

Investors in Mining for Steel-Making Raw Materials



Stemcor's mining strategy

Stemcor has developed a strategy of investing in mining and related processing assets to secure a supply of steel-making raw materials for feeding our core international trading activities.

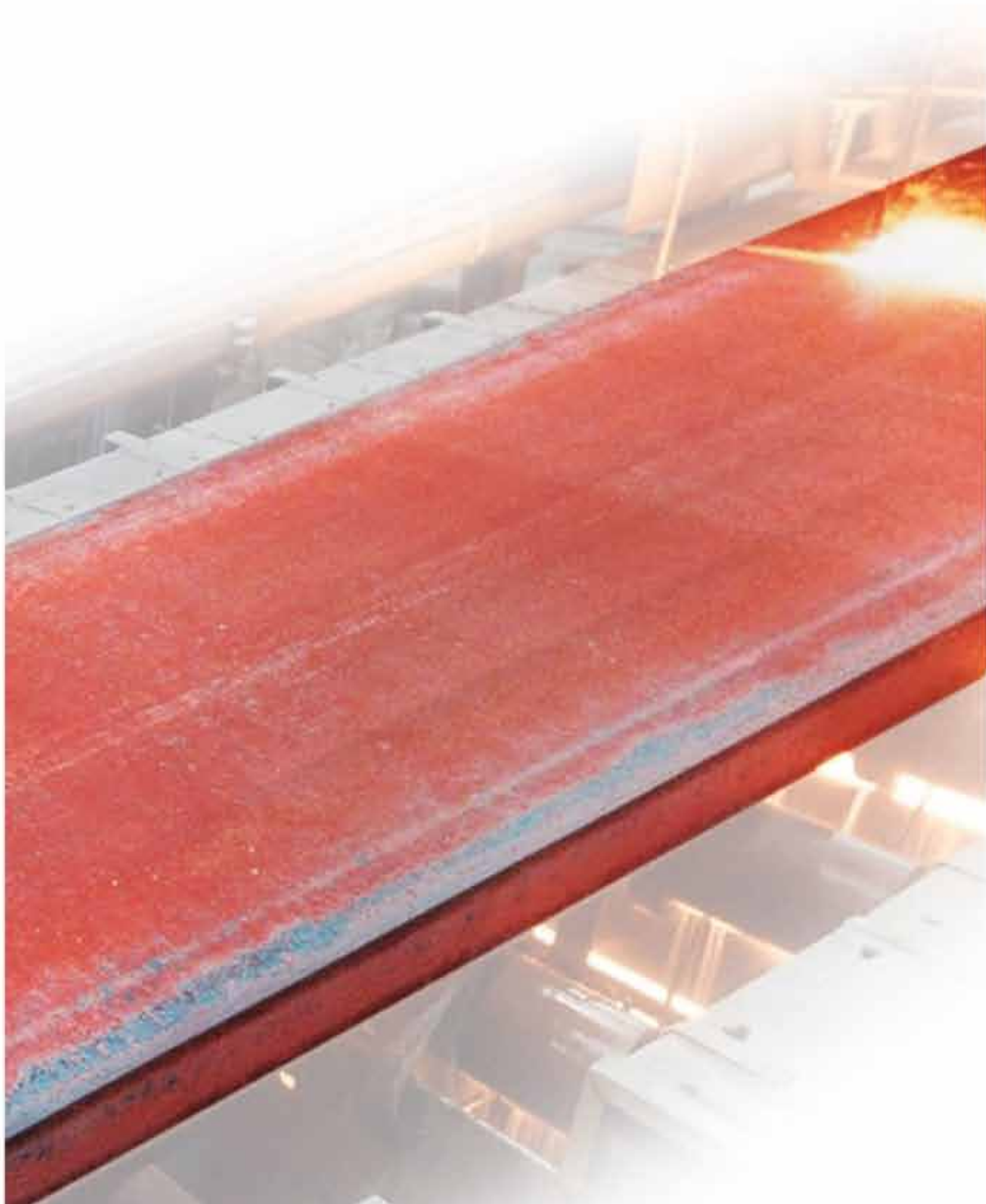
Stemcor is the world's largest independent steel trader by tonnes traded. We supply steel producers with raw materials used in the production process, a business that has grown at a CAGR of 30% since its inception in 1997. Historically, the Group had forged alliances with steel producers because it purchased steel from them. It made good business sense to leverage these relationships by supplying raw materials to existing counterparties and locking into mutually beneficial contracts. Such two-way business has enabled Stemcor to work more closely with its steel producing partners and, to an extent, offset debts owed by mills for raw materials against payments owed by Stemcor for steel.

In order to be able to purchase raw materials and secure a trade flow, it is often necessary to have a shareholding in or a financial arrangement with a raw materials producer. Stemcor has therefore developed a strategy of investing in mining and processing assets to support raw material trade flows and to protect the interests of our steel producing customers.

With turnover around \$7.5bn, Stemcor trades some 20 million tonnes of steel and steel-making raw materials per annum through a network of 80 offices across the globe. Raw materials traded include iron ore, pig iron, coal, coke, ferroalloys, limestone and scrap.

