support of China Minmetals Corporation

**...MMR is bigger, stronger and ready to grow.**