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# First Interim Management Statement 2013



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## Q1 2013 Highlights

### **Zinc in concentrate production impacted by temporary suspension of mining activities at Campo Morado; full year guidance for all metals maintained**

- Own mine production of zinc in concentrate of 68,000 tonnes, down 8% on Q4 2012
- Mining operations temporarily suspended at Campo Morado during February and March due to administrative issue; operations restarted in early April with results achieved in-line with improvements of December and January, following Mining for Value programme. Recovery plan in place to catch-up on production during 2013
- Low delivery volumes from Talvivaara, resulted in total zinc in concentrate down 15% on Q4 2012
- Full year mining production guidance for all metals maintained

### **Zinc metal production of 263,000 tonnes in Q1 2013; full year guidance maintained**

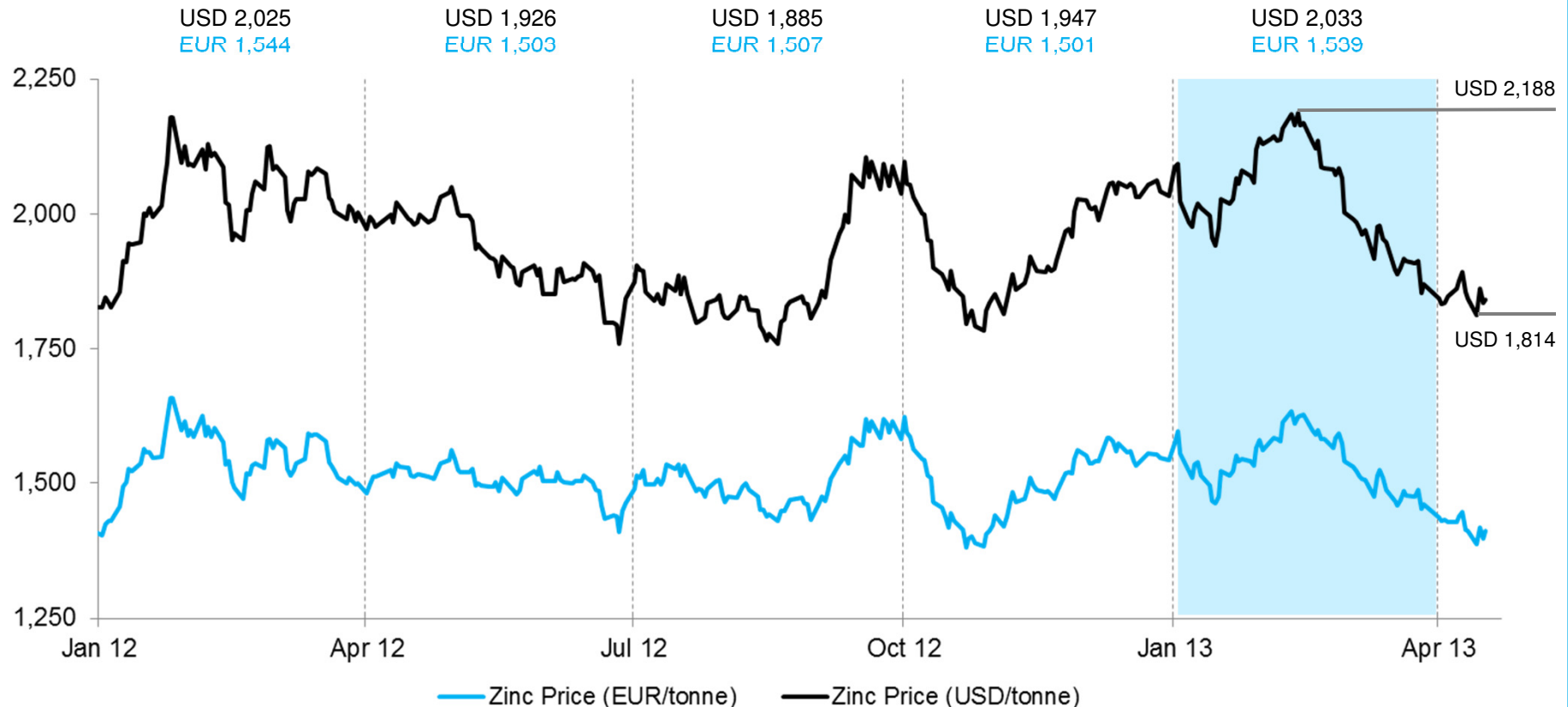
- Solid performance in Q1 2013, down 6% from a strong Q4 2011
- Maintain full year 2013 zinc metal guidance of 1.0 - 1.1 million tonnes

