

# GLENCORE

## Investor Day

10 December 2014

08:00 - Welcome and Overview | Ivan Glasenberg

08:20 - Finance Update | Steven Kalmin

08:45 - Copper | Telis Mistakidis

09:15 - Coal | Tor Peterson & Peter Freyberg

09:45 - Break

**10:05 - Zinc | Daniel Maté & Chris Eskdale**

10:35 - Nickel | Kenny Ives & Peter Johnston

11:05 - Oil | Alex Beard

11:40 - Break

12:00 - Agricultural products | Chris Mahoney

12:30 - Conclusion and Q&A

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### Forward looking statements

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## Zinc

Daniel Maté, Chris Eskdale

# Zinc summary

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**Zinc market fundamentals remain strong and continue to improve**

**Our industry leading zinc business combines world class zinc assets with our marketing reach and expertise**

**Unique combination of mines and smelters in a single company**

- mined production of 1.4Mt in 2013 rising to 1.6Mt by 2016 – #1 globally
- smelter production of ~1.36Mt – #1 globally. Brings additional exposure to ~250kt zinc units through over-recovery / escalator capture
- resource base provides weighted average mine lives >40 years on current Measured and Indicated resource
- key growth projects provide additional zinc and cost/capital efficiencies at an attractive stage of the price cycle

**Industrial assets and marketing flows managed under one roof, two-way information flow**

- one global concentrates/metal book and one pool of knowledge.
- market input guides assets to produce the economically optimal product mix
- sharing of best practices across global zinc assets
- mine output and 3rd party tonnage flowing to destination of optimal economic return

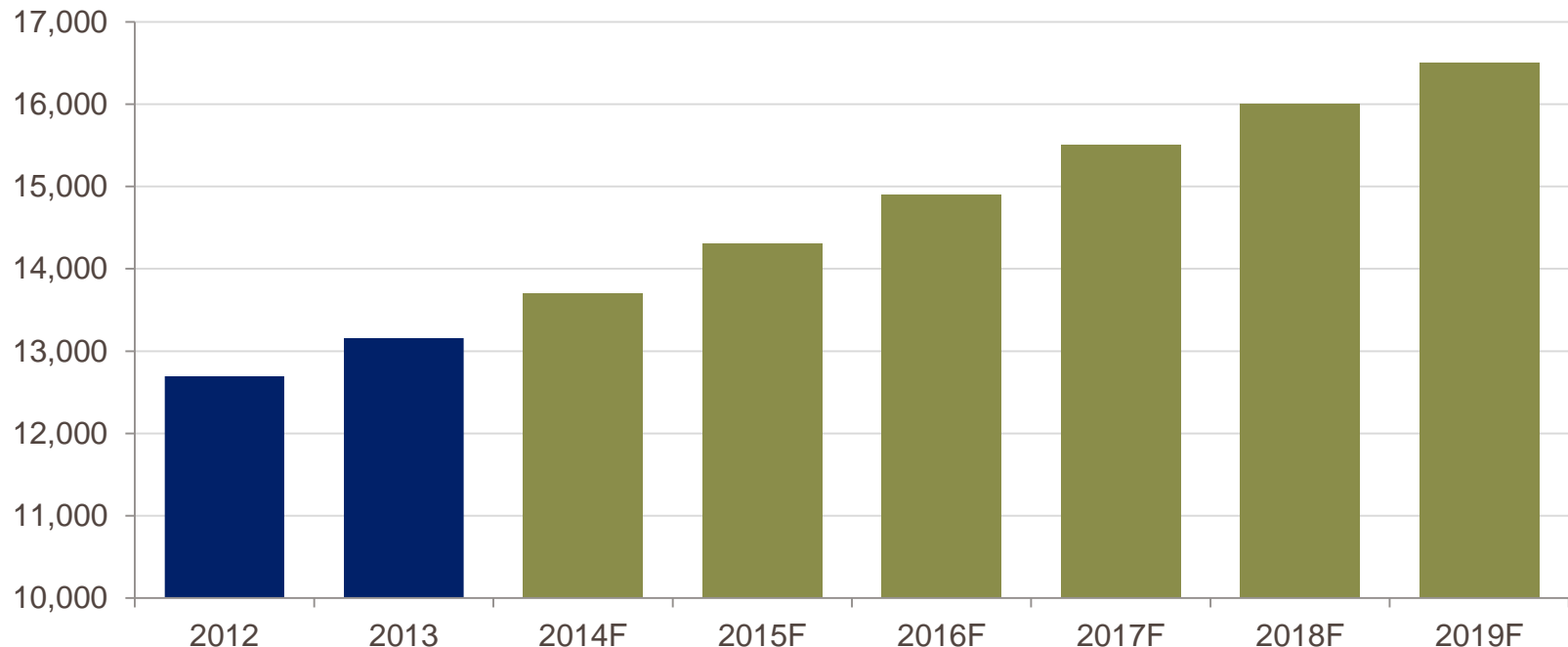


# Global zinc market

# World zinc metal consumption 2012A – 2019F

- Consumption growth in 2012-2014 has been **c.3.7%** y-o-y
- 2014 is expected to be in a deficit of **260-270kt**
- Stocks (LME + SHFE and bonded warehouse in China) have declined for each of the last 12 consecutive quarters
- This translates to incremental metal demand of **550-600kt** of zinc metal per year

