

Zanaga Project

Investor Presentation

July 2015



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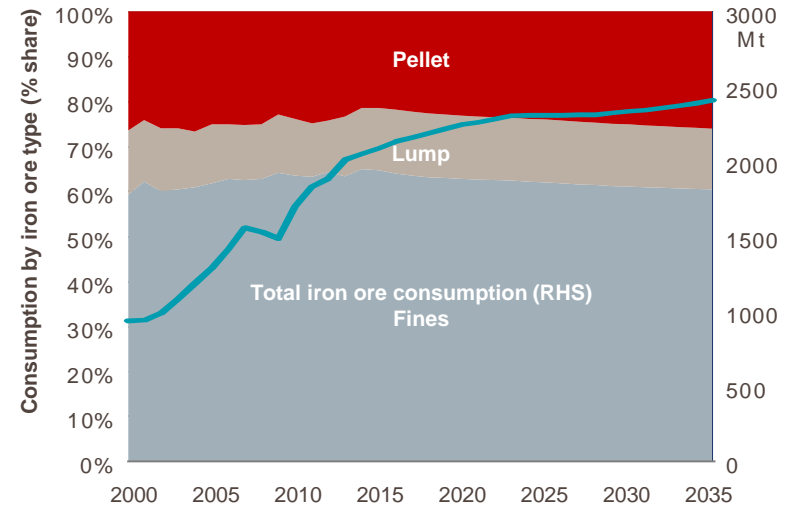
Africa's position in the global iron ore landscape

The world needs a diversified iron ore supply base

Product quality is increasingly important

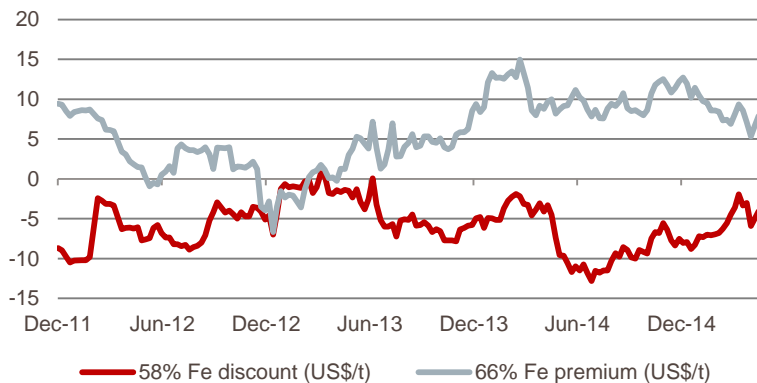
- **Australian product quality decreasing**
 - Fe grade declining and impurity levels rising
- **China needs higher quality ores more than ever before**
 - China's domestic pollution problem will improve with higher quality ore supply
 - Evolution of Chinese steel industry to higher quality steel products requires high quality ore feed
 - Pellets (and pellet feed) will play an increasingly important role
- **Resulting impact on product premiums/discounts has been significant**
 - High quality products receiving significant price premiums
 - Price penalties increasing for low quality material

Consumption of iron ore by product

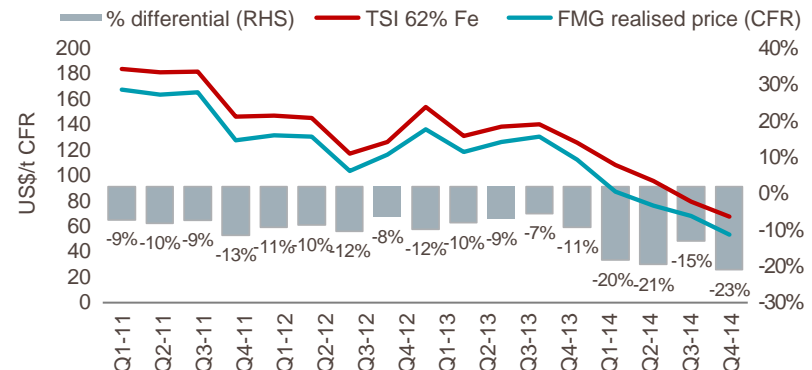


Source: Wood Mackenzie

Premiums & Discounts expanding



FMG realised price vs. TSI 62% index



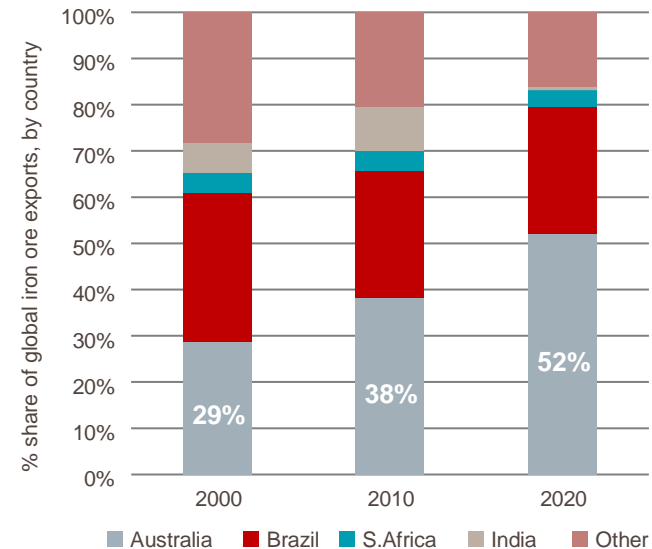
Source: FMG, Platts-TSI, Wood Mackenzie

The world needs a diversified iron ore supply base

Concentration of global supply remains a concern

- **The fall in iron ore prices has resulted in a more concentrated industry supply base**
 - Significant tonnage has been withdrawn from the market, with more expected to fall out of the system as survival actions of the juniors run out
- **Concentration of iron ore supply is a long term concern for customers**
 - When (not 'if') steel demand materialises from emerging economies, traditional major iron ore consumers (China/Korea/Japan) will be subjected high global iron ore prices once again, but pricing power will rest with the major iron ore producers
- **Large iron ore consumers understand the need to take strategic action (recent examples below)**
 - \$4bn loan from China to Vale for S11D high grade iron ore project (May 2015)
 - *Assists in supporting Brazil's position in the industry as a competitor to Australia*
 - \$170m acquisition by Shandong of Tonkolili from administrators (Q1 2015)
 - \$1.3bn acquisition by Baosteel of Aquila (2014)
 - \$11bn Roy Hill iron ore project – POSCO/Marubeni/CSC stake acquisition alongside large debt funding solution

