



# **Marketing Strategy and Outlook**

**Presentation to Analysts - Chile visit, November 10, 2004**

# Marketing Strategy

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## Sales by product

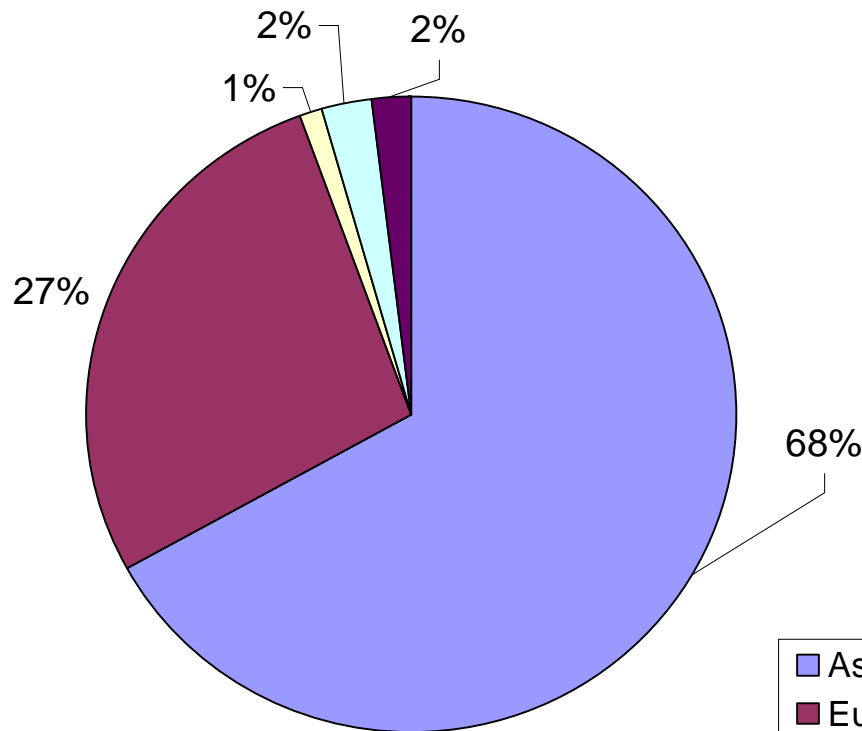
	<b><u>2004 H1</u></b>		<b><u>2003 FY</u></b>	
	<b>Tonnes</b>	<b>US\$m</b>	<b>Tonnes</b>	<b>US\$m</b>
<b>Copper in Concentrate*</b>	139.8	437.1	332.8	620.5
<b>Copper Cathodes</b>	70.0	194.5	144.6	262.8
<b>Molybdenum in Concentrate</b>	3.7	119.1	8.7	105.4

- \* Credit additionally received for gold and silver content of copper concentrate
- 2004 H1 US\$7.1m
  - 2003 FY US\$11.2m