Yearly global zinc metal consumption (kt Zn)



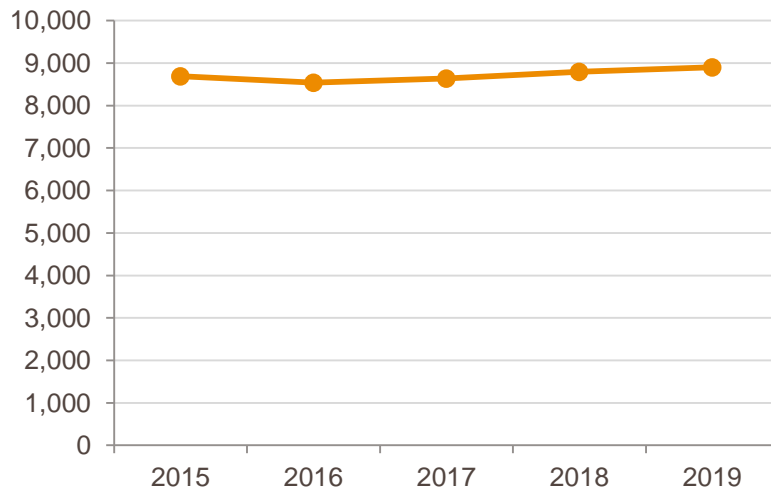
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***Where will these units come from?***

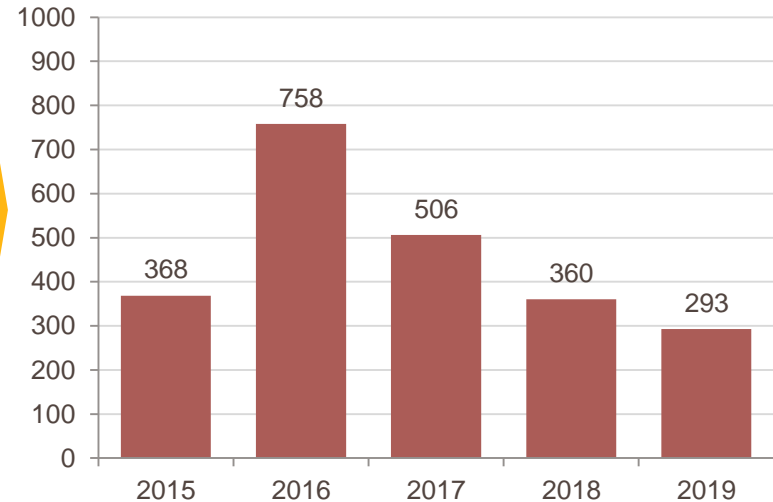
# Concentrates requirement, production and deficit outlook

- Approximately additional **3Mt** of zinc in concentrates is needed in the next 5 years to meet forecast metal demand (and balance the current **c.260-270kt** metal deficit)
- Non-Chinese mine production is forecast to add a net **600-650kt** of zinc in concentrates over 2015-2019
- Non-Chinese monthly zinc mine production will start declining in Q3 2015 and flatten afterwards
- Closure of Century and Lisheen mines is expected to remove ~600kt of zinc contained per year
- The market can only be balanced by higher Chinese mine production, further drawdowns from metal stocks and/or yet to be approved mine projects

Non-China mined Zn concs production (kt Zn)



Additional Zn concs required (kt Zn)

