# 2013 INTERIM RESULTS

28 AUGUST 2013


HKEx: 1208

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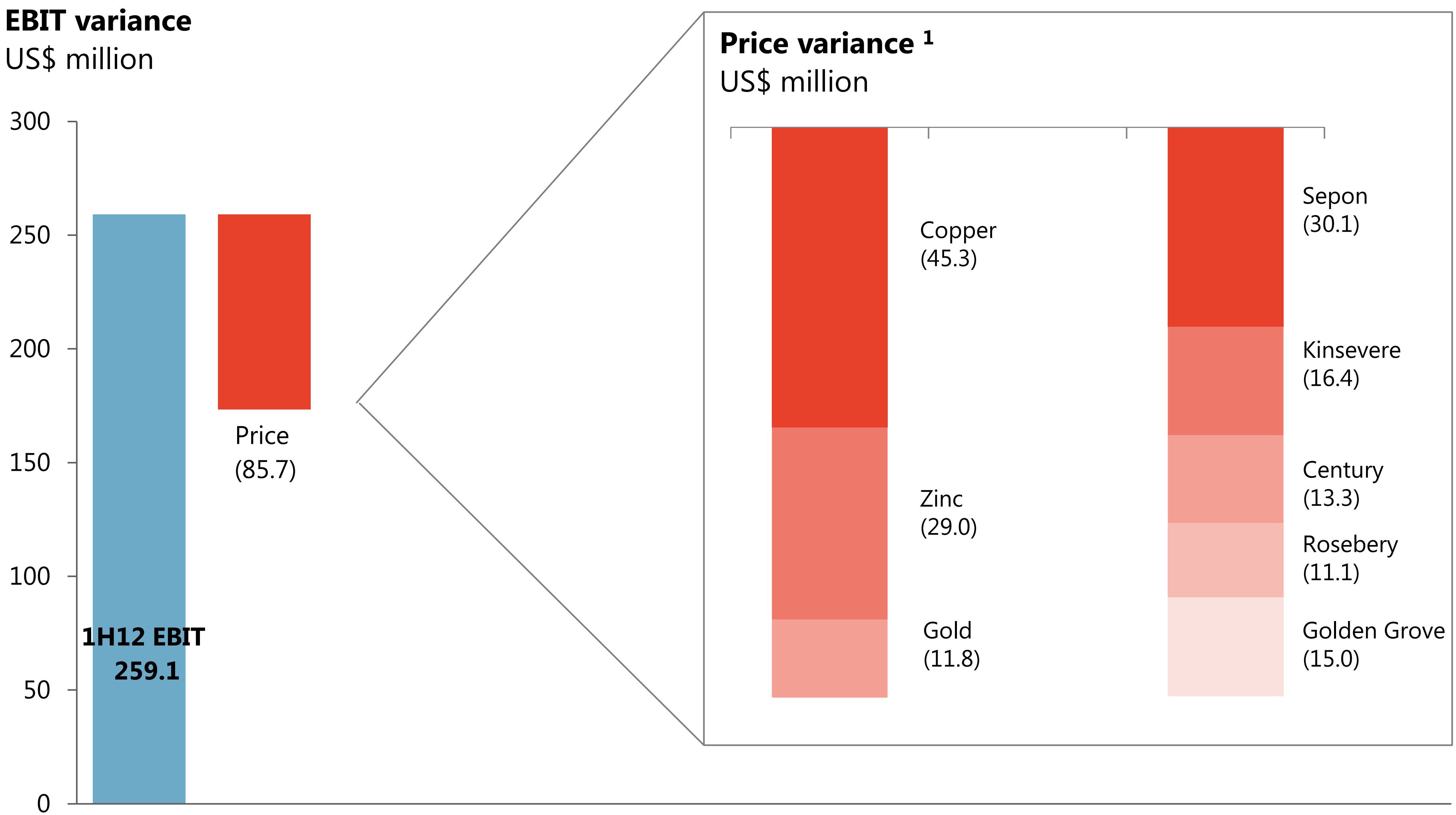
This presentation should be read in conjunction with MMG Limited's interim results announcement for the half year ending 30 June 2013 issued to the Hong Kong Stock Exchange on 28 August 2013. Comparatives presented for 2012 have been restated as per the change in accounting policy detailed in Note 2 of the interim results announcement.

# Highlights

- Safety remains a core value – TRIFR[1] 2.7.
- Delivered Earnings Before Interest and Tax (EBIT) of US$93.0m.
- Increased volumes of ore mined and processed.
- Production related expenses well managed.
- Net cash generated from operating activities of US$201.3m.
- Focus on permanent operating cost reductions.
- Dugald River financing completed – project components under review.
- No interim dividend declared.

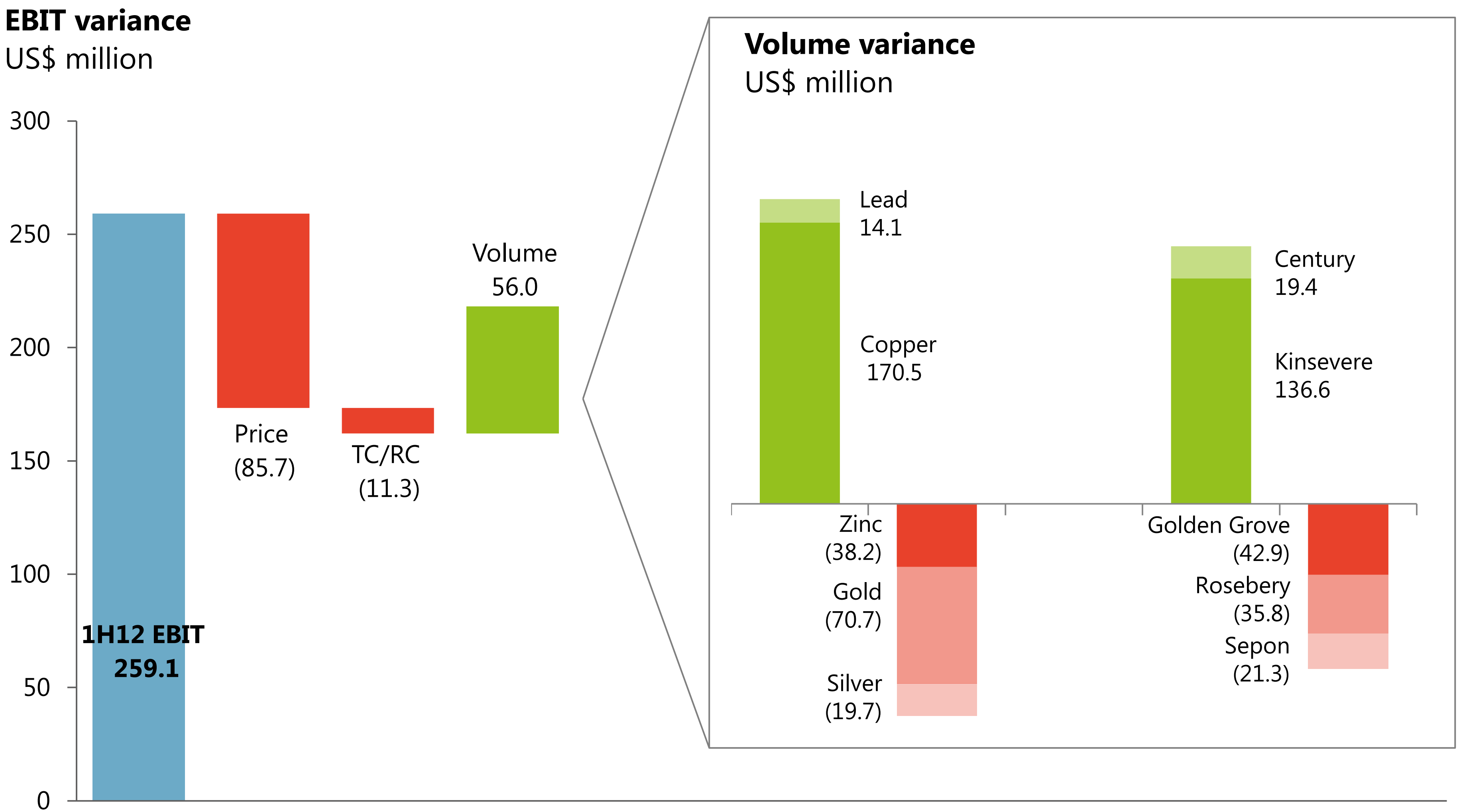
(1) Total Recordable Injury Frequency Rate.