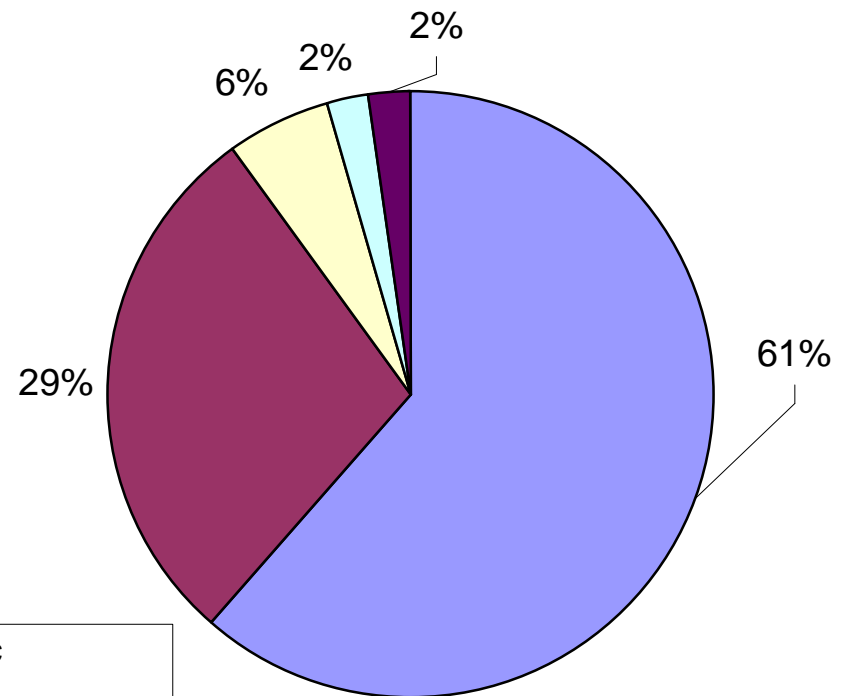
# Sales by geographical destination

## Copper Concentrate Sales by Region

2004 H1



2003 FY

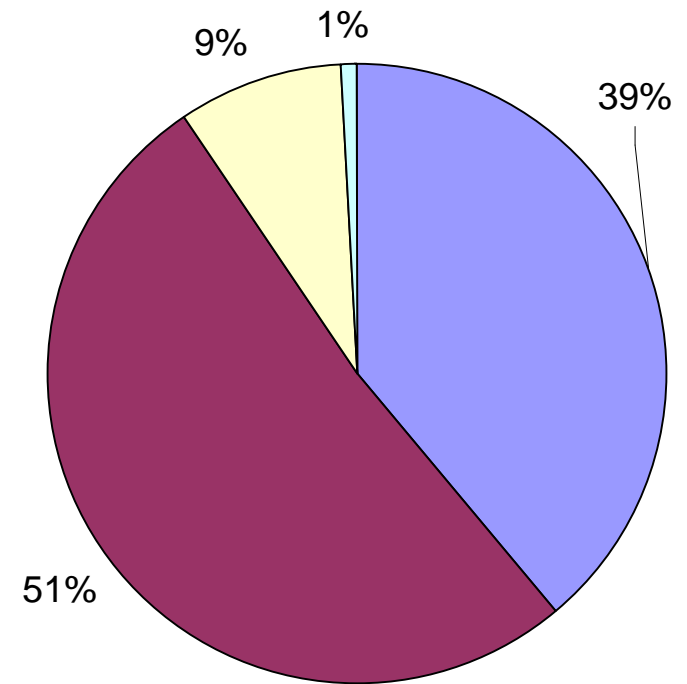
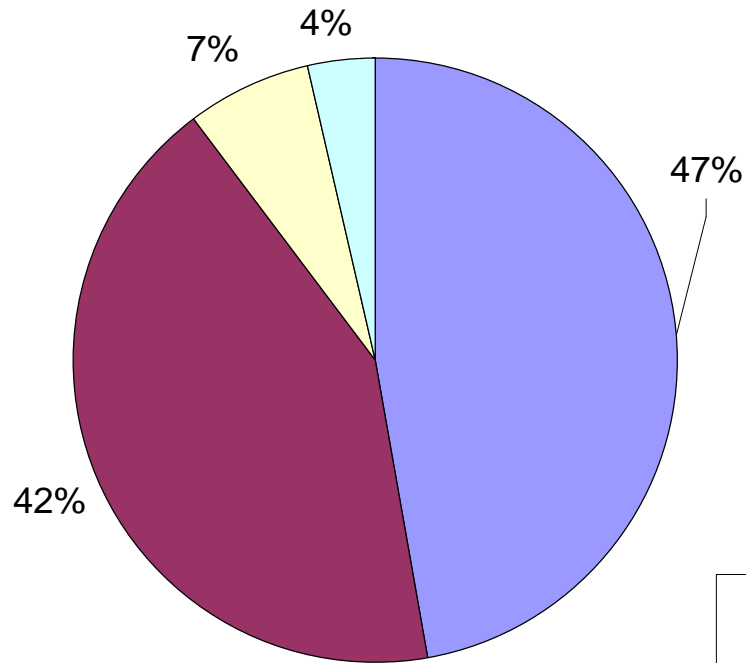


