MMG Limited
五礦資源有限公司
Units 8501-8503, Level 85
International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong
T +852 2216 9688
info@mmg.com
www.mmg.com

Andrew Michelmore: Hello and welcome to MMG's interim results for the six months ended 30 June 2014. I'm Andrew Michelmore, Chief Executive Officer of MMG and I'm joined by David Lamont, our Chief Financial Officer and all other members of our executive committee.

David Lamont: Hello and welcome to everyone who has joined the call.

Andrew Michelmore: Today's results presentation is simultaneously broadcast via our website and by telephone. There'll be an opportunity to ask questions at the end of the presentation by telephone only. If you require the telephone numbers to ask a question, please email either Colette or Kathleen.

Firstly I must draw your attention to the information on slide 2 and remind you that it is important in relation to today's presentation.

Before I hand over to David to run through the financials, I'll cover our all-important safety performance for the first half. We believe safety is a leading indicator of how our assets are being run. If we are delivering good safety performance, our assets are being managed well and we generally see flow on effects to our volume and cost performance. Our lost time injury frequency rate, or LTIFR, improved in the first half of 2014, while our total recordable injury frequency rate, or TRIFR, was 24 in the first half, unchanged compared to the end of 2013.

MMG remains committed to the long-term sustainability of its businesses and communities in which we operate. We've adopted a proactive approach to environment, social and governance responsibility. Our goal is to achieve a strategic alignment to the International Council of Mining and Metals sustainability framework. The care for people, environment and stakeholders is of the utmost importance and is integrated into the management of the Company.

I'll now hand over to David, who will run through our financial results in the first half of 2014.

David Lamont: Thank you, Andrew. Last night we released our financial results for the six months ended 30 June 2014. These results clearly demonstrate our commitment to shareholders to optimise returns through the safe, efficient and cost effective manner in which we manage our business. I should point out that all dollar amounts in today's presentation are in US dollars and I will round figures to the nearest whole number as I talk through the slides.

In the first half of 2014 our revenue, EBITDA, EBIT, profit and earnings per share all increased compared to the first half of 2013. Compared to the prior corresponding period revenue increased by 1%. We sold 6%

more copper, but at an average LME price that was 8% lower, and we sold 1% more zinc at an average LME price 6% higher. So although revenue was relatively flat, we reduced our operating expenses by 9%, which ultimately resulted in a 33% increase in profit.

Turning to slide 6, where we look at some of the major drivers that impacted our first half 2014 EBIT results, compared to the $93 million reported in the first half of 2013. In total the change in commodity prices had a negative impact of almost $35 million. As I mentioned previously, the average price of zinc increased 6% compared to the same period last year. This resulted in a positive impact of over $43 million. However, this increase was more than offset by the prices received from the sale of our other commodities, most notably copper, where the average LME price fell 8% compared to last year. I should also point out that this variance is inclusive of the impact of TCRCs, which are price related. When you look at the price variance by asset, Century's positive variance clearly highlights the leverage to the zinc prices, given the performance of its zinc sales.

Turning to slide 7, increase volumes across our business resulted in an increase of almost $51 million. We reported high sales volumes in all products except gold, which was impacted by the closure of the gold plant at Sepon late last year. MMG's copper sales volumes increased by 6% compared to the last year, due to the improved efficiency and asset utilisation at Kinsevere. Zinc sales were 1% higher than last year due to higher sales from Golden Grove, which was offset by lower sales from Century. Lead sales were 29% higher than last year due to a full six months of trucking lead concentrate from Century's tailing stands.

Now turning to slide 8, as I mentioned earlier, MMG reduced operating expenses by 9% in the first half of 2014. For us it is important to not only talk about cost savings, but to realise them, or bank them as we refer to internally. Lower production expenses had a positive impact to EBIT of almost $23 million. We are very proud to report this reduction in our costs and there have been many initiatives across our businesses aimed at delivering cost improvements. We have listed some of these on the chart in front of you. Sepon reduced production expenses by $30 million, following the closure of the gold production late last year. This resulted in reduced employees, energy and consumable costs in the first half of this year.

