

Nyrstar NV File Memo

To: Nyrstar NV Committee of Independent Directors

From: Interim Chief Financial Officer; Head of Legal & External Affairs / Company Secretary

Date: 26 July 2022

Re: Assessment of the information provided by NN2 NewCo Limited ("**NN2**") to Nyrstar NV ("**NNV**" or the "**Company**") for the purposes of NNV assessing whether it should exercise its put option to sell the 2% share it owns in NN2 (the "**Put Option**")

1. Purpose of this memo

The purpose of this memo is to document the process undertaken by NNV in assessing the reasonableness and robustness of the information provided by NN2 for the assessment of whether to exercise the Put Option.

2. Background

2.1 Put Option

The Company owns a 2% equity stake in NN2 that is carried on the Company's balance sheet at a cost of EUR 15.4 million. The remaining 98% equity stake in NN2 is owned by Nyrstar Holdings Plc (a holding company within the Trafigura corporate group, formerly known as Nyrstar Holdings Limited). The Company has a Put Option (as defined below) enabling it to sell all (but not a part only) of its 2% stake in NN2 to a Trafigura entity at a price equal to EUR 20 million in aggregate payable to the Company. This Put Option can be exercised by the Company until 31 July 2022.

2.2 Information rights of Nyrstar NV

As part of the restructuring of NNV that was completed on 31 July 2019, the Company negotiated certain key information rights and other protections that have been granted by Trafigura entities (including NN2). The provision of certain information by Trafigura to the Company is included in the NNV-Trafigura Deed. The relevant provisions are extracted and summarised in the table that follows:

| Clause | Extract | Comment / summary |
|---------------------------|--|---|
| NNV-Trafigura Deed | | |
| 4.1 | <p>Following the occurrence of a Trafigura Ownership Event, subject to compliance with applicable law or any confidentiality obligations to third parties that it or the relevant member of the Operating Group may be subject to (having requested consent from the third party to disclose information to the Company), Trafigura shall procure that the Company is provided with such financial or other information in relation to the New Nyrstar Group or any member of the New Nyrstar Group:</p> <p>a) as is required by the Company, in its capacity as a shareholder in NN2, in order to comply with its legal, regulatory or tax obligations, including for the purposes of its accounting or financial control requirements;</p> | <p>Nyrstar can request financial or other information from Trafigura, and Trafigura is obliged to procure that Nyrstar is provided with such information, in respect of any member of the Operating Group.</p> <p>The request must be for a specific reason as listed at (a) and (b) – i.e. information needed for legal / regulatory compliance, for valuing the shareholding in NN2 in the context of an offer by Trafigura to purchase it or in the exercise of drag</p> |

| Clause | Extract | Comment / summary |
|--------|--|---|
| | <p>b) as is required for the purposes of enabling the Company to assess the fair market value of its shareholding in NN2 if a member of the Trafigura Group offers to purchase all or part of such equity shareholding or a Drag Notice or Tag Notice is issued; or</p> <p>c) as may otherwise be reasonably requested by the Company.</p> | / tag rights, or if not, it must otherwise be reasonable (under (c)). |

As can be seen from the above extract from the NNV-Trafigura Deed, aside from (i) the general information rights afforded to it under English law in its capacity as a minority shareholder of NN2 and (ii) the right pursuant to Clause 4.1(c) to make reasonable requests for financial or other information in relation to the New Nyrstar Group (being defined in the NNV-Trafigura Deed as “...NN2 and its subsidiaries from time to time”), NNV does not have any additional information rights specific to its exercise of the Put Option. In this context, Trafigura has provided NNV with the information detailed in the Appendix A of this memo.

2.3 Article 7.97 BCCA Independent expert opinion by Moore Corporate Finance NV

As part of the process of assessing whether the Put Option should be exercised, the Independent Committee of Directors issued a request for proposal on 6 October 2021 to obtain an independent expert opinion, addressed to the Committee of Independent Directors, in the framework of Art 7:97 Belgian Company Code, on certain matters. On 19 November 2021, the Company’s Independent Committee of Directors engaged Moore Corporate Finance NV to prepare the independent expert opinion. The scope of the independent expert opinion includes:

- The financial consequences of (not) exercising the Put Option for the Company and possible other consequences related to this decision;
- Benefits and disadvantages for the Company if the Board resolves to exercise the Put Option, including taking into account the alternative investments that the Board could consider to pursue with the proceeds of the Put Option. In doing so, the expert shall consider the financial viability of the Company over at least the next 24 months, after date of issuance of the expert opinion, if it decides to not exercise the Put Option; and
- The potential outcomes under the alternative options to the exercise of the Put Option, including the ability of the Company to sell the 2% stake in NN2 to a third party and the likely sales proceeds that the Company may be able generate from such a sale.

In preparing their expert opinion, Moore Corporate Finance NV had regular calls and email exchanges with Mr. Matej and Mr. Simms of the Company to facilitate the provision of information from Trafigura, the Nyrstar operating group which was principally provided by Mr. Soderberg, CFO of the Nyrstar Netherlands (Holdings) BV (“NNH”) group and with the independent directors of the Company.

3. Business plan provided by Trafigura

The key information provided directly and indirectly by Trafigura is the five-year business plan of the NNH group (the “Operating Group”) which consists of the Australian, European and US zinc and lead smelting assets and the US zinc mining assets which were, prior to the completion of the restructuring in July 2019, owned by NNV. NNH is the directly wholly owned subsidiary of Nyrstar Holdings Plc which in turn is a subsidiary of NN2. Both NN2 and Nyrstar Holdings Plc are holding companies with no operating business. The business plan of NNH has been provided in an Excel worksheet

format (refer to Appendix B) with key inputs/assumptions including metal prices, TCs, production volumes, capex etc. as inputs and EBITDA, free cash flow, etc. as valuation outputs.

Given the Company has only the information rights explained at paragraph 2.2 above, the detailed workings of the business plan have not been provided by Trafigura. However, NNV has assessed the reasonableness and robustness of the inputs and outputs based on historical actual results of the operating group which were audited and reported between 2008 and June 2019, the in-depth experience and knowledge of the mining and smelting operating group business possessed by Mr. Roman Matej (interim CFO) and Mr. Anthony Simms (Head of Legal and External Affairs / Company Secretary) and interviews conducted of Mr. Karl Söderberg, the CFO of the Operating Group over the past four months.