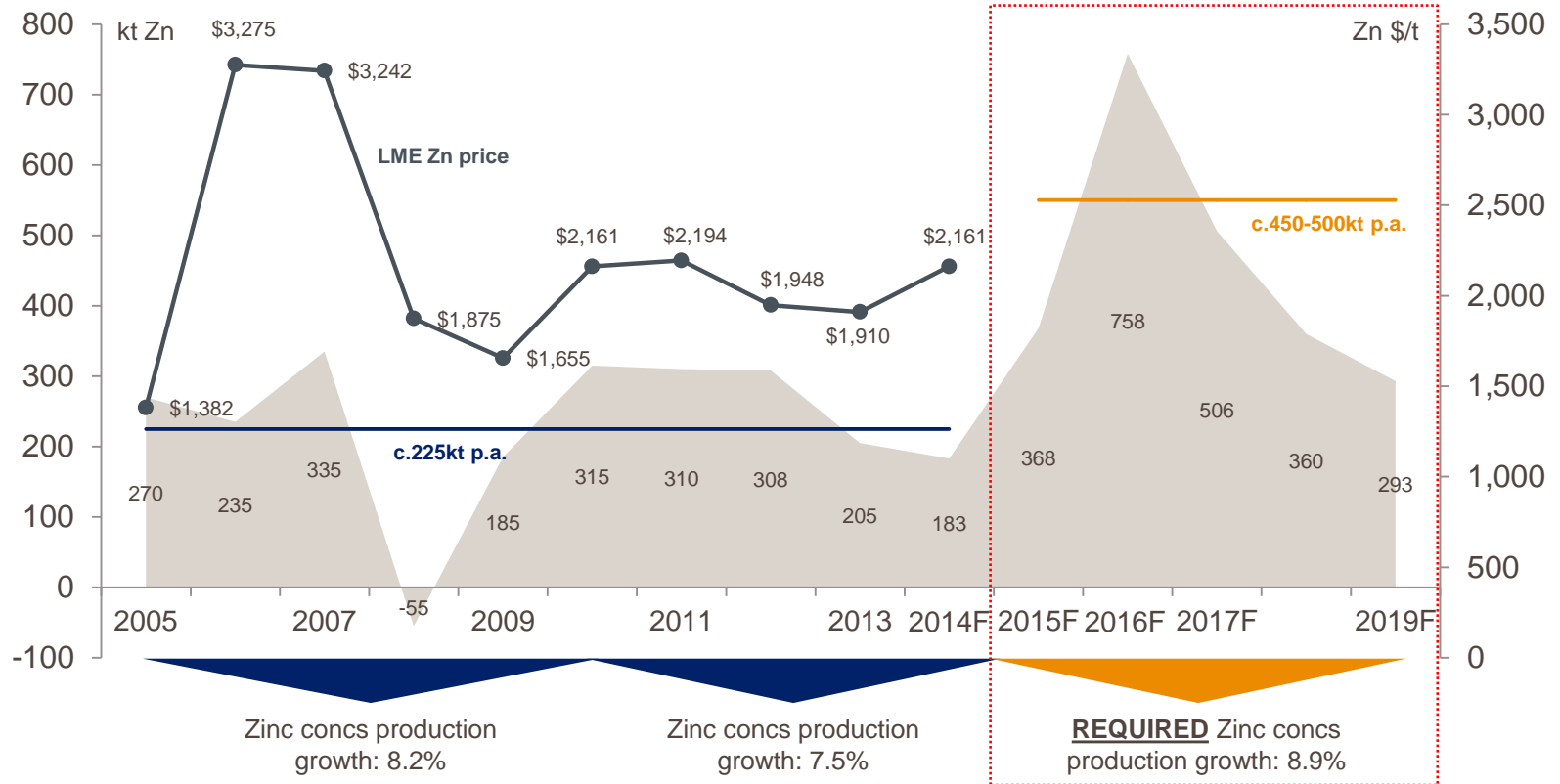




# Chinese mine production

- During the last 10 years, Chinese mine production has on average increased **225kt** per year
- To meet global zinc metal demand, Chinese mine production would need to increase by **c.2-2.5Mt** of zinc in concentrates over the next 5 years – an average of **c.450-500kt** per year

Annual change in Chinese zinc mine production (kt zinc in concentrate)

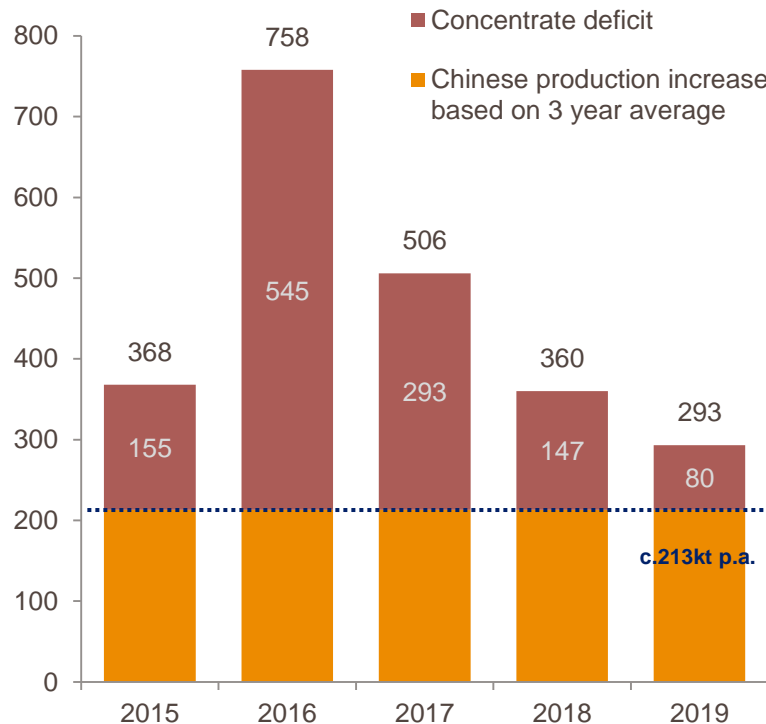


Source: Glencore estimates, Wood Mackenzie, CRU.

