
# Bank of America Merrill Lynch Equities Conference

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HKEx:1208 ASX:MMG

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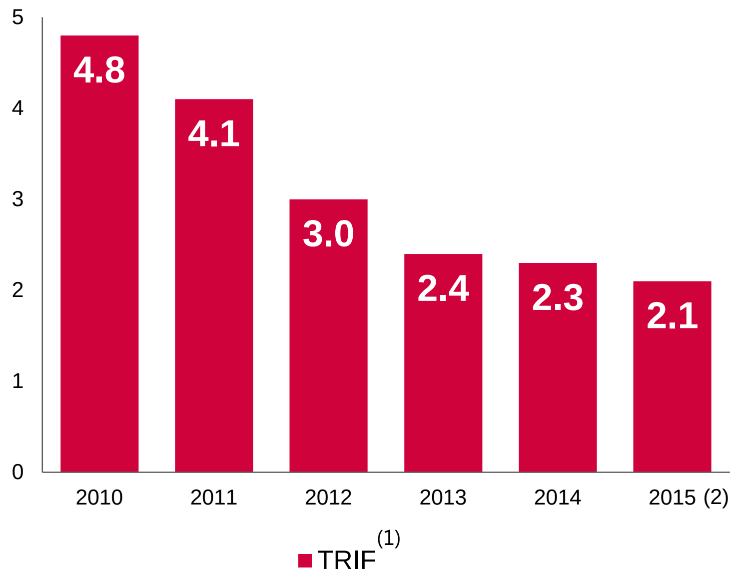
This presentation should be read in conjunction with MMG Limited's annual results announcement for the year ended 31 December 2015 issued to the Hong Kong Stock Exchange on 9 March 2016.

# Our values: We mine for progress

## Safety Performance





- Safety our first value - TRIF[1] of 2.1 per million hours worked in 2015.
- Safety aligned with management incentives – critical to performance.
- MMG CEO Chair of International Council on Mining and Metals (ICMM) – committed to ICMM 10 principles of Sustainable Development
- Global partnership with UNICEF for child rights/health, committed development partner with national govts.
- US$63.5 million investment in social development programs in 2015 – focus on Lao PDR, DRC and Peru.
- Focus on wealth generation for local communities – beyond life of mine.

(1) Total Recordable Injury Frequency.
(2) Las Bambas safety data is incorporated into MMG for first time from January 2015.

# Global development expertise

WE MINE FOR PROGRESS MMG

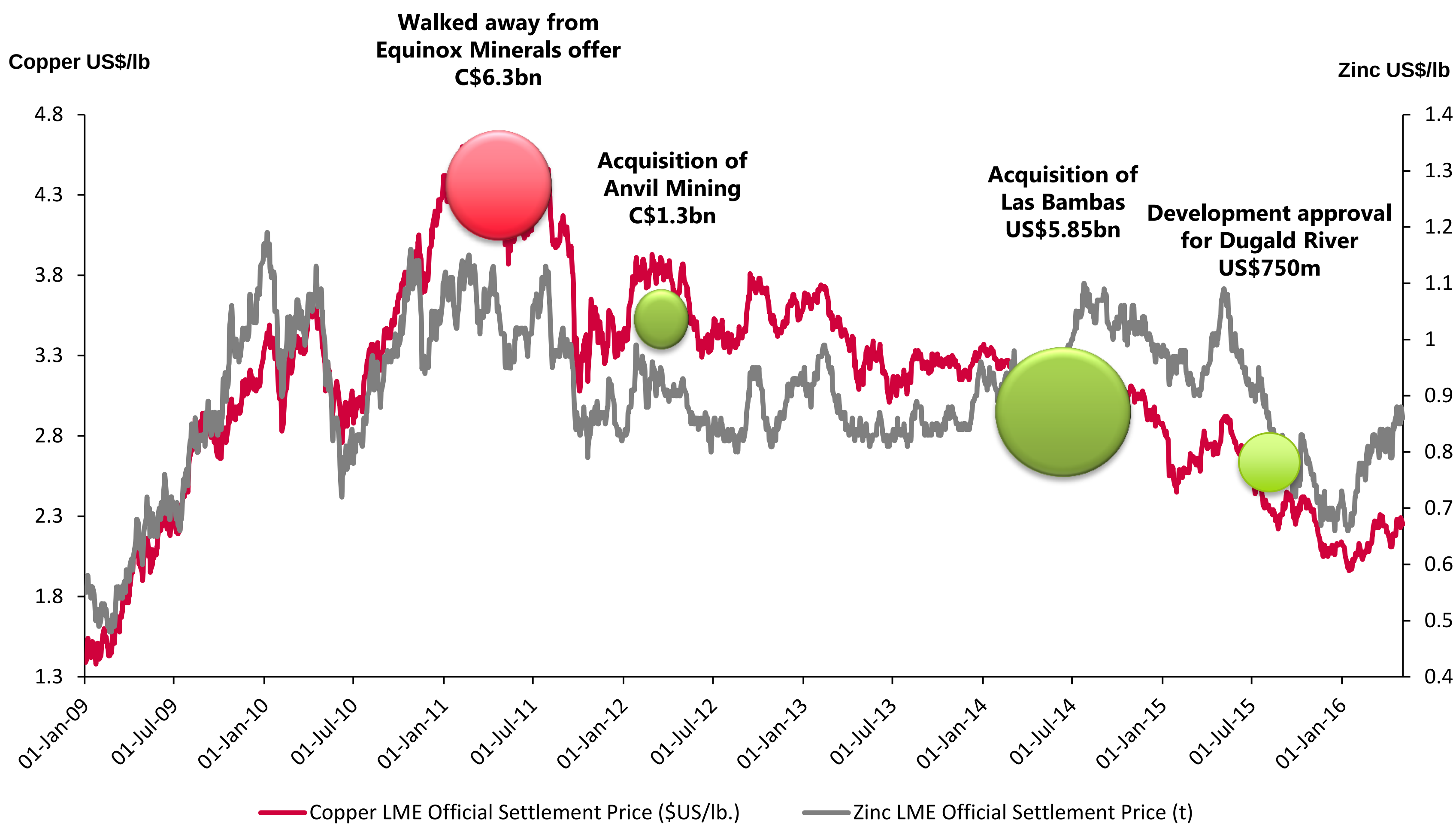
*US$3 million global partnership with UNICEF on nutrition and child rights.*

