

DIVISIONAL REVIEW ZINC INTERNATIONAL

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FY2017 SAW OUTRIGHT SHORTAGES IN THE SUPPLY SIDE OF ZINC, MAKING OUR MAJOR INVESTMENT FOCUS ON ZINC INTERNATIONAL PARTICULARLY WELL TIMED.



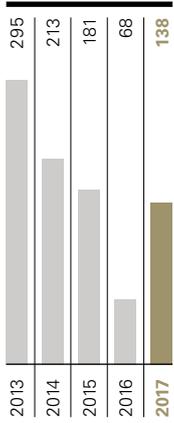
DESHNEE NAIDOO
CEO, ZINC INTERNATIONAL AND COPPER
MINES OF TASMANIA

The year in summary:

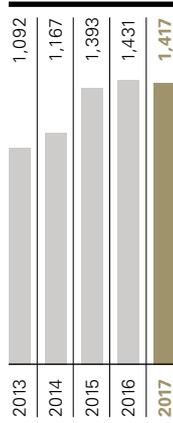
FY2017 saw outright shortages in the supply side of zinc, making our major investment focus on Zinc International particularly well timed. Our Gamsberg project represents the largest undeveloped zinc deposit in the world. Pre-start activities progressed well during the year, with more than 15.5 million tonnes of rock excavated from the site.

Gamsberg is targeted to start production mid-CY2018, and Skorpion's mine life has been extended by three years. By investing at the right point in the cycle, we are well positioned to benefit from positive market fundamentals.

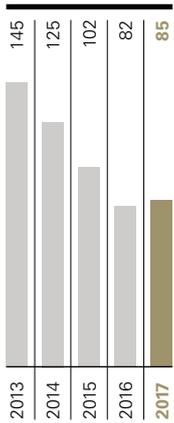
EBITDA
(US\$ MILLION)



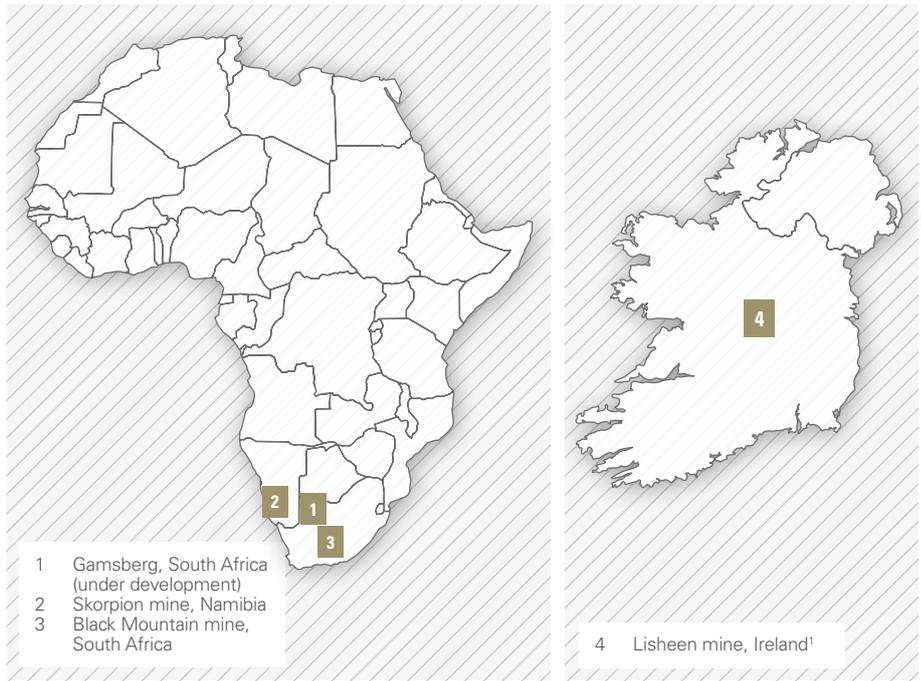
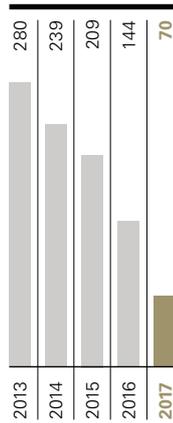
UNIT COSTS
(US\$ PER TONNE)



PRODUCTION – REFINED ZINC
(MT)



PRODUCTION – ZINC-LEAD MINED METAL
(DMT)



SAFETY

This year business has reported a small but positive reduction in lost time injuries, from 22 in FY2016 to 18 in the reporting year. The frequency rate was 2.24 (FY2016: 2.49).

ENVIRONMENT

The water recycling rate also showed an improvement, rising to 22% compared with 16% in FY2016.

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1 Lisheen had safe, detailed and fully costed closure after 17 years of operations in November 2015.