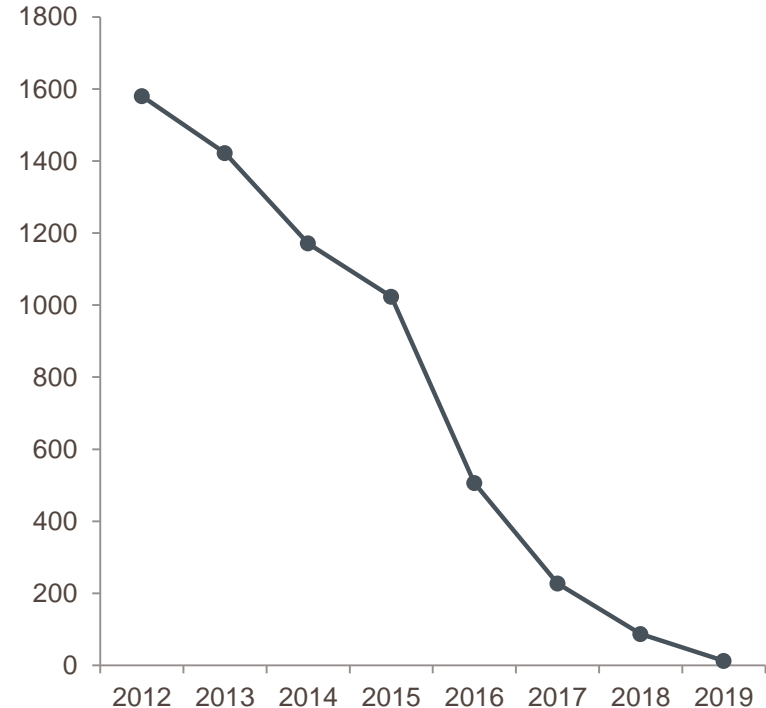
# Mine deficit can only partially be covered by available stock

- Assuming Chinese mine production increases **c.210-220kt** per year, there will be a global deficit of **c.1.0-1.5Mt** of zinc in concentrates over the forecast period
- Deficit of concentrates will result in drawdown of metal stocks
- 2014 forecast inventory drawdown of **263kt**

Gap between Chinese concs required and forecast (kt Zn)



Forecast zinc metal stocks\* (kt Zn)

