



Financing A Giant Zinc-Lead Mine In Changing Markets

September 18, 2009

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Selwyn Zinc Market Perspective

- Introduce Selwyn Resources Ltd.
 - A leader in zinc exploration and development
- Challenges Facing A Developer Of A Major Zinc-Lead Deposit
 - Exploration Financing
 - Project Financing
- State of the Zinc Markets
 - Chronic Under Performance to Over-perform
- Chinese Dominance of the Zinc Market
- Recent Trends in Securing Zinc-Lead Supply
 - Smelters Moving Upstream to Secure Supply
 - Chinese acquisitions
 - Metal trader activity
- Selwyn Strategic Financing Alternatives

Selwyn Exploring and Developing World Class Deposits

Selwyn Project

- Largest undeveloped zinc-lead deposit in the World.
- Drilling has now confirmed continuous mineralization over 38 kilometres.
- Discovery of widespread high-grade mineralization is changing the outlook for the deposit. Extensive high-grade core zone to the deposit now apparent.
- Optimization of pre-feasibility study in progress to confirm favourable economics.
- Potential for large scale of production attracting strong interest from several major mining and smelting companies; particularly in Asia.

Vinata Project

- Recent new exploration joint venture with exceptional potential for discovery of major new silver-zinc-lead deposit in the prolific Santa Eulalia-Naica District in northern Mexico (more than 750 million ounces of silver production).
- Drilling of prime targets commences October 2009 providing new opportunity for growing shareholder value.



Drilling at XY Zone, Selwyn Project

Challenges Facing A Developer Of A Major Zinc-Lead Deposit

- Selwyn Project is a large development project requiring \$600 million to \$1 billion investment in both mine and infrastructure due to its location in eastern Yukon.
- Historical and current perceived Selwyn Project challenges include:
 1. Large investment (\$50 to \$100 million) to advance project to bankable feasibility - too big for Selwyn?
 2. Selwyn too low-grade (not true today, but still the perception persists).
 3. No low-cost grid power available for mine.
 4. Long concentrate haul to port site will add to capital and operating costs.
 5. The world doesn't need a major new zinc mine and if put into production will result in oversupply and resultant low zinc prices, thereby undermining project economics.

Selwyn does not share many of these concerns.

It sees the main challenge as advancing the project to the point where most project risks are reduced and economic viability demonstrated.

Selwyn Acquisition Financing History

- Selwyn's predecessor Pacifica Resources was formed in November 2004 with spinoff of non-core assets by Yukon Zinc Corporation; and Selwyn formed by Pacifica with spinoff of non-core assets to Savant Explorations Ltd.
- Selwyn and its predecessor have raised \$81 million in equity financing with the first \$57 million in brokered private placement financing in North America and Europe.
- Selwyn has reduced its dependency on brokered financing in North American markets and sought strategic investment in the new markets of Asia.
- Since mid-2007 Selwyn has raised approximately \$25M privately in North America, Europe and Asia. Importantly it has created new major shareholders: Resource Capital Funds, Korea Zinc and China Mining (a Hong Kong based fund).
- Selwyn expects to increasingly secure its exploration and development capital in Asia.

Industry consolidation has reduced the capital flow for new mine development from the traditional non-Asian mining companies.

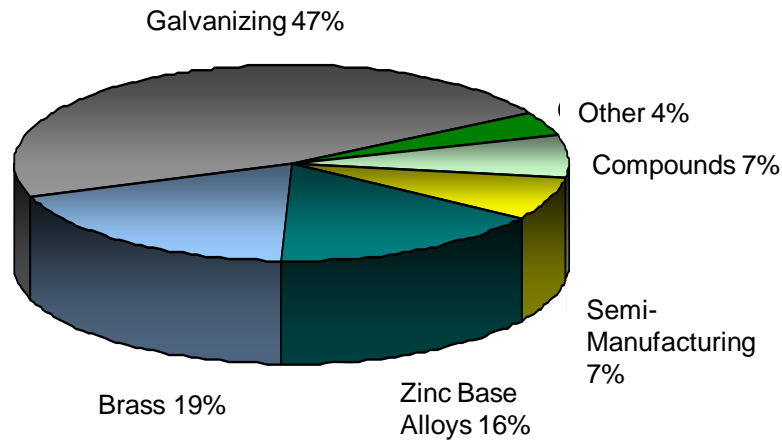
New major mining companies emerging in China, India and Brazil.

Metal Markets



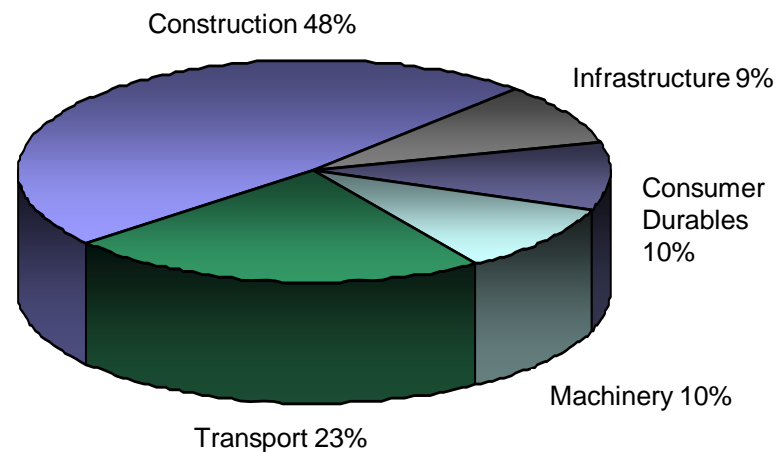
Zinc Usage and Consumption

Usage



- Zinc is primarily used in galvanizing of steel, brass and diecast alloy parts.

