



WE MINE FOR  
PROGRESS



# 2015 Annual Results Presentation

10 March 2016

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.

—  
**Continuing to  
grow through  
the down  
cycle**

Andrew  
Michelmore  
*Chief Executive  
Officer*

—  
**Financial  
results**

Ross  
Carroll  
*Chief Financial  
Officer*

—  
**Operational  
excellence  
delivering  
superior  
results**

Marcelo  
Bastos  
*Chief Operating  
Officer*

—  
**Emerging  
copper major,  
positioned for  
the upside**

Andrew  
Michelmore  
*Chief Executive  
Officer*



# Continuing to grow through the down cycle

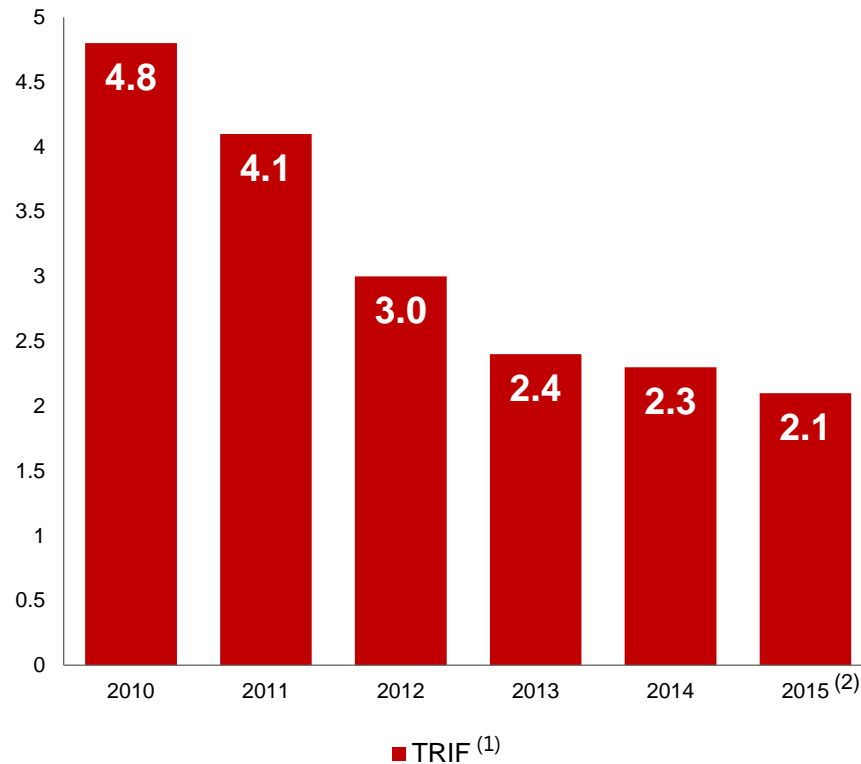
Andrew Michelmore  
*Chief Executive Officer*



# Our first value: We think safety first



## Safety Performance



- Fatality of contracted security guard in March 2015 at Kinsevere as a result of snake bite.
- TRIF<sup>1</sup> of 2.1 per million hours worked in 2015 an improvement compared to 2.3 reported for 2014.
- MMG is committed to continuous improvement in health and safety.

(1) Total Recordable Injury Frequency.

(2) Las Bambas safety data is incorporated into MMG for first time from January 2015.

## 2015 in review

### **Growth**



Las Bambas commissioned and now in ramp up, updated Dugald River development plan approved<sup>1</sup>.

### **Solid revenue**



Higher copper sales volumes offset by lower commodity prices.

### **Operating discipline**



Record copper production, well managed costs.

### **Underlying Profit**



Negatively impacted by amortisation of Century closure provision and lower commodity prices.

### **Fundamentals**



Confidence in long term fundamentals for copper and zinc.

(1) Updated Dugald River development plan subject to final financing arrangements.

# Financial results

Ross Carroll  
*Chief Financial Officer*

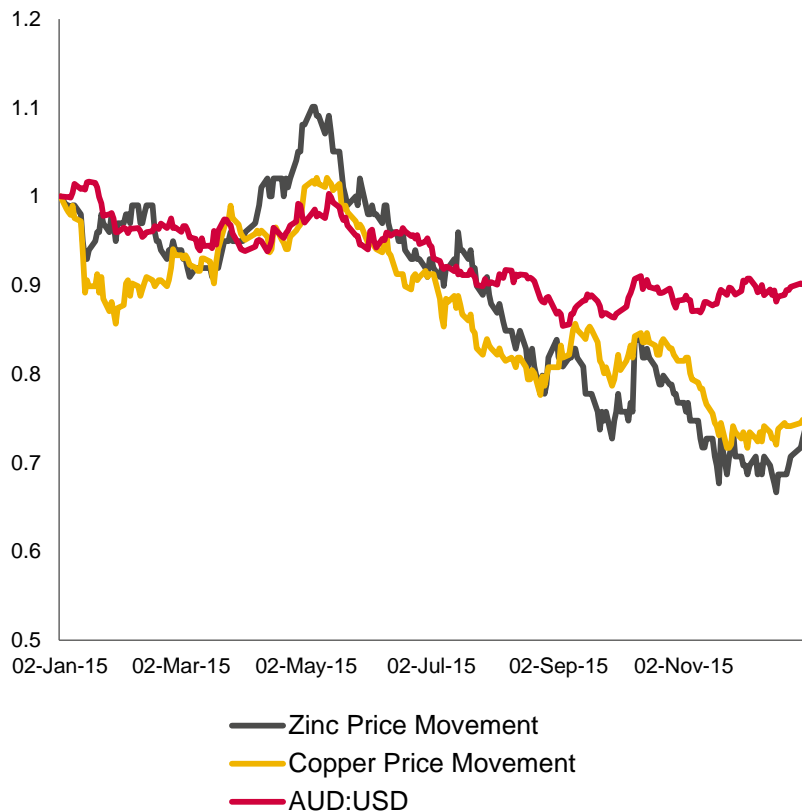


# Challenging commodity cycle impacting financial performance



## Copper and Zinc commodity price performance

Indexed, 2 Jan 2015 =100



- **Commodity** prices for copper and zinc both fell 26%.
- **Revenue** down 21% to US\$1,950.9 million.
- **Operating costs** benefited from favourable AUS:US foreign exchange and improved cost focus.
- **Sales volumes** 2% higher for copper, 12% lower for zinc driven by end of mining at Century.
- **Underlying loss** of US\$264.4 million.
- MMG Board has not recommended a **dividend**.



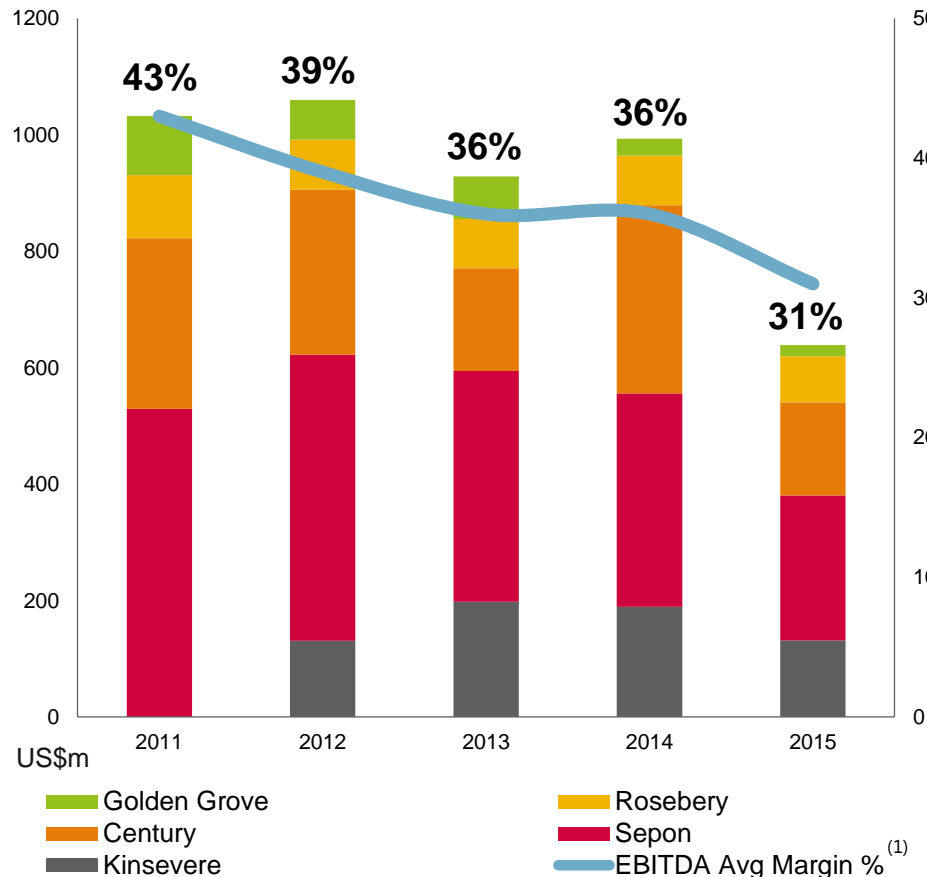
# Condensed consolidated income statement



