

## Keeping up with Demand

# China's increasing importance in the global Zinc market

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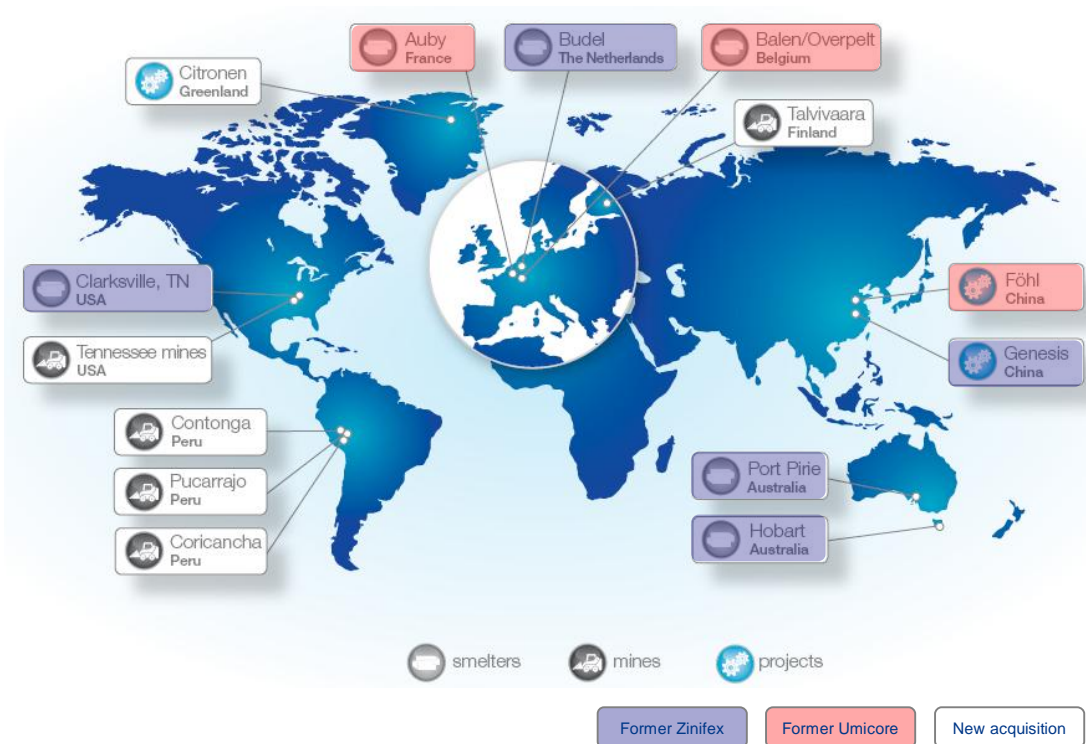


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# About Nyrstar

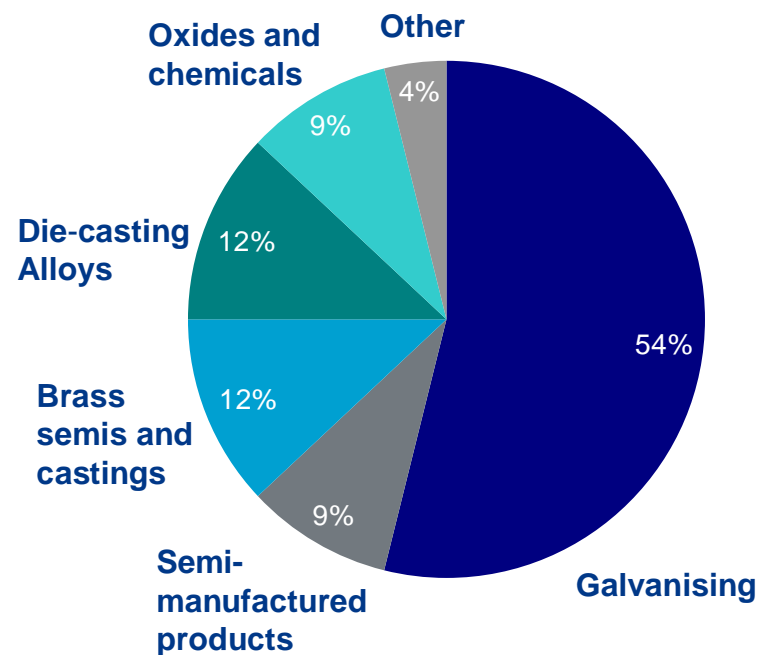
- | Nyrstar is a leading global multi-metals business, producing significant quantities of zinc and lead as well as other products (including silver, gold and copper)
- | **World's largest zinc producer**
  - | 1.1 million tpa zinc metal
  - | 260,000 tpa zinc in concentrate \*
- | **Major lead producer**
  - | 240,000 tpa lead metal
  - | 10,000 tpa lead in concentrate \*
- | **Other products**
  - | 17.5 million troy ounces silver \*\*
  - | 60,000 troy ounces gold \*\*