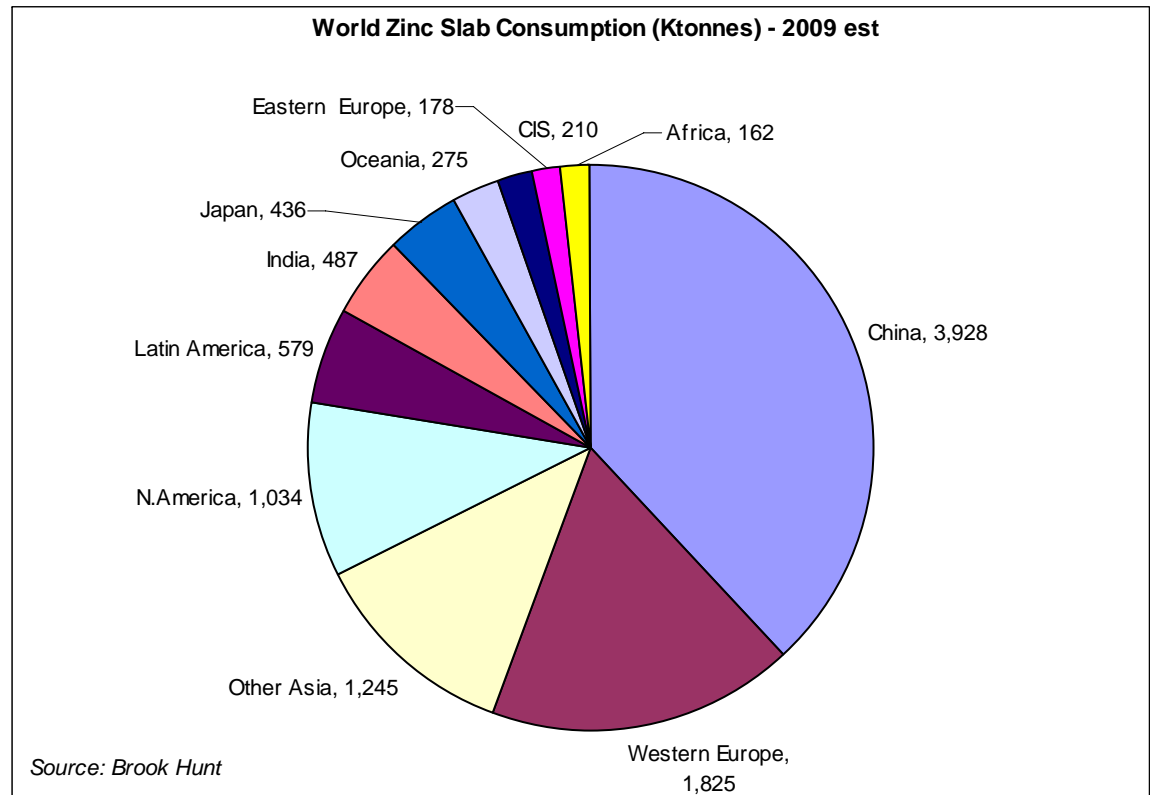
Consumption



- Consumption is primarily linked to construction and transportation sectors.