Year ended 31 December US\$ million	2015	2014	Variance %
Revenue	1,950.9	2,479.8	(21)
<b>EBITDA</b>	<b>420.9</b>	<b>780.8</b>	(46)
Depreciation and amortisation	(649.4)	(537.1)	(21)
<b>Underlying EBIT</b>	<b>(228.5)</b>	<b>243.7</b>	(194)
<b>Underlying (Loss)/profit for the period</b>	<b>(264.4)</b>	<b>99.2</b>	(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)
<b>(Loss) earnings per share for profit attributable to the equity holders of the Company</b>			
Basic (loss) / earnings per share - Underlying	US (4.60) cents	US 1.96 cents	n/a

# Positive cash generation

## Asset EBITDA as a proxy for operating cash flow



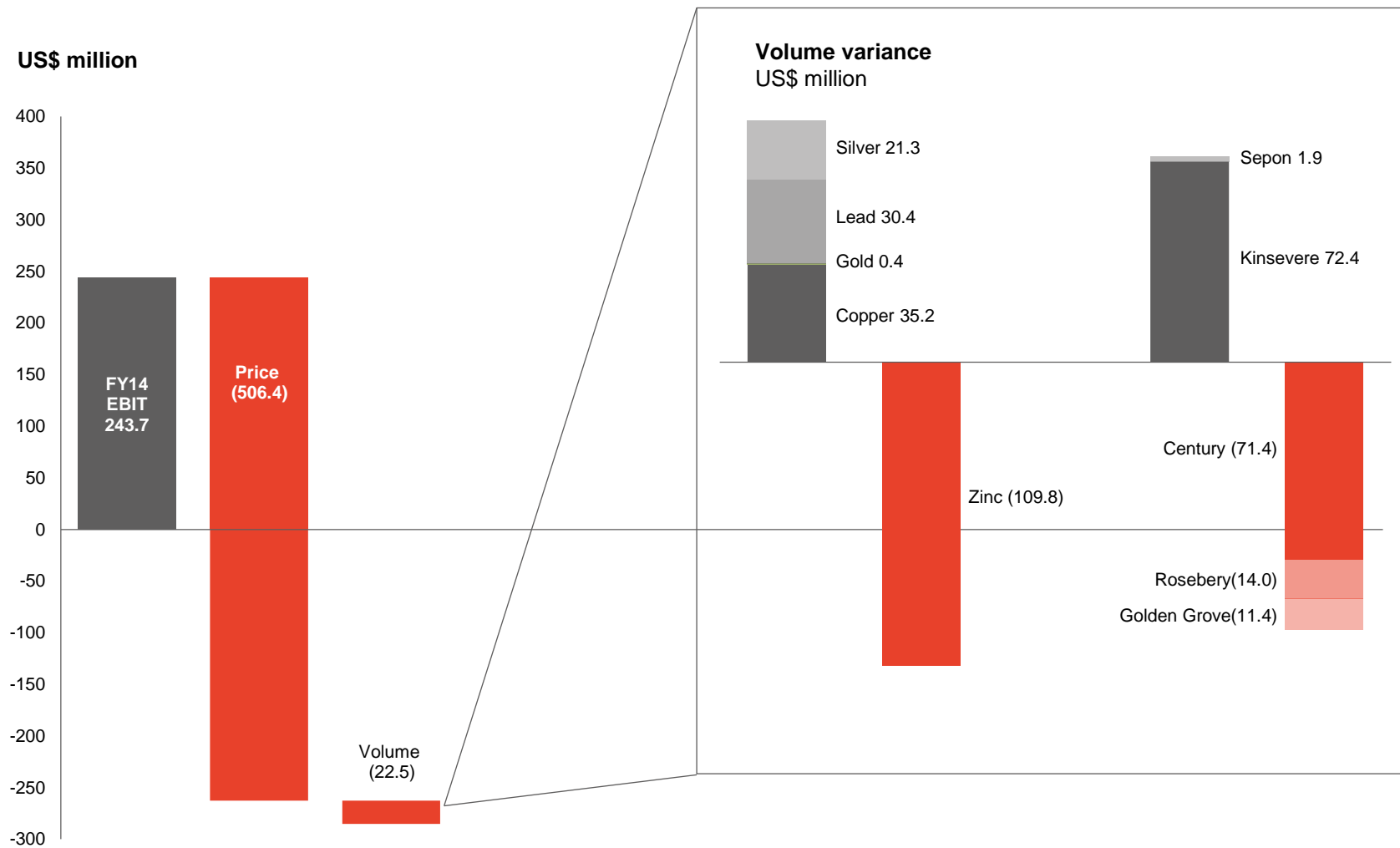
- **All operations cash generative** due to ongoing productivity focus and cost management.
- **Group net operating cash flow** US\$282.4 million, down 58%.
- **Operating expenditure** US\$1,313.2 million, down 12%.

(1) EBITDA Margin based on average margin of operating sites.