Australia dominates global iron ore supply



Source: GTIS, Wood Mackenzie

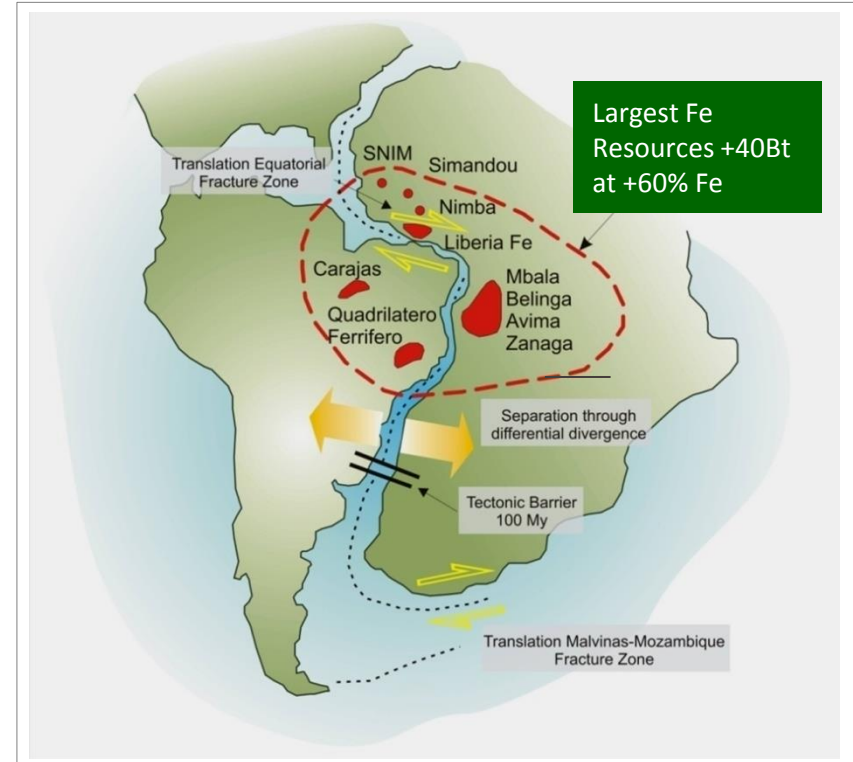
- **Unclear how many 'supply expansions' by the majors provide real long term supply increases or merely 'replacement tonnage'**
 - Portfolio analysis of the majors' mines shows certain assets to be unprofitable/marginal in today's iron ore price environment
 - Increasing strip ratios and diminishing grades will cause closures in the future

The world needs a diversified iron ore supply base

Africa provides a logical solution

- The largest pool of untapped natural resources in the world
- West African iron ore province with proven resources and a number of good quality Feasibility Studies
- Numerous examples of supportive governments with robust and cooperative frameworks for resource development
- Significant infrastructure development in Africa over the last decade has led to major improvements in the ability to construct and operate large mining assets in new jurisdictions
- Africa presents a prime opportunity for Chinese, Indian and South African investors given operational experience in the region
 - Low M&A restrictions allow significant stake acquisitions by foreign entities (unlike Australia)
- Asset selection is crucial to developing a sustained competitive iron ore province – but investment must be directed to tier one assets
 - Underpinned by detailed exploration and Feasibility Study work programmes
 - With the ability to compete with major iron ore producers on a cash margin/tonne basis

Palinspastic reconstruction of Africa
– South America at 180ma.
Showing the world's largest high grade iron ore province

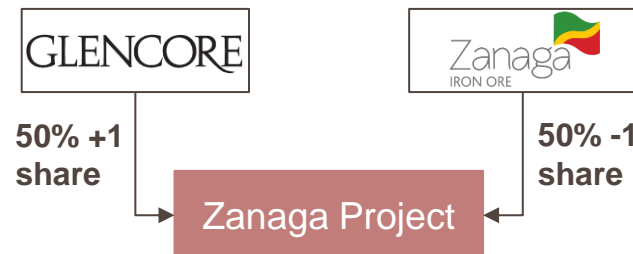
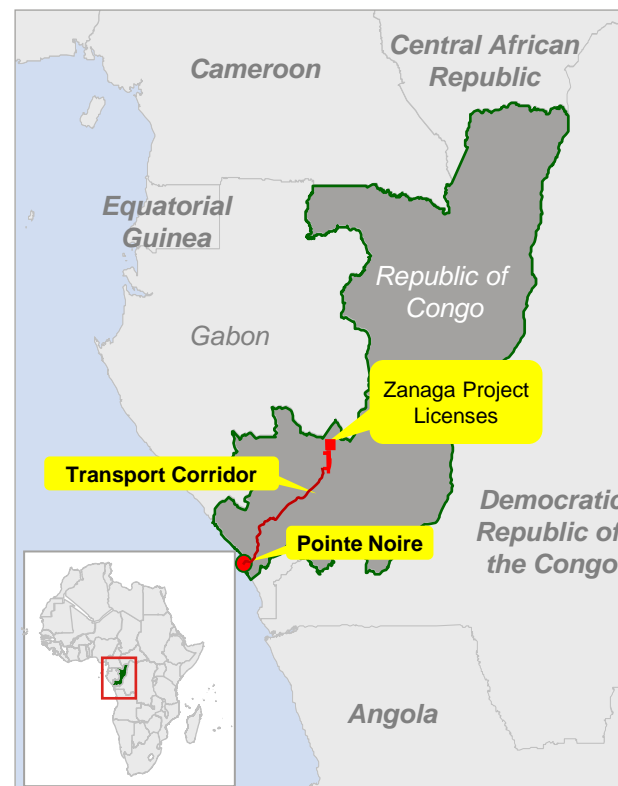


