# 2014 ANNUAL RESULTS

10 MARCH 2015

MMG WE MINE FOR PROGRESS

HKEX:1208

# Important Information

The information contained in this presentation is intended solely for your personal reference and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person (whether within or outside your organisation/firm) or published, in whole or in part, for any purpose. No representation or warranty express or implied is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information or opinions contained in this presentation. It is not the intention to provide, and you may not rely on this presentation as providing, a complete or comprehensive analysis of the Company's financial or trading position or prospects. The information contained in this presentation should be considered in the context of the circumstances prevailing at the time and has not been, and will not be, updated to reflect material developments which may occur after the date of the presentation. None of the Company nor any of its respective affiliates, advisors or representatives shall have any liability whatsoever (in negligence or otherwise) for any loss or damage howsoever arising from any use of this presentation or its contents or otherwise arising in connection with this presentation.

This presentation includes forward-looking statements. Forward-looking statements include, but are not limited to, the company's growth potential, costs projections, expected infrastructure development, capital cost expenditures, market outlook and other statements that are not historical facts. When used in this presentation, the words such as "could," "plan," "estimate," "expect," "intend," "may," "potential," "should," and similar expressions are forward-looking statements. Although MMG believes that the expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements.

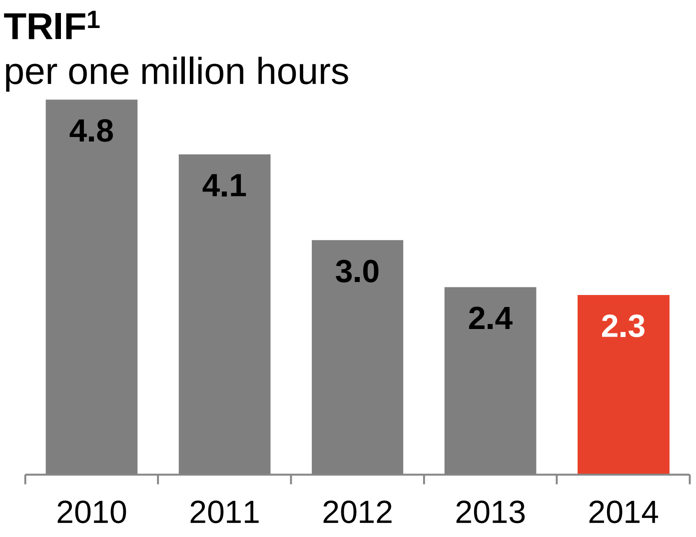
This presentation may contain certain information derived from official government publications, industry sources and third parties. While we believe inclusion of such information is reasonable, such information has not been independently verified by us or our advisers, and no representation is given as to its accuracy or completeness.

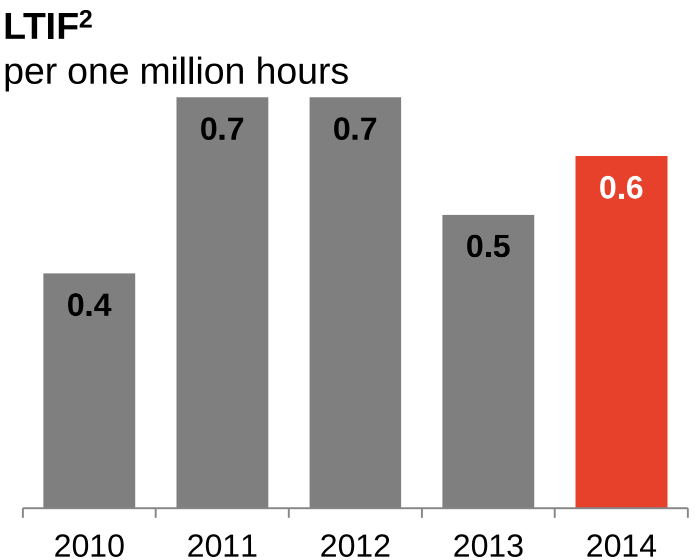
This presentation does not constitute an offer or invitation to purchase or subscribe for any securities in the United States or any other jurisdiction and no part of it shall form the basis of or be relied upon in connection with any contract, commitment or investment decision in relation thereto, nor does this presentation constitute a recommendation regarding the securities of the Company. This presentation is not for distribution in the United States. Securities may not be offered or sold in the United States absent registration or exemption from registration under the US Securities Act. There will be no public offering of the Company's securities in the United States.

This presentation should be read in conjunction with MMG Limited's annual results announcement for the year ended 31 December 2014 issued to the Hong Kong Stock Exchange on 10 March 2015. Comparatives presented for 2013 have been restated as per the change in accounting policy detailed in Note 2 of the annual results announcement.

# We think safety first

- TRIF[1] of 2.3 per million hours worked in 2014.
- We continue to experience serious incidents across our operations.
- Improvements in incident reporting process aimed at sharing learnings and preventing recurrence.
- MMG is committed to improving health and safety.




(1) Total Recordable Injury Frequency - excluding the statistics of Las Bambas operations and projects.
(2) Lost Time Injury Frequency - excluding the statistics of Las Bambas operations and projects.

# Results overview

- **Stable revenue** → Higher sales offset by lower copper price.
- **Operating discipline** → Solid production, well managed costs.
- **Earnings Growth** → EBITDA up 4% EBITDA margin 31%.
- **Profit headwinds** → Profit down 19% – EPS up 1%.
- **Growth focus** → Las Bambas on track to deliver.
- **Fundamentals strong** → Confident in long term.