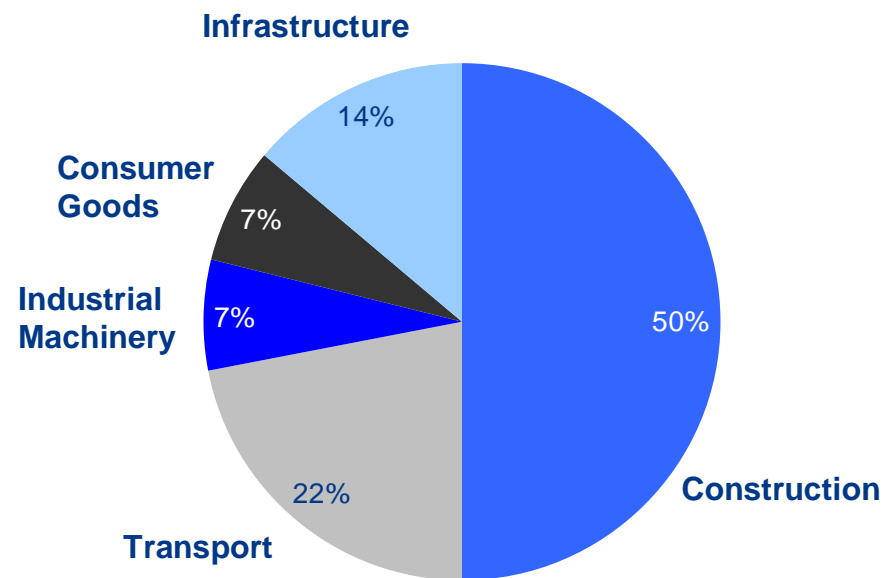


# Think zinc: main first and end use markets

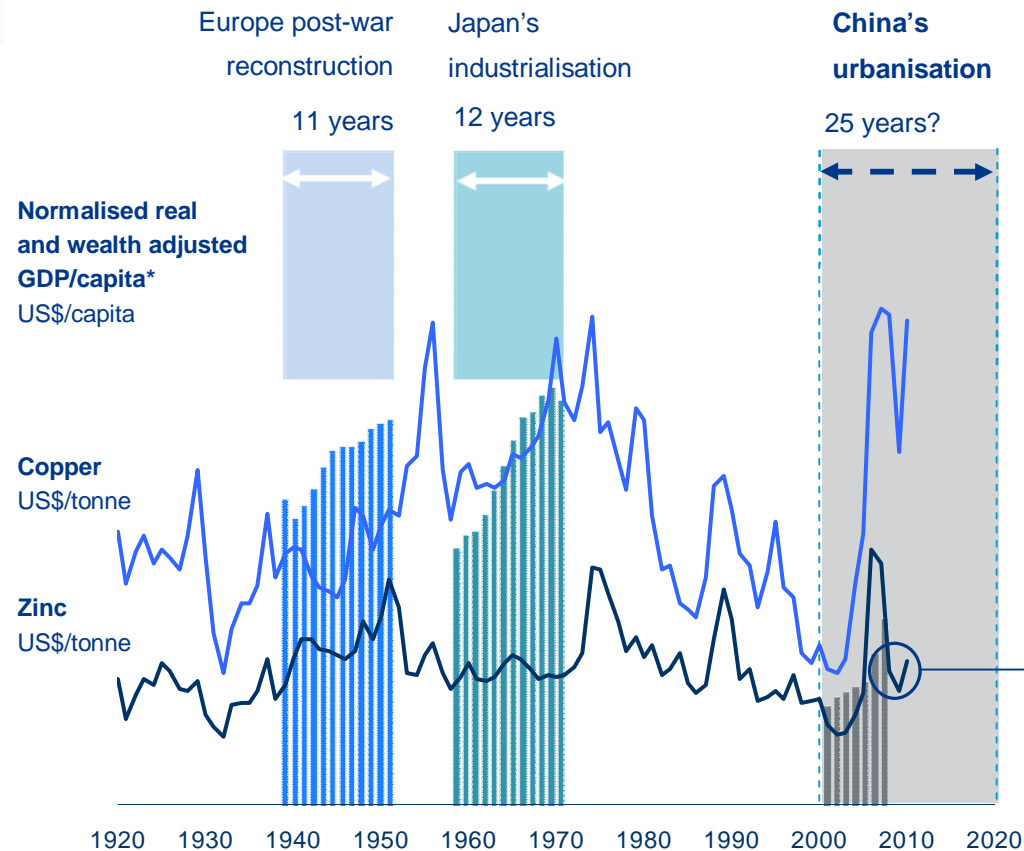
Zinc consumption by first use



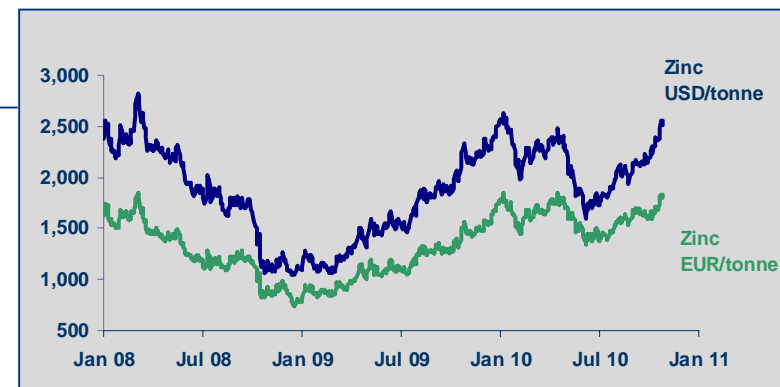
Zinc consumption by end use



# Economic growth driving demand

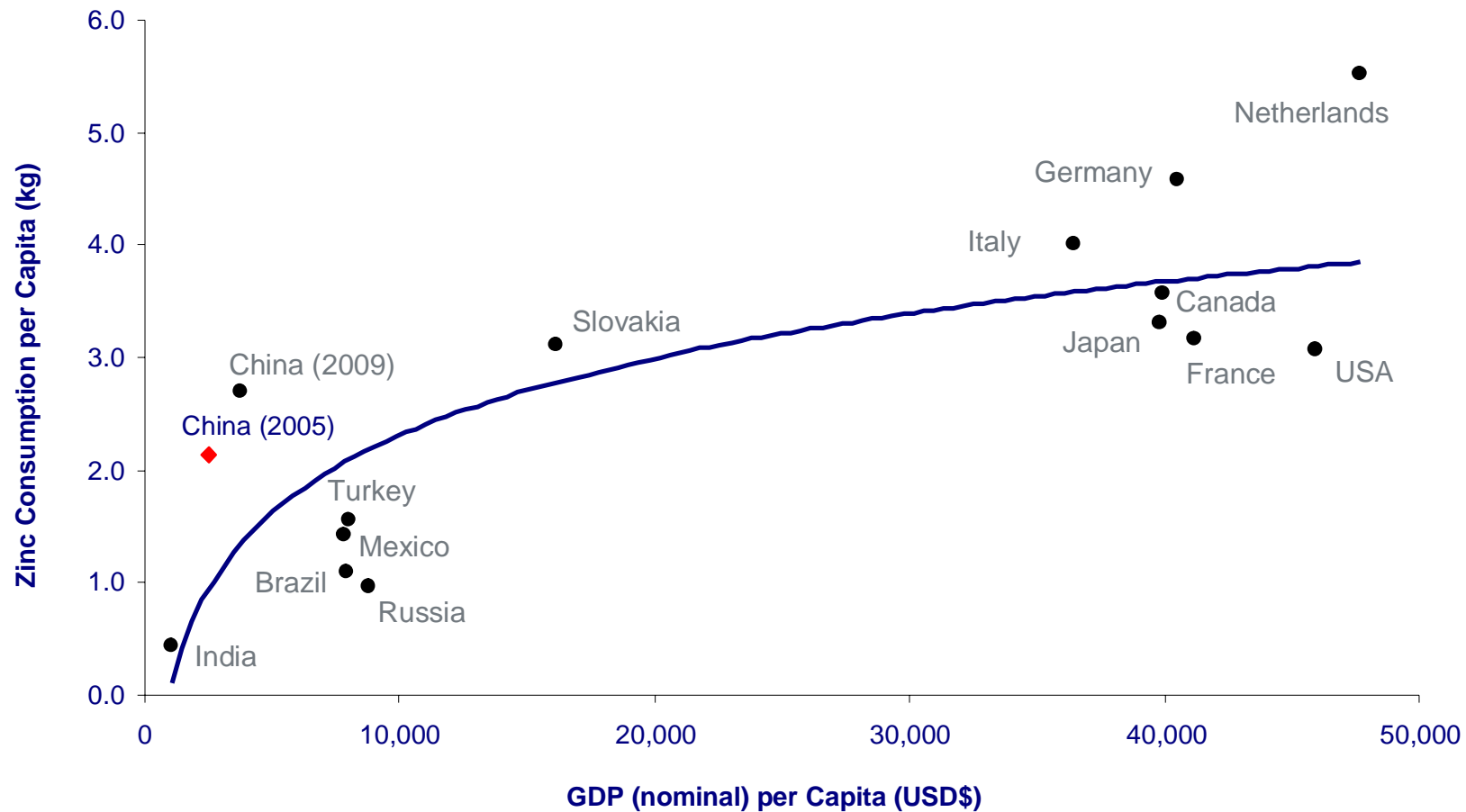


- China's GDP per capita is still only \$3500, less than 10% of US or Europe
- 54% of China's 1.3 billion people still live in rural areas (64% in 2000, 74% in 1990)
- With vast investment still required for urbanisation, sustained long-term demand growth for zinc and other commodities is expected



# Per capita zinc consumption

Relationship between first use zinc consumption and GDP per capita (2009)



# China's Urbanisation: unprecedented scale and speed

## *Future Trends*

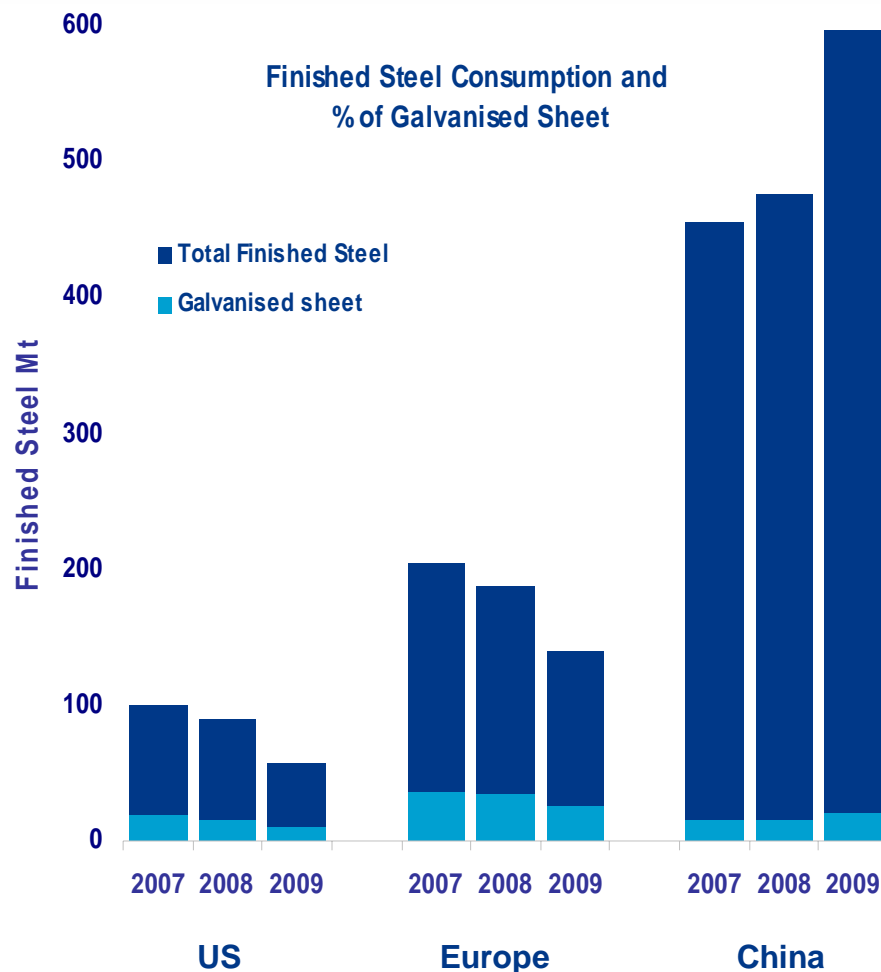
- From 2005-2025, Chinese cities will add more than 350M people...  
...more than the entire population of the USA today
- There will be more than 200 cities in China with over 1M inhabitants...  
...Europe today has only 35 cities with over 1M people
- China will build up to 50,000 new skyscrapers...  
...equivalent to building New York City ten times over
- There are plans for up to 170 new mass transit systems...  
...Europe today has only 70 mass transit systems
- **By 2025, two-thirds of people in China will live in cities...**  
**...which in round numbers means one billion people**