3.1 Purpose of the business plan

The business plan provided by Trafigura was prepared by Trafigura for a variety of purposes, including impairment testing by the Trafigura group, capex planning by the operating group and other longer term commercial planning. The business plan provided to the Company is the latest available business plan, as confirmed by Mr. Söderberg in an interview with Mr. Simms and Mr. Matej on 13 June 2022 and is not expected to be updated again until August 2022 when the 2022/2023 budgeting process is undertaken by Trafigura.

3.2 Comparison of the business plan with NNV's historical actual information

The key macroeconomic assumptions, including metal prices, TCs and FX rates have been addressed by the Moore Corporate Finance NV industry specialists based in Australia. These assumptions have all been assessed to be reasonable by Moore Corporate Finance NV with the exception of zinc treatment charges for which Moore Corporate Finance NV stated that the original business model possibly understates the treatment charges of zinc charges but given the extreme fluctuations in the commodity prices in the current environment, that it is impossible for Moore Corporate Finance NV to quantify the impact.

Moore Corporate Finance NV has also stated in their report that while the zinc treatment charges have substantially increased during the first months of 2022, they cannot see the positive effect thereof in the interim results of the Operating Group. In that regard, they have referred to the increase in the input energy costs which historically were approximately one third of total operating costs and have now increased considerably.

Given the conflicting effects of operational issues, substantially higher energy prices, better zinc treatment charges and fluctuating commodity prices on the results, Moore Corporate Finance NV has prepared a sensitivity analysis considering different EBITDA level scenarios for 2022 and/or 2023 as a "catch all" considering positive and negative impacts including treatment charges, commodity prices, FX rates or energy prices. This analysis showed that the current results of the Operating Group are significantly lower than budgeted despite favourable zinc prices and zinc treatment charges, i.e. that the other negative impact, primarily the significantly higher energy prices, more than offset the higher zinc prices and higher treatment charges. The Moore Corporate Finance NV industry experts' memo will be attached as an Appendix to Moore Corporate Finance NV's final report.

Further, the macroeconomic assumptions used in the business plan have been assessed by Mr. Simms against forecasts published by industry commentators (e.g. Wood Mackenzie and CRU) and various metals and mining focussed banks. In comparison with these published market forecasts, the macroeconomic assumptions are considered by Mr. Simms to be reasonable. In relation to the zinc treatment charges, it should be noted that the business plan used by Moore Corporate Finance NV to perform the valuation of the 2% share in NN2 was prepared by Trafigura in their customary business planning cycle at the time when the zinc treatment charges were forecast to be lower than they are forecast now. Similarly, the zinc prices have also been very volatile in H1 2022 as can be seen from the chart below. Trafigura has confirmed that there is no updated business plan since that date, neither for internal nor any other purpose.