*Significant investment in schools, education and capacity in DRC, Lao and Peru.*

*World's leading practice relocation and livelihood restoration in Apurimac, Peru.*

*Sustained investment in local business development and supply opportunities.*

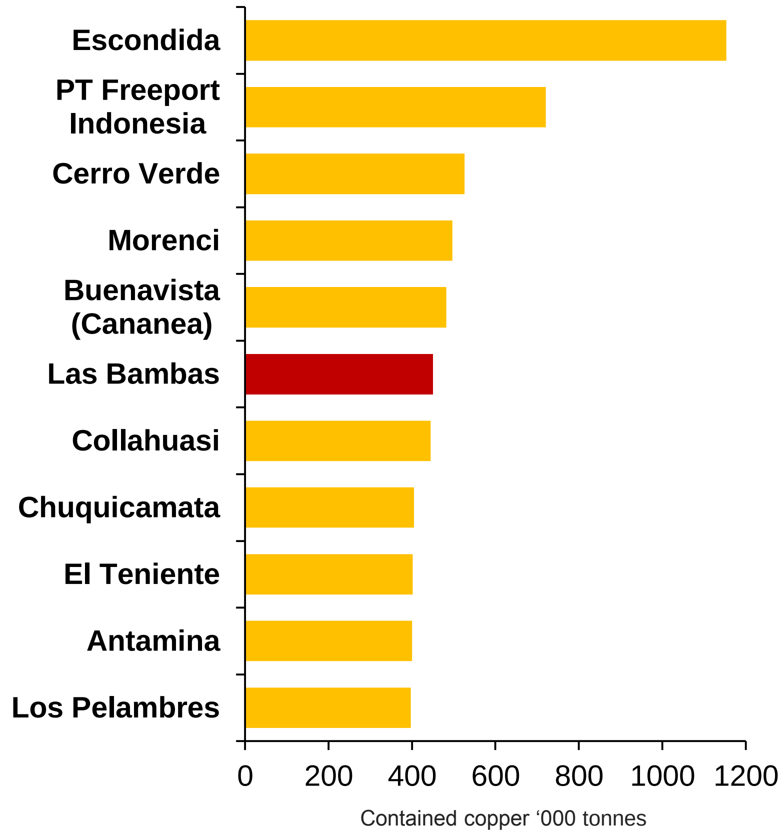
# Investing through the cycle



# Las Bambas – size, scale and life

- Located in Apurimac region of Peru.
- US$5.85bn acquisition in August 2014 from previous owner Glencore.
- Ownership 62.5% MMG (operator), 22.5% Guoxin, 15% Citic.
- 2016 production forecast 250,000 – 300,000[1] tonnes copper in copper concentrate.
- Commercial production expected 2H16 with C1 cost US$0.80-US$0.90/lb[2]
- Initial 20+ years mine life producing Copper, Gold, Silver and Molybdenum
- Over 2 billion tonnes in Copper resources.