Source: Company

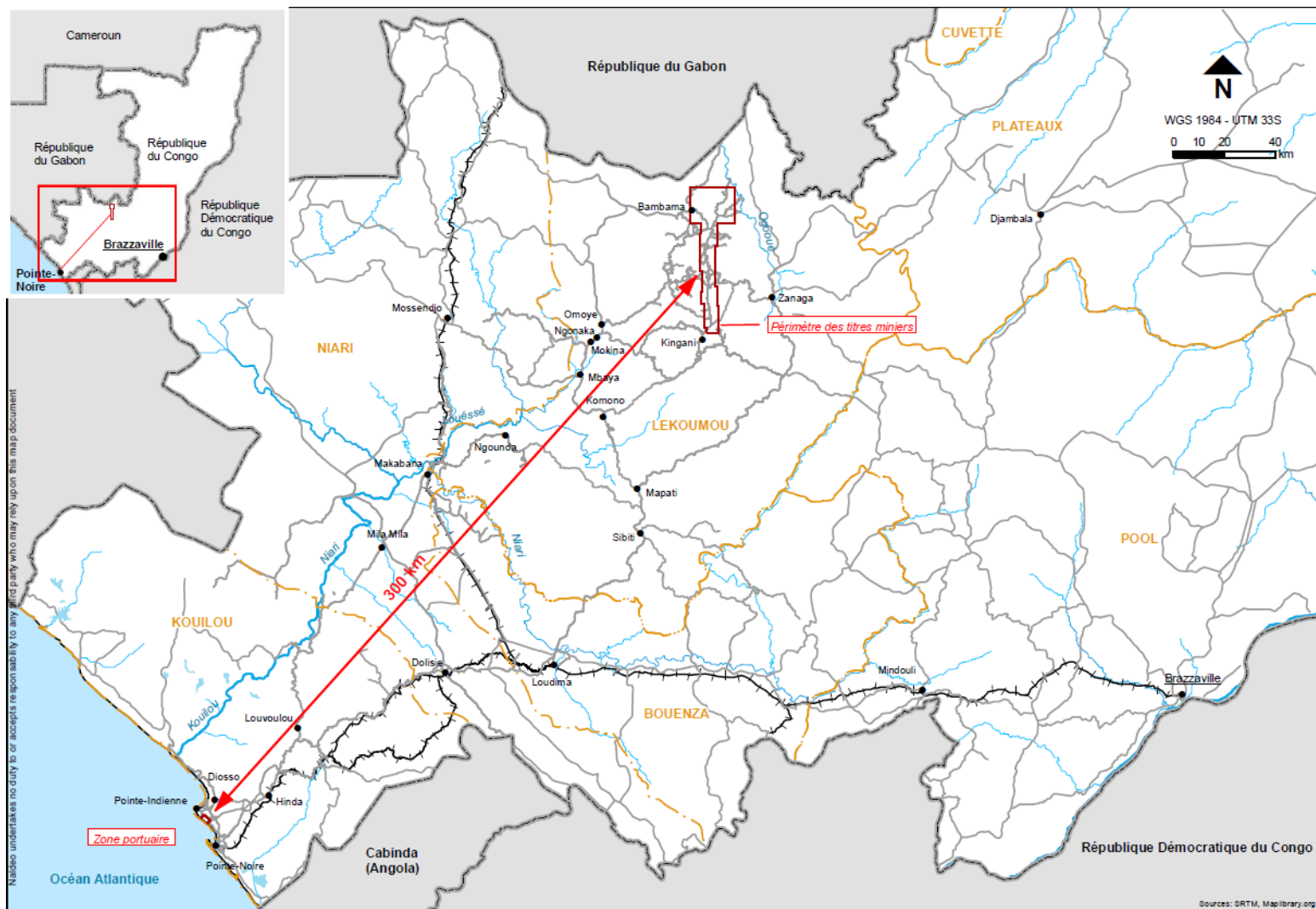
Zanaga Project Overview

Zanaga Project Overview

- **World class iron ore project**
 - 6,900Mt Mineral Resource
 - 2,070Mt Ore Reserve
 - High quality, low impurity iron ore product
 - Bottom quartile operating costs
- **JV between Glencore & Zanaga Iron Ore Company**
 - Glencore manage the Project
- **Feasibility Study & SEIA complete**
 - Compelling project economics
 - Project optimised through Staged Development
 - *Lowers capital and execution risk*
 - *Reduces financing requirements*
 - *Maximises return on capital*
- **Mining Licence and Convention approved**



Location



Reserves and Resources

>178,000m of exploration drilling has resulted in a large, well defined ore body

Mineral Resource Statement

Classification	Tonnes Mt	Fe %	SiO2 %	Al2O3 %	P %
Measured	2,330	33.7	43.1	3.4	0.05
Indicated	2,460	30.4	46.8	3.2	0.05
Inferred	2,100	31	46	3	0.1
Total	6,900	32	45	3	0.05






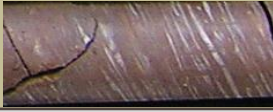


Includes higher grade material with some >60% Fe DSO



Ore Reserve Statement

Classification	Tonnes Mt	Fe %
Probable Ore Reserves	1,296	31.8
Proved Ore Reserves	774	37.3
Total Ore Reserves	2,070	33.9

Mineral Resources and Reserves reported in accordance with the JORC Code.

