



Owen Hegarty Sydney Mining Club

1 February 2018



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About Private Equity

EMR Model

Market Outlook

Our Focus Commodities



Private Equity

A funding alternative

About Private Equity

- Long term money
- Substantial funds deployed to assist companies reach key milestones
- Must ultimately exit
- Each PE fund will have a different strategy
- Minority or majority stakes
- Major form of funding for early stage oil & gas

Benefits to investee company

- Certainty of funding
- Access to experienced management
- Less public exposure requirements
- Less dilutive for management in the long run compared to public equity
- Greater opportunities for management
- EMR offers a strong operational background

PE in Mining

- Not a traditional sector for PE
- Does not replace capital lost from public equity
- High demand from sophisticated investors looking for exposure to Asian growth thematic



1 Operational experience and strategy

2 Proven investment track record

3 Focus on four core commodities

4 Deep linkages to Asia

Investment Criteria

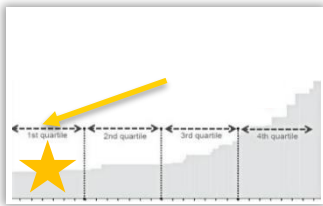
New Investments



Scale



Grade



Low cost



Process



Long life



Upside



Stable jurisdiction



Exitability

Existing Investments



Increase volumes



Reduce sustaining costs



Cultural change



Expand resources and reserves



Add resources/value to all tenements



Add value regionally via M&A



Apply technology shifts



Improve exitability

Our Investments and Locations



Fund I – Example Investment

Martabe – Gold – Indonesia

Key investment rationale

Operating mine with strong cash flow	<ul style="list-style-type: none"> ▪ Mine fully operational and producing ahead of budget ▪ All infrastructure in place
World class deposit	<ul style="list-style-type: none"> ▪ Flat lying, open pit, low strip ratio ▪ Part of a large-scale mineralised district
1st quartile AISC	<ul style="list-style-type: none"> ▪ Bulk style open-pit mining ▪ Standard process technology
Significant resource upside	<ul style="list-style-type: none"> ▪ Highly prospective tenements ▪ Under-investment in exploration
Strong exit potential	<ul style="list-style-type: none"> ▪ Major operating gold mine in Asia-Pacific ▪ Significant sulphide resources
Strong management team	<ul style="list-style-type: none"> ▪ Outstanding track record developing and operating major mines ▪ Deep in-country experience

Improvements achieved

Production increase	<ul style="list-style-type: none"> ▪ Mining rate increase ▪ Mill throughput increase ▪ Improved metallurgical performance
Cost Savings	<ul style="list-style-type: none"> ▪ Decrease in mining, processing and G&A costs
Exploration	<ul style="list-style-type: none"> ▪ Exploration program significantly expanded ▪ Reserve and Resource upgrades



Fund II – Example Investment

Lubambe - Copper - Zambia

Key investment rationale

Operating mine with expansion potential

- Medium-scale high grade underground producing mine
- Established new infrastructure, 2.5Mtpa plant
- Proven mining and processing
- Targeting early ramp-up to full plant capacity

Large high grade copper Extension resource

- Undeveloped world class Extension orebody, >212Mt @ 3.6% Cu, 7.6Mt Cu
- Potential to expand to large scale producer (>100ktpa) with >40 year mine life

Established mining jurisdiction

- Prolific mining region with >100 years operating history
- High concentration of global miners

Improvements identified

Mine plan optimisation

- Optimisation of throughput and head grade into mill
- Potential to increase volumes and reduce costs

