

# Norilsk Nickel: The Next Chapter

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*Merrill Lynch Global Mining, Metals & Steel  
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# Prices of nonferrous metals



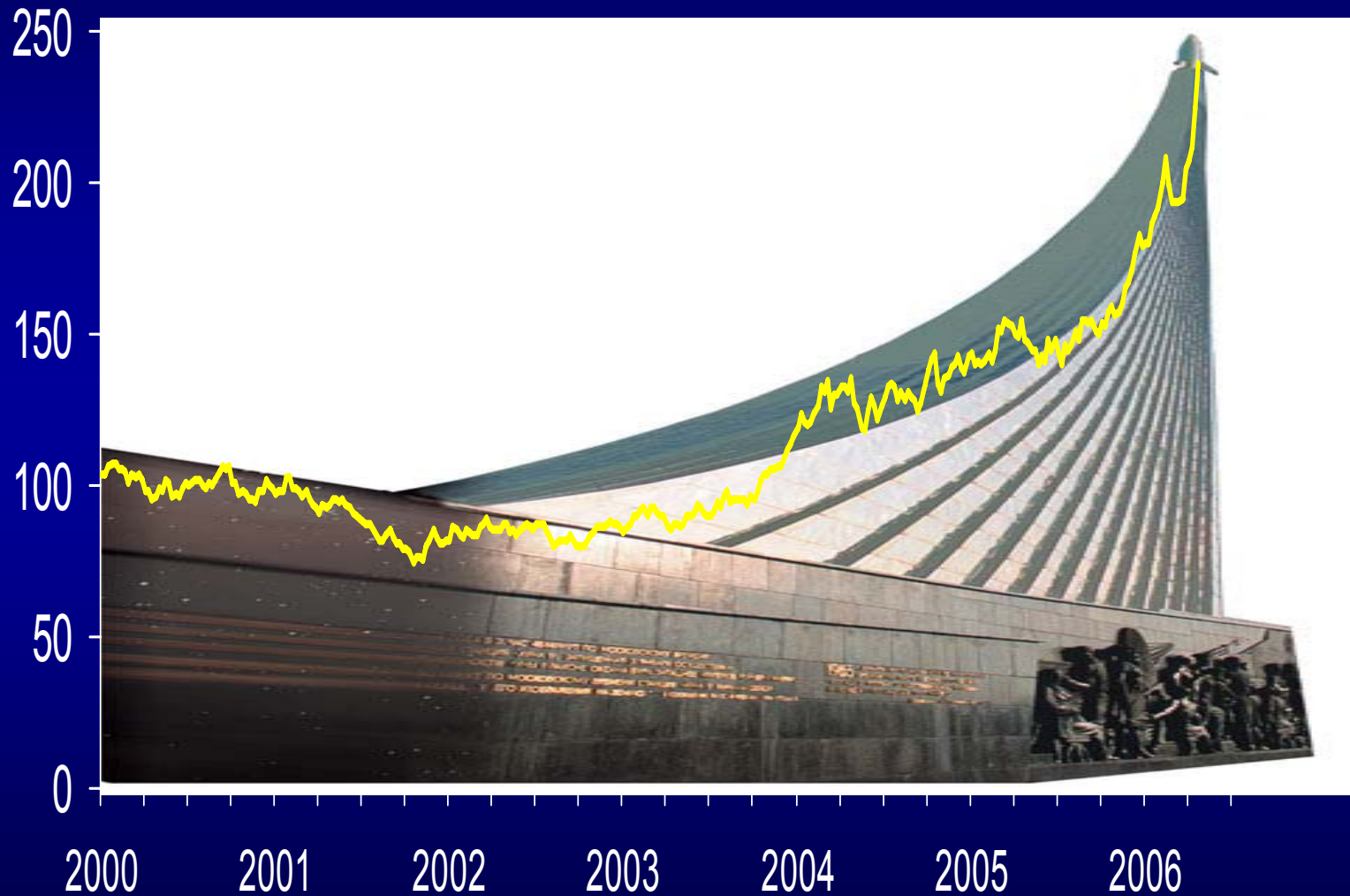
Index of nonferrous metal prices, 2000=100



Source: *The Economist*

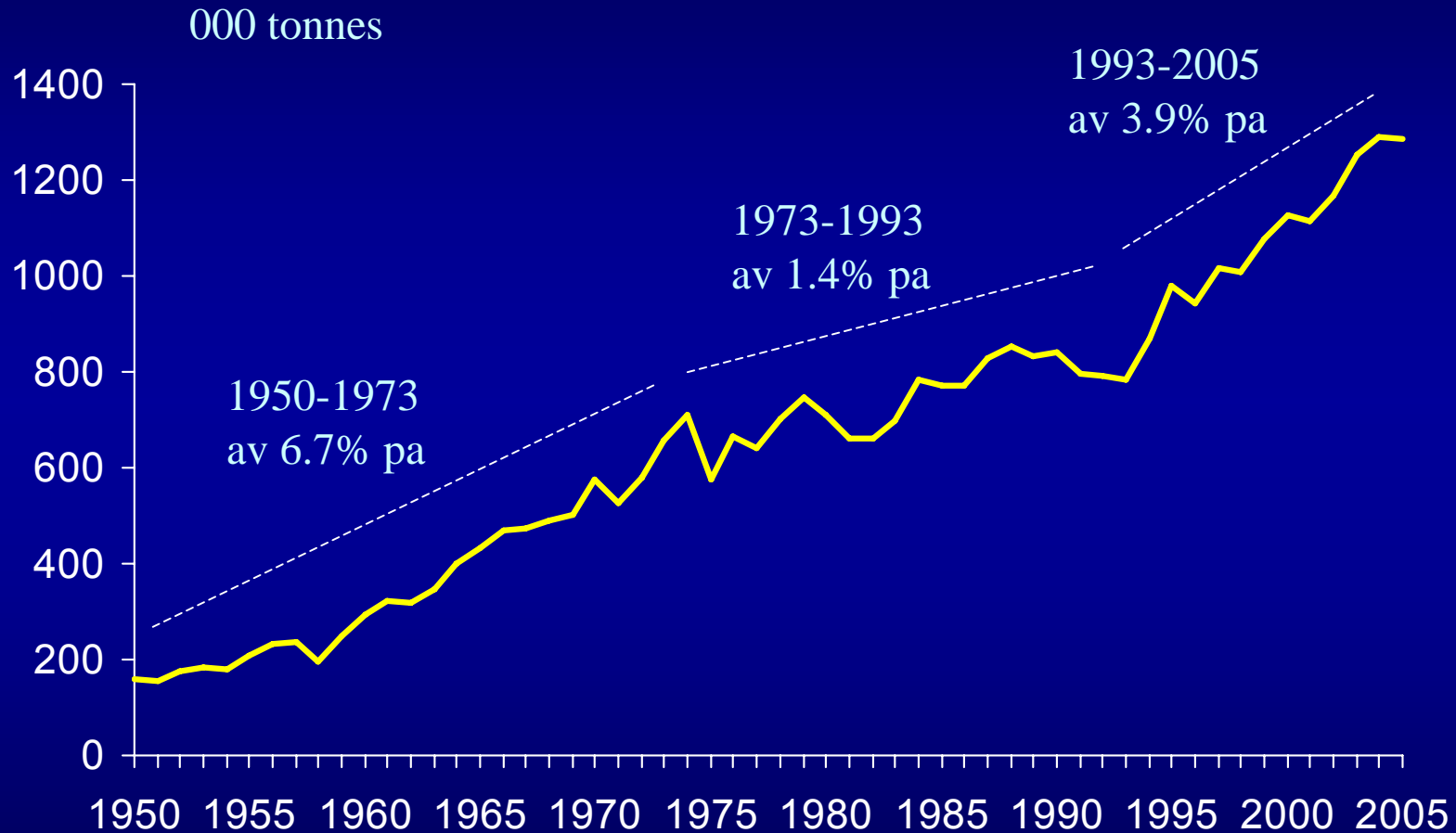
# 'To the Conquerors of Space'