Photo	Lithology	Average Fe	
	SOL		
	CAN		
	COL	41.1%	Friable Itabirite 690Mt
	ITG	43.7%	
	ITF	39.7%	
	ITC	34.2%	Compact Itabirite 390Mt
	ITT	31.3%	Magnetite
	BIF	30.6%	

80 to 100m deep

Zanaga is a globally significant iron ore resource supported by a large reserve base



Zanaga is one of the only large, long-life, assets that is not already under the control of existing major iron ore producers

Globally Significant Iron Ore Reserves²

Country	Operator	Project	Status	Total Resources (mt) ¹	Total Reserves (mt)
Brazil	Vale	Carajas - Serra Sul	Construction	n.a	4,240
Brazil	Vale	Mariana	Producing	n.a	3,261
Brazil	Vale	Serra Norte	Producing	n.a	2,637
Australia	Rio Tinto	Hamersley	Producing	10,697	2,272
Congo	Zanaga Iron Ore / Glencore	Zanaga	DFS	6,890	2,070
Australia	BHP Billiton	Mt. Newman	Producing	13,400	1,980
Guinea	Rio Tinto – Chinalco	Simandou (3 & 4)	DFS	2,640	1,844
Australia	FMG	Chichester Hub	Producing	3,222	1,470
Brazil	Anglo American	Minas Rio	Producing	3,937	1,385
Canada	Oceanic Iron Ore	Hopes Advance	DFS	1,432	1,359
Brazil	Vale	Minas Centrais	Producing	n.a	1,130
Australia	Atlas Iron	Ridley Magnetite	PFS	2,010	970
Australia	BHP Billiton	Yandi	Producing	2,380	950
Australia	FMG	Solomon Hub	Producing	2,219	903
Brazil	Vale	Itabira	Producing	n.a	857
Australia	Hancock Prospecting	Roy Hill	Construction	2,420	562
Sierra Leone	London Mining	Marampa	Care & Maint	1,057	532
Australia	BHP Billiton	Mining Area C	Producing	4,520	500
Australia	Rio Tinto	Robe JV	Producing	4,892	456
Cameroon	Sundance Resources	Mbalam	DFS	775	436
Australia	Rio Tinto	Hope Downs	Producing	4,476	363
Mauritania	Glencore	Askaf North	Care & Maint	405	250
Guinea	Bellzone	Kalia (Oxide)	DFS	124	60

Assets already controlled by existing Major Iron Ore Producers

Source: Woodmac as of Q2 2014, Company Filings & Barclays Research.

1. Under SEC regulation on Resource Disclosure, Vale does not disclose measured, indicated, inferred or possible resources.

2. Only included assets that have reserves.

Feasibility Study Highlights

		Stage One	Stage Two
Production		12 Mtpa >30 year minelife (Significant resource remaining to extend life or expand magnetite operation)	30 Mtpa (through 18Mtpa expansion) >30 year minelife
Mining	Ore types	Upper hematite ores (friable and compact itabirite)	Magnetite ores exposed from mining hematite
	Strip Ratio	0.45 (Waste:ore)	0.37 (Waste:ore)
Processing		Conventional spiral and flotation processing	Conventional magnetic separator processing
High Quality Product		66% Fe 3% SiO ₂ 0.8% Al ₂ O ₃	67.5% Fe 3.2-3.4% SiO ₂ 0.4-0.6% Al ₂ O ₃
Infrastructure	Pipeline	366km long (500mm wide)	366km long (600mm wide)
	Port	RoC & China proposed port development	
	Power	100MW available from existing generation	Expansion to ~250MW underpinned by development of new generation capacity

Capital and Operating Cost Estimates

CAPEX \$m	Stage 1	Stage 2
FEED	22	11
Pre Production	23	-
Mine Area	614	814
Pipeline	399	467
Port Yard Facilities	173	243
Total Direct Costs	1,231	1,535
Construction Indirects & Owners Costs	529	353
EPCM	203	236
Contingency	256	365
Total Costs	2,219	2,489

OPEX \$/dmt	Stage 1 30 yr avg	Stage 2 9-30 yr avg
Mining & Processing	19.1	17.4
Pipeline	2.4	2.1
Port Area	6.5	2.7
G&A	2.0	0.9
Cash Cost	29.9	23.1
Royalty	1.2	1.6
Cost – FOB	31.1	24.7

Royalty, included in operating costs, calculated at \$70/dmt IODEX 62%Fe

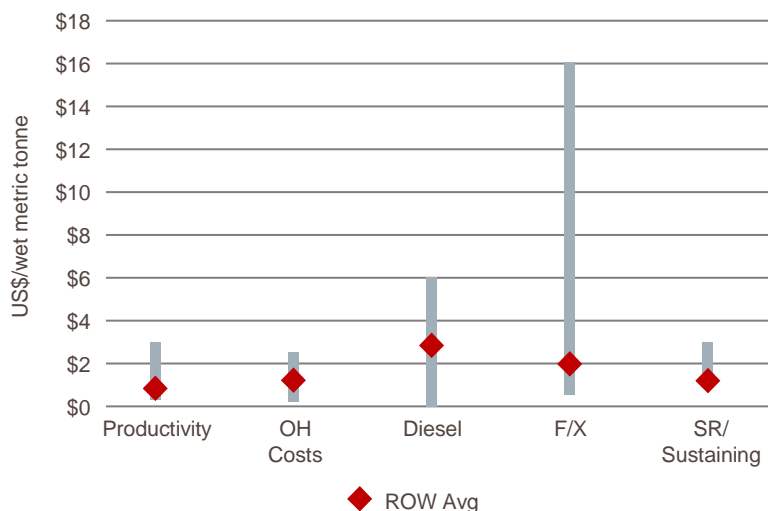
Basis of estimate:

- Contract mining for first 5 years
- Third party port “marine” construction, and third party power supply
- Road upgrades included in Government programmes
- Notes: Stage One capital costs have been estimated to an FS level of definition. The Stage Two costs are supported by a lower level of engineering (PFS level) but significantly leverages the work completed for the Stage One development. Cost escalation is excluded from the capital cost estimate. The capital cost estimate assumes the use of a third party port facility at Pointe-Indienne

Recent changes in iron ore market fundamentals

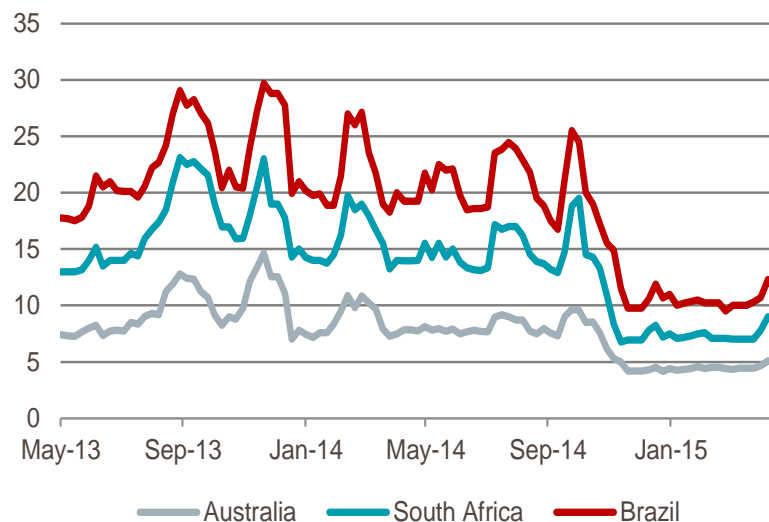
- **Iron ore market dynamics have shifted dramatically in the last 12 months since publication of the Zanaga Feasibility Study**
 - Iron ore prices have dropped to a 6 year low
 - Freight, oil and forex rate adjustments have caused a significant reduction to mine input costs
 - The importance of product quality, and the resulting impact on pricing, has expanded premiums and discounts

Global average cost reductions ex-China (2015 vs 2014)



Source: Wood Mackenzie

Freight rates (US\$/t) to China



Source: Bloomberg

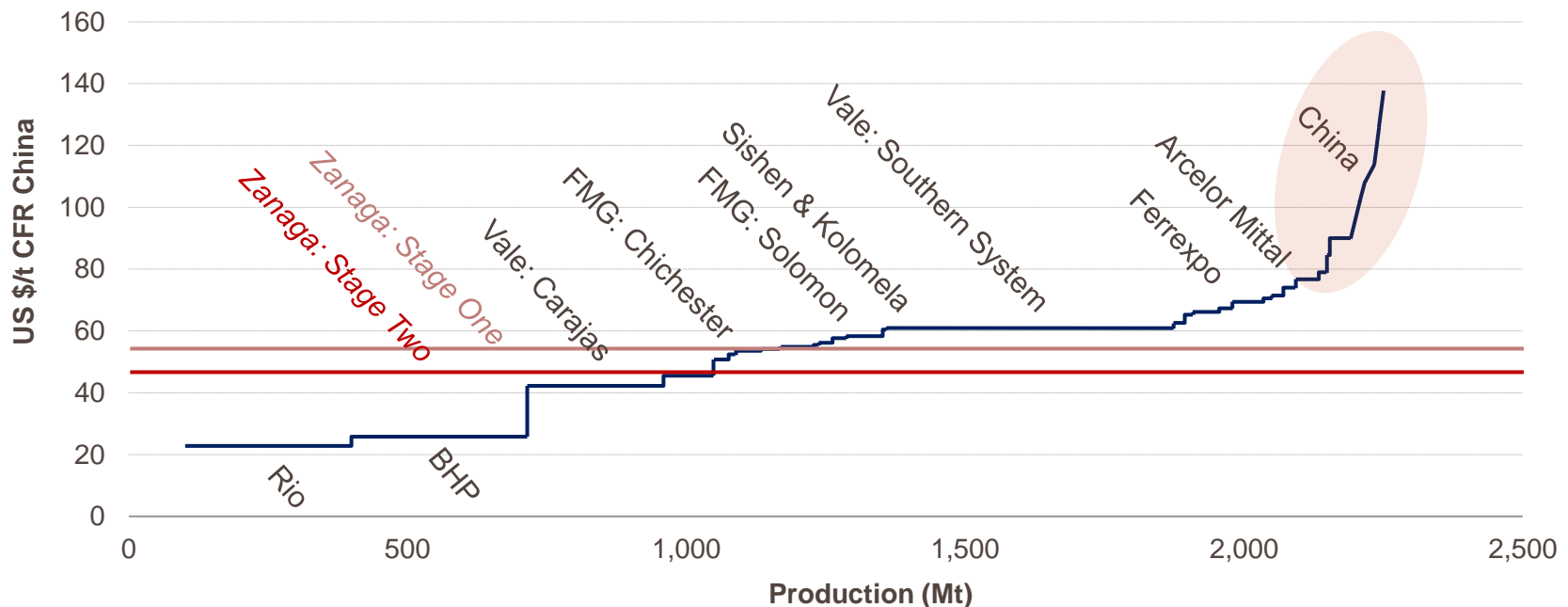
- **Traditional asset benchmarking based on cost curves can no longer be applied to iron ore**
 - FOB cost curve – low relevance, does not factor costs to deliver to customer
 - CFR cost curve – interesting but remains irrelevant as product premiums/discounts are not factored
 - Cash margin/tonne curve – valuable benchmarking metric of asset quality
 - EBITDA/tonne adjusted for sustaining capex and financing costs – preferred benchmarking metric
 - *Note: Delay in payment of financing costs can destroy a business but will not destroy a mine – mine will remain in operation under the stewardship of creditors*
 - *Note: Delay in payment of sustaining capex can destroy a mine in the long term (e.g. decisions to ‘high-grade’ a mine or delay essential sustaining capex delays inevitable capex, potentially destroying economics of long term/sustainable operation)*