# Commodity price variance analysis

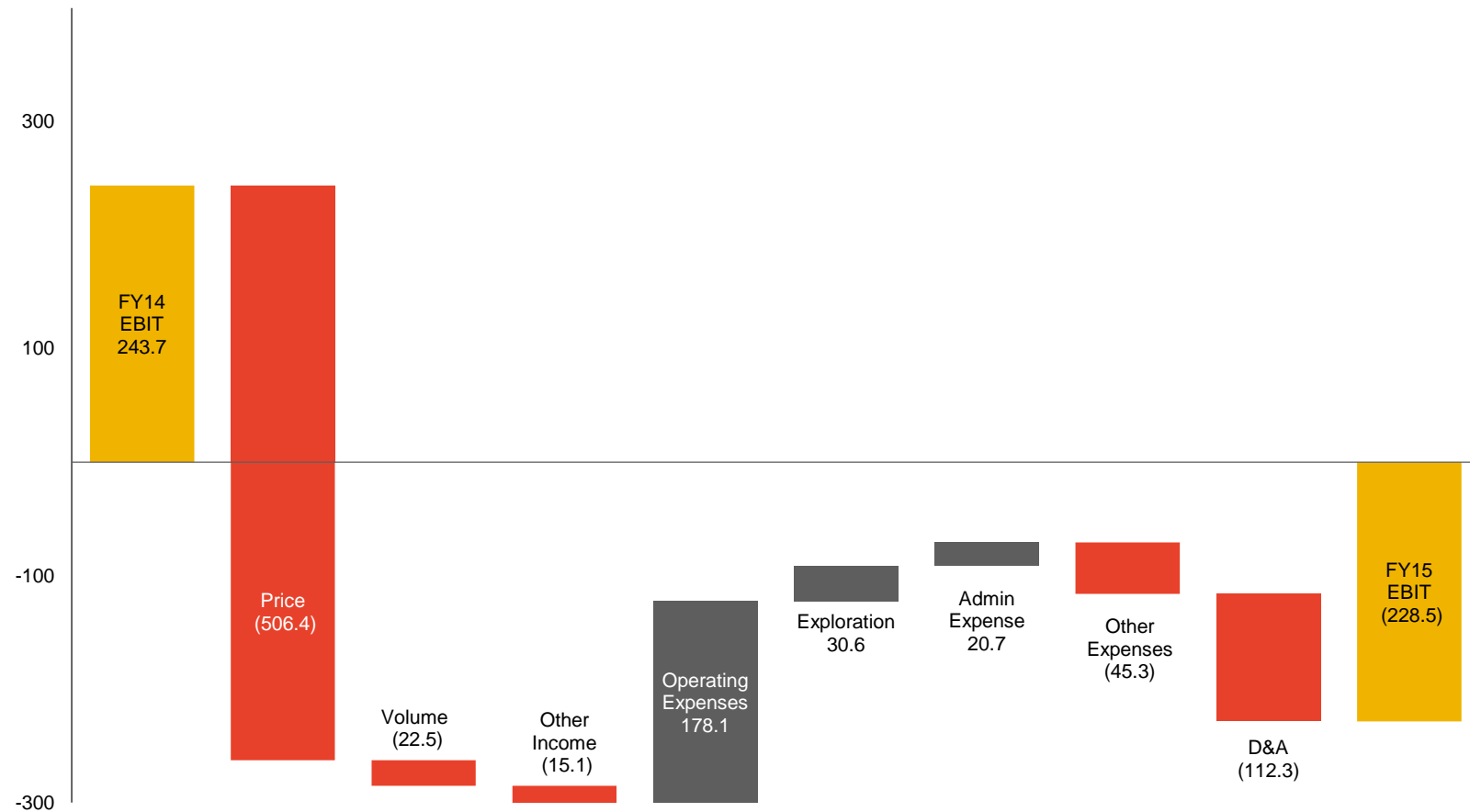


# Sales volume variance analysis



# Underlying EBIT variance analysis

US\$ million

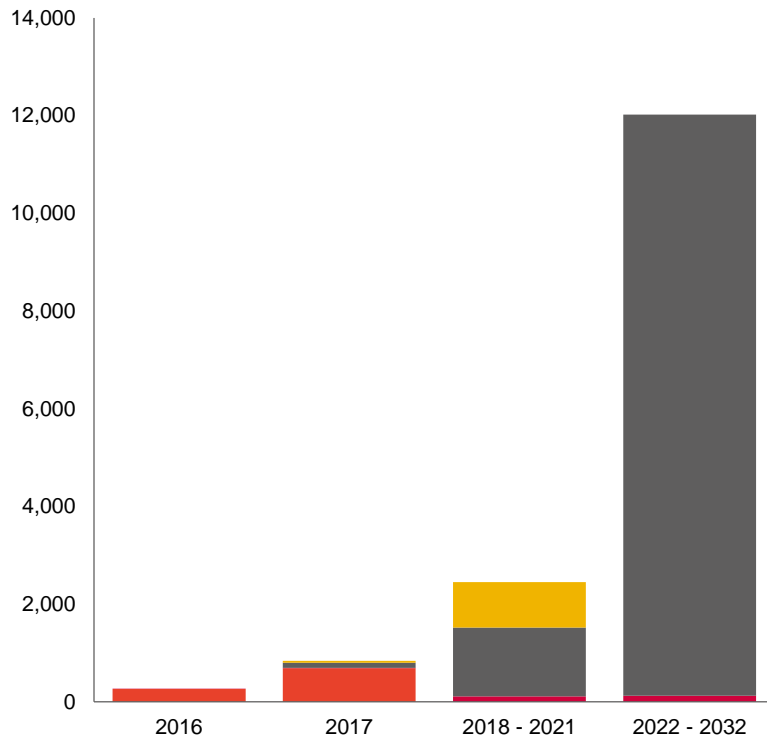


# Access to long term capital, a competitive advantage



## Amortisation schedule<sup>1</sup>

US\$ million



- Las Bambas Acquisition Facility, 7 yrs, not exceeding LIBOR +3.5%
- Las Bambas Project Facility, 18 yrs, not exceeding LIBOR +3.65%
- Dugald River
- MMG Corporate Debt

- MMG total debt borrowings have attractive quasi-equity features:
  - Sourced from Chinese government supported financial institutions.
  - Majority vanilla structure with optionality.
  - Las Bambas debt long-term 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.

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

# Operational excellence delivering superior results

Marcelo Bastos  
*Chief Operating Officer*

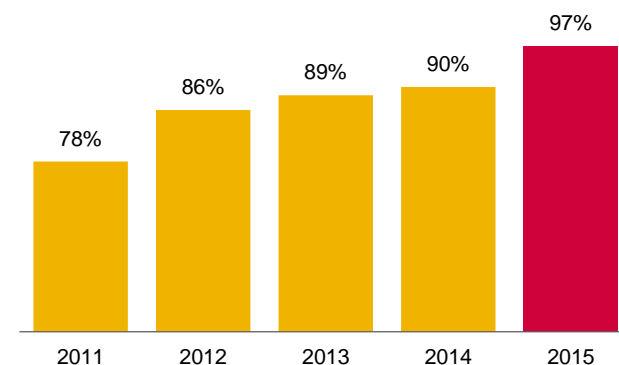


# 'Squeezing' the assets to earn the right to grow



- Improved safety performance, reduced down-time and increased asset utilisation.
- 2015 production above guidance at all operations.
- Copper production record of 207,528 tonnes.
- Record production at Kinsevere, strong production at Sepon.
- Through improved Asset Utilisation Kinsevere and Sepon produced 30kt and 10kt respectively additional copper over three years with no plant expansion.
- 2016 copper guidance positions Company in top 10 global producers.

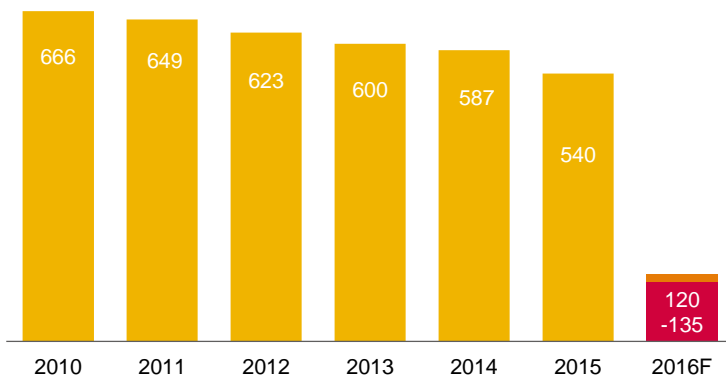
## Asset Utilisation across MMG assets<sup>1</sup>



(1) Asset utilisation metric measured against full operating capability.