# EBIT variance analysis

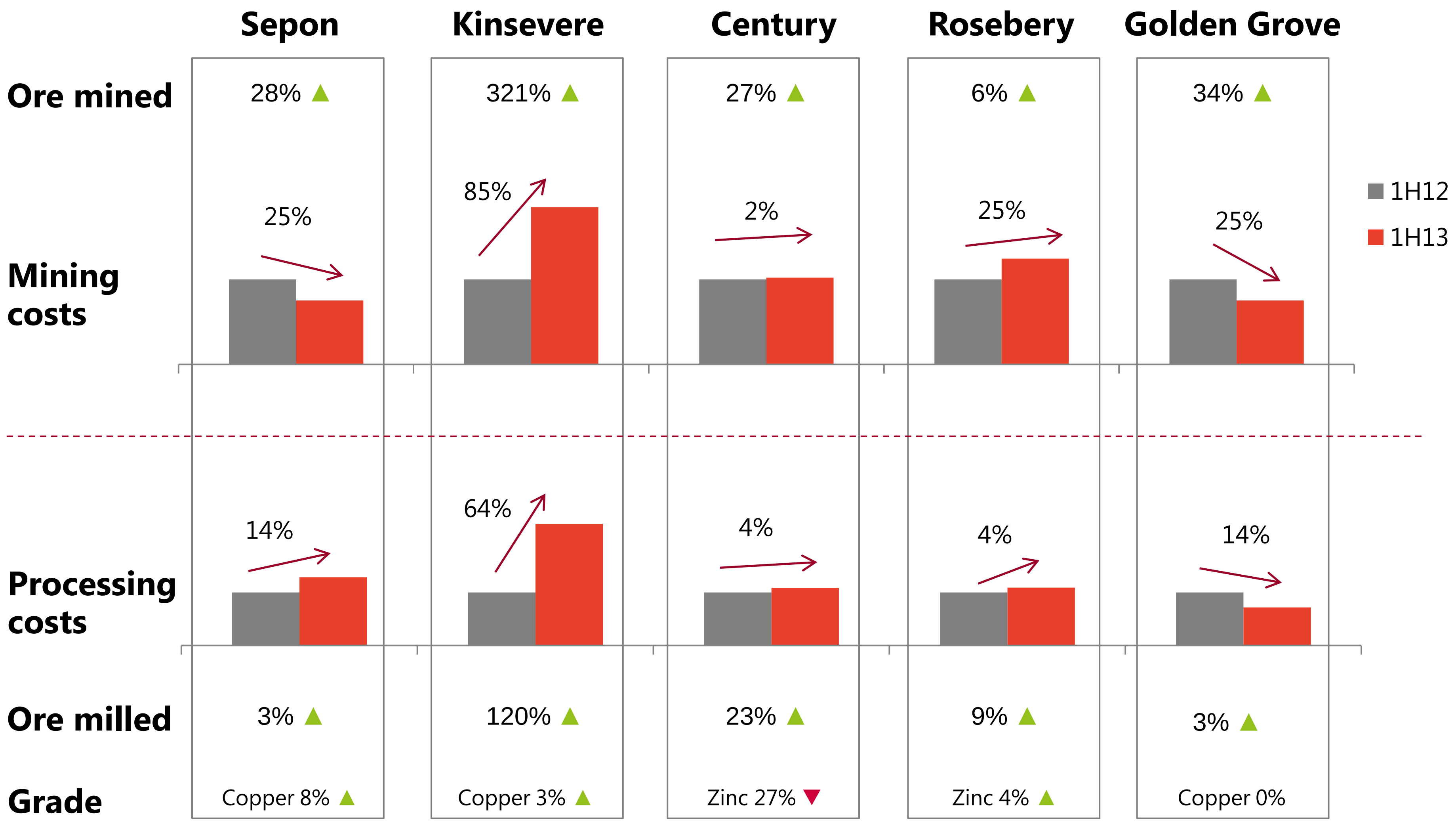



1. Price variance by commodity excludes price variance of silver and lead.

# EBIT variance analysis



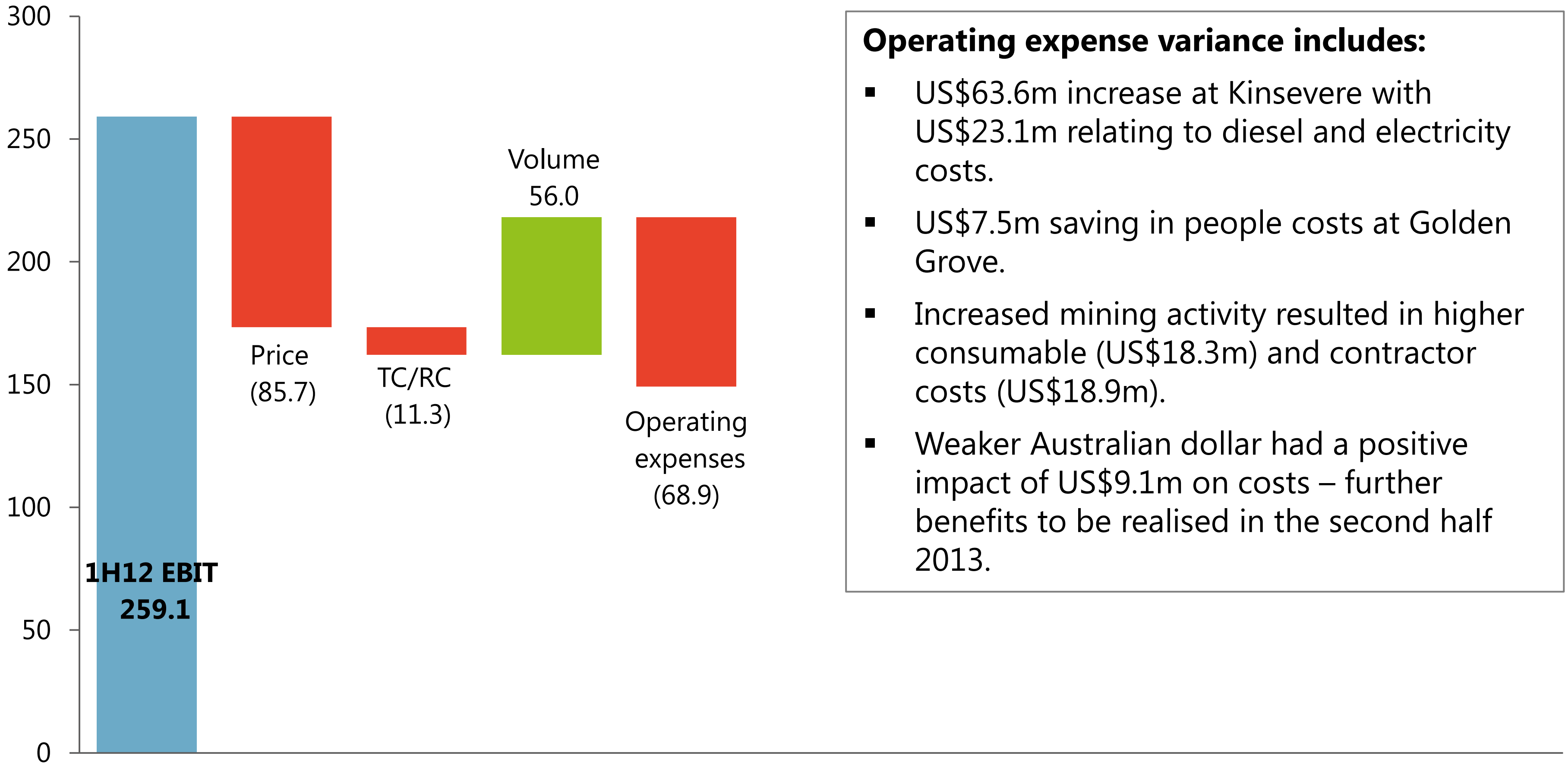
# Higher volumes – well managed costs




Note: Mining and processing costs have been indexed to 1H12.

# EBIT variance analysis

**EBIT variance**
US$ million




**Operating expense variance includes:**

- US$63.6m increase at Kinsevere with US$23.1m relating to diesel and electricity costs.
- US$7.5m saving in people costs at Golden Grove.
- Increased mining activity resulted in higher consumable (US$18.3m) and contractor costs (US$18.9m).
- Weaker Australian dollar had a positive impact of US$9.1m on costs – further benefits to be realised in the second half 2013.

Note: Operating expense variance excludes stock movement which is shown separately.