# David Lamont

Executive Director and Chief Financial Officer

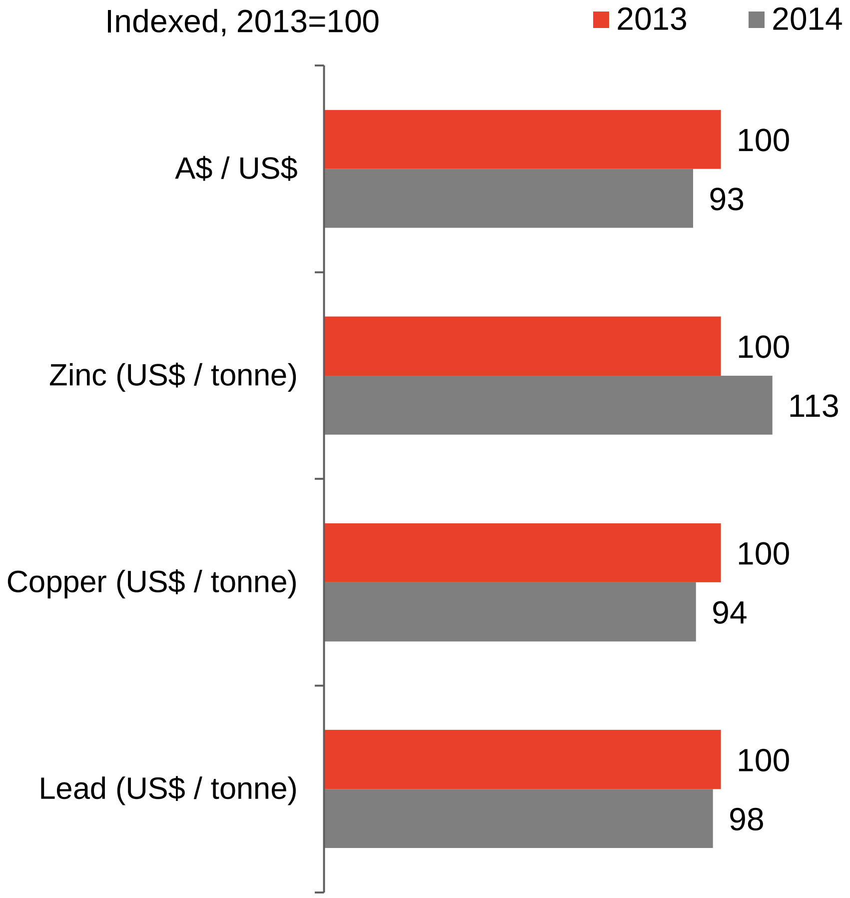
WE MINE FOR PROGRESS MMG

# Financial Highlights

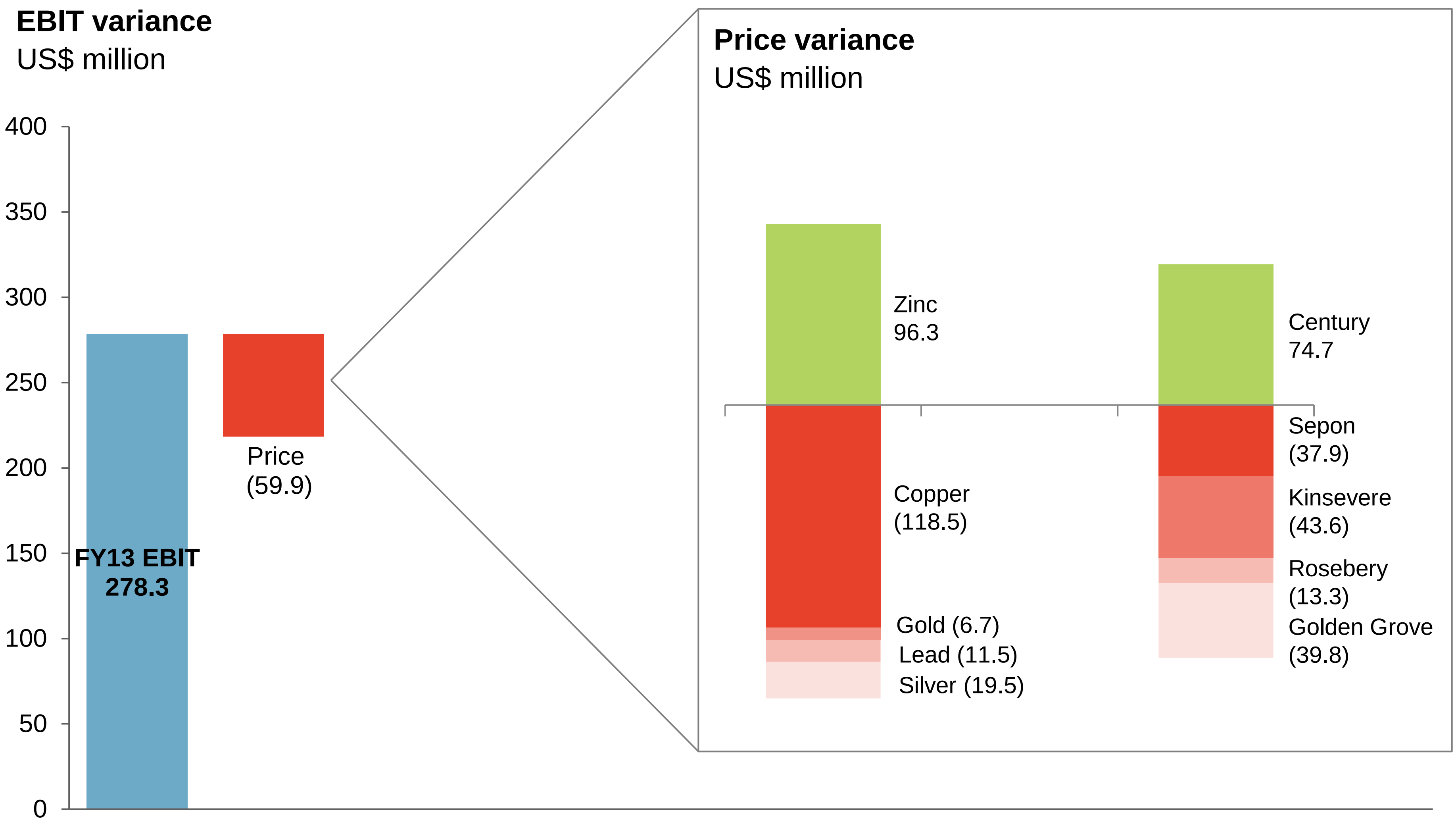
- Revenue of US$2,479.8 million, consistent with 2013.
- EBITDA of US$780.8 million, up 4%.
- Profit for the year of US$99.2 million, down 19%.
- Net operating cash flow of US$666.7 million, up 20%.
- Net investing cash flow of US$3,932.8 million reflecting the purchase and construction of Las Bambas.
- MMG Board has not recommended a dividend.