### **Reported 2013 benchmark zinc treatment charge terms up 10%; Nyrstar continues to negotiate**

- Significant volumes of zinc concentrates already settled by Nyrstar at improved terms compared to reported settlement
- Lead concentrate negotiations also continue and are at a less advanced stage

## Zinc price started strongly in Q1 2013 but declined sharply towards the end of the quarter

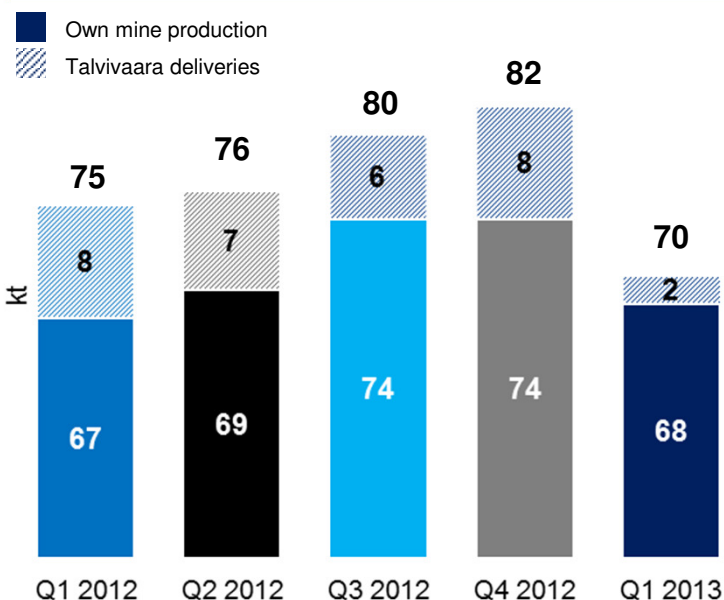
### LME Zinc Price



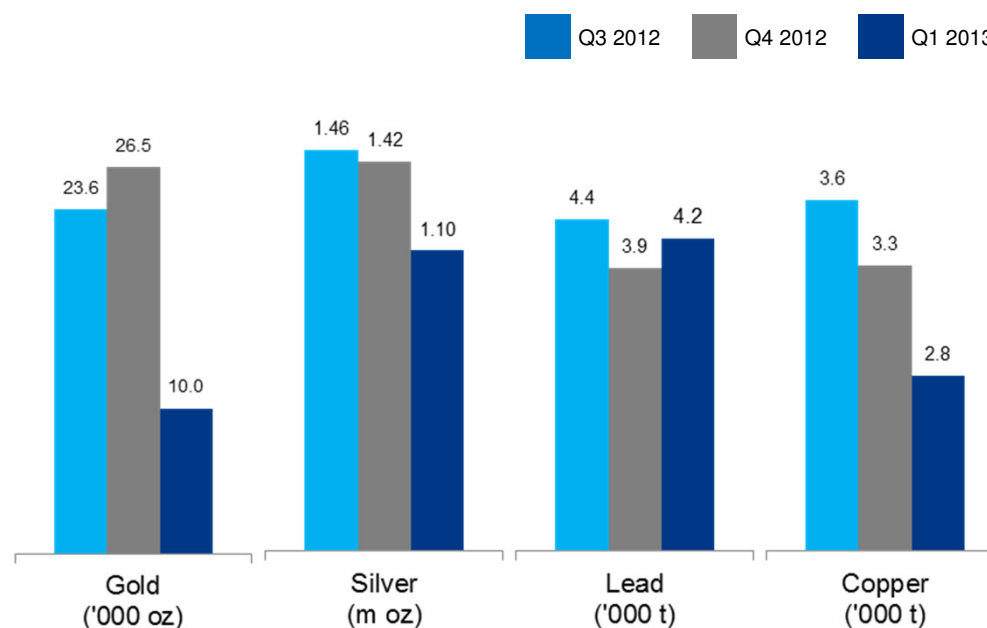
Other metal prices also traded downwards, in particular the silver and gold price. Due to high earnings sensitivity to zinc, gold and silver prices, financial performance in 2013 will be impacted if low metal price environment continues