## *Recent Developments*

- By the end of 2009 the urbanization rate reached 46%, with 50% expected to live in cities by 2015
- In Q2 2010 China overtook Japan as the world's second-biggest economy

Recent **cyclical** downturn should not distract from **structural** trends driving metals demand

# Increased Galvanisation will drive demand

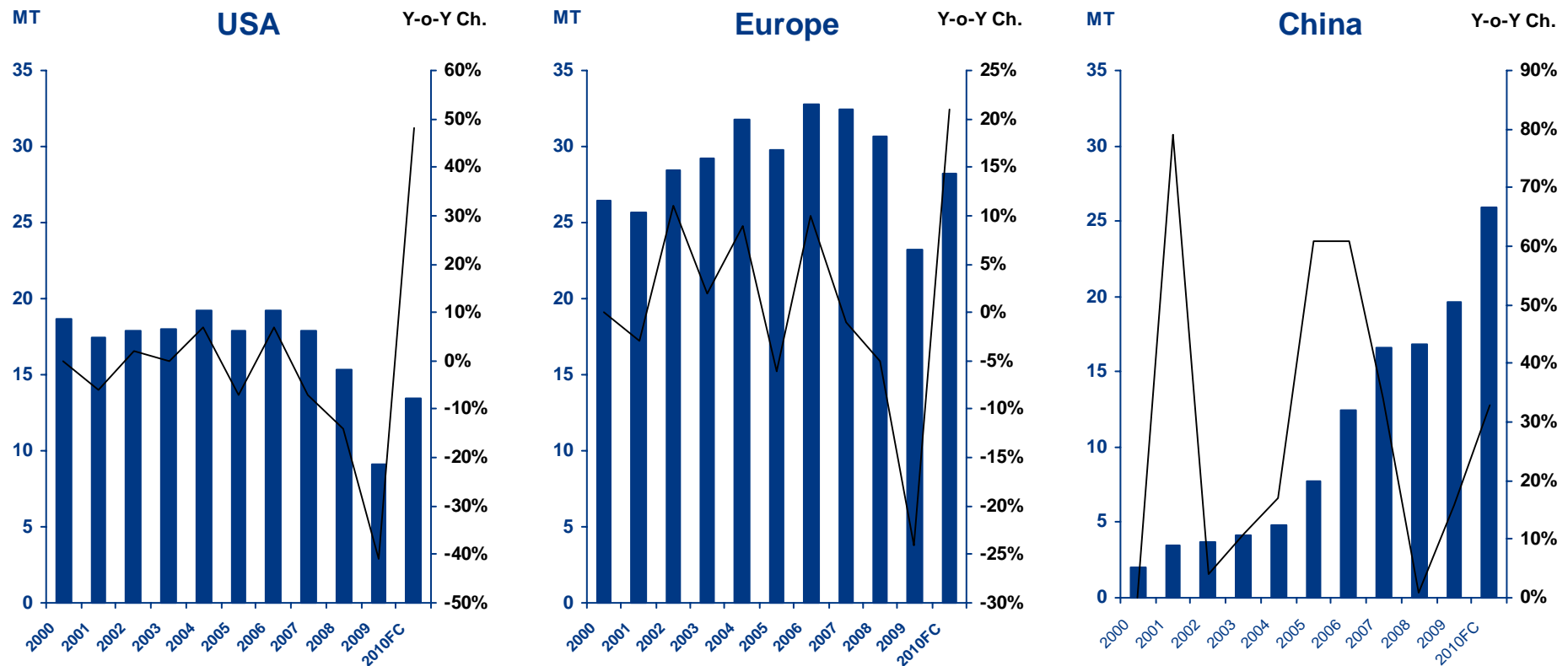


- Only **3%** of China's steel consumption is in galvanised sheet form (18% in Europe & US)
- As China's urbanisation progresses:
  - Steel demand will continue to grow
  - Steel product mix will shift
  - Increase in galvanized flat products
- If China consumed a similar ratio of galvanized to finished steel as Europe and US, it would require an **additional 5mln mt of zinc**