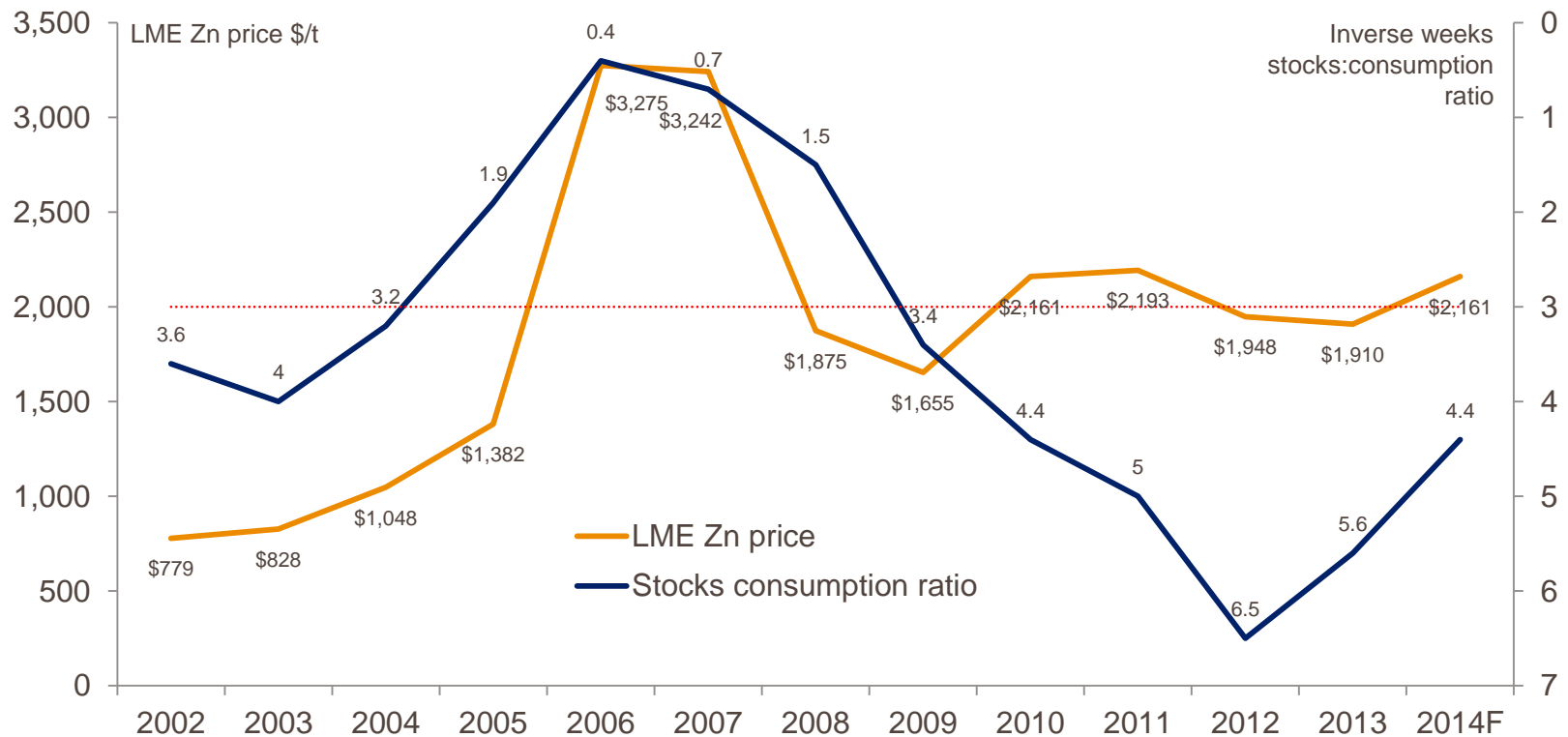


Source: Glencore estimates, Wood Mackenzie, CRU.  
 \*Reported Exchange Stocks + GIAG estimate of BWHSE stocks.

# Price is closely correlated to available stock levels

- Historically, zinc prices have responded to the upside as the “stocks:consumption” ratio approaches 3 weeks of zinc metal consumption

LME zinc price (\$/t) vs stocks to consumption ratio (weeks)