Asset benchmarking

Operating cost curves don't give the full picture

- The Zanaga Project will be positioned in the middle of the cost curve on the basis of cost to deliver product to Chinese customers
 - Purely on a CFR basis Zanaga will be competitive with major iron ore producers
 - However, Zanaga's product would receive a substantial price premium which would provide an additional competitive advantage (see next slide for further analysis)

2020 iron ore cost curve



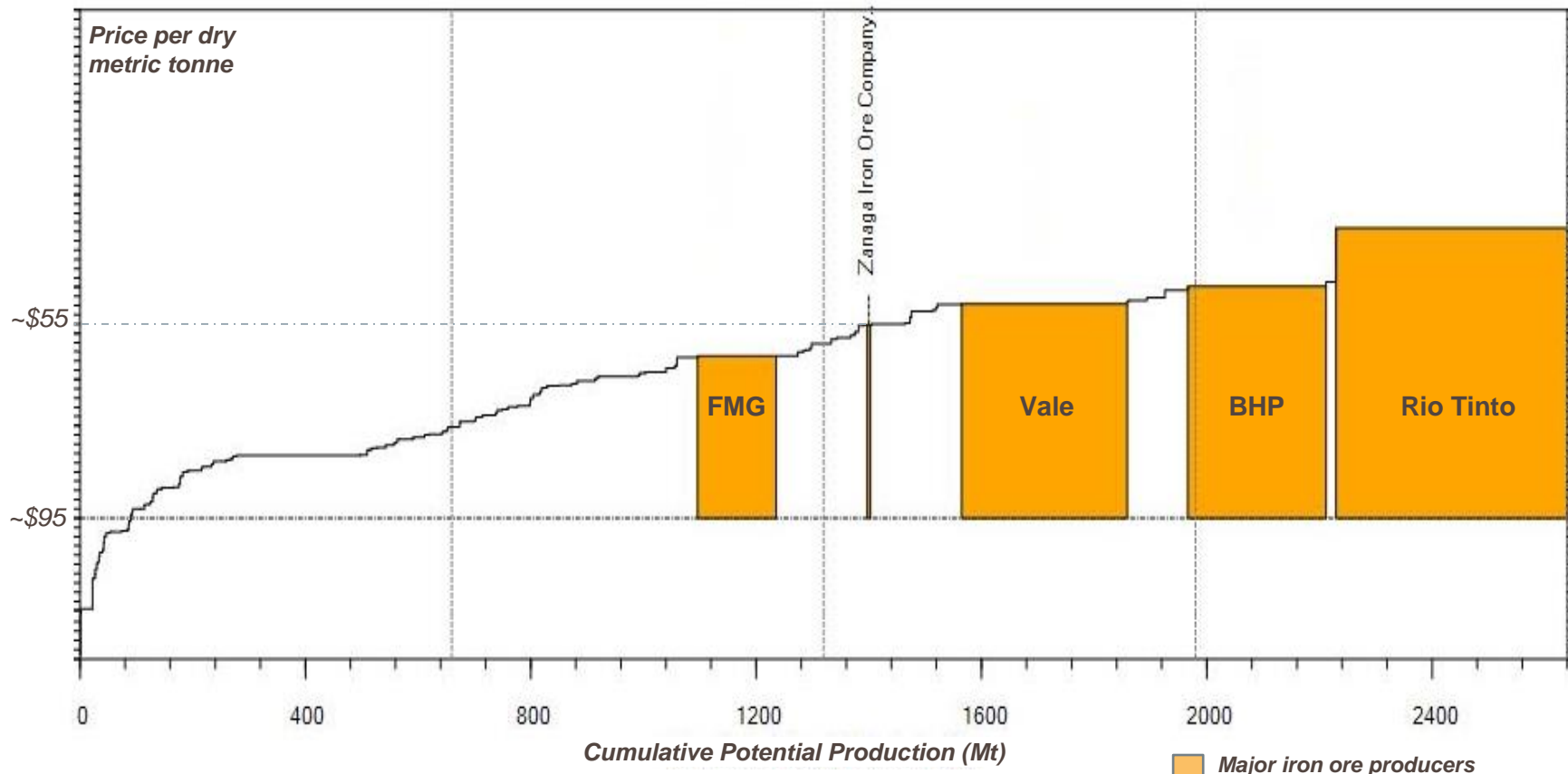
Source: Citi Investment Research, Company Reports
Freight rates in this analysis are assumed at \$25dmt for Zanaga

Asset benchmarking

Cash margin position is fundamental

- Zanaga competes favourably with the majors on a 'cash margin per tonne' basis

Estimated 2020 iron ore Cash margin per tonne 2020 (US\$)