**2017 Forecast annual production capability[1]**

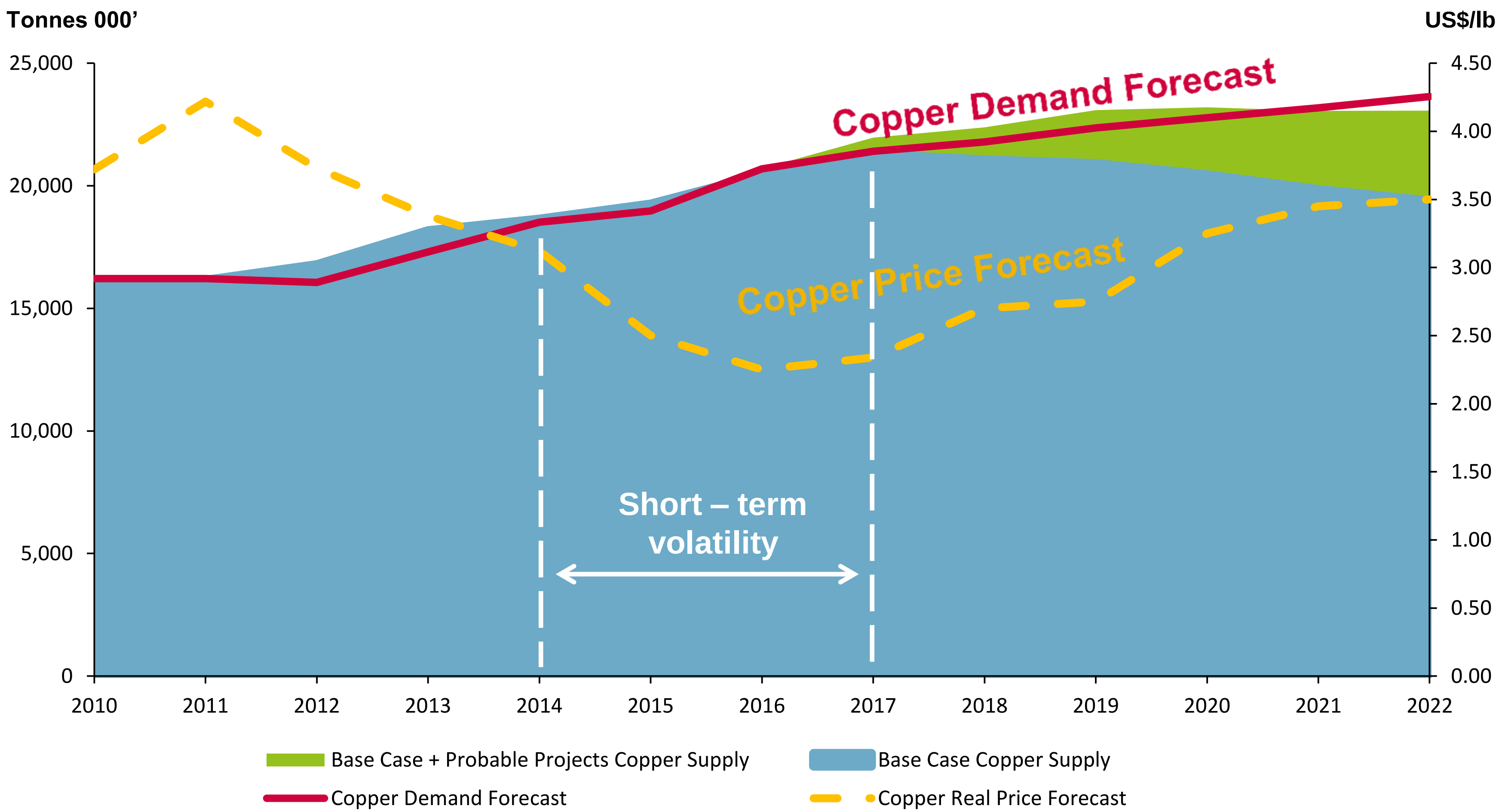



(1) Source Wood Mackenzie and MMG assumed forecasted production rates at steady state..

(1) Production volumes include expected pre and post-commercial production volumes at Las Bambas. The exact split will be determined prior to Las Bambas declaring commencement of commercial operations

(2) C1 cost forecast range once at steady state of production, not indicative for full year 2016 given commissioning and ramp up activities.

# Copper - longer term price support




Source: Wood Mackenzie.

# Zinc - facing declining output

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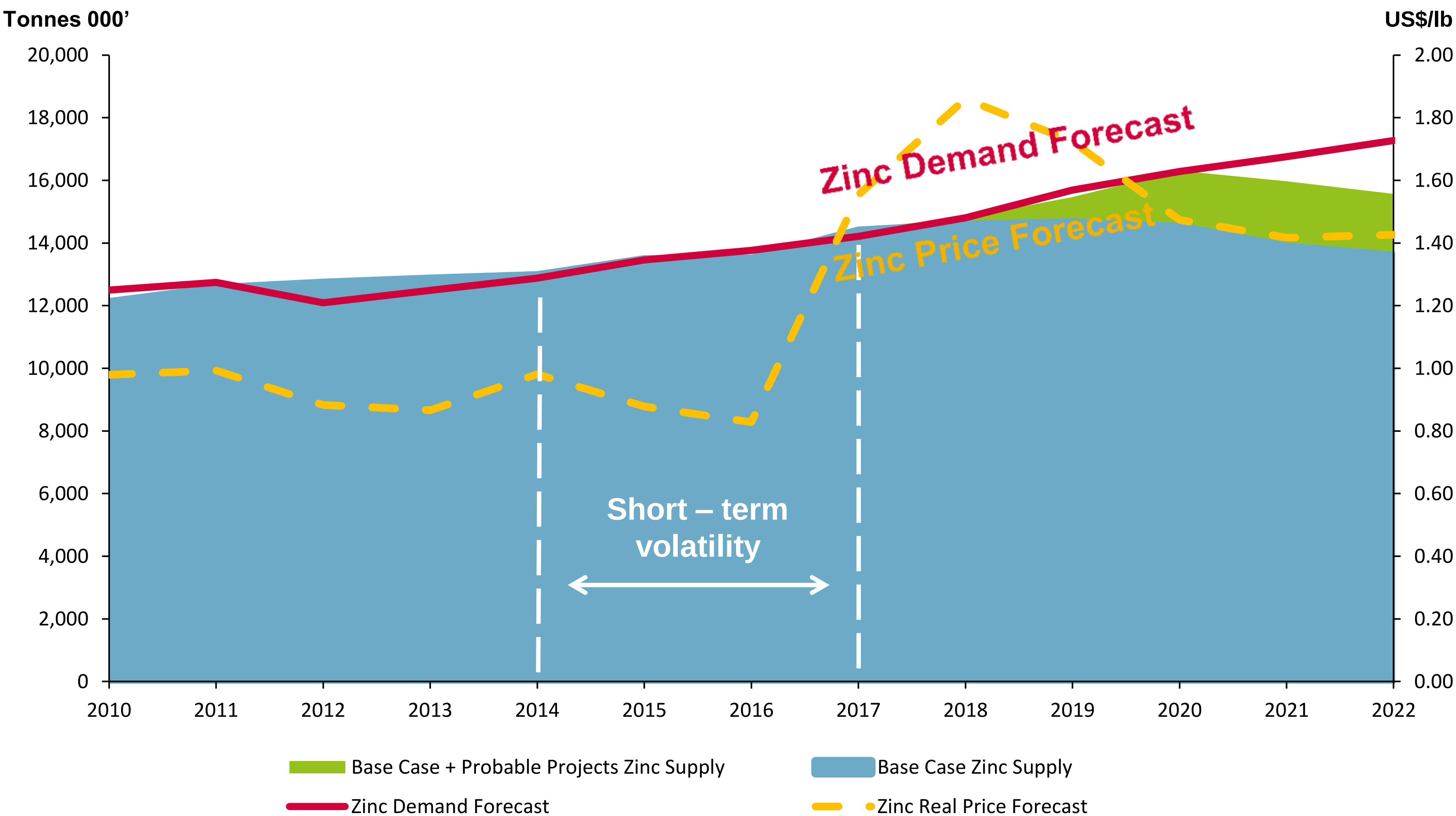


Source: Wood Mackenzie.

