

ASIA MINING – SPEECH OUTLINE

The importance of patient capital in developing a major international diversified upstream base metals company.

Everyone in this room knows that continued growth of the mining industry is vital to global economic development but that, in order to grow production to meet the demand for raw materials needed now and into the foreseeable future, we need to deal with a number of major issues.

I am not here to talk about the social, political and environmental challenges we face; not because they are unimportant but because this is a forum about investment. What I do want to discuss is an issue that often gets forgotten about in the surges of enthusiasm and disappointment that frequently characterise our industry.

There is too often a fundamental mismatch between the reality of the development cycle faced by the mining industry and the much shorter time horizon over which many providers of capital expect a return.

The availability of patient capital is crucial in the development of any major mining venture. Please note that I am referring to **patient** capital, not lazy capital.

Patient capital is capital that expects an attractive rate of return and knows it is entitled to a risk premium for being patient. But it also knows that major mining ventures take time to develop and, even once developed, are exposed to short-term commodity price volatility.

Patient capital is capital that can discern the forest from the trees.

You all know the scenario I am about to describe.

There are ultimately three developmental and operational phases to which every mining venture is exposed:

- 1. Exploration and (hopefully!) discovery.** While our scientific knowledge and methodology is much better than ever before, the fact is that exploration is a fundamentally risky and uncertain process. Until you find something, you have nothing. The length of this phase is very difficult to predict, but it is safe to say that it is at least 5 years, and often much longer.

2. Development. For anything of reasonable scale, it is hard to envisage the length of time from the discovery hole to the commencement of commissioning of a production plant taking less than 7 to 8 years – even longer for large-scale bulk commodity developments.

3. Operations. We all hope the operational phase for a mining development to be very long. For present purposes, it is safe to assume that any new development that has an expected mine life of less than 10 years is unlikely to get through the feasibility study stage.

Very simplistically, we are therefore looking at a mine cycle – from exploration to the end of production – of not less than 25 years.

Hands up anyone in the room who can reel off the names of those fund managers and bankers who operate over such an investment horizon!

As many of you know, I and many of my colleagues have had recent personal experience of the consequences of impatient capital. Revisiting the past is not the purpose of this session, but I would like to draw your attention to a few very interesting numbers:

MMR released its financial results last week and revealed that the former OZ Minerals assets it acquired in 2009 generated EBITDA of over US\$900 million for 2010.

OZ Minerals itself, which has successfully brought Prominent Hill into operation and is pursuing its various growth options, reported EBITDA for 2010 of around US\$600 million.

It's not as simple as just adding these two numbers together, but it's interesting to reflect on what might have been achieved had the providers of capital back in 2008 been patient enough to wait out a few months of admittedly extreme commodity price volatility.

But, that's the past, and I'm not here to talk about the past.

It is much more important to look forward than back.

Minmetals Resources has great aspirations of becoming a major international, diversified, upstream base metals company. We are confident that our exploration, project development, operational and support staff have the experience, talent, energy and insight to help the Company achieve its ambitions.

We have an attractive pipeline of both exploration projects and development projects, including the very interesting and timely Dugald River zinc / lead project in North Queensland. Subject to final approvals, Dugald River could be coming into production in early 2014 – just about the time (on our analysis) that the zinc market will begin to tighten as focus shifts to the looming removal of supply as several major mines –

including our own Century mine – get close to the end of their lives.

Through our major shareholder (the China Minmetals group), we have access to insights about China - the most important market for base metals in the world – that we believe are unsurpassed.

And, in addition to these very important and valuable attributes, Minmetals Resources has access to patient capital. We have access to what we believe is a highly valuable multiplicity of capital sources:

1. We are listed on the Hong Kong stock exchange, which is rapidly emerging as a major source of capital for the global mining industry. And, we announced last week that, subject to

market conditions, we are considering a capital raising of up to US\$1 billion on that market.

2. We are an established client of several major Chinese banks who, in addition to knowing Minmetals Resources well, know our major shareholder extremely well – a fact which is best evidenced by the very competitive rate of interest on external debt disclosed in our 2010 financial results.
3. And, we have the China Minmetals group (through China Minmetals Non-Ferrous Metals) as a major shareholder. Importantly, China Minmetals has publicly stated that they are supportive of MMR's growth objectives and that they intend to

retain a shareholding in the Company if not less than 51%.

Putting these elements together, MMR has the vision, the people and the pipeline of future activities to achieve its objectives.

And, it has access to patient capital.

To extend the distinction I drew earlier, let me assure you that China Minmetals is a provider of patient rather than lazy capital. As a shareholder, their expectation is that MMR's Board and management will make decisions that are solely focused on the maximisation of long-term shareholder value. Nothing less!

But, they also understand that the achievement of real value in the long term takes time, and they are prepared to invest in the future.

The mining industry was developed with patient capital, but I am concerned that many of the mainstream sources of contemporary capital have become impatient. The mining industry is not an instant gratification industry.

It takes time to develop, but the rewards are there for the right investments.

Patient capital has not disappeared, but it has become scarcer. Do the traditional sources of capital offer the degree of patience our industry needs? I'll leave it to you to answer that question for yourselves.

I am not so bold as to suggest that MMR has the ideal capital structure, but I will categorically state that I am very happy with what we have. The intentions and the time horizon of our major shareholder are clear, and I am sure that the other investors in our company recognise that.

Our industry – as it always has – faces many challenges. While all are important, none is more important than ensuring that the reality of our investment cycle and the return expectations of investors are synchronised. The synchronising element will be patience.

Thank you.