



Opportunities and risks in mining Investment

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**JP Morgan Natural Resources
Fund**



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Mines and Money Conference
Opportunities and risks in Mining Investment

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J.P. Morgan Asset Management Ltd
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A compelling start but can it continue...

Agenda

- What makes for a good investment?
- Lessons from the past 12 months
- Where do we go from here?

A selection of our best investments

From 30/11/08 to 31/10/09

	%
African Minerals	1,812
Norseman Gold	3,069
Aditya Birla	825
Hudbay Minerals	256
Mirabela Nickel	118
PetroPavlovsk	222

Source: Bloomberg as at 31/10/09

A selection of our best investments

Characteristics

African Minerals	World Class Resource/ Energetic Management
Norseman Gold	Unappreciated profitability
Aditya Birla	Leverage to copper price
Hudbay Minerals	Discovery and balance sheet strength
Mirabela Nickel	World class nickel project
PetroPavlovsk	Financial restructuring/ Re-rating

Source: Bloomberg as at 31/10/09

Other Factors

- Financial Restructuring – Rio Tinto, Xstrata
- Exploration success – Vedanta
- Project Finance – Osisko
- Takeover activity – Aquiline

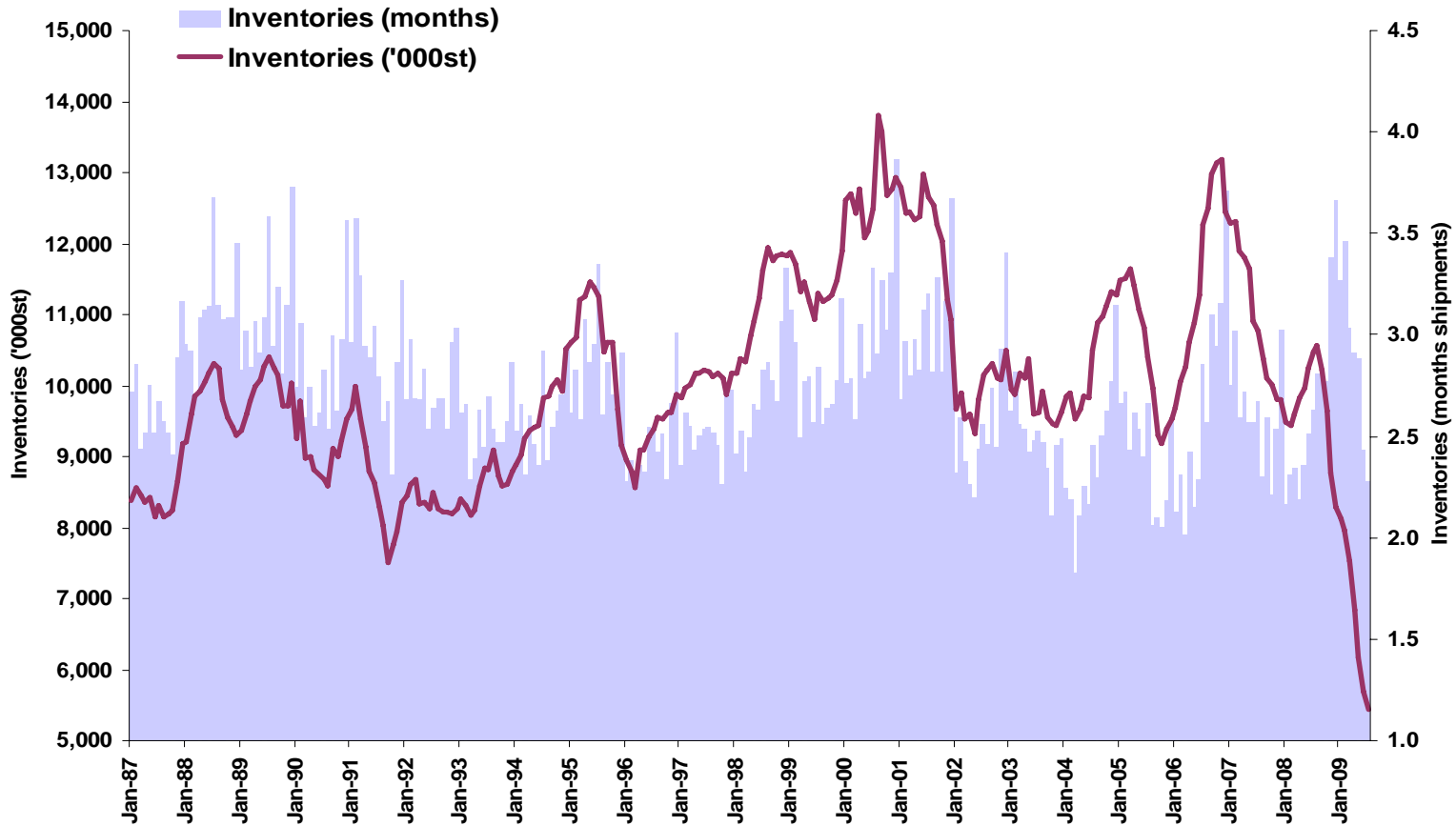
Lessons learnt

- Leverage of investors can be as damaging as corporate leverage
- Companies almost invariably over-optimistic on commissioning
- Investor behaviour can be irrational
- Choosing commodity exposure can not be ignored

Where do we go from here?

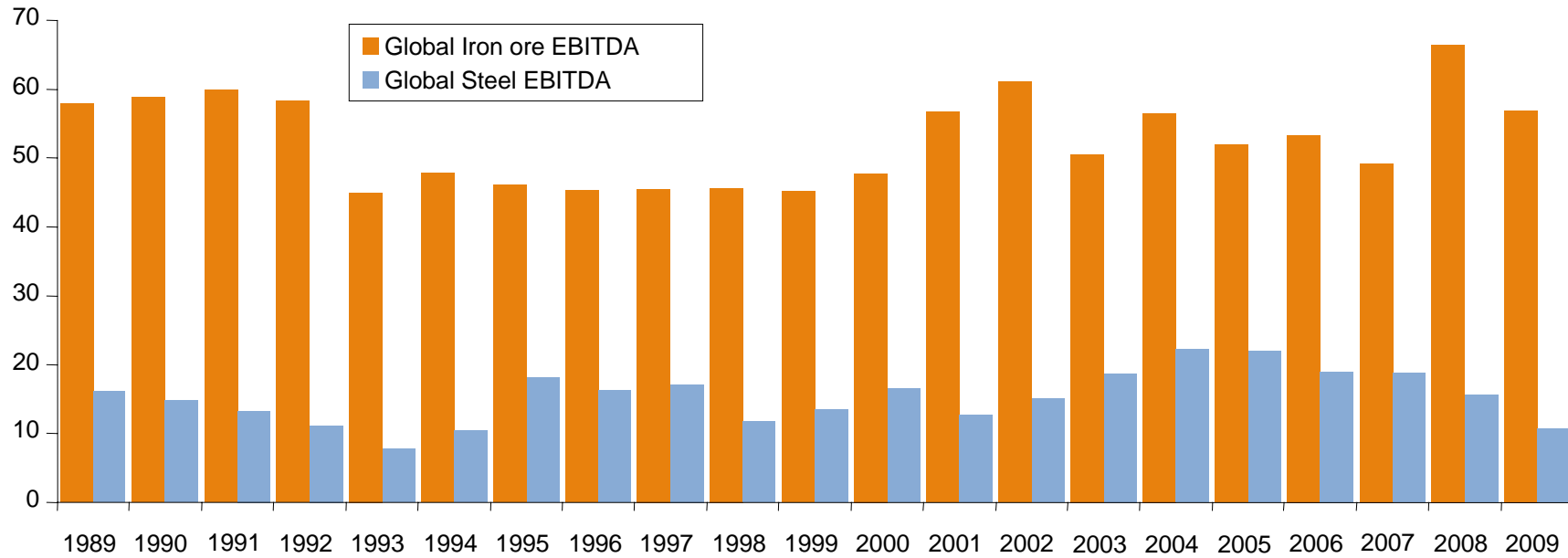
- Central Bank Reserve behaviour can not be ignored
- Growth expectations have risen
- Monetary tightening must occur
- Non commercial activity likely to continue
- Western world restocking to occur
- Mining stocks will be supported on continued growth of the Emerging world

