

ASIA MINING CLUB SPEECH

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1. Introduction

Thank you Leo for that kind introduction.

Members of the MMG Limited Board and China Minmetals Corporation group companies, distinguished guests, ladies and gentleman.

Thank you for the invitation to address the Asia Mining Club here in Hong Kong.

It is a great privilege to be invited to address you today.

This is a proud city in a unique region.

Hong Kong's history has been shaped as a trading port, producer of salt and pearls and by its strong links to neighbouring Guangdong province.

While its Chinese roots run deep through many dynasties, Hong Kong was also transformed by the recent legacy of British administration.

The Hong Kong of today is an exciting and vibrant product of Chinese and international influences.

It is a blending of cultures, philosophies and experiences - and is one of the greatest cities of the world.

Which makes it a fitting place to introduce you to MMG.

2. Introducing MMG

While MMG or <<woo kuwang zi yuan>> as it is known locally, is well known to most of you, to many in Hong Kong, we remain somewhat of a mystery.

We are a Hong Kong-listed base metals company with five operating mines on three continents.

We were created via acquisition and retain the strong support and cornerstone shareholding of China Minmetals Corporation via their subsidiary, China Minmetals Nonferrous.

We are run by a diverse Board of independent, non-executive and executive directors, an international management team, and we have offices in Hong Kong, Australia, Laos, The United States, Canada, South Africa

and the Democratic Republic of the Congo.

We are an international workforce of over 10,000 employees and contractors whose most dominant nationality is Lao, followed by Australians, Congolese and a veritable United Nations of mining professionals.

As major producers of zinc and copper we have a clear focus on operating our assets efficiently and profitably.

We are also significant explorers, project developers and acquirers.

We need to do all this to fulfill our ambition to grow to being one of the world's top mid-cap mining companies.

We are culturally diverse.

We are neither red chip nor blue chip – though 72% of our register is controlled by a Chinese state-owned enterprise.

As I said in my opening, to many we remain somewhat of a mystery.

In the view of the Board and management team, however, we share a clear purpose.

To mine for progress, and to build a mining company for the next generation.

Let me explain why.

3. Mines and money

The MMG of today was created at an extraordinary time for the international mining industry.

Following a generational boom, driven by the rise of Asia, the mining industry has somewhat lost the love of investors.

As a broad industry sector, we must shoulder a share of that blame.

We have failed to explain the changing dynamics of minerals development and production.

The three-part mantra of large scale, long life, low cost investments left out an important fourth leg – high capital.

The impacts of lower grades, deeper mines, regulatory and community constraints, higher costs and a narrowing supply pipeline are all changing the investment dynamics of this industry.

Projects are, and will continue to become, more capital intensive.

This lack of understanding has been most pronounced in the gold sector.

Despite an unprecedented period of real high gold prices, the industry has backed itself into a cost corner by failing to effectively communicate the whole of company cost of each incremental ounce of production.

As a capital intensive, cyclical industry, we have a real challenge to better communicate the realities of mining investment and the shifting dynamics of commodity production.

If we don't, we risk this expectation gap leading to declining investor sentiment, greater demands by sovereign

governments for resource rents and an industry that is unable to attract the capital and talent to grow.

And the challenge is all the more pressing on the demand side.

The secular shift in growth in this region is creating a new benchmark for minerals demand.

And it is a fundamental shift.

In my career, I have lived through some of the historically most challenging times for the metals sector.

From the 70s to end of the 90s, the industry was blighted by relatively weak growth in real demand, oversupply and under-investment in exploration.

As operators in that environment, particularly in base metals, the skills we developed were operating efficiency and asset utilisation.

When the supply demand balance tipped in the mid 2000s, the industry was ill equipped to quickly respond.

What occurred was a huge rise in investment and an unwinding of many of the hard won efficiency gains in favour of sometimes unfettered production growth.

This was most pronounced in the bulk commodities – iron ore and coal.

After a highly volatile period, where capital investment soared, we are now seeing a healthy re-emergence of cost and capital discipline.

Just at a time when the medium to long-term demand horizon has rarely looked better.

And it is this region that sits at the centre of this changing dynamic.

The growth of the Asian tigers, then South East Asia, China and, increasingly, India, has and will continue to be, the defining economic theme of our generation.

And this is where I see the greatest disconnect between the rhetoric of western economists and the conviction of leadership in this region.

