

MEDIA RELEASE:

MMG delivers 33% increase in half-year profit

20 August 2014

MMG Limited (MMG) (Stock Code 1208.HK) is pleased to report its interim financial results for the six months ended 30 June 2014.

Key points

- Revenue of US\$1,193.7 million increased 1% compared to 30 June 2013 with the average LME price of zinc and copper 6% higher and 8% lower respectively.
- Total copper sales volumes were 6% higher in the six months to 30 June 2014, due to record production at Kinsevere.
- Zinc sales volumes were 1% higher due to additional sales volumes at Golden Grove, offset by lower sales volumes at Century and Rosebery due to lower production.
- Operating expenses improved 9% due to initiatives across the business aimed at delivering cost improvements and the favourable impact of the Australian dollar.
- EBITDA increased 21% to US\$364.7 million with an improved EBITDA margin of 31% compared with 26% in the first half 2013.
- Total profit of US\$47.7 million, a 33% increase compared with the first half 2013.
- MMG entered into an agreement to purchase the Las Bambas copper development project in the first half 2014 and the transaction was completed on 31 July 2014.
- The Board has not recommended the payment of a dividend for the period.

SIX MONTHS ENDED 30 JUNE

	2014 US\$ MILLION	2013 US\$ MILLION	CHANGE % FAV/(UNFAV)
Revenue	1,193.7	1,177.6	1
Earnings before interest, income tax, depreciation, amortisation and impairment expenses (EBITDA)	364.7	302.2	21
Earnings before interest and income tax (EBIT)	116.5	93.0	25
Profit	47.7	35.9	33
EBITDA margin	31%	26%	-
Net cash generated from operating activities	200.5	207.7	(3)
Dividend per share	-	-	-
Basic and diluted earnings per share	US 0.74 cents	US 0.47 cents	57

Commentary from the Chief Executive Officer:

Safety

"Before I reflect on our financial and operational performance for the first half of 2014, I would like to report on our safety performance.

We made an improvement in our lost time injury frequency rate (LTIFR) of 0.4 from 0.5 as at the end of 2013. Our total recordable injury frequency rate (TRIFR) for the period of 2.4 remained unchanged.

We believe our safety 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 in our volume and cost performance.

Financial performance

Our first half 2014 results clearly demonstrate our commitment to shareholders to maximise returns through the safe, efficient and cost effective manner in which we manage our business.

I am pleased to report steady financial performance for the first half with revenue of US\$1,193.7 million, a 1% increase on the same period last year. Importantly, MMG reported improved EBITDA, EBIT and profit compared to the first half 2013, with EBITDA increasing 21% to US\$364.7 million.

Our EBITDA margin improved from 26% to 31% in the first half of 2014. This is a key measure of our core profitability – how well we manage our assets relative to the revenue we receive for our products.

We significantly reduced our operating expenses by 9% compared to the first half of last year. We generated a net operating cash flow of US\$200.5 million and delivered a 33% increase in total profit of US\$47.7 million.

Production

We produced 92,512 tonnes of copper in the first half 2014, with Kinsevere year-to-date production 13% higher than the same period last year due to consistent throughput and increased copper feed grades. Kinsevere continues to deliver excellent results achieving half year records in processing, production and sales.

First half zinc production of 270,202 tonnes was 4% lower mainly due to lower production from Century. Century production was affected by access to Stage 8 of the mine due to wall instability and by lower grades as it approaches the final stages of the mine plan.

Annual production and cost guidance has been reviewed and MMG now expects to produce 177,000–190,000 tonnes of copper and 580,000–605,000 tonnes of zinc in 2014.

Progress on our growth strategy

Since the formation of MMG five years ago, we have maintained a consistent growth strategy to:

- identify opportunities to extract potential from our existing assets;
- pursue organic growth opportunities through our projects and exploration pipelines; and
- pursue external growth such as targeting value-focused acquisitions.

Our performance in the first half of 2014 further validates our ability to extract optimal value from our assets while focusing on our safety performance.

We also continued to progress our exploration and project development pipelines in 2014.

With US\$31.2 million and US\$38.2 million spent on exploration and major project developments in the first half respectively, MMG continues to focus on the long-term options created through these growth pipelines.

In exploration, our focus has been on sustaining and expanding current Ore Reserves and increasing the mine life of existing assets, in particular Sepon and Kinsevere. We also increased our focus on new discovery projects in Africa while increasing copper and zinc project generation activities.

The Dugald River project is 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. We continue to make good progress on our trial stoping program which seeks to determine the optimal mining method including stope design parameters and productivity assumptions. The stoping trial will continue for the rest of 2014 and the results will provide input into determining future options for the project.

Las Bambas

The acquisition of Las Bambas is a significant step towards achieving our growth aspirations. We are all incredibly proud to welcome Las Bambas to MMG in what is a truly transformational milestone in our company's history.

Once completed, the Las Bambas project will reposition our company as one of the world's largest copper producers. Our team has spent the last few years building the foundations of MMG by creating simple structures, clear processes and investing in systems that will help us to deliver this growth. Las Bambas will provide a solid launch pad into South America and we look forward to bringing this world-class asset into production.

I would like to thank the MMG workforce for their continued dedication to this business, with the Company reaching five years of operation in June 2014. We have worked diligently over these years to establish the important building blocks upon which to expand this business. With the support of our major shareholder, China Minmetals, we look forward to welcoming Las Bambas to MMG while continuing to deliver solid results from our existing portfolio."

Andrew Michelmore, Chief Executive Officer, MMG Limited

SIX MONTHS ENDED 30 JUNE	REVENUE			EBITDA		
	2014 US\$ MILLION	2013 US\$ MILLION	CHANGE %	2014 US\$ MILLION	2013 US\$ MILLION	CHANGE %
Sepon	304.2	378.4	(20)	182.9	211.6	(14)
Kinsevere	228.9	216.8	6	93.3	92.8	1
Century	412.1	367.1	12	147.3	52.4	181
Rosebery	118.0	106.2	11	30.2	29.2	3
Golden Grove	130.5	109.1	20	4.4	1.5	193
Other	-	-	-	(93.4)	(85.3)	(9)
Total	1,193.7	1,177.6	1	364.7	302.2	21

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Media enquiries:

English language

Kathleen Kawecki
Senior Group Communications Advisor
T +61 3 9288 0996
M +61 400 481 868
E kathleen.kawecki@mmg.com

Chinese language

Christine Chan
T +852 2801 6090
M +852 6173 9039
E christine@corporatelink.com.hk

Investor enquiries:

Colette Campbell
Group Manager Investor Relations & Communications
T +852 2216 9610 (Hong Kong)
T +61 3 9288 9165 (Australia)
M +61 422 963 652
E colette.campbell@mmg.com

Maggie Qin
Manager Stakeholder Relations China
T +852 2216 9603 (Hong Kong)
T +61 3 9288 0818 (Australia)
M +61 411 465 468
E maggie.qin@mmg.com