Short term signal 1: US steel inventories unprepared for any sign of an economic recovery...



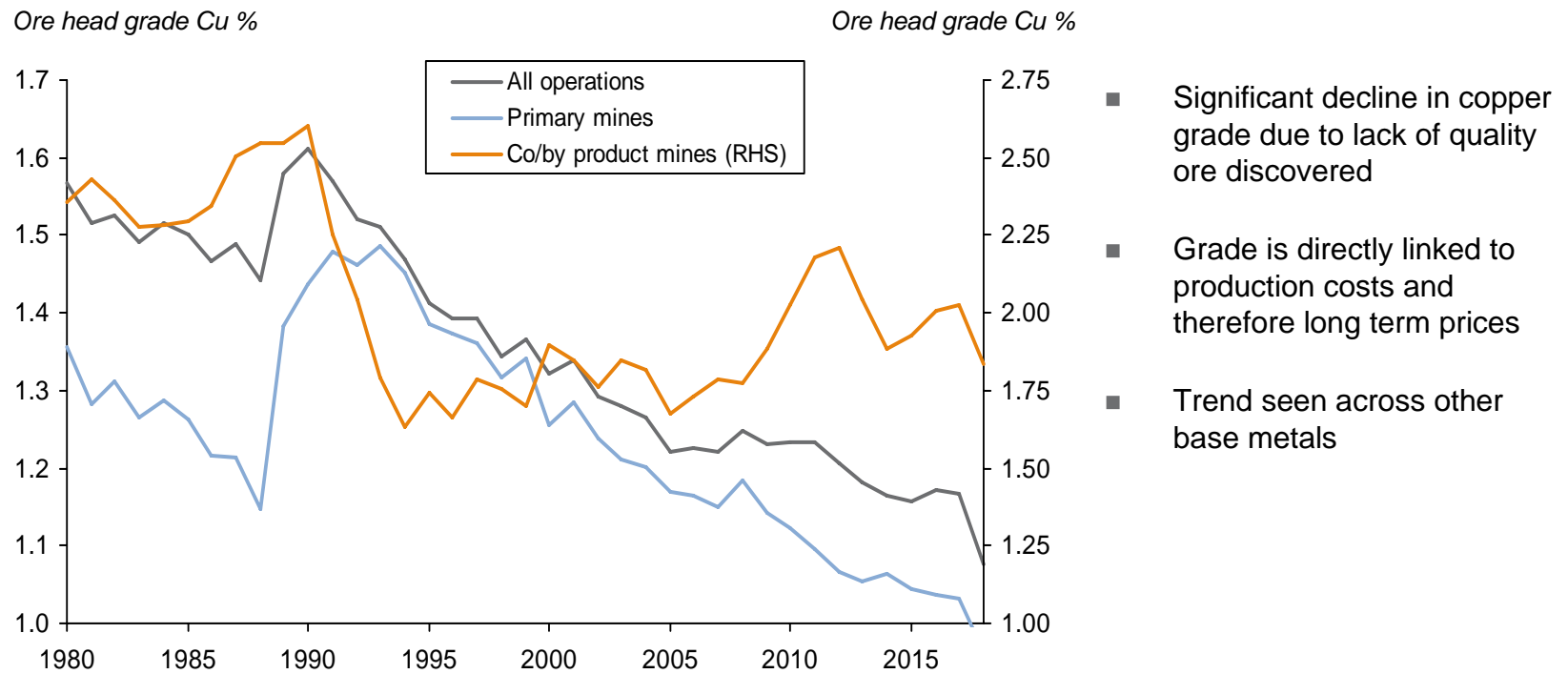
Long term we prefer upstream mining assets where margins are better