**Foreign exchange and commodity price performance**

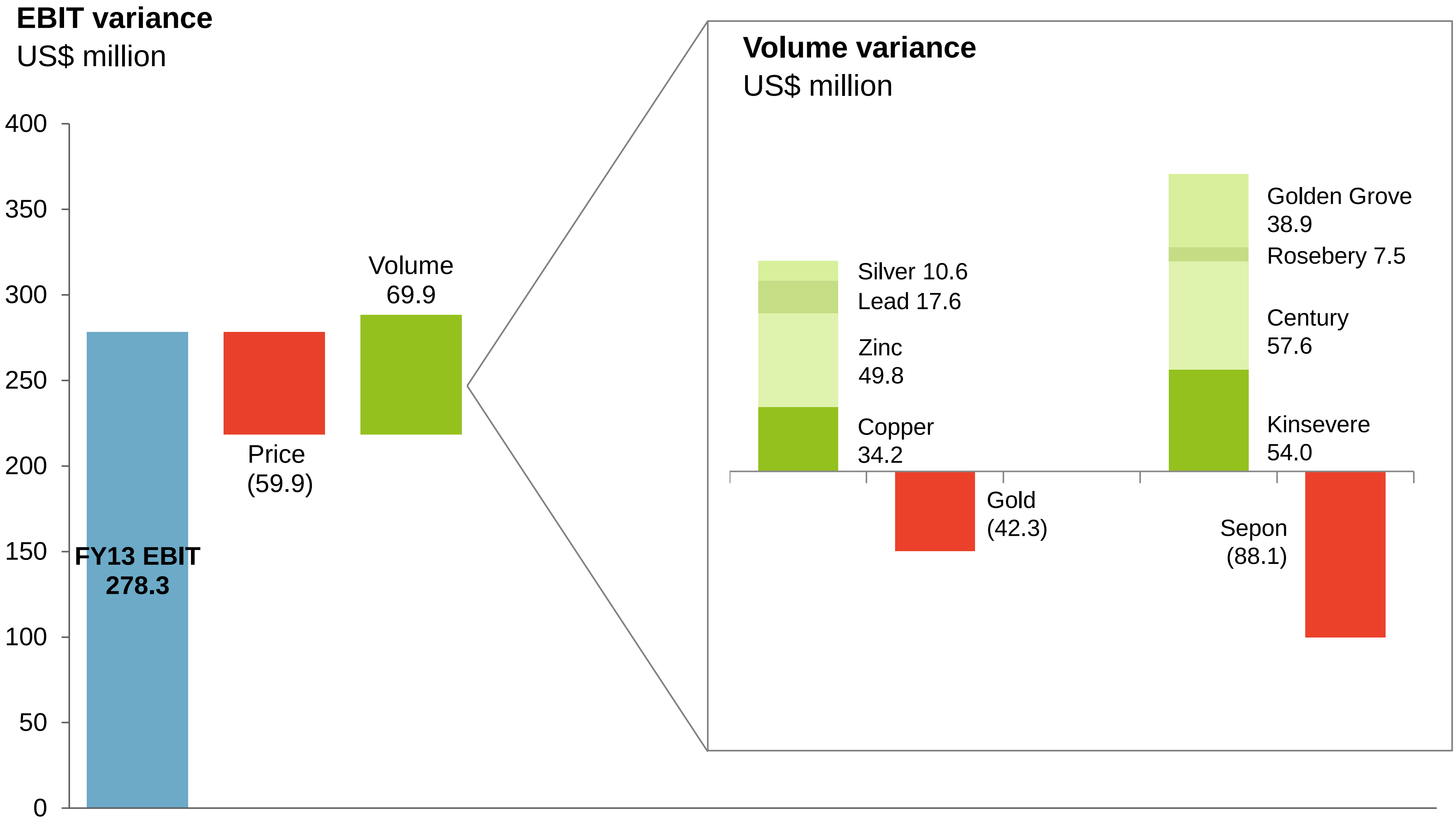
Indexed, 2013=100



# EBIT variance analysis

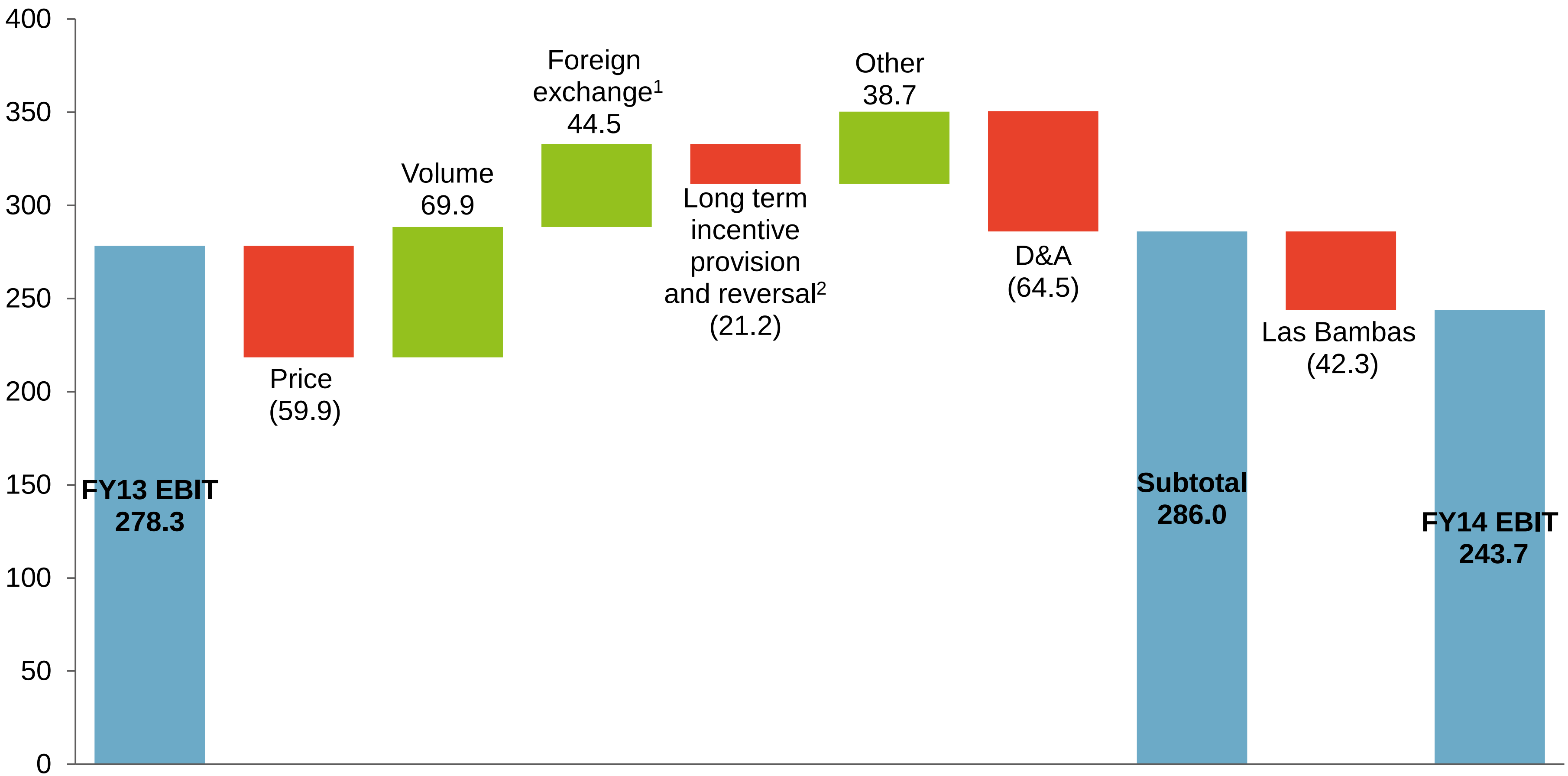


# EBIT variance analysis



# EBIT variance analysis

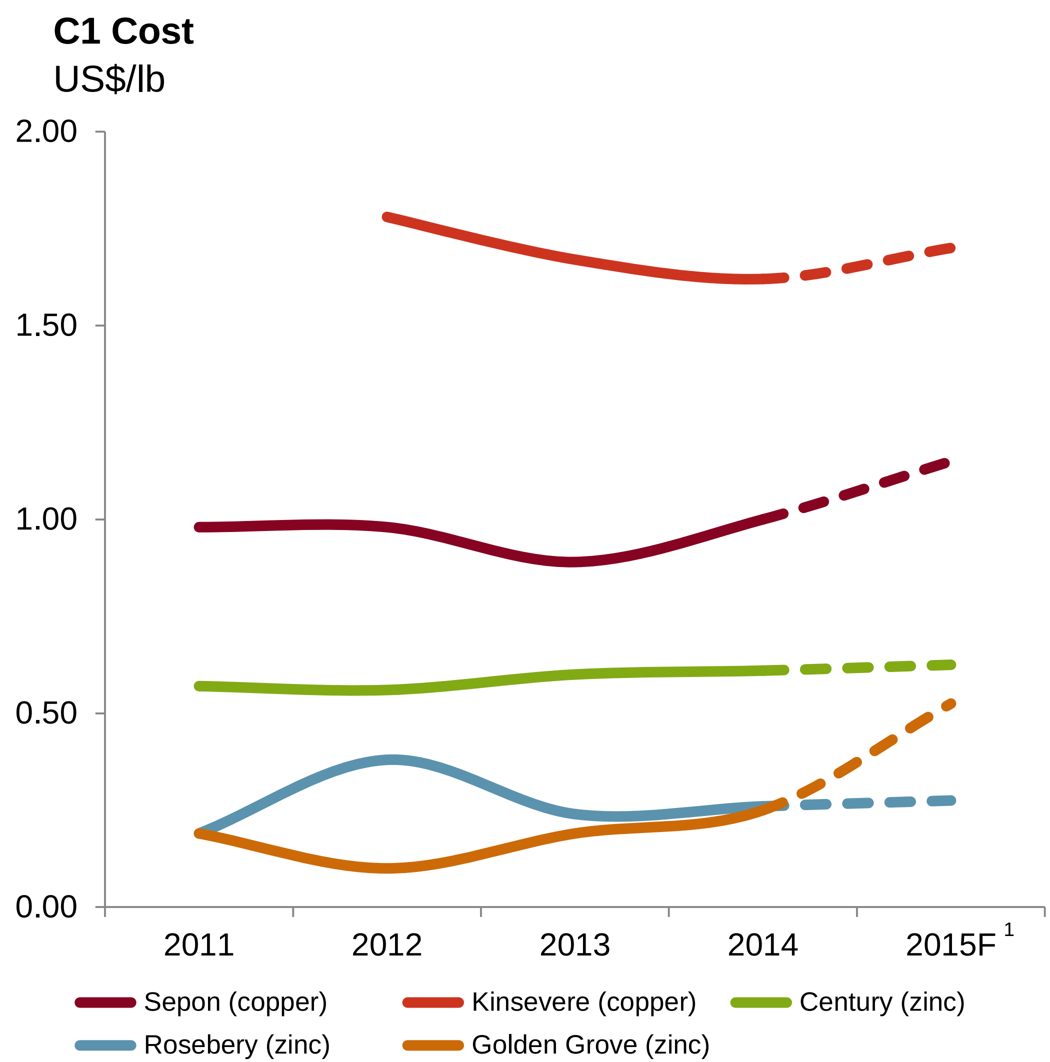
**EBIT variance**
US$ million




(1) Foreign exchange includes net exchange gains, and favourable exchange impact associated with the weaker Australian dollar on operating and administrative expenses.
(2) The LTI provision in 2014 was US$7.2 million and the 2013 LTI provision of US$14.0 million was reversed during the period.

# Our approach to cost management

- Continuing focus on operational efficiency – doing more with less.
- Ongoing cost management – not "one-off" approach.
- Kinsevere costs influenced by production and power availability.
- Sepon future will be impacted by transitioning ore type.
- All operations compliant to tight cost controls.




(1) 2015F represents mid-point of guidance.

# Las Bambas cash flow

Las Bambas acquisition was completed on 31 July 2014.

*Cash inflows include:*

- Drawdown of US$969.0 million under the **Acquisition Facility**.
- Drawdown of US$4,119.0 million of the US$5,988.0 million **Project Facility**.
- **Equity contributions** from non-controlling shareholders of US$1,106.2 million and US$1,843.8 million under the US$2,262.0 million shareholder loan.

*Cash outflows include:*

- Repayment of **Intragroup loans** of US$4,018.1 million.
- **Net cash** paid for the acquisition of Las Bambas of US$2,950.1 million.
- Project **capital expenditure** of US$772.4 million from 1 August 2014.

Funding is sufficient to meet the expected capital expenditure of US$1.9–US$2.4 billion[1] to complete the project.

(1) From 1 January 2015.

# Major impact of cash flow

*Inflows*

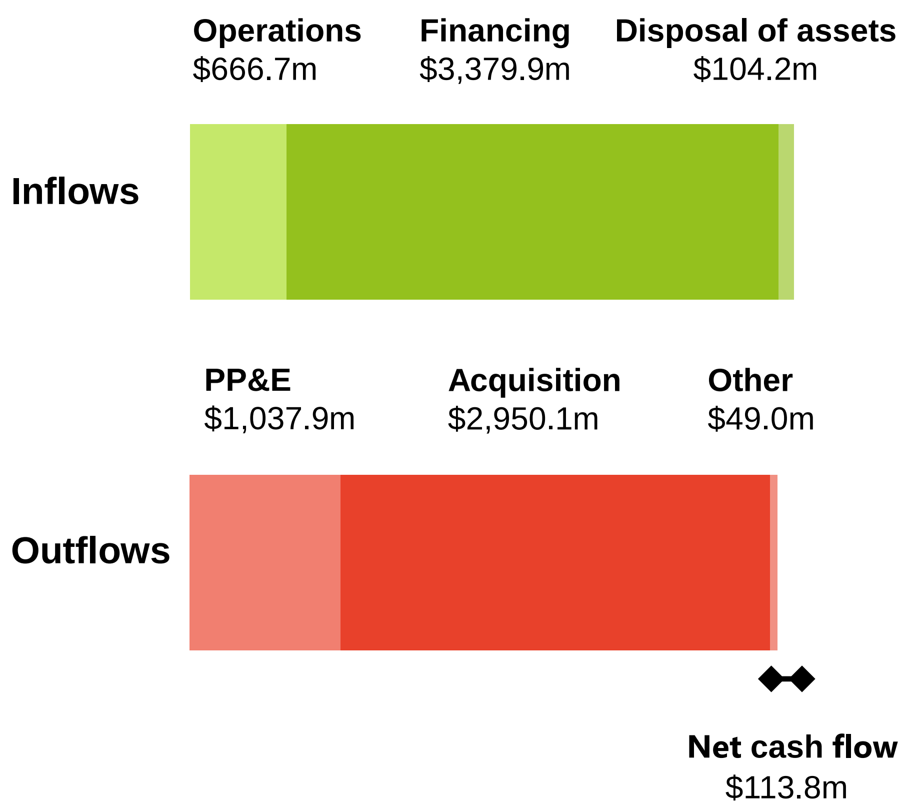
- Net cash generated from **operating activities** of US$666.7 million.
- Disposal of assets US$104.2 million.

*Outflows*

- Purchase of **property, plant and equipment** (PP&E) includes US$772.4 million on Las Bambas, US$68.0 million on Dugald River and US$119.7 million on mine development.
- **Dividends** of US$62.9 million.

