



**QuadraFNX**  
MINING LTD

**SIERRA GORDA SUMITOMO JV PARTNERSHIP  
& FEASIBILITY STUDY  
May 16, 2011**

# FORWARD LOOKING STATEMENT



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**All figures except per share amounts are in US\$ unless otherwise stated or unless the context requires otherwise.**

# **Sierra Gorda Project Sumitomo JV Partnership Overview**



- **Sierra Gorda Technical Report:**  
**Highlights a long life and low cost, large Cu project in a mining friendly jurisdiction, which will transform Quadra FNX**
- **A Joint Venture Partnership with Sumitomo (“SMM”):**  
**A financially strong and technically experienced partner with over four centuries of mining experience**
  - The JV funding structure provides the capital to build the project
  - No equity dilution to Quadra FNX shareholders
  - Non-recourse debt – maintains Quadra FNX’s balance sheet flexibility
- **Our Team is in Place:**  
**The right JV partner & the team to deliver the project**
  - Targeting production in 2014

# SIERRA GORDA: PROJECT OVERVIEW



## Key Operating Parameters:

- Production: 2014
- Production: up to 500 M lbs Cu pa + Mo
- Mine Life: 20 years
- Initial Capex: \$2.877 Bn
- C1 Costs\*: \$0.56/lb in Years 1 - 5
  
- Base Case\* post-tax NPV 8% of \$780 M or \$5.1 Bn at spot\*\* commodity prices

## Status:

- ✓ Fluor Study completed
- ✓ Investment Agreement with JV partner Sumitomo signed
  - JV funding is non recourse & without equity dilution
  
- EIA approval expected in June 2011
- Construction to commence in H2/11

# JV ARRANGEMENT: OUR PARTNER



 *Sumitomo Corporation*

 SUMITOMO METAL MINING CO., LTD.

**Significant  
Mining &  
Smelting  
Experience**

- Over four centuries in mining and metal smelting
- 13 existing partnerships in the mining space
- 34 operating mines and projects<sup>1</sup>
- SMM refines 450 Mt Cu per annum

**Strong Financial  
Capacity**

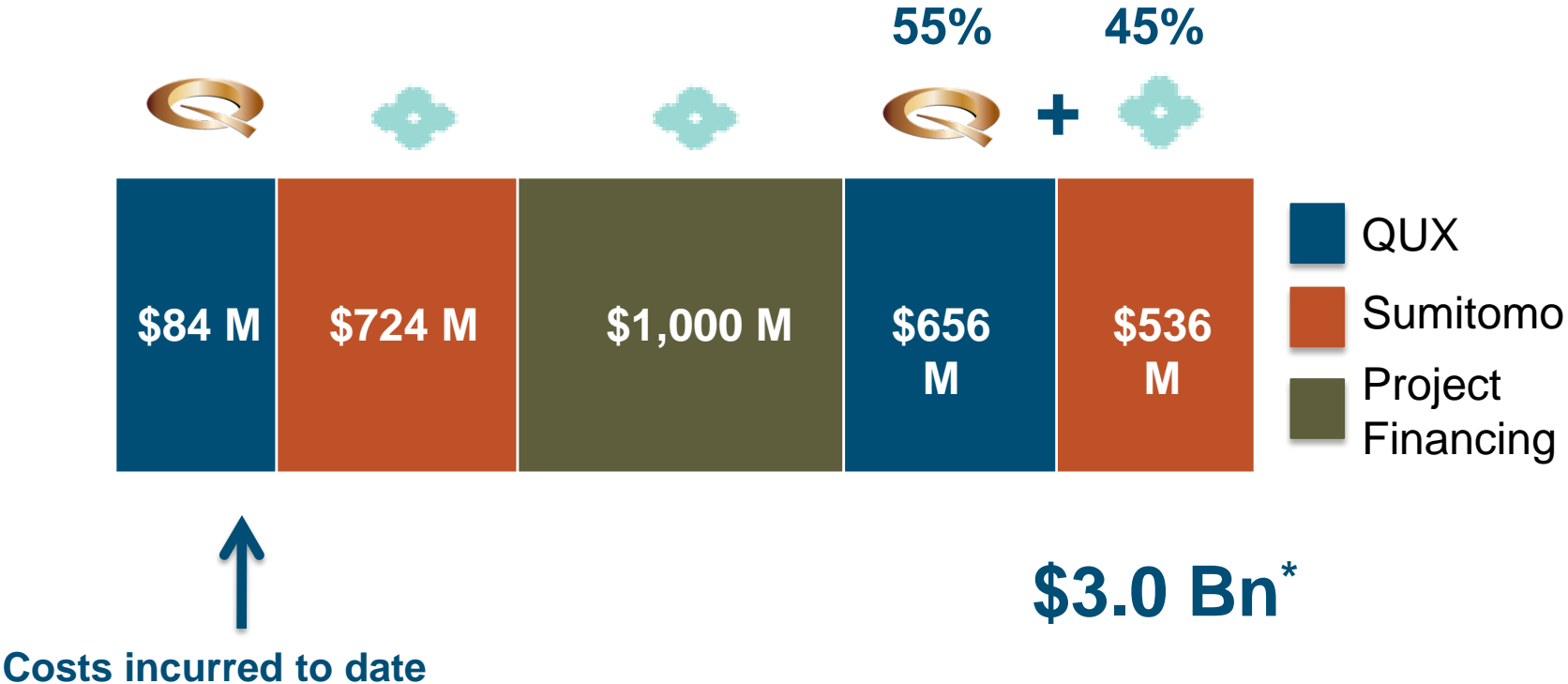
- Strong balance sheet
- SMM rated A+ (Japan Credit Rating Agency), SC rated A2 (Moody's Investor Services)
- Combined market capitalization of US\$26 billion<sup>2</sup>