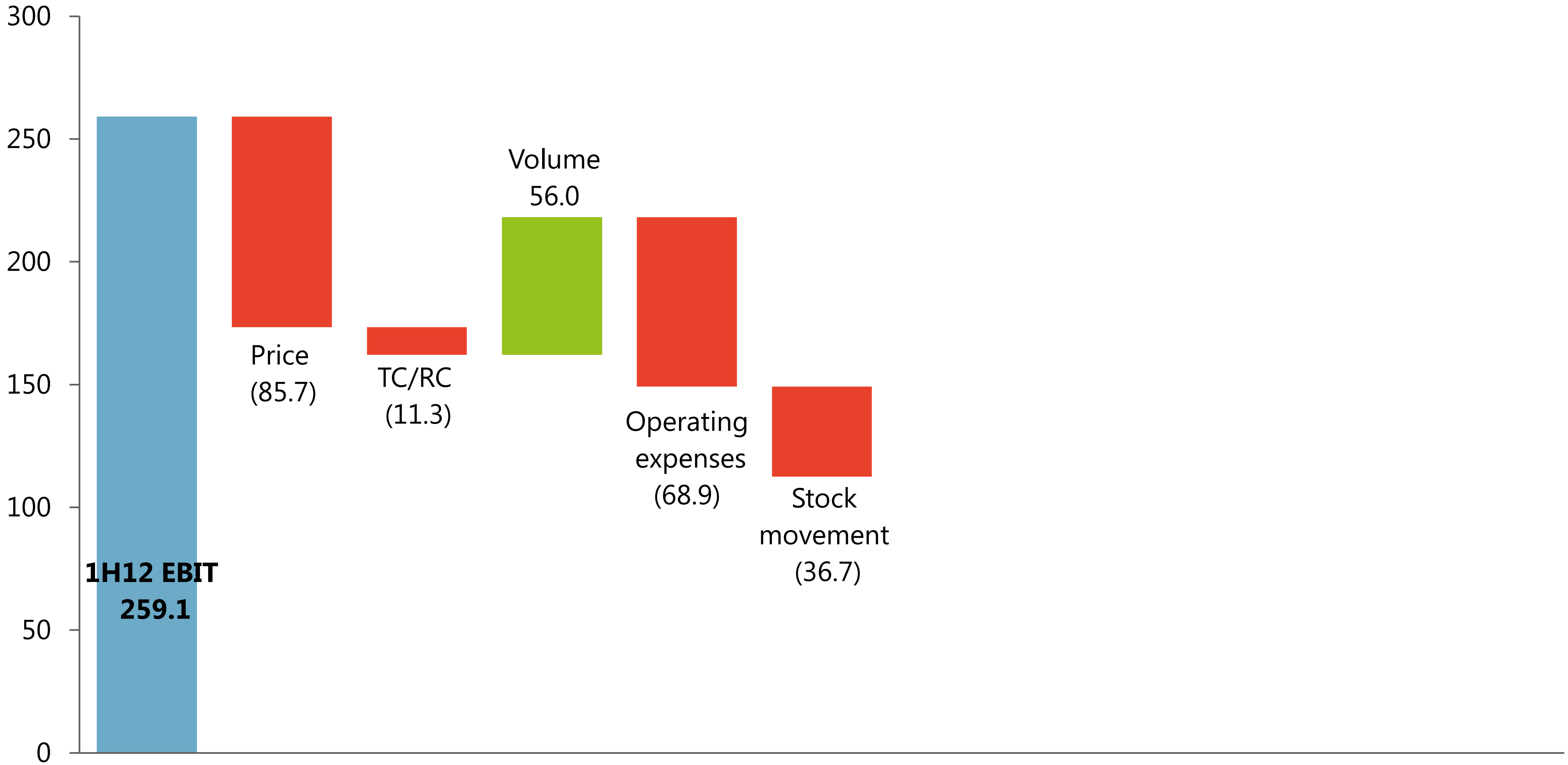
# Kinsevere – power supply update

- Kinsevere power requirements continue to be drawn from the electricity grid with additional power sourced from diesel generation as required.
- 54% of power requirements were met from diesel generation in the first half 2013.
- Current Kinsevere power requirements: **26MW**.
- Diesel cost is approximately two to five times higher than any grid sourced power.
- MMG continues to negotiate supply with local providers and pursue sustainable, long term solutions.

| **Alternative sources of power** | |
|---|---|
| SNEL (DRC) | Contracted to provide 31MW<br>Force majeure has limited supply to a maximum of **8MW** |
| CEC (Zambia) | **15MW** available (off peak) |
| Zesko (Zambia) | **10MW** available (8 hours / day) |
| Diesel | **16MW** maximum output<br>Commences when electrowinning circuit is tripped |

