

## Regulated Information

### **Nyrstar proceeds with Port Pirie Redevelopment**

#### **Funding and support package with Government finalised**

Further to the announcement on 30 April 2014, Nyrstar NV ('Nyrstar' or the 'Company') announced today it has signed a binding agreement for the final funding and support package for the redevelopment of the Port Pirie smelter into an advanced metals recovery and refining facility (the 'Redevelopment') with the South Australian Government and EFIC<sup>1</sup>, Australia's export credit agency.

#### **Highlights**

- **Pivotal milestone** in the redevelopment of Nyrstar Port Pirie and of the wider Metals Processing segment transformation. **No further approvals needed**
- **Fundamental step** in achieving our **stated mission** to maximise value from our integrated business model
- Conversion of Nyrstar Port Pirie smelter into an **advanced metal recovery** and refining facility enabling **fundamentally different business model** for the asset
- Significant investment with **capital cost of ca. EUR 338 million** (ca. AUD 514 million) supported by an **innovative funding package**
- Nyrstar's **direct contribution as expected ca. EUR 68 million** (ca. AUD 103 million)
- Final Feasibility Study confirms **compelling business case** with expected post tax leveraged IRR of **25-30%**<sup>2</sup>
- Work on site remains on schedule, all major development and supporting legislation obtained - **on track for completion at the end of 2016**
- FY2014e Group top-end CAPEX maintained at EUR 335 million; FY 2014e Redevelopment CAPEX of EUR 95-105 million

**Roland Junck Chief Executive Officer of Nyrstar** said: "I am pleased to announce that we have reached this pivotal milestone in the Redevelopment. The funding agreement gives us the certainty we need to move forward and transform Nyrstar Port Pirie into an advanced metal recovery and refining facility that will benefit all our employees, the Port Pirie community and our investors. We remain on track with work on site for this year, construction work to begin early next year, and the facility to be fully operational by the end of 2016."

This is a major project and a significant undertaking by Nyrstar. Following our in principle funding agreement in December 2012, we have delivered today on the innovative funding package with significant support from the South Australian Government, with EFIC's assistance. Importantly, the final agreement ensures that our direct contribution remains unchanged thereby limiting the impact on our financial capacity and our ability to deliver on the wider Company strategy. The Redevelopment is a fundamental step in achieving our stated mission to maximise value from our integrated metals processing and mining business."

<sup>1</sup> EFIC: Export Finance and Insurance Corporation.

<sup>2</sup> Based on internal economic and flat metal price assumptions for the duration of the project; and includes the zinc plant closure. Note: Average exchange rate used throughout the press release of AUD/EUR1.52 (2 January to 30 April 2014).

# News release

## Investment case

Following the completion of the Final Feasibility Study ('FFS') in Q1 2014, the estimated total capital cost of the Redevelopment is ca. EUR 338 million (ca. AUD 514 million). The increase in the capital cost from the estimate of ca. EUR 231 million (ca. AUD 351 million) at prefeasibility stage principally reflects Nyrstar taking on the construction of a new and increased capacity sulphuric acid plant. During the feasibility process, Nyrstar explored the potential for a third party to build, own and operate the acid plant, however, it was concluded it would be more beneficial for Nyrstar not to do so in order to retain full operational control and subsequent marketing benefits. In addition the ca. EUR 338 million estimate reflects expected inflationary impacts over the spending horizon for the project; analysis was not advanced enough at the prefeasibility stage to identify the amount of this inflationary impact.

Nyrstar has conducted a stringent review process to finalise the final investment case for the Redevelopment, including further detailed engineering studies. Along with a designated Nyrstar team, specialist consultants were commissioned to perform engineering, estimating, scheduling, and various reviews on the FFS including a number of independent peer reviews.

Whilst the estimated total capital cost of the Redevelopment has increased, the underlying investment case remains robust driven by a substantial increase in all free metals once the facility is fully operational in 2016, and the benefits of restructuring the zinc production currently conducted at the site (see below 'Zinc production at Port Pirie').

Nyrstar continues to expect the Redevelopment to generate a post-tax leveraged IRR of 25-30%, using internal economic and flat metal price assumptions for the duration of the project.