**Access to Policy  
Bank Debt**

- Access to policy bank funding
- Low cost of capital
- No copper hedging requirements

<sup>1</sup> Source: MEG. <sup>2</sup> Market capitalization as of May 9, 2011

# JV ARRANGEMENT: FUNDING TO PRODUCTION



**Quadra FNX's additional funding requirement is ~ \$656 M**

\* Including capex + working capital + interest during construction + costs to date  
 Note: Does not reflect the chronological order



## Short Term Timeline & Milestones:

- **Closing is dependent on normal course anti-trust approvals**
- **QUX continues to fund until Aug. 1, 2011**
- **If closing by Aug. 1, 2011 has not occurred, Sumitomo provides a loan to QUX for \$360 M**
- **Loan terms:**
  - **\$90 M monthly cash calls on the first of Aug to Nov 2011**
  - **Repayable in 12 months if closing does not occur by Dec 31, 2011**



# JV ARRANGEMENT: ADDITIONAL TERMS



## Offtake & Marketing:

- **Sumitomo has right and obligation to take 50% of Cu concentrate**

## Governance:

- **The JV will be governed by a shareholders' counsel**
- **Normal dilution provisions post production, punitive dilution beforehand**
- **Rights of first refusal to both parties;**
  - Any new project within 25 km
  - Selling of a project interest
  - If QUX has a change of control, Sumitomo may appoint the operator

## Other:

- **QUX has the right to develop the oxide resources. Sumitomo has the right to participate in oxide development**

# **Sierra Gorda Project Feasibility Study Overview**

# SIERRA GORDA: LOM METRICS



## 2014-33 Total/LOM

### Mining

Ore to Mill	Mt	1,275
Cu	%	0.393
Mo	%	0.024
Au	g/t	0.065

### Ore Mined

Ore Mined	Mt	1,275
Waste & Pre-strip		3,401
Strip Ratio		2.7
<b>Total from pit</b>	<b>Mt</b>	<b>4,676</b>