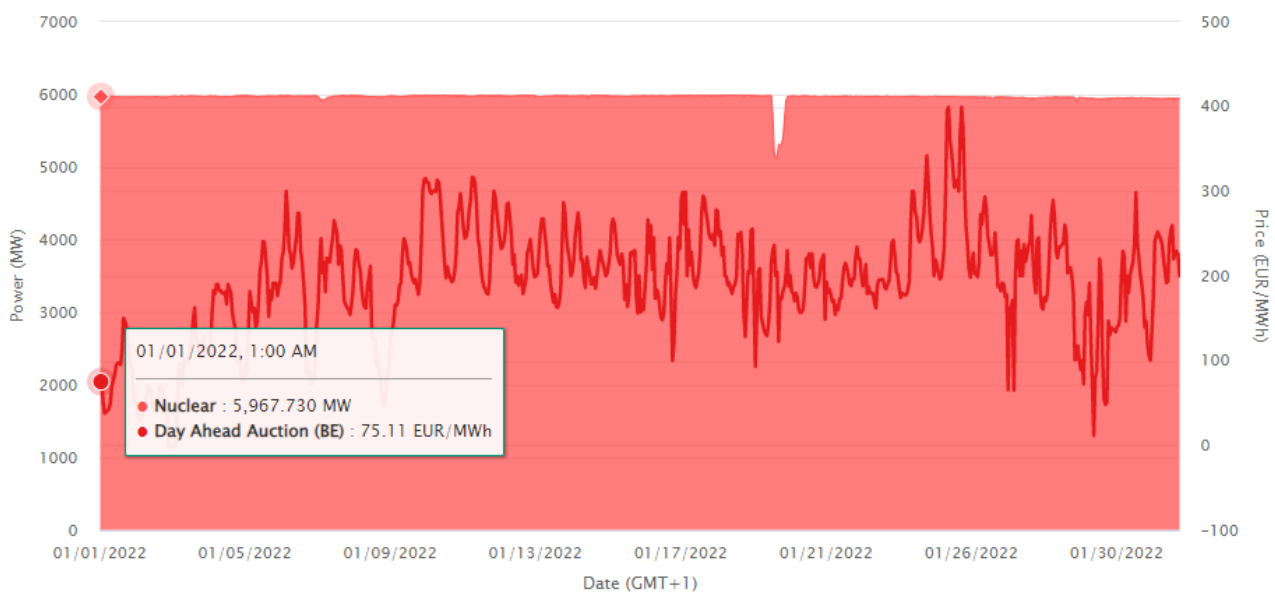
LME Zinc Official Prices curve



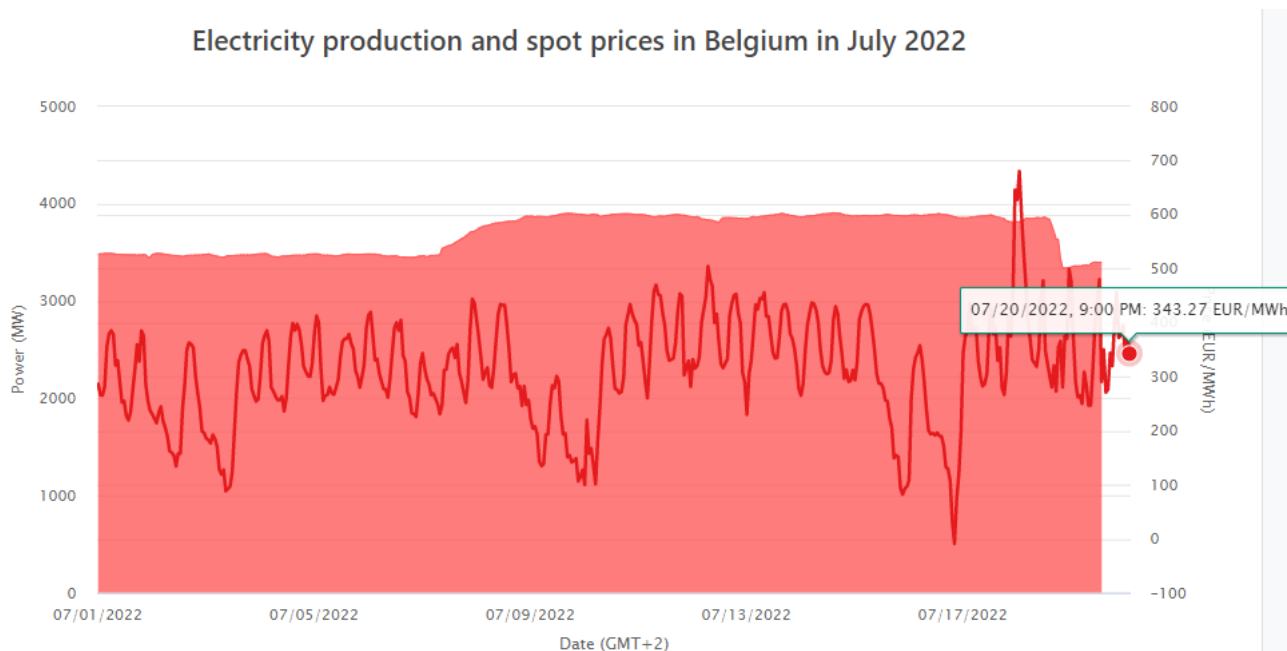
The energy prices have also been forecast to be significantly lower when the business plan was prepared and have risen dramatically since then, primarily because of the war in Ukraine. The actual results of the Operating Group show that higher electricity prices than those assumed in the model offset the favourable zinc prices and zinc treatment charges compared with the ones assumed in the model. The charts below show the development of the electricity prices in Belgium in 2022 (other countries, especially in Europe, show similar developments).

The spot price on 1 January 2022 was EUR 75.11/MWh.

Electricity production and spot prices in Belgium in January 2022



The spot price on 20 July 2022 was EUR 343.27/MWh.



3.2.1 Consumption and Production

The business plan includes the consumption of raw material inputs and the production of metals (for smelters) and concentrates (for mines) as shown in the tables below:

| Market Metal Production kt | FY22 | FY23 | FY24 | FY25 | FY26 | FY27 |
|------------------------------------|--------------|----------------|----------------|----------------|----------------|----------------|
| Auby | 136.8 | 156.7 | 168.3 | 168.3 | 168.3 | 168.3 |
| Balen | 273.2 | 278.3 | 278.1 | 278.1 | 278.1 | 278.1 |
| Budel | 206.8 | 214.7 | 214.7 | 214.7 | 214.7 | 213.9 |
| Hobart | 250.9 | 235.5 | 258.7 | 258.5 | 259.7 | 262.1 |
| Clarksville | 107.8 | 125.1 | 126.0 | 128.2 | 128.6 | 128.6 |
| Total zinc | 975.4 | 1'010.3 | 1'045.8 | 1'047.9 | 1'049.4 | 1'051.0 |
| Port Pirie (lead) | 162.8 | 162.8 | 162.8 | 162.8 | 162.8 | 162.8 |
| Concentrate Production kdmt | FY22 | FY23 | FY24 | FY25 | FY26 | FY27 |
| ETN | 82.2 | 95.3 | 109.3 | 117.9 | 119.3 | 112.1 |
| MTN | 57.7 | 62.7 | 69.1 | 76.6 | 77.2 | 79.1 |
| Mines total | 139.9 | 158.0 | 178.4 | 194.5 | 196.4 | 191.2 |

The following table provides the actual consumption and production by Nyrstar NV in the years 2008 to 2018 based on Nyrstar's historical information and for years ended 30 September 2020 and 2021 plus the forecast for the year ended 30 September 2022 as provided by Trafigura:

| Unit | | Nyrstar NV historical information | | | | | | | | | | | Info provided by Trafigura | | |
|----------|---------------------------------------|-----------------------------------|------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|----------------------------|--------------|----------------------|
| | | FY 08 | FY 09 | FY 10 | FY 11 | FY 12 | FY 13 | FY 14 | FY 15 | FY 16 | FY 17 | FY 18 | Sep 20 | Sep 21 | 9/2022 (Forecast) |
| | METALS PROCESSING | | | | | | | | | | | | | | |
| | Zinc metal ('000 tonnes) | | | | | | | | | | | | | | |
| Thousand | Auby | 118 | 161 | 163 | 164 | 161 | 152 | 171 | 169 | 149 | 166 | 155 | 163 | 165 | 139 |
| Thousand | Balen/Overpelt | 262 | 35 | 260 | 282 | 250 | 252 | 262 | 260 | 236 | 249 | 275 | 247 | 269 | 260 |
| Thousand | Budel | 239 | 220 | 254 | 261 | 257 | 275 | 290 | 291 | 283 | 248 | 268 | 268 | 290 | 272 |
| Thousand | Hobart | 253 | 264 | 247 | 279 | 272 | 272 | 252 | 271 | 236 | 238 | 264 | 220 | 262 | 260 |
| Thousand | Port Pirie | 35 | 35 | 32 | 30 | 31 | 30 | 13 | - | - | | | | | |
| Thousand | Clarksville | 125 | 94 | 120 | 110 | 114 | 106 | 110 | 124 | 111 | 117 | 101 | 107 | 116 | 109 |
| Thousand | Total | 1'032 | 809 | 1'076 | 1'125 | 1'084 | 1'088 | 1'097 | 1'115 | 1'015 | 1'019 | 1'064 | 1'005 | 1'102 | 1'040 |
| | Lead metal ('000 tonnes) | | | | | | | | | | | | | | |
| Thousand | Port Pirie | 220 | 208 | 179 | 195 | 158 | 179 | 178 | 185 | 187 | 171 | 160 | 127 | 129 | 149 |
| | Concentrate | | | | | | | | | | | | | | |
| | Zinc concentrate ('000 tonnes) | | | | | | | | | | | | | | |
| Thousand | East Tennessee | | | 81 | 78 | 97 | 113 | 101 | 104 | 101 | 107 | 123 | 58 | 43 | 47 |
| Thousand | Middle Tennessee | | | 21 | 50 | 76 | 79 | 74 | 74 | - | 34 | 60 | 29 | 34 | 42 |
| Thousand | Tennessee Mines | | | 101 | 128 | 173 | 192 | 175 | 396 | 250 | 206 | 229 | 87 | 77 | 89 |

Based on the comparison above, the production data included in the business plan provided by Trafigura is assessed by Mr. Matej and Mr. Simms to be neither aggressive nor conservative when comparing them with the historical production numbers. The smelting production is assumed to stabilise and the Tennessee mines are expected to ramp up closer to their capacity at which they were operated historically. As such, the production data assumptions used in the business plan are deemed to be reasonable.