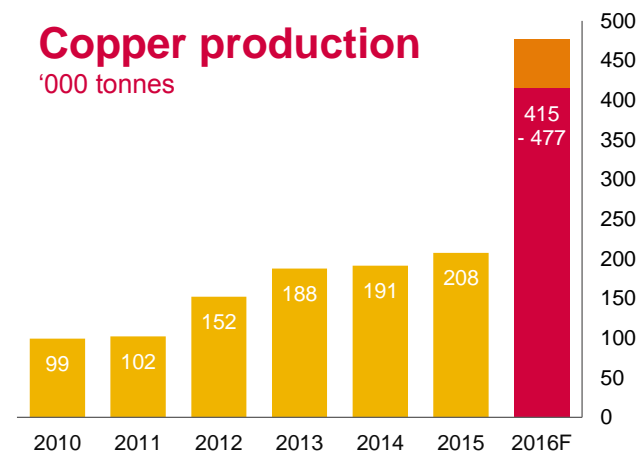
## Zinc production

'000 tonnes



## Copper production

'000 tonnes

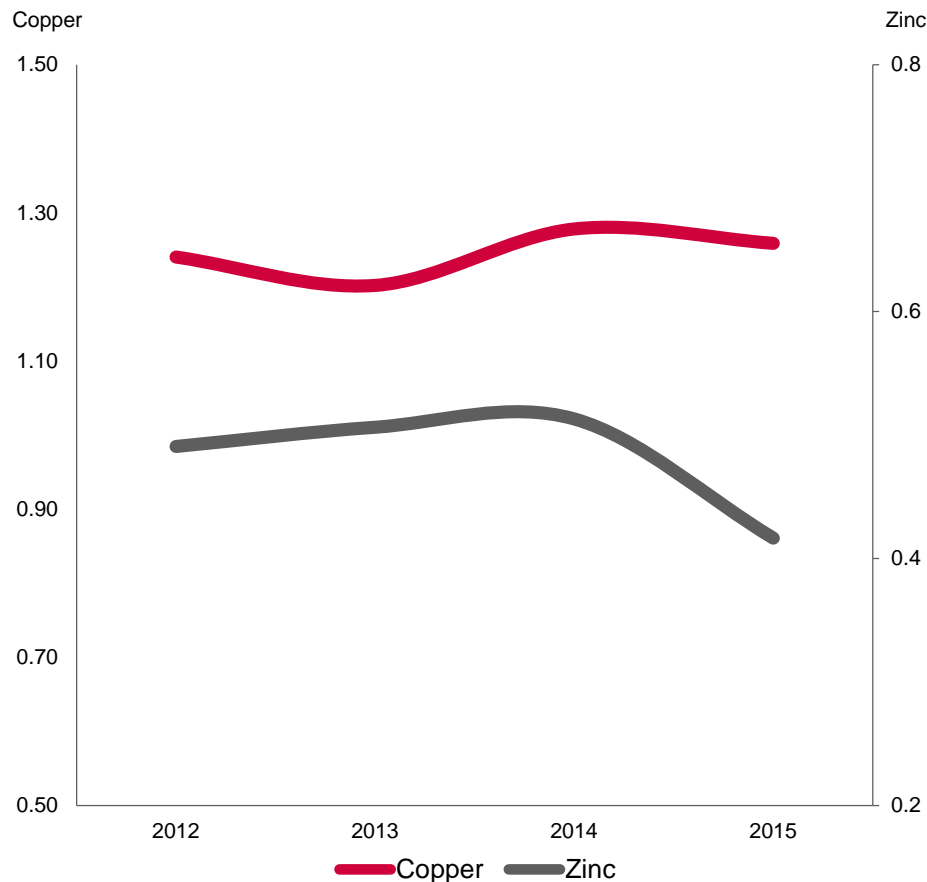




# Continuous focus on cost management



## C1 Cost US\$/lb



- **Kinsevere** – another record production year and improved grid power supply.
- **Sepon** – facing higher costs to process more difficult ore but maintaining production rates above nameplate.
- **Century** – record quarterly ore throughput at end of mining and processing.
- **Rosebery** – record zinc production.
- **Golden Grove** – project underway to ‘right size’ the asset.
- All operations continue to deliver on operating efficiency and tight cost controls.

# Las Bambas, ramp up to 4<sup>th</sup> largest copper mine



Loading the first shipment to customers.

- Shipping commenced through Matarani Port, 93% of new port facilities complete.
- Mining achieved full capacity moving over 400,000 tpd.
- Both lines of copper concentrate plant successfully commissioned and now in production ramp up.
- Concentrator Plant exceeding ramp up curve expectations.
- Guidance 250,000 – 300,000<sup>1</sup> tonnes of copper in copper concentrate for 2016.
- Commercial production estimated 2H16.
- C1 cost at steady state operations US\$0.80-US\$0.90/lb.

(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

# Australian Operations, a consolidated model

- Australian sites under an integrated management team with reduced administration costs.
- Reduction of around 690 FTEs with rationalisation of around 80 service and support positions in 2015 and 2016 to date.



Workforce transition due to completion of Century production.



Improved Asset Utilisation delivers Rosebery zinc record.



Golden Grove right size project underway.



Benefits to further accrue to Dugald River once operational.

# Dugald River, exposure to zinc upside

- Updated development plan approved.
- Subject to final financing arrangements.
- Provides important exposure to zinc at a time of shrinking global supply.
- Remaining capital expenditure US\$750 million including interest cost.
- Reviewing project fundamentals and seeking further efficiencies in development and construction.
- First production expected 1H18.
- 450,000 tonnes ore trucked to Century and successfully processed into commercial concentrate.

