



WE MINE FOR  
PROGRESS



# 2015 Interim Results

18 August 2015



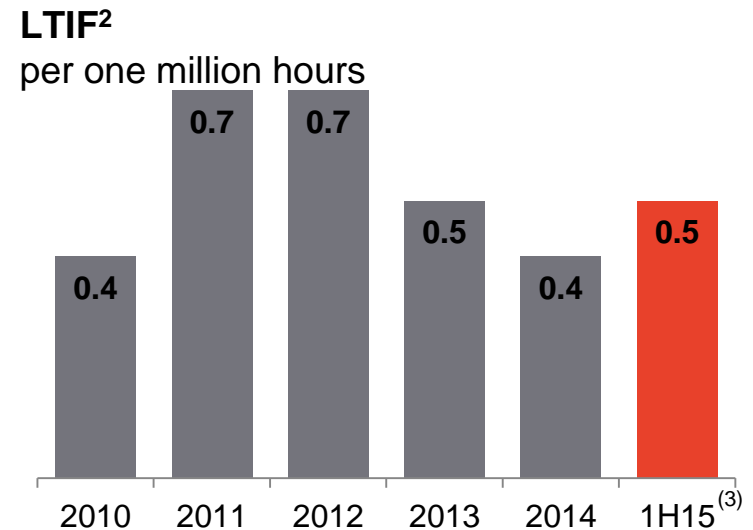
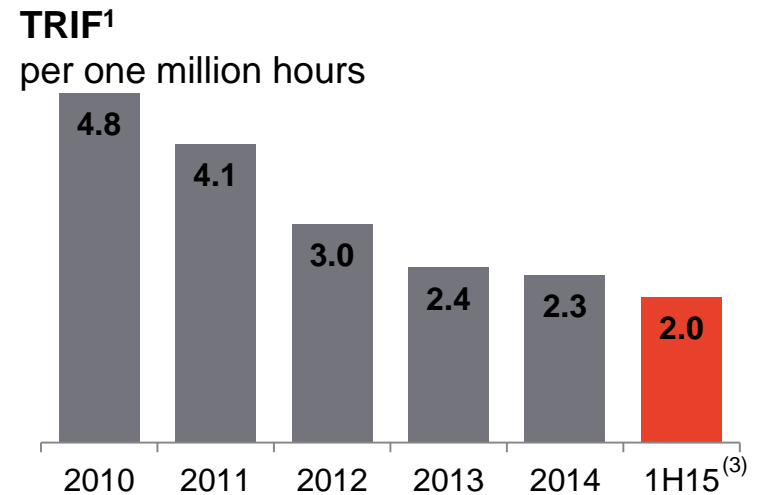
# Andrew Michelmore

Executive Director and Chief Executive Officer

# We think safety first



- TRIF<sup>1</sup> of 2.0 per million hours worked in 1H15.
- Continuous improvement in safety translates to improved operational discipline.
- Safety is a core value with management incentives directly linked to safety performance.
- Alignment of approach, activities and performance to International Council of Mining and Metals Sustainable Development Principles.



(1) Total Recordable Injury Frequency.

(2) Lost Time Injury Frequency.

(3) Las Bambas Operations safety data is incorporate into MMG from January 2015.

# Results overview

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- **Stable revenue** Higher sales volumes offset by lower commodities prices.
- **Operating discipline** Record copper production with strong contribution from Kinsevere and Sepon.
- **Earnings growth** EBITDA up 3%, EBITDA margin at 34%.
- **Profit** Negatively impacted by US\$94.1 million of amortisation resulting from previously announced increase to Century closure provision, and lower commodity prices.
- **Projects** Las Bambas project overall construction 95% complete, updated Dugald River development plan approved.
- **Fundamentals strong** Confident in long-term fundamentals for copper and zinc.