3.3 Comparison of the business plan with the information included in the 2019 Noteholders presentation

This section of the memo provides a comparison of the key assumptions and the expected profitability of the Operating Group based on the Noteholders presentation dated 15 April 2019, the 2020 and 2021 actuals and the information included in the five year business plan of the NNH group provided by Trafigura to the Company in May 2022.

The 2019 Bondholders presentation includes information for years 2019 to 2023, while the information provided in the five year business plan in May 2022 includes years 2022 to 2027. As Trafigura changed the financial year end of the Operating Group from December to September and changed the reporting currency to USD, the comparison is provided from year 2020 to be able to compare 12 month periods. The 2020 and 2021 information included in the "2022 Trafigura information" line is sourced from the Operating Group's actual results (e.g. the production volumes or EBITDA and Capex) as provided by Trafigura and from available market data (e.g. the LME prices or FX rates).

Based on the information available, it is not possible to perform a detailed comparison (e.g., a waterfall chart) of the actual or expected profitability of the Operating Group, but a high level comparison still provides useful insights that the information provided by Trafigura is reasonable.

A. Key assumptions

The key valuation assumptions used in the 2019 bondholder presentation and in the five year business plan provided in 2022 by Trafigura are shown in the table below:

| | | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|-------------------------------------|-----------------|---------|---------|---------|---------|---------|---------|---------|---------|
| Zinc price | | | | | | | | | |
| 2019 Noteholders information | USD/t | 2'500 | 2'500 | 2'500 | 2'500 | | | | |
| 2022 Trafigura information | USD/t | 2'170 | 2'821 | 3'163 | 2'840 | 2'674 | 2'698 | 2'749 | 2'802 |
| Lead price | | | | | | | | | |
| 2019 Noteholders information | USD/t | 2'000 | 2'000 | 2'000 | 2'000 | | | | |
| 2022 Trafigura information | USD/t | 1'730 | 2'098 | 2'275 | 2'114 | 2'077 | 2'116 | 2'156 | 2'197 |
| Gold price | | | | | | | | | |
| 2019 Noteholders information | USD/oz | 1'300 | 1'300 | 1'300 | 1'300 | | | | |
| 2022 Trafigura information | USD/oz | 1'785 | 1'819 | 1'800 | 1'834 | 1'869 | 1'905 | 1'941 | 1'978 |
| Silver price | | | | | | | | | |
| 2019 Noteholders information | USD/oz | 15.5 | 15.5 | 15.5 | 15.5 | | | | |
| 2022 Trafigura information | USD/oz | 16.7 | 25.4 | 25.0 | 25.0 | 26.0 | 26.0 | 27.0 | 27.0 |
| Zinc TC Benchmark | | | | | | | | | |
| 2019 Noteholders information | USD/t | 245.0 | 245.0 | 245.0 | 220.0 | | | | |
| 2022 Trafigura information | USD/t | 238.0 | 202.0 | 171.3 | 182.9 | 205.4 | 231.7 | 228.3 | 220.0 |
| USD/EUR | | | | | | | | | |
| 2019 Noteholders information | USD/EUR | 1.14 | 1.14 | 1.14 | 1.14 | | | | |
| 2022 Trafigura information | USD/EUR | 1.14 | 1.18 | 1.16 | 1.18 | 1.20 | 1.20 | 1.20 | 1.20 |
| AUD/USD | | | | | | | | | |
| 2019 Noteholders information | AUD/USD | 1.42 | 1.42 | 1.42 | 1.42 | | | | |
| 2022 Trafigura information | AUD/USD | 1.45 | 1.33 | 1.32 | 1.33 | 1.30 | 1.28 | 1.28 | 1.28 |
| Market metal production (Zn) | | | | | | | | | |
| 2019 Noteholders information | kt | 1'137.7 | 1'142.5 | 1'142.5 | 1'142.5 | | | | |
| 2022 Trafigura information | kt | 1'003.8 | 1'102.6 | 975.4 | 1'010.3 | 1'045.8 | 1'047.9 | 1'049.4 | 1'051.0 |
| Market metal production (Pb) | | | | | | | | | |
| 2019 Noteholders information | kt | 174.9 | 199.9 | 200.3 | 199.9 | | | | |
| 2022 Trafigura information | kt | 126.8 | 129.0 | 162.8 | 162.8 | 162.8 | 162.8 | 162.8 | 162.8 |
| ETN and MTN production | | | | | | | | | |
| 2019 Noteholders information | kt of Zn in con | 136.6 | 143.8 | 143.8 | 143.8 | | | | |
| 2022 Trafigura information | kt of Zn in con | 87.0 | 77.3 | 139.9 | 158.0 | 178.4 | 194.5 | 196.6 | 191.2 |

The metal prices assumed in the 2019 Noteholders presentation are generally lower than the actual market metal prices in 2020 and 2021 (except for zinc and lead prices in 2020) and the metal price forecasts in the 2022 business plan prepared by Trafigura. On the other hand, the benchmark treatment charges forecast in the 2019 Noteholders presentation are higher than the actuals for 2020 and 2021 as well as the forecasts for 2022 and beyond.

The USD was weaker against EUR in 2021 than forecast in the 2019 Noteholder presentation and was expected to weaken further in 2022 and beyond. However, due to current geopolitical events, the USD is at its strongest in recent history against the EUR (being close to parity), which will positively impact the NNH group's profitability as the operating costs of the European smelters will be lower in USD terms.

The AUD was stronger in 2021 than forecast in the 2019 Noteholders presentation; however, similar to the EUR, it has weakened in the current economic environment which will make the operating costs of the Australian operations lower in USD terms.

The actual and forecast market metal production of zinc and lead is lower than expected in 2019 due to operational issues at the smelters and significantly higher electricity prices that forced the Aubrey smelter into a period of care and maintenance and reduced production in the other two European smelters (Balcan and Budel). Similarly, the actual production in the Tennessee mines in 2020 and 2021 was significantly lower than expected in the 2019 Noteholder presentation. This lower production was due to operational challenges at the mines which included three fatalities in 2021. The Operating Group, however, expects that the production volumes will improve in coming years.