**Cash balance** of US$251.2 million at 31 December 2014.

**2014 Cash flow summary**
US$ million



# MMG external debt servicing profile

WE MINE FOR PROGRESS MMG

**Two facilities up to US$6.96 billion**

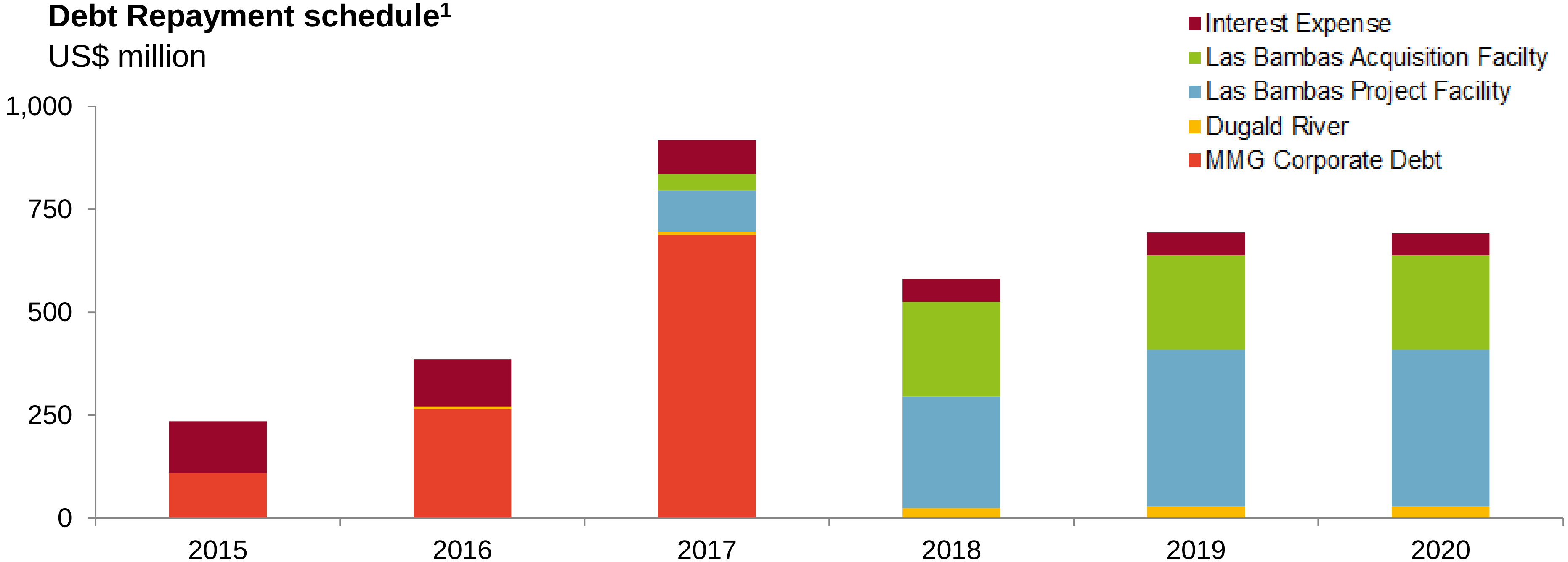
**US$0.97 billion Acquisition Facility**

- Seven year facility.
- Not exceeding LIBOR + 3.5%.

**US$5.99 billion Project Facility**

- Eighteen year facility.
- Not exceeding LIBOR + 3.65%.

**Debt Repayment schedule[1]**
US$ million




(1) Excludes related party debt which includes US$2.262 billion shareholder loan.

# Marcelo Bastos

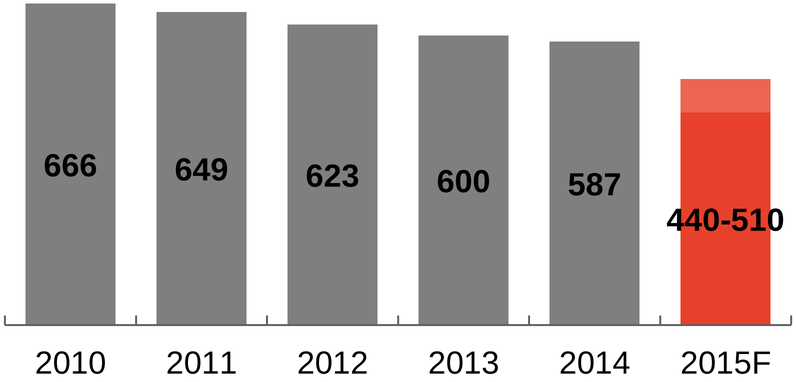
Chief Operating Officer

WE MINE FOR PROGRESS MMG

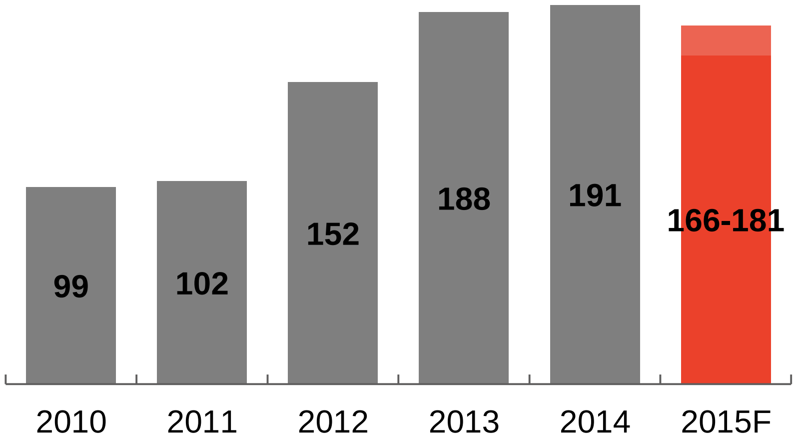
# A transitional year for MMG….

- Improved safety performance.
- Achieved annual record copper production.
- Delivered on guidance for copper and zinc.
- Performance of our assets has helped us earn the right to grow.
- 2015 will bring many operational challenges.

**Zinc production**
'000 tonnes



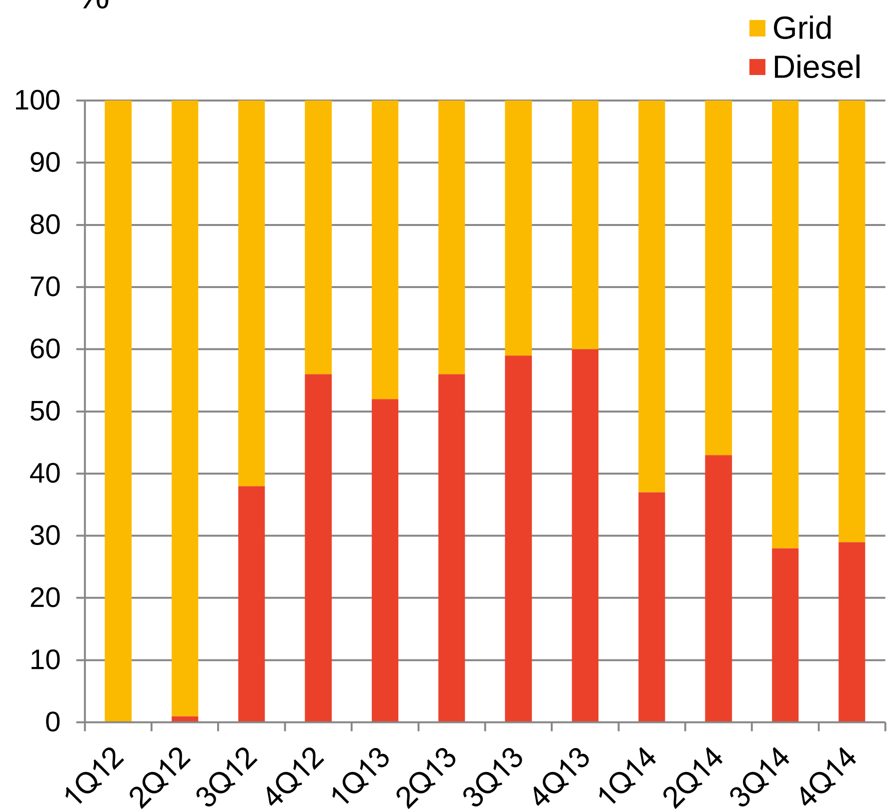

**Copper production**
'000 tonnes



# Copper cathode challenge from ‘tougher’ ores

- Sepon and Kinsevere consistently perform above design capacity.
- Both face challenge of tougher ores.
- Sepon expected lower feed grades.
- Kinsevere reduced reliance on diesel-generated power.
- Near mine exploration is an important part of our long-term strategy and success.
- Both mines significant economic contributors to region.

**Kinsevere electricity consumption**
%



# Australian operations

### Century

- Benefitting from long-term cost saving program in final stages.

### Rosebery

- Maintain zinc and copper production rates.
- Near-mine exploration continuing.

### Golden Grove

- Prioritise zinc production in 2015.
- Draw further value from efficiency programs.

Century concentrator


Golden Grove

# Long-term strategy for Queensland

- Open pit production at Century to end in 3Q 2015.
- Rehabilitation program underway.
- Working with local communities to deliver a positive legacy.
- Dugald River will be an important addition once its development pathway has been determined.
- MMG has provisioned an amount of US$378.1 million to allow for the closure of Century, an increase of US$146.3 million from the 2013 level.