# Sales by geographical destination

## Copper Cathode Sales by Region

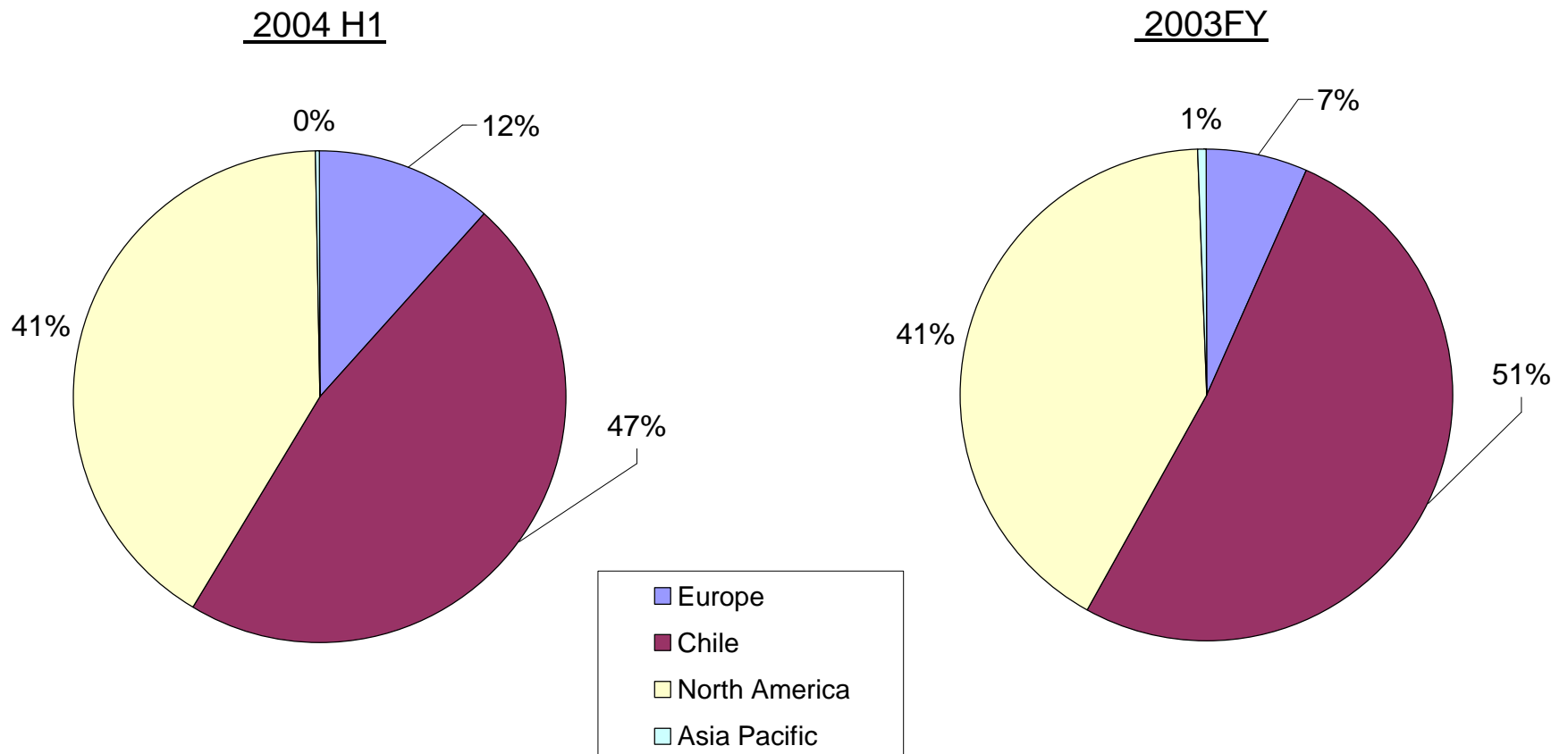
2004 H1

2003 FY



# Sales by geographical destination

## Molybdenum Concentrates Sales by Region



## Sales by type of contract

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### Copper concentrate sales

Long term contracts	70 %
Medium term & annual contracts	20 %
Spot sales	10 %

### Key features of concentrate sales

- No terminal market
- Copper priced by reference to LME with quotation period (provisional pricing)
- Annual TC/RCs - negotiated annually based on “benchmark”
- Spot TC/RCs - high volatility on terms

## Sales by type of contract

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### Copper cathode sales

Annual contracts	75 %
Spot sales	25 %

### Key features of cathode sales

- LME acts as terminal market
- Brand registration
- Less volatile terms than in the concentrate market
- Copper priced by reference to LME
- Premiums depend on quality of cathodes and location of stocks

## Sales by type of contract

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### Molybdenum concentrate sales

Long term annual contracts	70 %
Medium term annual contracts	25 %
Spot sales	5 %

### Key features of molybdenum concentrate sales

- Priced normally by reference to Platts Metals Week (weekly prices based on small transactions compared with the market size)
- Limited number of Buyers (roasting plants)
- There is no terminal market
- High volatility on the spot market
- Quality of product is a key issue