## Memorial Museum of Cosmonautics, Moscow



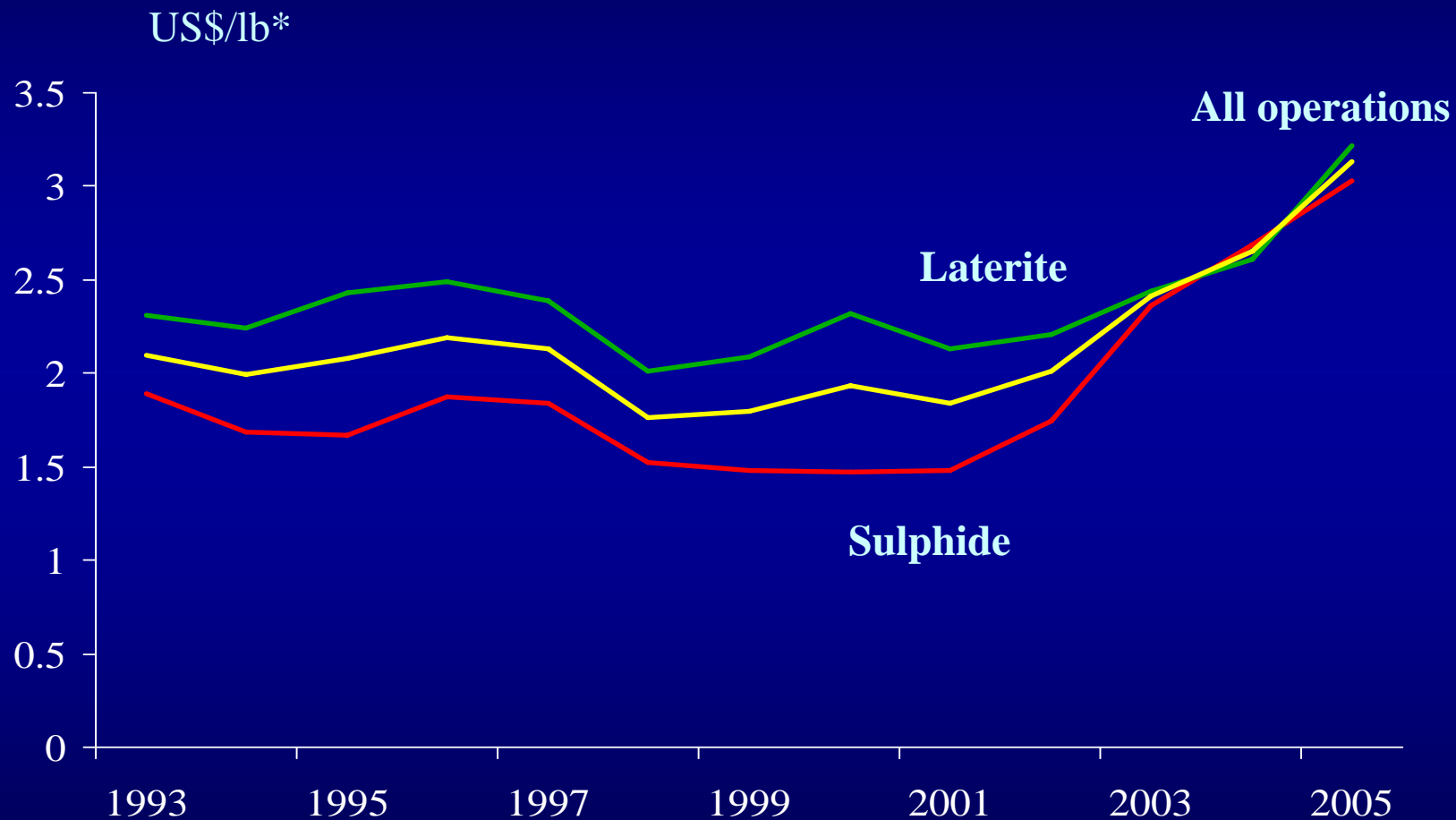
*Line is the The Economist nonferrous metals price index 2000=100*