Children from Gulf Christian College in Normanton


2014: Trial stoping program at Dugald River

# Andrew Michelmore

Executive Director and Chief Executive Officer

WE MINE FOR PROGRESS MMG

# Market fundamentals of copper are unchanged

## DEMAND

### SHORT TERM FACTORS

- Current sentiment.
- Infrastructure investment in China.
- Broader economic recovery.

### LONG TERM FACTORS

- Sustainable growth in China.
- Urbanisation in China.
- Copper usage and intensity.

## SUPPLY

### SHORT TERM FACTORS

- Availability of power and water.
- Tax and political reforms.
- Project delays.
- Short-term production disruptions.

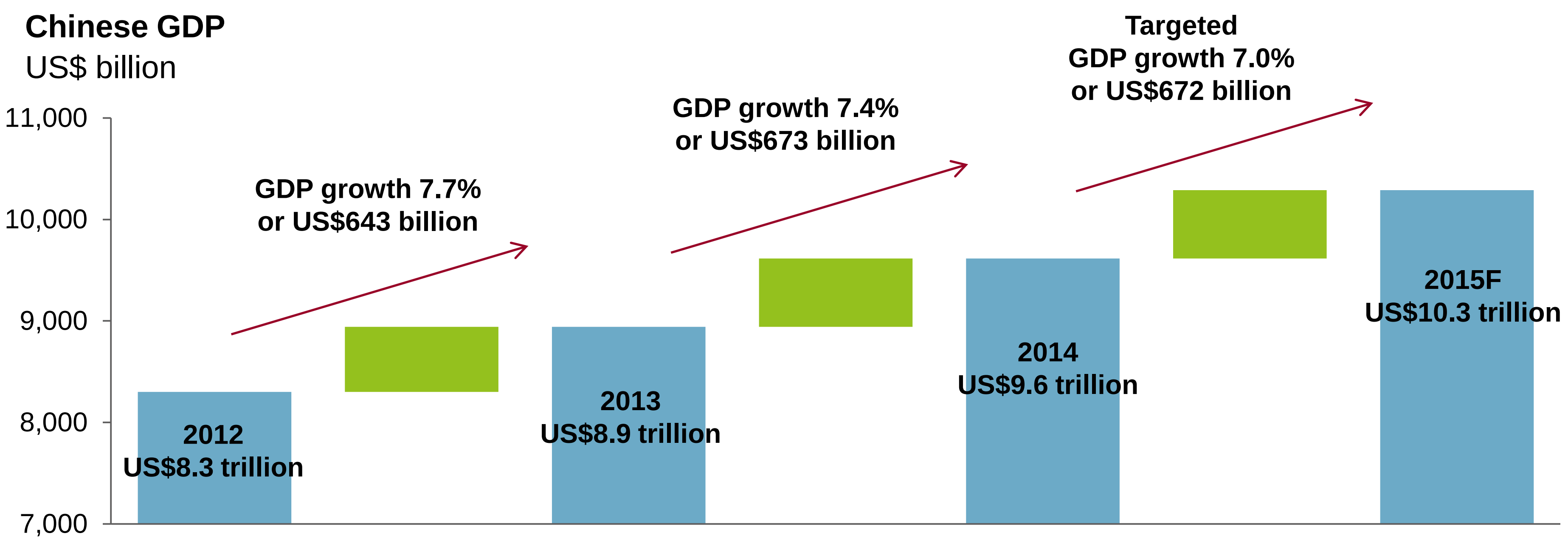
### LONG TERM FACTORS

- Availability of power and water.
- Grade decline across the industry.
- Technology.
- Availability of project finance.

# MMG is leveraged to China's future as a sustainable and consumer driven economy

- MMG's outlook remains positive on the demand growth from China in base metals commodities.
- China's rate of growth is slowing but the economy is still growing from a very large base.
- Base metals are a critical element in China's pursuit of continuing urbanisation and industrialisation.
- Chinese GDP grew an equivalent of the entire GPD of Switzerland in 2014 in US$ terms.

**Chinese GDP**
US$ billion



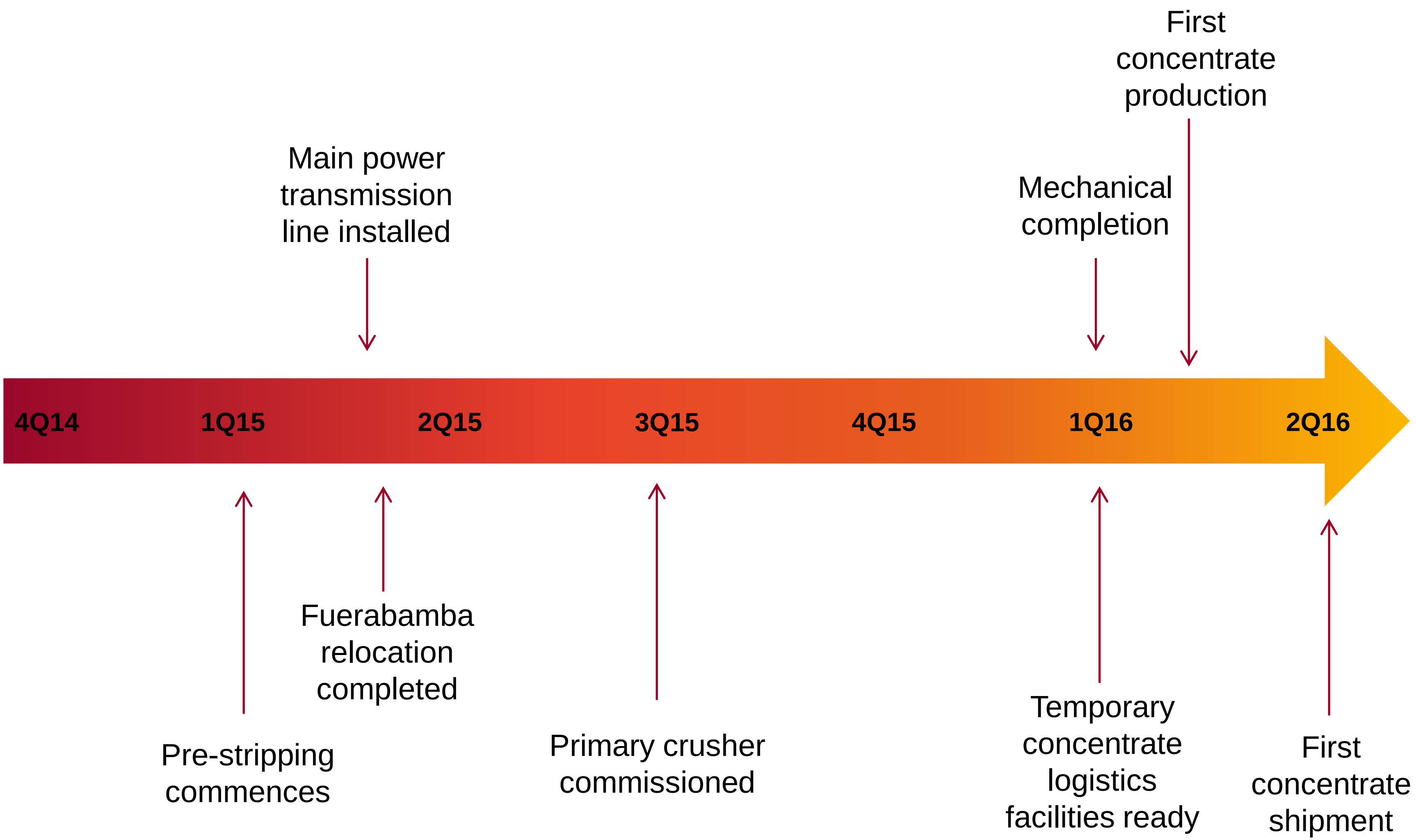

Source: World Bank, real GDP growth

# Las Bambas update

- Construction 80% complete as at 31 December 2014.
- Main activity includes construction of processing plant, primary crusher, overland conveyor and key surface infrastructure.
- Community relations is important in the region.
- MMG expects first concentrate production in 1Q 2016.
- Capital expenditure required to complete project in range of US$1.9–2.4 billion[1].

(1) From 1 January 2015.