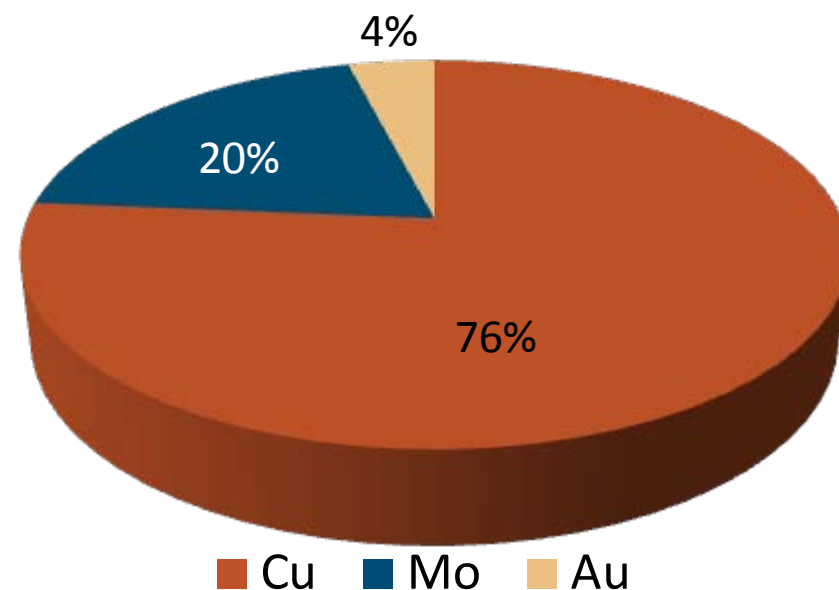
### Recoveries

Cu		87%
Mo		74%
Au		48%

### Recovered Metal

Cu	M lbs	9653
Mo	M lbs	500
Au	k ozs	1275

### LOM Revenue Mix\*

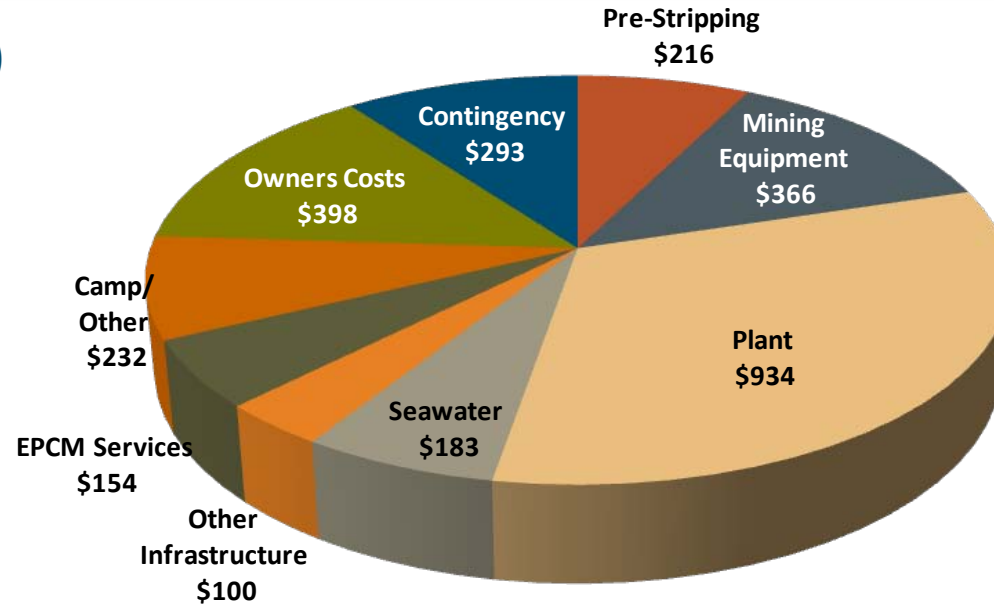


\*US\$2.50/lb Cu, 12.00 Mo and \$1000/oz Au  
Source: Technical Report

# SIERRA GORDA: CAPEX SUMMARY



## Capital Costs (\$ M)



## Initial Capital Costs ~ \$2.877 Bn

- Processing plant (\$934 M)
- Mining equipment (\$366 M)
- Infrastructure (+\$300 M)
- Pre-stripping (\$216 M)