# David Lamont

Executive Director and Chief Financial Officer

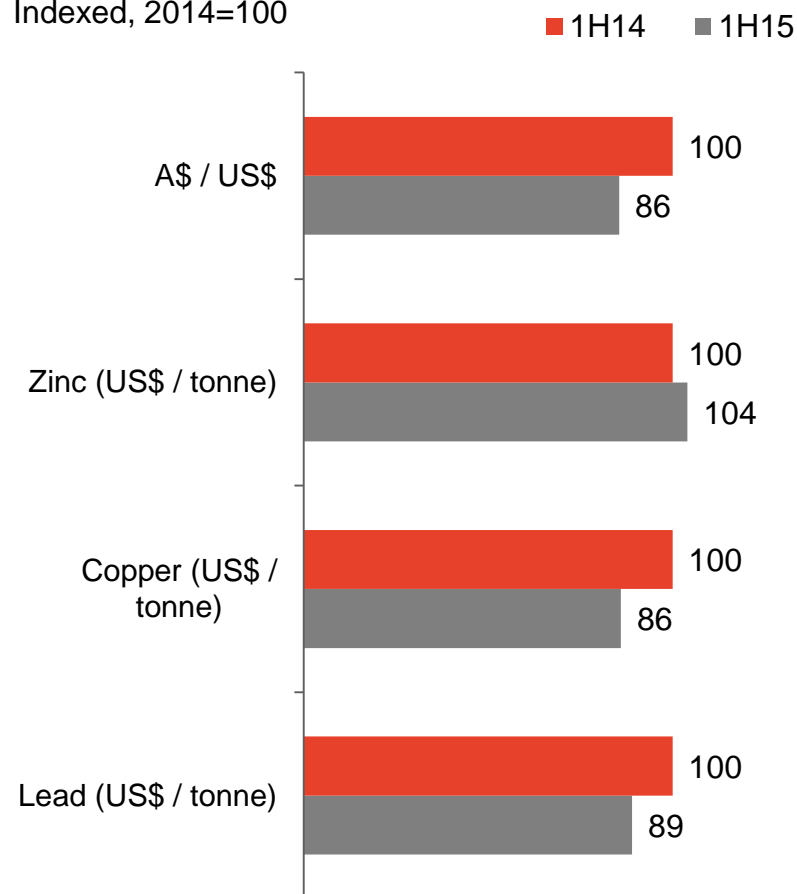
# Financial highlights



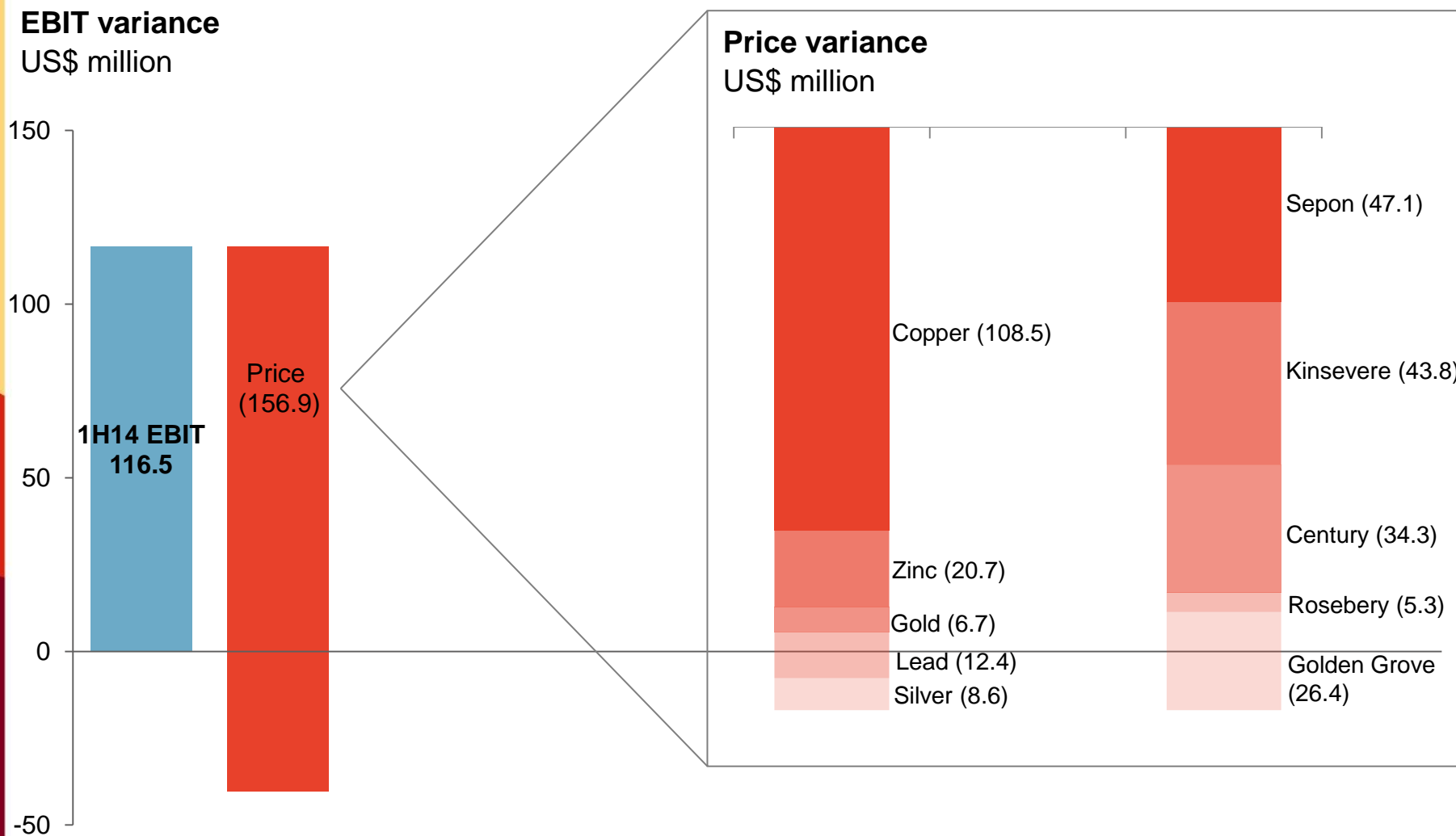
- Stable revenue of US\$1,113.8 million despite commodity price volatility.
- EBITDA of US\$375.9 million, up 3%. Demonstrating strong cash generation from operations.
- Loss for the first half 2015 of US\$48.0 million reflecting Century closure provision and lower commodity prices.
- Net operating cash flow remained consistent at US\$202.7 million reflecting improved EBITDA margin despite unfavourable working capital movements.
- MMG Board has not recommended a dividend.