# Las Bambas milestones




*Timeline is indicative only.*

# A growth company

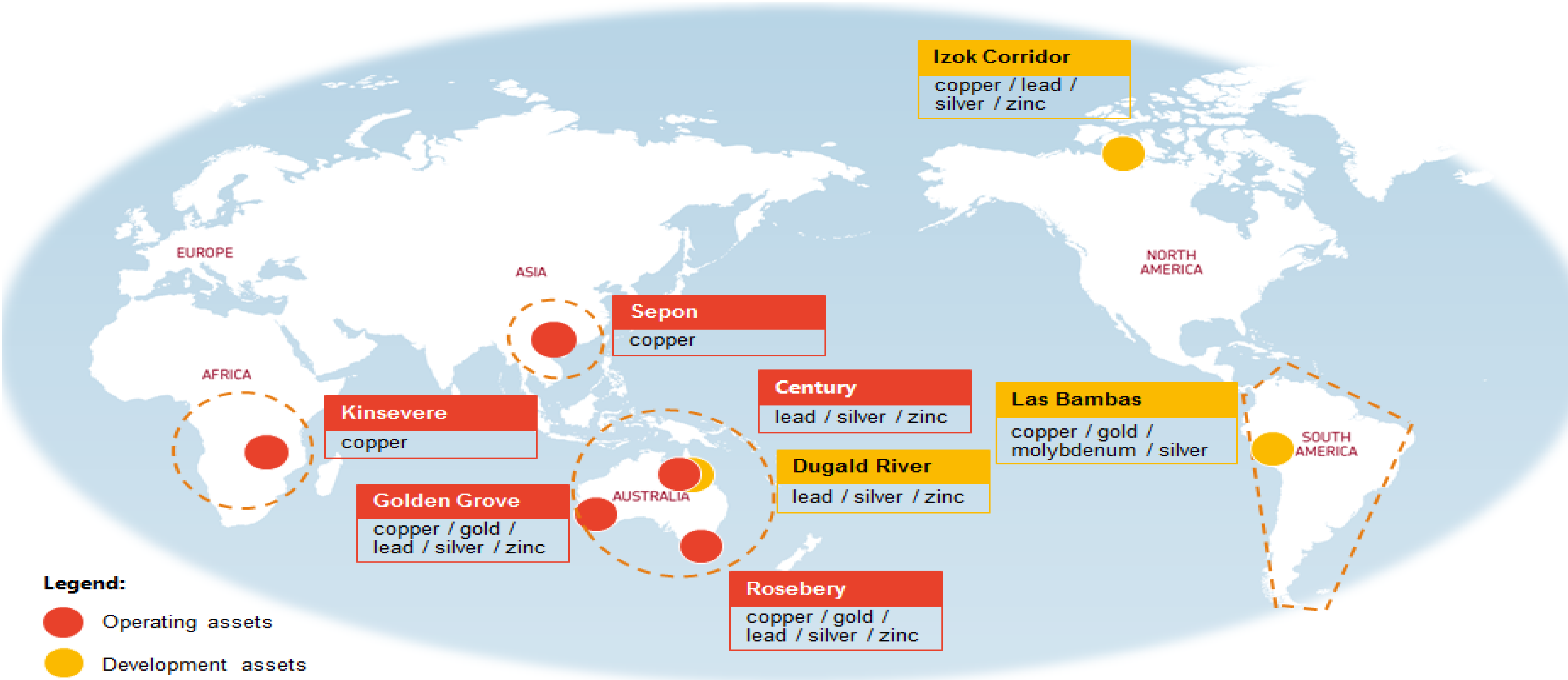
- We think safety first.
- 2015 will be a year of transition.
- Our strategy is unchanged.
- We are well positioned to continue to grow.
- Our success is leveraged to China.
- Our objective is to be valued as one of the world's top mid-tier miners by 2020.

WE MINE FOR
PROGRESS

MMG

# Overview of assets

WE MINE FOR PROGRESS MMG



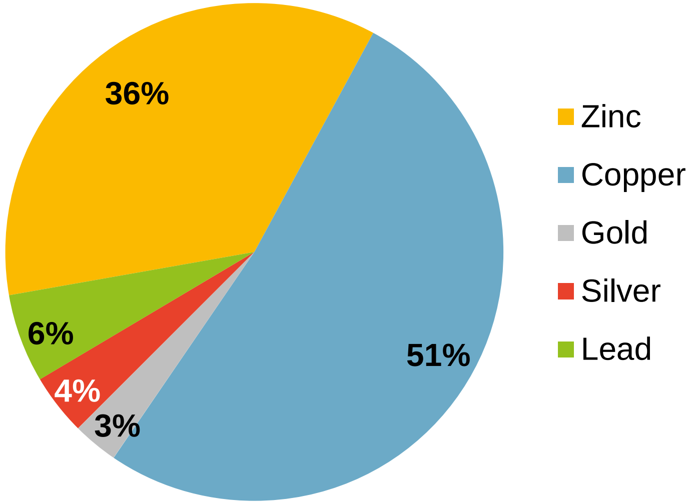

**Legend:**

- Operating assets
- Development assets
- Exploration areas

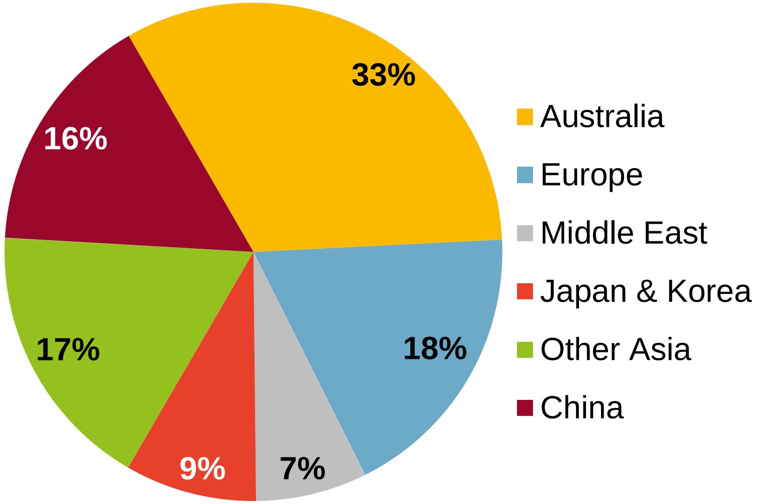
- **2009/10** Formation of MMG
- **2011** 7,000+ employees
- **2012** Acquired Anvil for $C1.33bn; Dugald River project endorsed
- **2013** Dugald River financing secured
- **2014** Las Bambas acquired for US$5.85bn; 9,000+ employees

# Financial dashboard

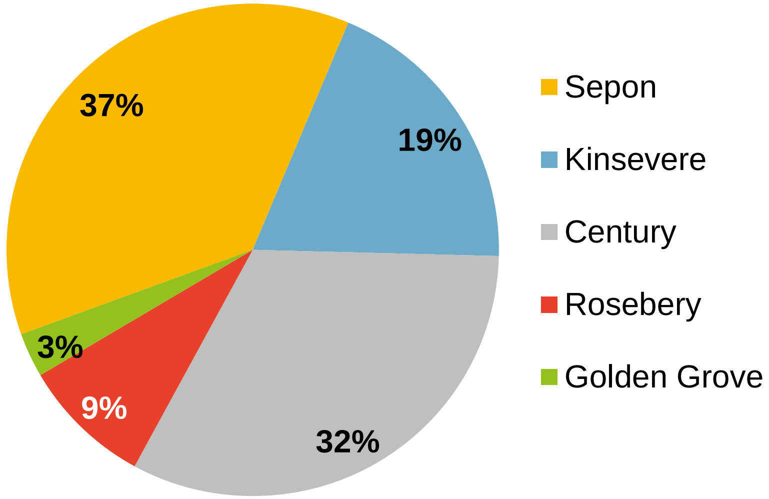
## Revenue by commodity



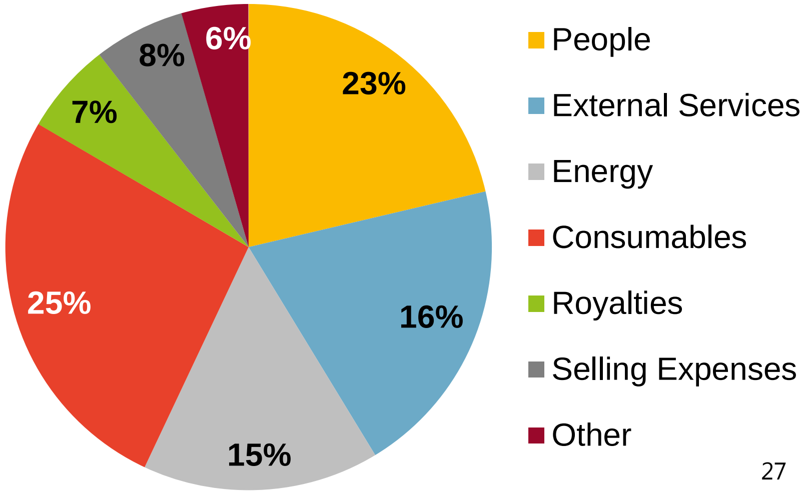

## Revenue by customer location




## EBITDA by operating segment




## Operating expenses (Sites)



# Sepon

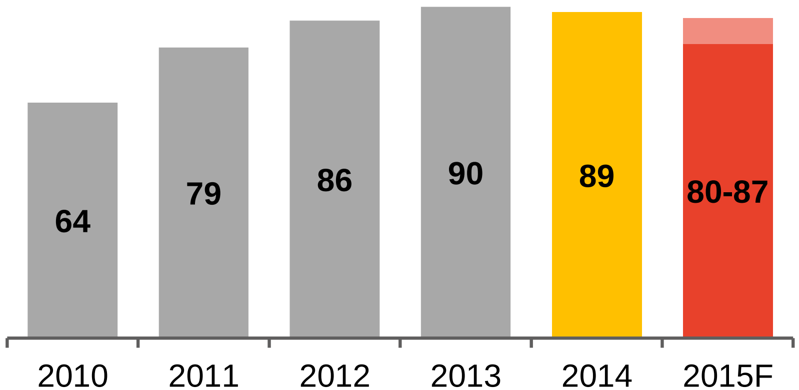
## Highlights

- Completed first full year as dedicated copper operation.
- Production of 88,541 tonnes of copper cathode – 2% lower than 2013.
- Production expenses were US$48.8 million lower due to cessation of gold production in 2013.
- Due to copper grade decline consistent with the ore reserves grade, the Company expects to produce 80,000–87,000 tonnes of copper in 2015.

