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# PIMA MINING NL

## Investors Presentation

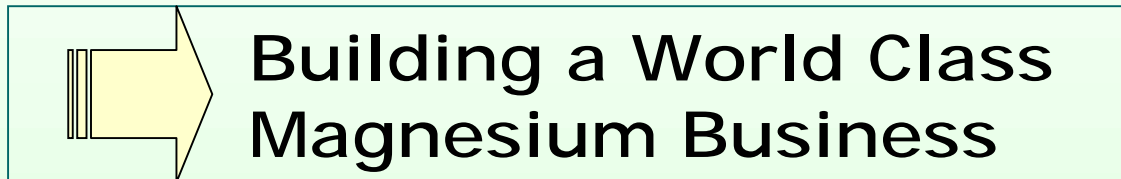
April 2002

Report by: **Pat Elliott**  
Chairman

**Andy Hogendijk**  
Director

# Pima Snapshot

- Activities: 100% SAMAG Ltd



- Issued Capital:
 

Shares:	388.5 Million
Unlisted Options:	<u>59.8 Million</u>
TOTAL	448.3 Million
- Market Capitalisation: A\$70M (@18¢)
- ASX Listed: Code – PAL (shares)

# Magnesium – A Growth Market

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- 2001 – 2015 growth: 6.8% p.a. (CRU International)
- Driven by: Automotive demand 12.5% p.a. (current components/alloys only)
- 3kg/vehicle → 9+ kg/vehicle by 2009
- 370,000 tonnes p.a. 2001
  - > 1,000,000 tonnes p.a. by 2015
- Potential to 100+kg/vehicle
  - 5,000,000+ tonnes p.a.