# World consumption of nickel



Source: WBMS/INSG

# Direct production costs of nickel

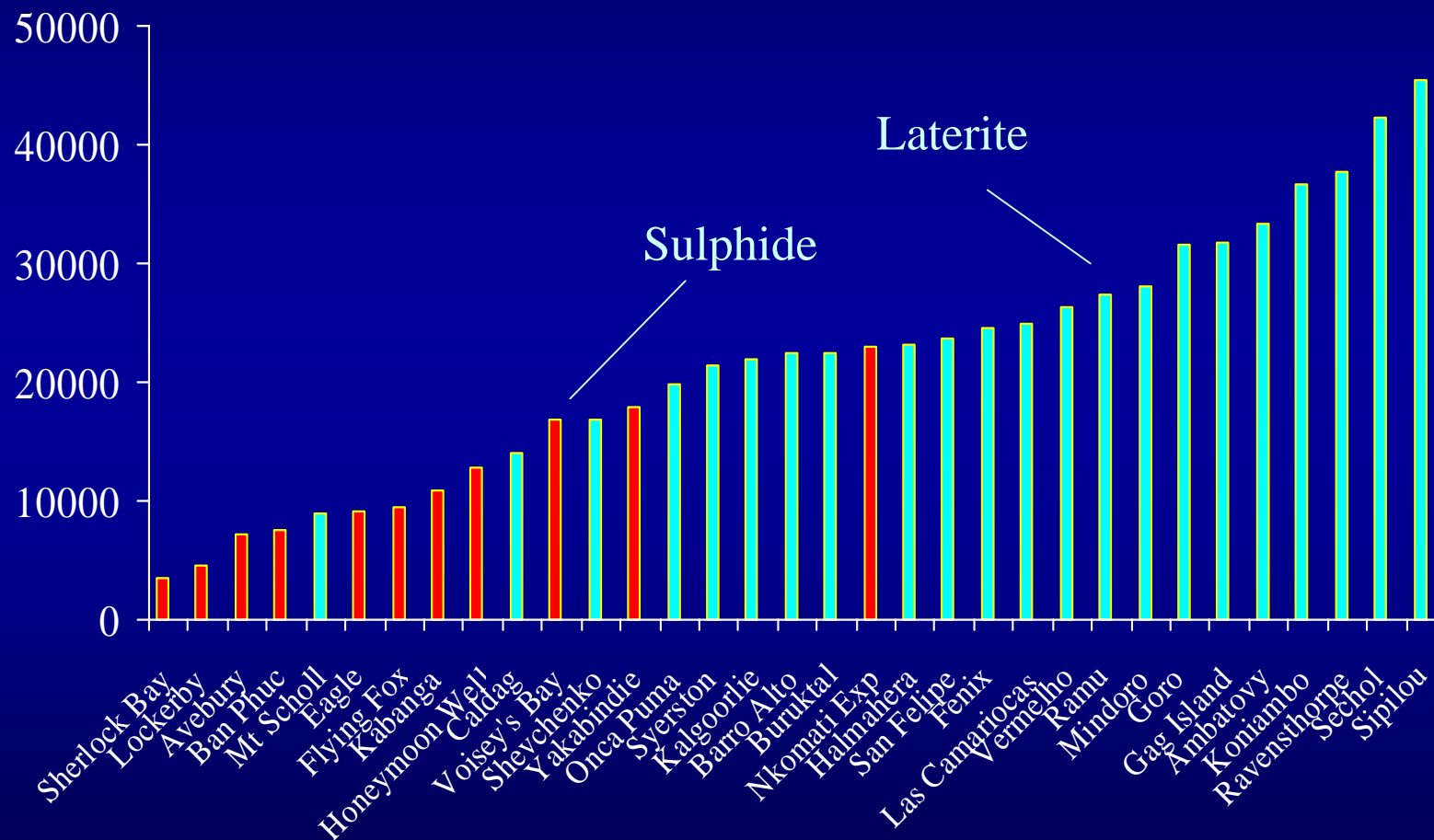


\*Average C1 costs from Brook Hunt , excluding Norilsk Nickel

# Nickel project capital costs

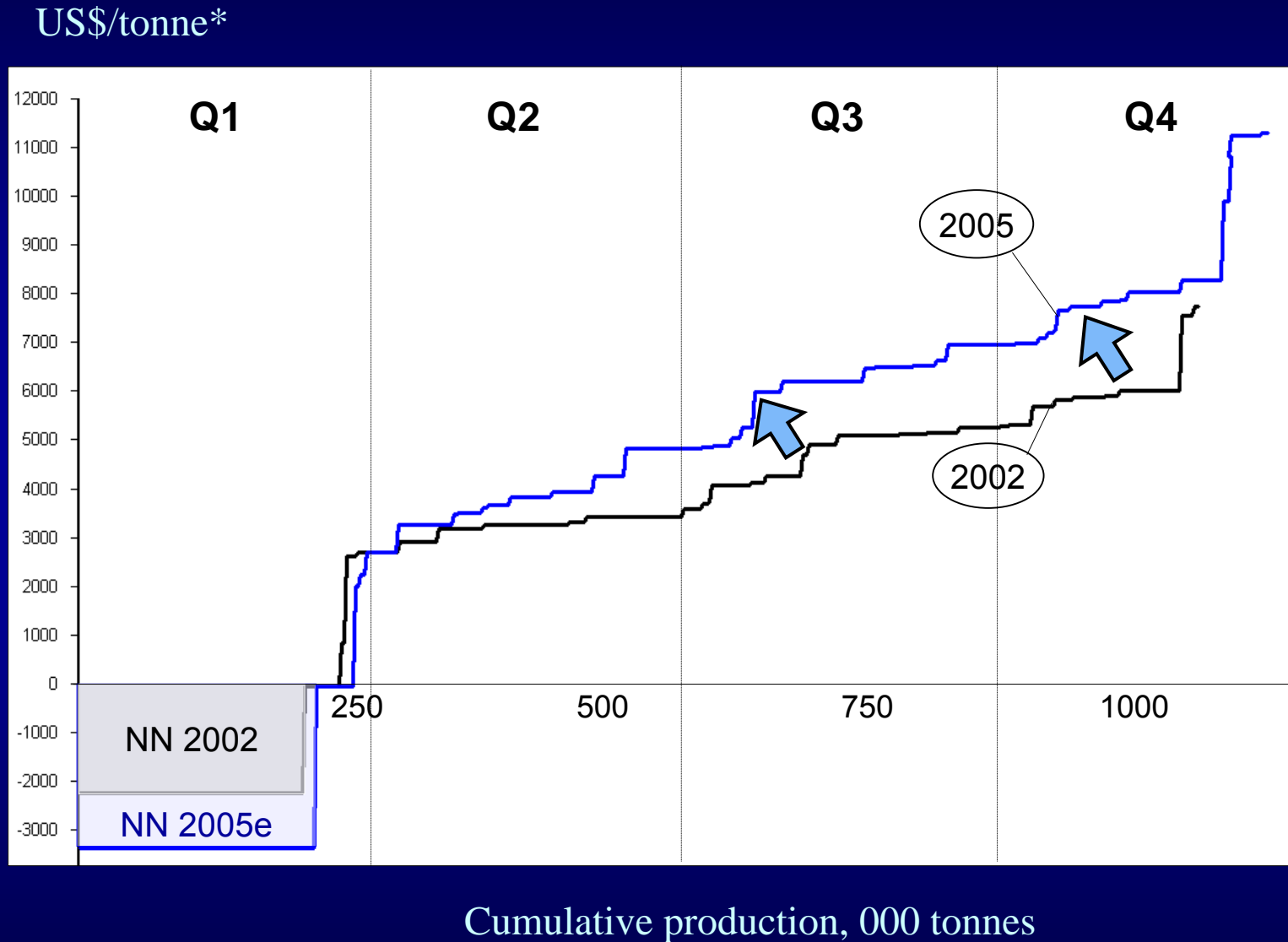


Capex, US\$ per tonne/year



Source: Brook Hunt

# Norilsk and the nickel industry cost curve



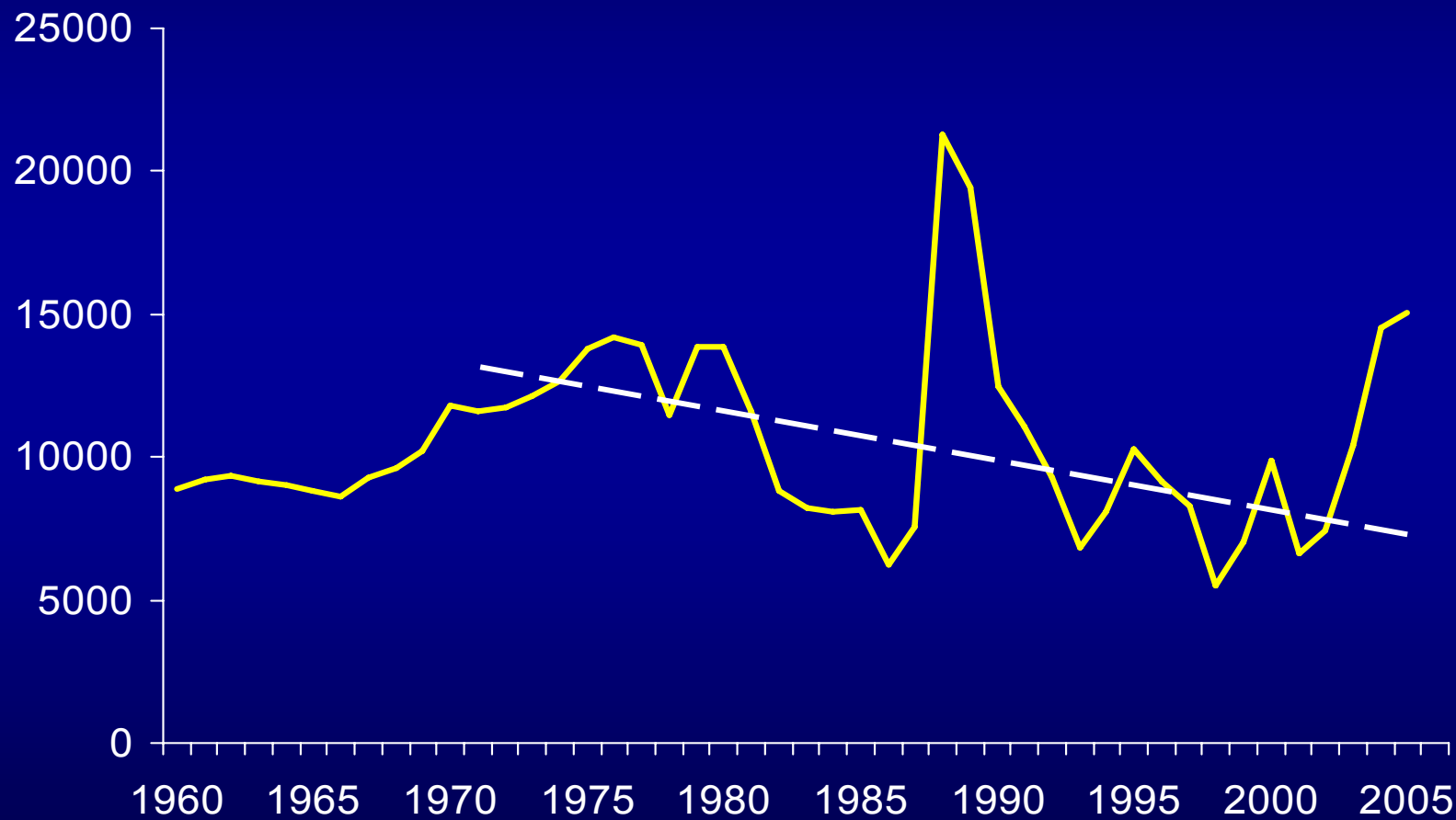
\*Direct cash costs including by-product credits (Cu, Co, Ag, Au, PGM), as published by Brook Hunt. 2002 data in actual 2002 US\$, 2005 cost estimates in 2004 US\$.