# Access to long term capital a competitive advantage

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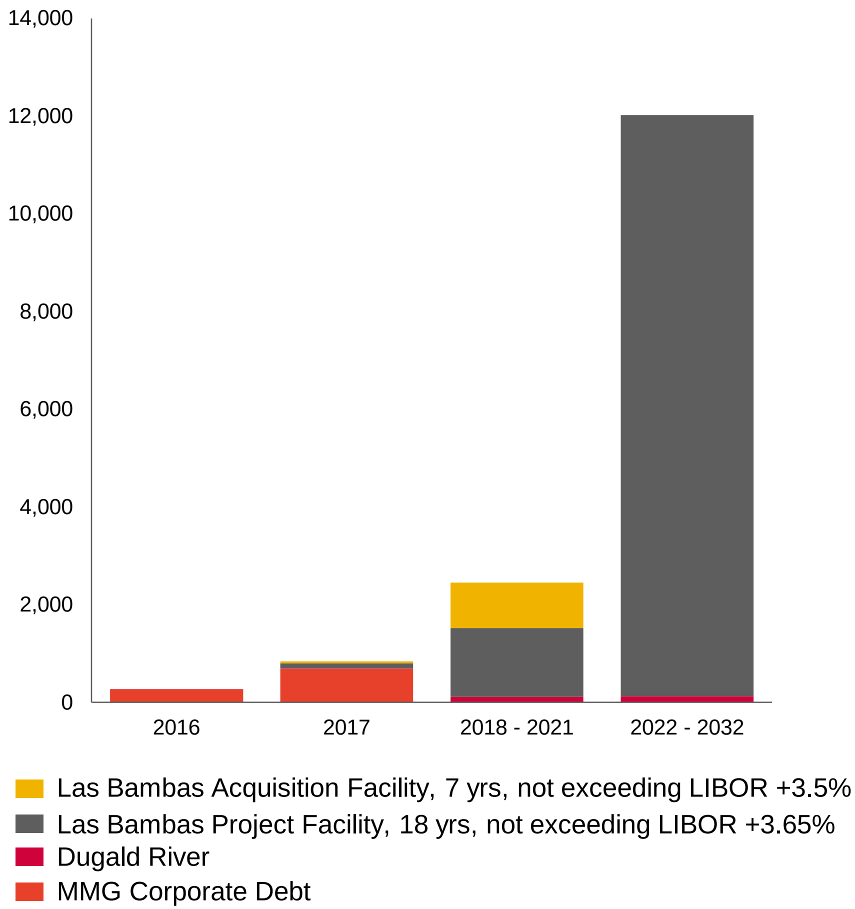
## Amortisation schedule[1]

**US$ million**




(1) Principal and interest payments including Joint Venture partner liabilities. Excludes related party debt which includes US$2.262 billion shareholder loan.

- MMG total debt borrowings have attractive quasi-equity features:
  - Sourced from Chinese government supported financial institutions.
  - Majority vanilla structure with optionality.
  - Las Bambas 18 year tenor, repayments commence August 2017.
  - Las Bambas shareholder loan is subordinated debt.
- Capital market flexibility and support from major shareholder to access equity markets via HKEx/ASX listing.
- Targeting mid-term gearing of 40-50%

# Building a major mid-tier base metals miner

- Strong production base with experienced international operations team
- Confidence in long term fundamentals for copper and zinc.
- Growth pipeline in execution:
  - Las Bambas - a world class asset in ramp-up phase, with significant growth options.
  - Dugald River - heavily de-risked and using current downturn to maximise value options.
- Continually assessing further growth opportunities.
- Active near mine and new discovery exploration program.