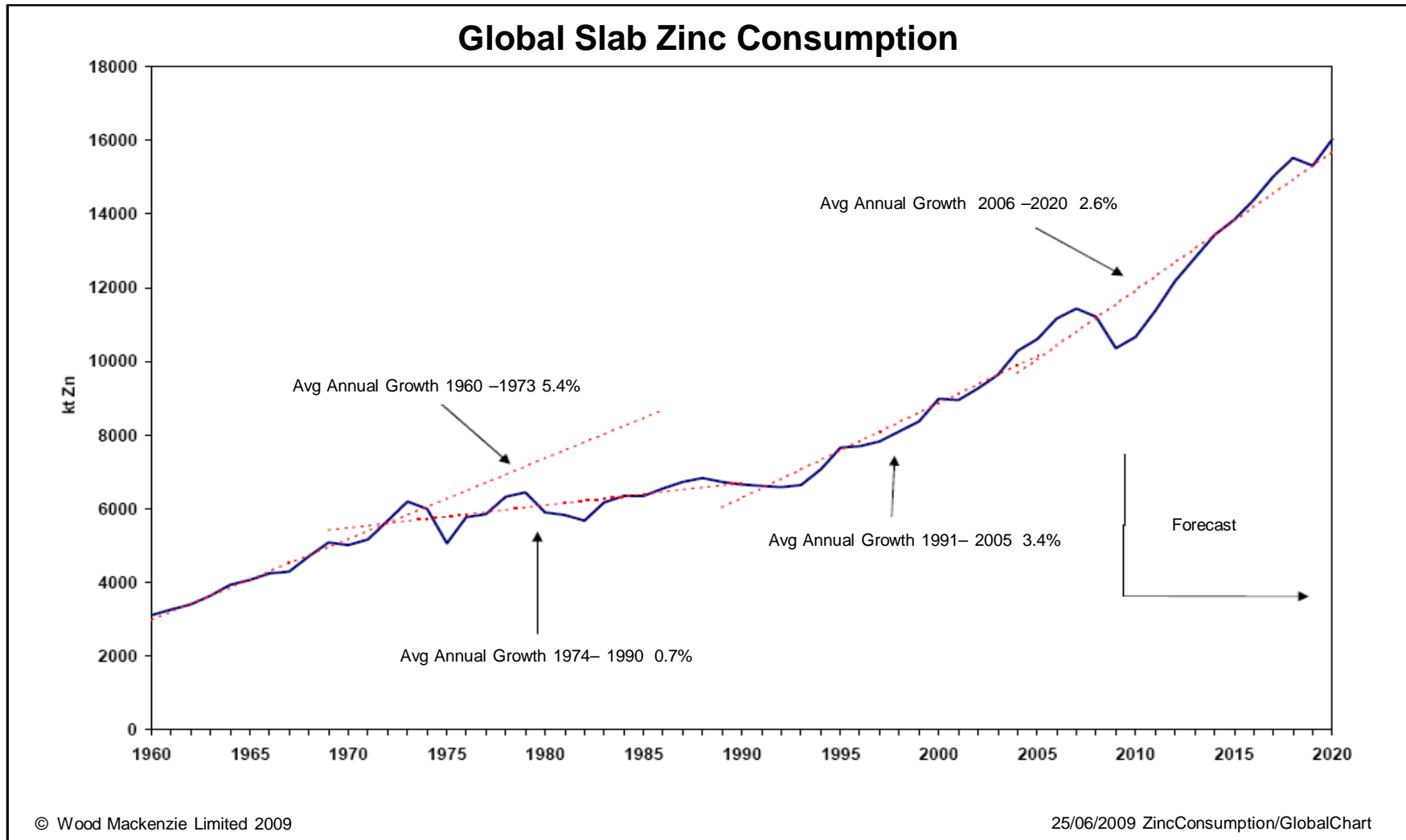
Global Zinc Consumption

- China is now the largest zinc consumer in the world with approximately 35% of global demand.
- Chinese demand has doubled in the past 6 years and is forecast to grow at 6.9% over the next 5 years. (Brook Hunt, July 2007)
- By 2020 China is expected to increase to 45% of global demand.
- India's zinc consumption is similarly expected to increase rapidly from current 487,000 tpa to 1,053,000 tpa by 2020. (Brook Hunt, July 2007)



Zinc Demand Growth

- Recent growth of 3.4% per annum in consumption is projected to slow to 2.6% per annum over the period 2006 to 2020 (*Brook Hunt, July 2009*).



Global Mine Supply

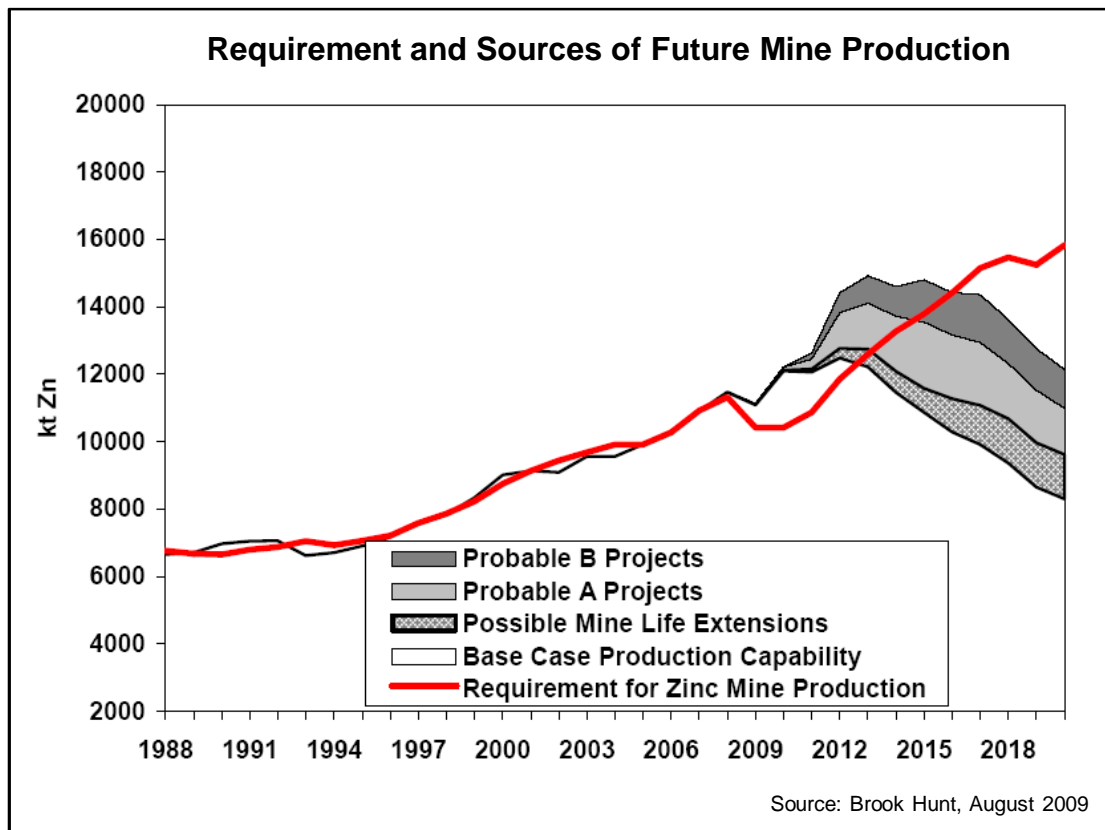
- Zinc supply is highly fragmented with approximately 260 mines making up 2008 global supply of 11,468,000 tonnes. Three largest producers produce only 22% of world production.
- There are only 7 mines producing more than 200,000 tpa of zinc in concentrates.
- None of the large producers have more than 10% of market share.
- Approximately 2,000,000 tonnes of production were shut down in the recent financial collapse. With the recent increase in zinc price above US\$0.75/lb of zinc most of the shutdown Chinese mines (1,000,000 tonnes) have resumed production.
- Commencing 2010, several large mines are scheduled to close due to reserve depletion. These shutdowns total approximately 20% of current mine production.