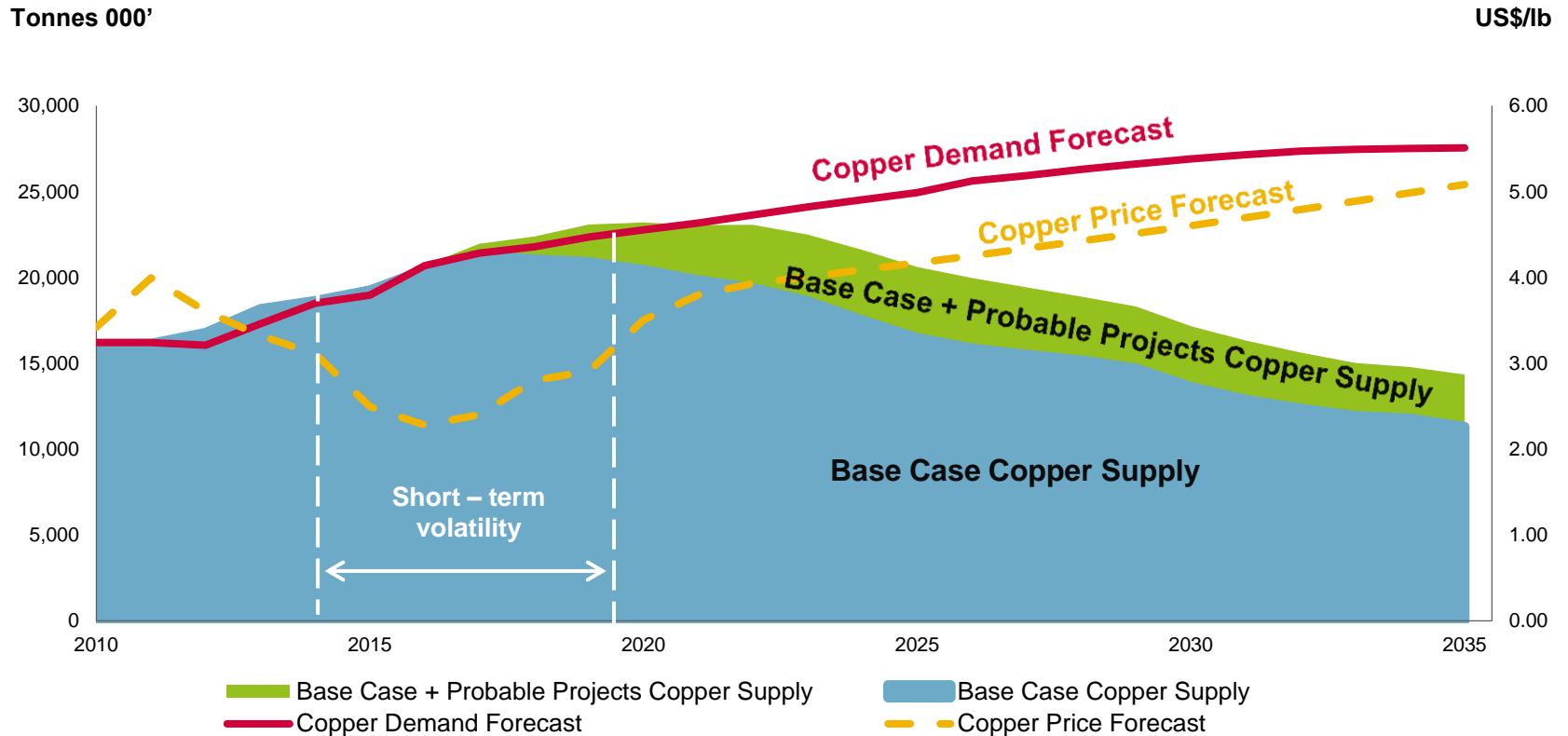


# Emerging copper major, positioned for the upside

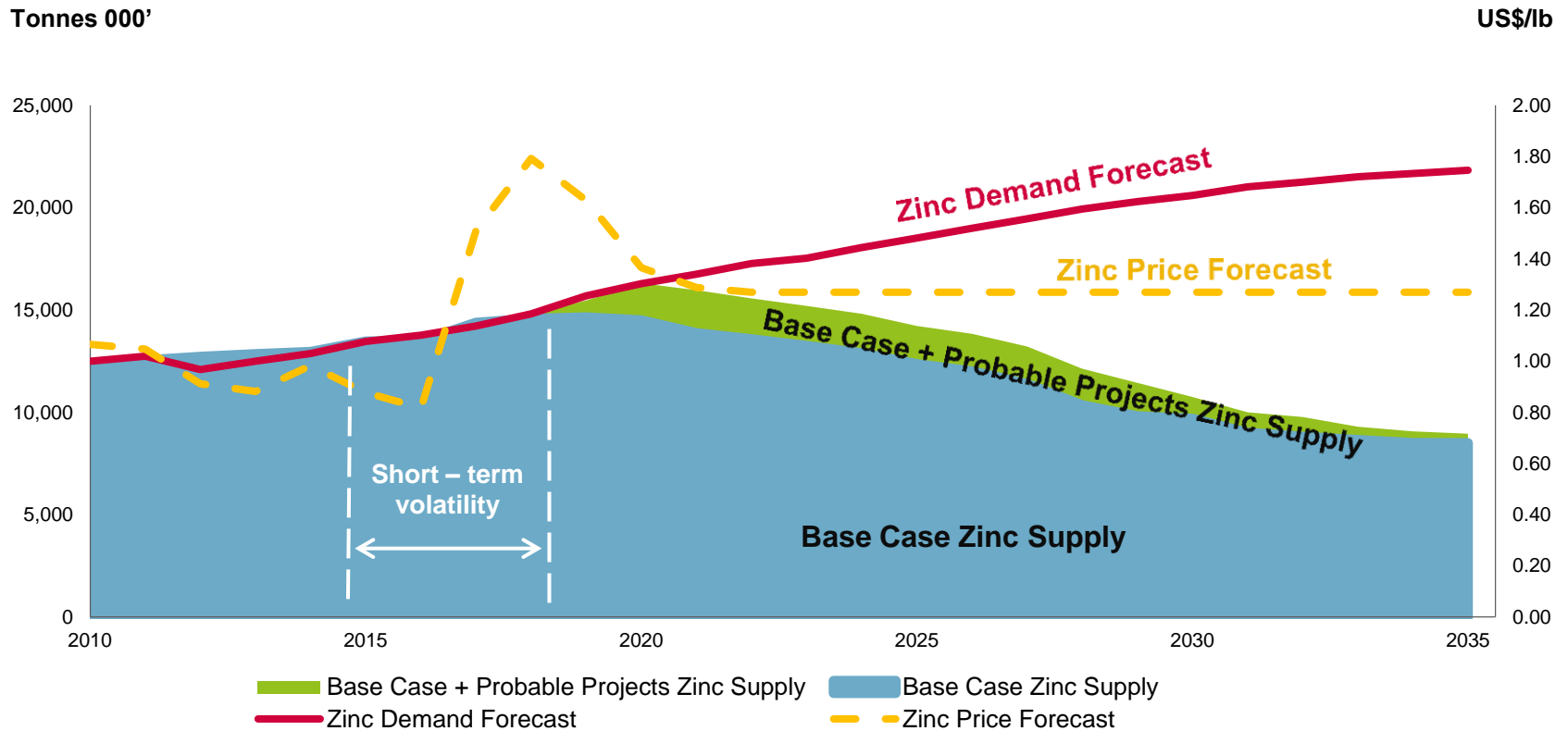
Andrew Michelmore  
*Chief Executive Officer*



# Copper continues to see longer term price support



# Zinc market now facing declining mine output



# Emerging copper major positioned for growth

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- Maintain objective to be valued as one of the world's top, mid-tier miners by 2020.
- Continue to squeeze efficiencies from operations and earn the right to grow.
- Maintain tight cost focus to deliver shareholder returns.
- Ramp-up Las Bambas to commercial production 2H16.
- Leverage support from major shareholder China Minmetals Corporation.
- Will seek to improve liquidity and optimise capital structure.
- Preserve commitment to Dugald River project providing quality exposure to zinc at a time of shrinking global supply.
- Well positioned to maximise potential investment opportunities in this industry down cycle.