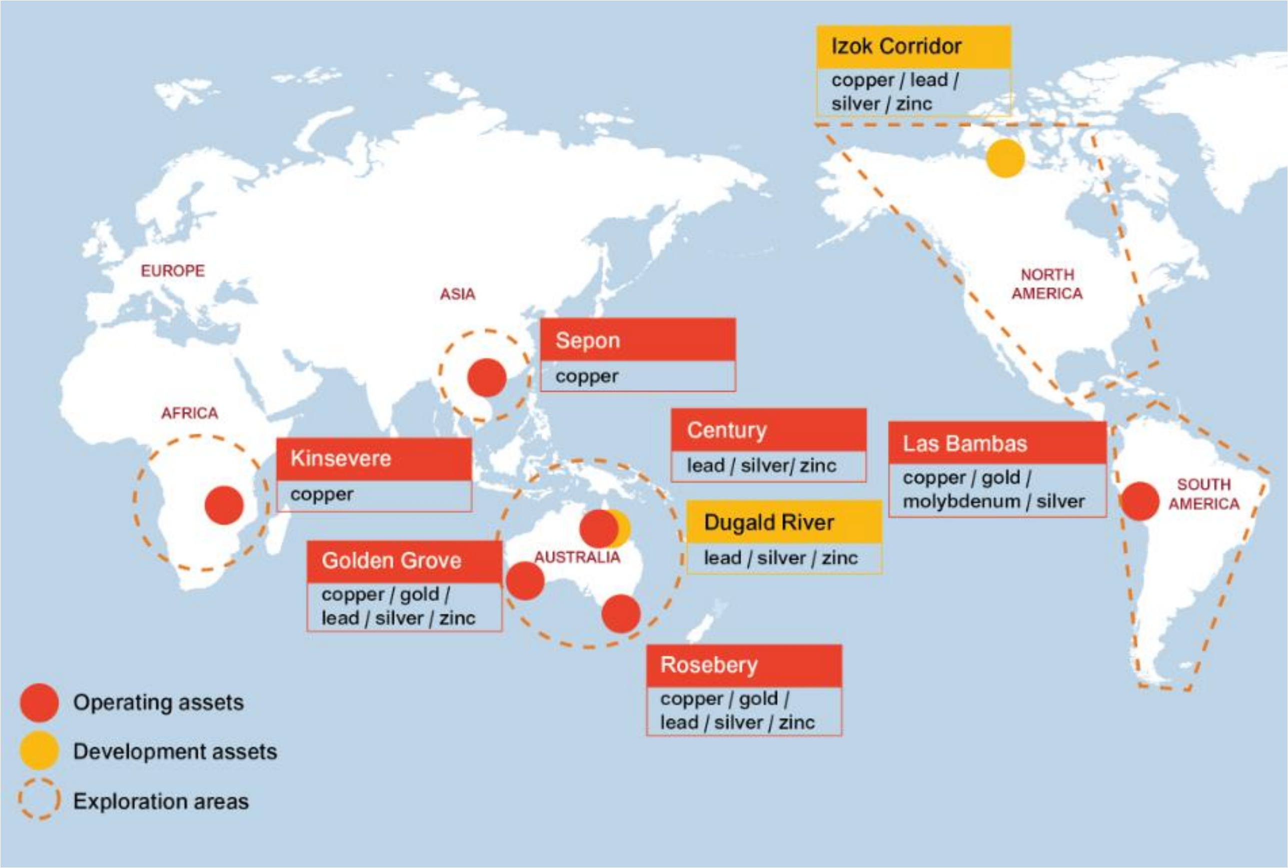
*Las Bambas, Copper, Peru*

*Dugald River, Zinc, Queensland*

# Appendices

# Our Company

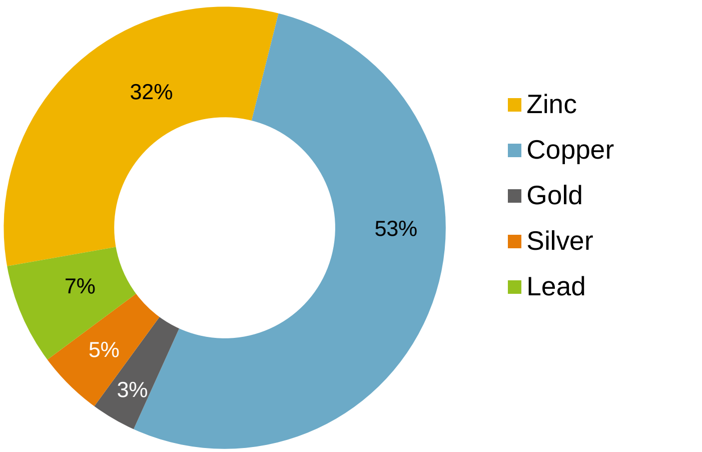
| Capital Structure | Millions |
|---|---|
| Primary Listing | HKEx |
| Secondary Listing (CDI) | ASX |
| Market Cap | US$1,195[1] |
| Shares | 5,290 |
| Major shareholder ownership | 74% (China Minmetals Corporation) |
| Head Office | Melbourne, Australia |



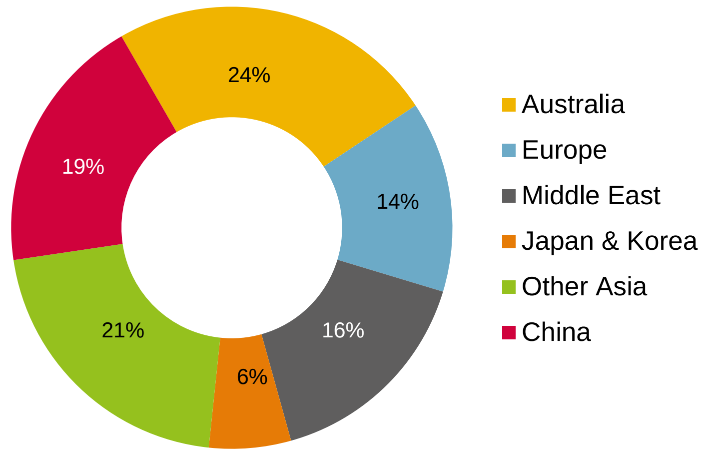

(1) As at 2 May 2016.