Mine	K tonnes	Depletion Date
Brunswick, Canada	265	2010
Iscaycruz, Peru*	174	2011
Lennard Shelf	75	Shutdown
Galmoy, Ireland*	80	Shutdown
Broken Hill, Australia	175	2012
Golden Grove, Australia*	140	2012
Lisheen, Ireland	175	2013
Mt. Garnet, Australia*	55	2013
Myra Falls, Canada*	55	2013
Roseberry, Australia	85	2013
Rosh Pinah, Namibia	67	2014
Skorpion, Namibia	171	2015
Century, Australia*	600	2014
Total	2117	

* Mines that have recently announced production cuts.

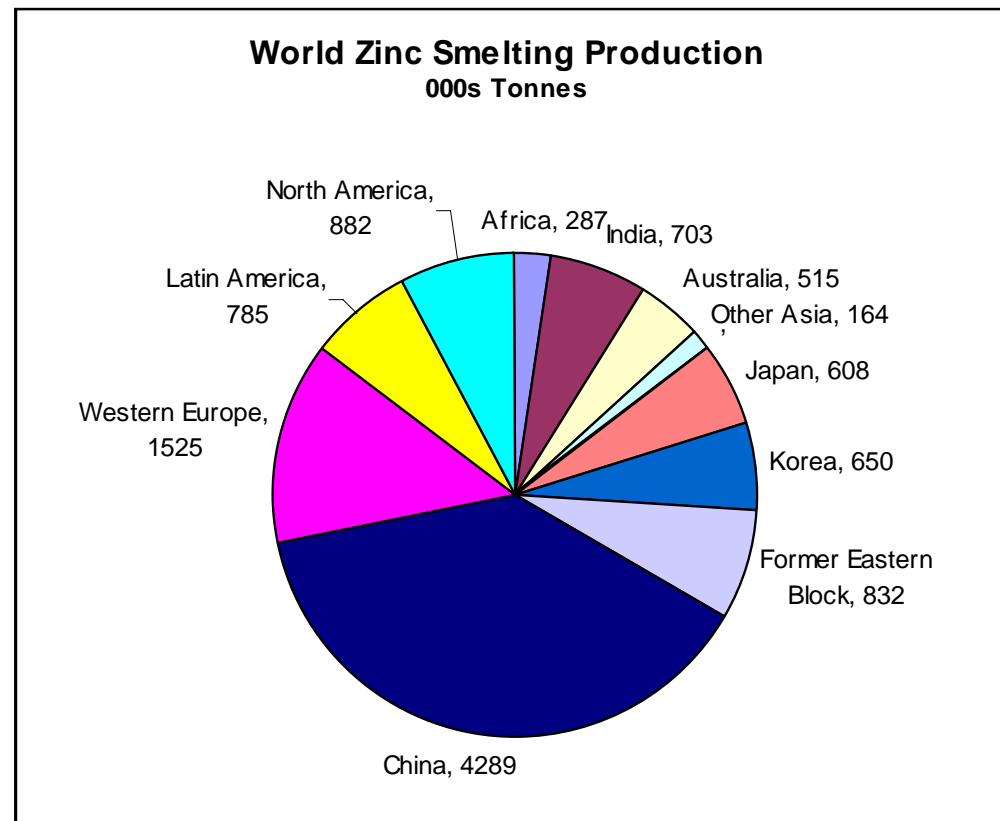
Future Global Mine Supply

- Black line illustrates projected mine supply peaks in 2010 as many large mines shutdown, and then declines quickly after 2012.
- Probable and Possible new mines and mine life extensions suggest demand could be met; however, there are very few new mines committed to production and there are few good projects in the development pipeline.
- The 2008-2009 kink in the zinc requirement line (red), is caused by major addition of new mine supply due largely to expansions and restart of shutdown mines in 2007 and 2008 as zinc price reached new highs.
- Lack of new mine production in last major run up in zinc prices illustrates the difficulty in financing and permitting new mines. This problem continues and addition of new mines is likely to be very slow!
- Outlook for chronic supply problem by 2012 very strong.



Zinc Smelter Distribution

- The smelting industry is similarly highly fragmented, consisting of approximately 220 smelters and zinc plants (138 of which are in China).
- Approximately 70% of smelter capacity is on the Pacific Rim.
- China is the major refiner of zinc with approximately 40% of world capacity; however, this is expected to grow due to a large number of expansion and new smelter projects.
- Almost all of the new smelter projects are in China.



Zinc Smelter Shutdowns and Additions

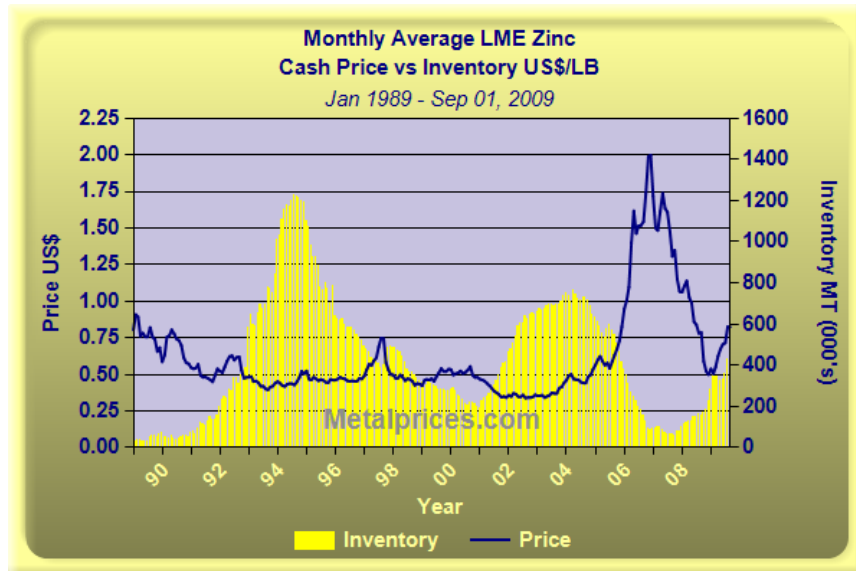
- Approximately 1.2 million tonnes of zinc smelting capacity was shutdown in 2009 due to the collapse in zinc demand; estimated shutdown capacity for 2010 is 235K tonnes.
- Smelter additions, expansions and debottlenecking over the next 3 years total approximately 2.3 million tonnes (Brook Hunt July 2009):

	New Ktonnes	Expansions Ktonnes	Debottlenecking Ktonnes	Total K tonnes
Latin America		160		160
South Korea		25		25
India	210		20	230
Japan		40		40
Europe			110	110
China	460	1240		1,700
Total	670	1465	130	2,265

- The large increase in new smelting capacity in China is in part offset by a planned shutdown of 400K tonnes of inefficient small facilities in China.