## Quarterly zinc in concentrate production impacted by Campo Morado suspension; full year production guidance for all metals maintained

### Zinc in concentrate production<sup>1</sup>



### Other metal in concentrate production



- Own mine zinc in concentrate<sup>2</sup>, down 8% on Q4 2012
- Temporary suspension at Campo Morado; recovery plan in place to catch-up volumes during 2013
- Total zinc in concentrate volumes<sup>1</sup>, down 15%, also impacted by low delivery volumes from Talvivaara
- Gold production impacted by Campo Morado suspension, and at El Toqui a switch in focus to zinc/lead campaigning and stockpiling of gold to convert into doré in H2 2013
- **Full year production guidance for all metals maintained**

<sup>1</sup> Includes deliveries from Talvivaara under the zinc streaming agreement

<sup>2</sup> Excluding Talvivaara zinc stream



## Mining highlights: Campo Morado improvements

- Following the site's Mining for Value programme (our back-to-basics, systematic analysis of an operation to deliver an optimised site operating model) in H2 2012, the site delivered significant improvements in grades and also recoveries

### Improvements

#### Transition to long-hole mining

- Lower cost per tonne mined
- Less ground support
- Larger stopes
- Maintain ≈2,000 tpd but at lower cost

#### Selective mining

- Revisiting mine plan through inclusion of high grade ore pockets
- Recovery of high grade pillars

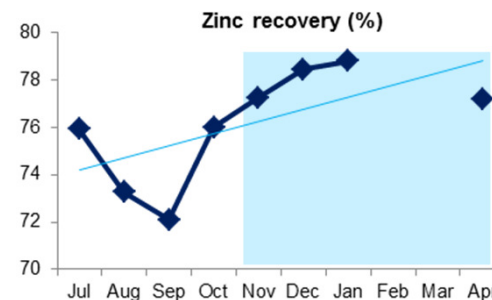
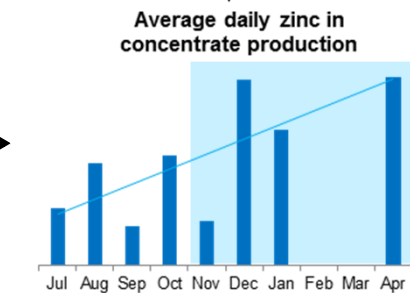
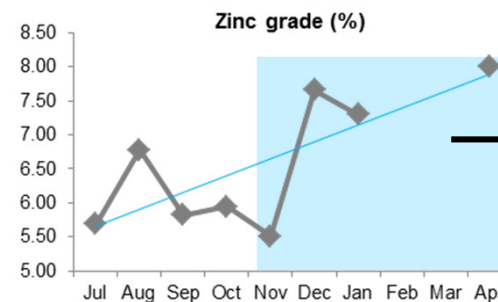
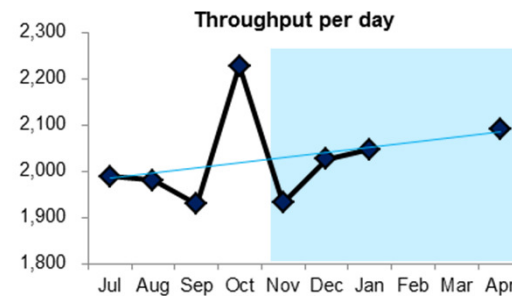
#### Dilution control