# Long run real nickel prices



US\$/tonne, real (2006) terms

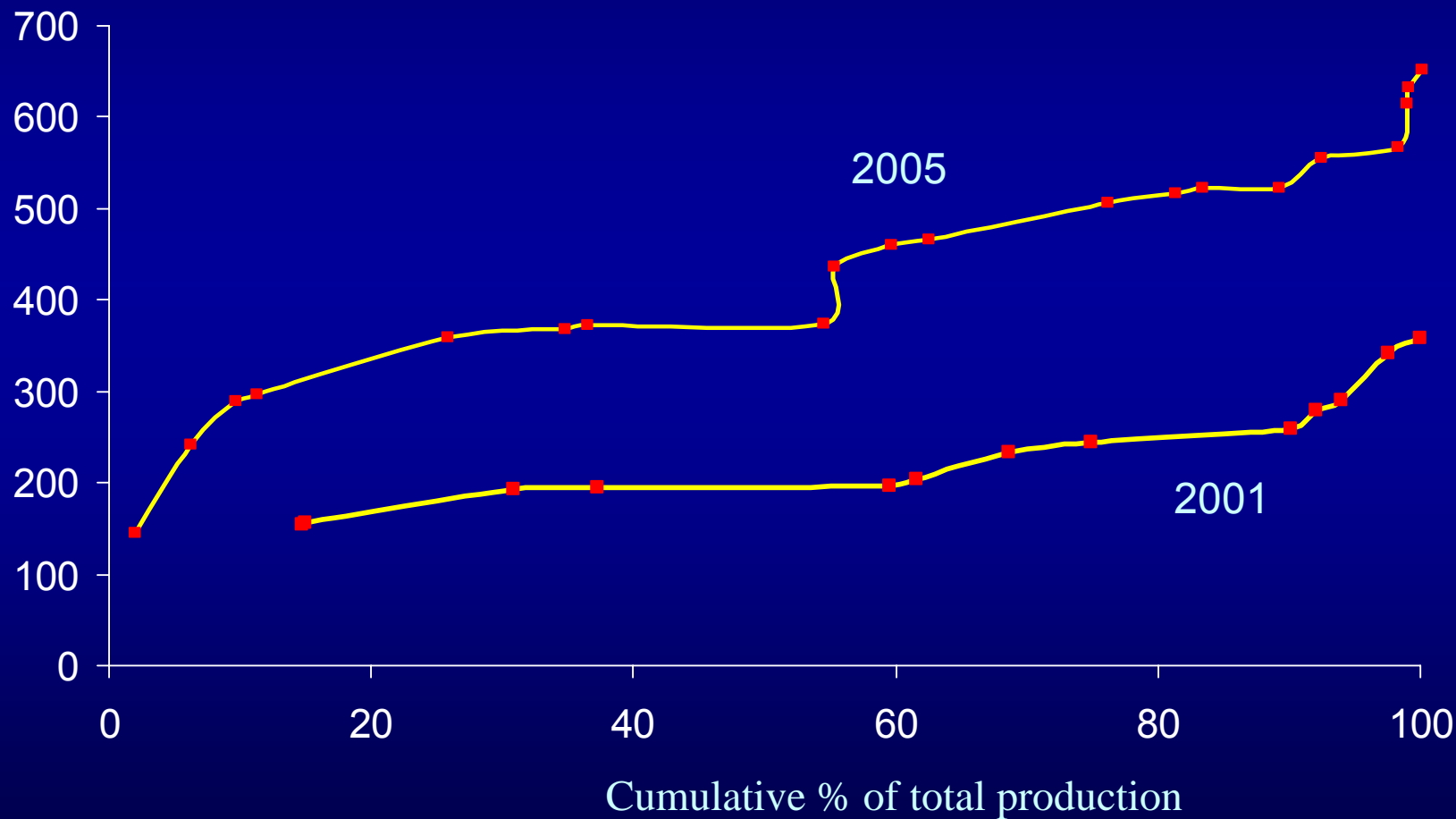


# PGMs cash production costs



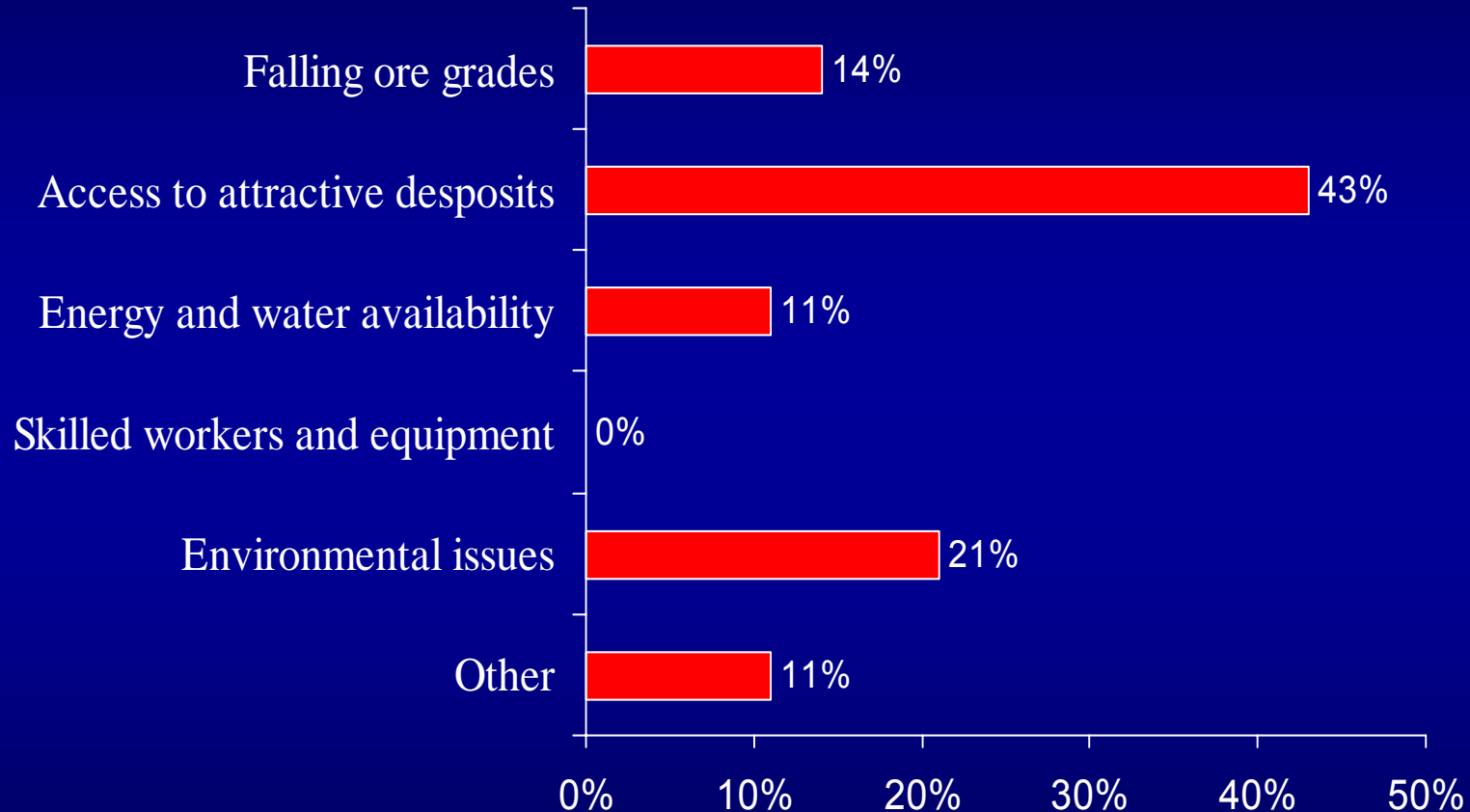
## Primary production of PGMs only

US\$/oz



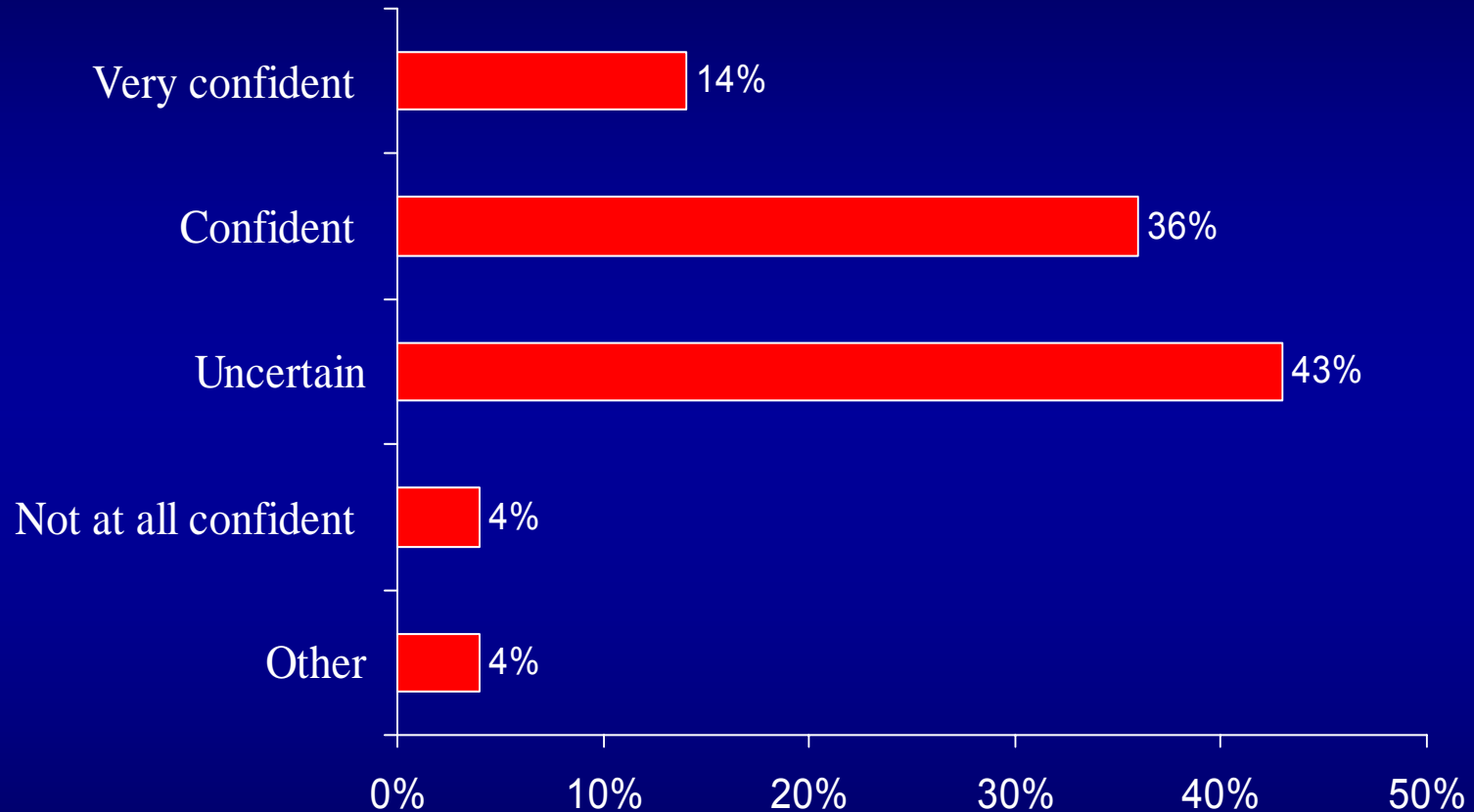
Source: Metals Economics Group

# What is the main hurdle to expanding copper output?



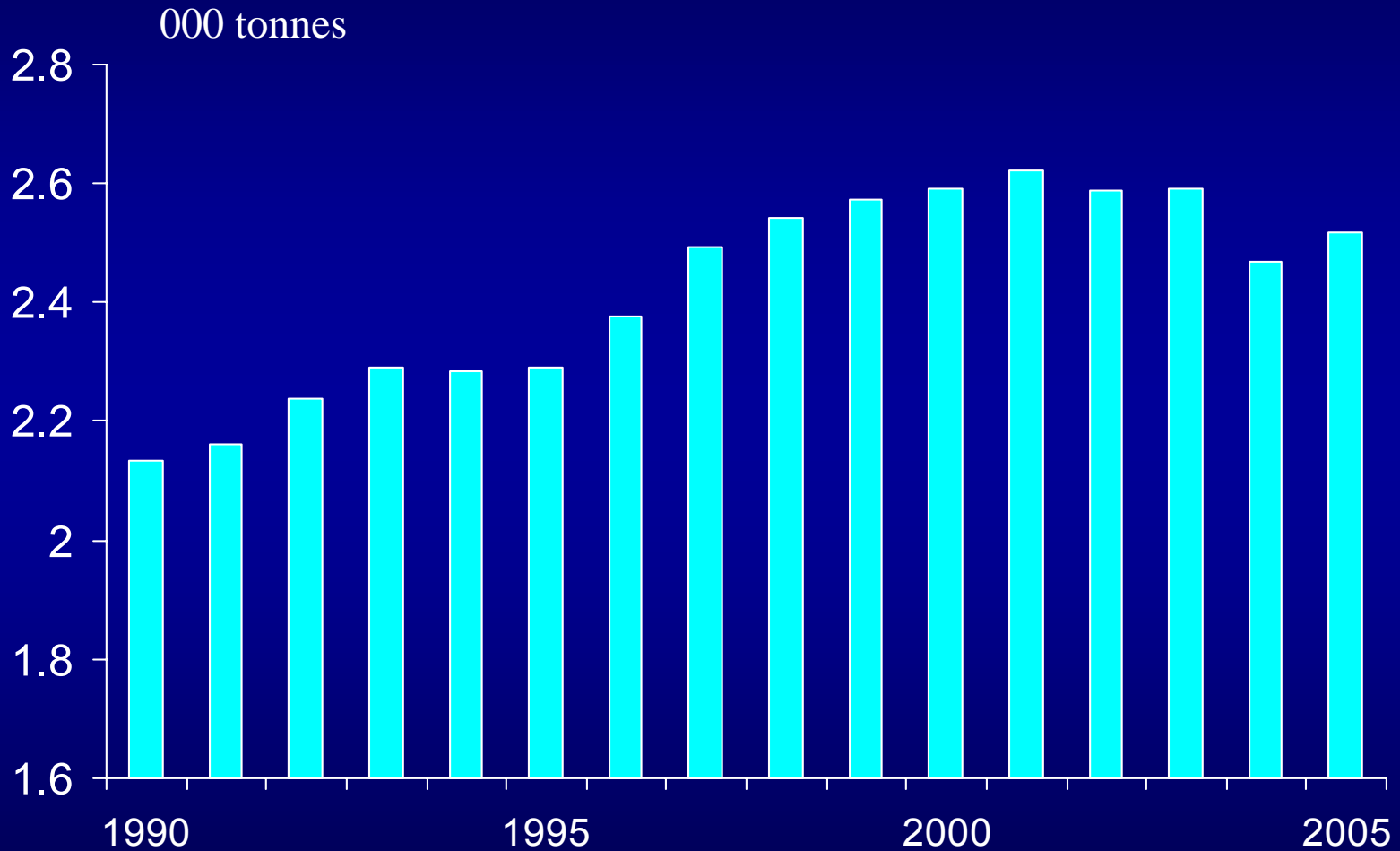
*Source: Barclays Capital (Cesco), April 2006*

# How confident are you that your current expansion plans will materialise according to plan?



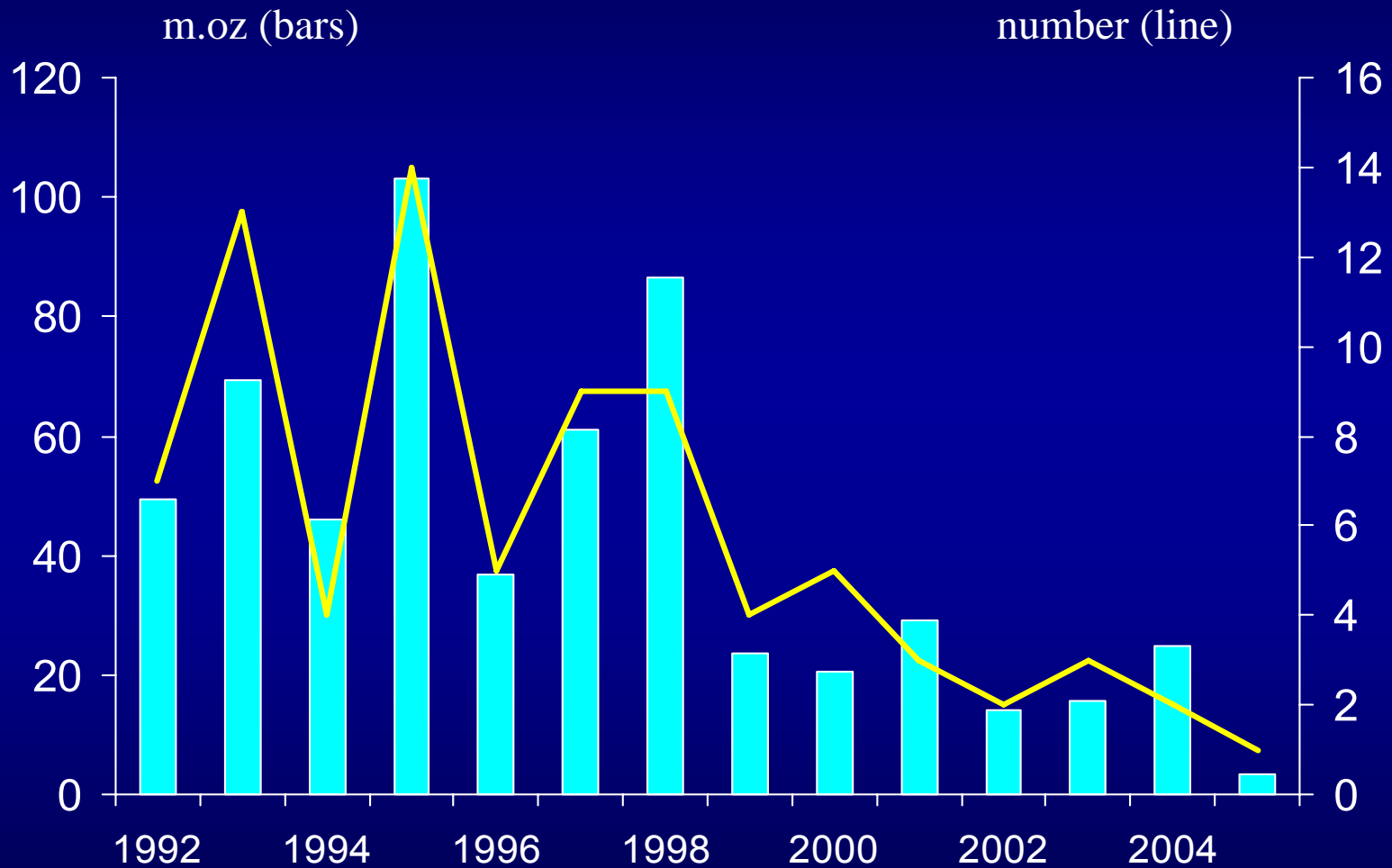
*Source: Barclays Capital (Cesco), April 2006*

# World mine production of gold



Source: GFMS

# Gold discoveries



Source: Metals Economics Group

# Norilsk Nickel's metals disclosure – a 5 year journey



2002

2003

2004

2005

2006

## -Base Metals (Nickel, Copper)

-Government declassifies Nickel resources for Talnakhskoe and Oktyabrskoe deposits at Polar Division

-Micon International hired to conduct first independent base metals resource audit (according to JORC standards)

1

-First independently audited base metal resource results (2002 year end) published in 2003 Annual Report

2

-Independently audited base metal resource results (2004 year end) published in 2004 Annual Report

3

-Third audit covering Norilsk-1 deposit base metal resource results (2004 year end) published

## -Platinum Group Metals

-Sales datas of PGMs are in currency only.