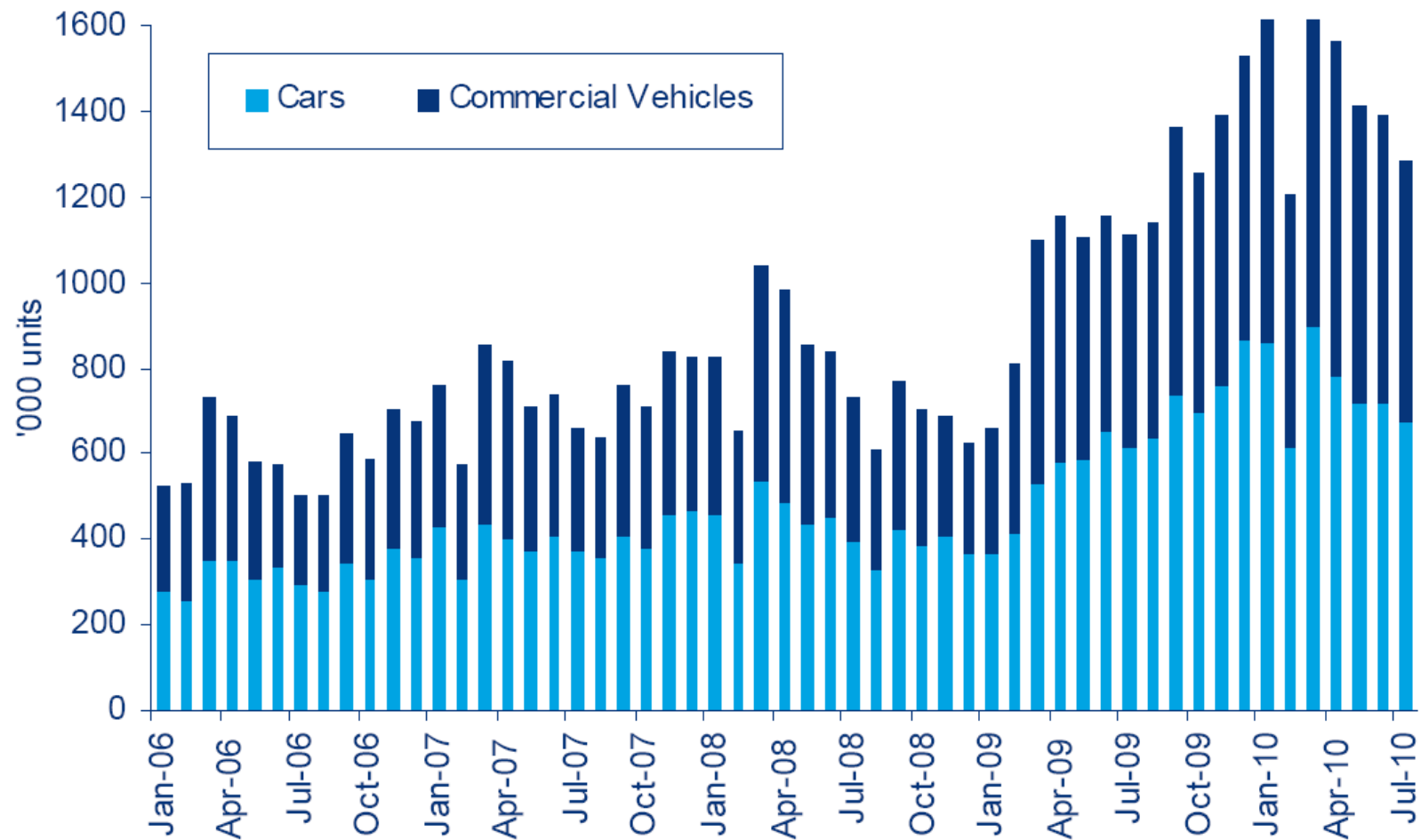


# Galvanised production strengthening in China

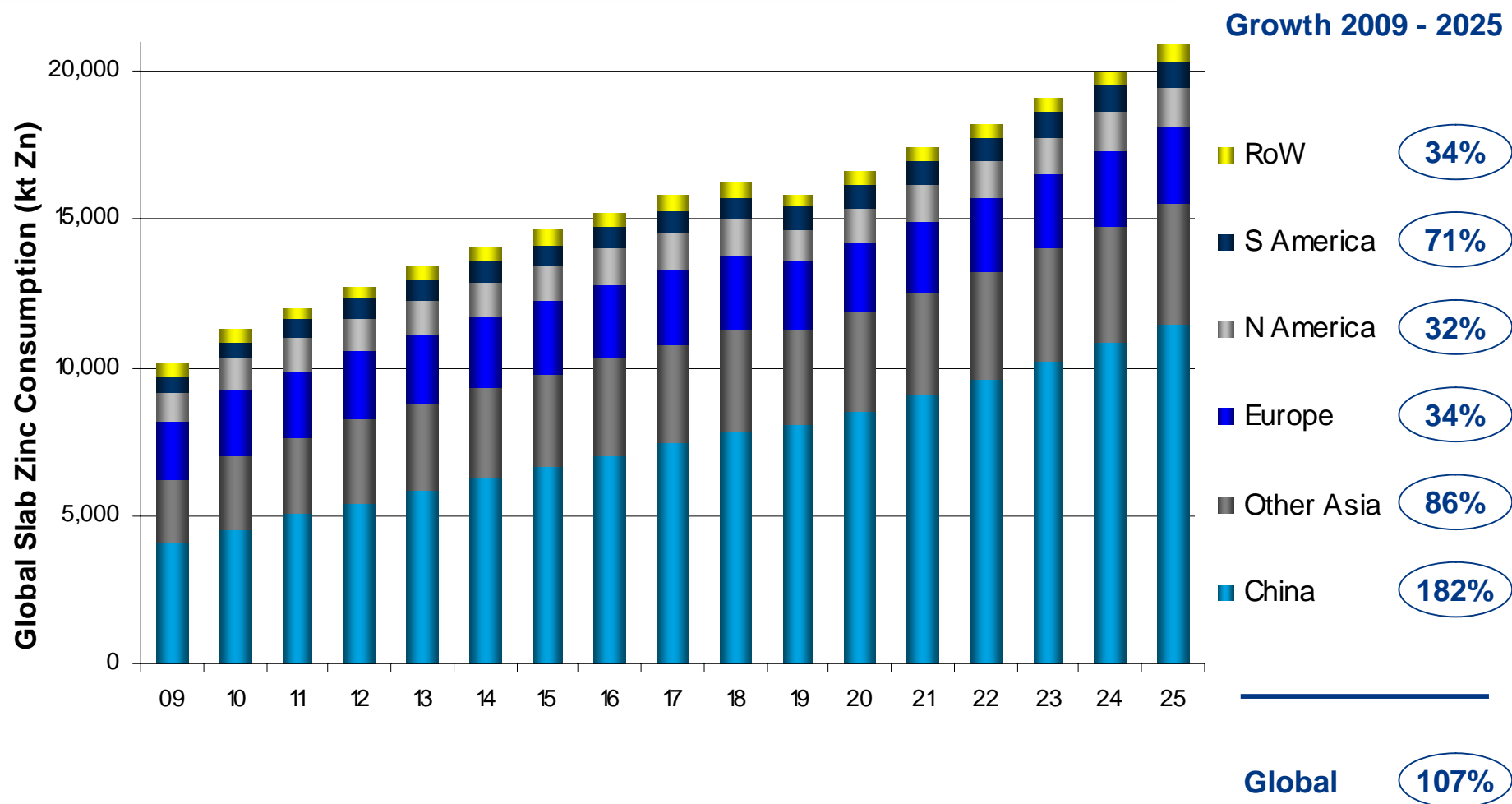
## Galvanised Steel Production 2000-2010 (million tonnes)