- Better understanding of mine vs mill grades
- Improved grade reconciliation and dilution tracking
- Cross functional coordination

#### Grind size

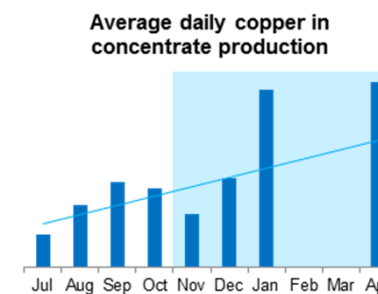
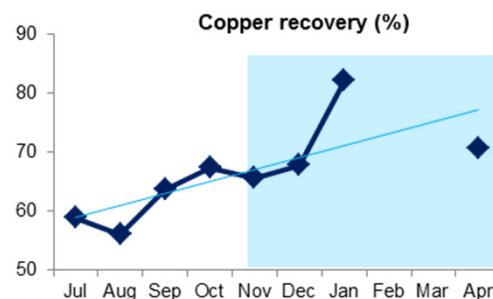
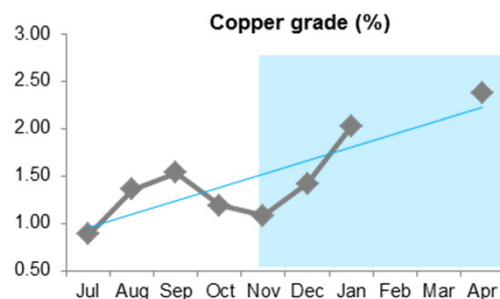
- Critical for extraction and recovery of metals
- Issues with re-grind in Q3 2013
- Strong focus on grinding to increase recoveries
- Daily recoveries trending upwards following restart of mill in April

### Results



## Mining highlights: Campo Morado suspension and restart

- Improvements curtailed when mining activities temporarily suspended during February and March due to cancellation of site's explosives permit caused by an administrative issue
- To lessen impact site management brought forward planned maintenance shut of the mill and the maintenance of the mobile fleet
- New permit issued and mining activities recommenced in early April
- Recovery plan in place to catch-up on production throughout remainder of 2013
- Encouraging results since the re-start of operations, with results in-line with improvements made in December and January following Mining for Value programme (see previous slide and below)



- While not expected to have a material impact on full year mining segment performance, suspension is expected to impact H1 2013 mining financial performance

## Mining highlights: Latin America

### Contonga

- Production of zinc in concentrate declined slightly as site managed average mill throughput rates to comply with its permitted capacity

### Coricancha

- As discussed in the full year 2012 results, Coricancha in process of adapting its operating model to treat historic tailings while developing new areas of the mine for future production
- Transition led to a 11% reduction in gold production compared to Q4 2013

### El Mochito

- Another solid performance; ore milled volumes up 2% and grades marginally lower due to a blend of more lower grade mantos and less higher grade chimney ore being fed to the mill

### El Toqui

- Production in Q1 2013 focused on zinc and lead compared to Q4 2012 when the focus was on gold
- Gold previously sold in high gold concentrate product being stockpiled to be processed into high margin gold doré by a gravitational flotation plant, which is currently being constructed with commissioning expected in H2 2013



## Mining highlights: North America and zinc streaming

### Langlois

- Optimisation in progress with completion of Mining for Value programme end Q1 / start Q2 2013
- Key improvement area identified as increasing number of available ore faces for production and development; four part action plan in place to achieve this goal (shortfall in volume of ore mined in Q1 2013 due to lack of available ore faces)
- Improvements in grades (20% up for zinc) and recoveries, latter through process changes at the mill, lead to 20% increase in copper in concentrate production and 6% higher silver volumes