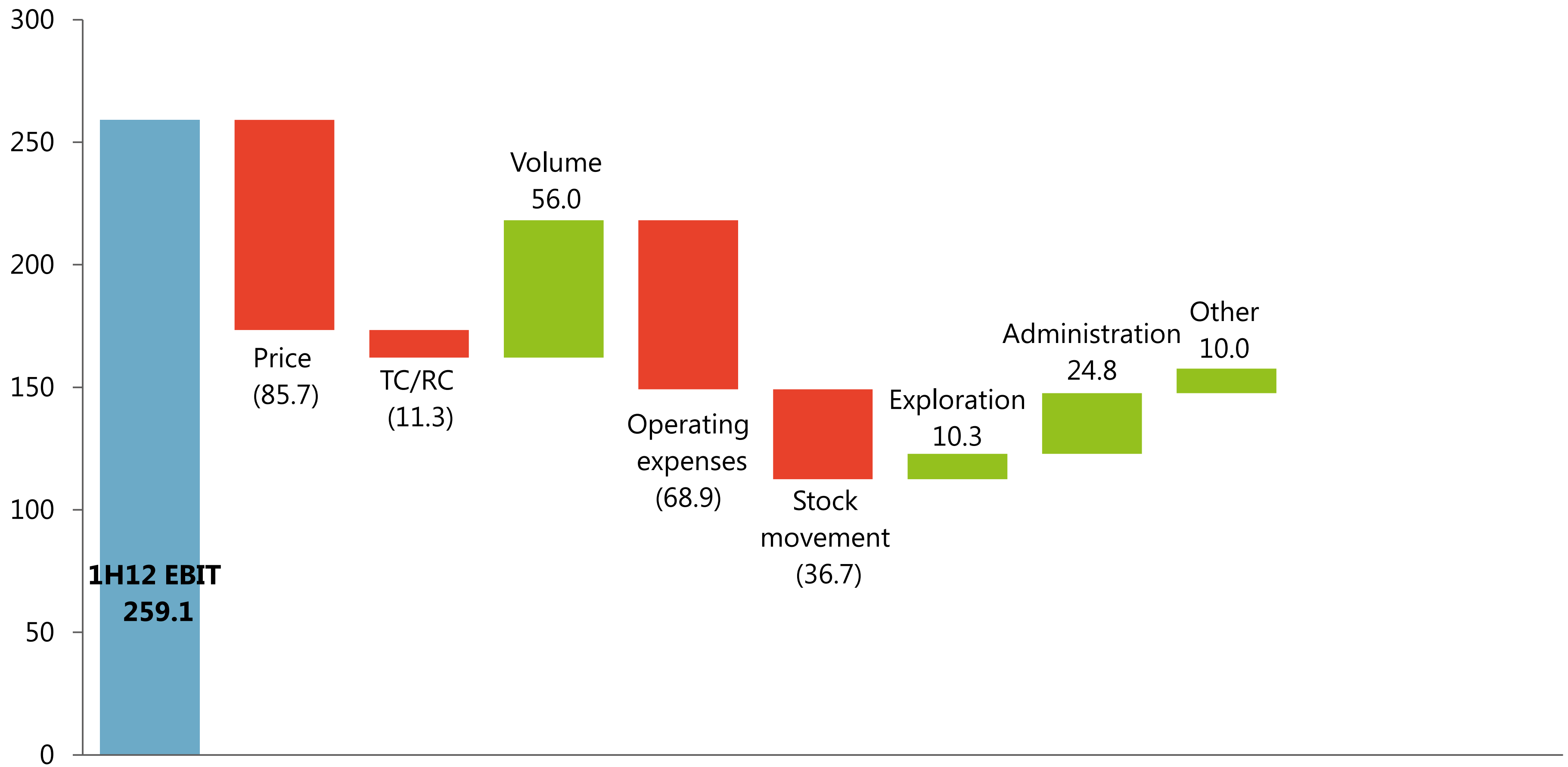
# EBIT variance analysis

**EBIT variance**
US$ million

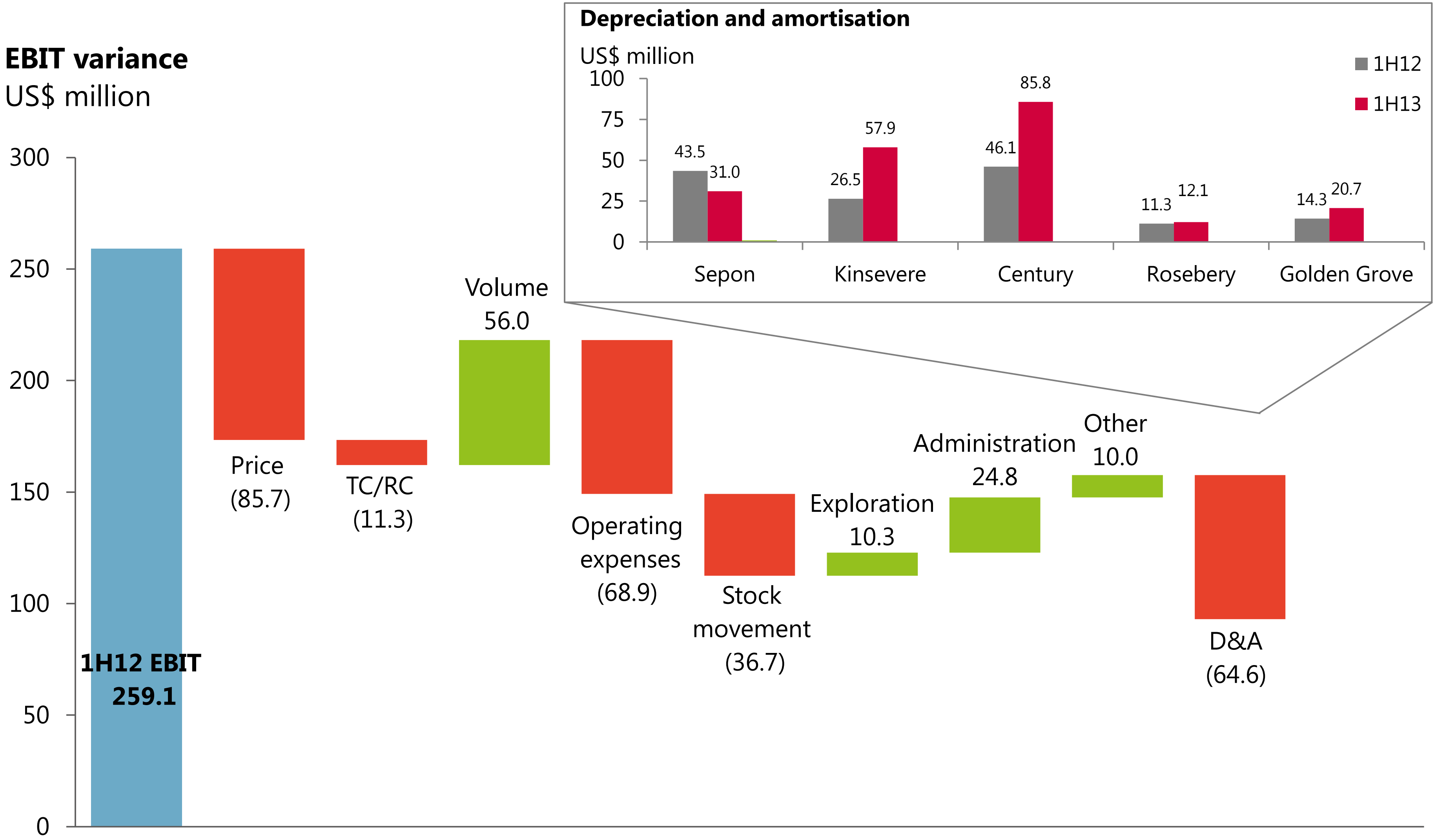


# EBIT variance analysis

**EBIT variance**
US$ million

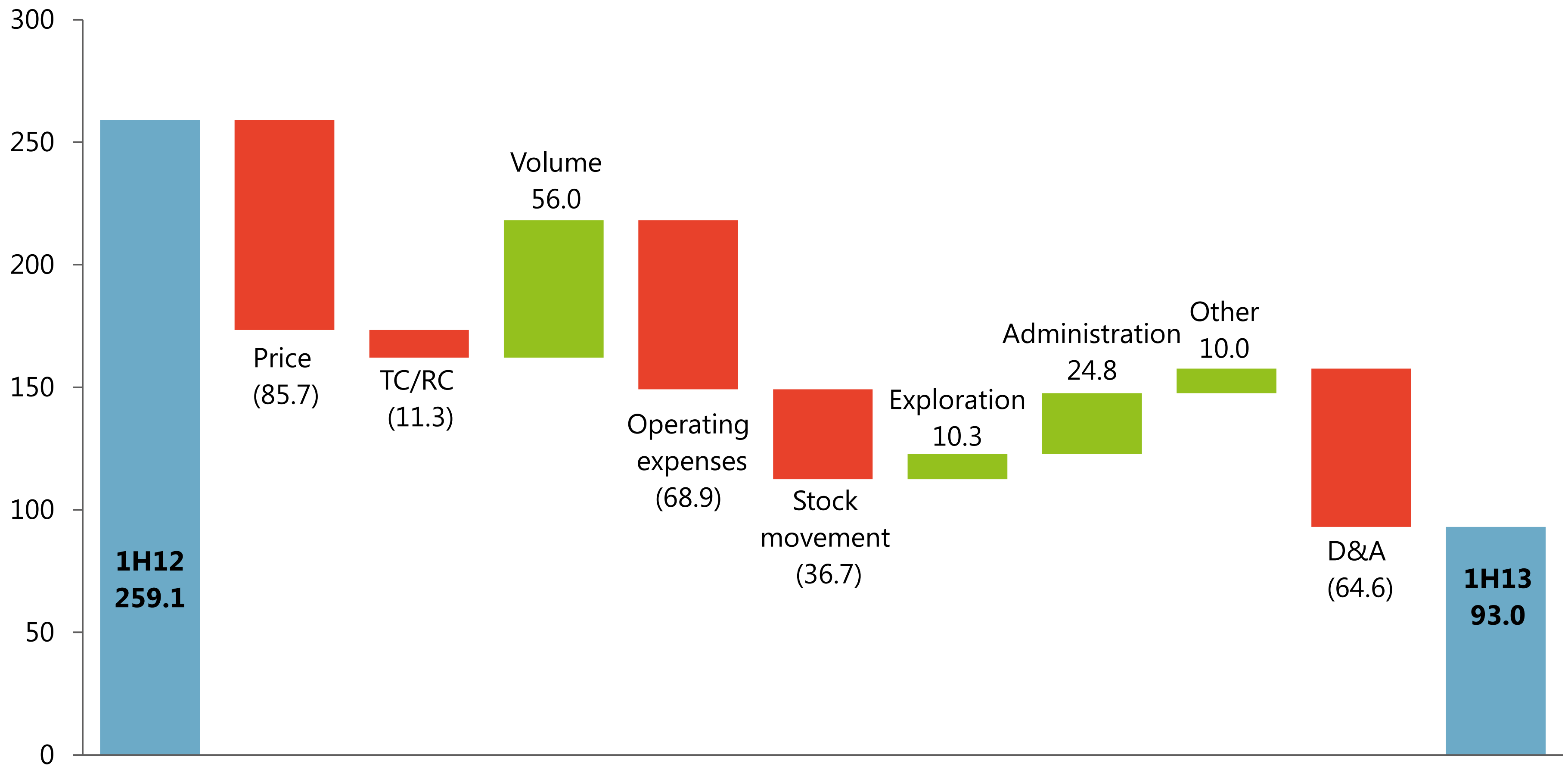


# EBIT variance analysis



# EBIT variance analysis

**EBIT variance**
US$ million



# Analysis of cash flow

*Inflows*

- Cash generated from **operating activities** of US$201.3m.
- Net cash generated from **financing activities** of US$333.6m.

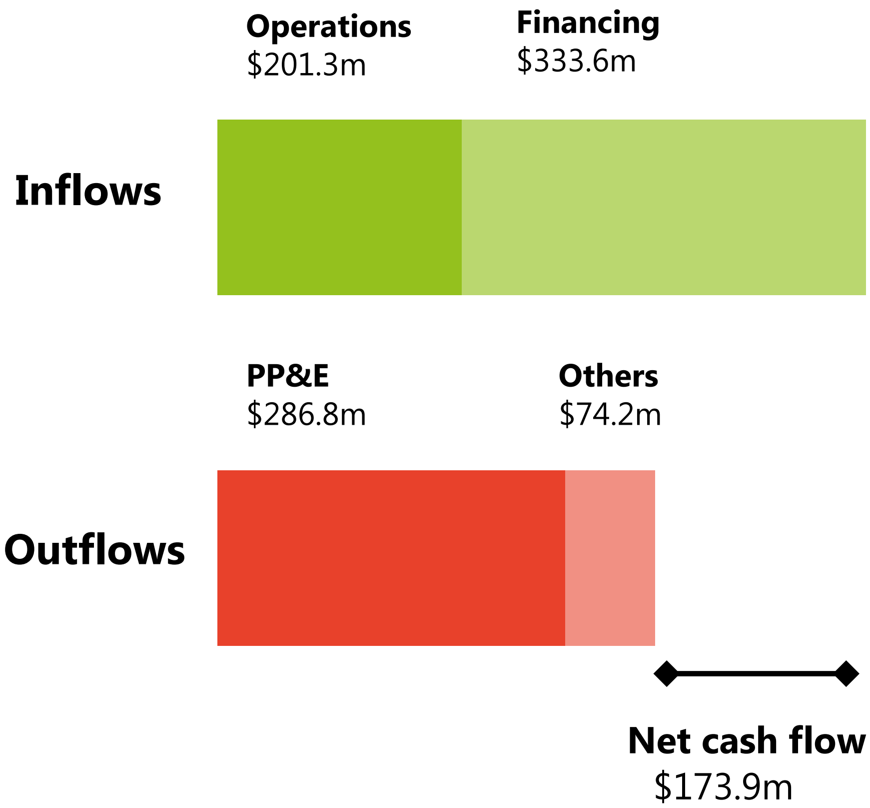
*Outflows*

- **Purchase** of property, plant and equipment (PP&E) of US$286.8m.
- Capital expenditure guidance revised to US$700.0 – US$800.0m.

**Cash balance** of US$278.3m as at 30 June 2013.

**1H 2013 Cash flow summary**

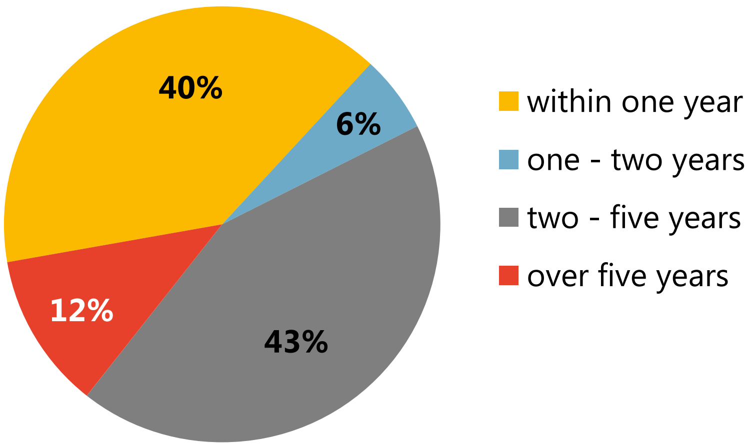
US$ million



# Financial resources and liquidity

- US$150.0m facility with ANZ was repaid in August 2013.
- US$150.0m facility with ICBC extended for a further 12 months to August 2014.
- Issued Convertible Redeemable Preference Shares for the consideration of US$338.0m in August 2013.
- Gearing ratio [1] as at 30 June 2013 of 0.51.
- MMG entered into a facility agreement up to US$1.0 billion to finance the Dugald River project.

**Repayment of borrowings**
as at 30 June 2013




| US$ million | 30 June 2013 | 31 December 2012 |
|---|---|---|
| Total borrowings | 1,933.7 | 1,645.5 |
| Less: Cash and cash equivalents | 278.3 | 102.1 |
| **Net debt** | **1,655.4** | **1,543.4** |
| Total equity | 1,581.6 | 1,588.3 |
| | **3,237.0** | **3,131.7** |
| **Gearing ratio [1]** | **0.51** | **0.49** |

(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.

# Mining performance

## Highlights

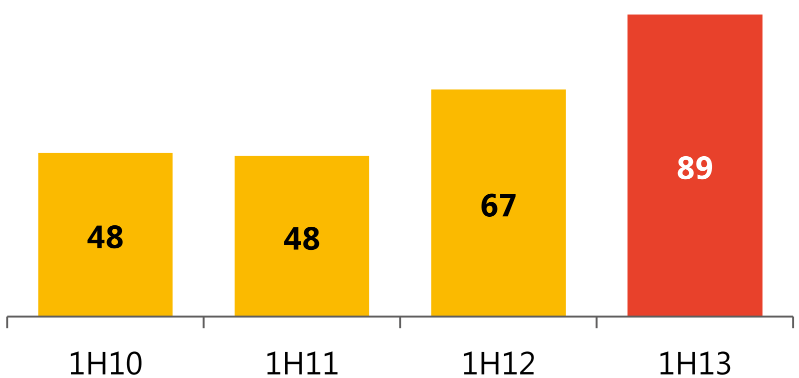
- Ore mined increased 41% compared to 15% increase in operating expenses.
- Total copper production in 1H13 of 89,235 tonnes - 33% above 1H12.
- Total zinc production in 1H13 was 16% lower than 1H12 due to lower grade at Century.
- On track to deliver annual guidance of 170,000 – 185,000 tonnes copper and 572,000 – 590,000 zinc.
- Continue to pursue permanent operating cost reductions.