-Russian Parliament approves amendment to Federal Law "On State Secrecy"

-Amendment to Federal Law "On State Secrecy" enters into force and PGM resource data declassified

-First time release of PGM production figures  
-PGM resource data included in scope of independent resource audit, conducted by Micon

4

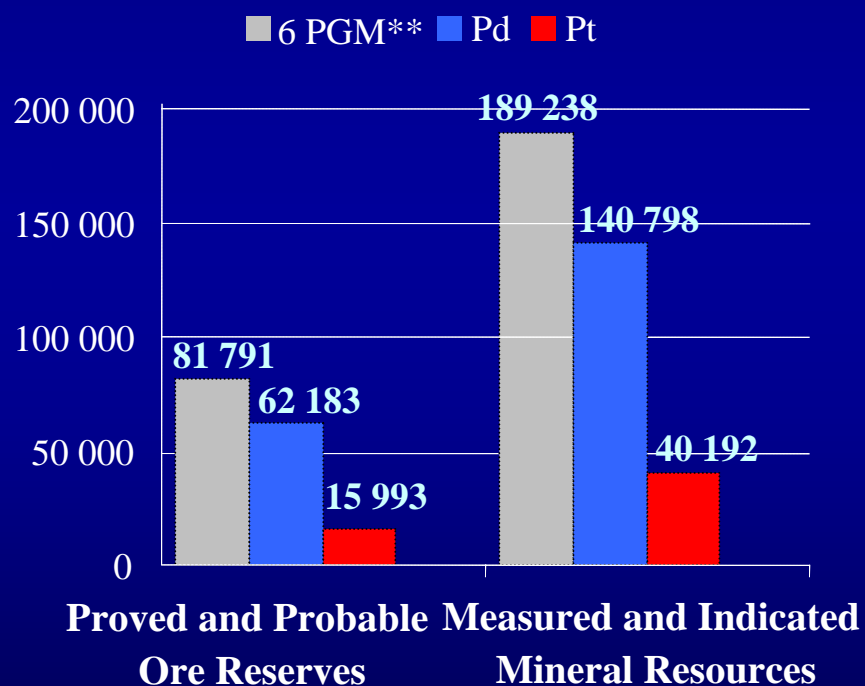
-First independently audited PGM resource results for Talnakh ore field & Norilsk-1 deposit (2004 year end) published

# First time disclosure of PGMs reserves

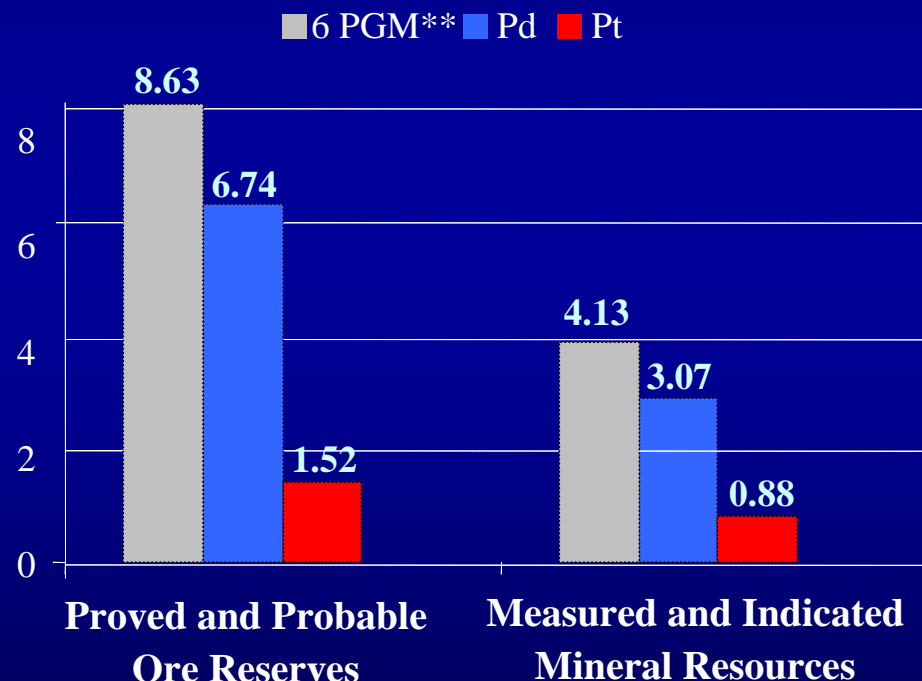


- Micon International conducted an independent audit of the Talnakh ore field and Norilsk-1 deposit ore reserves and mineral resources in Taimyr Peninsula as of 31.12.2004 in accordance with JORC Code

**Metal Volume**  
(ounces in thousand)



**Metal Grades\***  
(g/tonne)



\* Data for Talnakh ore field

\*\* 6 PGM are platinum, palladium, rhodium, ruthenium, osmium and iridium

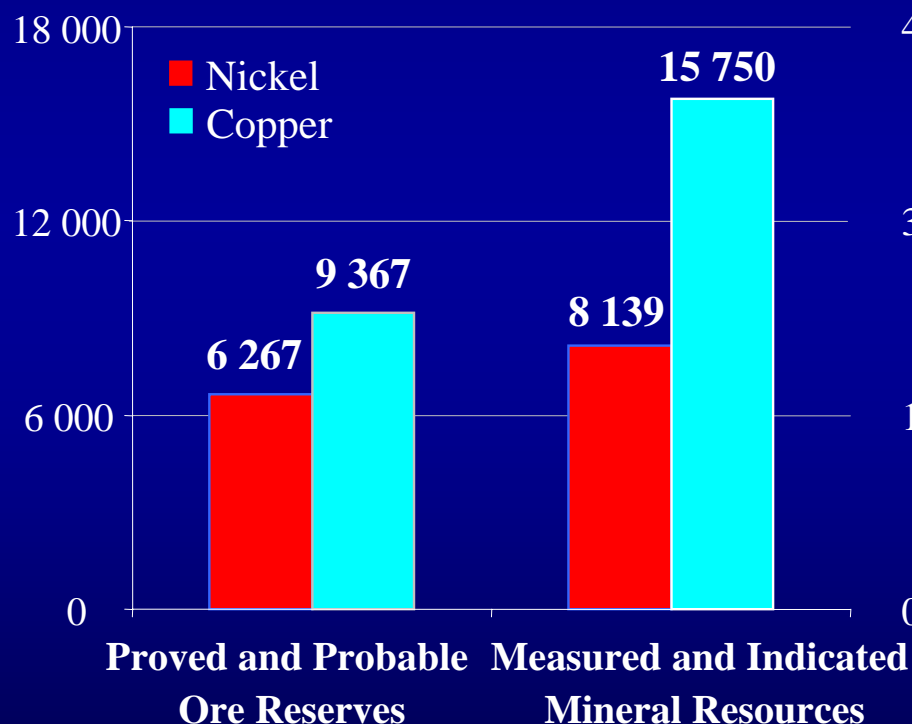


# Update of base metals reserves

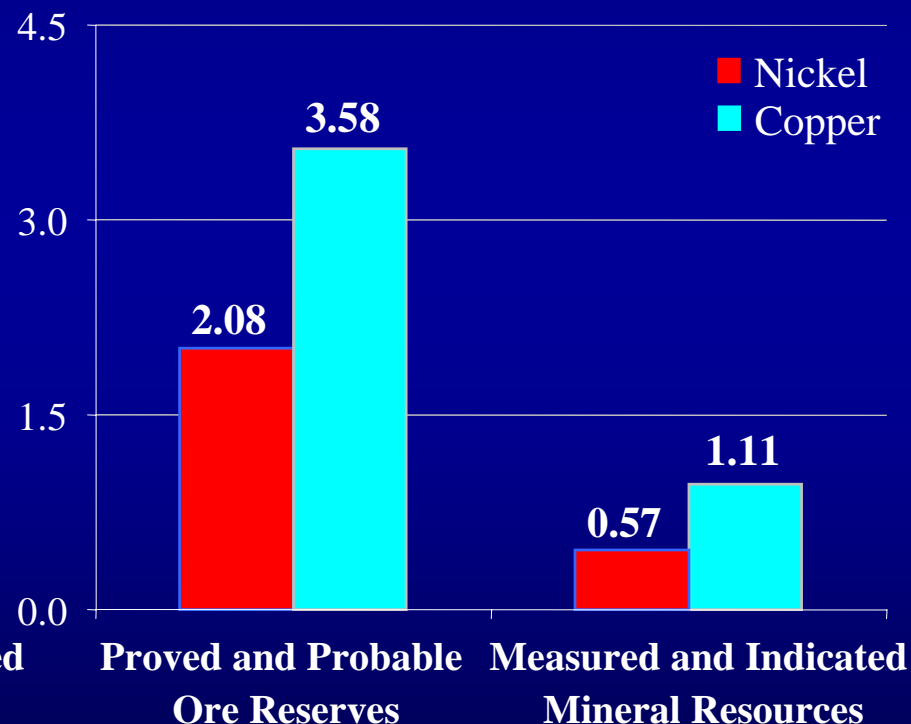


- Micon International conducted an independent audit of the Talnakh ore field and Norilsk-1 deposit in Taimyr Peninsula, and Zhdanovskoye deposit in Kola Peninsula ore reserves and mineral resources as of 31.12.2004 in accordance with JORC Code