## Foreign exchange and commodity price performance

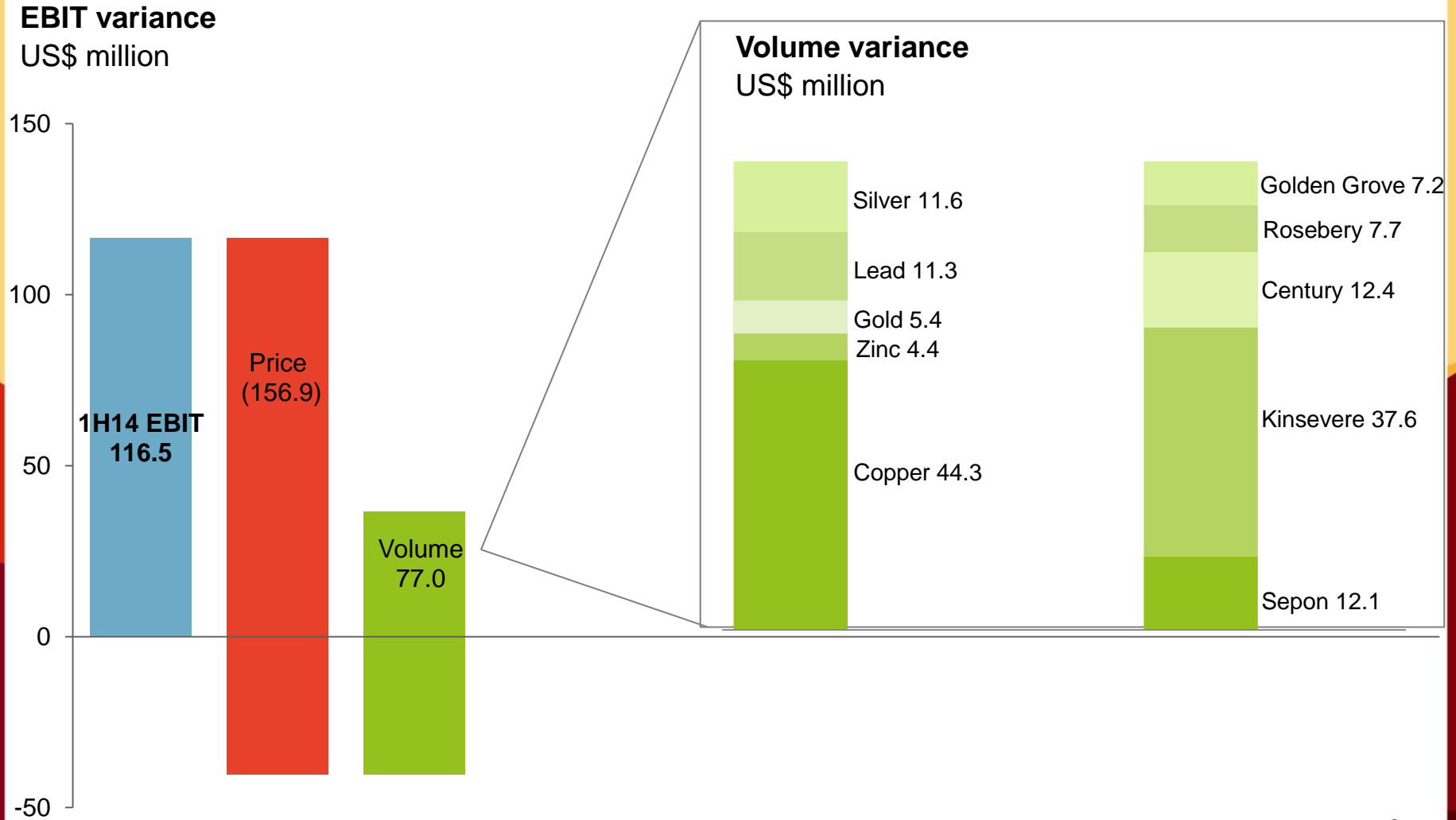
Indexed, 2014=100



# EBIT variance analysis



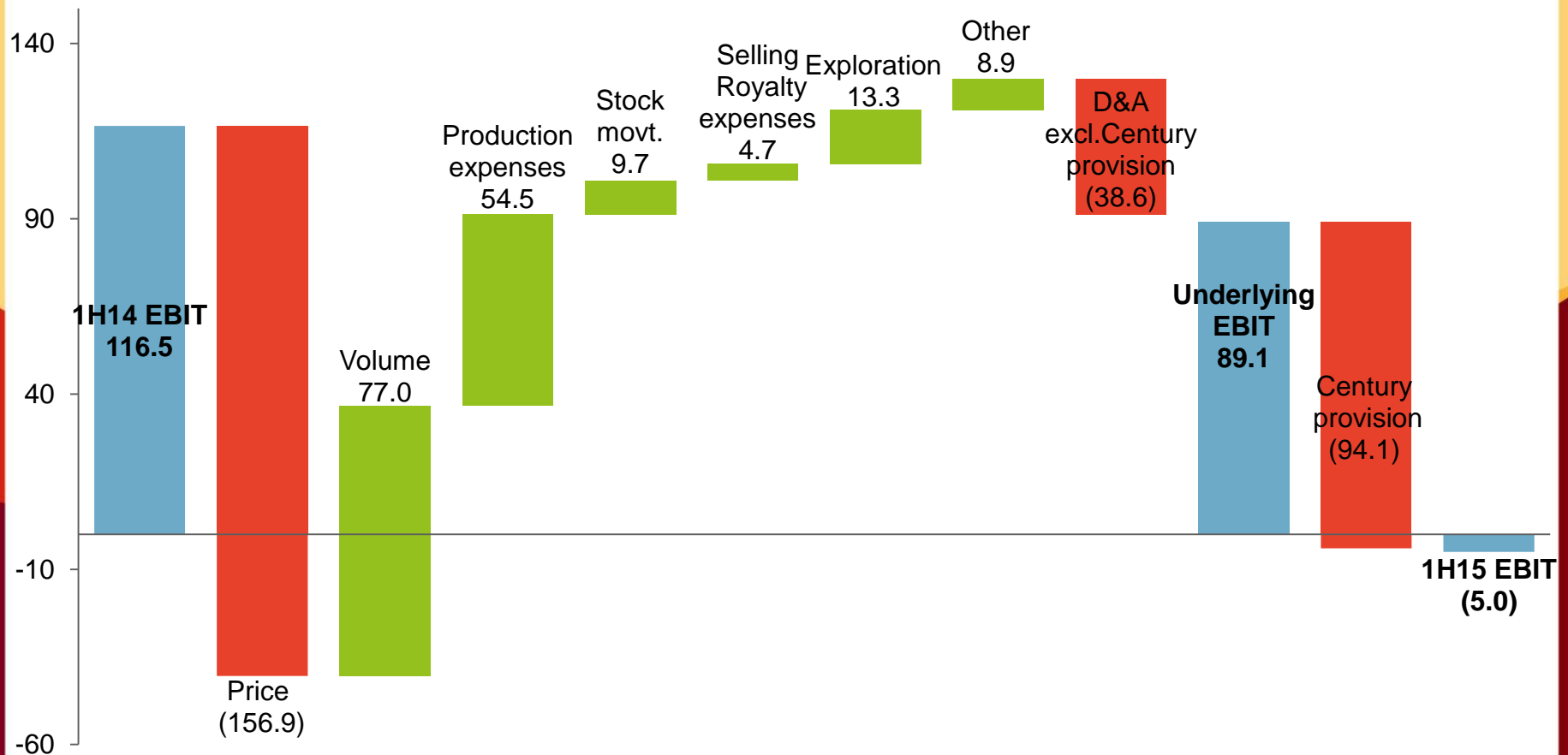
# EBIT variance analysis





# EBIT variance analysis

## EBIT variance US\$ million

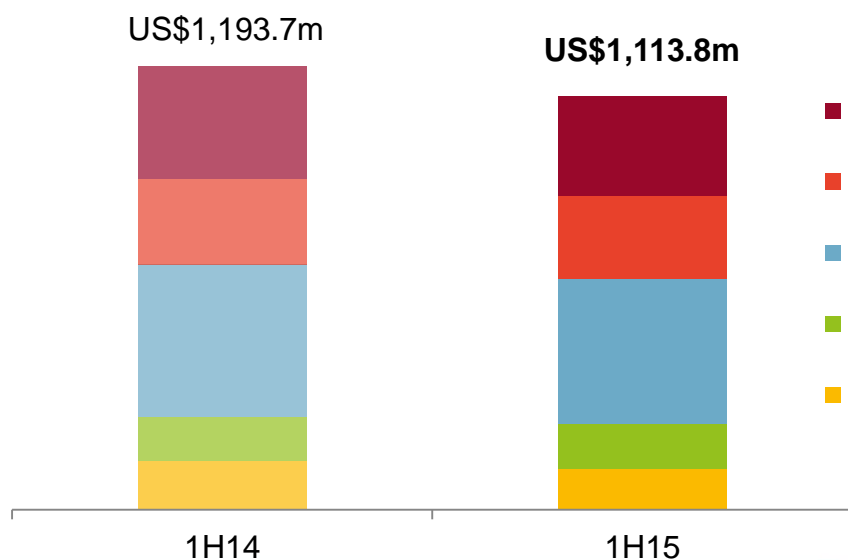


## Improving core profitability

- Operating expenses decreased US\$68.9m (9%) due to cost reductions as well as favourable Australian dollar exchange rates (favourable impact of US\$55.8m).
- EBITDA increased at Century by US\$20.3m (14%) and Rosebery by US\$26.6m (88%).
- Improved EBITDA margin from 31% to 34%.
- Exploration expenses decreased by US\$13.3m (43%).
- Administration expenses decreased by US\$15.4m (26%).