Stemcor was formed in London in 1951 and is a privately owned company owned two thirds by the Oppenheimer family and one third by employees. Even though we are a private company we pride ourselves on our transparency and disclose full financial and corporate responsibility statements on a par with publicly quoted companies.





Stemcor's services span every step in the steel supply chain, from the provision of raw materials to producers right through to the delivery of processed steel to end-users.

Our breadth of expertise, from minehead to factory floor, enables us to offer both stand-alone services and integrated supply chain solutions.



Our key investment criteria

Stemcor's scope of interest covers mining and processing assets, with flexible investment terms. Typical criteria include:

Commodities related to the steel industry

Steel-making raw materials such as Fe, Mn, Coal, chromite, Ni, including respective process plants.

Opportunity to add value

This can be achieved either by way of an off-take agreement or financing.

Examples include underdeveloped projects in need of seed funding, either in small scale production with potential to ramp up, or in exploration stage. These may be tenements that have minimal exploration but the underlying geology can be ascertained with reasonable confidence.

Low capital expenditure

Relatively low funding unless there is a substantial underlying resource, in which case we can bring in strategic partners.

Although Stemcor owns mines, we do not intend to become a 'mining company' per se. In line with our trading philosophy, Stemcor is interested in securing the supply of raw materials that can essentially be treated as in-situ stock which can be traded long. Hence having low cost, low complexity is an important factor – open cast mining is preferred.

Logistics infrastructure

Projects need cost-effective access to port or domestic customers via rail or inland waterways.

Flexible agreement structure

The type of structure depends on the asset.

Agreements range from pre-finance of projects in return for equity / off-take, JV arrangements with a competent local operator, to outright purchase.

Stemcor also offers a range of other financing options, tailored to the projects requirements, such as stockpile finance and securing funding with financing institutions.

Stemcor mining projects to date

Over the past five years Stemcor has been actively developing our mining business to support the mature, well established raw materials trade with steel producers both in developed and emerging markets. Stemcor has been involved in a number of mining projects, for a range raw material types, through equity investments and project finance as well as via sales and marketing arrangements:

Savage River – magnetite mine, beneficiation and pellet plants

100% ownership of the Savage River iron ore mine and pellet plant in Tasmania, acquired from Ivanhoe in 2005 and recently sold to the largest privately owned mill in China, Shagang, who subsequently integrated the asset into Grange Resources (ASX code GRR). Stemcor retains an off-take agreement for concentrate sold into the coal wash industry in Queensland.

Aryan Mining & Trading Corporation – hematite and manganese mines

50% joint venture partners in Aryan Mining & Trading Corporation in Orissa, India, comprising two sites:

Narayanposhi: a 3Mtpa iron ore and manganese mine. Recently completed exploration programme defined a JORC resource in excess of 100Mt, supporting mining expansion plans to 5Mtpa and the development of a 2.25Mtpa beneficiation plant to process LG fines.

Mahulsukha: a 100ktpa manganese operation with resource estimate of 2.5Mt. Currently undertaking feasibility study for the development of a ferromanganese plant to add value to the manganese produced at both Mahulsukha and Narayanposhi. In addition, exploration is planned to delineate a recently identified iron ore target within the lease, which is estimated to be approximately 50Mt.

Brahmani River Pellets – beneficiation and pellet plants

100% owners of Brahmani River Pellets' 4Mtpa beneficiation plant and pellet complex, connected by a 220km slurry pipeline. Iron ore to be supplied by MISL's 4Mtpa iron ore mine (2km from beneficiation plant) in which Stemcor has a 10% equity stake and by other mining companies in the local area including Essar and Essel. The complex will be commissioned in Q4 2010.

Mount Gibson – hematite mine

Life of mine off-take arrangement with Mouth Gibson Iron Ltd in Australia (ASX code MGX).



Endocoal – thermal coal exploration

Equity position in listed coal exploration play Endocoal (ASX code EOC) in Australia in order to secure coal for our trading operations. Stemcor intends to grow our presence in both the thermal and metallurgical coal trade.

Bathurst Resources – coking coal development

Equity position in New Zealand mine development Bathurst Resources (ASX code BTU), located in the Buller Coalfield in the South Island of New Zealand.

Northland Resources – magnetite development

Recently secured 1Mtpa offtake from Northland Resources' Kaunisvaara Project. The project includes the development of three magnetite mines in Sweden and Finland to provide feed to a single, multi-line process facility in Sweden producing a high-grade, high-quality magnetite iron concentrate.



Investor credentials

Financial backing: Stemcor has a solid reputation with over 50 of the world's leading banks, many of which are dominant lenders in mining and commodities.

Dedicated financial services arm: offering structured finance for working capital requirements and project finance for capital assets and acquisitions.

Special projects team: to develop investment proposals and joint venture partnerships, with project feasibility and deal structuring expertise.

Experienced internal acquisition team: comprising business managers, accountants and lawyers – to take projects from origination, through due diligence to completion.

Strong balance sheet: much of our investment funding comes from our own equity.

Access to market: long-term relationships with steel producers throughout the world, with 80% of trade in emerging markets.

Supply chain management: involvement across the entire supply chain, from the mining of raw materials to trading, shipping, inland logistics, distribution and stockholding.

Track record: successful mining investments to date, with in-house operational and technical mining expertise.



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Every step in steel