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MMG LIMITED

五礦資源有限公司

(Incorporated in Hong Kong with limited liability)

(HKEX STOCK CODE: 1208)

(ASX STOCK CODE: MMG)

PROFIT WARNING

This announcement is made by MMG Limited (Company, together with its subsidiaries, the Group) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (Listing Rules) and the Inside Information Provisions (as defined under the Listing Rules).

The board of directors of the Company (Board) wishes to inform the shareholders and potential investors of the Company that the Group is expected to record a net profit after tax (NPAT) for the financial year ended 31 December 2018 (FY2018) of approximately US\$135 to 140 million as compared to the net profit after tax of US\$348.4 million recorded for the financial year ended 31 December 2017 (FY2017). NPAT attributable to equity holders of the Company is expected to be approximately US\$65 to 70 million compared to US\$147.1 million in FY2017. This result may be below market expectations and is largely attributable to the softer second half trading conditions, where the Group is expected to record a net loss after tax (NLAT) of approximately US\$50 to 55 million, including a NLAT attributable to equity holders of the Company of US\$55 to 60 million.

The following factors have contributed to the result:

- Materially lower prices for copper and zinc in the second half (2H2018) compared to the first half of 2018 (1H2018) with copper prices falling 11% and zinc prices falling 21% from 1H2018 to 2H2018;
- higher depreciation and amortisation in 2H2018 compared to 1H2018, driven by higher mining and milling rates at Las Bambas and the accelerated depreciation of certain infrastructure assets associated with advancing the development of that mine;
- higher interest costs in 2H2018 compared to 1H2018 due to LIBOR increasing by approximately 100 basis points during 2018;
- a reduction in anticipated copper production for FY2018 consistent with the revised guidance announced to the market on 18 September 2018; and

- a higher than anticipated effective tax rate. The Company's effective tax rate for FY2018 is now expected to be approximately 56%, due to the lower pre-tax profit (impacted by the above factors), as well as the unfavourable impact from non-creditable withholding tax, foreign exchange revaluation on tax balances and other non-deductible expenditures. These unfavourable impacts are largely fixed in nature and do not vary with operating income.

The Company is still in the process of finalising its financial results of the Group for FY2018. The information contained in this announcement is only based upon a preliminary assessment of unaudited management accounts and information currently available and may be subject to adjustment and change.

By order of the Board
MMG Limited
Gao Xiaoyu
CEO and Executive Director

Hong Kong, 18 January 2019

As at the date of this announcement, the Board comprises nine directors, of which two are executive directors, namely Mr Gao Xiaoyu and Mr Xu Jiqing; three are non-executive directors, namely Mr Guo Wenqing (Chairman), Mr Jiao Jian and Mr Zhang Shuqiang; and four are independent non-executive directors, namely Dr Peter William Cassidy, Mr Leung Cheuk Yan, Ms Jennifer Anne Seabrook and Professor Pei Ker Wei.