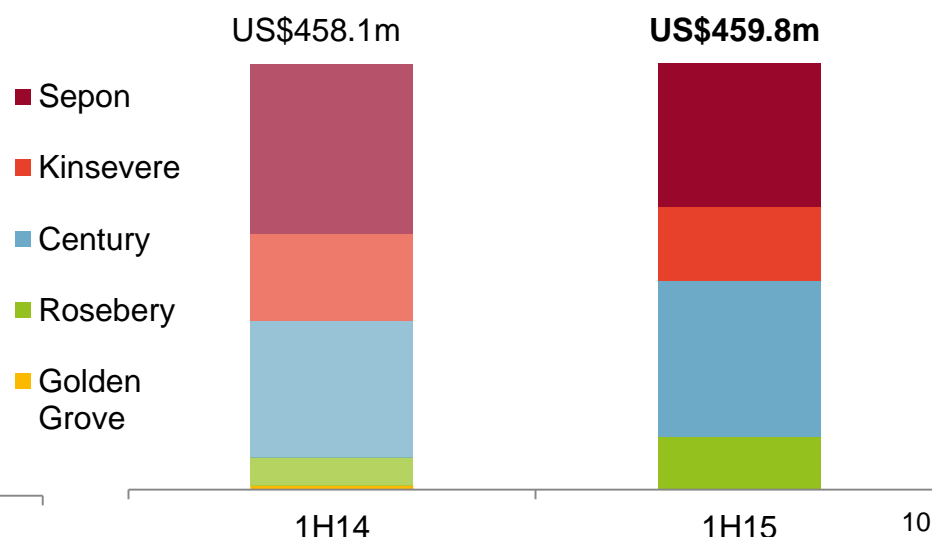
### Revenue by operating site

US\$ million



### EBITDA by operating site

US\$ million



# Analysis of cash flow

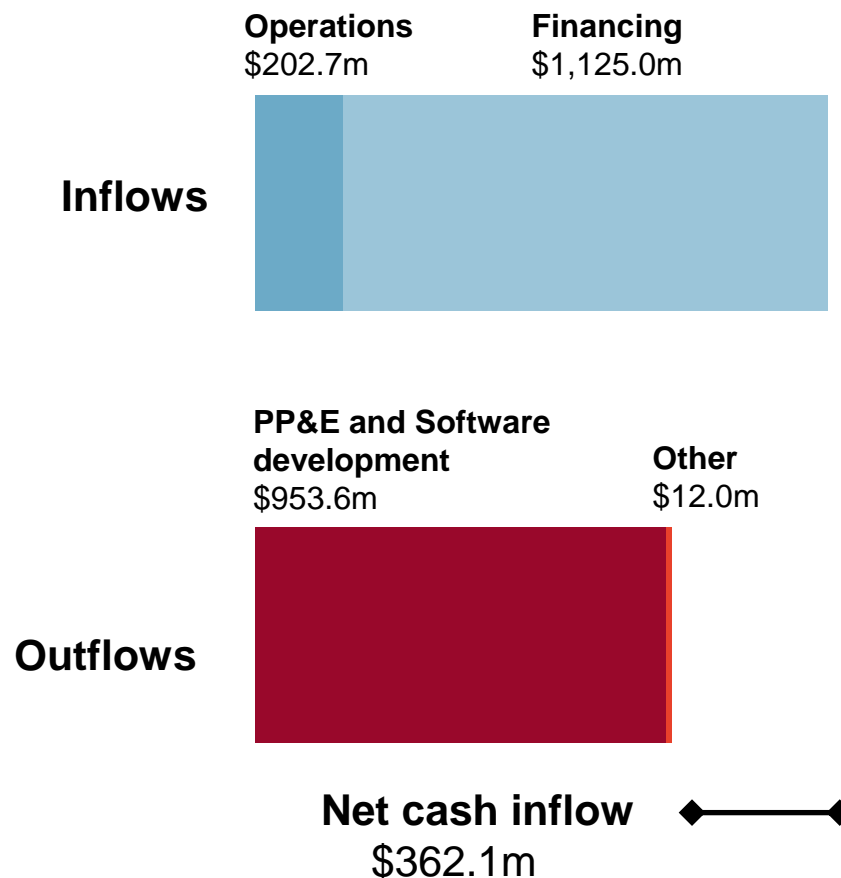
## >>> Inflows

- Cash generated from **operating activities** of US\$202.7m.
- Net cash from **financing activities** of US\$1,125.0m including proceeds from borrowings of US\$489.0m and related party borrowings of US\$417.5m.

## <<< Outflows

- **Purchase** of property, plant and equipment (PP&E) and software development of US\$953.6m.
- **Cash balance** of US\$613.3m as at 30 June 2015.

## 1H 2015 Cash flow summary US\$ million



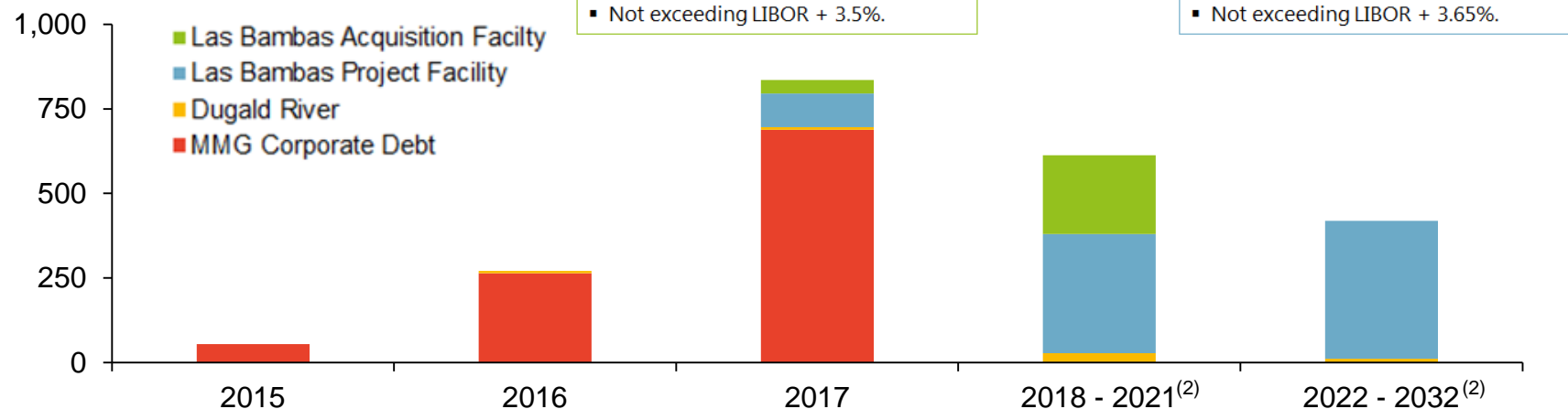
# MMG external debt



- Debt is backed by large Chinese government supported financial institutions with a government mandate for long-term stable investment.
- Debt servicing covered by operational cash generation.
- Shareholder loan viewed by MMG and external debt providers as subordinated debt provided by major shareholder who takes a long term view with return of capital, maintains strong relationships within China and supports MMG growth strategy.
- High gearing ratio is made up of debt with vanilla structure – with optionality to repay with cash flows, equity and/or refinance.

## Debt repayment schedule<sup>1</sup>

US\$ million



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

(2) Average debt repayment schedule for the period.



# Marcelo Bastos

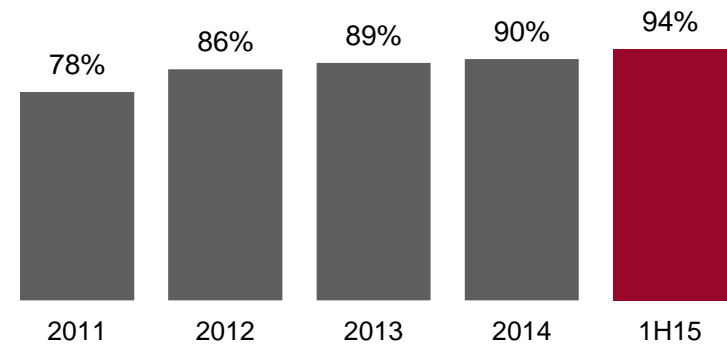
Chief Operating Officer

# Focus on asset utilisation and operational excellence

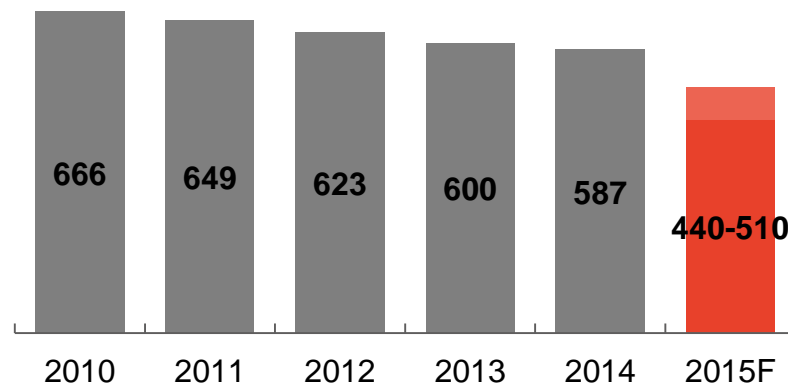


- Strong first half copper production with 98,264 tonnes produced, due to record copper production at Kinsevere and increased production from Sepon.
- Improved safety performance reducing down-time and increasing asset utilisation.
- Stable zinc production, despite Century ore variability and lower grades from production of final Stage 10 ore.