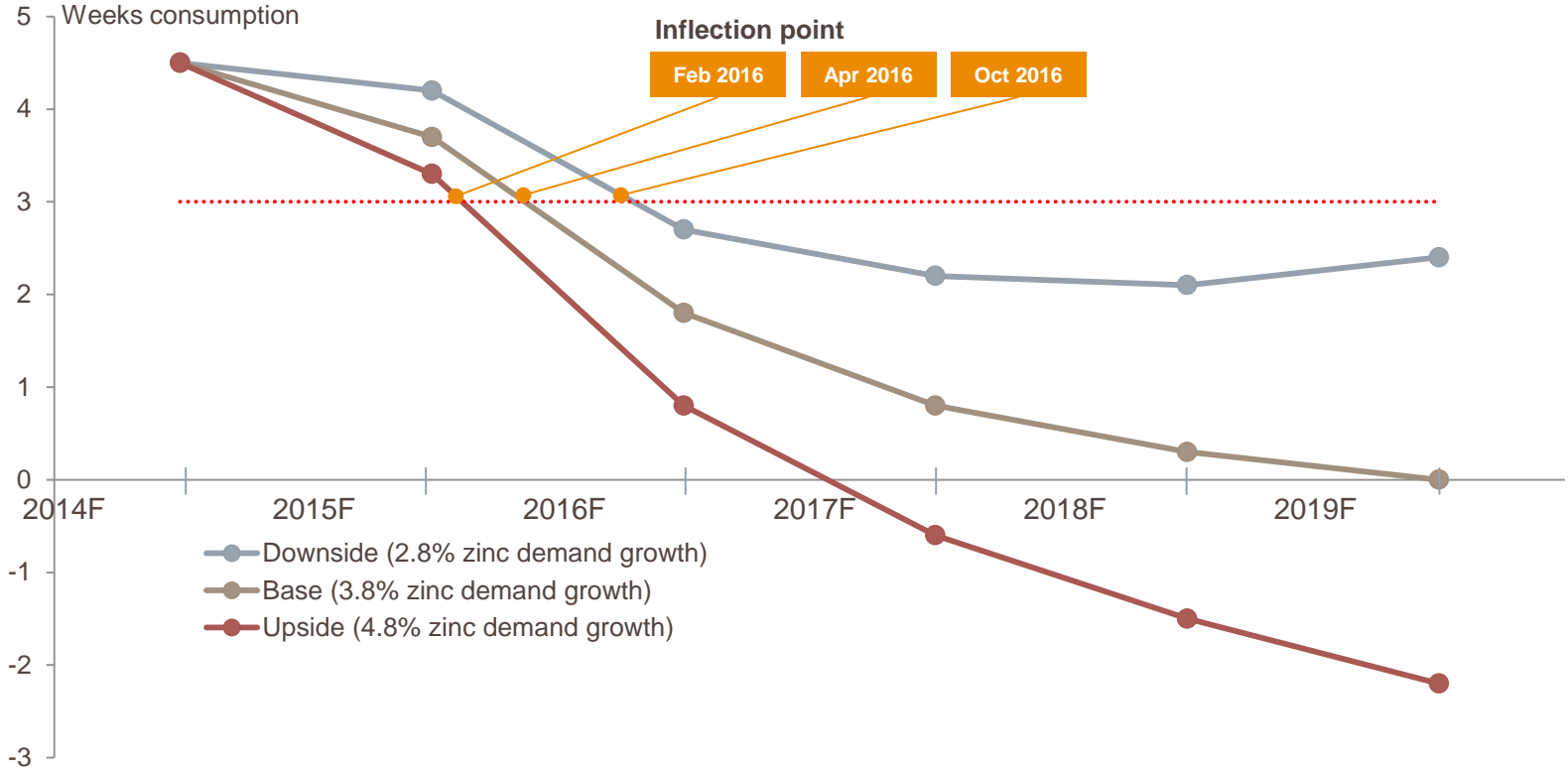


Source: Glencore estimates, Wood Mackenzie, Bloomberg, CRU.

# Zinc metal stocks outlook

- Stocks are forecast to fall below the critical “stocks:consumption” inflection point of 3 weeks consumption

## Sensitivity of zinc metal stocks to global zinc demand

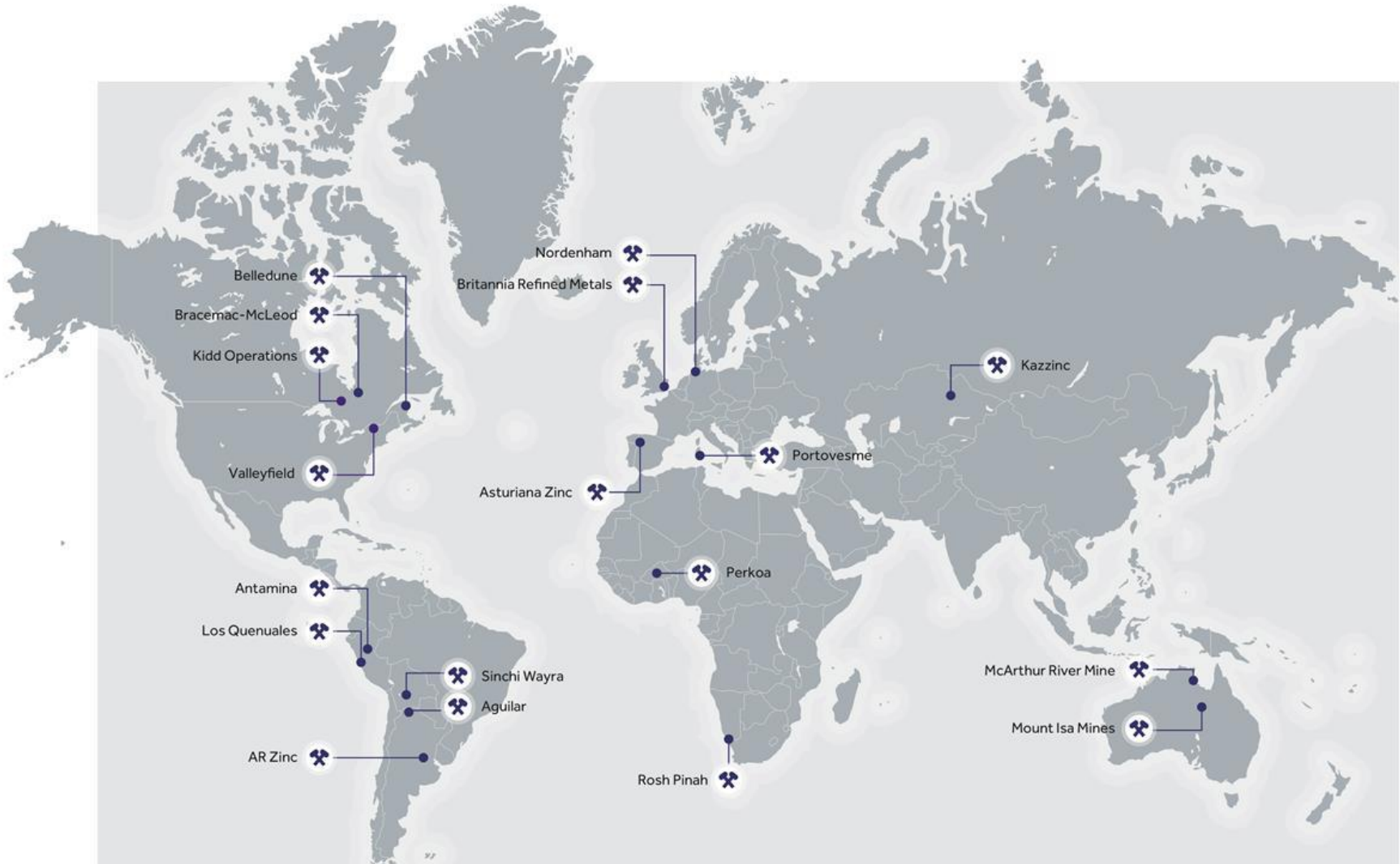


Source: Glencore estimates, Wood Mackenzie, CRU.