# Automobile production is a key growth area

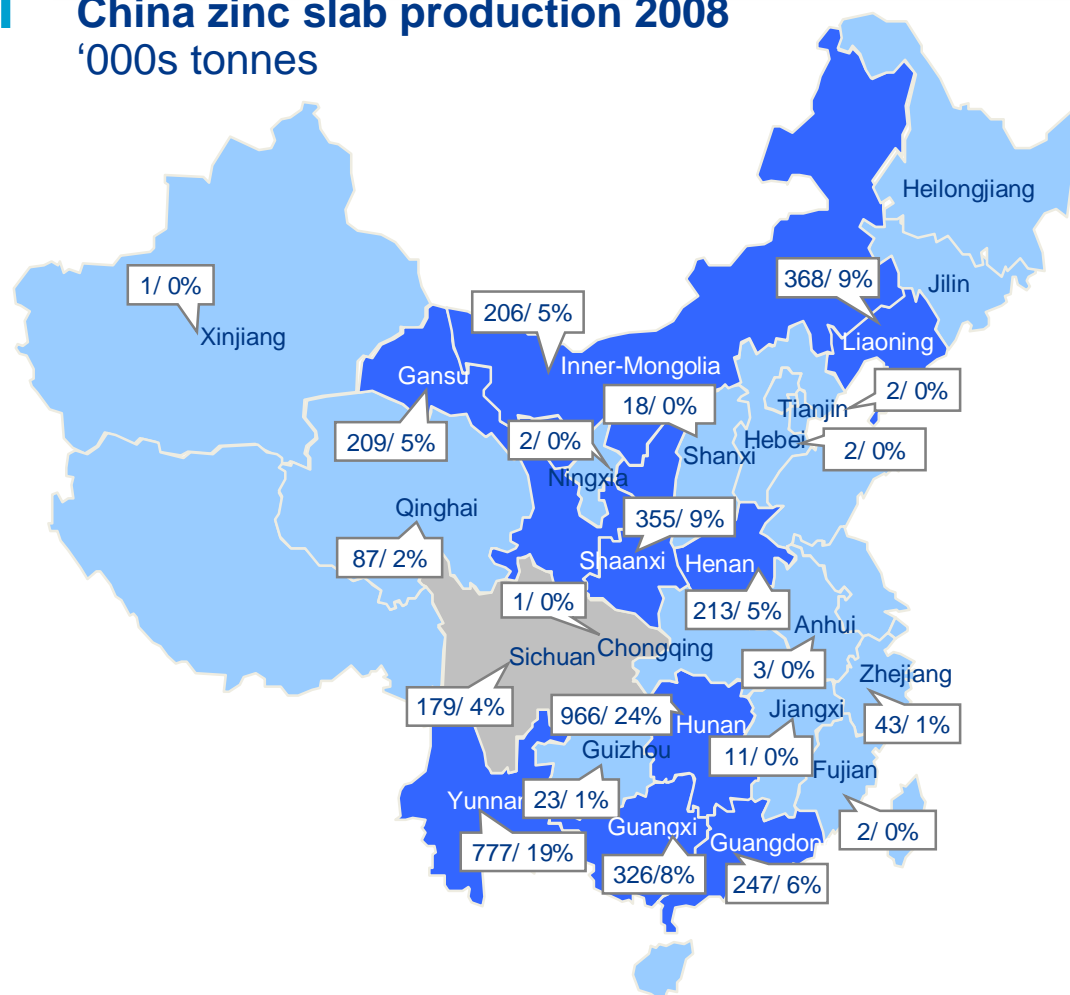


# China driving global zinc consumption growth

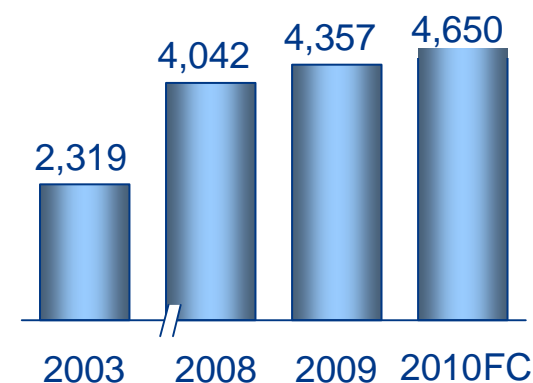


# Chinese zinc metal production unlikely to meet demand

## China zinc slab production 2008 '000s tonnes



## China domestic zinc slab production (2003-09) '000s tonnes

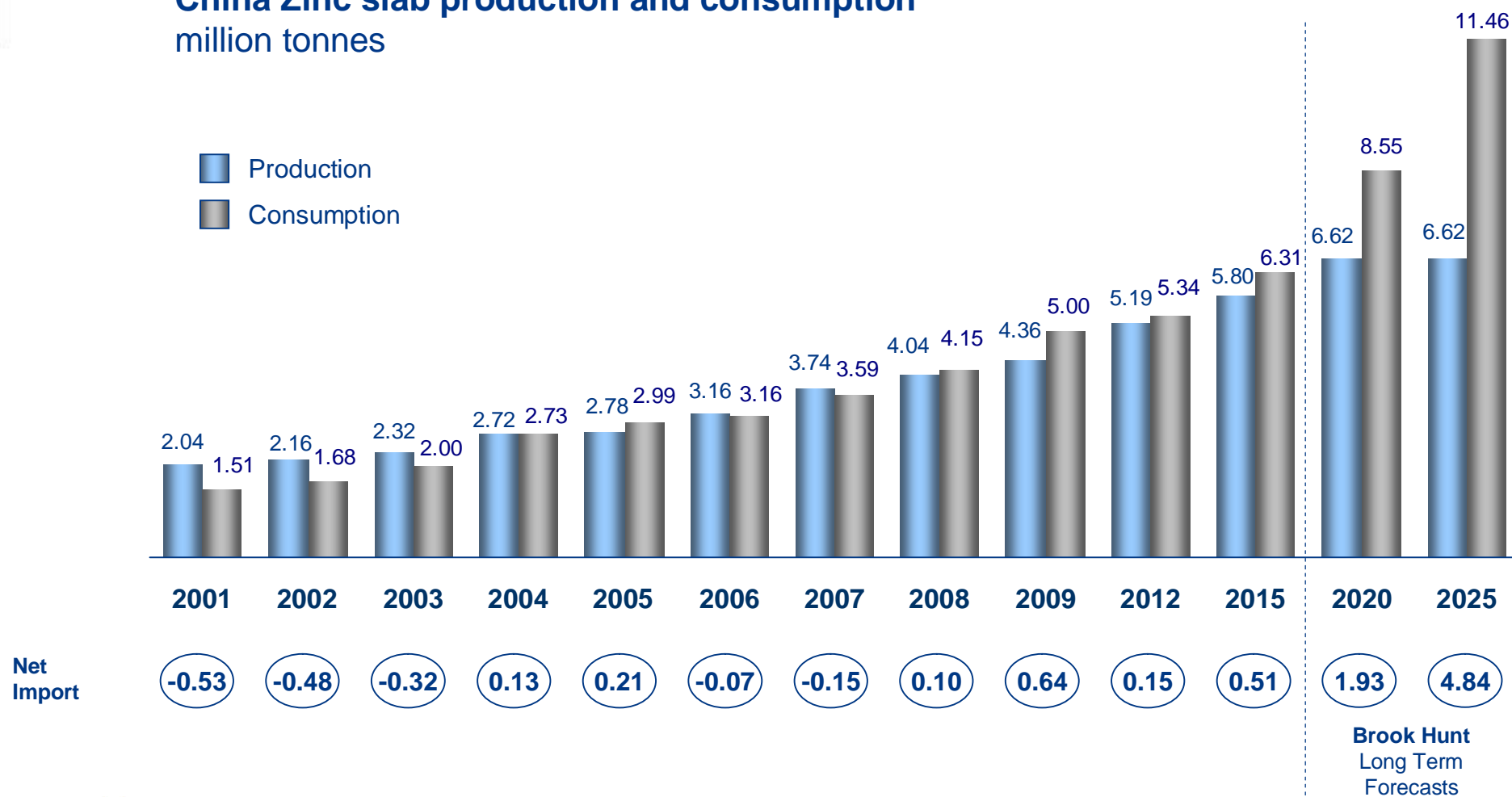


China domestic zinc slab production increased of 11.09% 2003-2009 CAGR



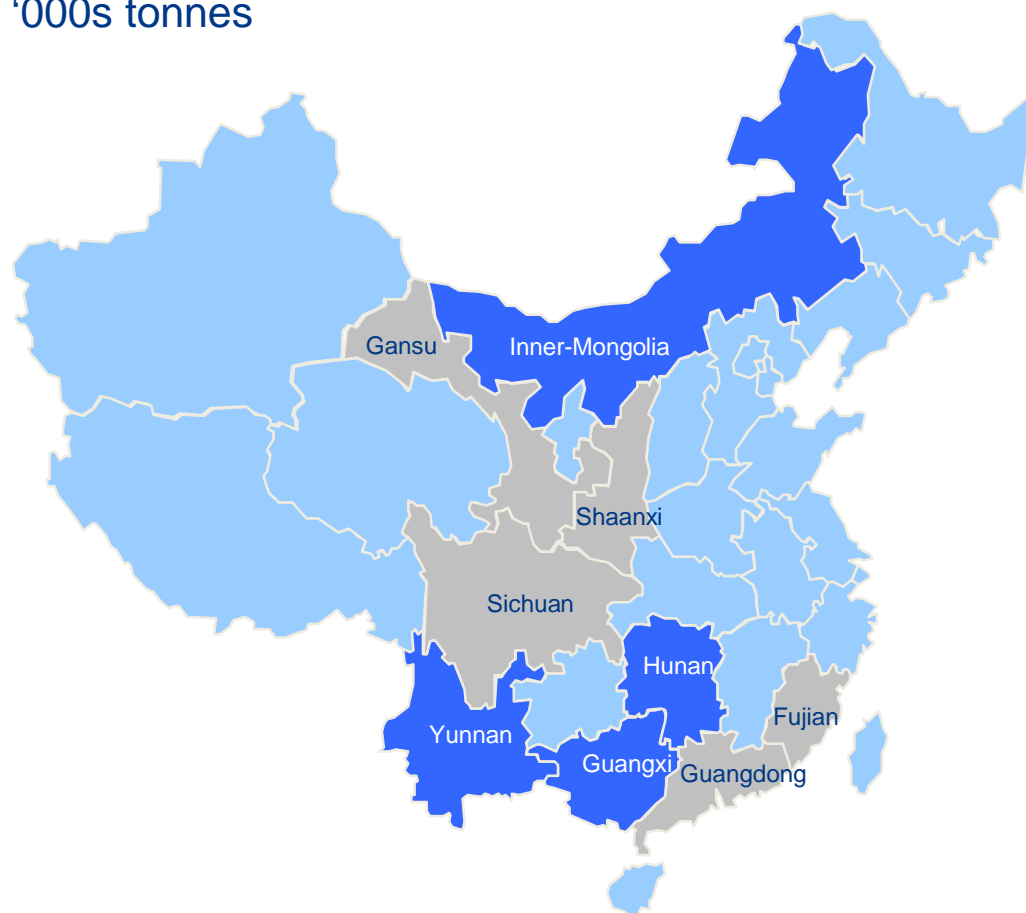
# China to remain a net importer of Zinc Metal