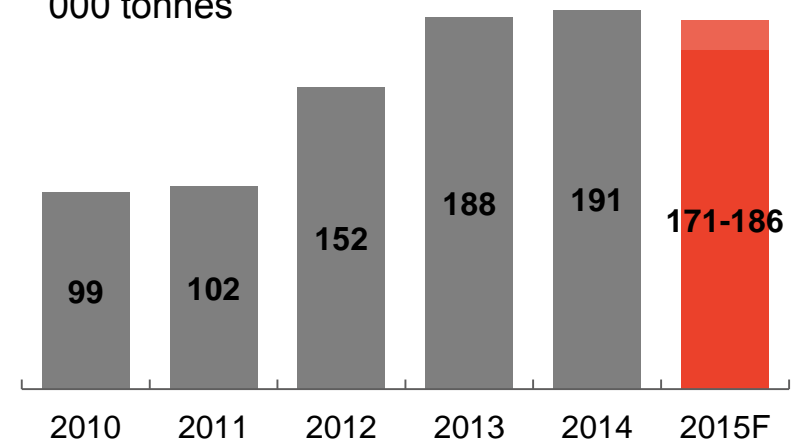
## Asset Utilisation across MMG assets



## Zinc production '000 tonnes



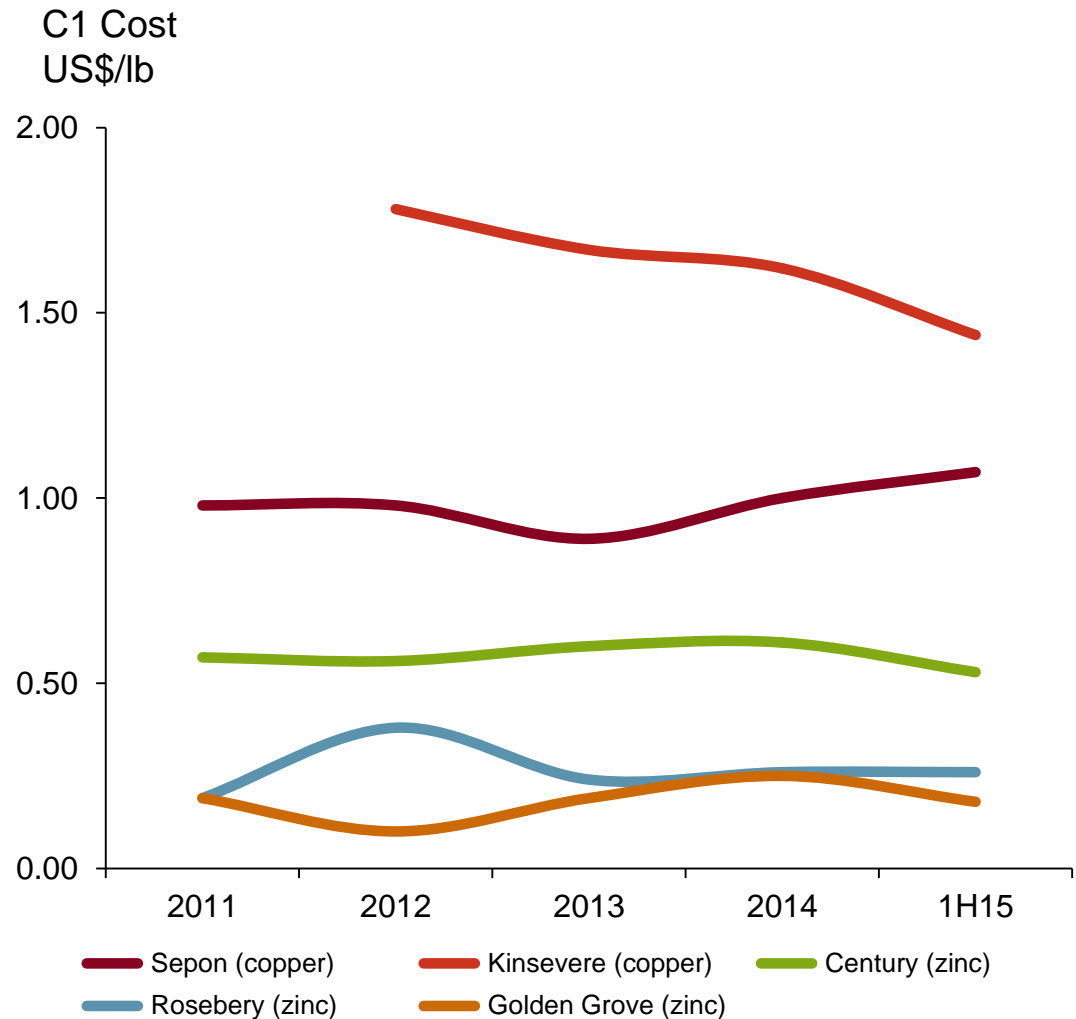
## Copper production '000 tonnes



# Continuous focus on cost management



- Sepon facing higher costs to process harder and higher acid consuming Type II ore.
- Kinsevere managed operating costs by adjusting the mine plan to draw down from previously built up ore stockpiles.
- Century is being managed to maximise cash generation as it comes to the end of mine life in 3Q15.
- All operations continue to deliver on operating efficiency and tight cost controls.



# Sepon – strong production results

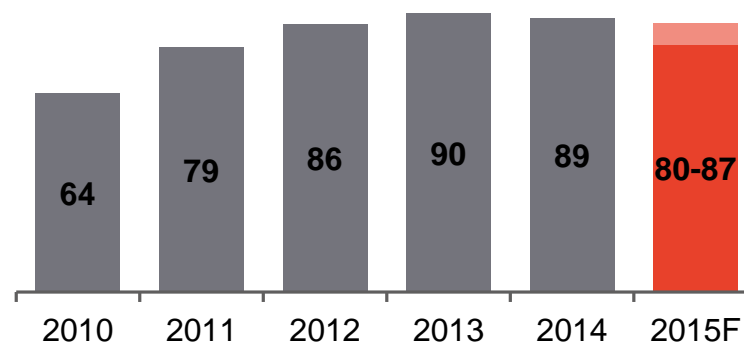


- Successful transition to harder Type II ore with quarterly milling record delivered.
- 44,632 tonnes copper cathode produced.
- Maintained stable mining and milling costs in response to increased mine activities.
- Focus on lowering overall costs to offset higher mining and processing.
- Ongoing studies to optimise production through plant improvements.
  - Ore variability continues.
  - Milling grades converge towards reserve grade.