**Zinc industrial overview**

# Glencore zinc assets



Industrial assets comprise: 24 mines, 7 zinc smelters, 6 lead smelters/refineries with operations and assets in 12 countries and key marketing offices spread across 5 continents, ~50k employees

# A large long-life, low-cost, optimised asset base

## Expansions – delivery of 3 Australian projects

- capex spend on budget
- Lady Loretta project ahead of schedule

## “Steady State” operations

- benchmarking and subsequent cost reduction/turnaround projects – savings of **~\$50 million**
- smelters – commercial and technical integration
- cost synergies of **>\$100 million** achieved vs. initial integration assessment of \$70 million
- zinc sustaining capex declining to normalised levels of around \$700-900 million from 2016

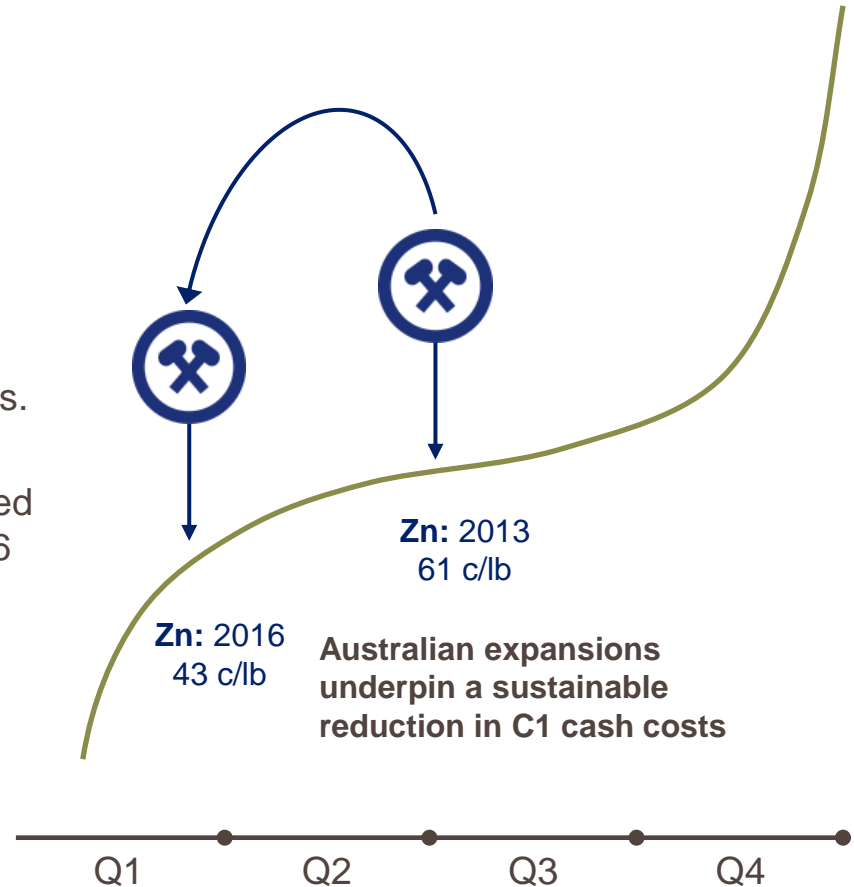
**1.6Mt**

low-cost zinc  
production by 2016

**+40 yrs**

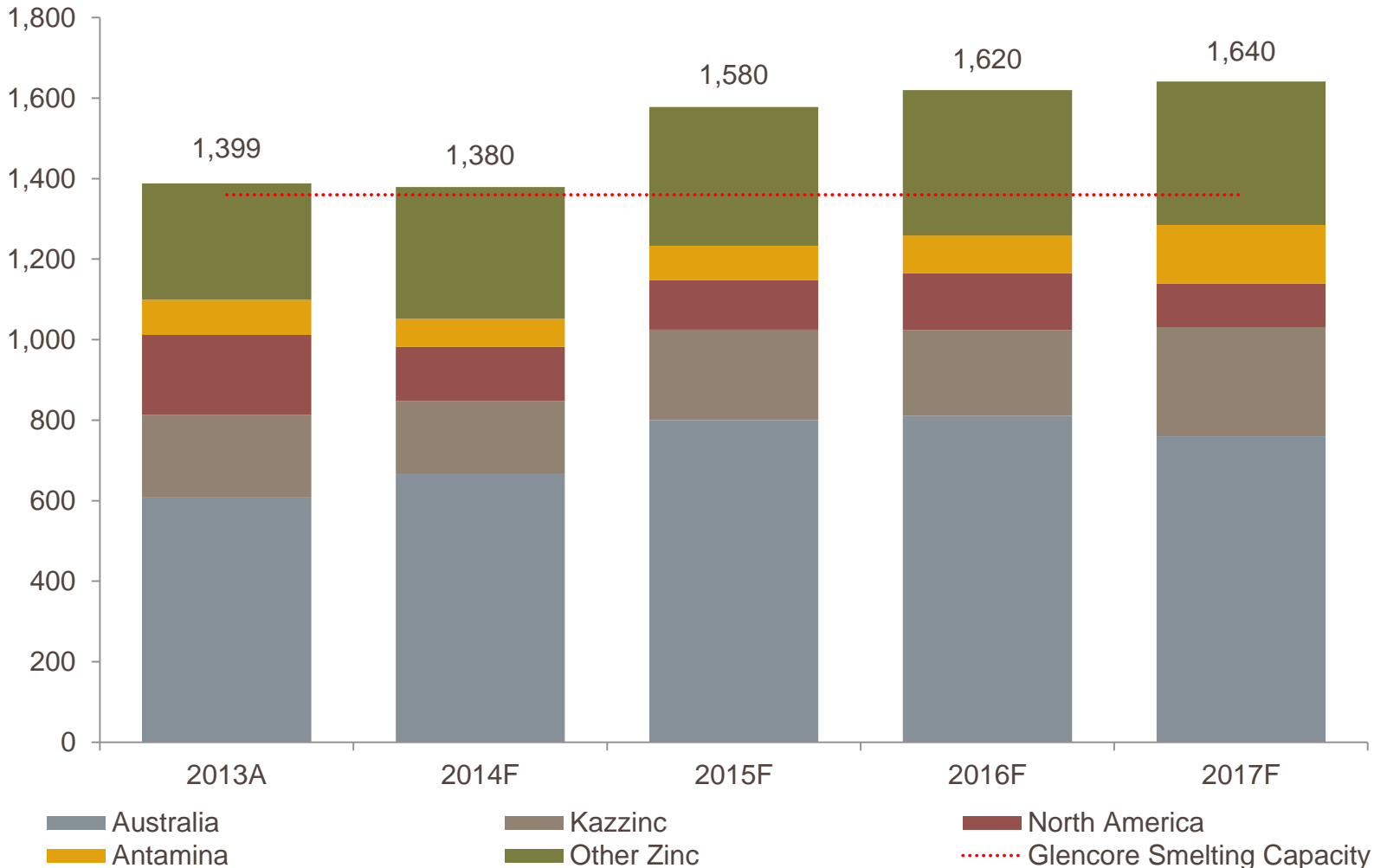
mine life, based on  
current M+I resource of  
c.52Mt

## Illustrative Zinc C1 cash cost curve



# Forecast zinc mine production profile

Own source contained zinc mine production (kt zinc)



Source: Glencore, smelting capacity represents 100% production.



# Australian expansion projects update

## Mt Isa Operations:

- Capital cost of US\$245M for new hoisting shaft and associated infrastructure
- Nov 2014 run-rate of 4.3Mtpa ore mined