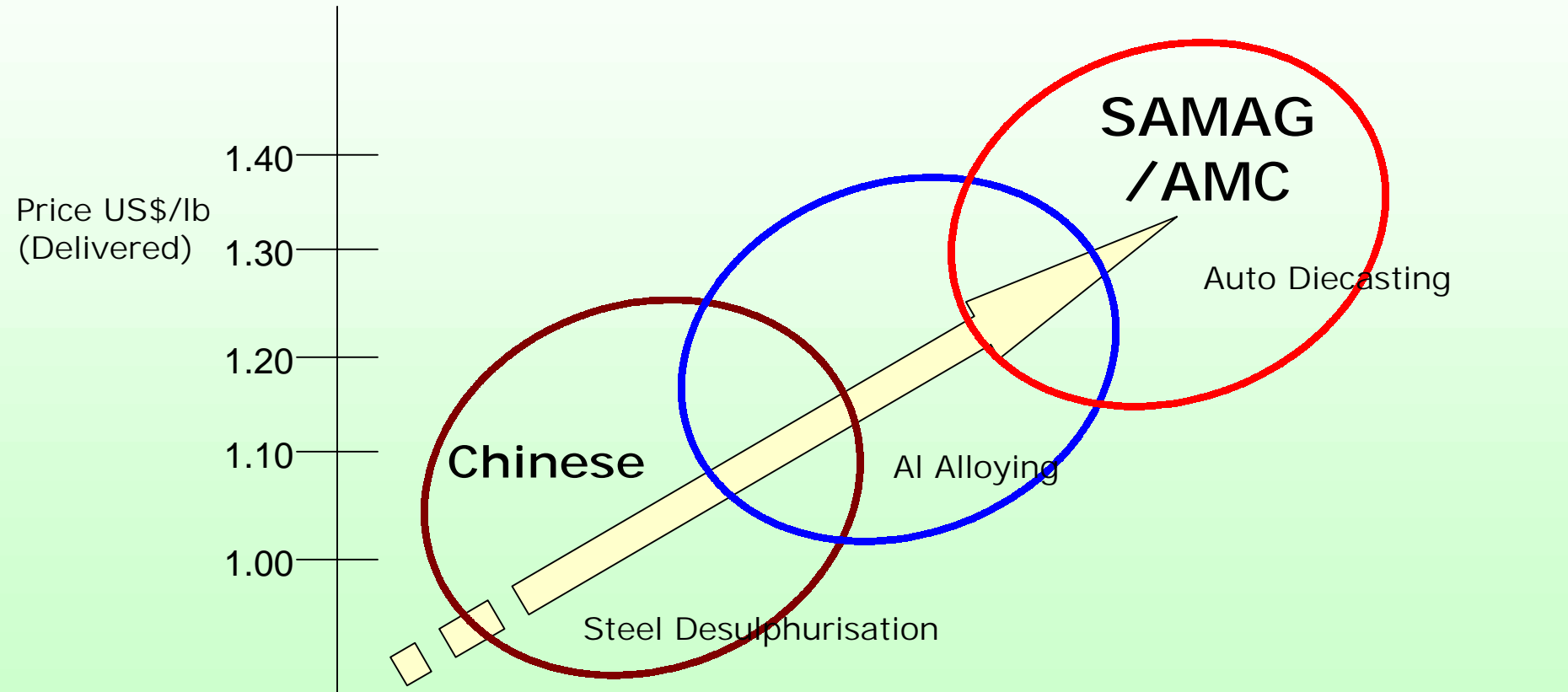
# Current Market Conditions

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- High cost/old plants closing
  - Supply tightness in 2002/3
- China
  - Production growth slowing
  - Higher cash costs
  - Low quality/price markets only

# Magnesium Pricing



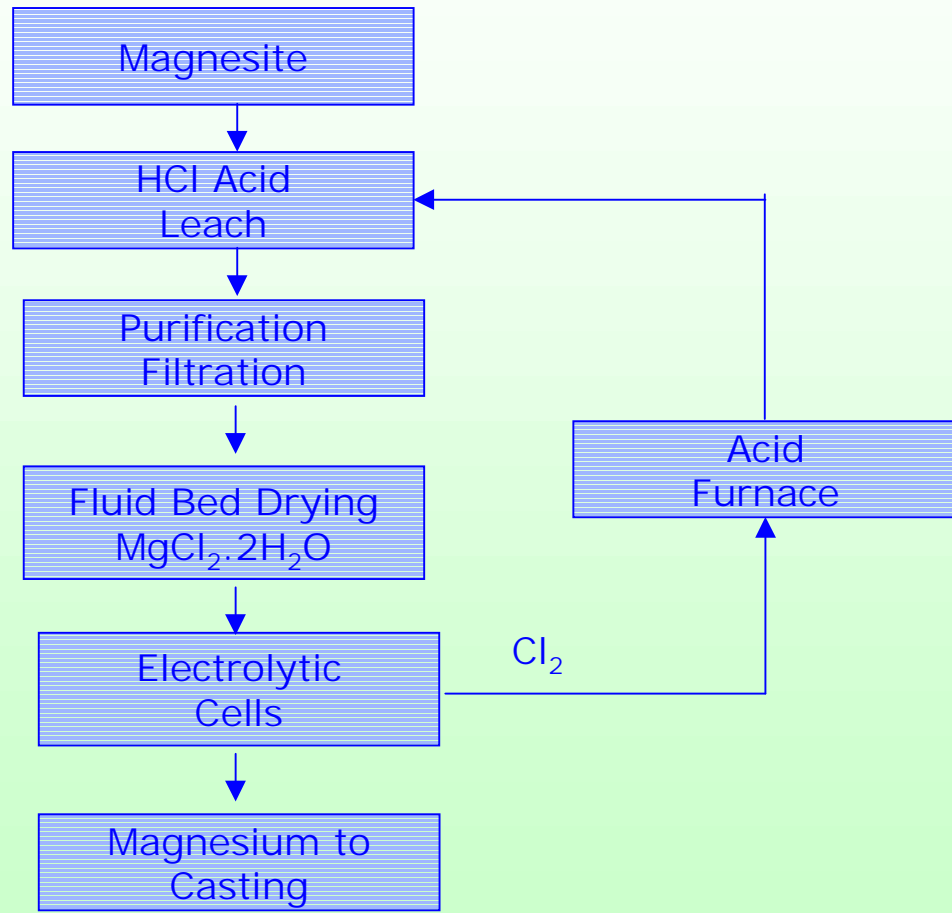
<b>Form:</b>	Metal	Alloys
<b>Quality:</b>	Low	High
<b>Variability:</b>	High	Low