## Financials

US\$ million	1H15	1H14	%
Revenue	<b>269.3</b>	304.2	(11)
EBITDA <sup>1</sup>	<b>154.9</b>	182.9	(15)
EBIT	<b>94.3</b>	142.1	(34)
EBITDA margin (%)	<b>58</b>	60	
C1 Costs – copper (US\$ / lb)	<b>1.07</b>	0.99	

## Copper cathode production '000 tonnes



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



# Kinsevere – half year production record



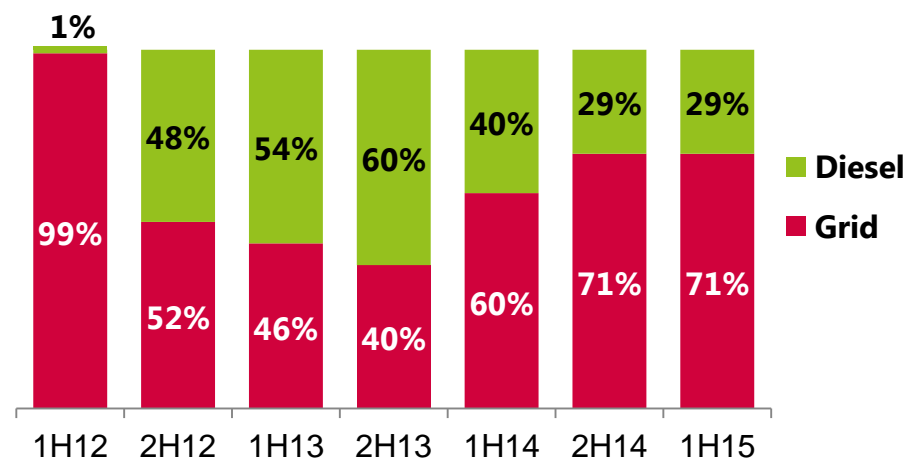
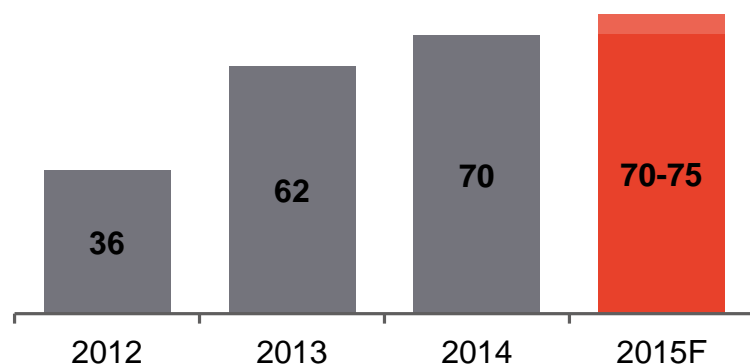
- Half year production record of 39,095 tonnes of copper cathode.
- Operational efficiencies, stable electricity, increases to mill throughput.
- Lower copper prices marginally offset by 16% increase in copper sales volumes.
- Ore mined down 29% in line with plan; drawdown on ore stockpiles with mining costs down 21%.
- Reduced C1 cost to US\$1.44/lb.

## Financials

US\$ million	1H15	1H14	%
Revenue	<b>222.7</b>	228.9	(3)
EBITDA <sup>1</sup>	<b>80.9</b>	93.3	(13)
EBIT	<b>(5.4)</b>	28.5	(119)
EBITDA margin (%)	<b>36</b>	41	
C1 costs – copper (US\$ / lb)	<b>1.44</b>	1.64	

## Copper cathode production

'000 tonnes



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

# Century – strong production and cost performance



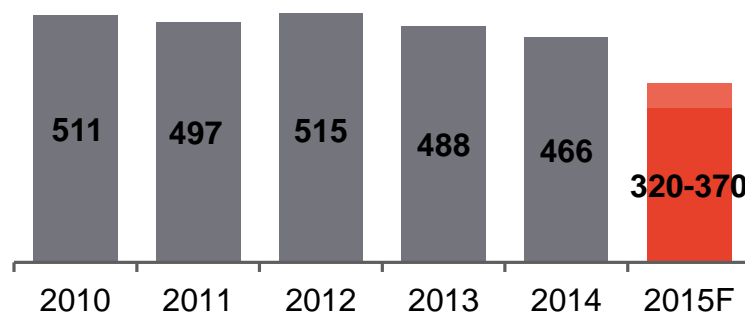
- Production of 221,049 tonnes of zinc despite transition to lower grades in final stages of mining.
- Mining costs down US\$31.3 million or 53%.
  - Mining from single stage of open-pit mine, lower strip ratio, reduction in consumables.
- Milling tonnes up 11%, reduced milling rates offset lower grades with 1% decrease in total zinc produced.
- Processing costs down US\$3.9 million or 3%.
- Mining completed at Century in August 2015 with processing of Century and Dugald River ore to continue in 2016.

## Financials

US\$ million	1H15	1H14	%
Revenue	390.1	412.1	(5)
EBITDA <sup>1</sup>	167.6	147.3	14
EBIT	(12.0)	49.5	(124)
EBITDA margin (%)	43	36	
C1 costs – zinc (US\$ / lb)	0.53	0.60	

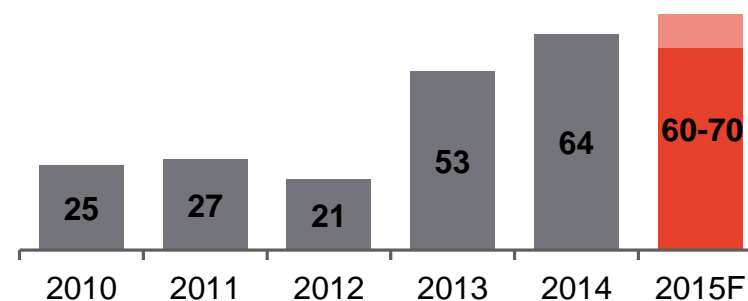
## Zinc in zinc concentrate production

'000 tonnes



## Lead in lead concentrate production

'000 tonnes



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

# Australian Operations update

## Century

- Zinc production down 1% to 221,049 tonnes due to lower zinc grades.

## Rosebery

- Zinc production up 40% to 48,924 tonnes driven by higher mill throughput and higher zinc grades.

## Golden Grove

- Lower-cost zinc ore prioritised over copper.
- Zinc production up 39% to 16,171 tonnes.



## New Australian operations model

- Australian operating sites and Dugald River now under one single, integrated management structure.
- Improves profitability, integration of strategic planning and simplification of systems and processes.