The comparison of EBITDA, capex and free cash flow is shown in the table below:

| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|--|-------|-------|-------|-------|-------|-------|-------|-------|
| EBITDA | | | | | | | | |
| 2019 Noteholders information | 388.0 | 436.4 | 430.3 | 413.3 | | | | |
| 2022 Trafigura information | 238.9 | 234.8 | 328.3 | 382.5 | 431.6 | 462.1 | 487.1 | 483.6 |
| Capex | | | | | | | | |
| 2019 Noteholders information | 208.2 | 200.1 | 178.8 | 175.5 | | | | |
| 2022 Trafigura information | 280.4 | 267.0 | 270.4 | 253.6 | 241.9 | 232.1 | 193.5 | 189.3 |
| Free cash flow/Pre-financing CF | | | | | | | | |
| 2019 Noteholders information | 162.3 | 172.7 | 186.1 | 190.5 | | | | |
| 2022 Trafigura information | -31.5 | -36.6 | -11.5 | 54.5 | 114.9 | 150.8 | 208.5 | 206.6 |

The actual and forecast capex is significantly higher than expected in the 2019 Noteholder presentation. This is mainly a result of the substantial capex that Trafigura has invested to bring the assets to better operating conditions given the previous underinvestment caused by the challenging liquidity position of the Company.

The actual 2020 and 2021 EBITDA was significantly lower than forecast in the 2019 Noteholder presentation. Similarly, the Operating Group currently expects to achieve a 2022 EBITDA of less than USD 250 million, which is significantly lower than their previous forecast in the five year Business Plan for 2022 of USD 328.3 million. This is largely due to significantly higher electricity costs, primarily in Europe, that have risen from an average over the past decade of approximately EUR 50/MWhr to more than EUR 300/MWhr. The higher forecast energy prices significantly impact the 2022 valuation compared with the 2019 valuation.

The Company has also assessed, using the EBITDA multiple determined by Moore Corporate Finance NV in their report, what the annual EBITDA of the Operating Group would need to be for it to result in the EUR 20 million valuation of the 2% investment in NN2, without taking into consideration a minority discount that is dependent on the rights of the minority shareholder has in comparison to a majority position. Assuming the EUR 20 million valuation for the 2% interest in NN2, the whole Operating Group's equity value would need to be EUR 1 billion (EUR 20 million / 2%). Adding net debt of EUR 1.722 billion (EUR 1,599 million as at 30 September 2021 plus EUR 123 million to bridge the net debt to 31 May 2022) the enterprise value would need to be EUR 2.722 billion. To calculate the required annual EBITDA for the valuation of the 2% in the Operating Group to be EUR 20 million, using the EBITDA multiple valuation method, the Company has applied the EBITDA multiples of 4.2x to 5.2x determined by Moore Corporate Finance NV resulting in the annual EBITDA in the range of EUR 523 million to EUR 643 million. These EBITDA levels compare to the average forecast EBITDA included in the model provided by Trafigura of USD 429 million and the forecast 2022 EBITDA of less than EUR 250 million.

The 2019 Noteholders presentation also included the forecast EBITDA for the Australian operations, given the importance of the Port Pirie operation and the Australian operations combined for the Company's past and future:

Pro forma EBITDA (LTF) (USDm)

| Pro forma EBITDA | 2019 | 2020 | 2021 | 2022 | 2023 |
|------------------------|-----------|------------|------------|------------|------------|
| Port Pirie | 39 | 68 | 87 | 93 | 93 |
| Hobart | 58 | 79 | 78 | 78 | 69 |
| Australia total | 98 | 147 | 164 | 171 | 161 |

1. Australian operations assessed not to be viable without the Port Pirie Redevelopment; benchmark EBITDA for the forecast period is nil
2. 2018 figures are provisional and subject to updating, completion, revision and amendment

The table below reconstructs the actual and forecast EBITDA for the Australian operations. The 2020 actual EBITDA is sourced from the September 2020 management accounts of the Operating Group. The 2021 and May 2022 management accounts do not include site EBITDA information but only site EBIT information. To calculate the 2021 and 2022 annualised 12 months EBITDA (based on the May 2022 actuals), the depreciation, tax and corporate costs information was assumed to be the same in 2021 and 2022 as in the 2022 forecast which is considered as materially reasonable assumption. The 2022 to 2027 forecast EBITDA numbers are sourced from the business plan provided by Trafigura.

| | | 2020 | 2021 | 2022 (5/2022 actuals annualised) | 2022 FC | 2023 | 2024 | 2025 | 2026 | 2027 |
|------------------------|-----------------|--------------|--------------|---|-------------|--------------|--------------|--------------|--------------|--------------|
| Hobart | EBIT | | 19.9 | 48.9 | | | | | | |
| | Depreciation | | 23.0 | 23.0 | | | | | | |
| | Corporate costs | | 6.8 | 6.8 | | | | | | |
| | Taxes | | 3.6 | 3.6 | | | | | | |
| | EBITDA | 27.9 | 27.9 | 82.3 | 45.5 | 35.8 | 55.7 | 65.5 | 68.9 | 73.7 |
| Port Pirie | EBIT | | -55.3 | -77.3 | | | | | | |
| | Depreciation | | 35.0 | 35.0 | | | | | | |
| | Corporate costs | | 10.0 | 10.0 | | | | | | |
| | Taxes | | 4.6 | 4.6 | | | | | | |
| | EBITDA | -30.8 | -30.8 | -27.7 | 49.7 | 117.0 | 98.8 | 53.5 | 85.8 | 80.8 |
| Australia total | | -2.9 | -2.9 | 54.7 | 95.2 | 152.8 | 154.5 | 119.0 | 154.7 | 154.5 |

The actual EBITDA achieved by the Australian operations in 2020 and 2021 is significantly below the forecast included in the 2019 Noteholders presentation due to ongoing operational challenges, primarily at Port Pirie. Based on the available information, the 2022 actuals will also be significantly below the previous expectations. From 2023 and beyond, the management of the Operating Group expects to achieve the EBITDA levels comparable with the forecasts included in the 2019 Noteholders presentation.

The actual free cash flows achieved in 2020, 2021 and 2022 (i.e. cash from operating activities less net cash flow used in investing activities) reflects the lower than expected profitability and higher than expected capex and remains negative for these years.

The higher capex and negative profitability also result in further increase of the NNH group's net debt. This increase in the net debt position decreases the valuation of the 2% share in NN2 compared with the valuation prepared in the 2019 valuation.