While the debate in many developed countries is entrenched in a boom and bust paradigm - with an analysis horizon measured in months, I see in the leadership of countries such as China, a return to true long-term, strategic thinking, where the concept of decades drives thinking. This is exactly the thinking that is needed in our industry.

This discussion also includes a much deeper understanding of the demand drivers.

This region understands the shifts that occur as a nation transitions. That path from a low wage, export driven 'nation building' phase to a more complex - but no less extraordinary - shift to domestic consumption, is a great creator of shared community wealth.

These shifts, well underway across this region, also have huge implications for the metals sector.

We will see a steady transition from raw steel – and its iron ore and coking coal inputs – to the base metals such as copper, zinc, aluminium and, later cycle specialty metals, such as nickel and platinum group metals.

We are already looking closely at demand for zinc. Continued growth in the construction, transportation and infrastructure sectors, especially in the developing economies, looks set to correlate to solid demand for zinc in the medium to long term.

Supply is also expected to tighten in the future with the market forecast to reach a supply deficit from the middle of this decade given planned mine closures and a lack of major new development projects.

In copper, construction of social housing in China is expected to be a key driver of demand in the short term.

China is expected to commence building approximately six million affordable housing units in 2013 as part of China's twelfth Five-year Plan targeting the construction of 36 million new homes by 2015.

Affordable housing and the move toward a consumption-based economy looks set to support long-term copper demand growth.

New projects and expansions are forecast to increase total copper supply beyond 2013, however declining grade and cost inflation of existing mines will remain a challenge for the industry over the longer term.

This is an exciting time for a base metals miner and its shareholders.

And a time in which it will take a different kind of mining company to thrive.

4. MMG - In many ways similar

From my perspective, the MMG of today bears many similarities to our Hong Kong-listed peers.

We are majority owned by a Chinese state-owned enterprise - China Minmetals Corporation.

From the perspective of China and its administration and policy, we are treated as a subsidiary with the oversight and reporting requirements of SASAC, via the China Minmetals Non-ferrous shareholding.

As such, MMG has the opportunity to participate in China's "Go Out" strategy which encourages overseas investment.

With China Minmetals as its major shareholder, MMG accesses the benefits of China Minmetals' existing relationships, which can help facilitate funding and diplomatic support.

In a tight global market for capital, with a voracious appetite for short-term returns, this privileged position should not be underestimated.

It also opens up to MMG a universe of business partners within China (such as banks and the investment community) and internationally.

Many of the most innovative, courageous and clever companies emerging internationally today are born in this region.

We are proud to be considered a local partner.

Also like our Hong Kong-listed peers, we are aggressively targeting global financial institutions and investors who share our commitment to growing wealth and returns.

The Hong Kong Stock Exchange is an increasingly attractive one for global capital and we feel a deep

responsibility to work together with the Exchange to further develop it as a dynamic mining platform.

5. MMG - In many ways different

While we share many similarities with our Hong Kong-listed peers, in a number of ways we are unique.

First is our international growth mandate.

Our exclusive focus on international development is part of our DNA. We are structured for success in international markets.

In the last year we completed the acquisition of Anvil Mining and its Kinsevere copper cathode operation in the Democratic Republic of the Congo, or DRC. This acquisition substantially increased our copper exposure, extended our average life of mine and provided a sound platform for further development, exploration and expansion in the mineral-rich region of Southern Africa.

We've also endorsed the development and construction of the Dugald River project, subject to final financing arrangements.

With more than a 20-year life, Dugald River will play a significant role in MMG's future and demonstrates our confidence in the long-term outlook for zinc. Our discussions regarding project finance are proceeding well, with the project is expected to be commissioned in 2015.

MMG is strategically well positioned to generate and sustain shareholder value.

Second is our culture.

We are building a management team that brings in the best talent in global mining and we are aggressively motivating them to grow value.

Within our organisation, we value and promote the diversity of cultures.

We find that local managers are the best managers.

They feel an ownership of, and pride in, their operations well beyond any financial reward and they build a deeper connection between local operations and the host country.

The best miner in China is a Chinese one.

The same goes for an African, Lao or Canadian.

The question for us is how do we build a culture of excellence that reflects the communities in which we work, but is united by a single vision in the how and why of what we do?

We are leveraging the skills of our major shareholder, Board and employee base to build a different mining company with the hard and soft skills to operate where value is to be found.

As I said in my opening, that is more likely to be in new jurisdictions, with unique risks and facing new challenges.

Third is our investment approach and discipline.