- Hoist commissioning anticipated in Q1 2015
- Sustainable 4.5Mtpa ore mined run rate by Q2 2015

## Lady Loretta:

- Capital cost of ~US\$350M
- Project on budget with production ramping up to 1.6Mtpa by H2 2015
  - 0.6Mt ore mined in 2013
  - Current run-rate of 1Mtpa ore mined

## McArthur River:

- Handed over to operations and commenced commissioning in H1 2014
- Ramp-up challenges encountered during H2 2014, particularly in relation to flotation and dewatering circuits
- Residual issues well understood and being addressed
- Expecting annualised zinc production of 330kt contained metal by end Dec 2014, representing >90% of design capacity

Rock bolting, Lady Loretta mine



MRM Processing Plant



# Conclusion

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- **Zinc market fundamentals remain strong and continue to improve**
- **Our industry leading zinc business combines world class zinc assets with our marketing reach and expertise**
  - unique combination of mines and smelters in a single company
  - industrial assets fully integrated into global marketing flows
- **Glencore's key growth projects provide additional zinc and cost / capital efficiencies at an attractive stage of the price cycle**
  - cost position of c.61 c/lb in 2013, falling to c.43 c/lb in 2016
  - zinc sustaining capex declining to normalized levels of around \$700-900 million from 2016



Q&A