# 2015 Financial dashboard

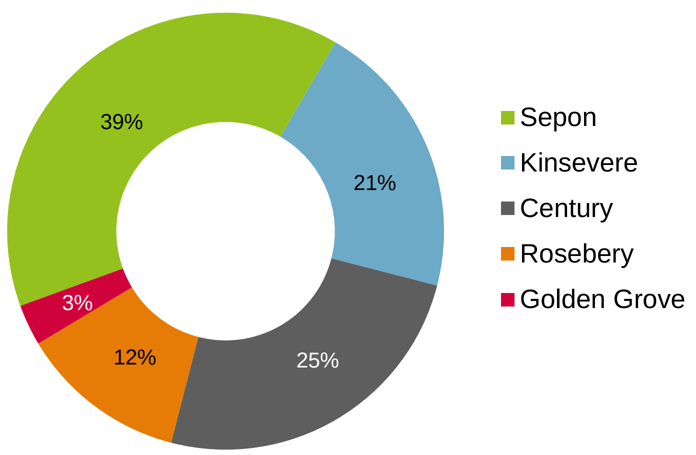
## Revenue by commodity



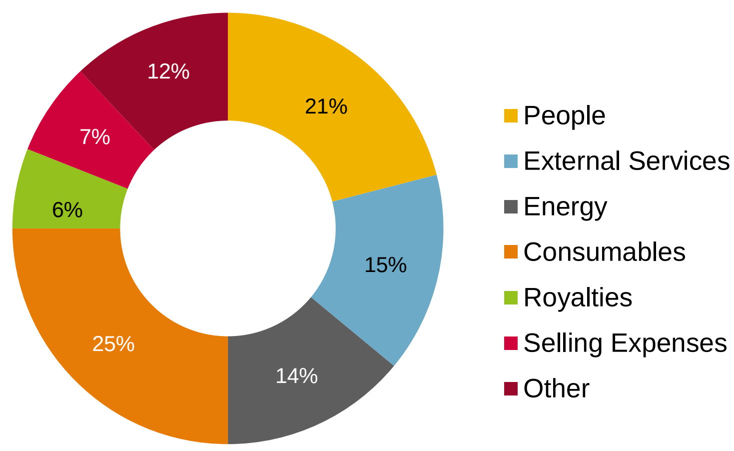

## Revenue by customer location




## EBITDA by operating segment




## Operating expenses (Sites)



# Kinsevere – full year production record

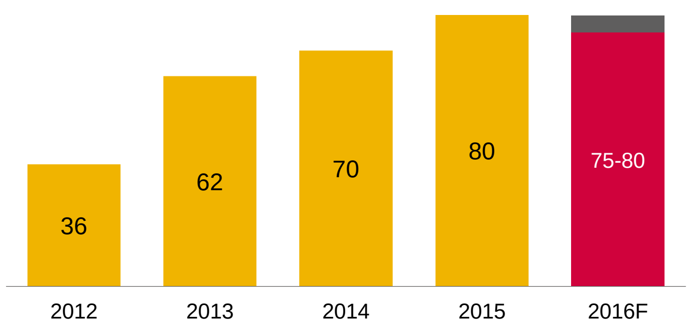
- YTD production record of 80,169 tonnes of copper cathode.
- Operational efficiencies, stable electricity, increases to mill throughput.
- Lower copper prices marginally offset by 15% increase in copper sales volumes.
- Ore mined down 21% in line with plan; drawdown on ore stockpiles and reduce mining costs.
- Reduced 2015 C1 cost to US$1.48/lb.

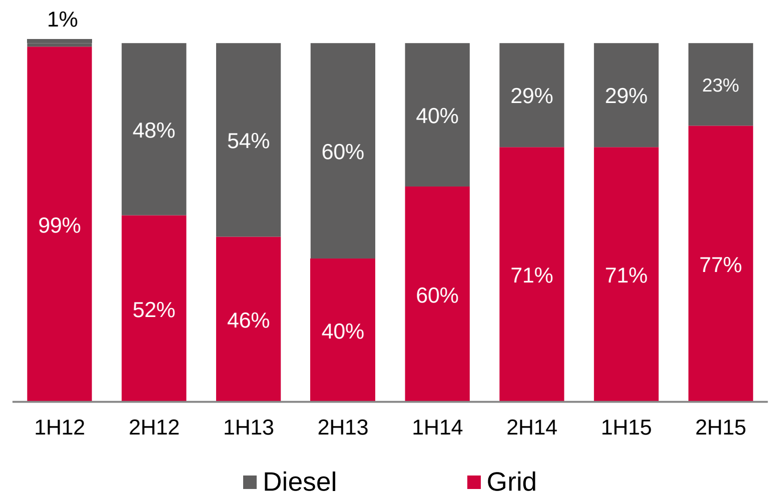
## Financials

| US$ million | 2015 | 2014 | % |
|---|---|---|---|
| Revenue | **418.1** | 465.7 | (10) |
| EBITDA[1] | **131.8** | 189.3 | (30) |
| EBIT Underlying | **(58.3)** | 49.0 | (219) |
| EBITDA margin (%) | **32** | 41 | |
| C1 costs – copper (US$ / lb) | **1.48** | 1.62 | |

## Copper cathode production

**'000 tonnes**




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

# Sepon – successfully transitioning

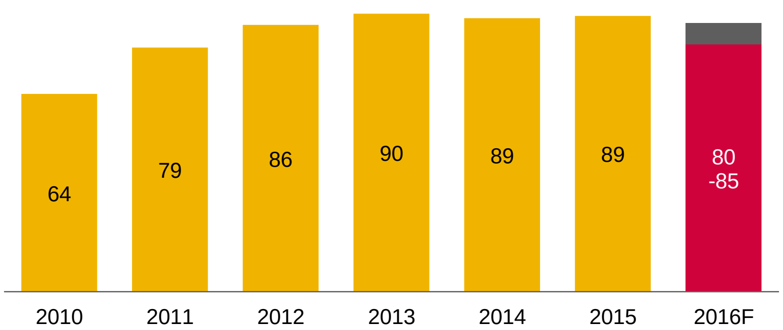
- Successful transition to harder Type II ore with quarterly milling record delivered.
- YTD production record of 89,253 tonnes of copper cathode.
- Maintained stable mining and milling costs in response to increased mine activities.
- Focus on lowering overall costs to offset higher mining and processing.
- Ongoing studies to optimise production through plant improvements.
- Ore variability continues.
- Milling grades converge towards reserve grade.

## Financials

| US$ million | 2015 | 2014 | % |
|---|---|---|---|
| Revenue | **496.9** | 620.2 | (20) |
| EBITDA[1] | **248.8** | 366.5 | (32) |
| EBIT | **134.4** | 267.6 | (50) |
| EBITDA margin (%) | **50** | 59 | |
| C1 Costs – copper (US$ / lb) | **1.06** | 1.00 | |

## Copper cathode production

‘000 tonnes



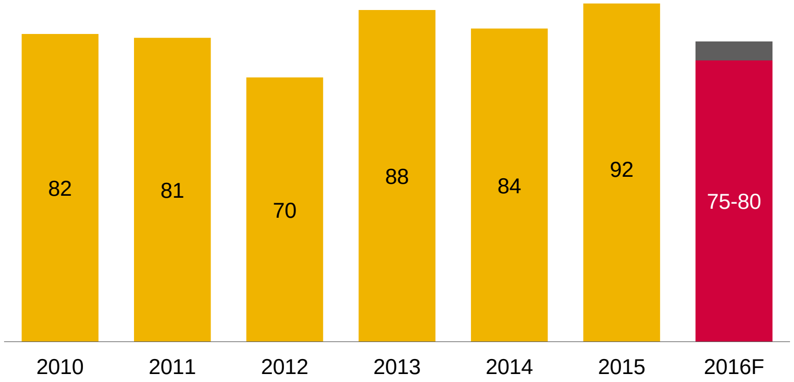

(1) EBITDA includes revenue, operating expenses and other income and expense items.