We set clear expectations of growth by value and we have shown that in our approach to the acquisition of Equinox. When we cannot see value – we will walk away.

A growth company also requires funding and we must work closely and collaboratively with our major shareholder and partnership banks to grow.

Resource nationalism and foreign investment are emerging as key challenges to the international mining industry.

The ability to be a welcome investor and partner with sovereign governments is critical to our growth.

We must demonstrate a genuine and lasting contribution beyond the taxes and royalties we pay. We must be a force for progress – but I'll return to that theme later.

Next comes our focus on performance.

We must benchmark ourselves against the best, whether in mining, technology, safety or sustainable development.

We apply the International Council of Mines and Metals' ten principles of sustainable development and are audited and verified against our compliance each year as the only Chinese company admitted to this peak industry body.

Safety is our first value as a company and we drive the world's best performance at every one of our sites.

And in asset utilisation, cost management and productivity, we benchmark ourselves against the best and focus on continuous improvement in all that we do.

Indeed in 2012, three of our five operating sites achieved annual production records.

We also refuse to take a cyclical view where costs are only managed when there is downward pressure on commodity prices.

At MMG cost management is part of our culture, it makes no difference whether commodity prices are high or low – at every opportunity, we try to minimise our costs.

We have not enjoyed the exceptional margins some of our ferrous peers have experienced over the past few years – yet we compete for the same resources - so we have experienced the same cost pressures.

We must be relentless and consistent in our pursuit of careful cost management.

Finally, we are different in our belief in partnerships.

Collaboration is central to our model and we pursue partnerships with governments, communities and social sector organisations.

These partnerships make us a better company and contribute directly to the development of people and communities.

It is based on a commitment to mutual respect.

An example of this is tackling the issues of child development in Laos.

In September this year, we will begin distributing zinc and other micronutrients to Lao children in the provinces around our Sepon mine. 40% of the children suffer from stunting as a result of low zinc in their diet.

This has been made possible through a unique partnership between MMG, UNICEF and the Government of Laos. Together, we'll be providing a generation of children in these isolated provinces the opportunities that good health delivers.

And we'll be building delivery models, strengthening capacity and creating networks to ensure the benefits can be rolled out across Laos and more broadly through UNICEF's work throughout the developing world.

6. East and West.

And before I wrap up, I was asked by my hosts this evening to make a few comments on what it is like to work as a western manager for a Chinese controlled company.

I often get asked to do this and I always find it a challenge.

Mostly because I don't see myself working for a Chinese company, I see myself working with a Board of management and major shareholder made up of talented individuals with unique capabilities and views.

The search for stereotypes – and China is often saddled with more than its fair share – hides the emerging and complex commercial reality of China.

What I rely on in building these working relationships is some far more universal truths.

That every business manager should maintain an open mind to business models – learn how to stand in the shoes of their counterparts and see the world through different eyes.

Everyday at MMG, I am learning.

When I speak to my Chairman Wang Lixin - who is with us tonight - I am constantly reminded that we face the same business challenges, but we often find solutions in different places.

As two minds, we are far better than one.

I have also learnt from Minmetals that it is about relationships, you need to invest in them – often without seeking reciprocal benefit.

And the approach doesn't change at the board, government, shareholder or local community level.

Relationships are built on trust. Trust builds transparency. Transparency builds solutions. And solutions lead to outcomes.

I have also learnt that people need to share a unifying belief - regardless of their role, culture or location.

And that belief needs to matter to them.

At MMG, we have worked hard to define why it is that we do what we do.

We went out to our people and sought their views of what matters.

What they said is that they sincerely believed that what we do matters. That our daily efforts add up to more than just commodities and a daily wage.

They believe that we mine for progress – the progress of our employees, the progress of our company, the progress of the communities we interact with, and the progress of society that uses our products.

And in that belief, we have discovered something that we share.

7. In conclusion

At MMG, we value both our similarities and our differences.

As a company, our diversity, our ownership and management structure and the invaluable support of our major shareholder gives us a unique advantage.

In our international base metal mandate, we are positioned to create value from the next horizon of global economic growth and regional prosperity.

We already have a strong operating portfolio across copper and zinc and across Asia, Africa and Australia.

And we are assembling the capabilities and operating focus to earn our right to grow.

And we will aggressively drive shareholder returns.

Thank you again for the opportunity to present to the Asia Mining Club.

It has been a privilege.

And I hope to be back in front of you again as the MMG story continues to unfold.