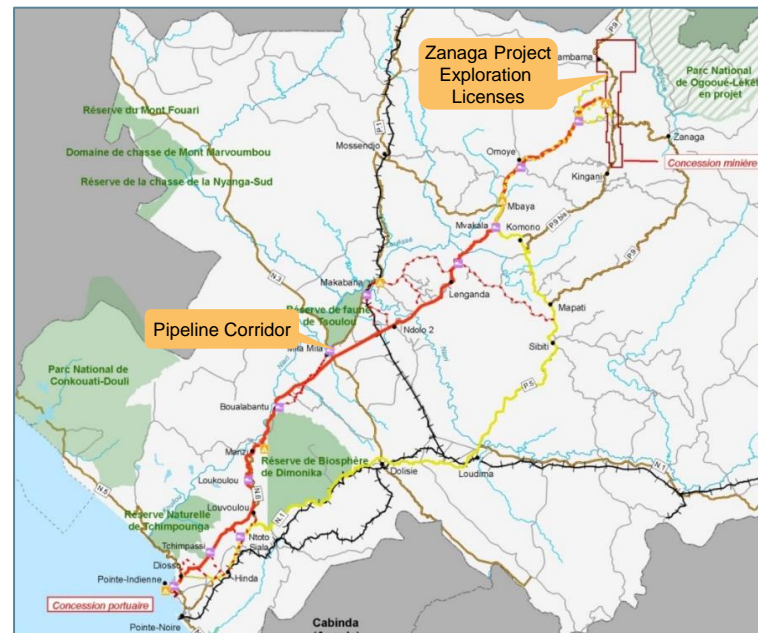
Source: AME Mineral Economics
Assumes an iron ore price of c.\$95/dmt for 62% IODEX
Freight rates in this analysis are assumed at \$25-30dmt for Zanaga

Pipeline transportation with low risk land access

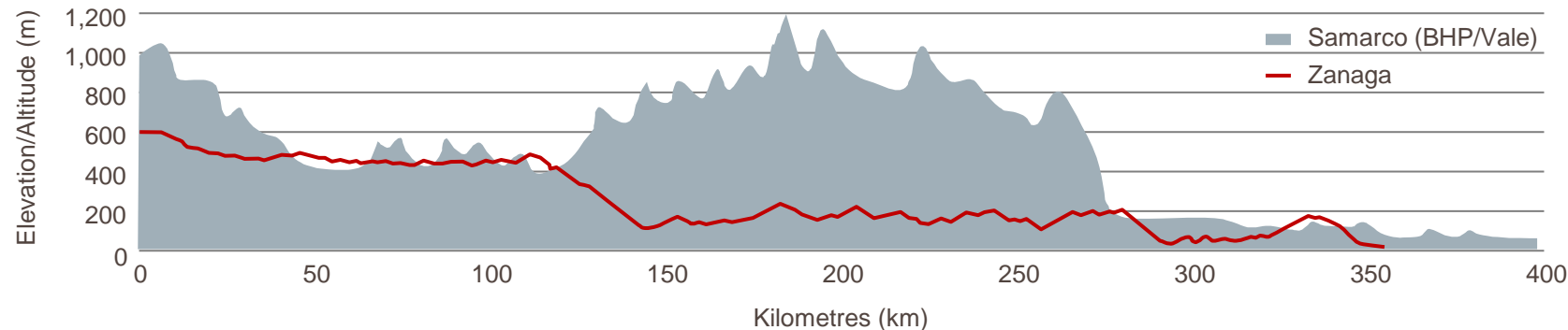
- **366km pipeline to transport pellet feed from mine site to port at Pointe-Noire**

- Stage One 20" Pipeline
 - Optimal for 12mtpa throughput
 - 13.2Mtpa capacity for first 5 years of operation due to inclusion of corrosion allowance
- Stage Two 24" Pipeline
- Very low opex
- Maximum pipeline gradient 12%
- Well defined process for securing required land
 - Appropriate consultation
 - Single central government approval – contrast to Brazil, where negotiations with hundreds of landowners required

Planned pipeline route



Indicative topographical profile – easier terrain than Brazil



Source: Company, Samarco and Ferrous company data

That will produce a high-grade pellet feed product

The Stage One pellet feed product will have an iron grade of 66%, similar to Brazilian supply

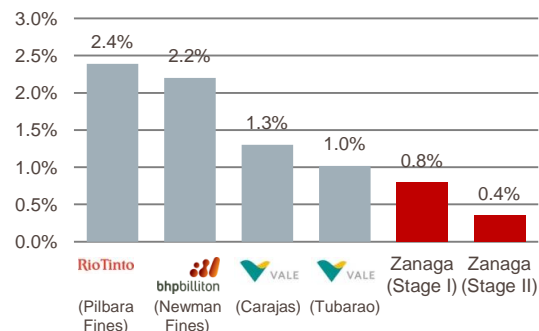
High Grade Product with High Fe Content and Low Impurities

- High quality, low impurity pellet feed product
- High iron content will command price premium relative to 62%FE IODEX
- Stage Two expansion provides option to produce two products or blend
- Product suitable for direct feed to pellet plants (size approx. 80% passing 45 microns)
- Attractive feed for pellet plants or as part of a sinter feed blend