At Century production expenses decreased by $21 million due to a focus on strategic cost saving initiatives leading up to the closure of the open pit mine. Rosebery and Golden Globe also reported a decrease in production expenses due to strategic contract management and a refocus of mining operations. Production expenses did however increase at Kinsevere by just over $12 million. This was mainly due to the higher production that came from the asset in the first half of 2014. Costs also increased to produce power from the diesel generation. So although we reported a reduction in the use of diesel, the higher cost to run the diesel offset the reduced usage.

Now turning to slide 9, running through some of the other factors that increased EBIT, we should see that the weaker Australian dollar had a favourable impact of almost $39 million. In the first half of 2014 approximately 65% of our costs were in Australian dollars. This percentage will obviously change when Las

Bambas commences production. Costs related to administration increased by $22 million, which were mainly due to costs associated with the Las Bambas transaction and integration and an adjustment to our long-term incentive provisions.

Depreciation and amortisation increased by $39 million, or 19%, compared to last year. This was due to the higher mining and processing volumes at Kinsevere and Century and reduced economic reserves at Sepon, Rosebery and Century. Overall these factors contributed to a healthy 25% increase in EBIT to $116.5 million when compared to the first half of 2013.

On slide 11 you can clearly see the relative changes to revenue and EBITDA at each of our sites. Across our business we continue to focus on asset utilisation, that is measuring the effectiveness of each of our assets at each stage of the mining process when then identifying how we can make improvements and further optimise efficiency. Our EBITDA margin improved from 26% to 31% in the first half of 2014. This is a key measure of our core profitability and demonstrates how well we manage our assets relevant to the revenue we receive.

Turning to slide 12, MMG operations generated a cash flow of just over $200 million in the first half of 2014, compared to $207 million last year. In the first half of 2014 MMG continued to invest in our growth projects and software development. We invested just over $38 million on the Dugald River project, where the trial stoping program has continued. We also paid a dividend to our shareholders of almost $53 million and we also spent $53 million relating to loan repayments and other financing activities. This resulted in a net cash inflow of $7 million for the period, taking our cash balance as at 30 June to $114 million.

Finally, a few points on Las Bambas. MMG acquired Las Bambas for just over $7 billion on 31 July 2014. The transaction and future capital requirements are funded by a combination of debt and equity and you can see the terms, as detailed on this slide, are very competitive. We have allowed for some flexibility in the current capital expenditure that is expected to complete Las Bambas, and as owners of the project for around 20 days we are not yet in a position to provide an update to the project schedule or future capital requirements. However, we do expect to provide additional details in our next quarterly production report, which will be released on 16 October in Hong Kong.

That brings me to the end of my section. I will now hand over to Andrew, who will provide some more detail on our strategy and outlook.

Andrew Michelmore: Thanks David. As I mentioned in my opening, we believe our safety performance is a leading indicator of how our assets are being managed. In the first half of 2014 we continued to see good production and cost performance across our sites. We reduced almost 93,000 tonnes of copper in the first half of 2014 with Kinsevere year to date production 13% higher than last year. Kinsevere continues to deliver excellent results and achieved half year records in processing, production and sales.

First half zinc production of almost 270,000 tonnes was 4% lower, mainly due to lower production from Century. Century production was affected by access to the higher grade stage 8 cutback and by lower grades as it approaches the final stages of the mine plan. We reviewed our annual guidance and we now expect to produce 177,000 to 190,000 tonnes of copper for the year and 580,000 to 605,000 tonnes of zinc in 2014. We are well on the way to achieving these targets.

Turning to slide 16, our two primary products are copper and zinc and I'll discuss our outlook of both of those commodities in the next two slides. The demand outlook for zinc remains robust, with urbanisation and industrialisation in the developing world, and in particular China, driving consumption growth. The long-term outlook for zinc is highly dependent on the structural issue of which mine supply growth can keep pace with the consumption growth - whether it can keep pace with the consumption growth. MMG is currently among the major global producers of zinc and we have significant expertise within the Company, not only from an operational perspective, but also in marketing, technical areas and exploration. Dugald River continues to be an important part of MMG's future. As arguably one of the world's best known undeveloped zinc deposits, we are determined to identify the best option for the future development of this project.

The chart on the right side of slide 16 with Wood Mackenzie's forecast shows the expected deficit over the coming years and the corresponding impact to price. I note with interest today that [ILZSG] has announced that the deficit for the first six months of this year was 234,000 tonnes of zinc, which supports the Wood Mackenzie numbers. With the average LME price increasing 6% in the first half of this year, we believe the market is now starting to factor a future supply deficit.