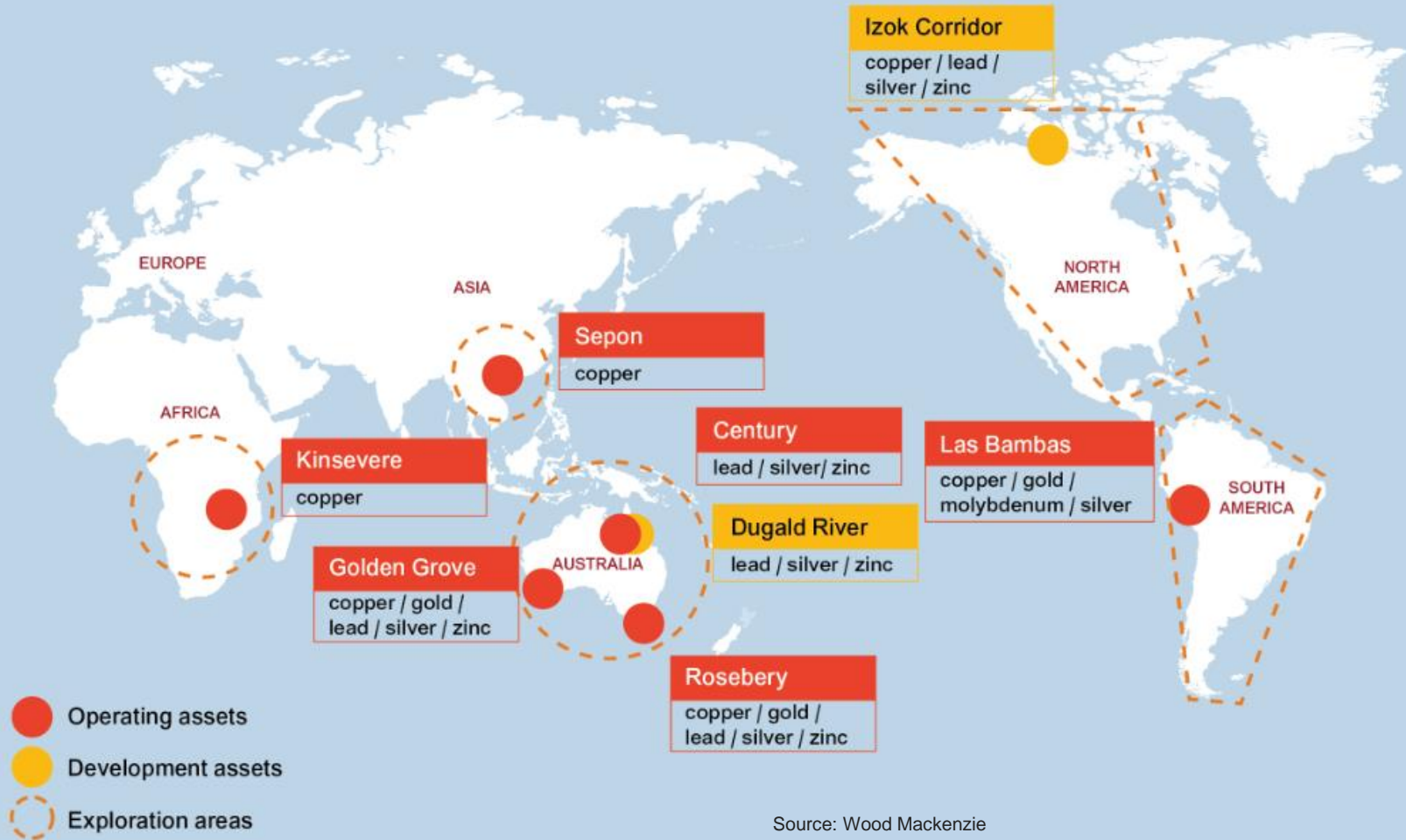




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# Appendices

# Our business

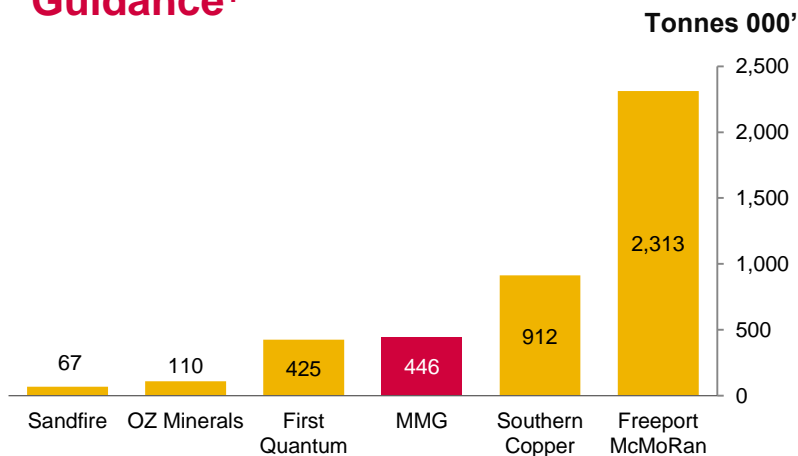


Source: Wood Mackenzie  
Source: Wood Mackenzie

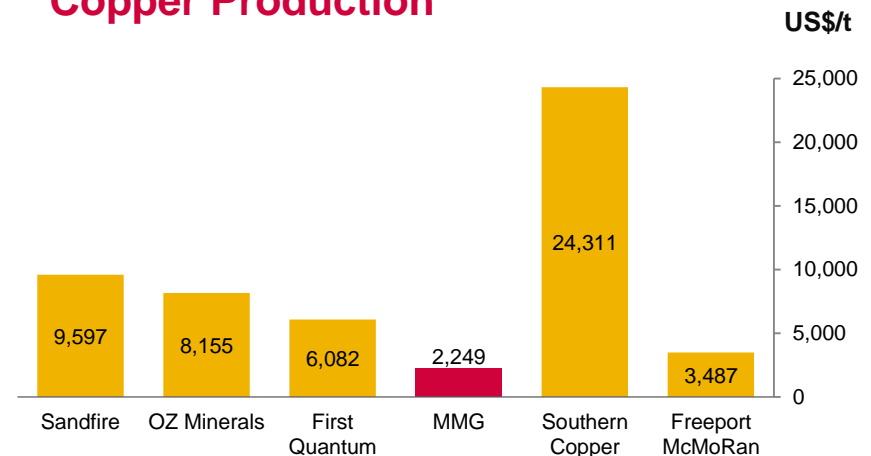
# Investor value proposition

- Current commodity prices have heavily impacted all base metal valuations.
- Track record of operational performance and capital discipline.
- 2016 guidance demonstrates shift in leverage to copper.
- Las Bambas completion and first production de-risks project investment.
- A different model of Chinese participation providing a long term commodity view and attractive funding options.
- Focused on investment opportunities during this industry down cycle.
- A different global resources business for a new economic environment.

## 2016 Copper Production Guidance<sup>1</sup>



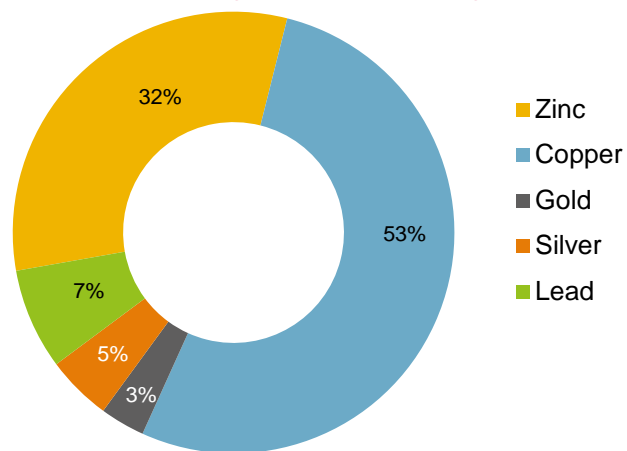
## Market Capitalisation<sup>2</sup>/ Copper Production



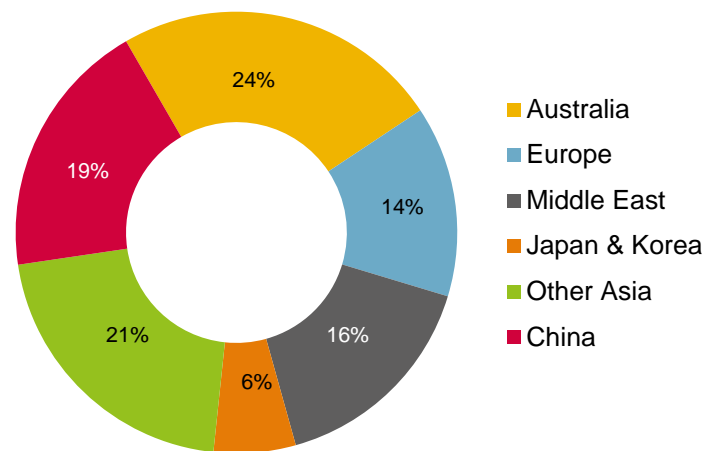
(1) Copper forecast or mid-point of guidance. (2) Market capitalisation as of 1 January 2016.