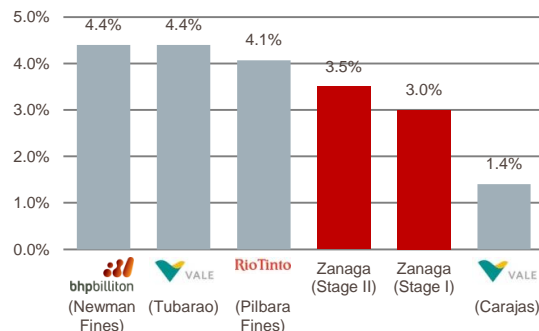
	Zanaga IRON ORE		Iron Ore Indices Specifications	
	Stage I	Stage II	RioTinto IODEX	bhpbilliton IODEX
Fe (%)	66.0%	68.5%	62%	
Alumina (%)	0.8%	0.3%-0.4%	2.0%	
Silica (%)	3.0%	3.3%-3.7%	4.5%	
Phos (%)	0.04%	<0.01%	0.08%	

Very Low Impurity Product Against the Global Majors

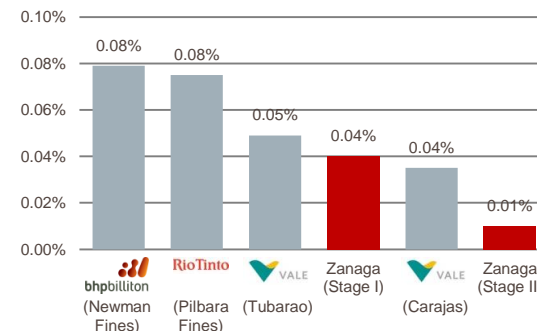
Alumina



Silica

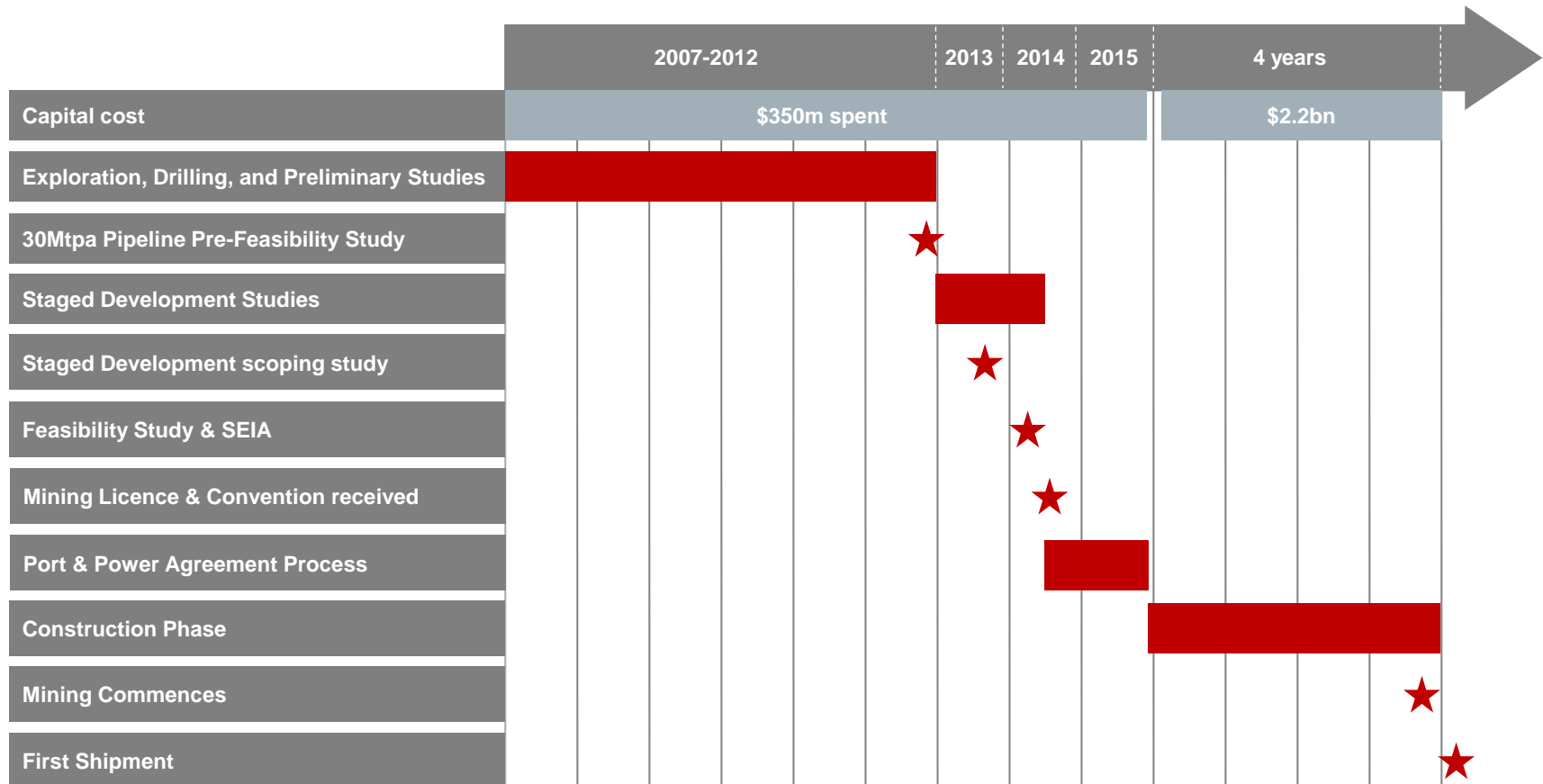


Phosphorus



Source: Company Filings and Broker Research.

Development Timeframe



✓ **Attractive Project Economics**

- Large ore body defined to support long life development
- High quality product specifications

✓ **Feasibility Study complete**

- Confirms attractive technical and economic basis for development
- Study work conducted by Xstrata & Glencore

✓ **Deliverable and financeable project**

- Reduced capital intensity and quantum for staged development approach
- Optionality with respect to port and power infrastructure

✓ **Mining Licence granted and Convention signed**

- Supported by Feasibility Study and SEIA