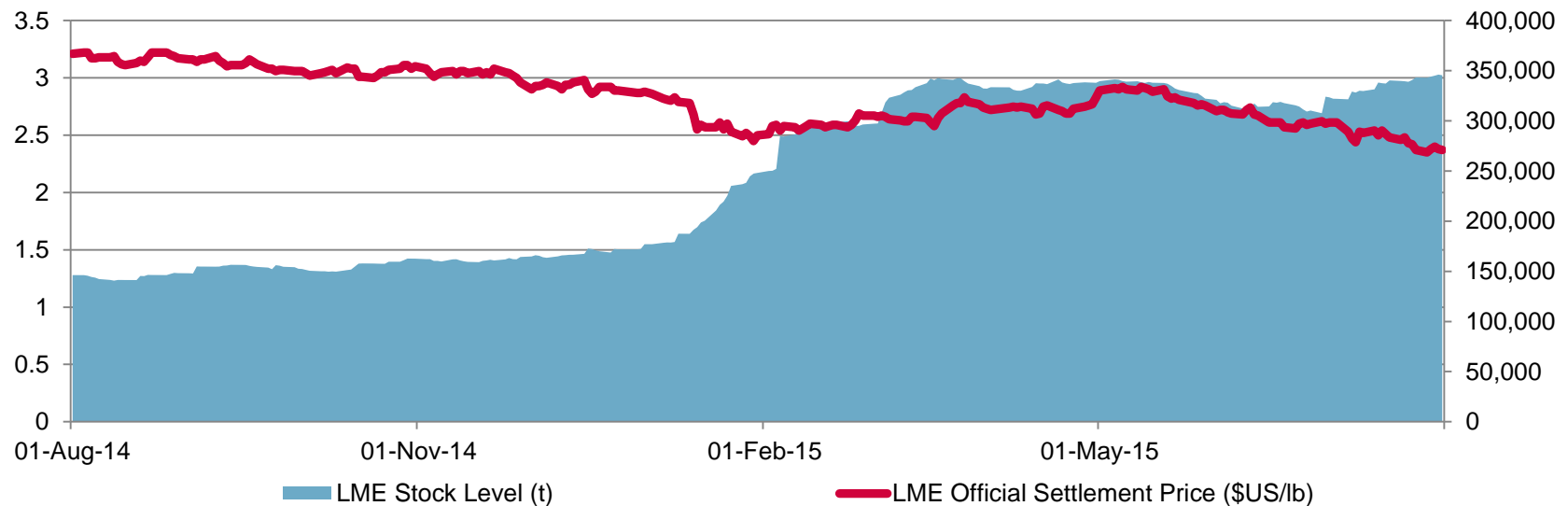
# Andrew Michelmore

Executive Director and Chief Executive Officer

# Copper market fundamentals



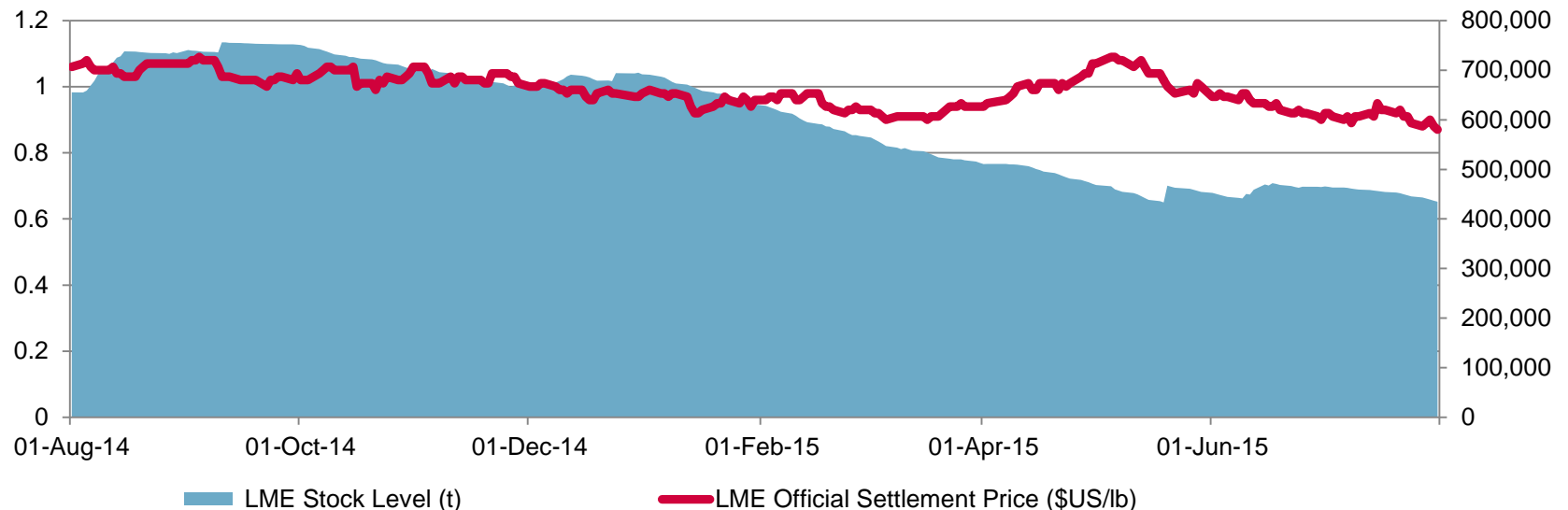
- 2015 global refined copper demand growth forecast 3.3%, and forecast surplus of 339kt.
- Demand disappointed during 1H15, reflecting weakness in China and other key consuming nations.
- Copper prices down 14% compared to the same period 2014, with prices benefitting from lower TC/RC which fell more than 30% in the six month period.
- Forecast increased copper demand in 2H15 driven by June data:
  - Power grid investment increased 17% YoY and 48% MoM. Grid construction behind expectations; only 39% (US\$26.3bn) of 2015 planned investment spent.
  - New investment of US\$14.9 billion to upgrade/reconstruct rural grid. An additional 20% on top of existing plan.



# Zinc market fundamentals



- 2015 global refined zinc demand growth forecast of 4.2%, and forecast surplus of 50kt.
- Demand disappointed during 1H 2015 as a result of current market sentiment surrounding Greece and China.
- Prices up 4% over six months to end of June; offset by higher treatment charges.
- Higher treatment charges and a positive arbitrage of Chinese prices over the LME, together with adequate supplies of zinc concentrate in China has encouraged China's zinc smelters to boost production, achieving record output of 560kt in June.
- Lower medium term price expectations look to further stall investment in new zinc projects, compounding future supply deficits.



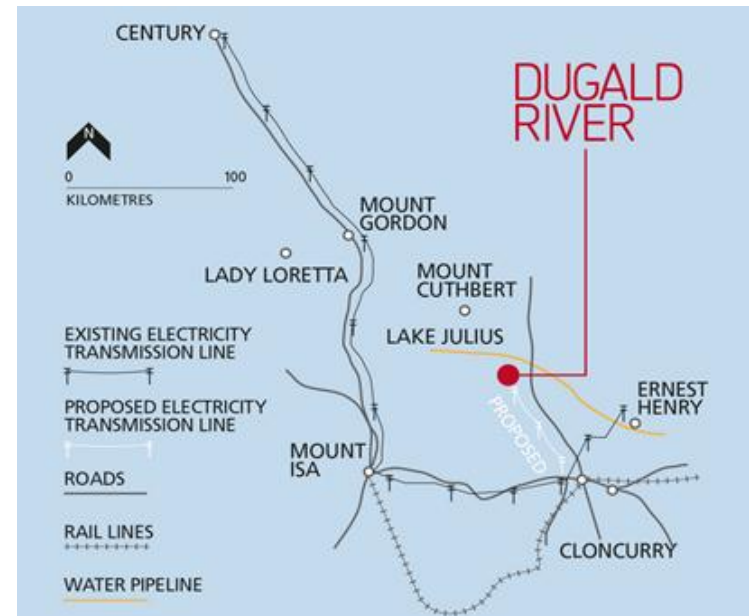
# Las Bambas update

- Overall construction progress 95% with concentrate-related construction 90% as of 30 June 2015.
- Community relocation continued with 96% of families now successfully relocated to new Fuerabamba town – relocation of remaining families is not impacting project construction.
- 130km 220kV power transmission line commissioned; 33kV Mine Power Loop operational.
- 3 electric shovels fully commissioned with 23 million tonnes of material moved at end of June.
- 8 gigalitres of water collected in site dams, sufficient for first year of production.
- Contracts signed for copper concentrate transportation by truck and rail.
- First two of 15 locomotives delivered and commissioned.
- SAG and Ball Mills floated and rotated on bearings.
- Overall cable terminations at 70%.
- All plant conveyor belts now installed.
- Overall pre-operational testing is 14% complete.



# Dugald River update

- One of the highest-grade undeveloped zinc resources globally.
- Long life 28 year underground zinc mine.
- Mine production rate of 1.5Mtpa, producing on average 160,000 tonnes of zinc in concentrate per annum.
- Significant by-products including 18,000 tonnes of lead and 981,000 oz of silver in concentrate per annum.
- Expected to be one of the top 10 zinc mines globally when operational.
- Approximately US\$750 million plus interest costs to complete the project.
- First production expected 1H 2018.