# Rosebery

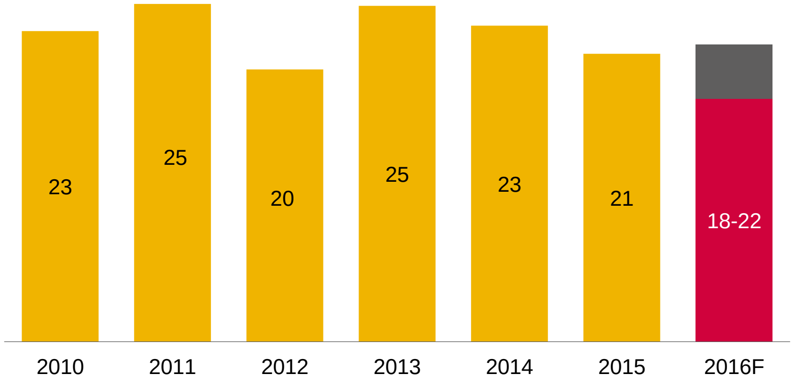
## Financials

| US$ million | 2015 | 2014 | % |
|---|---|---|---|
| Revenue | **201.1** | 247.5 | (19) |
| EBITDA[1] | **79.1** | 85.2 | (7) |
| EBIT | **12.5** | 38.7 | (68) |
| EBITDA margin (%) | **39** | 34 | |
| C1 costs – zinc (US$ / lb) | **0.30** | 0.26 | |


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




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



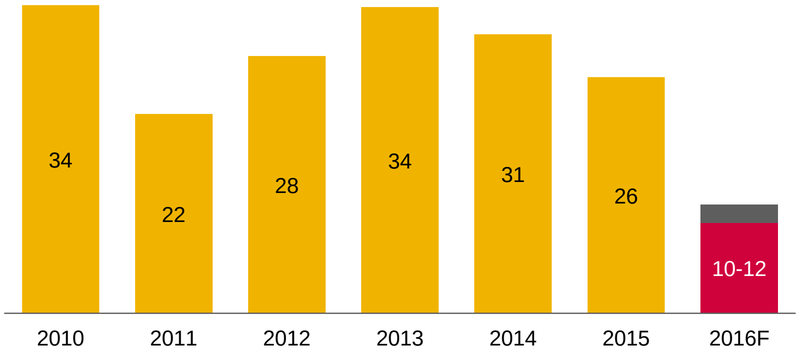

(1) EBITDA includes revenue, operating expenses and other income and expense items.

# Golden Grove

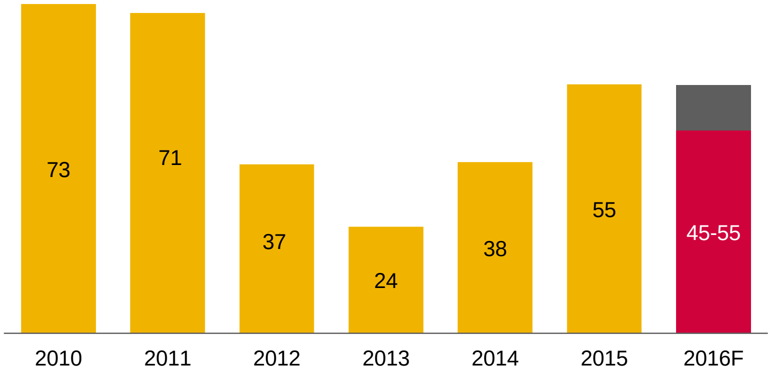
## Financials

| US$ million | 2015 | 2014 | % |
|---|---|---|---|
| Revenue | **221.2** | 293.1 | (25) |
| EBITDA[1] | **19.5** | 29.0 | (33) |
| EBIT | **(25.1)** | (15.2) | (65) |
| EBITDA margin (%) | **9** | 10 | |
| C1 costs – zinc (US$ / lb) | **0.30** | 0.25 | |


## 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.

# Century – last production

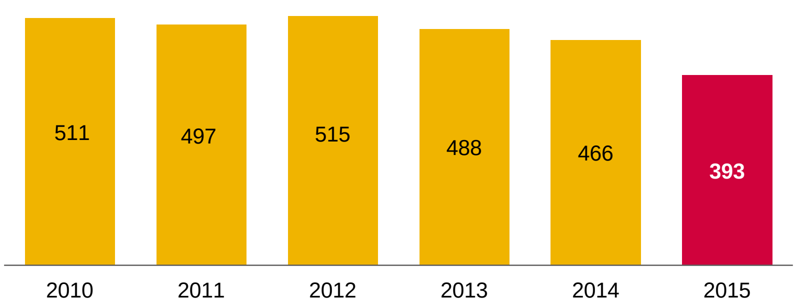
- Production of 392,667 tonnes of zinc and 79,153 tonnes of lead despite transition to lower grades in final stages of mining.
- Mining from single stage of open-pit mine, lower strip ratio, reduction in consumables.
- Reduced milling rates offset lower grades.
- Mining completed at Century in August 2015 with final processing of Century ore in November 2015.
- 450,000 tonnes of Dugald River ore processed through Century.