3.4 Sensitivity assessment of the information included in the business plan

The following metal price sensitivity was included in the NNH consolidated financial statements for the year ended 30 September 2021:

Metal price sensitivity analysis

The Group's results are significantly affected by changes in metal prices and treatment charges (TC). Sensitivities to variations in metal prices and treatment charges are depicted in the following table, which sets out the estimated impact on the Group's full year results and equity (in USD million).

| 2021 Parameter | 12 months period of 2021 average price | Variable | Net result | Equity |
|-------------------|--|-------------------|---------------|---------------|
| Zinc price | \$2,821 | + / - USD 100/t | 21.1 / (21.1) | 21.1 / (21.1) |
| Lead price | \$2,098 | + / - USD 100/t | 3.5 / (3.5) | 3.5 / (3.5) |
| Silver price | \$25.4 | + / - USD 1/toz | 3.7 / (3.7) | 3.7 / (3.7) |
| Gold price | \$1,819 | + / - USD 100/toz | 1.7 / (1.7) | 1.7 / (1.7) |
| Zinc TC | \$202 | + / - USD 10/dmt | 16.0 / (16.0) | 16.0 / (16.0) |
| Lead TC | \$110 | + / - USD 10/dmt | 3.3 / (3.3) | 3.3 / (3.3) |

As can be seen from the table above, the Nyrstar Group is highly sensitive to zinc prices and zinc TC. These sensitivities are similar to those which have historically been published by NNV.

Given the macro assumptions have been confirmed by Moore Corporate Finance NV's industry experts as reasonable except for the zinc treatment as discussed in paragraph 3.2., and given the assessment of the production and financial assumptions above, the business model provided by Trafigura is considered to be appropriate and justifiable. The above-stated sensitivities showing a possible impact of the changes in the macro assumptions are not expected to have a material impact on the outcome of Moore Corporate Finance NV's assessment, also because the stated sensitivities are taken as standalone sensitivities, while in reality the impact of the changes in macros often offset each other (e.g. metal price vs. treatment charges vs. FX rates vs. electricity price). For example, a very significant increase in a zinc price of USD 500/t compared with assumptions used in the business plan for the duration or the business plan (i.e. into perpetuity), would increase the valuation of the 2% share in NN2 by approximately USD 8 million. While such an increase is significant, it would not increase the valuation of the 2% share in NN2 above EUR 20 million and, importantly, it would be offset to some extent or fully by other negative macroeconomic changes that may include weaker USD, higher energy prices or lower TCs.

The above-mentioned production volumes have been assessed by Mr. Simms and Matej and are within historical outcomes for the Operating Group and are not expected to deviate significantly. In the absence of significant growth capital expenditure to overcome current production bottlenecks, it is not possible for production to be increased significantly enough to materially impact the outcome of Moore Corporate Finance NV's expert opinion. It should be noted that the recently announced acquisition of the Stolberg processing plant by Trafigura from Ecobat does not impact the valuation of the 2% share in NN2, as the acquirer of the Stolberg business is a company within the Trafigura group that is not a part of the NN2 group.

3.5 Current performance of the operating group and expected developments

The current performance of the Operating Group was assessed based on the management accounts for March 2022 and May 2022 provided by Trafigura. These management accounts show that the May 2022-to-date EBITDA was only USD 106.9 million compared with the initial budget for the same period of USD 213.6 million and subsequent reforecast of USD 160.0 million. Based on the information by Mr. Söderberg on 21 June 2022, the latest expected EBITDA for the full-year 2022 is less than USD 250 million (compared with the initial budget of USD 393.8 million. The business plan provided by Trafigura still includes a projected 2022 EBITDA of USD 328.3 million. As shown in the table below, in the following years the EBITDA is forecast to growth significantly.

| EBITDA | FY22 | FY23 | FY24 | FY25 | FY26 | FY27 |
|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Auby | 8.2 | 16.9 | 27.9 | 36.1 | 32.3 | 31.8 |
| Balen | 92.8 | 86.8 | 98.0 | 114.6 | 109.0 | 109.4 |
| Budel | 48.4 | 28.9 | 44.2 | 59.3 | 50.8 | 42.2 |
| Hobart | 45.5 | 35.8 | 55.7 | 65.5 | 68.9 | 73.7 |
| Port Pirie | 49.7 | 117.0 | 98.8 | 53.3 | 85.8 | 80.8 |
| Clarksville | 33.9 | 45.8 | 50.7 | 60.3 | 58.7 | 61.6 |
| ETN | 30.4 | 38.5 | 43.2 | 51.2 | 56.7 | 55.7 |
| MTN | 19.3 | 12.8 | 13.2 | 21.8 | 24.9 | 28.3 |
| Group | 328.3 | 382.5 | 431.6 | 462.1 | 487.1 | 483.6 |

As summarised in the table below, over the five years of the business plan, EBITDA and free cash-flow are forecast to increase significantly whilst capex is expected to decrease. The relatively high forecast capex is a result of “catch-up” capex that is needed after the completion of the restructuring (due to reduced investment by NNV in the years leading up to the restructuring due to liquidity constraints).

It is the opinion of Mr. Simms and Mr. Matej that the forecast EBITDA and free cash-flows in the five-year business plan look to be very aggressive and likely overly optimistic based on the historical actual results and will be difficult to achieve despite the expected more stable operations following the forecast capex investments, favourable zinc price and zinc TC environment that are, however, offset by very high energy prices. The forecast EBITDA and forecast free cash-flows do not seem overly conservative, which, if it was the case, would have decreased Moore Corporate Finance NV’s valuation of the Nyrstar operations for the purposes of their Article 7.97 expert report.