## Financials

| US$ million | 2014 | 2013 | % |
|---|---|---|---|
| Revenue | **620.2** | 746.2 | (17) |
| EBITDA[1] | **366.5** | 396.5 | (8) |
| EBIT | **267.6** | 318.7 | (16) |
| EBITDA margin (%) | **59** | 53 | |
| C1 Costs – copper (US$ / lb) | **1.00** | 0.89 | |

## Copper cathode production
'000 tonnes




(1) EBITDA includes revenue, operating expenses and other income and expense items.

# Kinsevere

WE MINE FOR PROGRESS MMG

## Highlights

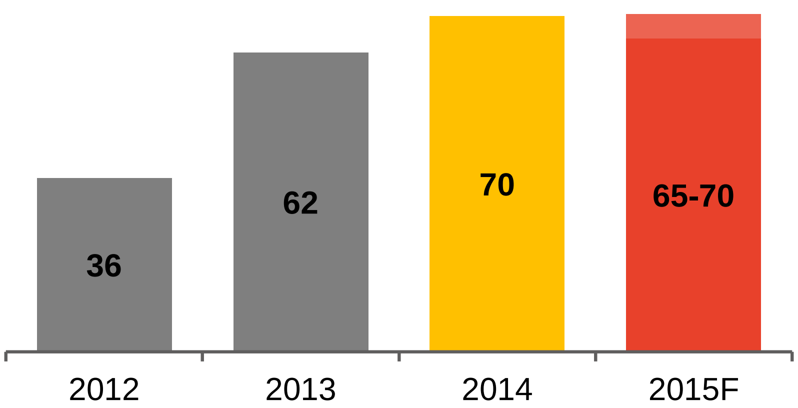
- Annual production of 69,624 – 12% higher than 2013.
- Asset utilisation and efficiency initiatives delivered sustainable increases in mining and processing rates.
- In 2014 approximately 34% of power requirements were sourced via diesel generators.
- Production expenses increased US$16.8 million due to increased mining and processing activities related to increased production.

## Financials

| US$ million | 2014 | 2013 | % |
|---|---|---|---|
| Revenue | **465.7** | 455.3 | 2 |
| EBITDA[1] | **189.3** | 198.0 | (4) |
| EBIT | **49.0** | 71.9 | (32) |
| EBITDA margin (%) | **41** | 43 | |
| C1 costs – copper (US$ / lb) | **1.62** | 1.67 | |

## Copper cathode production[1]

'000 tonnes




(1) EBITDA includes revenue, operating expenses and other income and expense items.

# Century

## Highlights

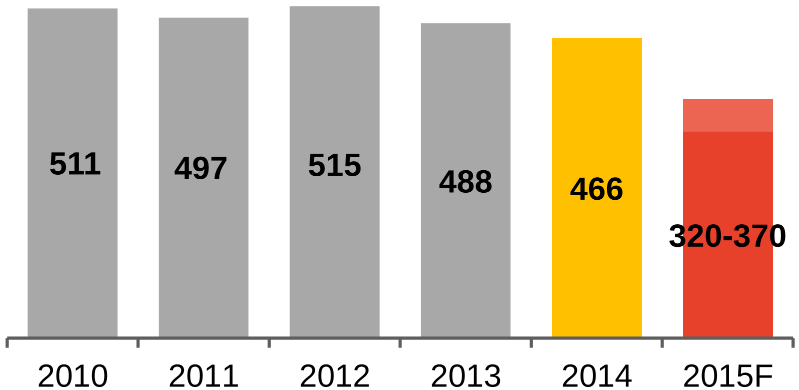
- Records in mining and processing helped to offset impact of lower zinc grades.
- Financial discipline and a long-term cost savings program continues to deliver benefit in final stage of operations.
- Lead reclamation program continued.
- Revenue increased by US$132.3 million due to higher average realised price of zinc, combined with higher sales of zinc and lead.
- Provisioned of US$378.1 million for the closure of Century, an increase of US$146.3 million from the 2013 level

## Financials

| US$ million | 2014 | 2013 | % |
|---|---|---|---|
| Revenue | **853.3** | 721.0 | 18 |
| EBITDA[1] | **323.5** | 176.5 | 83 |
| EBIT | **132.2** | 3.8 | 3,379 |
| EBITDA margin (%) | **38** | 24 | |
| C1 costs – zinc (US$ / lb)[2] | **0.61** | 0.60 | |

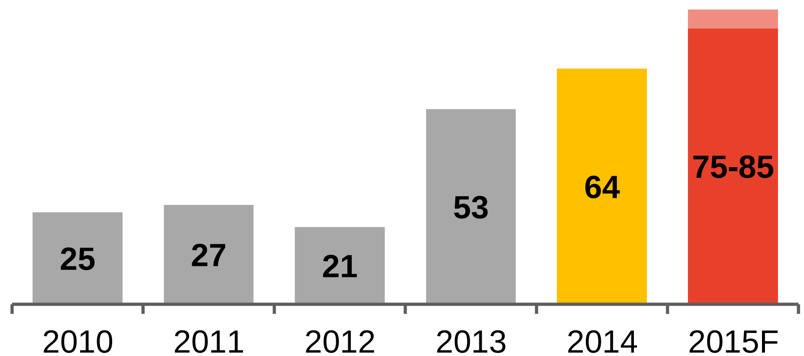
## Zinc in zinc concentrate production

'000 tonnes




## Lead in lead concentrate production

'000 tonnes




(1) EBITDA includes revenue, operating expenses and other income and expense items.
(2) Century 2013 C1 costs have been adjusted following a reconciliation of accounts.

# Rosebery

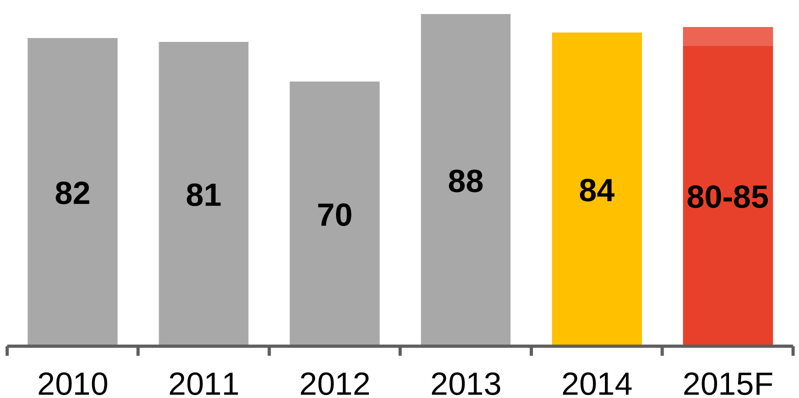
## Highlights

- Annual production of 83,507 tonnes of zinc and 23,409 tonnes of lead.
- Safety restrictions due to seismic activity impacted on mining, processing and production.
- Revenue decreased by 2% due to a decrease in zinc and lead sales, marginally offset by a higher average realised zinc price.

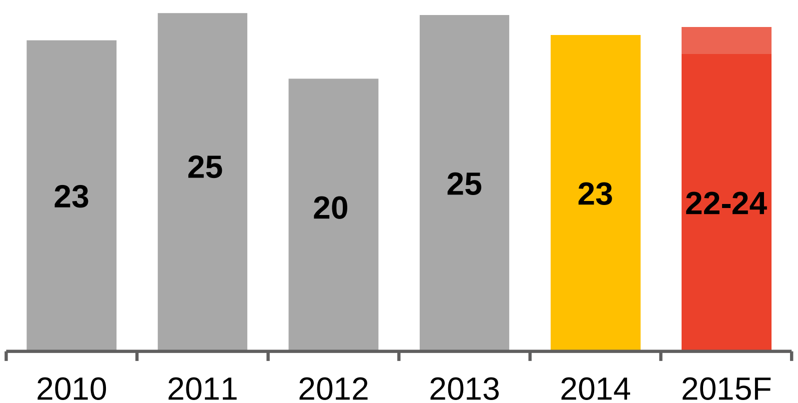
## Financials

| US$ million | 2014 | 2013 | % |
|---|---|---|---|
| Revenue | **247.5** | 253.3 | (2) |
| EBITDA[1] | **85.2** | 84.3 | 1 |
| EBIT | **38.7** | 58.4 | (34) |
| EBITDA margin (%) | **34** | 33 | |
| C1 costs – zinc (US$ / lb) | **0.26** | 0.24 | |

**Zinc in zinc concentrate production**
'000 tonnes




**Lead in lead concentrate production**
'000 tonnes




(1) EBITDA includes revenue, operating expenses and other income and expense items.