Upon completion, the Company estimates ca. 50% increase in throughput that will allow for the rest of the Port Pirie site to be used at full capacity. Increased furnace flexibility will allow Nyrstar Port Pirie to significantly improve the added value from production at the site by processing a wider range of high value and high margin concentrates and residues from Nyrstar's existing smelters. Concentrates from the Company's own mines and residues from Nyrstar's zinc smelting network are expected to account for approximately 50% of feed material requirements. As the contribution from free metal and by-products increases, and the dependence on treatment charges reduces, gross profit is expected to materially increase.

Nyrstar expects operating costs per tonne of market metal at Nyrstar Port Pirie to decline by ca. 20%<sup>3</sup> in local currency terms once the project is fully operational, which will in turn drive improved EBITDA and Free Cash Flow.

Nyrstar Port Pirie is expected to have the capacity to produce a range of metals yearly including ca. 250,000 tonnes of refined lead, ca. 40,000 tonnes of zinc in fume, ca. 7,000 tonnes of copper in matte, and ca. 25.0 million troy ounces of silver dore, containing ca. 100,000 troy ounces of gold.

<sup>3</sup> The 20% is based on unit cost calculation for the FY 2013 using combined lead and zinc volumes, and lead and zinc in fume for FY 2017. The average unit cost decline includes the closure of the zinc plant, which contributes ca. 6%.

# News release

In light of the revised scope of the project, Nyrstar expects redevelopment capital expenditure for 2014 to be between EUR 95-105 million. The increase will be offset by savings within other parts of the Group resulting in overall guidance for the year of EUR 290-335 million. Capital expenditure for the Redevelopment is expected to be higher in 2015 when the majority of the construction works begin. Full guidance for 2015 will be provided at the time of the FY 2014 Results in February 2015.

The Redevelopment will reduce the environmental footprint of the existing smelter, providing a step change reduction in airborne metal and dust emissions.

## Funding and support package

The package comprises of three parts. Firstly, the revised funding arrangements have been renegotiated with the South Australian Government and EFIC, and Nyrstar's direct contribution remains unchanged at ca. EUR 68 million (ca. AUD 103 million).

- **Direct contribution from Nyrstar:** ca. EUR 68 million (ca. AUD 103<sup>4</sup> million)

As at 30 April 2014, ca. EUR 19 million (ca. AUD 29 million) has been spent on feasibility studies, with the remainder of the contribution expected by the end of 2014.

- **Project level financing: structured investment to third party financiers benefiting from a AAA credit rated guarantee from EFIC, supported by a back-to-back guarantee from the South Australian Government:** ca. EUR 191 million (ca. AUD 291<sup>5</sup> million)

Nyrstar Port Pirie will issue perpetual securities to a special purpose vehicle ('SPV'), created solely for the financing of the Redevelopment. The SPV will raise funds from third party financiers benefiting from a guarantee from EFIC supported by a back-to-back guarantee from the South Australian Government. Nyrstar expects to utilise the funding from early 2015. Forecast distributions are expected to reduce the amount of perpetual securities outstanding between 2017 and 2021. The perpetual securities receive IFRS equity accounting treatment, as there is no obligation on Nyrstar Port Pirie to amortise the perpetual securities; however, Nyrstar does not expect any perpetual securities to be on issue by the end of 2021. The funding that is raised by the SPV will be guaranteed by EFIC and has a AAA credit rating.

And the third part of the funding package:

- **Forward sale of future silver production:** ca. EUR 79 million (ca. AUD 120 million)

Nyrstar intends to enter into a transaction for the forward sale of silver output from the redeveloped Nyrstar Port Pirie facility for an upfront payment of ca. AUD 120 million ('Prepayment Agreement'). The Prepayment Agreement is expected to be entered into during 2014 for a term of five years. Under the terms of the agreement, silver will be delivered under a defined delivery schedule post commissioning from 2016 until the end of 2019.

<sup>4</sup> Exact Nystar contribution AUD 102,750,000.