## China Zinc slab production and consumption million tonnes

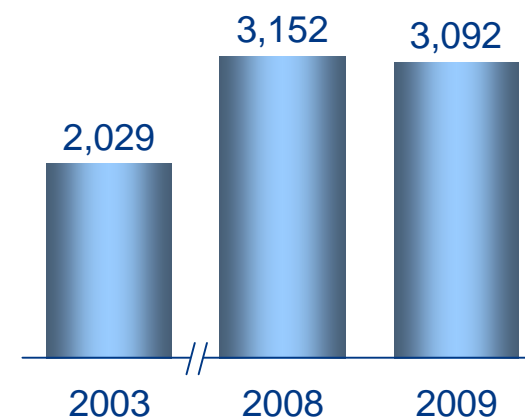


# Mining output has only slowly increased...

**China zinc in concentrate production by province – 2008**  
'000s tonnes



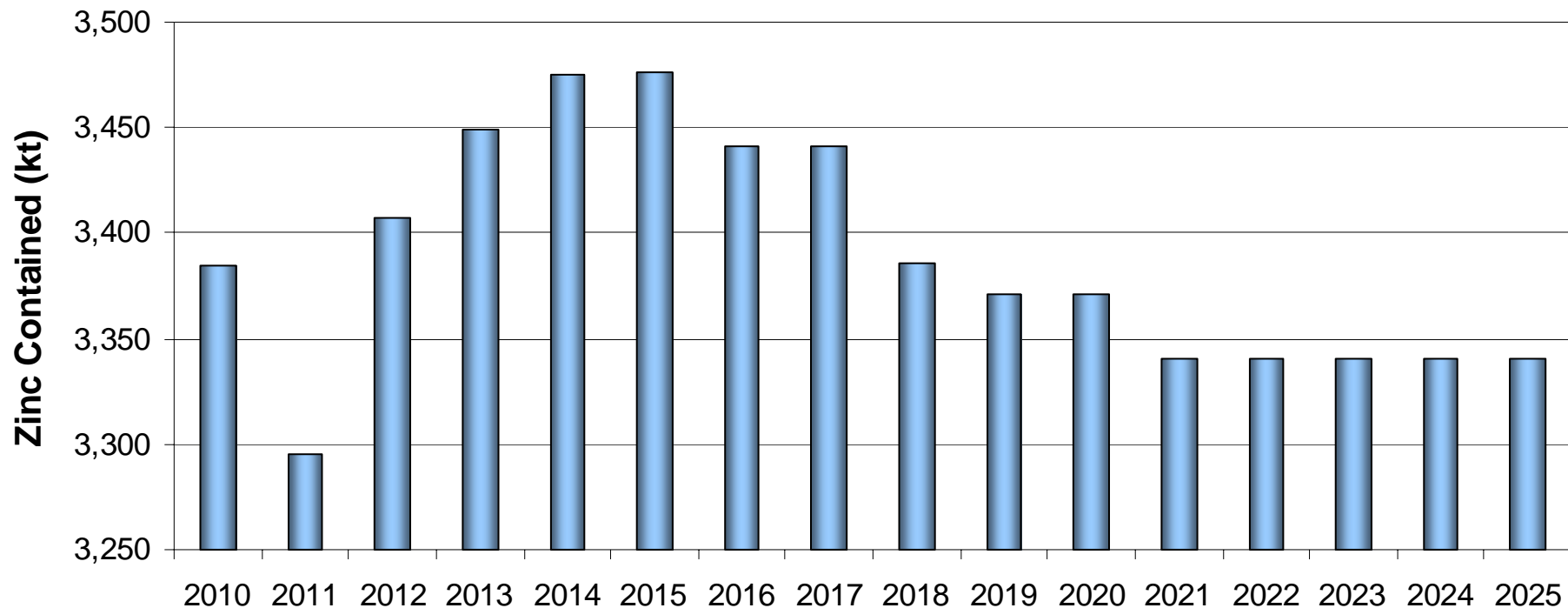
**China domestic zinc contained production (2003-09)**  
'000s tonnes



Recent domestic zinc ore discoveries in Yunnan (production capacity of 140 kt/annum) and Jiangxi (85 kt/annum).

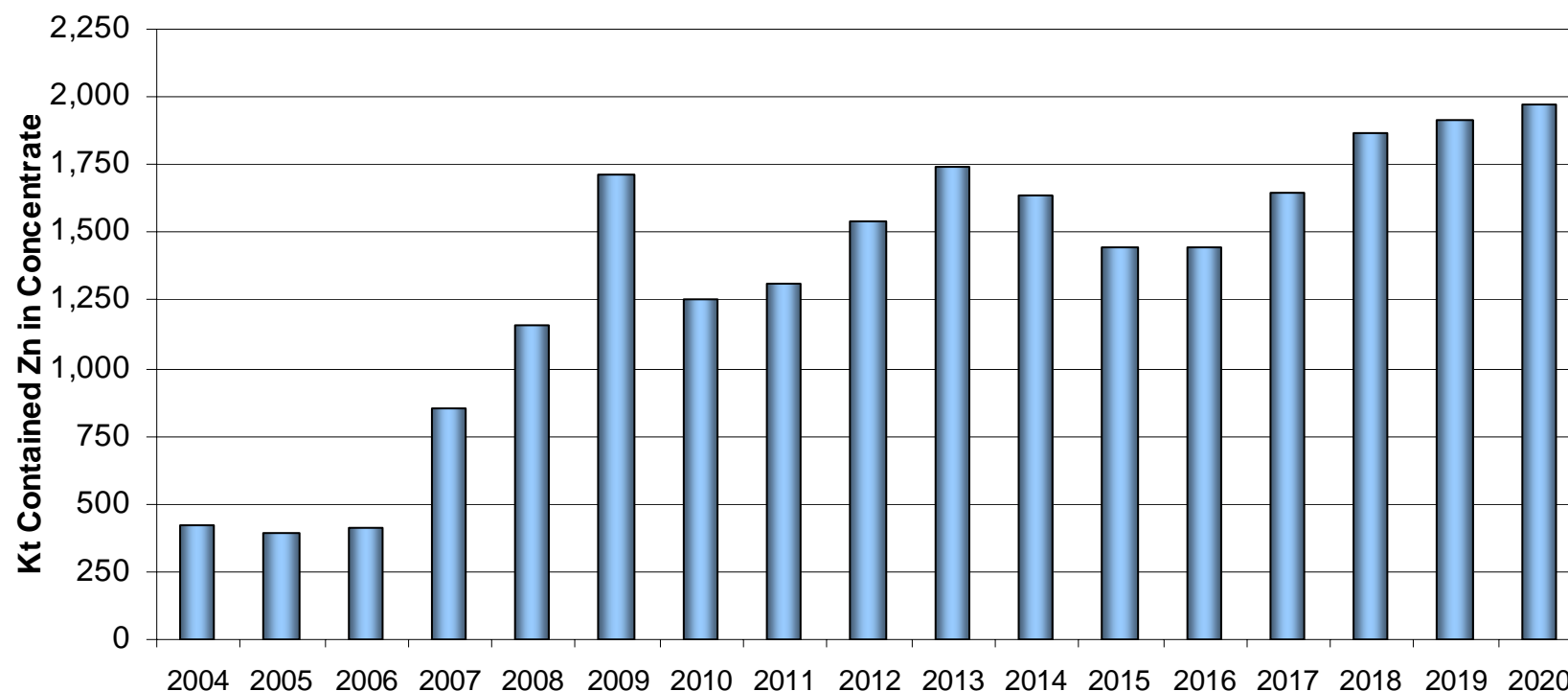
...and is forecast to decline over the medium term