# Project Overview

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- **Scale:**
  - Initial 65,000 tpa
  - Stage 2 200,000 tpa
- **Location:** Port Pirie, SA,
- **Feedstock:** Magnesite from northern Flinders Ranges – 579 million tonne resource
- **Process:** Proven, robust Dow Technology
- **Power:** Adjacent Combined Cycle Gas Turbine Power Station
- **Costs:**
  - Capital** - Approx. A\$900 million
  - Operating** - Around 60 US¢/lb

# Block Flow Diagram



**Note: Only 1  
Recycle Loop**

**No Final  
Dehydration**

# The Dow Process Advantage

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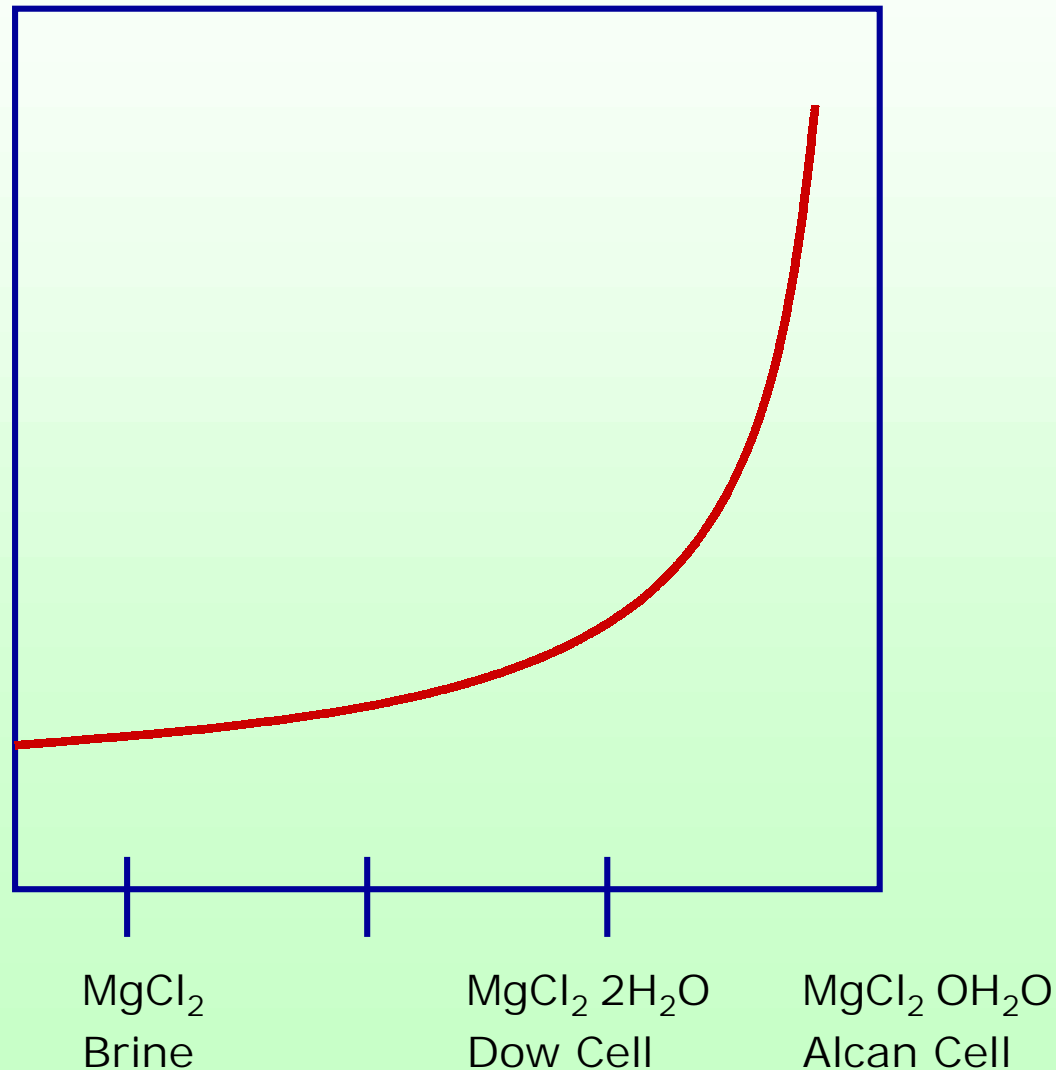