<sup>5</sup> Exact Project Level Financing AUD 291,250,000

# News release



In 2013 Nyrstar received major development approval from the South Australian Government, allowing it to proceed with construction of the project; and the Company remains on track with its work on site for the remainder of 2014. This includes mobilising the project's construction management team to site, as well as foundation piling and concrete works for the oxygen enriched bath smelting furnace, acid plant and oxygen plant. In addition, the South Australian parliament passed legislation in 2013 giving Nyrstar regulatory certainty in relation to the Redevelopment. The legislation has been proclaimed and is now operational.

Nyrstar expects to begin ramp up of the facility during H1 2016 and operate at full capacity by the end of that year.

## **Zinc production at Port Pirie**

In parallel with the FFS, Nyrstar critically reviewed opportunities to immediately strengthen the financial viability of the Port Pirie site. The review identified that since 2009, the zinc plant at the site has experienced deteriorating production volumes and rising costs, ultimately making the plant unsustainable. The plant is the highest cost zinc plant in Nyrstar's smelter portfolio.

Nyrstar will cease zinc metal production at Port Pirie by the end of July this year, and will process zinc oxide at Nyrstar's other smelter assets. The zinc plant is expected to close by the end of 2015 and Nyrstar will engage and consult with employees and their representatives with a focus on available retraining and redeployment opportunities to other parts of the Port Pirie operation. This decision will have no impact on the overall Redevelopment. The Company will look to reuse certain zinc plant assets in other production areas onsite, and across Nyrstar's smelting business.

- Ends -

# News release

## Conference call

Nyrstar's management will host an analyst and investor conference call at **09:00 CET on Friday 16 May 2014**.

The presentation will be webcast live on the Nyrstar website, [www.nyrstar.com](http://www.nyrstar.com), and will also be available in archive.

The webcast can be accessed via: <http://www.media-server.com/m/p/x3rtvkwk>

For those who would like to join the live call, the dial in details are as follows:

## Participants Access Number:

Participants, Local - London, United Kingdom	+44(0)20 3427 1900
Participants, Local - Brussels, Belgium	+32(0)2 404 0660
Participants, Local - New York, United States of America	+1212 444 0895
Participants, Local - Frankfurt, Germany	+49(0)69 2222 10625
Participants, Local - Brussels, Belgium	+32(0)2 402 3092
Participants, Local - Toronto, Canada	+1416 216 4142
Participants, Local - Sydney, Australia	+61(0)2 9253 5963
Participants, Local - Geneva, Switzerland	+41(0)44 580 7215
Participants, Local - Amsterdam, Netherlands	+31(0)20 716 8257
Participants, Local - Paris, France	+33(0)1 76 77 22 20

## Confirmation code: 1298878

Participants may need to quote the confirmation code to the conference call operator to access the call.

## About Nyrstar

Nyrstar is an integrated mining and metals business, with market leading positions in zinc and lead, and growing positions in other base and precious metals; essential resources that are fuelling the rapid urbanisation and industrialisation of our changing world. Nyrstar has mining, smelting, and other operations located in Europe, the Americas, China and Australia and employs approximately 6,500 people. Nyrstar is incorporated in Belgium and has its corporate office in Switzerland. Nyrstar is listed on NYSE Euronext Brussels under the symbol NYR. For further information please visit the Nyrstar website, [www.nyrstar.com](http://www.nyrstar.com)

## About Port Pirie

Located on the eastern shore of the Spencer Gulf in South Australia and approximately 230 km north of Adelaide, the Port Pirie smelter has been in constant operation for over 120 years. The Port Pirie smelter is one of the world's largest primary lead smelting facilities and is a major silver producer. Port Pirie is a major manufacturing centre for South Australia, and is the State's fourth largest urban area. The smelter supports key infrastructure servicing Port Pirie, such as the port facilities, which rely on Nyrstar's continuing presence in Port Pirie for their ongoing operation. The plant is an integrated multi-metals recovery facility with the flexibility to process a range of lead rich concentrates and smelting industry by-products. The Port Pirie operation incorporates a lead smelter and refinery, a precious metals refinery and a copper plant.

## For further information

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