# Financial dashboard

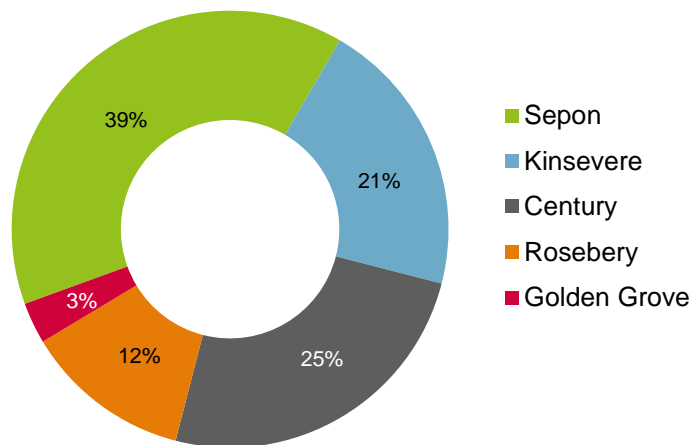
## Revenue by commodity



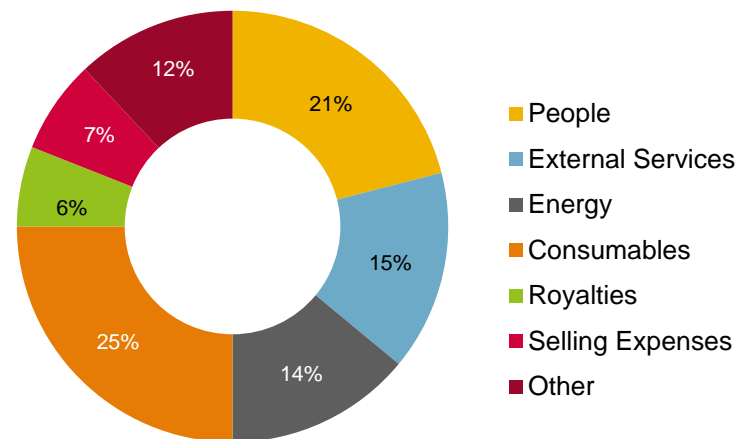
## Revenue by customer location



## EBITDA by operating segment



## Operating expenses (Sites)



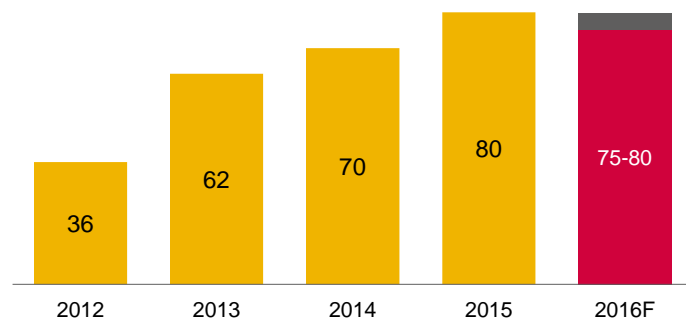
# Kinsevere – full year production record



- 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.

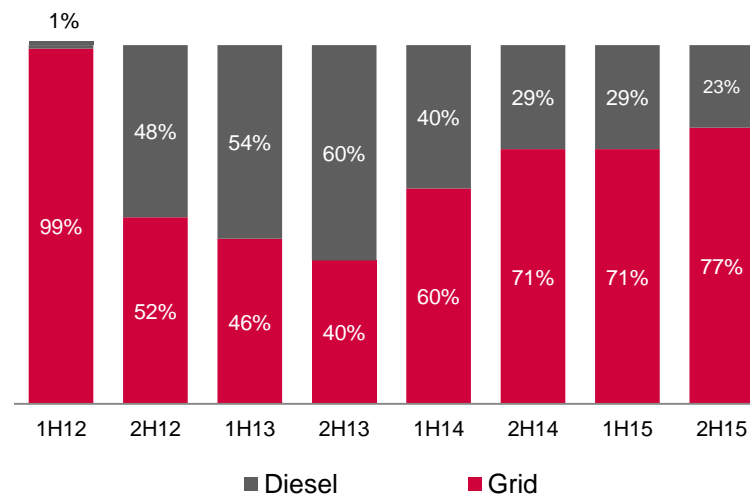
## Copper cathode production

'000 tonnes



## Financials

US\$ million	2015	2014	%
Revenue	418.1	465.7	(10)
EBITDA <sup>1</sup>	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	



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

# Sepon – successfully transitioning

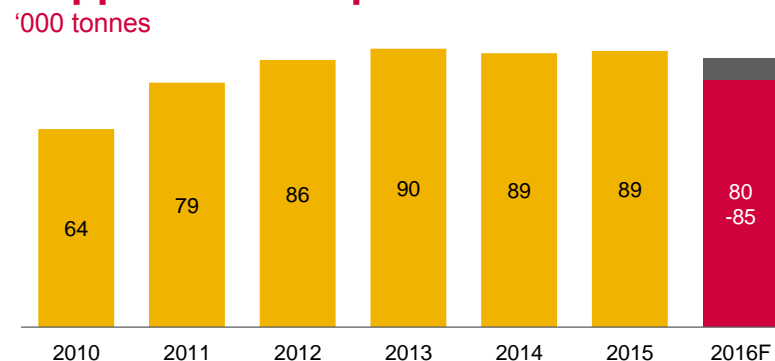


- Successful transition to harder Type II ore with quarterly milling record delivered.
- YTD production record of 89,253 tonnes of copper cathode.
- Maintained stable mining and milling costs in response to increased mine activities.
- Focus on lowering overall costs to offset higher mining and processing.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

## Financials

US\$ million	2015	2014	%
Revenue	<b>496.9</b>	620.2	(20)
EBITDA <sup>1</sup>	<b>248.8</b>	366.5	(32)
EBIT	<b>134.4</b>	267.6	(50)
EBITDA margin (%)	<b>50</b>	59	
C1 Costs – copper (US\$ / lb)	<b>1.06</b>	1.00	

## Copper cathode production



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

# Century – last production



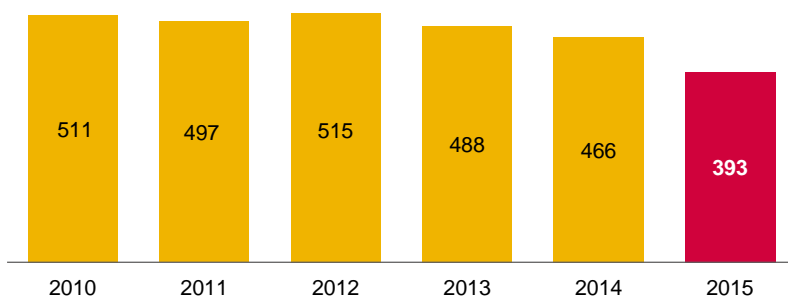
- Production of 392,667 tonnes of zinc and 79,153 tonnes of lead despite transition to lower grades in final stages of mining.
- Mining from single stage of open-pit mine, lower strip ratio, reduction in consumables.
- Reduced milling rates offset lower grades.
- Mining completed at Century in August 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 <sup>1</sup>	159.8	323.5	(51)
EBIT	(64.8)	132.2	(149)
EBITDA margin (%)	26	38	
C1 costs – zinc (US\$ / lb)	0.47	0.61	

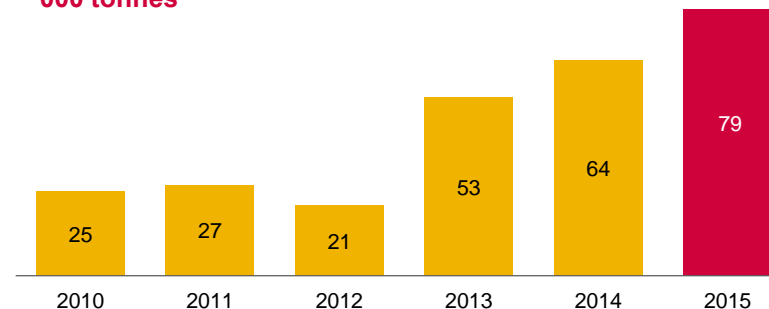
## Zinc in zinc concentrate production

'000 tonnes



## Lead in lead concentrate production

'000 tonnes



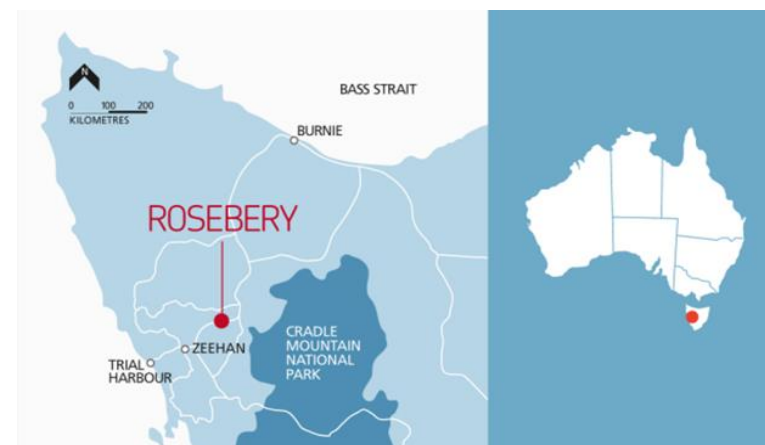
(1) EBITDA includes revenue, operating expenses and other income and expense items.