Iron Ore & Steel Margin



Source: Deutsche Bank

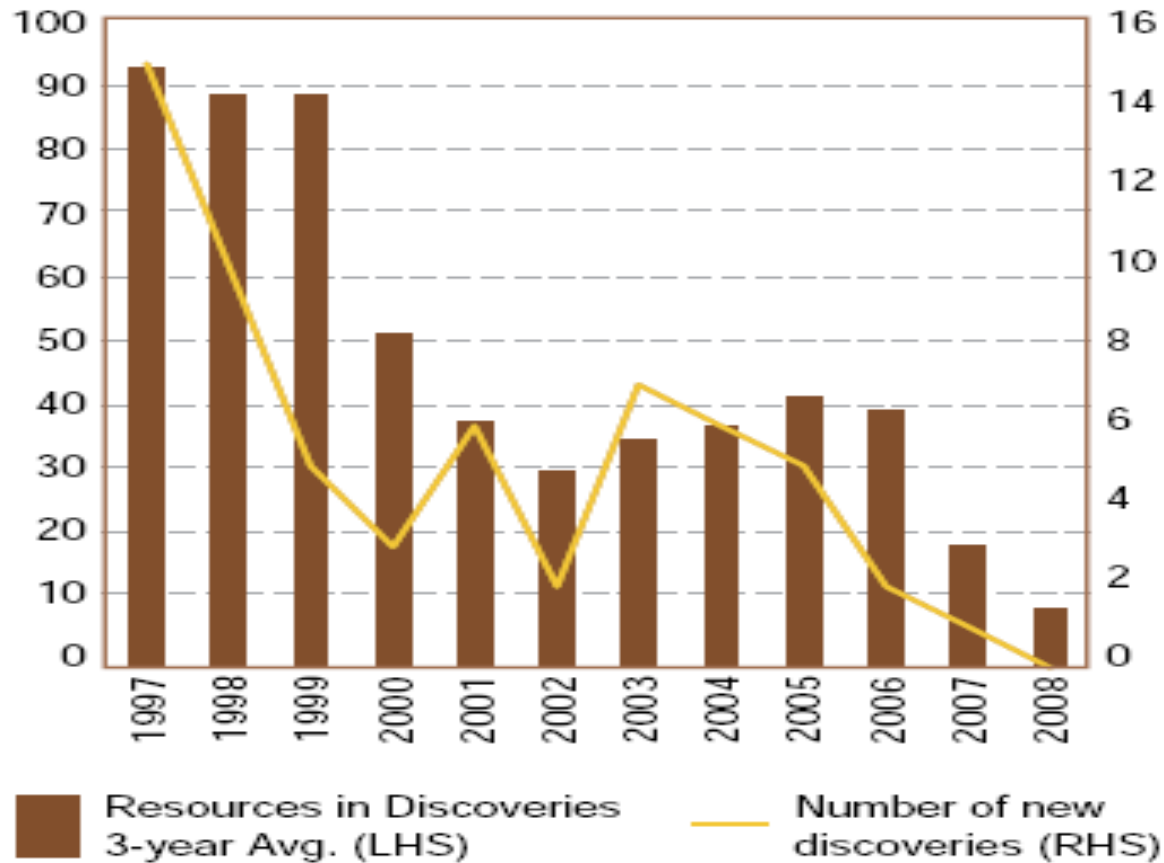
Declining copper grade supports long term prices



Source: Brook Hunt, USD, 31 August 2007

- Significant decline in copper grade due to lack of quality ore discovered
- Grade is directly linked to production costs and therefore long term prices
- Trend seen across other base metals

Longer term picture remains attractive: New discoveries in gold have been declining in aggregate



Source: World Gold Council, June 2009

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