Expansion

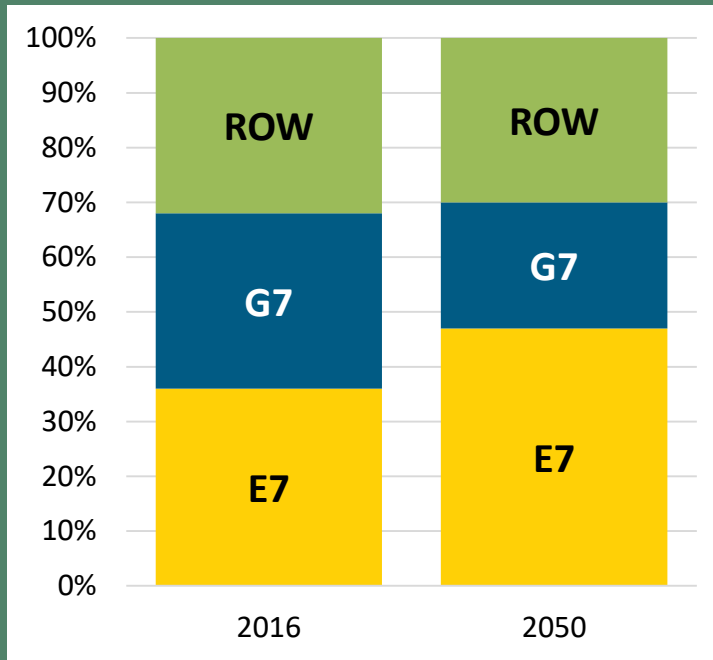
- BFS on undeveloped world class Extension orebody to substantially increase annual production (>100ktpa)



Market Outlook

A sustainable, multi-decade, investment opportunity

E7 to contribute nearly 50% of GDP by 2050



Top 10 economies by 2050



E7 – Emerging 7 countries > China | India | Brazil | Mexico | Russia | Indonesia | Turkey

The global economy to double by 2050

Source: PWC

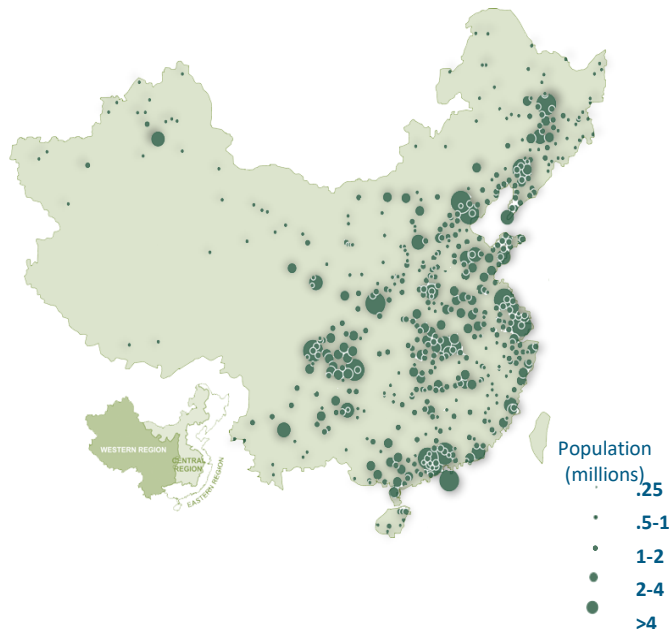


China remains the engine room of global growth

Rebalancing reforming and transforming

- Environmental **reform**
- Industrial efficiency driver
- Health and welfare and consumer **reforms**
- Governance **enhancement**
- SOE **reform**, POE encouragement
- Expanded infrastructure commitment
- Financial regulatory **reform**
- Outbound direct foreign investment

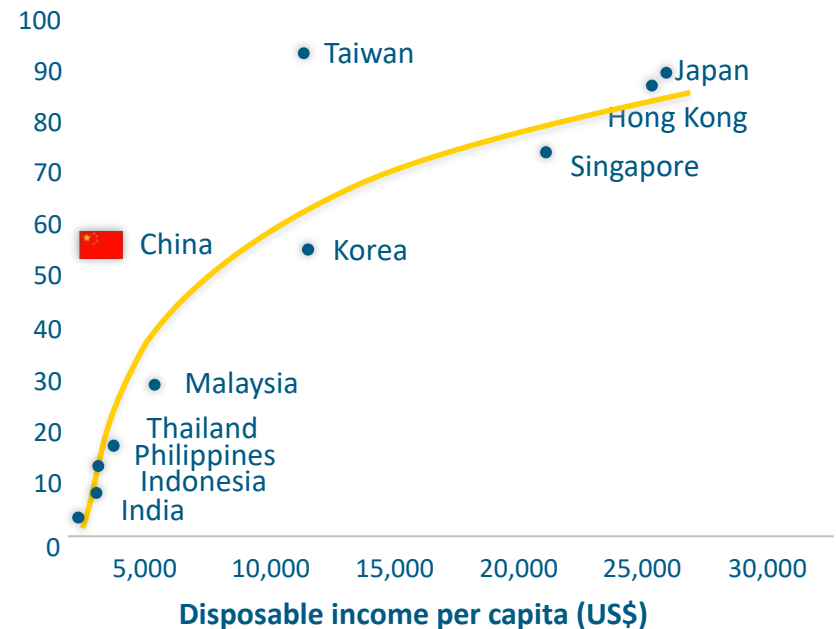
Potential for inland provinces to develop