**Metal Volume**  
(tonnes in thousand)



**Metal Grades\***  
(%)



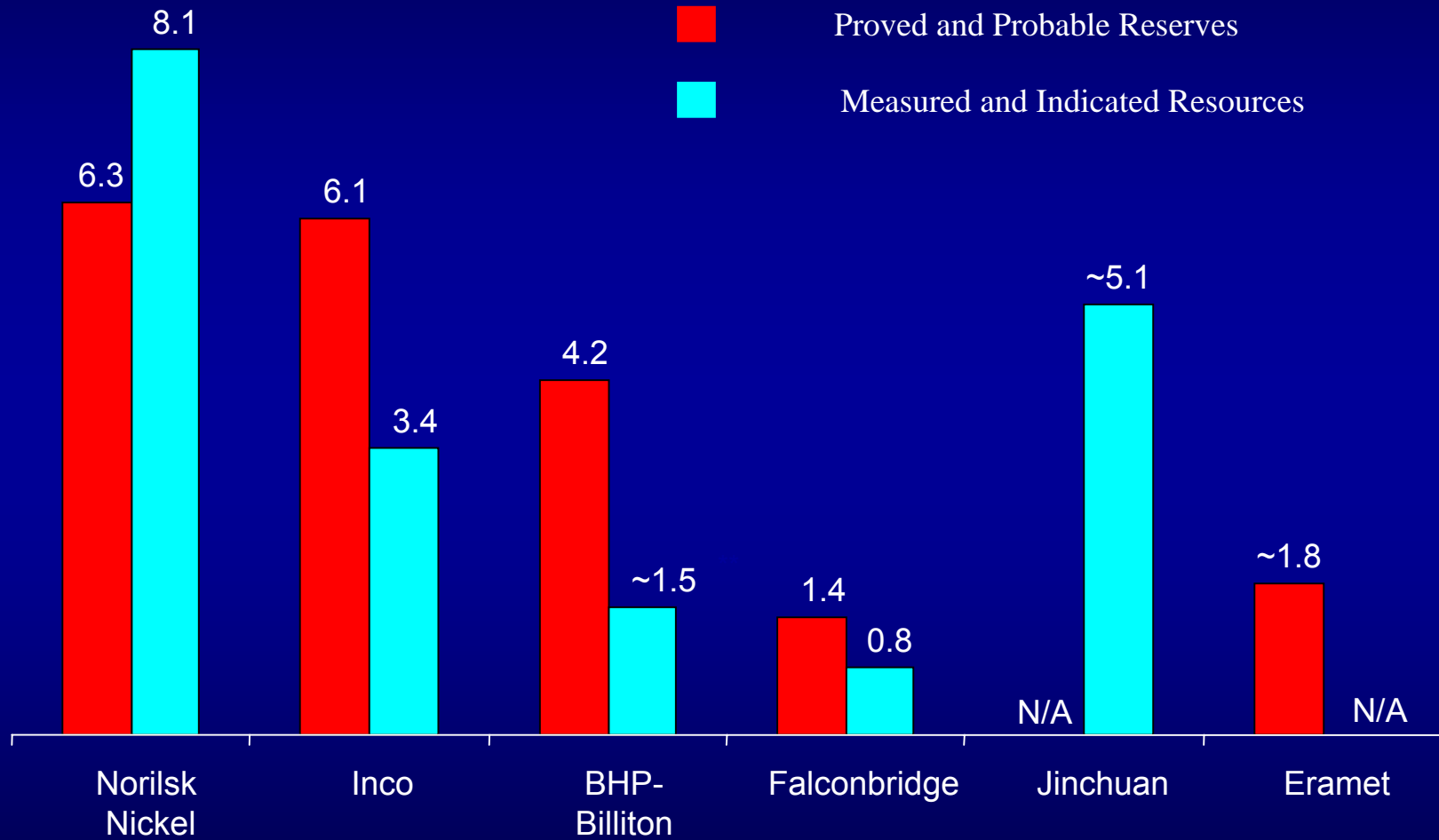
\* Data for Talnakh ore field

# Norilsk's Nickel reserve and resource position



## Nickel in attributable reserves and resources\*

million tonnes nickel in ore

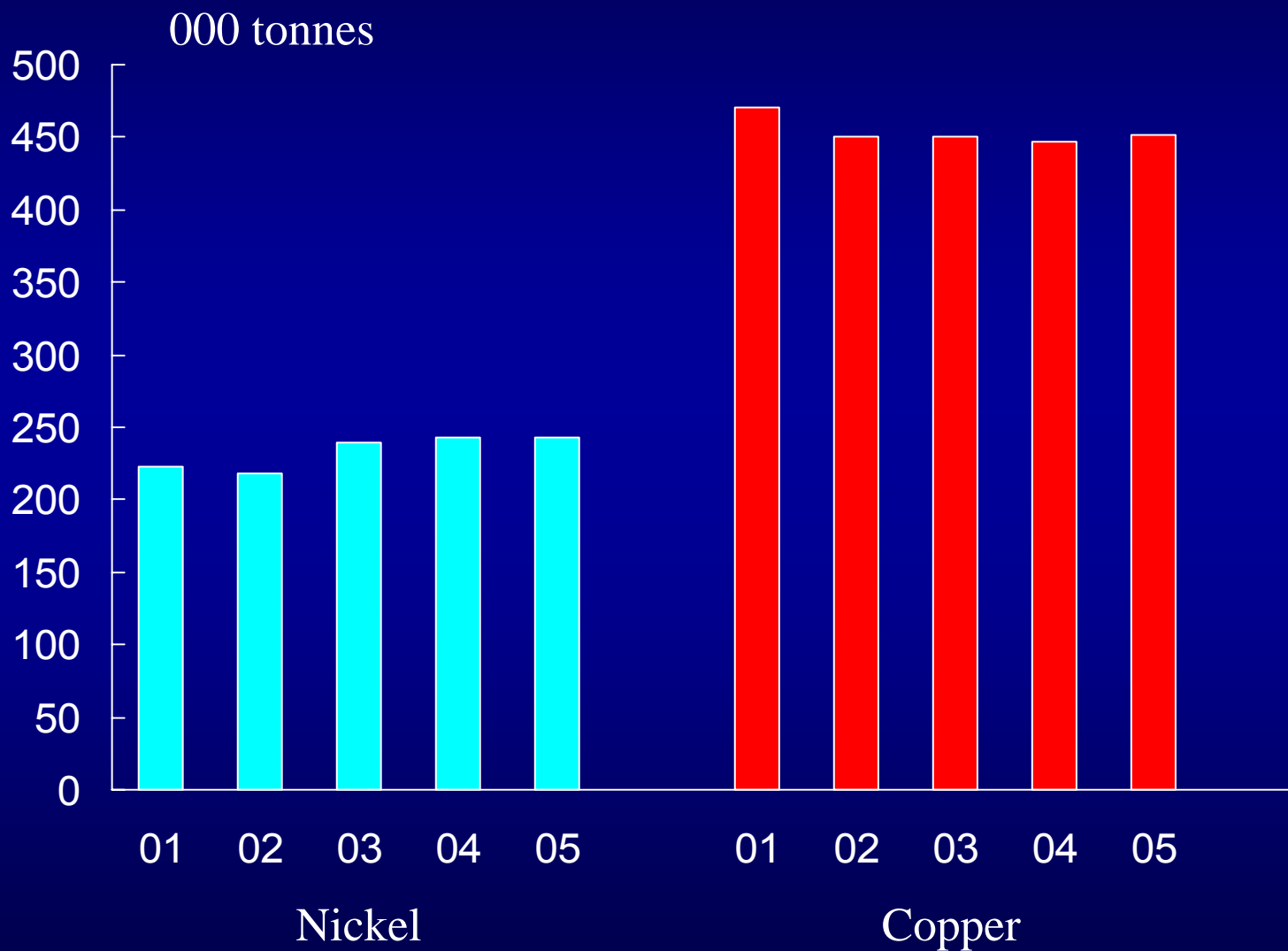


\* Resource and Reserve status as of December 31, 2004; except for BHP-Billiton - 30 June, 2005, Jinchuan – 2002 (MEG), Eramet - 1996 (MEG)

\*\* Derived by excluding Proved and Probable Reserves from reported Measured and Indicated Resources