Turning to slide 17, MMG's other major commodity is copper. Also referring to Wood Mackenzie's forecast, we consider the long-term outlook for copper to be positive. Demand growth is expected to continue, mainly from China, as you can see in the chart on the top right. Chinese copper demand is driven by the power sector, which accounts for over 40% of total demand. Ongoing investment in expansion of China's state grid power distributor networks will continue to support long-term demand growth. On the supply side, mine production will expand in the coming years as new projects and expansions start production. As you can see in the chart on the bottom right, new supplies are expected to come from Southern Africa and Peru.

It's worth mentioning that in total global copper production was around 17.8 million tonnes of contained copper in 2013. Chile was the global leader, producing an estimated 5.8 million tonnes, or 32% of total copper. By 2019 Chile's market share is expected to decline to around 27% of global supply due to the depletion of reserves. Without significant investment in the region Chile's domination in copper markets will change considerably in the coming years.

Now turning to slide 18, our announcement in April that we intended to acquire the Las Bambas project in Peru generated much excitement and interest from both within MMG and our stakeholders and especially amongst our shareholders. Despite this excitement we have remained focused on our existing assets and our people. We will continue to recognise and appreciate the contribution made by every part of our growing company. Looking forward we will seek ways to create future value from our foundations, whether this is through exploration, looking at our options in Queensland, or our Rad50 project at Kinsevere, or looking to sustain and extend production at Sepon, we will continue to invest in our business. With the ongoing support of our major shareholder, our strong operational capability provides us with the right foundation to grow our business. This is key to our long-term success.

Now turning to slide 19, we were all very proud to welcome Las Bambas to MMG in what is a truly transformational milestone in our company's history. Once operational Las Bambas will significantly increase MMG's attributable copper sales and as you can see from the chart on this slide, this asset propels us amongst the mid-tier mining space, where many of you know we aspire to be. Our immediate focus at Las Bambas is to complete the construction of the project and ensure integration activity does not interfere with the rest of our business. As David mentioned, I look forward to providing a further update on the project in our upcoming quarterly production report in October.

Now turning to slide 20, with the addition of Las Bambas MMG is now establishing two platforms for future growth, one in Peru and the other in Southern Africa. While both regions have their challenges, we believe they host some of the world's greatest growth opportunities. Peru continues to be a great place to invest and operate. With a stable government and world class resources, Peru also enjoys a high standard of infrastructure and a skilled mining workforce.

After over two years in the DRC we remain excited about both the capability in the region and the support for mining development at every level. While Peru has larger copper ore bodies, they are lower average grade. The DRC on the other hand offers high grade copper opportunities. We're excited by the opportunities in both and while we've reduced copper in both jurisdictions, both regions offer significant opportunities in other commodities, such as zinc and nickel sulphites. It's important for MMG to establish an early presence in these two key regions for future growth.

Turning to slide 21, my recent visit to Las Bambas gave me an insight into the immediate priorities of the project as we turn our efforts to completing the construction. There is a lot of work to be done and we want to ensure the change of ownership does not impact on its development. Just to provide some details on the pictures on this slide, in the picture on the top left of this slide you can see the Nueva Fuerabamba, the new town constructed for the resettlement of the residents of Fuerabamba. On the bottom left you can see the construction of the primary crusher and if you look closely to the top left of this picture, you can see the blue concentrator in the background. To put it into perspective, this is about 15 kilometres away and over 500 metres lower level of altitude. In the picture on your right you can start to see the sheer scale of Las Bambas and the significant effort that has already been made in the construction of this project.

Which leads me to the final slide, to reiterate our key messages. We believe our safety performance is a leading indicator of how our assets are being run. Good safety performance is a reflection of our assets being managed well and we see flow on effects on our volume and cost performance. Although revenue was relatively flat, we reduced our operating expenses by 9% and delivered a 33% increase in profit. We will continue to focus on optimising future value from our foundations. We remain confident in the long-term market fundamentals of our core commodities and with the addition of Las Bambas, MMG is now establishing two platforms for future growth, one in Peru and the other in South Africa.

Thank you for joining us today, I would now like to open the microphones and lines for questions.