Source: The European Financial Review

Further metal intensity growth potential

Ownership of air conditioner (% of household)



Market Outlook

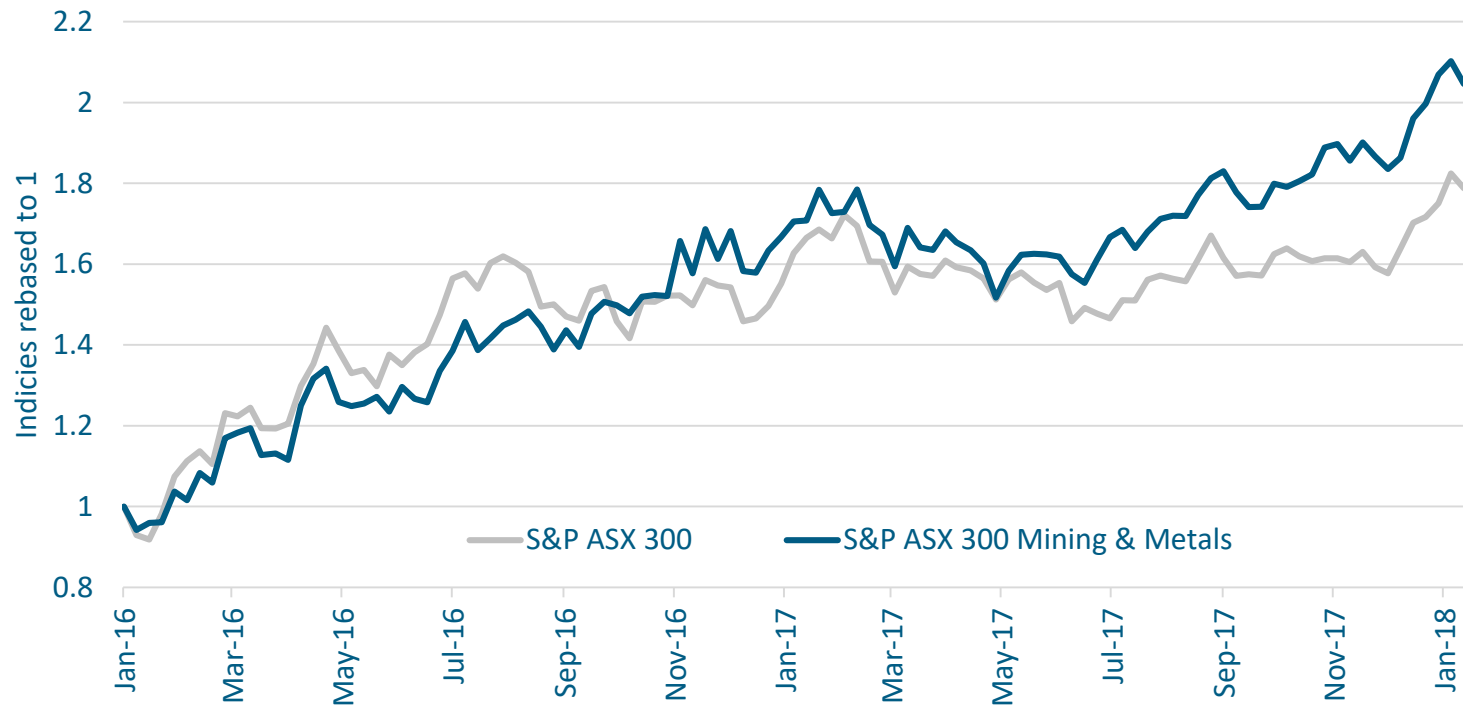
Miners continue to outperform

Synchronous global growth

Higher commodity prices

Strong balance sheets

Sector not expensive

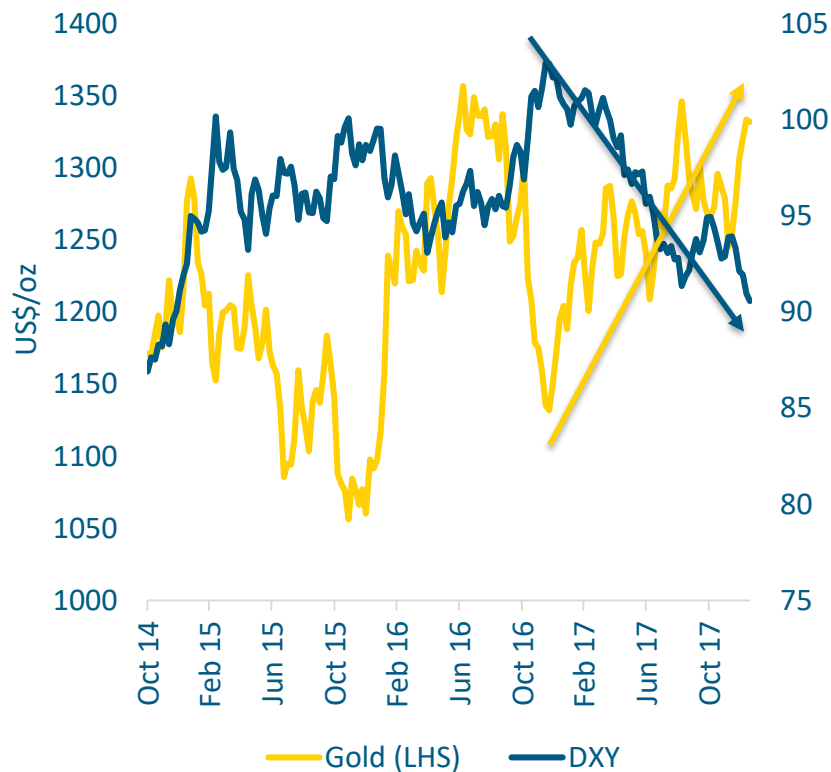


Gold

Alternative currency

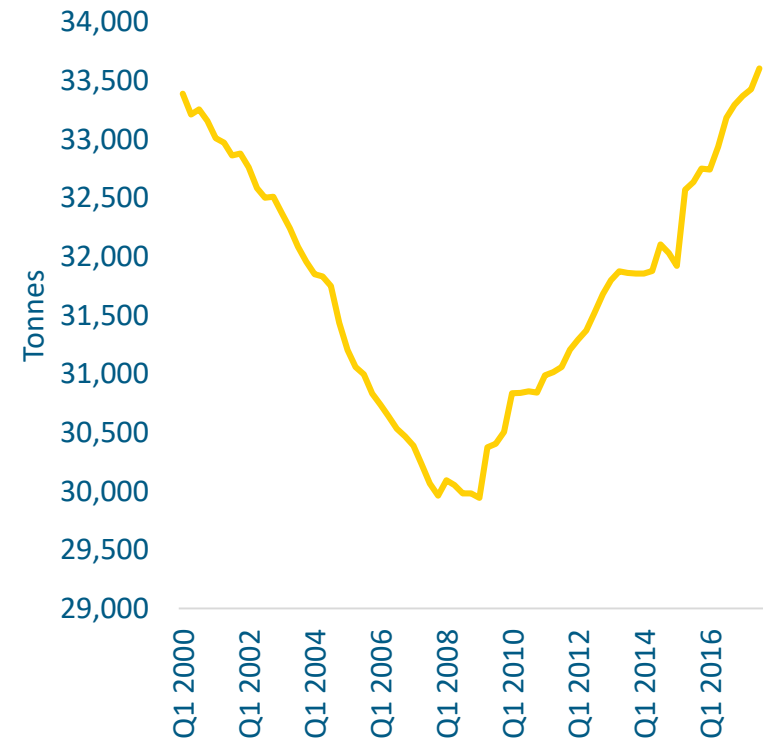
An alternative to USD

Gold vs USD Index



Central banks continue to buy

Gold held by central banks



Sources: World Gold Council, Factset

Copper