Clearly China is on track to produce approximately half of the World's zinc metal!

LME Zinc Inventories

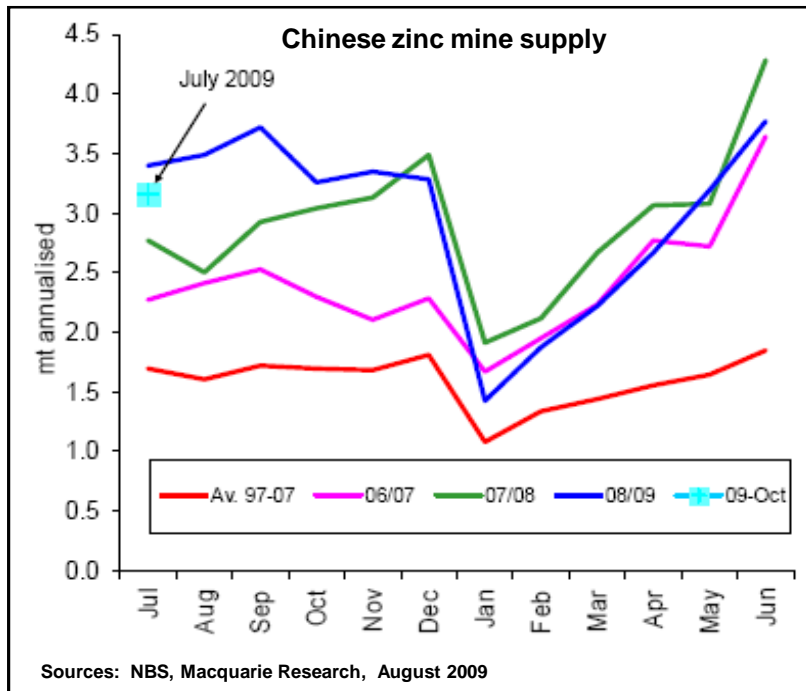


- Major oversupply of zinc during 1990's led to prolonged period of low prices. Exploration for zinc at very low levels during 1980's and 1990's.
- LME zinc inventories bottomed in mid-2008 and reached a plateau in late February 2009 only to increase in Q2 with restart of shutdown Chinese mines as zinc price rose to US\$0.70/lb.
- Zinc price bottomed at US\$0.48/lb in Q4 2008 and now in US\$0.80-\$0.85/lb range despite modest inventory buildup.

- Fabricator destocking of zinc in Europe and North America appears to have ended in March/April 2009.
- Zinc supply moving to balance with Q2 surplus of 55,000 tonnes down significantly from Q1 surplus of 218,000 tonnes, largely due to strong Chinese demand (ILZSG).
- With global economic recovery now underway, and modest improvement in demand in US and Europe, zinc prices poised to move higher in Q4 2009.