## Financials

| US$ million | 2015 | 2014 | % |
|---|---|---|---|
| Revenue | **613.6** | 853.3 | (28) |
| EBITDA[1] | **159.8** | 323.5 | (51) |
| EBIT | **(64.8)** | 132.2 | (149) |
| EBITDA margin (%) | **26** | 38 | |
| C1 costs – zinc (US$ / lb) | **0.47** | 0.61 | |

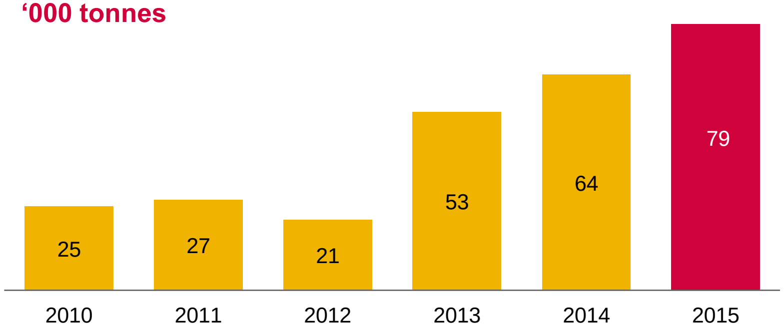
## Zinc in zinc concentrate production

‘000 tonnes




## Lead in lead concentrate production

‘000 tonnes




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

# 2016 Guidance

## Las Bambas

| | |
|---|---|
| Copper – production[1] | 250,000 – 300,000 tonnes |
| Copper – C1 costs[2] | US$0.80 – US$0.90 / lb |

## Kinsevere

| | |
|---|---|
| Copper – production | 75,000 - 80,000 tonnes |
| Copper – C1 costs | US$1.40 – US$1.55 / lb |

## Sepon

| | |
|---|---|
| Copper – production | 80,000 – 85,000 tonnes |
| Copper – C1 costs | US$1.10– US$1.25 / lb |

## Rosebery

| | |
|---|---|
| Zinc – production | 75,000 – 80,000 tonnes |
| Zinc – C1 costs | US$0.30 – US$0.40 / lb |
| Lead – production | 18,000 – 22,000 tonnes |

## Golden Grove

| | |
|---|---|
| Copper – production | 10,000 – 12,000 tonnes |
| Copper – C1 costs | US$1.90 – US$2.10 / lb |
| Zinc – production | 45,000 – 55,000 tonnes |
| Zinc – C1 costs | US$0.30 – US$0.45 / lb |

(1) Production volumes include expected pre and post-commercial production volumes at Las Bambas.
(2) C1 cost forecast range once at steady of production, not indicative for full year 2016 given commissioning and ramp up activities.

# Condensed consolidated income statement

| Year ended 31 December<br>US$ million | 2015 | 2014 | Variance<br>% |
|---|---|---|---|
| Revenue | 1,950.9 | 2,479.8 | (21) |
| **EBITDA** | **420.9** | **780.8** | (46) |
| Depreciation and amortisation | (649.4) | (537.1) | (21) |
| **Underlying EBIT** | **(228.5)** | **243.7** | (194) |
| **Underlying (Loss)/profit for the period** | **(264.4)** | **99.2** | (367) |
| EBITDA margin | 22% | 31% | |
| Impairment (net of tax) | (784.3) | - | - |
| (Loss)/profit after tax - Statutory | (1,048.7) | 99.2 | n/a |
| **Net cash generated from operating activities** | **282.4** | **666.7** | **(58)** |
| **Operating expenditure** | **(1,313.2)** | **(1,491.3)** | **12%** |

# Consolidated financial performance: Cash flow statement

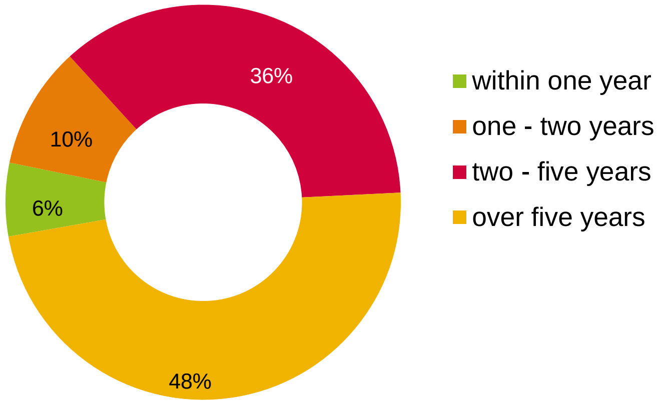
| Year ended 31 December<br>US$ million | 2015 | 2014 |
|---|---|---|
| Receipts from customers | 2,289.0 | 2,578.4 |
| Payments to suppliers | (1,875.2) | (1,744.8) |
| Payments for exploration expenditure | (42.4) | (73.0) |
| Income tax paid | (89.0) | (93.9) |
| **Net cash generated from operating activities** | **282.4** | **666.7** |
| Purchase of property, plant and equipment | (1,959.0) | (1,037.9) |
| Other investing activities | (38.5) | (2,894.9) |
| **Net cash used in investing activities** | **(1,997.5)** | **(3,932.8)** |
| **Net cash generated from / (used in) financing activities** | **2,062.2** | **3,379.9** |
| **Net increase in cash and cash equivalents** | **347.1** | **113.8** |
| Cash and cash equivalents at 1 January | 251.2 | 137.4 |
| **Cash and cash equivalents at 31 December** | **598.3** | **251.2** |

# Financial resources and liquidity

- Gearing ratio[1] MMG Group (excluding Las Bambas) as at 31 Dec 2015 of 0.51.
- Gearing ratio[1] MMG South America Management Group as at 31 Dec 2015 of 0.65

## Maturity profile of borrowings

**as at 31 December 2015**




## MMG GROUP

**(EXCLUDING MMG SOUTH AMERICA GROUP)**

| **US$ million** | **31 December 2015** | **31 December 2014** |
|---|---|---|
| Total borrowings (excluding prepayments) | 1,405.2 | 1,321.8 |
| Less: Cash and cash equivalents | 431.2 | 91.9 |
| **Net debt** | **974.0** | **1,229.9** |
| Total equity | 950.9 | 1,922.5 |
| | **1,924.9** | **3,152.4** |
| **Gearing ratio[1]** | **0.51** | **0.39** |

(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.