### China domestic zinc contained mine production (2010-2025)



# Growth in **zinc concentrate exports** from developed to emerging markets (predominantly China)

## Net trade in zinc concentrates with Emerging Markets (2004 – 2020)

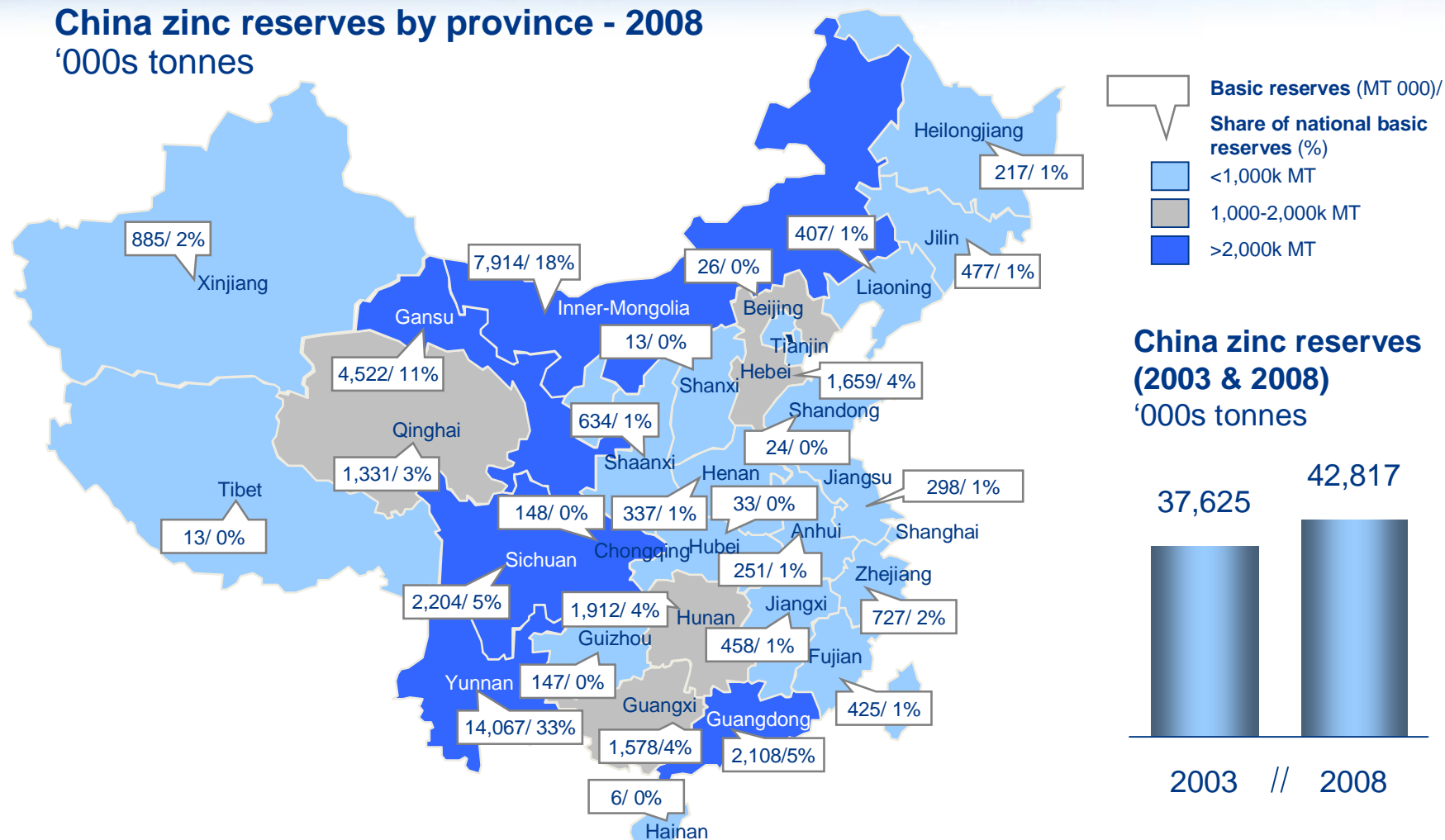




# China maintains substantial reserves

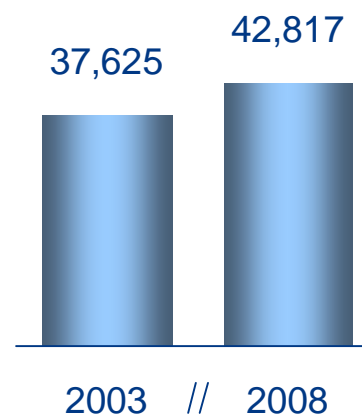
## China zinc reserves by province - 2008