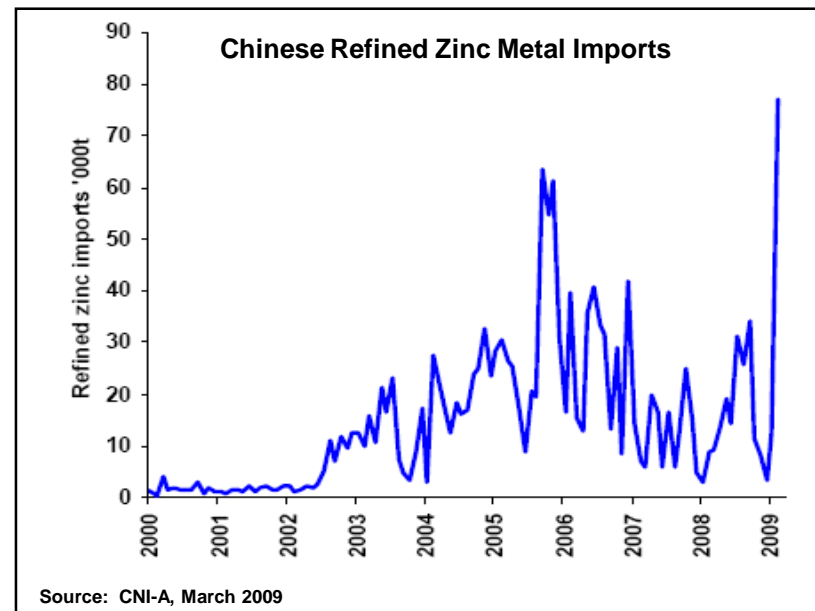


Chinese Zinc Mine Supply and Imports



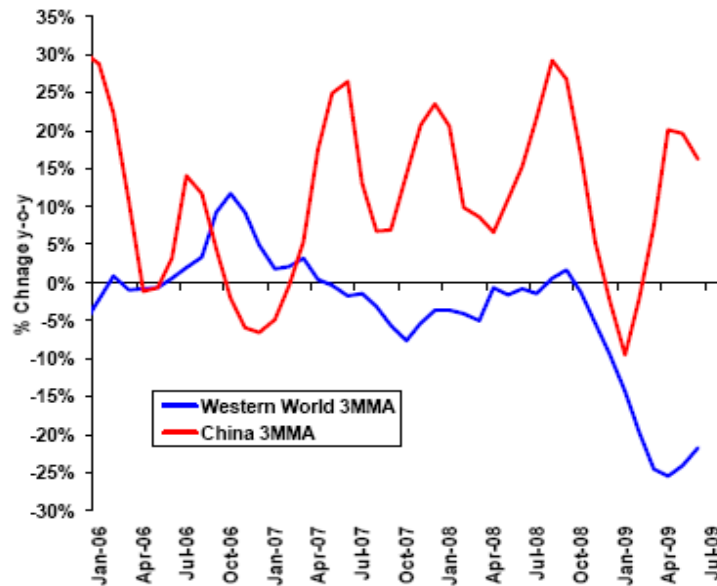
- Metal imports increased dramatically in Q1 2009 as China built stockpiles of cheap zinc for its \$600 billion in infrastructure programs.
- Several of the large Chinese smelting companies have major zinc smelter expansion plans and are now looking for secure supply.
- China Minmetals buys zinc supply with \$1.4 billion purchase of Oz Minerals zinc assets in Australia.

- Purchases by State Reserves Bureau in Q1 2009 raised zinc prices and allowed restart of many small Chinese zinc mines.
- China mine production has largely recovered to pre H2 2008 production levels with recovery of zinc price in Q1 2009.
- Seasonal winter output reductions will likely drive zinc prices higher in Q1 2010.



Chinese Zinc Demand the Key

Strong Chinese Zinc Demand offsets Weak World Demand

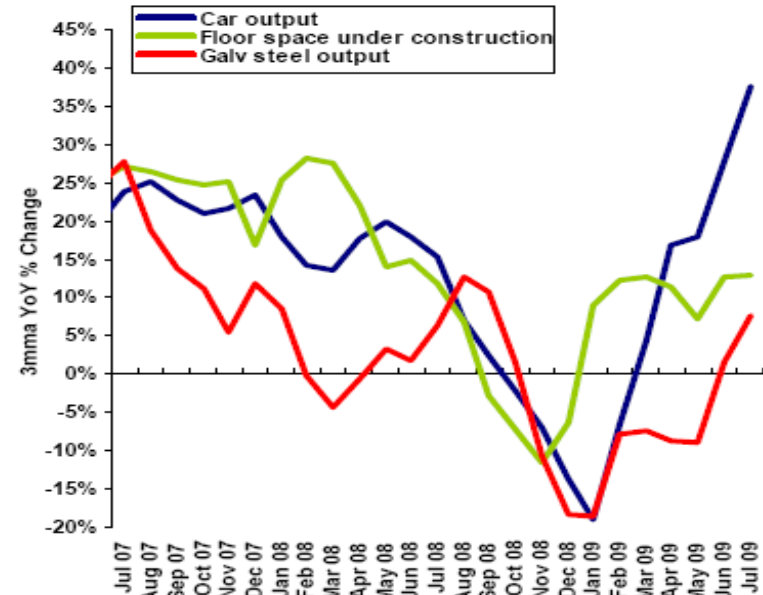


Source: Macquarie Research August 2009

- End of destocking of galvanized steel in May drives strong Chinese zinc demand increase in Q2.
- Chinese construction has risen 12.9% YOY in the 3 months to July 2009.
- Chinese car output up 52.2% YOY 6 months and floor space under construction remains steady as effect of the China's US\$600 Billion infrastructure stimulus package takes effect.

- Strong Chinese demand initially driven by imports leads global zinc demand recovery.
- Modest demand weakness in Q2 with slowdown in imports and seasonal weak summer demand.
- Strong Chinese zinc demand being driven by recovery in galvanized steel which should move market into supply balance by Q1 2010.

Chinese Galvanized Steel Driven By Economic Stimulus



Source: Macquarie Research August 2009

Zinc Outlook – Bright!

- Zinc industry responded very quickly to demand collapse and falling prices, with major cutbacks in both mine and smelter output, reducing inventory buildup. Shutdown Chinese mines are largely back in production; however, shut down mines in North America are in bankruptcy and unlikely to resume production until well into zinc price recovery cycle.
- Buying of refined metal by China State Reserve Bureau in Q1 2009 was very positive as it provided a longer term home for producer inventories. These inventories will likely be consumed this fall and winter, removing the inventory overhang in China! This drawdown of internal inventories may lead to another major increase in zinc metal imports in Q1 2010.
- China, as the major zinc consumer (approximately 38%), is leading the recovery of zinc as demand responds to massive infrastructure investment stimuli by Chinese and other governments. Continuing global infrastructure investment will add additional demand growth.
- Seasonal decrease in Chinese mine supply should lead to rebalancing of zinc supply this winter and lead to supply balance by Q1 2010. Major mine closures and any negative production surprises will upset supply balance and lead to much higher prices of zinc.
- Zinc prices have increased approximately 100% from Q4 2008 bottom. Planned shutdown of numerous large mines starting in 2010, sets the stage for chronic supply problem and a repeat of the 500% run-up in zinc price as occurred in 2004-2006 period.
- As Ex-China demand recovers, it will be good to be in the zinc business!!!!

Selwyn the Largest of the Undeveloped Zinc-Lead Projects

- Selwyn Project is the largest of the undeveloped zinc-lead deposits; global resource grade is better than for most competing projects.
- Selwyn's high-grade resources are currently third largest and expected to grow rapidly with resumption of drilling.