## Expansion Capital - \$818 M

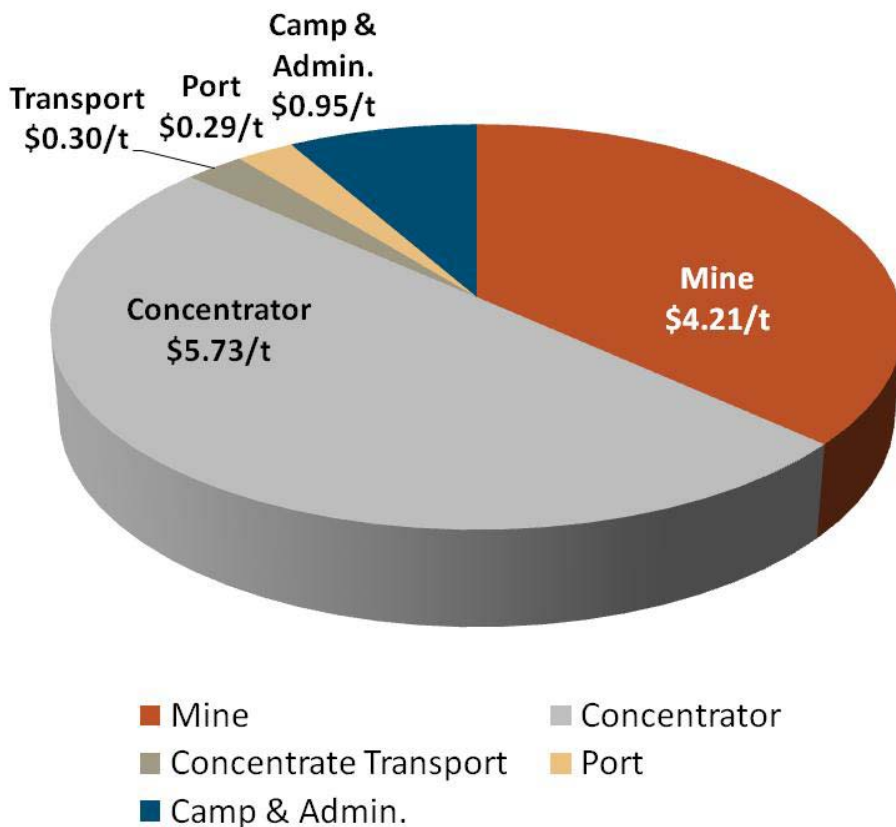
- Processing plant expansion (\$440 M)
- Owners costs & infrastructure

Note: This capital cost estimate is expected to be accurate within  $\pm 15\%$ . All costs are expressed in Q4 2010 U.S. dollars  
Source: Technical Report