### Myra Falls

- Solid first quarter; ore milled volumes in line, while changes in grade reflect planned move away from mining main zone
- Main zone contains higher zinc grades, while areas mined in Q1 2013 support higher by-product grades

### Tennessee Mines

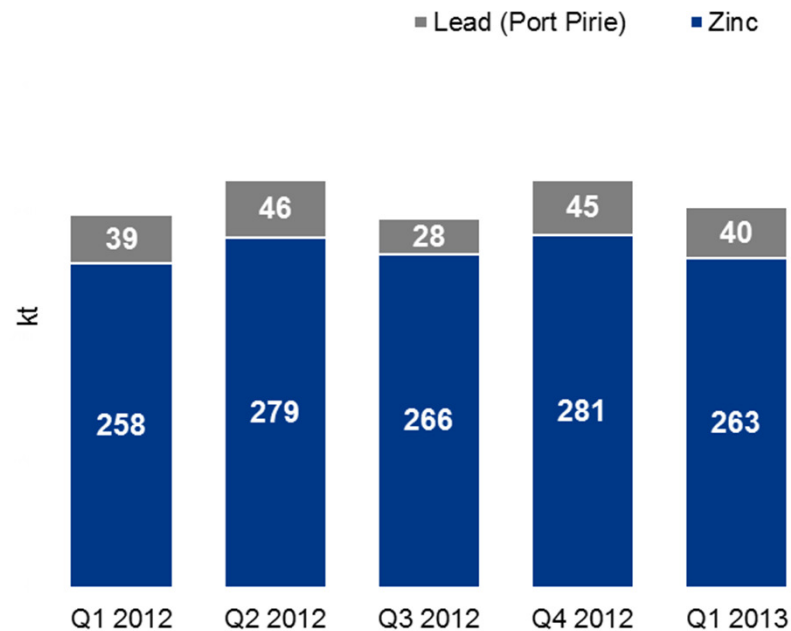
- Zinc in concentrate production in line with Q4 2012
- At East Tennessee 4% increase in grade, combined with reduction in ore milled, allowed the site to maintain zinc in concentrate production; at Middle Tennessee lower grade, consistent with mine plan, compensated by increase in ore milled and recoveries

### Talvivaara

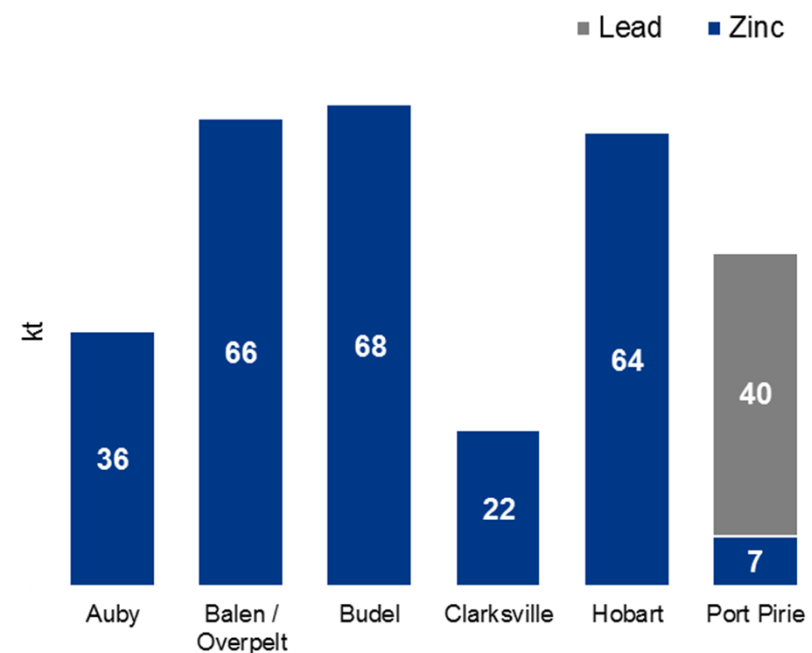
- Significant decline in deliveries compared to Q4 2012