- World exclusive rights to Dow technology acquired 1999
- Demonstrably proven – nearly 50% world Mg ever produced
- Total plant energy consumption is at or below competing technologies
- Simpler than competing technologies
  - Fewer unit processes
  - Fewer recycle loops

# Dow – No Final Dehydration



Capital Cost  
Complexity  
Energy  
Operating Cost

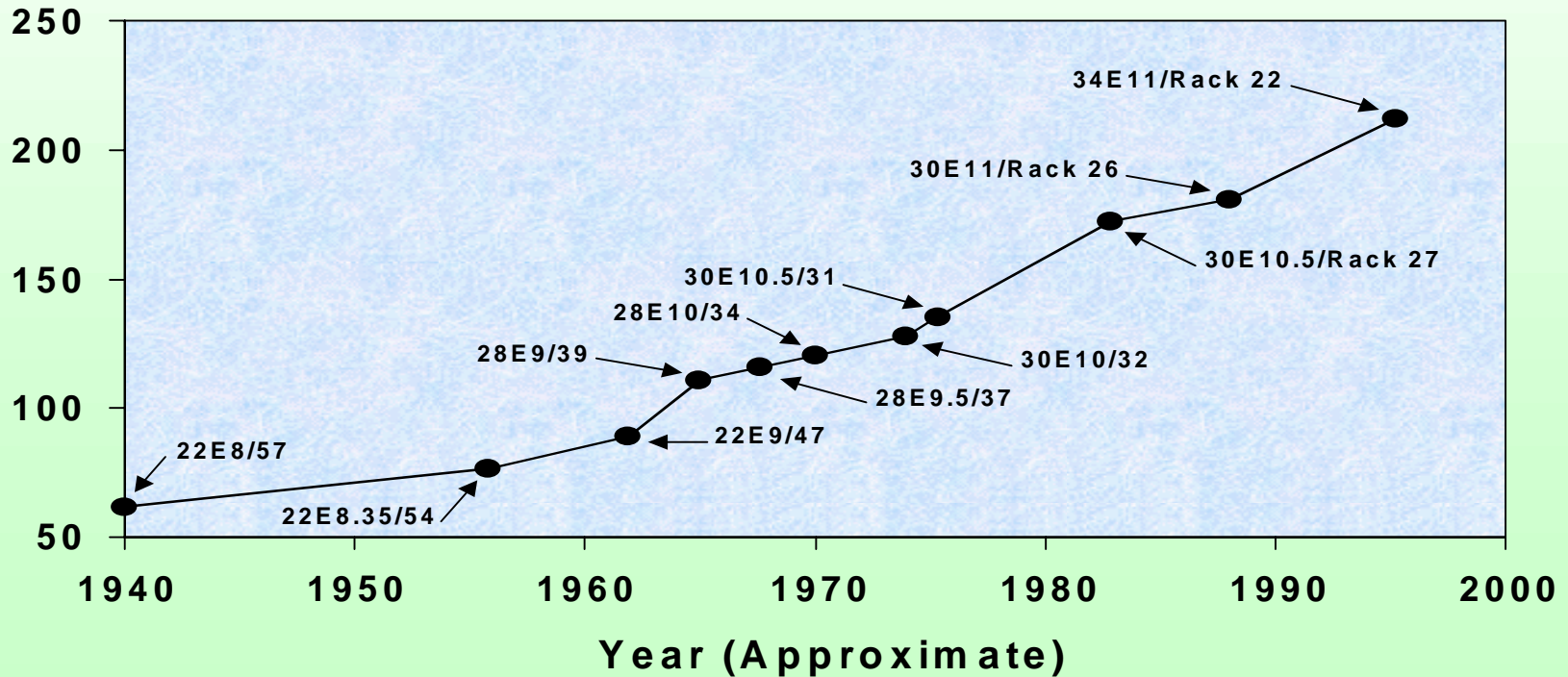


# Room for Operating Cost Reductions

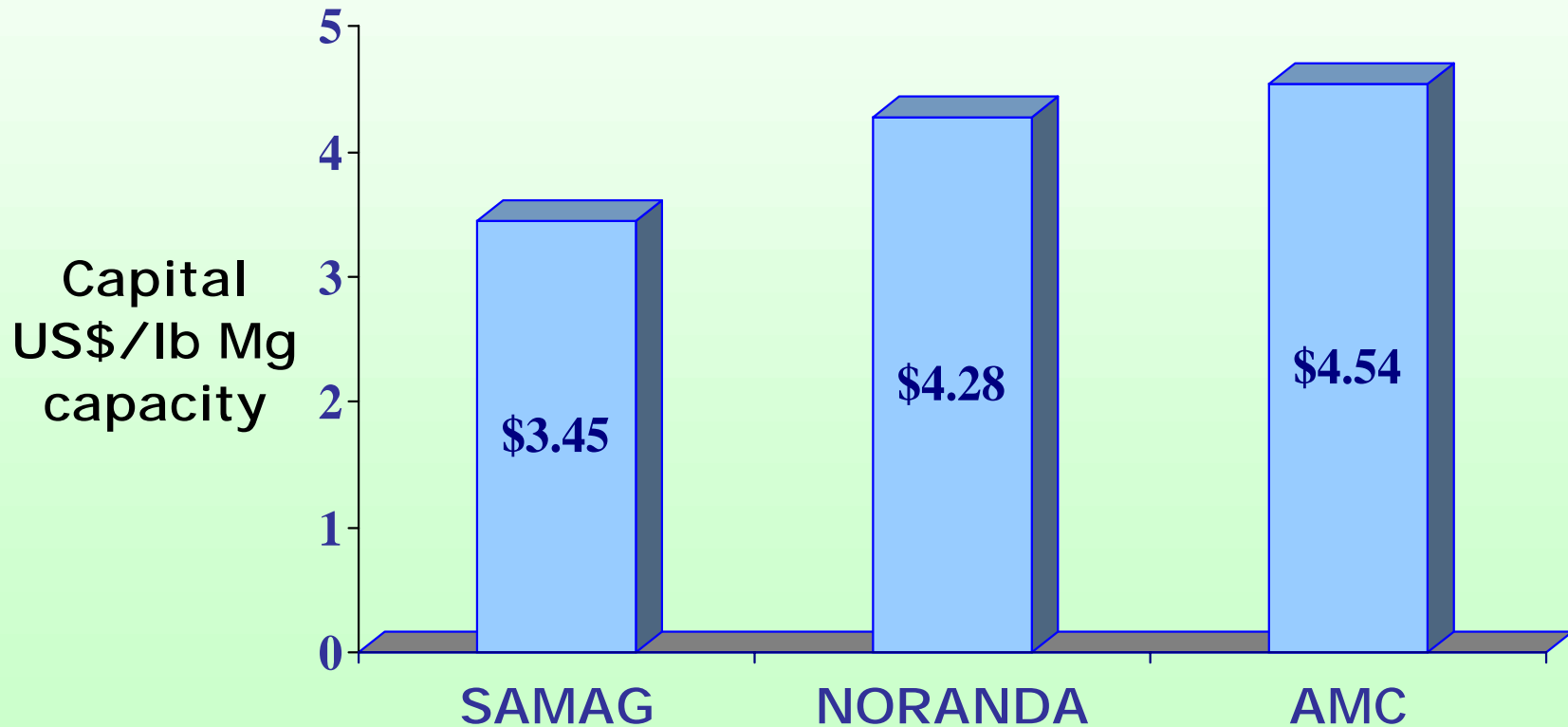


Kilo-Amps (Approximate Capacity)