'000s tonnes



## China zinc reserves (2003 & 2008)

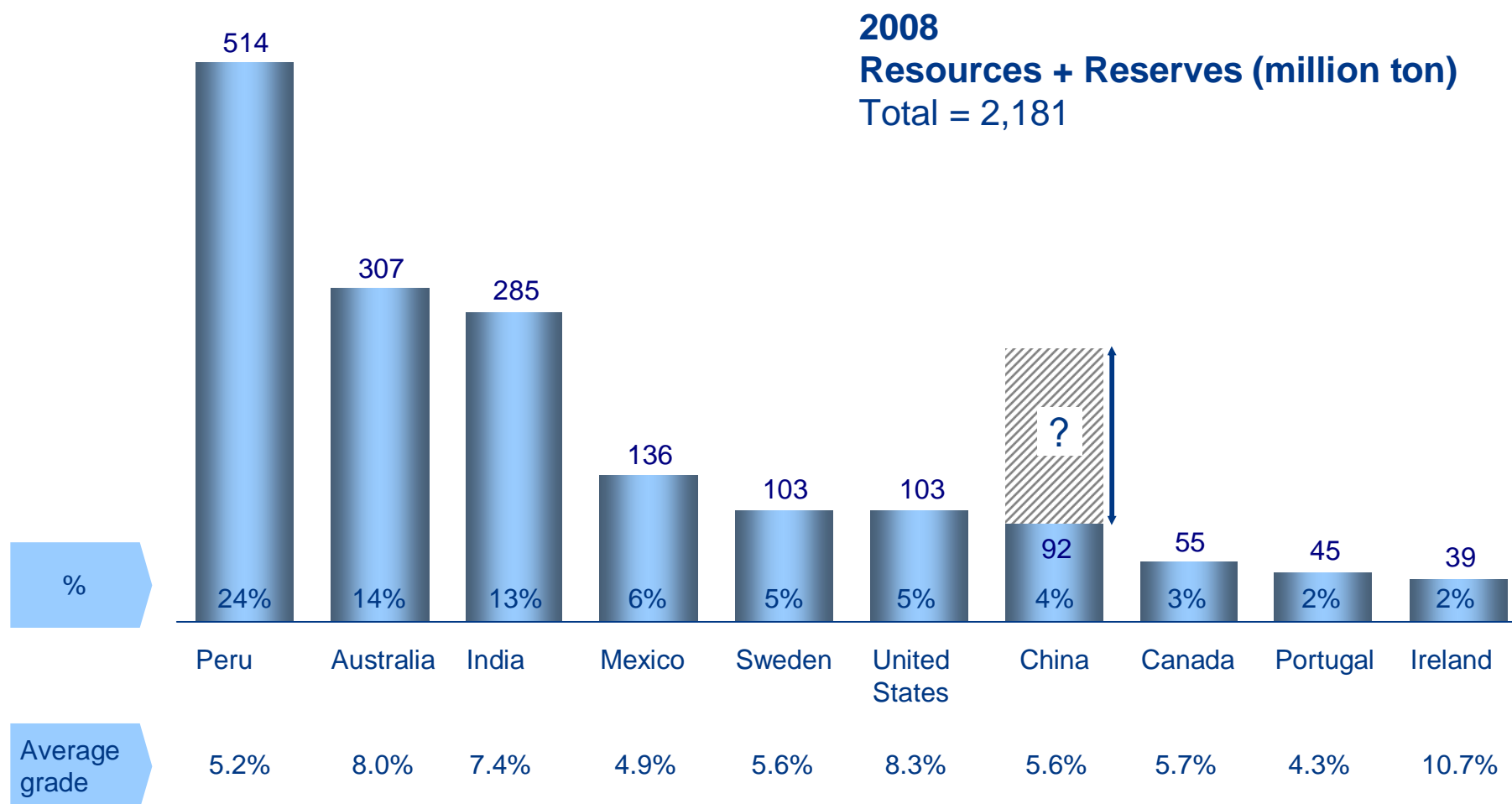
'000s tonnes



# Chinese miners securing resources overseas

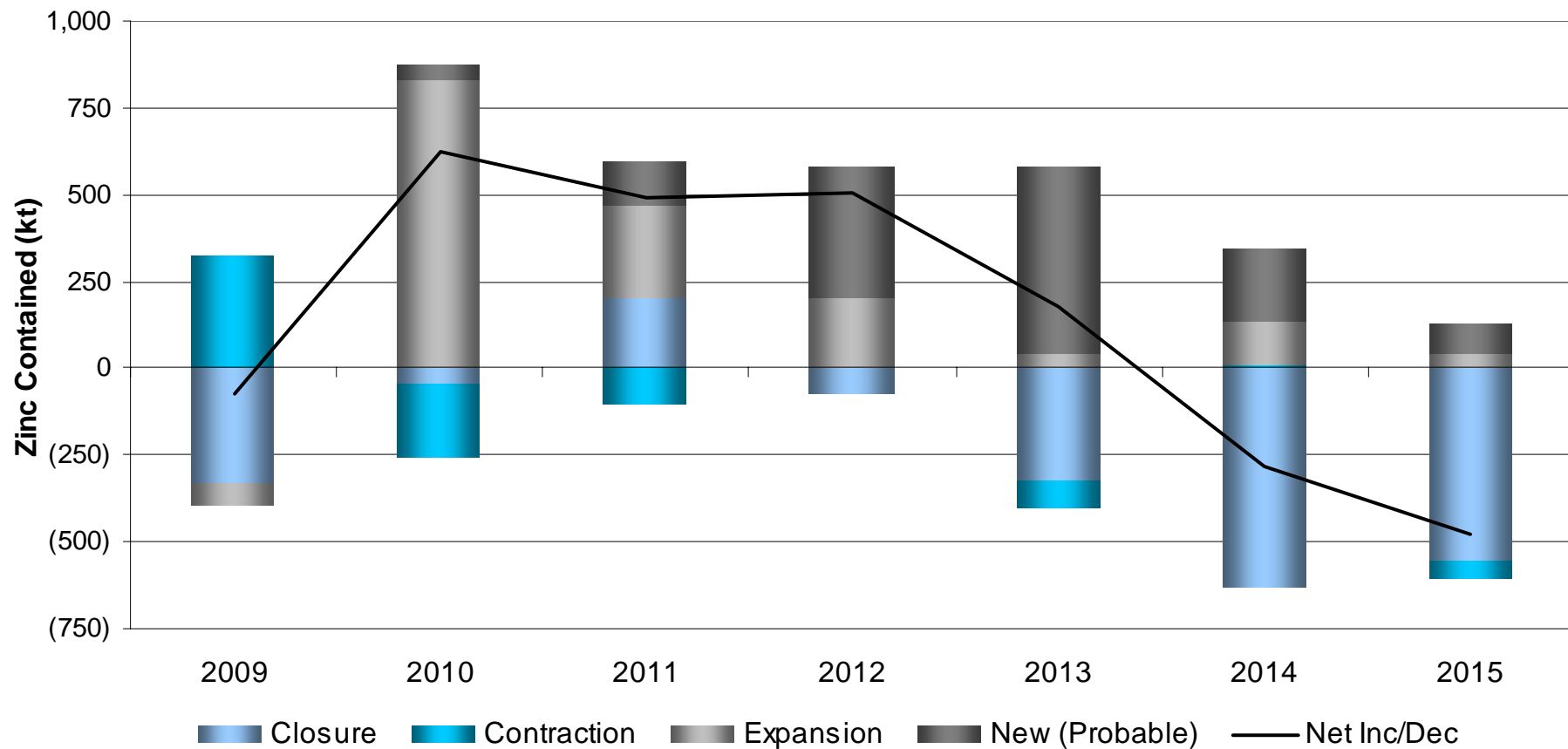


# Chinese deposits go beyond boundaries



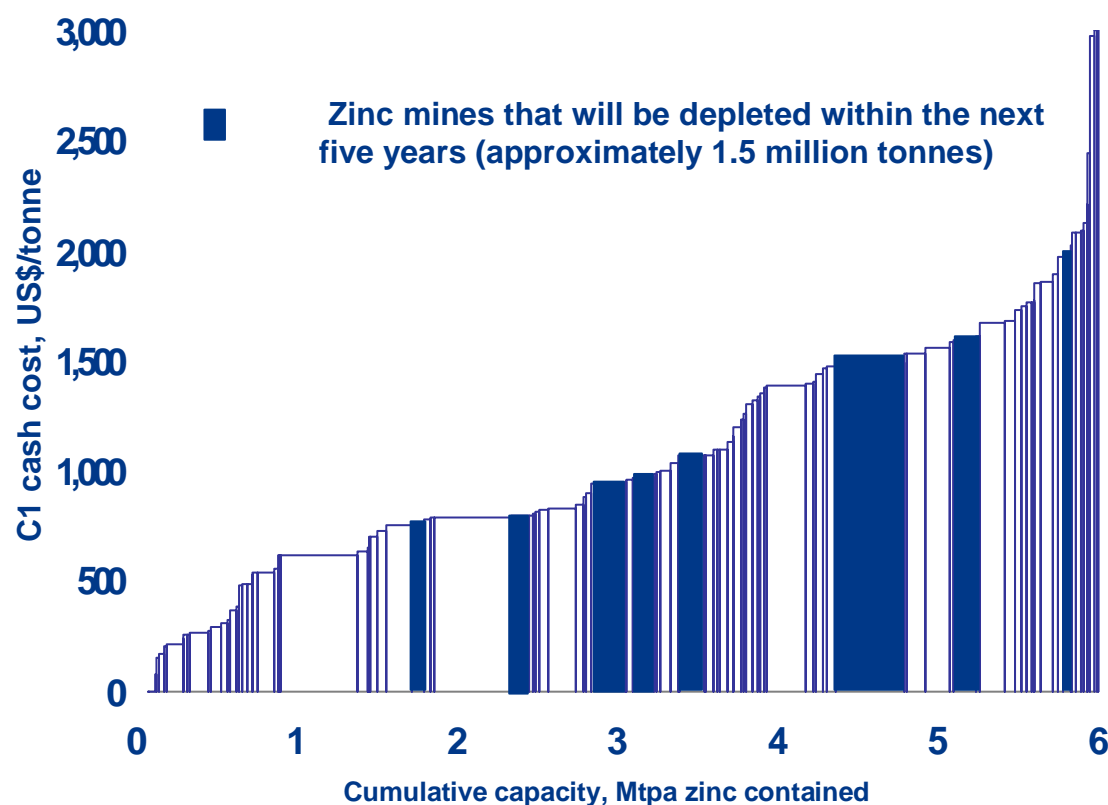
# New zinc projects will struggle to meet current demand

Global demand for zinc contained in concentrate will grow by 26% between 2009-15





# Supply constraints will return

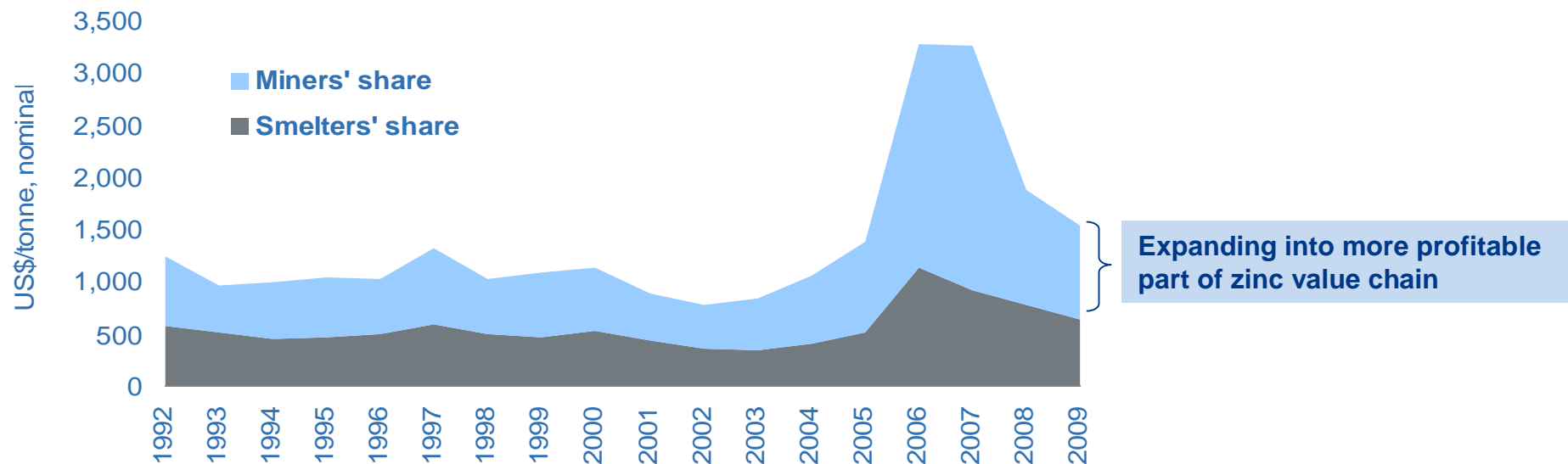


Supply constraints will return and impact long-term prices

- Number of large zinc mines to be depleted in next 5 years
- Significant reduction in mining capital expenditure exacerbated by financial crisis, and limited focus on zinc by majors
- Limited number of new zinc projects in pipeline
- Supply response will lag recovery in demand
- New projects often in difficult geographies

# Increased exposure to zinc fundamentals

Revenue sharing of zinc price



- Zinc miners earn a greater share of zinc price revenues compared to zinc smelters (60% v. 40%) and traditionally generate higher margins
- **Upstream integration creates a significantly stronger business given market fundamentals**

# Delivering on Growth

May 2009: Acquire Mid-Tennessee Zinc mine complex in US

June 2009: Announce new strategy of up upstream integration

July 2009: €120M convertible bond

Nov 2009: Acquire 85% of Coricancha mine in Peru

Nov 2009: Acquire 19.9% stake in Ironbark, owner of Citronen zinc-lead project in Northern Greenland

Dec 2009: Acquire East-Tennessee Zinc mine complex in US

Feb 2010: Innovative acquisition of 1.25 million tonnes of zinc in concentrate from Talvivaara

March 2010: Syndication of €400 million credit facility

March 2010: €225 million retail bond issued

May 2010: Acquire additional 11% stake in Ironbark

July 2010: Acquire remaining 15% stake in Coricancha mine

July 2010: Acquire Contonga and Pucarrajo mines in Peru



# Nyrstar's strategy

Nyrstar will:

- I Continue to improve and expand its existing business
- I Selectively pursue opportunities in mining, focused on:
  - I Mines that support its existing smelting assets
  - I Markets where it has existing expertise (zinc, lead, silver, gold, copper) and proven capability
- I Nyrstar's aim is that smelting and mining will both provide valuable contributions to its earnings
  - I An integrated Nyrstar could facilitate broader industry consolidation