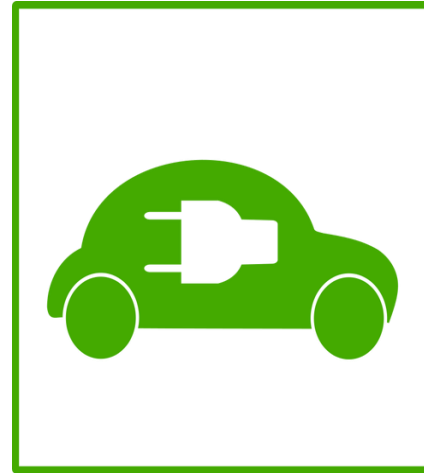
Multiple new uses

Renewables



Copper
usage up to
6x
traditional
electricity
generation

Electric Vehicles



Copper
usage up
to
4.5x
conventional
vehicle

Antimicrobial copper

Copper alloys
continuously
kill bacteria

Architecture

Superior cost
effective building
material

Piping

Press connect
joints for high
pressure
pipework

New alloys

Alloys for any
application

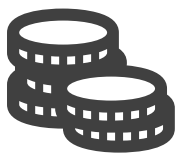
Cosmetics

Anti-ageing
ingredient

Coking Coal

Demand for high quality product

China structural reform



Supply restrictions