DIVISIONAL REVIEW CONTINUED

ZINC INTERNATIONAL

PRODUCTION PERFORMANCE

	FY2017	FY2016	% change
Total production (kt)	156	226	(30.9)%
Production – mined metal (kt)			
BMM	70	63	11.2%
Lisheen	–	81	–
Refined metal Skorpion	85	82	4.1%

PRICES

	FY2017	FY2016	% change
Average zinc LME cash settlement prices US\$/t	2,368	1,829	29.5%
Average lead LME cash settlement prices US\$/t	2,005	1,768	13.4%
Average silver prices US\$/ounce	17.8	15.2	16.7%

UNIT COSTS

	FY2017	FY2016	% change
Zinc (US\$per tonne) Unit cost	1,417	1,431	(1.0)%

FINANCIAL PERFORMANCE

(IN US\$ MILLION, UNLESS STATED)

	FY2017	FY2016	% change
Revenue	332.4	391.5	(15.1)%
EBITDA	138.3	68.1	–
EBITDA margin	41.6%	17.4%	
Depreciation	24.8	54.3	(54.3)%
Acquisition related amortisation	2.7	2.1	28.6%
Operating profit before special items	110.8	11.7	–
Share in group EBITDA (%)	4.3%	2.9%	
Capital expenditure	56.7	54.5	4.0%
Sustaining	11.6	31.4	(63.1)%
Growth	45.1	23.2	94.4%

OPERATIONS

Production for FY2017 was 31% lower than in FY2016, due mainly to the closure of the Lisheen mine in Ireland in November 2015 after 17 years in operation. Excluding Lisheen, total production was 7% higher than FY2016, primarily due to better performances from the Skorpion and Black Mountain Mines (BMM).

Skorpion production was 4% higher compared with FY2016, driven by better grades and recoveries. This was partially impacted by material handling challenges due to ore being wetter than anticipated, and breakdowns at the acid plant which will undergo a 30-day maintenance shutdown in May 2017 to return it to its original capacity. This work will partially impact production from the refinery. In FY2016, Skorpion's production was impacted by the extended planned 30-day maintenance shutdown and by temporary industrial action.

At BMM, production was 11% higher than the previous year. Higher grades and improved recoveries were mainly driven by efficiency improvements on backfill, long-hole blasting and better availability of ore hoisting. During the year, we made significant progress in shifting the mining methodology from cut-and-fill to the more cost effective long-hole massive mining. March 2017 marked the highest metal production in five years, with Q4 FY2017 delivering record quarterly production of 20,000 tonnes.

The unit cost of production decreased by 1% to US\$1,417 per tonne from the previous year's US\$1,431 per tonne. Excluding Lisheen, the unit cost of production was lower by 7% at US\$1,417 per tonne from US\$1,521 per tonne last year. This was driven by higher production, lower treatment and refining charges (TC/RCs), commercial cost saving initiatives and local currency depreciation.



Skorpion mine

During the year, revenue was reduced to US\$332 million, due principally to lower volumes following the closure of the Lisheen mine and delays in concentrate shipments, partially offset by higher realised prices. In FY2017, EBITDA doubled to US\$138 million from US\$68 million in FY2016, driven mainly by higher zinc and lead prices, lower TC/RCs, a one-off insurance claim refund at Skorpion Skorpion Zinc and a royalty refund at BMM.

PROJECTS

As part of our strategic growth priorities, the Gamsberg project is of the utmost importance. As we communicated last year, pre-start activities and waste-stripping at the project have progressed well. To date, we have excavated over 15.5 million tonnes of waste rock. All major orders for the integrated process plant, water and power, mining and other prestart activities have already been placed. Major contractors have been mobilised to the site.



The first phase of the project is expected to have a mine life of 13 years, replacing the production lost by the closure of the Lisheen mine and restoring volumes to over 300,000 tonnes per annum (tpa). There is also significant potential for further expansion at the Gamsberg North deposit.

First production is on track for mid-CY2018, with 9-12 months for ramp up to full production of 250ktpa.

At Skorpion, the Pit 112 project is progressing well and all equipment will be in place by Q1 FY2018. This project, which involves high wall push back of the existing pit, will increase the mine life from 0.5 years to 3 years and increase current reserves from 0.9 million tonnes (at 6.5% grade) to 4.2 million tonnes (at 9.9% grade).

OUTLOOK

In FY2018, production volumes are expected to be around 160ktpa. Mine life expansion at Skorpion is being evaluated.

The cost of production is expected to be around US\$1,500 per tonne, higher due to appreciating local currency, higher throughput and significant investment in exploration.

STRATEGIC PRIORITIES

- › To deliver the Gamsberg project with targeted first production by mid-CY2018;
- › To extend the mine life at Skorpion by investing into Pit 112 lay-back with high wall push back;
- › Carrying out a project study for Swartberg Phase II and Gamsberg Phase II to extend the life of Black mountain complex; and
- › Focused local exploration programme.