## Zinc metal production of 263,000 tonnes in Q1 2013, with full year production guidance for zinc metal maintained

### Zinc and Lead Metal Production



### Q1 2013



- Solid result in Q1 2013; zinc metal production of 263kt, 6% down on strong performance in Q4 2012
- **Nyrstar maintains its 2013 full year zinc metal guidance**
- Lead metal production at Port Pirie impacted by unplanned shut of blast furnace following installation of new equipment

## Smelting highlights

### Auby

- Zinc metal production 10% lower due to announced planned maintenance shut of zinc plant
- Indium production of 8t in line with site expectations; technical process now stable following ramp-up of during H2 2012

### Balen/Overpelt

- Zinc metal production up 3% compared to Q4 2012

### Budel

- Production in line with management expectations, marginally down on Q4 2012 following strong performance

### Clarksville

- Lower production in Q1 2013 due to announced maintenance shut of roaster and acid plant
- During Q1 2013 ran campaign to exclusively process Middle Tennessee concentrate to increase production of high margin germanium leach product

### Hobart

- Production impacted by record regional temperatures, which constrained electrolysis throughput due to power reductions

### Port Pirie

- Lead metal production declined 11% due to minor unplanned shut of blast furnace following installation of new equipment
- Zinc metal production in line with Q4 2012, while copper cathode and gold production were both higher in Q1 2013

## 2013 zinc and lead treatment charges

### Zinc concentrates

- 2013 settlements achieved by major Asian-based smelters widely reported as:
  - Base TC of USD210.50/dmt (dry metric tonne) at basis zinc price of USD2,000/t
  - Escalators of 6% from a zinc price of USD2,000 - 2,500/t, 5% from USD2,500 - 3,000/t, 2% from USD3,000 - 3,500/t, and flat thereafter
  - De-escalator of 3% from USD2,000 - 1,500/t, and flat thereafter
- As reported this would represent a +10% improvement from 2012 terms (USD 191/dmt, basis price USD 2,000/t)
- Nyrstar has progressed its negotiations during Q1 2013, with significant volumes of zinc concentrates already settled at a higher base TC and improved de-escalator terms compared
- Nyrstar's negotiations continue with a number of suppliers

### Lead concentrates

- Negotiations continue and are at a less advanced stage
- Uncertainty remains in the market as expected smelting restarts have not yet begun to process significant volumes and the import market into China remains quiet

## Strategic hedging and Port Pirie transformation funding update

### Strategic hedging

- During Q1 2013 entered into short-term strategic hedging arrangements with respect to zinc prices
- Hedges in Q2 2013 guarantee a zinc price between USD2,100 - 2,200/t for 60kt metal
- Hedges for Q3 and Q4 2013, containing put and call spread options, guarantee a zinc price between USD2,100 - 2,200/t for 120kt metal; exposure to upside benefit if price exceeds USD2,400/t
- Purpose of hedges is to improve profitability by, for example, taking advantage of price conditions
- Implemented governance structure to ensure compliance with robust risk-reward framework
- No intention to enter into medium to long term structural hedges, thereby reducing exposure to medium to long term changes in the zinc price
- Remain confident in medium and long term fundamentals of the zinc market

### Port Pirie transformation funding update

- As part of funding package, Nyrstar intends to raise AUD100m via a forward sale of incremental free metal units to be produced at Port Pirie as a consequence of the transformation
- To ensure funding alternative remains attractive, sold forward to February 2014 (expected date by which transformation funding package would be effected) 5.0m toz silver at ≈USD 28/toz
- Intended that position will be rolled into the transformation funding package in February 2014





Questions



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