Largest Undeveloped Zinc-Lead Deposits								
	Deposit (those in bold will be underground mines)	Location	Owner	Tonnage Indicated and Inferred (million tonnes)	Zinc		Lead	
					%	Contained Zinc million tonnes	%	Contained Lead Million tonnes
1	Selwyn Global	Canada	Selwyn	388.4	4.8	18.6	1.6	6.21
	Selwyn High Grade			42.7	9.3	4.00	3.3	1.41
2	Mehdiabad	Iran	Union Resources	394	4.2	16.55	1.6	6.30
3	Gamsberg	Namibia	Anglo American	150	7.1	10.65	0.5	0.75
4	Aqqualuk	Alaska	Teck	51.6	16.7	8.62	4.4	2.27
5	Shalkiya	Kazakhstan	Shalkiya Zinc N.V.	265	3.1	8.25	0.8	2.12
6	Ozernoye	Russia	Metropol / Lundin	157	5.2	8.16	1.0	1.57
7	McArthur River	Australia	Xstrata	234	3.2	7.49	2.9	6.79
8	Dugald River	Australia	Oz Minerals	48	12.1	5.81	2.2	1.06
9	Lik	Alaska	Zazu	27	9.1	2.46	3.1	0.84
10	Admiral Bay	Australia	Kagara	72	3.1	2.23	2.9	2.09
11	Tala Hamza	Algeria	Terramin	30	5.5	1.65	1.4	0.42

* Deposits in bold are underground mine projects; the others are open pit deposits.

** Selwyn Global Resource consist of Indicated Resource of 154.3 M tonnes grading 5.35% Zn and 1.86% Pb and an Inferred Resource of 234.2 M tonnes grading 4.54% Zn and 1.41% Pb. The High Grade resource inventory consists of 16.06M tonnes of Indicated Resource grading 10.25% zn and 4.23% Pb and Inferred Resource of 26.70 M tonnes grading 8.81% Zn and 2.81% Pb.

Selwyn Project - Update

Project Development:

- Optimization of pre-feasibility study in progress on 8,000 tpd underground mining of high-grade mineral resource in XY and Don zones.
- Initial underground mine development for XY zone being readied to provide drill platform for drilling off of extension of XY Central and XY West zone high-grade resources.
- Hydroelectric and concentrate pipeline studies indicate potential to significantly reduce cash operating costs.

Permitting and First Nations:

- Ready to commence permitting.
- Good progress in negotiations with First Nations.

Project Financing:

- Advanced discussions with several potential joint venture partners to provide funding to bankable feasibility study and project financing.



Selwyn Project Financing

- Selwyn has spent more than \$65 million advancing the Selwyn Project to its world class status and is now pursuing project financing.
- With project capital requirements ranging from \$600 million to \$1 billion, the project needs a senior partner to secure project financing.

Market Outlook:

- Major mining companies are generally not focused on zinc; or alternatively, are focused on brownfield expansion (Xstrata, Vedanta, Votorantim) or their own greenfield projects (Xstrata and Anglo American).
- Chinese SOE have only recently become interested in securing foreign long-term supply of zinc. Recent activity includes:
 - July 2008 – Jinduicheng Molybdenum's buys 100% of Yukon Zinc Corporation
 - February 2009 – Shenzhen Zhongjin Lingnan Nonferrous buys 50.1% of Perilya
 - March 2009 – China MinMetals buys 100% of Oz Minerals zinc assets for \$1.4B
 - July 2009 – Tongling Nonferrous buys 13% of Canada Zinc Metals
 - August 2009 – China Nonferrous buys shares of Murgor Resources

Chinese Foreign Acquisitions

- Chinese have led acquisitions in first half of 2009 with a large number of smaller deals and earlier stage project investments.
- China's central and state governments encouraging the buying of foreign assets to secure metal supply.
- In this new acquisition cycle, Canada mining assets are now on the menu, with recent deals on iron, coal and base metals.
- Initial investments were friendly transactions; new evidence for unsolicited bids (Jilena) and participation in takeover bid transactions (Jiangxi Copper and China MinMetals).

	2006-2008	2008-2009
Acquirers	Large State Owned Enterprises Chalco, China MinMetals	Smaller SOE's and private companies are active
Targets	Stressed producers, large projects at bankable feasibility	Smaller producers, advanced development projects, and exploration properties
Geographical Focus	Australia, Africa	Australia, Africa, and Canada
Commodities	Copper, Aluminum, Iron	Uranium, antimony, tungsten, gold, nickel, and zinc-silver