# SIERRA GORDA: LOM OPERATING COSTS



## Total LOM Opex (\$11.48/t milled)

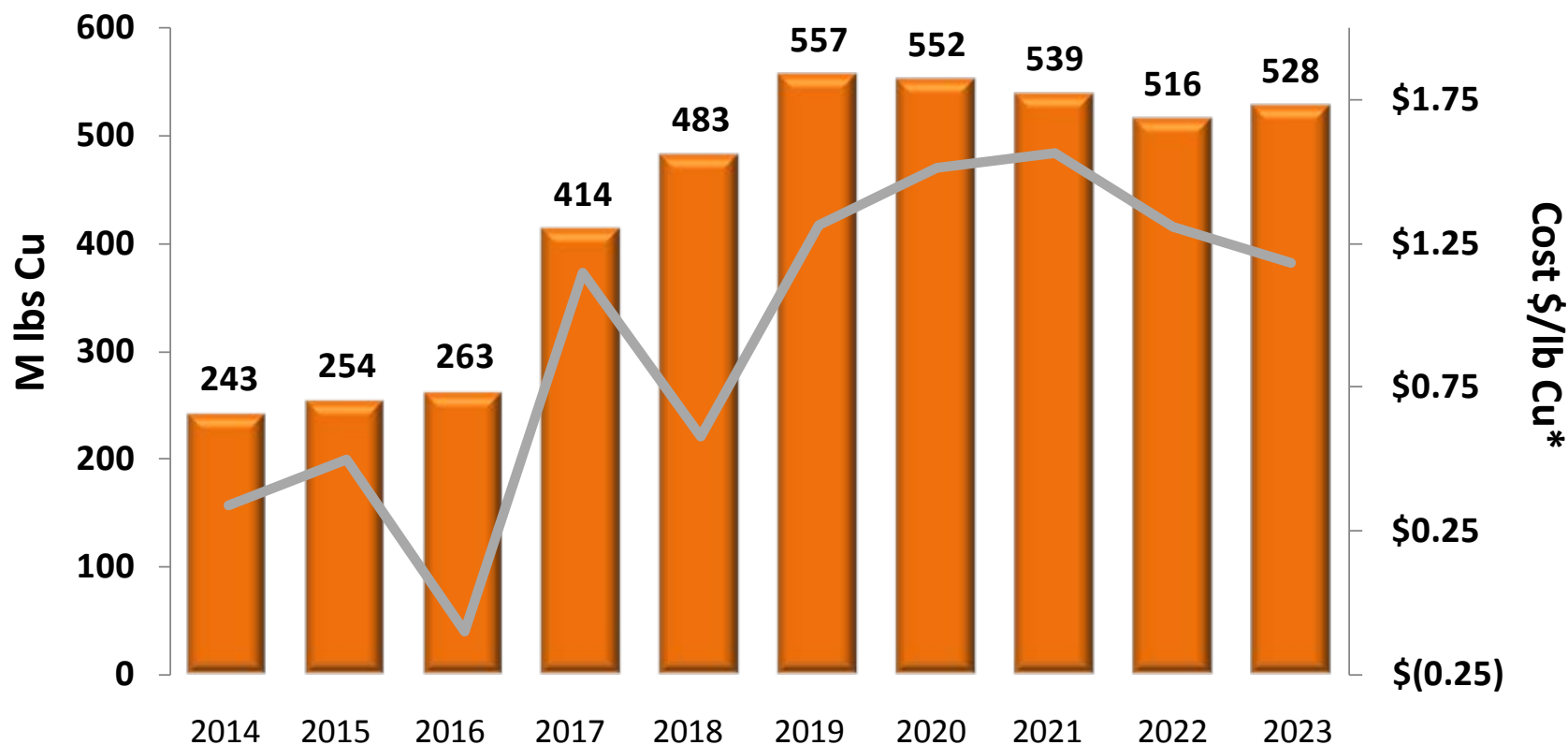


## Operating Parameters:

- High grade Mo during the first 5 years
- 110 ktpd throughput to 2016
- Higher Cu grade and lower Mo grade after 5 years
- Throughput expanded from 110 to 190 ktpd starting in 2017

Detailed costs were estimated by obtaining vendor quotes for consumables, supplies, replacement parts, wear items, and certain contract services. Wages were obtained from a survey of neighbouring mines from which the average wage rates were used. Some costs estimates were provided in Chilean Pesos (CLP) and were converted to US dollars (USD) using 513CLP/1USD for 2012-2013 and 560CLP/1USD for 2014 onward. Unit power costs of \$0.1075/kWh were used throughout the estimate. No escalation or inflation factors were applied. LOM Opex excludes off-site costs for smelting, refining, roasting and ocean freight.

# SIERRA GORDA: PRODUCTION & COSTS



Source: Based on Information from the Technical Report.

\*costs net of by product revenue, assuming \$12/lb Mo and \$1,000/oz Au

# SIERRA GORDA: INFRASTRUCTURE





## After-Tax NPV (8%)

(\$ M)	Base Case		
	-10%		+10%
Cu price	145	780	1,404
Mo price	538	780	1,021
Upfront Capital Costs	1,001	780	559
Operating costs	1,363	780	188

## Economic Drivers:

- Base case metal prices \$2.50 Cu/lb, \$12 Mo/lb and \$1,000 Au/oz
- Most sensitive to changes in Cu prices and operating costs



# SIERRA GORDA: KEY MILESTONES



- ✓ **Fluor Financing Study: May 2011**
- ✓ **Partnership Arrangement: Q2 2011**
- **43-101 Technical Report: Q2 2011**
- **EIA Approval Permit: June 2011**
- **Critical Path Orders: Q2 2011**
- **Pre-stripping Starts: Q2 2012**



**Production target: 2014**



## Environmental Impact Assessment (“EIA”):

- As of May 5th , 2011, the EIA has gone through four rounds of addendums (questions and answers)
- EIA approval expected in June 2011

## Other Permitting:

- Construction/turn-Key permits are prepared by contractors & filed post EIA approval
- Compiling applications for other operational permits. These will be submitted once EIA is approved

# SIERRA GORDA: UPSIDE OPPORTUNITIES



## Oxides:

- Significant oxides resources, not included in economics
- Permitted under EIA
- Not part of JV agreement. Sumitomo retains right of first refusal

## Longevity & Operating Flexibility:

- Mine design allows flexibility to mine the Salvadora deposit
- Exploration drill targets & resource upside