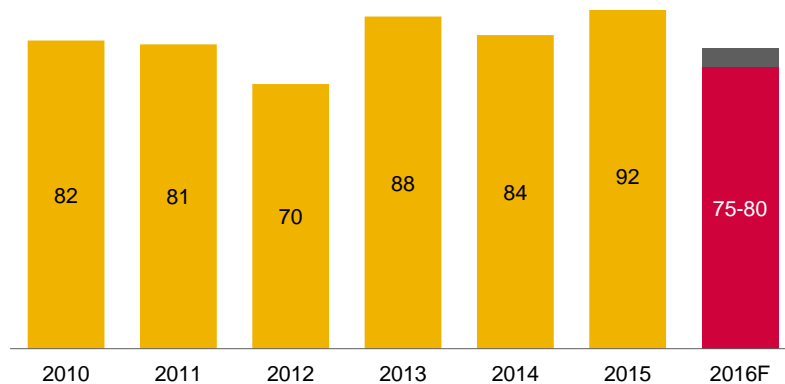
# Rosebery

## Financials

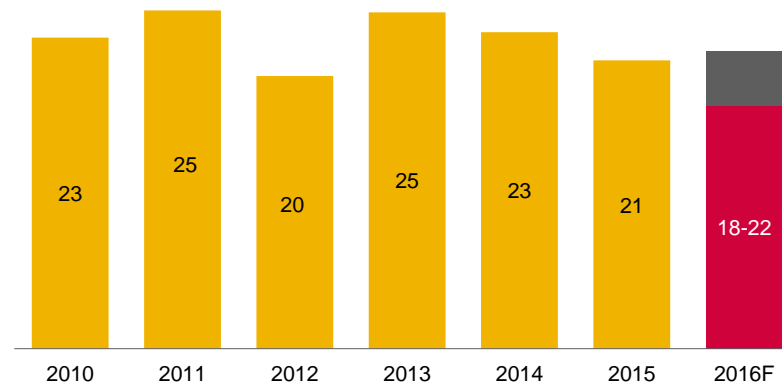
US\$ million	2015	2014	%
Revenue	201.1	247.5	(19)
EBITDA <sup>1</sup>	79.1	85.2	(7)
EBIT	12.5	38.7	(68)
EBITDA margin (%)	39	34	
C1 costs – zinc (US\$ / lb)	0.30	0.26	



## 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.

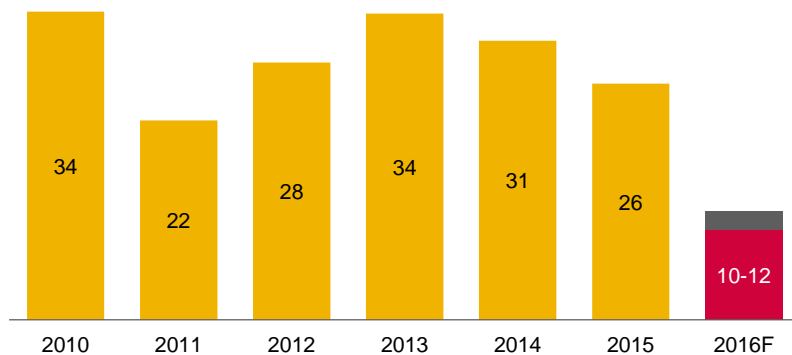
# Golden Grove

## Financials

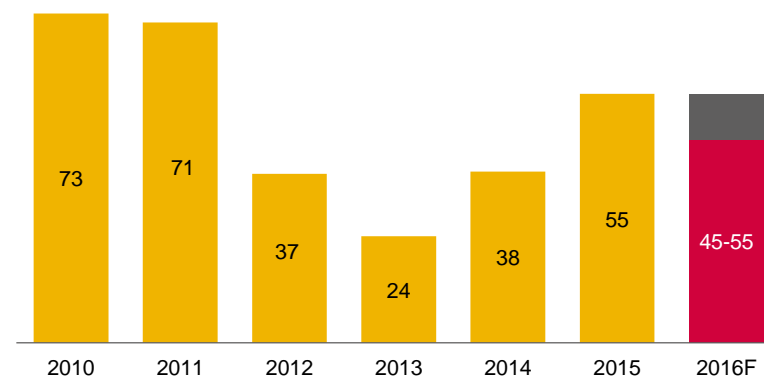
US\$ million	2015	2014	%
Revenue	221.2	293.1	(25)
EBITDA <sup>1</sup>	19.5	29.0	(33)
EBIT	(25.1)	(15.2)	(65)
EBITDA margin (%)	9	10	
C1 costs – zinc (US\$ / lb)	0.30	0.25	



## 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.

# 2016 Guidance



## Las Bambas

Copper – production <sup>1</sup>	250,000 – 300,000 tonnes
Copper – C1 costs <sup>2</sup>	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 balance sheet



Year ended 31 December US\$ million	31 December 2015	31 December 2014
Non-current assets	13,025.7	12,280.6
Current assets – cash and cash equivalents	598.3	251.2
Current assets – other	1,036.0	958.2
<b>Total assets</b>	<b>14,660.0</b>	<b>13,490.0</b>
<b>Total equity</b>	<b>2,175.2</b>	<b>2,974.6</b>
Non-current liabilities	11,640.6	9,711.2
Current liabilities	844.2	804.2
<b>Total liabilities</b>	<b>12,484.8</b>	<b>10,515.4</b>
<b>Total equity and liabilities</b>	<b>14,660.0</b>	<b>13,490.0</b>
<b>Net current assets</b>	<b>790.1</b>	<b>405.2</b>
<b>Total assets less current liabilities</b>	<b>13,815.8</b>	<b>12,685.8</b>

# Consolidated financial performance:

## Cash flow statement

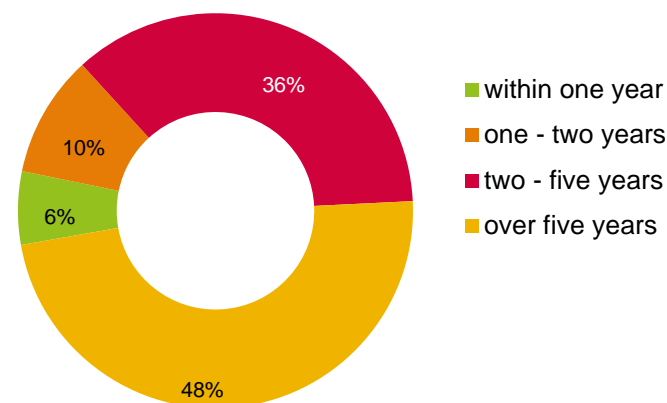


Year ended 31 December US\$ million	2015	2014
Receipts from customers	2,289.0	2,578.4
Payments to suppliers	(1,875.2)	(1,744.8)
Payments for exploration expenditure	(42.4)	(73.0)
Income tax paid	(89.0)	(93.9)
<b>Net cash generated from operating activities</b>	<b>282.4</b>	<b>666.7</b>
Purchase of property, plant and equipment	(1,959.0)	(1,037.9)
Other investing activities	(38.5)	(2,894.9)
<b>Net cash used in investing activities</b>	<b>(1,997.5)</b>	<b>(3,932.8)</b>
<b>Net cash generated from / (used in) financing activities</b>	<b>2,062.2</b>	<b>3,379.9</b>
<b>Net increase in cash and cash equivalents</b>	<b>347.1</b>	<b>113.8</b>
Cash and cash equivalents at 1 January	251.2	137.4
<b>Cash and cash equivalents at 30 June</b>	<b>598.3</b>	<b>251.2</b>

# Financial resources and liquidity

- Gearing ratio<sup>1</sup> MMG Group (excluding Las Bambas) as at 31 Dec 2015 of 0.51.
- Gearing ratio<sup>1</sup> 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
<b>Net debt</b>	<b>974.0</b>	<b>1,229.9</b>
Total equity	950.9	1,922.5
	<b>1,924.9</b>	<b>3,152.4</b>
<b>Gearing ratio<sup>1</sup></b>	<b>0.51</b>	<b>0.39</b>

(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.