## *Historical Mag Cell Improvements*



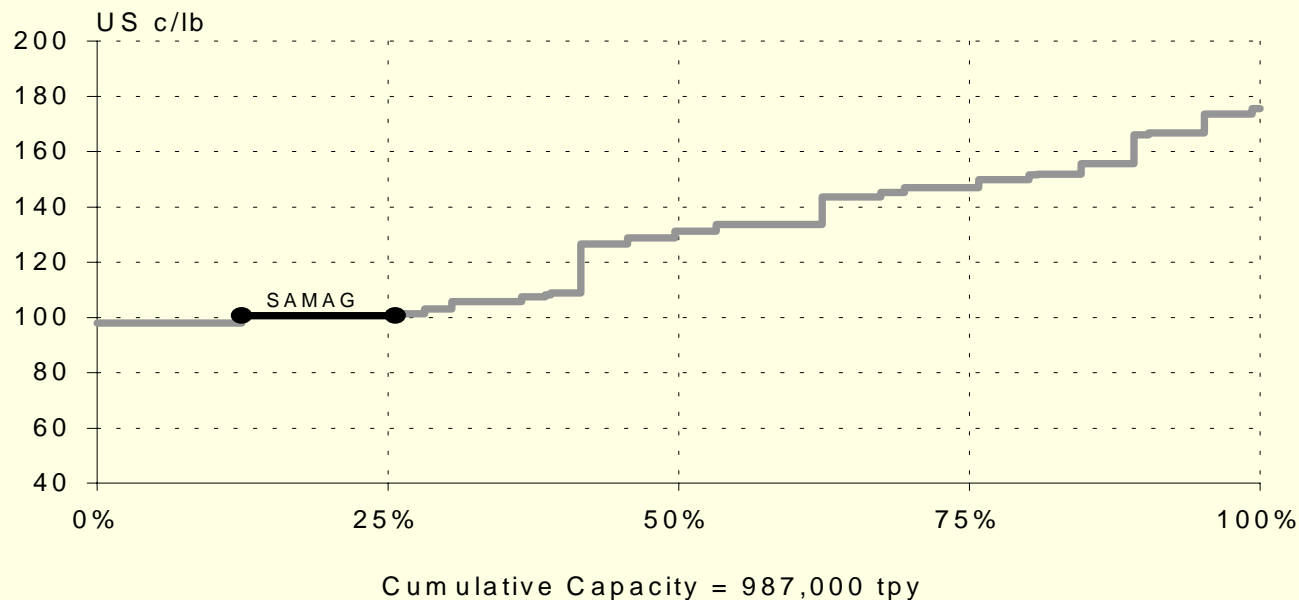
# Capital Intensity – Drives Returns



# SAMAG – The Right Place on the Cost Curve



## Full Cost Curve for World Capacity in 2010



Note: Primary Magnesium Full Cost - Delivered & Duty Paid Europe  
Capital Charge based on WACC of 13% & 15 years

Source: Clark & Marron

# Government Input

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- State – A\$25M infrastructure package
- Federal – Negotiating on infrastructure and R & D package

# Power Pricing

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- Ex-generator price  
Net of interruptibility
  - Mid A\$30's MWh
- International benchmark  
< US\$20/MWh
- H.O.A. imminent

# Regulatory

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- Environmental
  - Approved
  
- Native Title
  - Completed

# The Metal Sales Agreement

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## Signed with ThyssenKrupp Metallurgie

- For 100% of all Plant Output of Magnesium Metal
- Provides a Guaranteed Base Price
- Long Term Arrangement
- Underpins Financing of the SAMAG Project
- Links SAMAG with a Major Consumer and Marketer of Magnesium
- TK Auto – Tier One Auto Supplier with Major Mg Alloy Needs