# Golden Grove

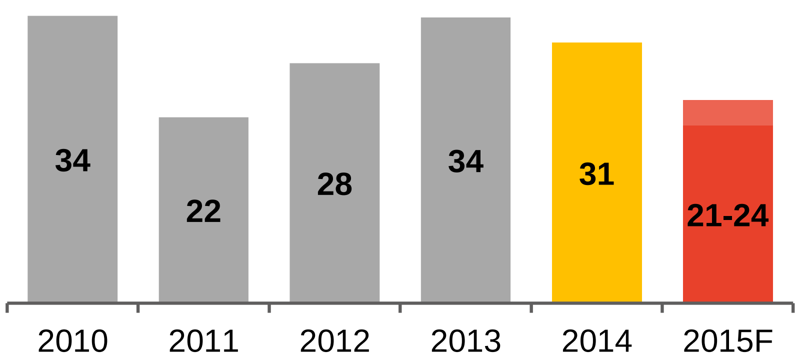
## Highlights

- Annual zinc production of 37,896 tonnes of zinc and 30,837 tonnes of copper.
- Revenue was flat  due to an increase in sales of copper, zinc and gold, offset by lower averaged realised prices of copper, lead and gold.
- Production expenses decreased by US$28.6 million due to lower mining and processing.

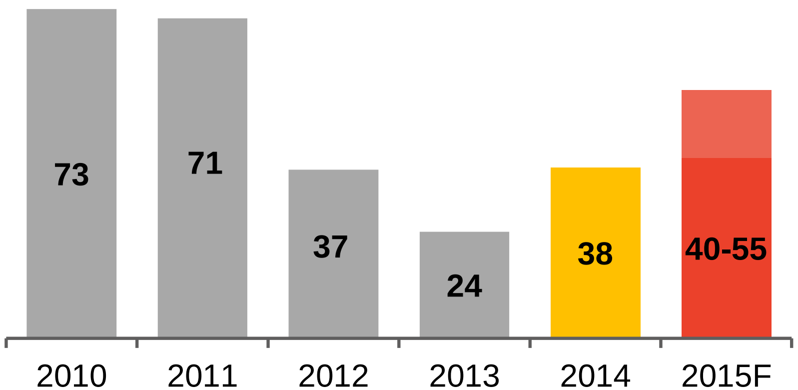
## Financials

| US$ million | 2014 | 2013 | % |
|---|---|---|---|
| Revenue | **293.1** | 294.0 | - |
| EBITDA[1] | **29.0** | 73.0 | (60) |
| EBIT | **(15.2)** | 10.2 | (249) |
| EBITDA margin (%) | **10** | 25 | |
| C1 costs – copper (US$ / lb) | **2.48** | 2.69 | |
| C1 costs – zinc (US$ / lb) | **0.25** | 0.19 | |

## Copper in copper concentrate production
‘000 tonnes




## Zinc in zinc concentrate production
‘000 tonnes




(1) EBITDA includes revenue, operating expenses and other income and expense items.

# 2015 Guidance

| Sepon | |
|---|---|
| Copper – production | 80,000-87,000 tonnes |
| Copper – C1 costs | US$1.10-US$1.20/lb |

| Kinsevere | |
|---|---|
| Copper – production | 65,000-70,000 tonnes |
| Copper – C1 costs | US$1.60-US$1.80/lb |

| Century | |
|---|---|
| Zinc – production | 320,000-370,000 tonnes |
| Zinc – C1 costs | US$0.60-US$0.65/lb |
| Lead – production | 75,000-85,000 tonnes |

| Rosebery | |
|---|---|
| Zinc – production | 80,000-85,000 tonnes |
| Zinc – C1 costs | US$0.25-US$0.30/lb |
| Lead – production | 22,000-24,000 tonnes |

| Golden Grove | |
|---|---|
| Copper – production | 21,000-24,000 tonnes |
| Copper – C1 costs | US$2.40-US$2.75/lb |
| Zinc – production | 40,000-55,000 tonnes |
| Zinc – C1 costs | US$0.45-US$0.60/lb |

| Cash flow | |
|---|---|
| Capital expenditure | US$350 – US$400 million[1] |
| Exploration | US$45 million |

(1) Excludes Las Bambas project capital expenditure.

# Condensed consolidated income statement

WE MINE FOR PROGRESS MMG

| Year ended 31 December<br>US$ million | 2014<br>Unaudited | 2013<br>Audited and restated | Variance<br>% |
|---|---|---|---|
| Revenue | 2,479.8 | 2,469.8 | - |
| Other income | 16.8 | 0.6 | 2,700 |
| Expenses (excluding depreciation and amortisation) | (1,715.8) | (1,719.5) | - |
| **EBITDA** | **780.8** | **750.9** | **4** |
| Depreciation, amortisation and impairment expenses | (537.1) | (472.6) | (14) |
| **EBIT** | **243.7** | **278.3** | **(12)** |
| Finance income | 3.3 | 2.8 | 18 |
| Finance costs | (82.7) | (80.0) | (3) |
| **Profit before income tax** | **164.3** | **201.1** | **(18)** |
| Income tax expense | (65.1) | (78.6) | 17 |
| **Profit for the year** | **99.2** | **122.5** | **(19)** |

| | | |
|---|---|---|
| **Earnings per share for profit attributable to the equity holders of the Company** | | |
| Basic earnings per share | US 1.96 cents | US 1.95 cents |
| Diluted earnings per share | US 1.96 cents | US 1.95 cents |

# Condensed consolidated balance sheet

| US$ million | 31 December 2014 Unaudited | 31 December 2013 Audited and restated |
|---|---|---|
| Non-current assets | 12,280.6 | 3,849.9 |
| Current assets – cash and cash equivalents | 251.2 | 137.4 |
| Current assets – other | 958.2 | 696.2 |
| **Total assets** | **13,490.0** | **4,683.5** |
| **Total equity** | **2,974.6** | **1,816.8** |
| Non-current liabilities | 9,711.2 | 2,145.9 |
| Current liabilities | 799.7 | 714.9 |
| **Total liabilities** | **10,515.4** | **2,866.7** |
| **Total equity and liabilities** | **13,490.0** | **4,683.5** |
| **Net current assets** | **405.2** | **112.8** |
| **Total assets less current liabilities** | **12,685.8** | **3,962.7** |

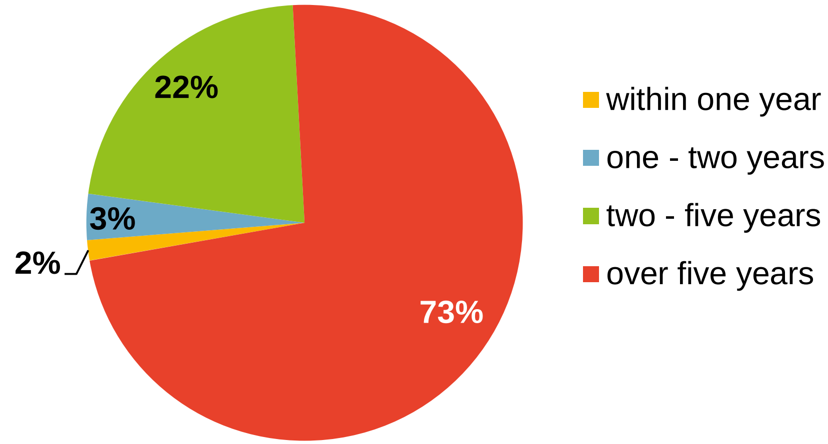
# Consolidated financial performance: Cash flow statement

| Year ended 31 December<br>US$ million | 2014<br>Unaudited | 2013<br>Unaudited and restated |
|---|---|---|
| Receipts from customers | 2,578.4 | 2,523.5 |
| Payments to suppliers | (1,744.8) | (1,786.2) |
| Payments for exploration expenditure | (73.0) | (71.9) |
| Income tax paid | (93.9) | (110.9) |
| **Net cash generated from operating activities** | **666.7** | **554.5** |
| Purchase of property, plant and equipment | (1,037.9) | (558.2) |
| Purchase of intangible assets | (48.0) | (58.1) |
| Purchase of financial assets | (1.0) | (45.7) |
| Acquisition of subsidiaries, net of cash required | (2,950.1) | - |
| Proceeds from disposal of property, plant and equipment | - | 0.3 |
| Proceeds from disposal of financial assets | 101.2 | - |
| Proceeds from disposal of subsidiaries | 3.0 | - |
| Proceeds from disposal of investment properties | - | 1.1 |
| **Net cash used in investing activities** | **(3,932.8)** | **(660.6)** |
| **Net cash generated from financing activities** | **3,379.9** | **147.0** |
| **Net increase in cash and cash equivalents** | **113.8** | **40.9** |
| Cash and cash equivalents at 1 January | 137.4 | 95.7 |
| Exchange gains on cash and bank balances | - | 0.8 |
| **Cash and cash equivalents at 31 December** | **251.2** | **137.4** |

# Financial resources and liquidity

- Raised US$5,150.8 million in bank borrowings and a US$1,843.8 million in shareholder borrowings to fund the Las Bambas project.
- Gearing ratio[1] MMG Group (excluding Las Bambas) as at 31 December 2014 of 0.39.
- Gearing ratio[1] MMG South America Management Group as at 31 December 2014 of 0.63.

**Maturity profile of borrowings**
as at 31 December 2014




| US$ million | 2014 | 2013 |
|---|---|---|
| Total borrowings (excluding prepayments) | 1,321.8 | 1,644.2 |
| Less: Cash and cash equivalents | 91.9 | 137.4 |
| **Net debt** | **1,229.9** | **1,506.8** |
| Total equity | 1,922.5 | 1,816.8 |
| | **3,152.4** | **3,323.6** |
| **Gearing ratio[1]** | **0.39** | **0.45** |

(1) Gearing ratio is defined as net debt (total borrowings excluding finance charge prepayments, less cash and bank deposits) divided by the aggregate of net debt plus total equity.