## EBITDA[1]

| US$ million | 1H13 | 1H12 | % |
|---|---|---|---|
| Sepon | **211.6** | 264.7 | (20) |
| Kinsevere [2] | **92.8** | 44.9 | 107 |
| Century | **52.4** | 104.4 | (50) |
| Rosebery | **29.2** | 58.1 | (50) |
| Golden Grove | **1.5** | 38.9 | (96) |
| **Total** | **387.5** | 511.0 | (24) |

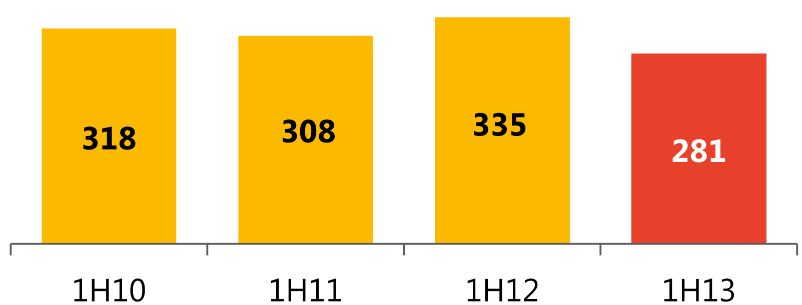
## Copper production

'000 tonnes




## Zinc production

'000 tonnes



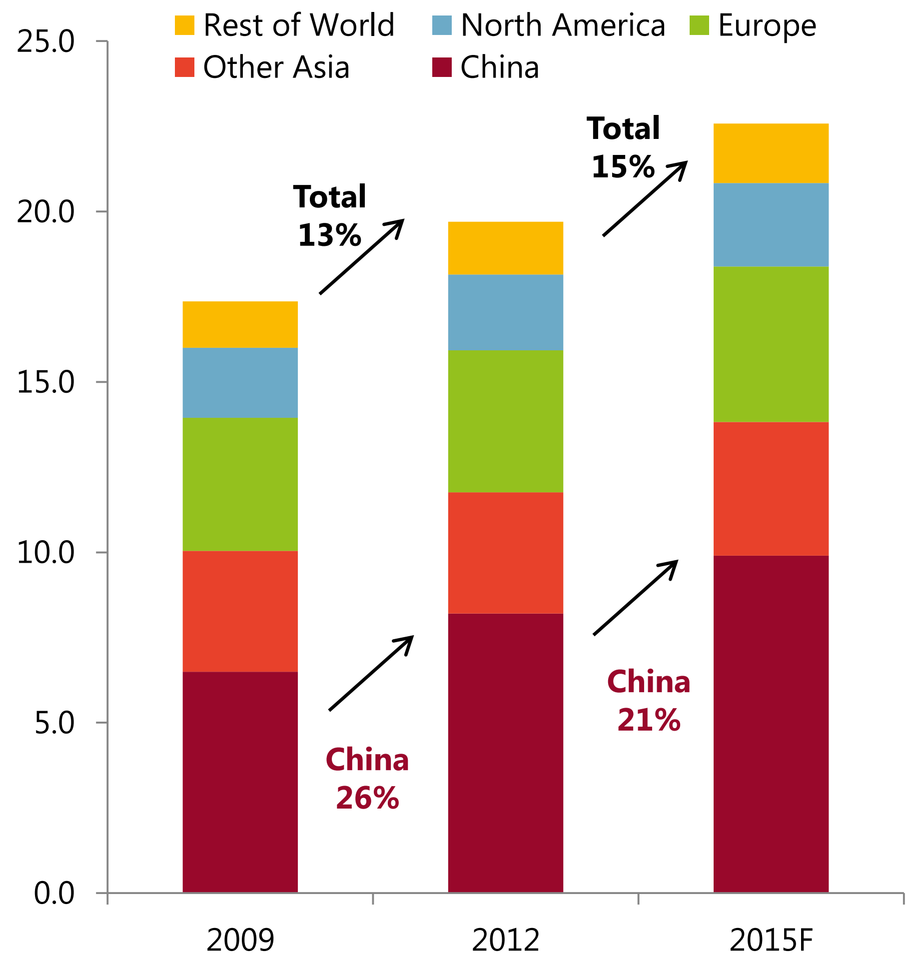

(1) EBITDA includes revenue, operating expenses and other income and expense items.
(2) MMG acquired Kinsevere following the acquisition of Anvil Mining Limited in February 2012.

# Copper – solid long-term market fundamentals

- Average LME copper price decreased 7% in the first half 2013.
- Minimal price reaction to unexpected supply disruptions.
- Market expected to remain in surplus in 2013 with supply growth exceeding short-term growth in demand.
- Long-term demand growth will be driven by the continuing industrialisation in China and other developing economies.

**Global copper refined consumption growth [1]**

million tonnes



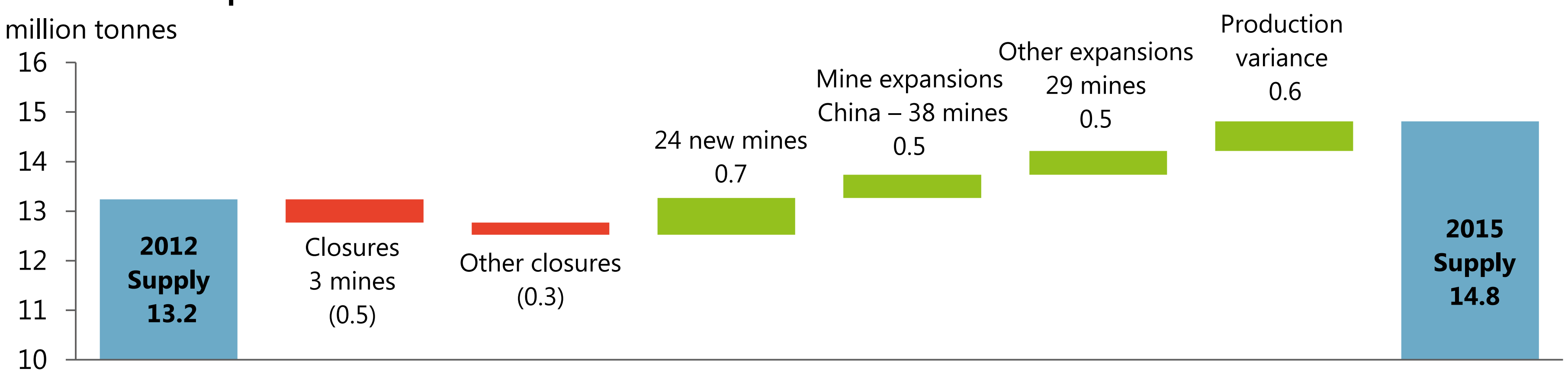

(1) Source: Wood Mackenzie.

# Zinc – future supply uncertain

- Long-term outlook dependent on structural challenges of resource depletion and new mine supply meeting the needs of consumption growth.
- Forecast annual demand CAGR [1] (2012 – 2015) of 5.1% [2].
- Forecast annual supply CAGR [1] (2012 – 2015) of 4.1% [2].

**2012 actual price US$0.88 / lb** → **2015 Wood Mackenzie forecast price US$1.39 / lb (nominal)**

**Global zinc mine production [2]**



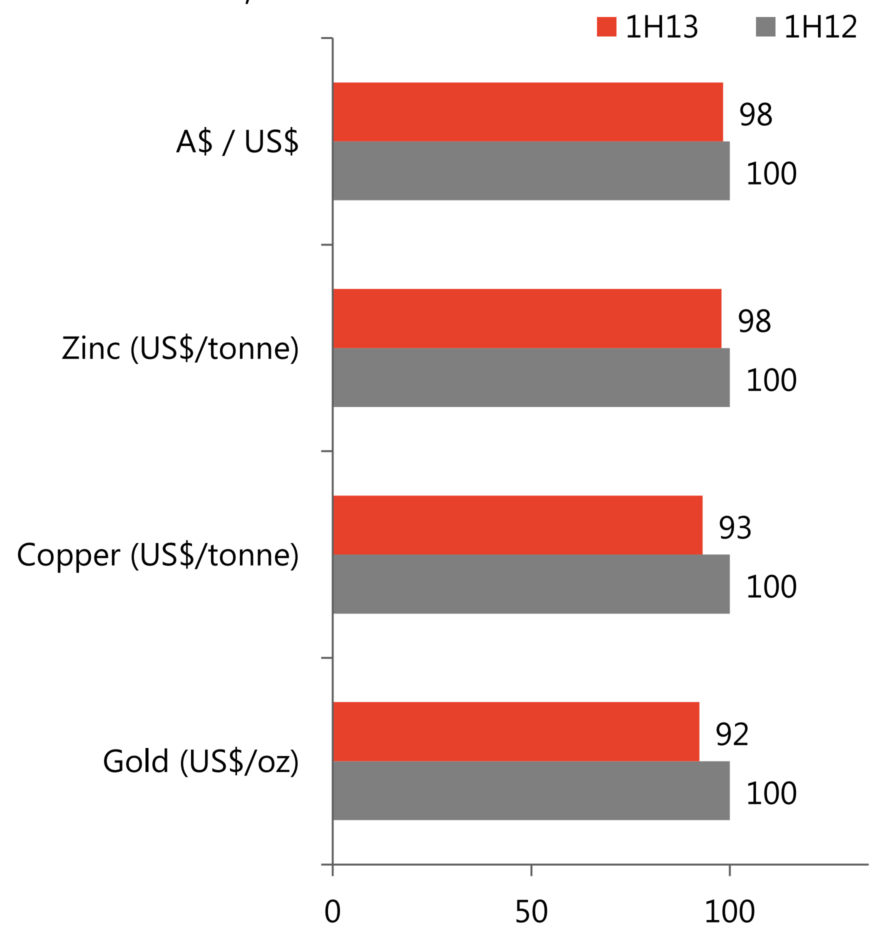

(1) Compound Annual Growth Rate
(2) Source: Wood Mackenzie.