# Project Risks

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## Risk

Process

Equipment Design

Scale-up

Commissioning & Ramp  
up

Marketing

Infrastructure

Funding

Capital Cost

Operating Cost

## SAMAG

Low – Dow is proven

Low – Same process units

Low – Similar size to Dow Freeport

Low – Dow experience

Low – TK Met Agreement

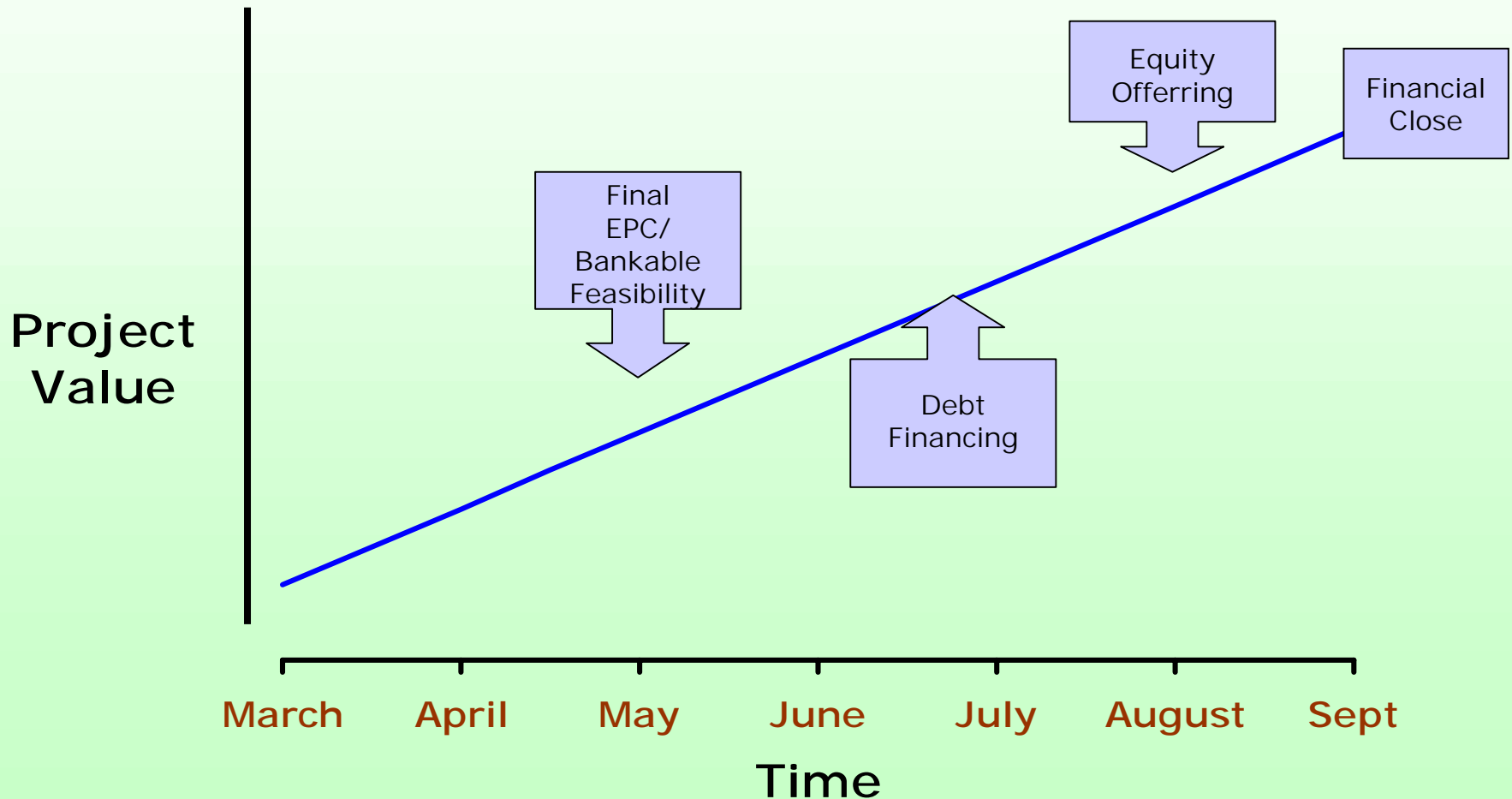
Moderate – Final contracts to come

High – Yet to be Finalised

Low – EPC fixed price

Low – Known operating parameters

# Project Schedule



# Project Delivery

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## Board Additions

- Malcolm Richmond
- Andy Hogendijk
- 2 other t.b.a.

## Management

- Rob Eaglesham – GM – Project Delivery
- Phil Baily – GM – Operations
- Darryl Smith – GM – Commercial
- Various – ex-Dow magnesium

# Project Financing

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- “Go it Alone” and “Engage the Majors”
- Total Financing: A\$900M
- Debt – Senior: A\$550M
- Debt – Subordinated: A\$100 - 125M
- Debt – Total: A\$650 - 675M = 75%
- Equity: A\$250 - 225M

# Valuation

- Assumptions:

- Magnesium price: US\$1.30/lb
- Exchange Rate: A\$1.00 = US\$0.60
- Gearing: 75%

- Pima Valuation 8% Real After Tax DCF:

	<u>Stage I</u>	<u>Stage II</u>
Equity Raised at:	25¢	50¢
NPV 8% (A\$ million)	826	2126
No of Shares (million)	1251	1464
Per share (Post Issue)	56¢	\$1.45

# Why Pima/SAMAG?

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- Attractive equity return:
  - Issue at 5.1 x 2006 earnings
- Lower risk:
  - Proven production process
  - Fixed price EPC contract
- Shorter lead time to equity returns:
  - Production from early 2005
  - Full earnings 2005/6

# SAMAG Limited

Building a World Class  
Magnesium Business