Recent Chinese Transactions

15 transactions in 2009 varying from \$1.4 billion to \$800,000 in size

	Date	Investor	Target Company	Assets	Approx Size \$M	Investment
4						
5	Aug-09	Yanzhou Coal	Felix Resources	Aussie coal miner 4.8Mtonnes	\$3,400.0	A\$3.4 B takeover bid
6	Aug-09	PetroChina	Athabaska Oil Sands Corp.	Canada Oil sands	\$1,900.0	\$1.9 Billion for 60% JV interest
7	Jul-09	China Investment Corp	Teck	coal, metals	\$1,700.0	\$1.7 B purchase of common shares; 17% equity
8	Mar-09	China Minmetals	OZ Minerals assets	Century Mine	\$1,400.0	US\$1.4M for all OZ assets excl Prominent Hill & Martabe
9	Mar-09	Hunan Valin Iron&Steel	Fortescue Metals	Aussie iron miner	\$645.0	A\$645M in shares; 17.4% equity
10	May-09	China Nonferrous	Lynas Corp	rare earth producer	\$252.0	A\$252M; 51.7% equity interest; add'l US\$180 loan guarantees
11	Mar-09	Wuhan Iron & Steel	Consol. Thompson	Quebc Iron Ore Project	\$240.0	US\$240M for 19.9% equity & 25% JV interest
12	Jul-09	China Metallurgical Investment	Emergent Resources	Beyondie 3Mtpa iron project	\$200.0	A\$200M financing; A\$4.9M equity investment
13	Aug-09	Guangdong Foreign Trade	Kagara Zinc	\$1B Admiral Bay zinc project	\$86.0	A\$86M 19.9% equity int
14	Mar-09	Transamine	Terramin	Tala Hamza project, Algeria	\$46.0	staged A\$17M equity (50% premium) +A\$20M conv notes; 5 yr offtake
15	Mar-09	China Nonferrous	Terramin	Tala Hamza project, Algeria	\$46.0	A\$10M (50% premium); Board rep; chinese finance;right to bid on construction
16	Feb-09	Shenzhen Zhongjin	Perilya	Aussie zinc producer	\$45.0	A\$45.5 for 50.1% equity
17	Jul-09	Tongling Nonferrous	Canada Zinc Metals	Kechicka trough; Zn/Pb	\$4.8	\$4.8M in Units; 13% equity
18	Mar-08	Jinchuan Group	Fox Resources	aussie nickel producer	\$18.0	A\$18M for 11% equity interest
19	Jul-09	China Nonferrous	Murgor Resources	VMS exploration, Flin Flon	\$0.8	\$810,000 shares at market; 15% equity
20	9-Sep	Hunan Nonferrous Metals	Beaver Brook	Antimony mine , Canada	\$29.5	cash purchase
21	Sept					
22	Other Deals					
23	Sep-05	Zijin Mining	Pinnacle Mines	BC gold exploration	\$1.9	\$1.9M in Units; 19.4% equity
24	Jul-08	Jinduicheng/China NW	Yukon Zinc	Wolverine Project	\$110.0	\$110M for 100% (takeover)
25	Jun-07	Chalco	Peru Copper	Toromocho Peru	\$800.0	\$800M takeover
26	Dec-07	Jiangxi Copper/Minmetals	Northern Peru Copper	Galeno, Peru	\$450.0	\$450M takeover

Zinc Market Outlook – Poised to Out Perform

- The large buildup in zinc inventories expected in mid 2008 was largely avoided by numerous cutbacks and shutdown of both mines and smelters.
- Zinc supply-demand moving towards balance in Q1 2010.
- Seasonal winter production slowdown in China and increased consumption following Chinese New Year should provide a bump up in zinc prices in Q1 2010.
- The lack of exploration for zinc during the past 3 decades has resulted in a very small inventory of quality zinc mine development projects, and many of the better deposits are in the hands of large companies who are unlikely sellers.

“ No metal has a worse supply outlook than zinc” - Morgan Stanley, July 2007

- The recent liquidity crisis in the banking system has essentially eliminated mine project financing. In the last cycle run up in metal prices, almost all of the new zinc production (mainly restarts), were funded by the equity markets. These financing markets are not expected to recover soon. The new mines will be financed by the new players in Asia!!!
- Almost all of the new demand for zinc and smelting capacity has been in the Pacific Rim markets and this is where the action will be going forward.
- The lack of new mine supply, combined with depletion of many zinc mines, suggests a long term chronic zinc supply problem commencing soon. In this environment zinc will out perform most metals !

Financing and Acquisitions Market Outlook

- Historically, the smelters acquired concentrates directly from the miner. As concentrate supplies tightened in early part of this decade, smelters became reliant on metal traders to secure any shortfall in feed. More recently we have seen smelting companies, particularly in China and others, move to increase the proportion of feed from their own mines.
- **China:**
 - Chinese are now net importers of zinc and therefore are now competing for zinc concentrate supply in World markets.
 - Chinese zinc smelting companies have aggressive smelter expansion plans and are required by new regulations to secure 25% of their feed supply requirements for new smelters.
 - Chinese companies seeking to finance on Hong Kong Exchange to access capital for growth.
 - Due to domestic concerns, foreign governments are increasingly reviewing investments by China SOE's.
 - Chinese engineering companies (China Nonferrous Metals) are making share investments in companies with advanced development projects to secure engineering contracts.
- **Metal Trading Companies:**
 - Transamine, Trafigura and Glencore are similarly shopping for investment opportunities in development projects, in a bid to acquire concentrate marketing rights to sell to their smelter customers.

Chinese will continue very aggressive acquisition of metals and energy assets but will find increasing competition from India, Brazil and Korea and metal traders in the race to acquire secure supply of raw resources.

Selwyn Financing Outlook

Multiple Opportunities For Securing Project Financing:

- Selwyn's depressed share price makes traditional equity financing expensive.
- With completion of optimization of the pre-feasibility study, Selwyn will be well positioned to attract the interest of a major strategic partner.
- Strong shareholder structure provides Selwyn the support necessary to avoid near term unsolicited bids and allow it to focus on strategic partner investments.
- Selwyn's key objective is to sell a 50% Joint Venture interest to complete bankable feasibility and secure project financing.
- An interim transaction to fund continued engineering, permitting and resource definition, reducing project risk and confirming strong project economics, would strengthen Selwyn's negotiating position with potential strategic partners, could be attractive.
- A takeover bid of Selwyn by an SOE is likely to attract significant government and public review; SOE's need a Canadian JV partner to permit and build project in Canada.
- Strategic partner discussions are ongoing; competitive interest is expected to strengthen significantly as supply tightens in early 2010. In the interim, Selwyn is well financed to advance Selwyn Project closer to development.

Selwyn is the premier zinc acquisition opportunity in the market place providing and a long-term secure supply of zinc and lead, favourably located in the rapidly growing Pacific Rim markets.



Bright Future for Zinc and Selwyn



Selwyn Resources Ltd.

700 - 509 Richards Street | Vancouver, BC | V6B 2Z6 | Canada
Tel: 604.801.7240 | Toll Free: 1.888.989.9188 | International TF: 800.7581.2133 | Fax: 604.689.8355
Email :info@selwynresources.com | Website: www.selwynresources.com