# Financial highlights

- **Revenue** of US$1,177.6m, a decrease of 3%.
- **EBITDA** of US$302.2m, a decrease of 25%.
- **EBIT** of  US$93.0m, a decrease of 64%.
- **Profit** of US$35.9m, a decrease of 75%.
- **Net cash generated** from operating activities of US$201.3m.
- Diluted **earnings per share** of US0.47 cents.
- **Gearing ratio**[1] of 0.51 as at 30 June 2013.

**Foreign exchange and commodity price performance**

Indexed, 1H12=100




(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.

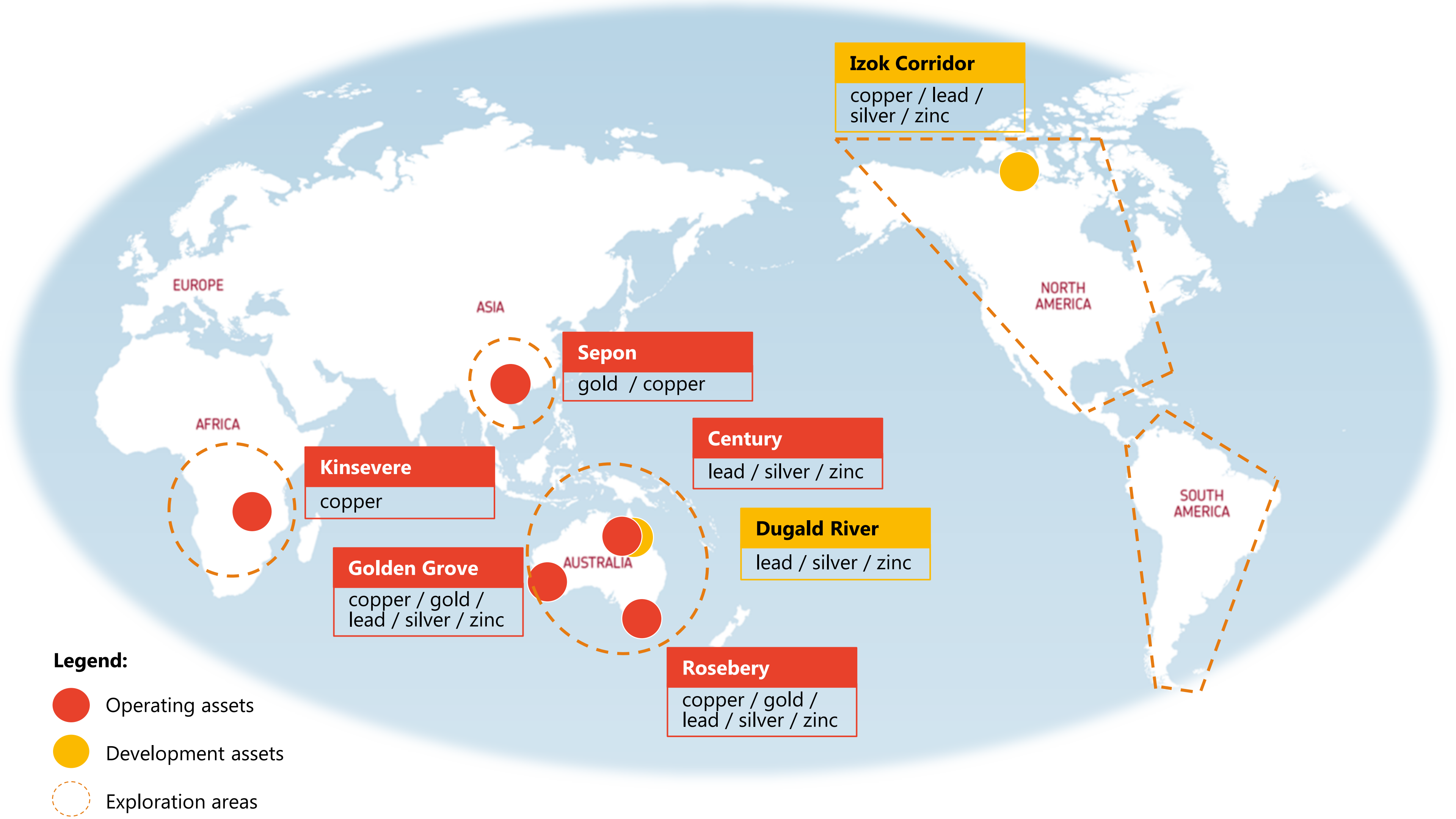
# Building the next generation's global diversified mining company

- Delivered profit to shareholders in the first half 2013.
- Production related expenses well managed – focus on permanent operating cost reductions.
- On track to deliver annual guidance.
- Dugald River financing completed – project components under review.
- Continue to strengthen quality of leadership.
- Future focus on growth.
- No interim dividend declared.