| EBITDA (\$'000) | FY22 | FY23 | FY24 | FY25 | FY26 | FY27 |
|-----------------|-------|-------|-------|-------|-------|-------|
| Auby | 8.2 | 16.9 | 27.9 | 36.1 | 32.3 | 31.8 |
| Balen | 92.8 | 86.8 | 98.0 | 114.6 | 109.0 | 109.4 |
| Budel | 48.4 | 28.9 | 44.2 | 59.3 | 50.8 | 42.2 |
| Hobart | 45.5 | 35.8 | 55.7 | 65.5 | 68.9 | 73.7 |
| Port Pirie | 49.7 | 117.0 | 98.8 | 53.3 | 85.8 | 80.8 |
| Clarksville | 33.9 | 45.8 | 50.7 | 60.3 | 58.7 | 61.6 |
| ETN | 30.4 | 38.5 | 43.2 | 51.2 | 56.7 | 55.7 |
| MTN | 19.3 | 12.8 | 13.2 | 21.8 | 24.9 | 28.3 |
| Group | 328.3 | 382.5 | 431.6 | 462.1 | 487.1 | 483.6 |

| CAPEX (\$'000) | FY22 | FY23 | FY24 | FY25 | FY26 | FY27 |
|----------------|--------|--------|--------|--------|--------|--------|
| Auby | -28.4 | -32.4 | -22.3 | -20.3 | -14.3 | -14.4 |
| Balen | -49.4 | -49.4 | -41.8 | -37.2 | -24.0 | -24.0 |
| Budel | -28.3 | -27.5 | -41.9 | -36.7 | -29.3 | -28.8 |
| Hobart | -40.6 | -37.5 | -31.8 | -31.8 | -33.2 | -32.8 |
| Port Pirie | -35.0 | -37.6 | -38.6 | -46.8 | -39.0 | -39.0 |
| Clarksville | -46.3 | -31.0 | -26.0 | -17.0 | -18.0 | -18.0 |
| ETN | -24.9 | -21.3 | -21.9 | -24.7 | -18.0 | -17.5 |
| MTN | -17.5 | -16.9 | -17.4 | -17.5 | -17.8 | -14.8 |
| Group | -270.4 | -253.6 | -241.9 | -232.1 | -193.5 | -189.3 |

| FCF (Nominal/undiscounted) (\$'000) | FY22 | FY23 | FY24 | FY25 | FY26 | FY27 |
|-------------------------------------|-------|-------|-------|-------|-------|-------|
| Auby | -27.5 | -22.7 | -1.7 | 8.5 | 10.7 | 9.8 |
| Balen | 27.7 | 22.9 | 40.5 | 59.7 | 68.4 | 65.1 |
| Budel | 8.0 | -9.7 | -8.9 | 9.5 | 9.7 | 2.4 |
| Hobart | -5.5 | -11.0 | 12.6 | 21.2 | 23.0 | 28.1 |
| Port Pirie | 0.1 | 57.2 | 40.9 | -8.3 | 29.7 | 24.9 |
| Clarksville | -15.5 | 10.1 | 19.5 | 36.9 | 33.1 | 35.6 |
| ETN | 2.3 | 12.6 | 16.4 | 20.7 | 28.7 | 29.3 |
| MTN | -1.2 | -4.9 | -4.5 | 2.5 | 5.3 | 11.6 |
| Group | -11.5 | 54.5 | 114.9 | 150.8 | 208.5 | 206.6 |

The Company understands that the Nyrstar operating group's main focus going forward is to further stabilise the operations and focus on:

- Further improvements and stabilisation of operations at Port Pirie with the focus moving from the TSL to the blast furnace;
- The completion of a AUD 400 million investment to rebuild the Hobart cellhouse; and
- Management of the very high electricity prices, especially at the European zinc smelters.

The successful completion of these focus areas will not materially increase the profitability beyond what has been included already in the business plan. It has been confirmed in discussions with Mr. Söderberg that the investment to the Hobart smelter cellhouse is to improve operational stability and reliability, rather than to increase its profitability.

4. Comparison of Moore Corporate Finance NV's valuation with the in-house 2019 valuation of the Operating Group

In 2019 management of the Company prepared its own valuation of the 2% investment in NN2 and has recognised the value of the investment of EUR 15.4 million on Company's balance sheet. In this assessment, management also considered the outcome of the detailed independent valuation performed by Duff & Phelps that valued the investment at EUR 15.0 million. Given the very detailed nature of the 2019 Duff & Phelps valuation that considered individual balance sheets of all subsidiaries, the comparison with this valuation and the valuation prepared by Moore Corporate Finance NV in 2022 is impossible. The comparison of the valuation prepared by Moore Corporate Finance NV and the 2019 in-house valuation is also very difficult for various reasons. These reasons include the fact that the valuations are prepared in a different format; and the information provided by Trafigura was structured differently to the information available in 2019 (e.g., the corporate costs in 2019 have been separated while the corporate costs have been allocated to individual sites in the information provided by Trafigura). Furthermore, the working capital was separately added to the 2019 in-house valuation with the deferred income, representing prepayment for future deliveries of market metal, included as a part of net debt. Moore Corporate Finance NV's valuation does not separately add initial working capital adjustments based on their valuation methodology.

A further difference between the 2019 in-house valuation of the operating group and that conducted by Moore Corporate Finance NV is the impact of foreign exchange rates as the USD weakened between 2019 and 2022 from approximate USD/EUR 1.15 in September 2019 to approximately USD/EUR 1.0713 in June 2022 as used by Moore Corporate Finance NV.

Additionally, the 2019 in-house valuation includes mining assets that have been disposed by NN2 in 2020, namely the Myra Falls and Langlois mines, together with respective legacy environmental obligations of the closed mining sites. However, it is noted that the valuation of these assets together with the mining corporate costs assumed in 2019 was only EUR 1.8 million (2% share being EUR 0.04 million). As such, the absence of these mining assets from the valuation results is de minimis to the final valuation outcome. The table below shows numbers in EUR millions:

| | 100% | 2% |
|--------------------------|-------------|-------------|
| Langlois | -11.50 | -0.23 |
| Myra Falls | 106.40 | 2.13 |
| Legacy sites obligations | -29.00 | -0.58 |
| Mining corporate costs | -64.10 | -1.28 |
| Total | 1.80 | 0.04 |

When comparing net debt of NNH Group between 2019 and the 2022 valuations, applying the FX rate of 1.1642 from September 2021 (the latest year end of the Operating Group) results in a decrease of net debt from 2019 to 2022 by EUR 173.9 million (2% share of EUR 3.5 million).

| | \$m | | €m | | €m | | €m |
|--------------------------|-----------------|----------------------|-----------------|--|-----------------|--|--------------|
| | 2021 | FX rate (30/9/21) | 2021 | | 2019 | | Dif |
| Adjusted net debt | -1'599.0 | 1.1642 | -1'373.5 | | -1'547.4 | | 173.9 |

However, when applying the current FX rate of 1.00, the net debt increases by EUR 51.6 million (2% share of EUR 1.0 million)

| | \$m | | €m | | €m | | €m |
|--------------------------|-----------------|----------------------|-----------------|--|-----------------|--|--------------|
| | 2021 | FX rate (30/9/21) | 2021 | | 2019 | | Dif |
| Adjusted net debt | -1'599.0 | 1.0000 | -1'599.0 | | -1'547.4 | | -51.6 |

Additionally, Moore Corporate Finance NV has estimated in their report additional increase in the net debt from 30 September 2021 to their valuation cut-off date of 31 May 2022 by USD 123 million further decreasing the valuation of the Operating Group in 2022.