Source: Company reports, MEG database

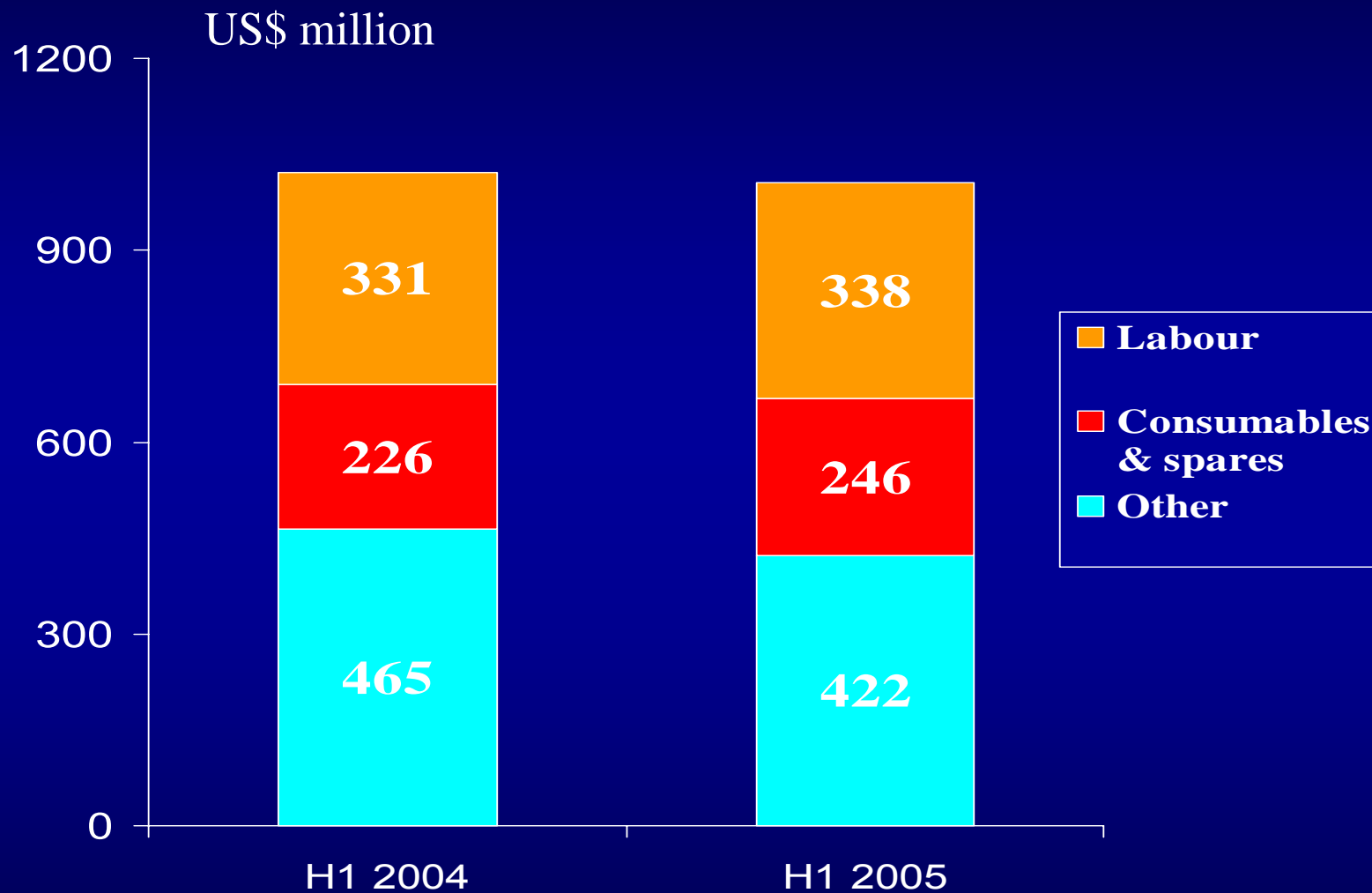
# Norilsk Nickel nickel and copper production



# The 'Norilsk Nickel'

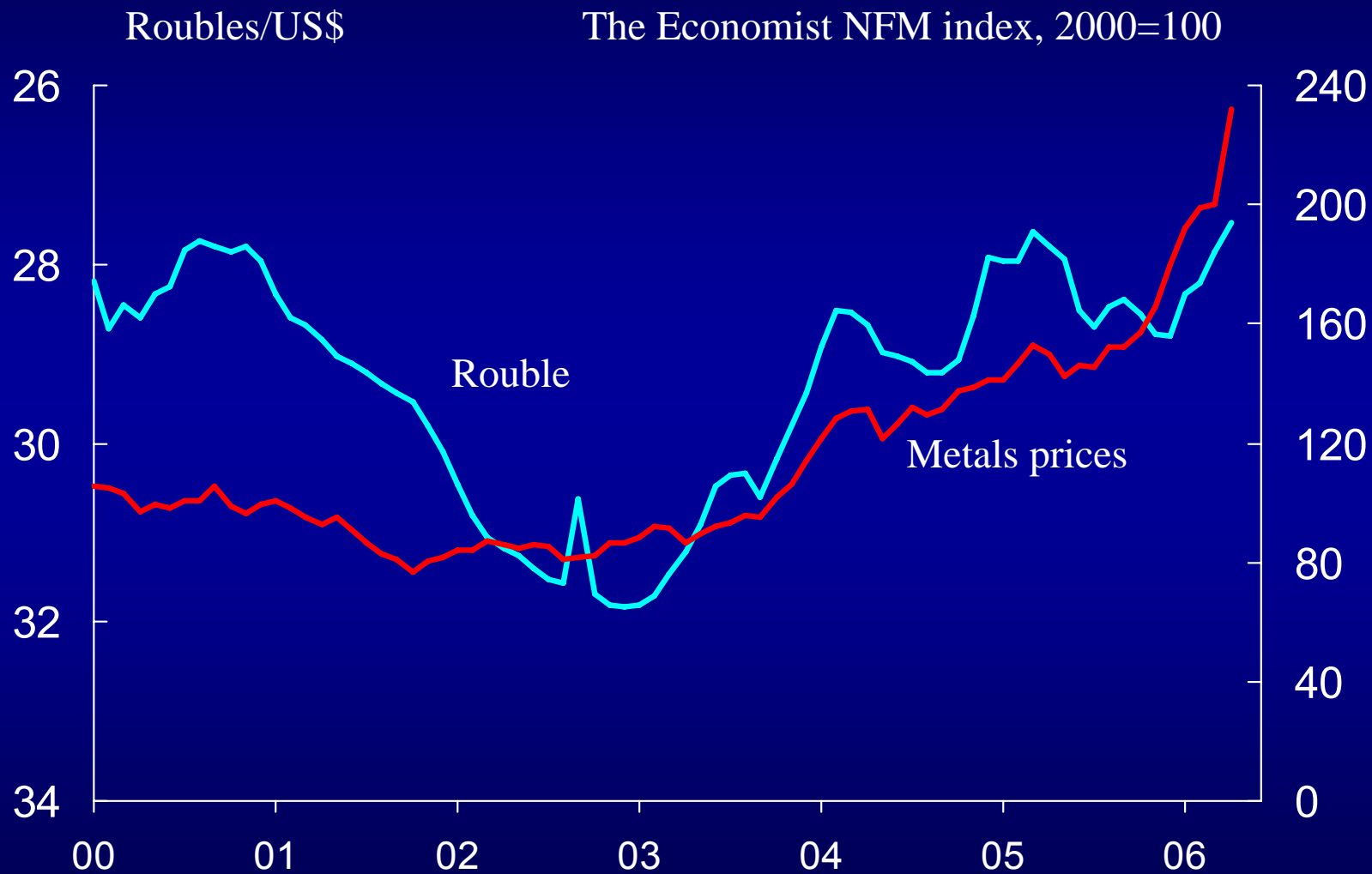


# Cash operating costs\*



\* Net of Polyus and Stillwater Mining

# Rouble and nonferrous metals prices



# Price and exchange rate correlations





Correlation of monthly prices, Jan 2000-Mar 2006


	<b>Nickel</b>	<b>Copper</b>	<b>Platinum</b>	<b>Palladium</b>	<b>US\$/Rouble</b>
<b>Nickel</b>	1				
<b>Copper</b>	0.83	1			
<b>Platinum</b>	0.89	0.91	1		
<b>Palladium</b>	-0.53	-0.40	-0.53	1	
<b>US\$/Rouble</b>	-0.50	-0.53	-0.40	-0.32	1

# Leading credit ratings amongst Russian blue chips



S&P	B	B+	BB-	BB	BB+	BBB-	BBB
		Severstal Evraz Alrosa	MMK SUAL Megafon Sistema MTS	Novolipetsk TNK-BP Sibneft Lukoil Vimpelcom			

Moody's	B2	B1	Ba3	Ba2	Ba1	Baa3	Baa2
		Severstal	Evraz MMK SUAL MTS Vimpelcom	Alrosa	 Sibneft Lukoil TNK-BP		

Fitch	B	B+	BB-	BB	BB+	BBB-	BBB
		Sistema	Evraz MMK Severstal	Megafon	TNK-BP	 Lukoil	

- *Norilsk has the highest combined rating amongst Russian private companies*



## March

- Organizational meeting of Polyus Gold (March 3)
- Formation/registration of Polyus Gold (March 17)

## April

- Federal Service on Financial Markets registered Polyus Gold's decision on issuance of shares, prospectus, and the report on the results of the new share issuance (April 27)

## May

- Official trading of Polyus Gold shares begins
- Listing of Polyus Gold in Russia

## June

- Level 1 ADR program set up (subject to approval)

- JV agreement signed 27 January 2006
- Followed signature of co-operation protocol in Min of Natural Resources
- Ownership of JV company, 51% Norilsk Nickel, 49% Rio Tinto
- JV company to be Russian-registered and Moscow based
- First board meeting of RioNor Exploration 25 April 2006
- Appointment of chairman and general director



- Establish cooperation vehicle to explore for new mineral resources
- Assess viability of discoveries and known deposits with potential for development
- Leverage technical, business development and financial skills of both companies
- Through joint venturing, to accelerate the pace of discovery and development
- Share risk and human and financial resources to create value for shareholders
- Focus of initial cooperation in Siberian and Far Eastern Federal Districts

# Area of focus for the joint venture



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