to promote
profitability and
deleveraging



Strict
environmental
standards

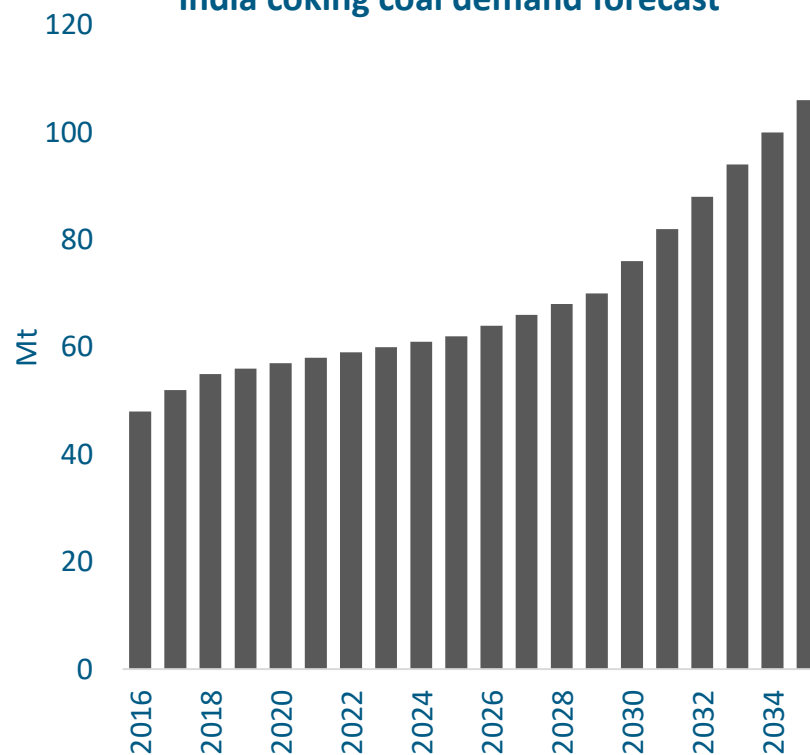


Greater demand
for high quality
product



India demand increase

India coking coal demand forecast



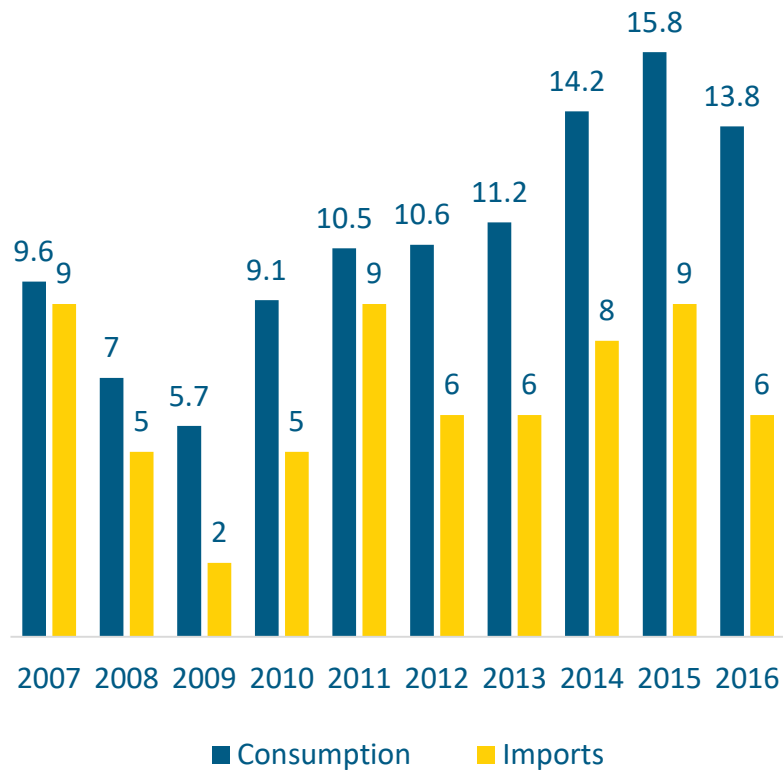
Source: Australian Department of Industry, Innovation and Science

Potash

Strategic opportunities

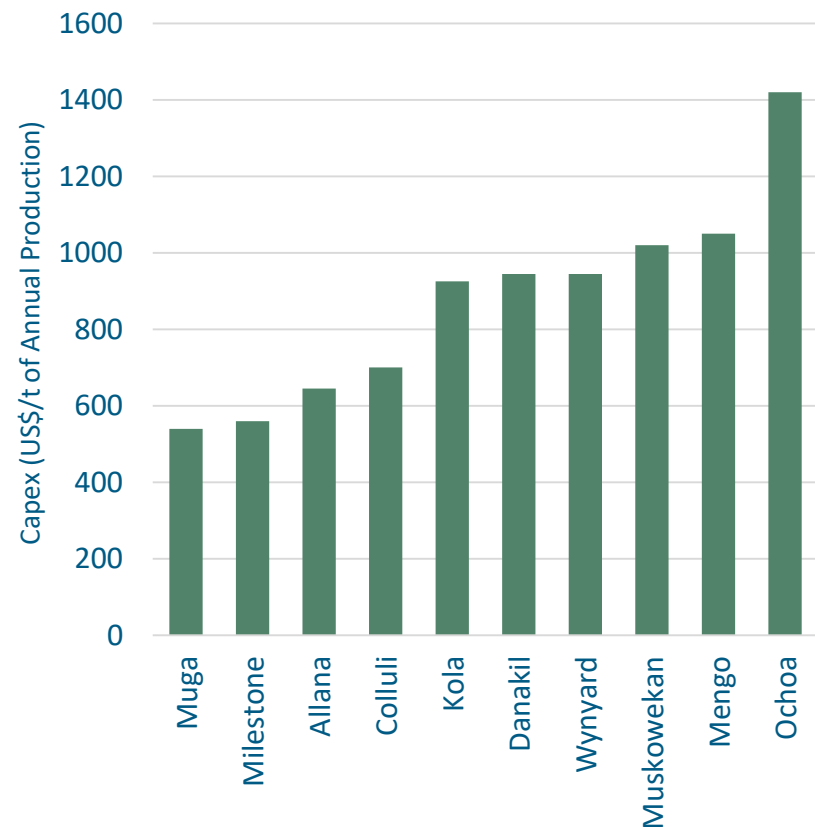
China is short potash

China consumption and imports (Mt)



High barriers to entry

Capex intensity of new projects



Sources: Scotiabank, BMO

Other commodities

Upside potential from Electric Vehicles

	Nickel	Graphite	Lithium	Cobalt	Copper
Total demand increase – 10 years					
Price change potential – 10 years					
Market Size					
Outlook if EV theme falters					

We prefer to gain exposure to this theme through Copper

Concluding remarks

- Private Equity is a funding alternative
- EMR Capital has grown to become a leading PE firm in the natural resources sector
- Our strengths are our operational experience, focus, and linkages to Asia
- Commodities and the mining sector are a multi-decade investment opportunity





emrcapital.com