The Company notes that it has also compared the valuations of the 2% investment in NN2 produced by Moore Corporate Finance NV and the 2019 in-house valuation of the operating group against the market capitalisation of the listed Company on the Euronext Brussels in the five-year period up to the completion of the restructuring on 31 July 2019 (see graph below from Bloomberg). During this five-year period, the market capitalisation of the Company varied greatly and ranged between EUR 20m and EUR 1.32 billion with an average of EUR 606 million. This implies a market valuation of a 2% stake during this period of between EUR 0.4 million and EUR 26.4 million with an average of EUR 12 million.



5. Valuation of the operating group in the statutory financial statements of NN2

NN2 publishes publicly its unconsolidated statutory financial statements prepared under the UK GAAP. The latest annual financial statements of NN2 (the 30 September 2021 financial statements) were published on 1 June 2022. Refer to Appendix C of this memo for a copy of these financial statements. The main asset in these financial statements is the investment in the Operating Group valued at a historical cost of USD 523.9 million that was subject to impairment testing at 30 September 2021. Extrapolating the 98% value of the USD 523.9 million investment in NNH to Nyrstar NV's 2% investment, the 2% would be valued at USD 10.7 million.

Mr. Matej has confirmed with Trafigura that the valuation methodology for the NN2 impairment test is generally consistent with the methodology adopted by Moore Corporate Finance NV in its valuation, with the exception of the working capital. NN2's valuation includes an adjustment for the existing (opening) working capital while Moore Corporate Finance NV's valuation does not make such initial working capital adjustment. However, when including to the net working capital inventories, receivables, payables and deferred income (prepayments for the physical deliveries of products), the net working capital balance at the date of the preparation of the NN2 accounts is only USD 21 million, which does not significantly add to the recoverable value.

Overall, while the valuation prepared by Trafigura for their impairment testing of the NN2's investment in NNH is higher than the valuation prepared by Moore Corporate Finance NV, they are both resulting in a valuation that is significantly lower than the EUR 20 million strike price of the Put Option.

6. Work done by Moore Corporate Finance NV

Moore Corporate Finance NV has performed various steps to get comfortable with the reasonableness and robustness of the information provided by Trafigura/NN2. More detail will be included in Moore Corporate Finance NV's report. However, in brief Moore Corporate Finance NV has:

- Reviewed the provided information in detail and prepared their questions to the management of NNH and NNV;
- Held a call with Mr. Söderberg (CFO of NNH) to discuss their questions in detail;
- Raised multiple follow up questions to Mr. Söderberg via Mr. Simms and Mr. Matej and received responses for these questions;
- Been provided by the Company with historical financial and operational information of NNV and have compared this information with the data provided by Trafigura; and
- Engaged Moore Corporate Finance NV's industry experts based in Australia to review the macroeconomic inputs included within the business plan provided by Trafigura. The industry experts have also attended the call with Mr. Söderberg and have asked questions at that call of Mr. Soderberg and Mr. Simms and Mr. Matej.

7. Actions taken to sell shares representing 2% in NN2

The Company included a statement within its press release dated 18 November 2021, stating that the Committee of Independent Directors would also duly consider any substantiated third party bids, including of the Company's shareholders other than Trafigura and/or of other stakeholders and third parties, that it may receive in respect of the 2% shareholding in NN2. It was stated within this press release that any such bids for the 2% shareholding in NN2 should be addressed to the Company prior to 15 February 2022. As was stated by the Company in its Annual Report for 2021 which was published on 13 April 2022, its press release dated 27 May 2022 and in the Q&A session of the 28 June 2022 AGM, there have been no bids received by the Company for the 2% stake in NN2. It is also the case that, as at the date of this memorandum, there have been no bids received for the 2% stake in NN2.

In addition to inviting third party bids for the 2% shareholding in NN2 via its regulatory press release dated 18 November 2021, the Company has also sought informal advice from external parties as to the potential for third parties to make an offer at a price greater than EUR 20 million (i.e. the Put Option value). Moore Corporate Finance NV have noted in their expert opinion that it is unlikely that such an offer would be forthcoming. Furthermore, Mr. Simms has spoken informally with some of his metals & mining focussed investment banks contacts in London (including BMO and DB) and

they have unanimously advised that it is extremely unlikely that a superior offer would be received for the 2% stake in NN2. The various investment banks approached all advised that a formal opinion could not be provided by them as to the potential to receive proceeds for the 2% stake in NN2 without first conducting a formal market sounding exercise. Such a market sounding by an investment bank would be at a cost to the Company which would clearly be disproportionate to the likely benefit.

8. Liquidity consequence if the Company does not exercise the Put Option

Moore Corporate Finance NV has in its report addressed the consequences of the Company not exercising the Put Option on the liquidity of the Company. Their assessment was based on Company's cash flow forecast that shows that the Company would face liquidity constraints from April 2023 if it would not exercise the put option or alternatively would not sell the 2% investment in NN2 but would rather keep owning the investment in expectation of future dividends or a future sale for more than EUR 20 million. Moore Corporate Finance NV stated in its report that they concur with management's view that the Company would only be able to cover its ongoing operating costs until April 2023. Beyond this date, the Company would be prohibited from further drawing on the unused portion of the LRLF and would become insolvent. Company's cash flow forecast is attached as Appendix D to this memo.

9. Conclusion

Based on the internal review of the Company that compliments the work done by Moore Corporate Finance NV, both Mr. Simms and Mr. Matej of the Company are of the view that the information provided by Trafigura in the business plan provides reasonable and sufficiently robust information with regards to the expected production, profitability and expected cash flows of the Nyrstar Operating Group. The information contained in the business plan is considered to be a reliable information source for Moore Corporate Finance NV on which it can base its Article 7:97 expert review and opinion for the Committee of Independent Directors.

Appendix A: Information provided by Trafigura

[see separate document]

Appendix B: Business plan of the operating group provided by Trafigura

[see separate document]

Appendix C: Statutory financial statements of NN2

[see separate document]

Appendix D: Assessment of liquidity if the Put Option is not exercised

[see separate document]