## On site Pilot Plant:

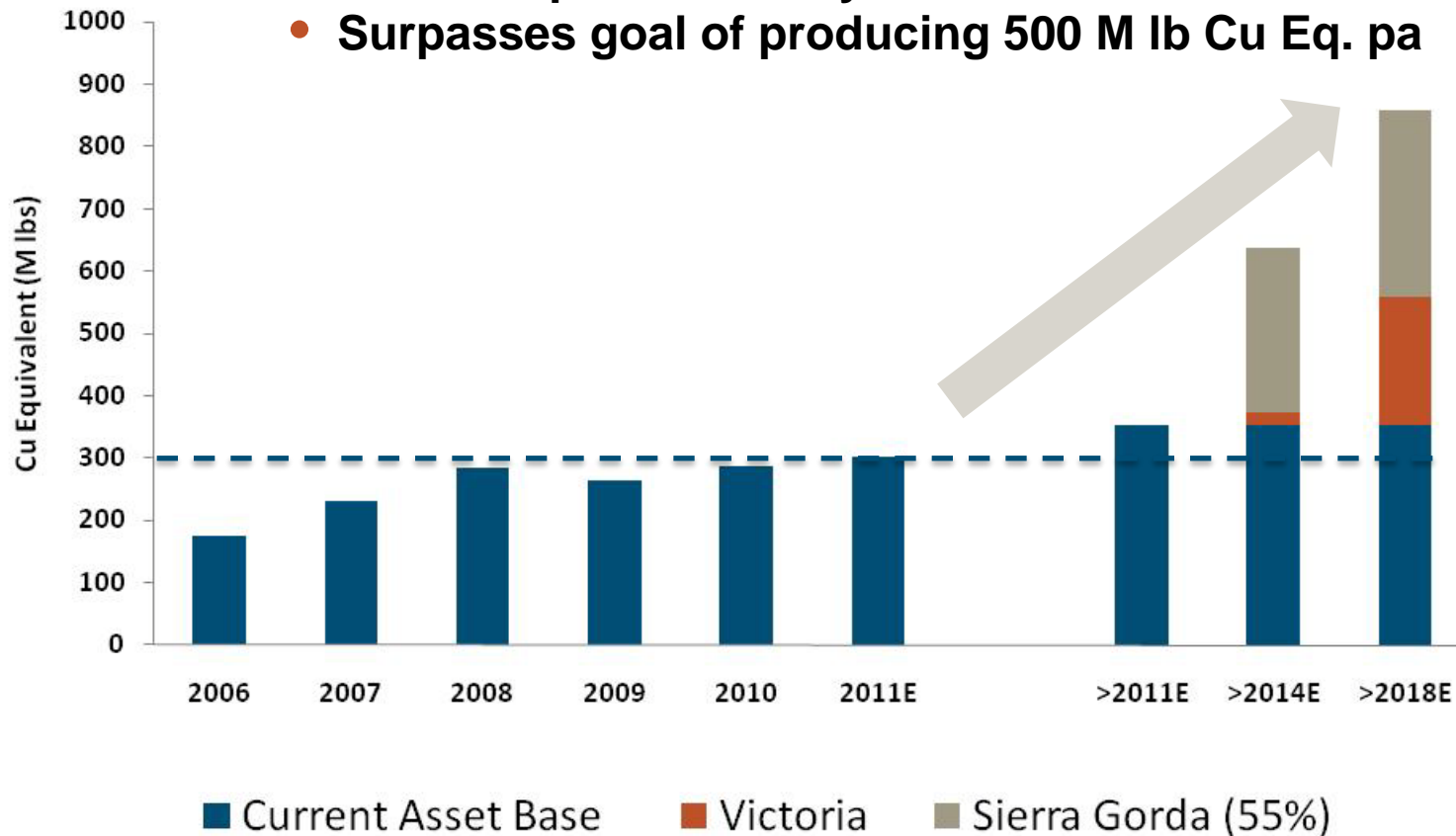
- To be commissioned in H2/11
- Optimization of recoveries & de-risking the ramp-up phase





## Impact of Victoria & Sierra Gorda

- Increase production by ~ 200%
- Surpasses goal of producing 500 M lb Cu Eq. pa



Note: Cu Equivalent and in-situ value calculation assumes three-month trailing average commodity prices; Cu at US\$4.34/lb, Ni at US\$12.27/lb, Pt at US\$1784/oz, Pd at US\$778/oz and Au at US\$1426/oz and US\$17.26 Mo. Historical production figures include historical production from FNX. Conceptual production from Victoria based on throughput ranges outlined in the April 19, 2011 press release.

# CONCLUSION



- ✓ **Sierra Gorda: a long life, low cost large Cu project that will transform Quadra FNX**
- ✓ **Sumitomo: a strong & experienced JV partner**
- ✓ **JV funding structure: provides capital with no dilution or recourse to Quadra FNX**
- ✓ **Funding & technical team in place: production in 2014**





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**QUESTIONS & ANSWERS**