WE MINE FOR
PROGRESS

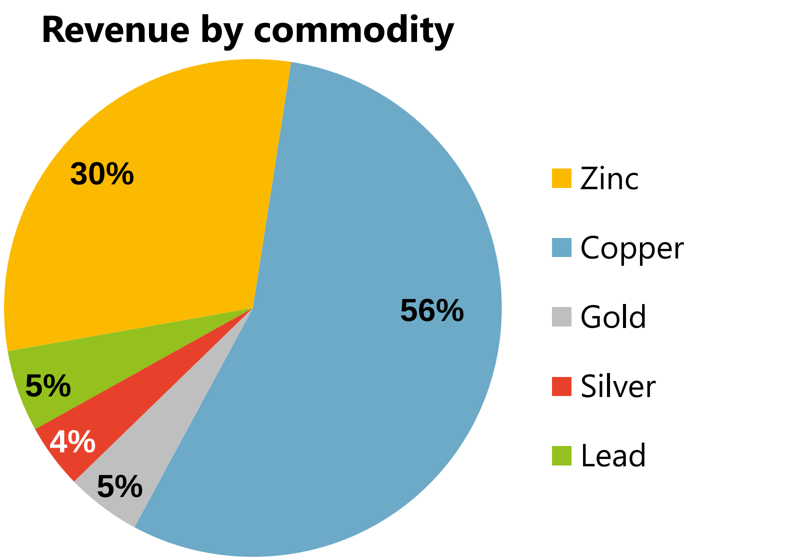
MMG

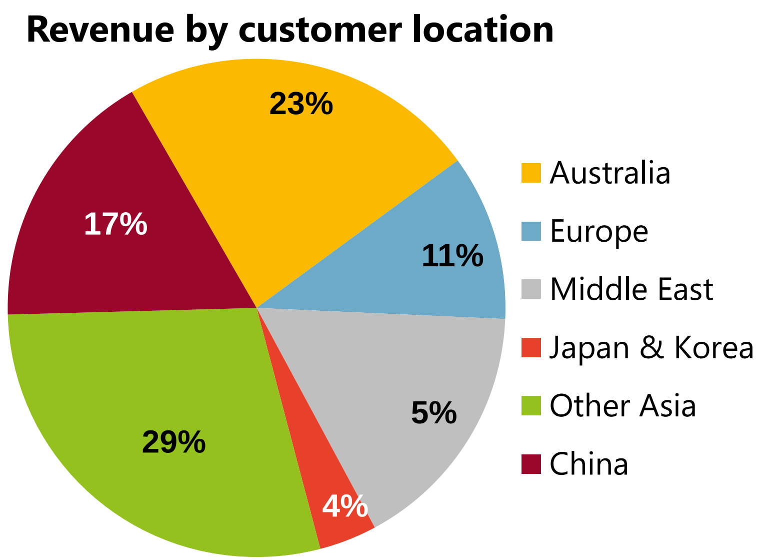
# Overview of assets

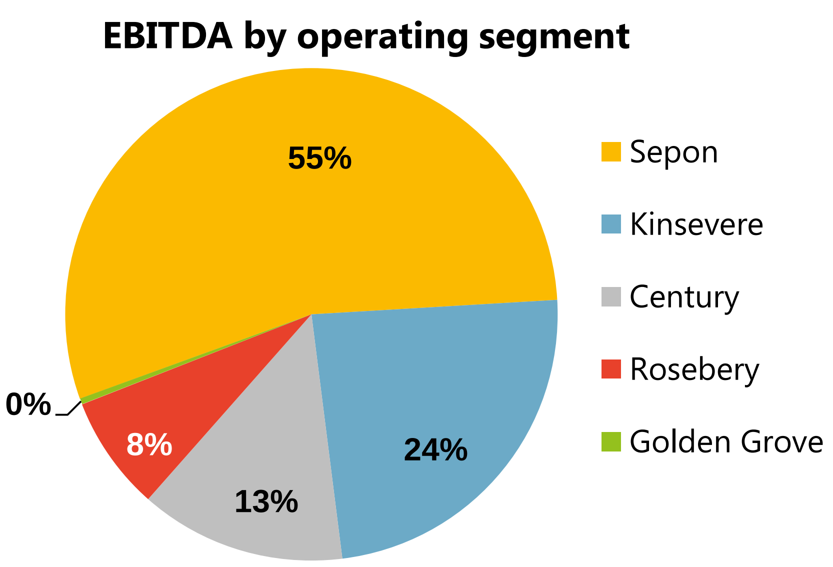


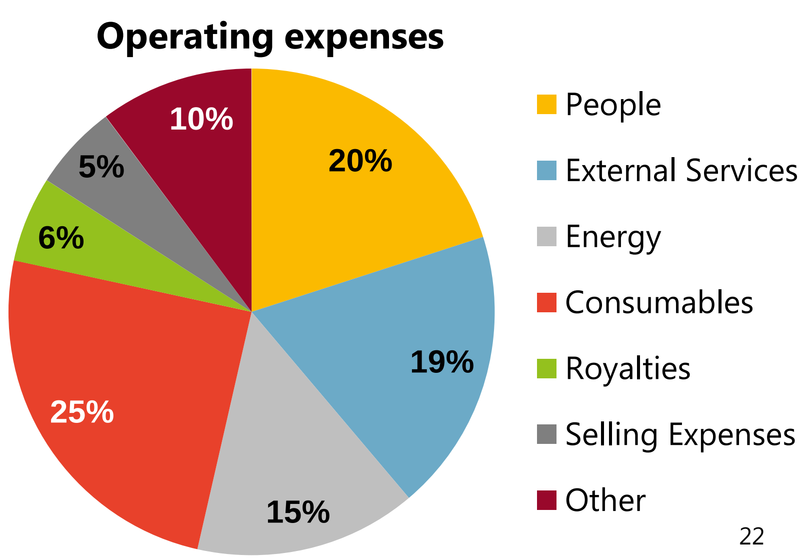

Note: the Avebury operation is currently on care and maintenance.

# Financial dashboard



# Sepon

## Highlights

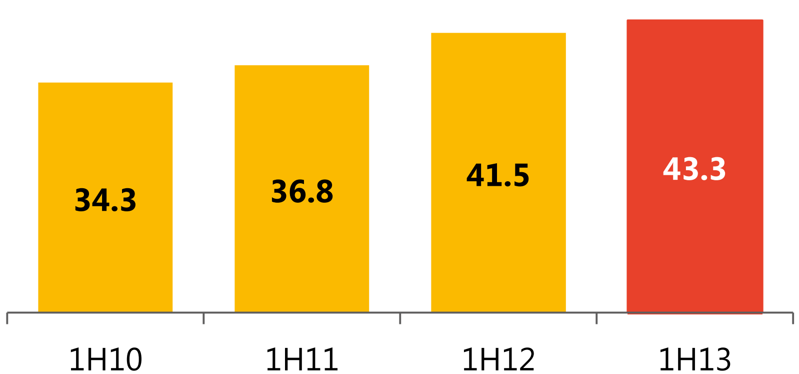
- Solid operating performance and good management of production-related costs in 1H13.
- Copper production and sales increased 5% and 8% due to the improved plant utilisation and efficiency.
- Gold production and sales were 58% and 59% lower due to ore availability and grades.
- Transition of Sepon to an owner-operator mine reduced contractor costs by US$6.3mcompared with 1H12.

## Financials

| US$ million | 1H13 | 1H12 | % |
|---|---|---|---|
| Revenue | **378.4** | 429.9 | (12) |
| EBITDA [1] | **211.6** | 264.7 | (20) |
| EBIT | **180.6** | 221.2 | (18) |
| EBITDA margin (%) | **56** | 62 | |
| C1 Costs – copper (US$ / lb) | **0.97** | 0.98 | |
| C1 costs – gold (US$ / oz) | **1,880** | 666 | |

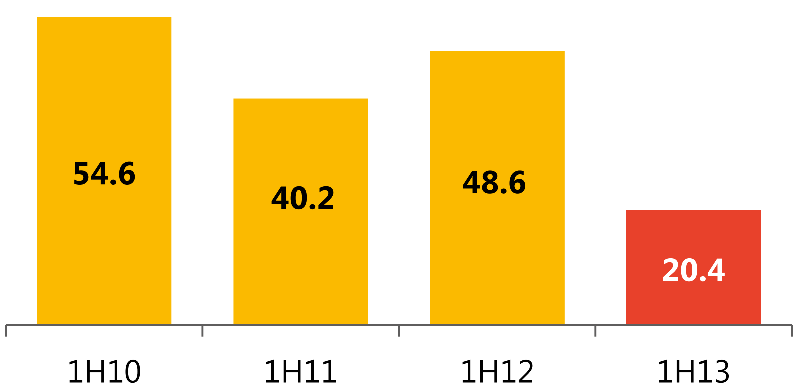
## Copper cathode production

'000 tonnes




## Gold production

'000 ounces




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

# Kinsevere

## Highlights

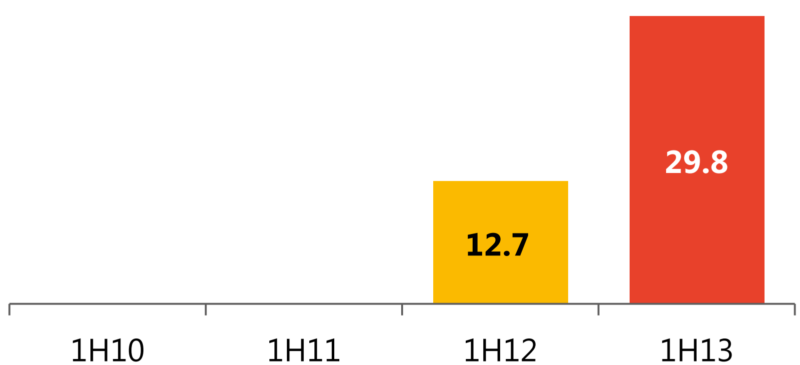
- The first full six months production at nameplate capacity on an annualised basis.
- Copper cathode production was higher than all comparable periods due to higher throughput and a stable electricity supply enabled by the use of diesel generators.
- Total operating expenses increased by US$75.8m reflecting the full six-month period and higher production.
- Approximately 54% of power requirements were met from electricity sourced via generator.

## Financials [2]

| US$ million | 1H13 | 1H12 | % |
|---|---|---|---|
| Revenue | **216.8** | 96.6 | 124 |
| EBITDA [1] | **92.8** | 44.9 | 107 |
| EBIT | **34.9** | 18.4 | 90 |
| EBITDA margin (%) | **43** | 46 | |
| C1 costs – copper (US$ / lb) | **1.60** | 1.74 | |

## Copper cathode production [2]

'000 tonnes




(1) EBITDA includes revenue, operating expenses and other income and expense items.
(2) MMG acquired Kinsevere following the acquisition of Anvil in February 2012.

# Century

## Highlights

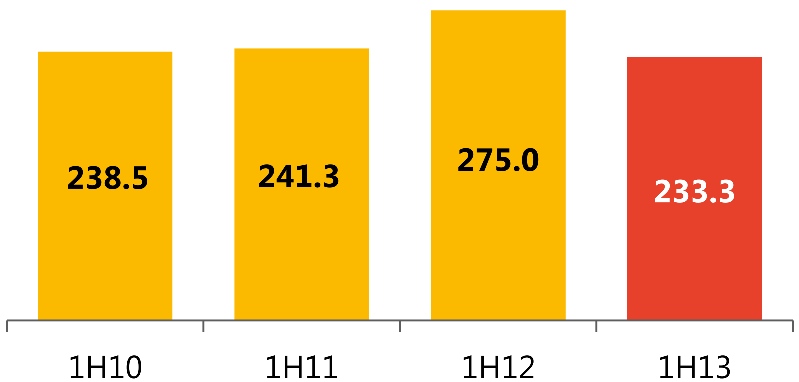
- Revenue decreased by US$9.9m due to lower zinc sales at a lower average realised price.
- The average zinc grade of ore mined decreased from 11.9% in 1H12 to 8.2% in 1H13 as mining starts to progress through the final stages of Century's open pit.
- Production-related expenses were well controlled relative to the increase in mining volumes and throughput.
- C1 costs have been adjusted to incorporate the adoption of IFRIC 20.

## Financials

| US$ million | 1H13 | 1H12 | % |
|---|---|---|---|
| Revenue | **367.1** | 377.0 | (3) |
| EBITDA [1] | **52.4** | 104.4 | (50) |
| EBIT | **(33.4)** | 58.3 | N/A |
| EBITDA margin (%) | **14** | 28 | |
| C1 costs – zinc (US$ / lb) | **0.68** | 0.66 | |

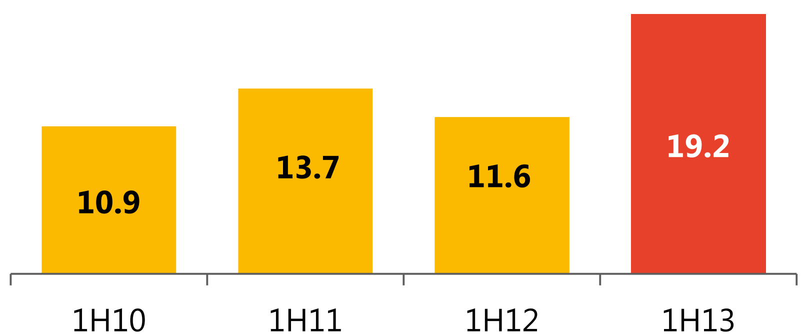
## Zinc in zinc concentrate production

'000 tonnes




## Lead in lead concentrate production

'000 tonnes




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

# Rosebery

## Highlights

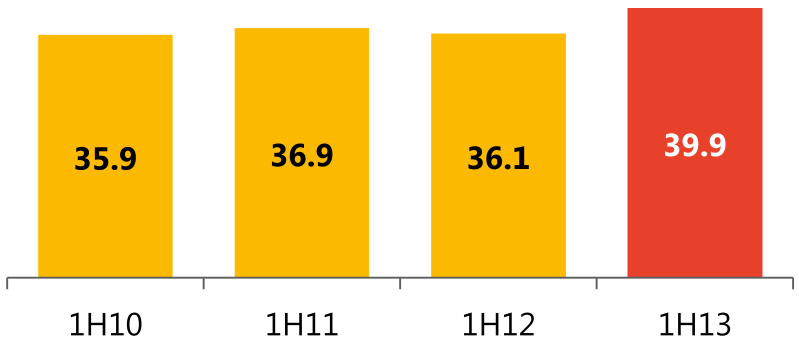
- Year-to-date mining and milling records achieved at Rosebery in 1H13.
- Revenue decreased by US$43.8m due to a lower average realised zinc price and the timing of shipment.
- Timing of shipment also impacted by-product revenue in 1H13 which is used to calculate C1 costs.
- Operating expenses were 15% lower than 1H12 mainly due to unsold concentrate at the end of June 2013
- Following the seismic event at Rosebery in 2012, improvements to ground support continued to impact costs.