## Market Overview

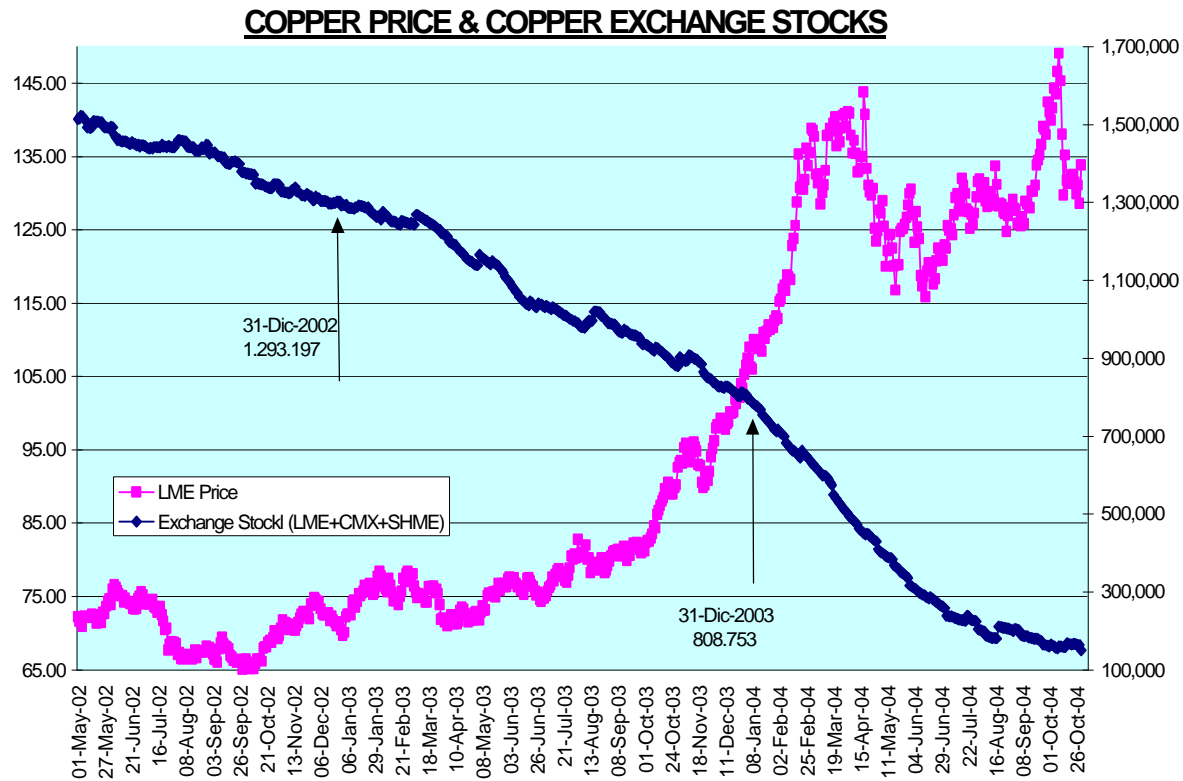
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## Market Highlights

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- **Strong fundamentals for copper**
  - Overall inventories of refined copper remain very low
  - Copper consumption still strong
    - ...but at decreasing rate in 2005, compared to 2004
  - Few greenfield projects in the pipeline
  - Massive supply deficit in 2004, which is being covered by inventory
  - 2005 lower supply deficit but not sufficient stock to cover it
  - Outlook for copper prices: *POSITIVE*
  - High cycle: May last three to five years over  $\phi 90$
  - Analysts' price range for 2005:  $\phi 120/ 130$

# Copper Prices and Exchange Stocks



- LME warehouses in Europe are empty
- Visible inventories around 160,000 tonnes
- Overall inventories remain very low

## Refined Copper - Market Balance

- Consumption – growth strong in the near- term....less strong further out

	2003 %	2004E %	2005E %
<i>World</i>	3.2	7.0	4.5
<i>China</i>	20.0	12.0	9.0
<i>U.S.A.</i>	(7.0)	12.1	2.0
<i>Japan</i>	2.0	8.0	6.0
<i>Europe</i>	(1.7)	1.5	3.0

- Supply/demand deficits expected

	2003A '000 tonnes	2004E '000 tonnes	2005E '000 tonnes
<i>Main 3 Market Analysts (CRU- B. Hunt-Bloomsbury)</i>	(370)	(850)	(375)
<i>Banking Institutions (8)</i>	(349)	(725)	(290)

## Concentrates – Market Balance

	2003 '000 tonnes	2004E '000 tonnes	2005E '000 tonnes	2006E '000 tonnes
<i>Production</i>	10,951	11822	12985	12832
<i>Consumption</i>	11,140	11414	12901	12872
<i>Balance</i>	(189)	408	84	(39)
<i>Source: Bloomsbury</i>				
<i>TC + RC + PP Combines (¢/lb.)</i>	11.6	13	19	16

- Spot terms have recovered in favour of the smelters due to:
  - Increases in mine production, mainly in form of concentrate
  - Delays in start-up of new smelters in India and Thailand
- However:
  - Higher utilization rate and new capacity should diminish the surplus towards the end of 2005

## Molybdenum Market Outlook

- Surprisingly strong market in 2004

	2002A	2003A	2004E	2005E
	US\$	US\$	US\$	US\$
<i>PRICE</i>	3.7	5.3	15	10

- Prices supported by:
  - Stainless steel production (75% of the moly market)
    - Currently growing at 8%; expected to continue at 4-5% in 2005-06
  - Non-metallurgical applications (10%)
    - e.g. catalyst sector due to emission limitations
    - Expected growth of 3.5%
  - Production problems at primary mines in 2004
    - Endako in Canada, IDC in China)
- Correction expected in 2005
  - Production difficulties at primary mines improving
  - Higher output at existing copper-moly mines due to better prices for both metals