## Financials

| US$ million | 1H13 | 1H12 | % |
|---|---|---|---|
| Revenue | **106.2** | 150.0 | (29) |
| EBITDA [1] | **29.2** | 58.1 | (50) |
| EBIT | **17.1** | 46.8 | (64) |
| EBITDA margin (%) | **27** | 39 | |
| C1 costs – zinc (US$ / lb) | **0.42** | 0.19 | |

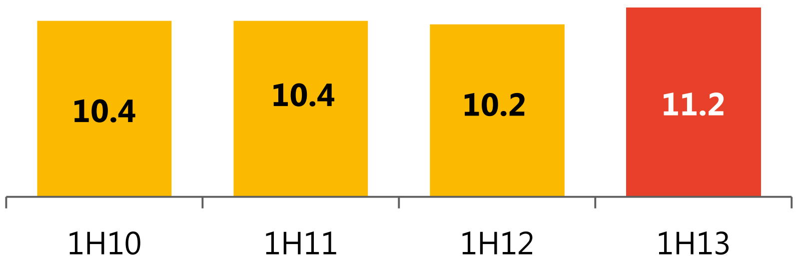
## Zinc in zinc concentrate production

'000 tonnes




## Lead in lead concentrate production

'000 tonnes




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

# Golden Grove

## Highlights

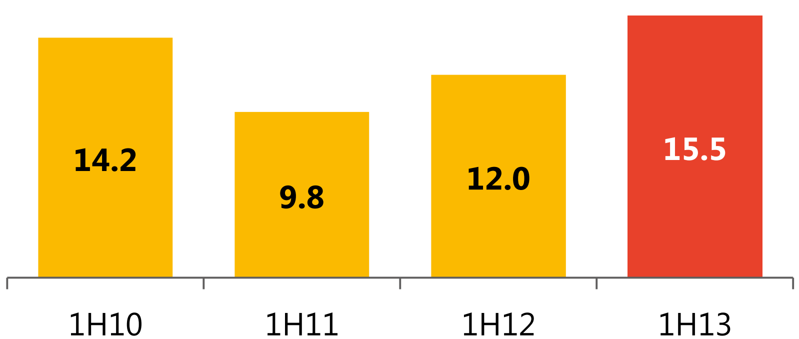
- Mining activity continued to focus on copper in 1H13.
- Strategic review completed in 2012 resulting in employee related cost savings of US$7.5m in 1H13.
- Costs relating to the use of consumables decreased by US$3.8m despite increased mining activity with a higher proportion occurring from the open pit.
- Additional exploration of nearby tenements targeted towards higher grade copper and zinc ore deposits.

## Financials

| US$ million | 1H13 | 1H12 | % |
|---|---|---|---|
| Revenue | **109.1** | 165.2 | (34) |
| EBITDA [1] | **1.5** | 38.9 | (96) |
| EBIT | **(19.2)** | 24.6 | N/A |
| EBITDA margin (%) | **1** | 24 | |
| C1 costs – copper (US$ / lb) | **3.12** | 3.59 | |
| C1 costs – zinc (US$ / lb) | **0.48** | 0.07 | |

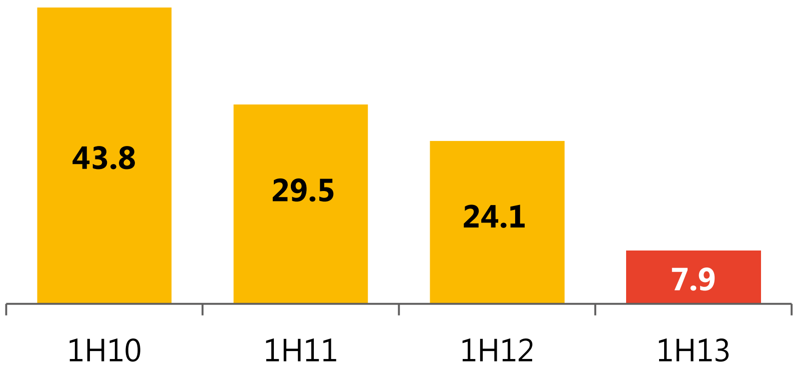
## Copper in copper concentrate production

'000 tonnes




## Zinc in zinc concentrate production

'000 tonnes




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

# 2013 Guidance

| Sepon | |
|---|---|
| Copper – production | 83,000 – 88,000 tonnes |
| Copper – C1 costs | US$0.95 – US$1.05 / lb |
| Gold – production | 40,000 – 50,000 ounces |
| Gold – C1 costs | US$1,475 – US$1,625 / oz |

| Kinsevere | |
|---|---|
| Copper – production | 57,000 – 62,000 tonnes |
| Copper – C1 costs | US$1.40 – US$1.70 / lb |

| Century | |
|---|---|
| Zinc – production | 480,000 – 490,000 tonnes |
| Zinc – C1 costs | US$0.64 – US$0.68 / lb |
| Lead – production | 38,000 – 42,000 tonnes |

| Rosebery | |
|---|---|
| Zinc – production | 75,000 – 80,000 tonnes |
| Zinc – C1 costs | US$0.25 – US$0.30 / lb |
| Lead – production | 20,000 – 22,000 tonnes |

| Golden Grove | |
|---|---|
| Copper – production | 30,000 – 35,000 tonnes |
| Copper – C1 costs | US$2.80 – US$3.10 / lb |
| Zinc – production | 17,000 – 20,000 tonnes |
| Zinc – C1 costs | US$0.45 – US$0.55 / lb |

| Cash flow | |
|---|---|
| Capital expenditure | US$700 – US$800 million |
| Exploration | US$75 million |

# Century – July 2013

# Condensed consolidated interim income statement

| Six months ended 30 June<br>US$ million | 2013<br>Unaudited | 2012<br>Unaudited and restated | Variance<br>% |
|---|---|---|---|
| Revenue | 1,177.6 | 1,218.7 | (3) |
| Other income | 0.5 | 1.9 | (74) |
| Expenses (Excluding depreciation and amortisation) | (875.9) | (816.9) | (7) |
| **EBITDA** | **302.2** | **403.7** | **(25)** |
| Depreciation and amortisation | (209.2) | (144.6) | (45) |
| **EBIT** | **93.0** | **259.1** | **(64)** |
| Finance income | 1.9 | 2.5 | (24) |
| Finance costs | (38.8) | (42.2) | 8 |
| **Profit before income tax** | **56.1** | **219.4** | **(74)** |
| Income tax expense | (20.2) | (74.9) | 73 |
| **Profit for the period** | **35.9** | **144.5** | **(75)** |

| | | | |
|---|---|---|---|
| **Earnings per share for profit attributable to the equity holders of the Company** | | | |
| Basic earnings per share | US 0.47 cents | US 2.47 cents | |
| Diluted earnings per share | US 0.47 cents | US 2.47 cents | |

# Condensed consolidated interim balance sheet

| US$ million | 30 June 2013 Unaudited | 31 December 2012 Audited and restated |
|---|---|---|
| Non-current assets | 3,737.8 | 3,652.2 |
| Current assets – cash and cash equivalents | 278.3 | 102.1 |
| Current assets – other | 618.3 | 807.4 |
| **Total assets** | **4,634.4** | **4,561.7** |
| **Total equity** | **1,581.6** | **1,588.3** |
| Non-current liabilities | 1,940.1 | 2,119.3 |
| Current liabilities | 1,112.7 | 854.1 |
| **Total liabilities** | **3,052.8** | **2,973.4** |
| **Total equity and liabilities** | **4,634.4** | **4,561.7** |
| **Net current (liabilities) / assets** | **(216.1)** | **55.4** |
| **Total assets less current liabilities** | **3,521.7** | **3,707.6** |

# Consolidated financial performance: Cash flow statement

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| Six months ended 30 June<br>US$ million | 2013<br>Unaudited | 2012<br>Unaudited and restated |
|---|---|---|
| Receipts from customers | 1,228.3 | 1,209.0 |
| Payments to suppliers | (900.0) | (793.2) |
| Payments for exploration expenditure | (33.3) | (43.6) |
| Income tax paid | (93.7) | (113.7) |
| **Net cash generated from operating activities** | **201.3** | **258.5** |
| Purchase of property, plant and equipment | (286.8) | (280.4) |
| Other investing activities | (74.2) | 24.3 |
| Acquisition of subsidiaries | - | (1,310.5) |
| **Net cash used in investing activities** | **(361.0)** | **(1,566.6)** |
| **Net cash generated from financing activities** | **333.6** | **293.1** |
| **Net (decrease)/increase in cash and cash equivalents** | **173.9** | **(1,015.0)** |
| Cash and cash equivalents at 1 January | 102.1 | 1,096.5 |
| Cash and cash equivalents – acquisition of subsidiaries | - | 73.3 |
| Exchange gains on cash and bank balances | 2.3 | 0.5 |
| **Cash and cash equivalents at 30 June** | **278.3** | **155.3** |