## 2020 objective: One of the world's top mid-tier miners

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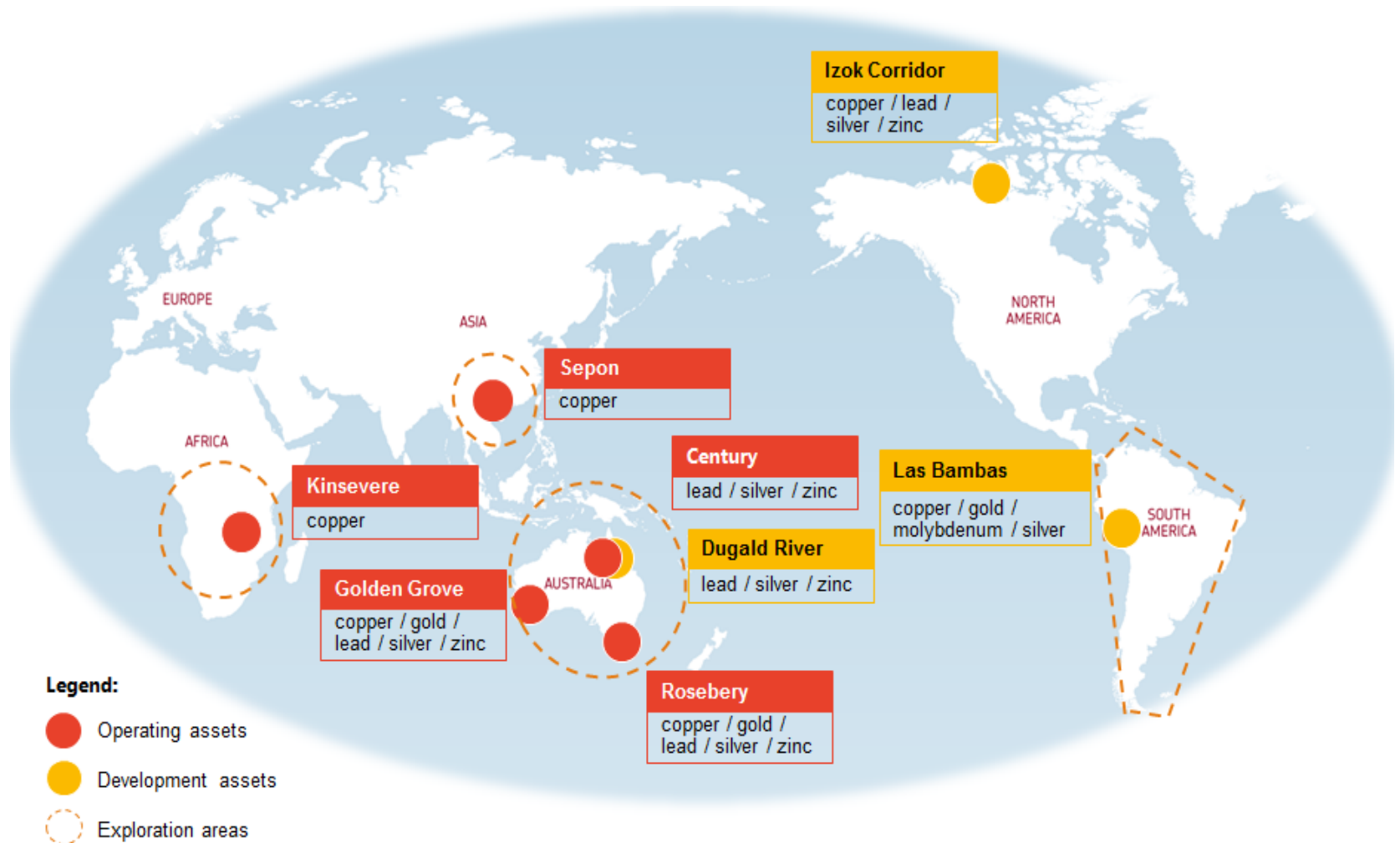


- Complete construction of Las Bambas and first production by 1Q16.
- Clear pathway for Dugald River.
- Build on presence in two of the world's most prospective copper belts.
- Progressive remediation will not affect future potential use of Century infrastructure.
- Optimise capital structure to support future growth.
- Objective to be valued as one of the world's top mid-tier miners by 2020.



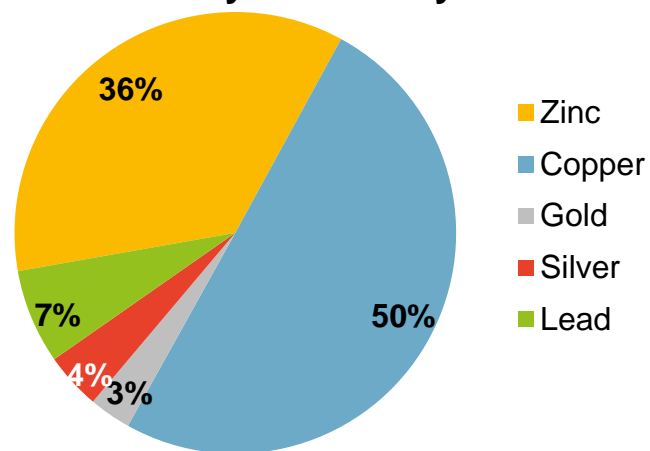
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# Overview of assets

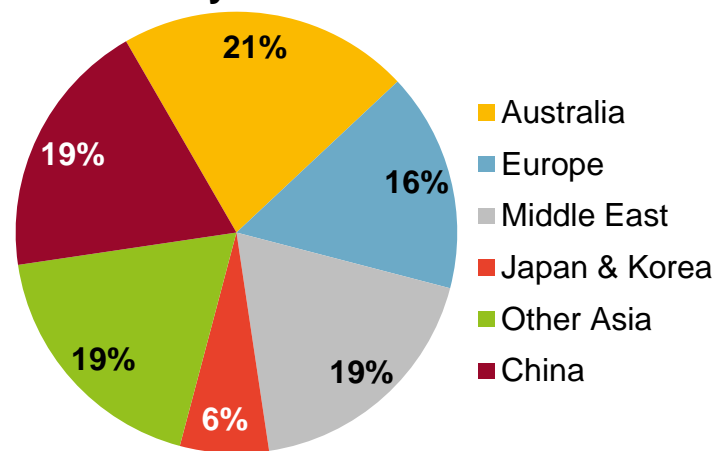


# Financial dashboard

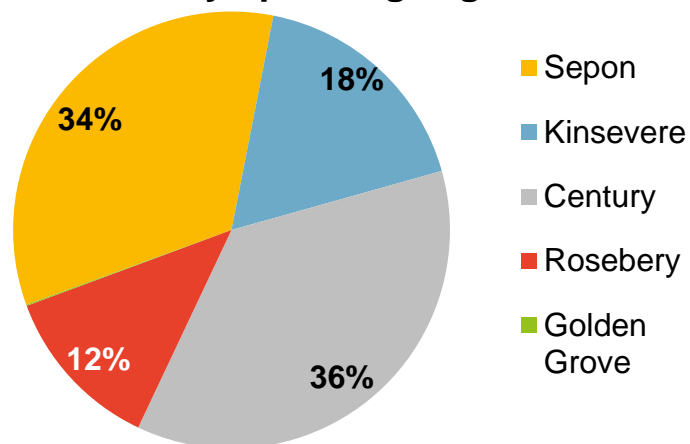
### Revenue by commodity



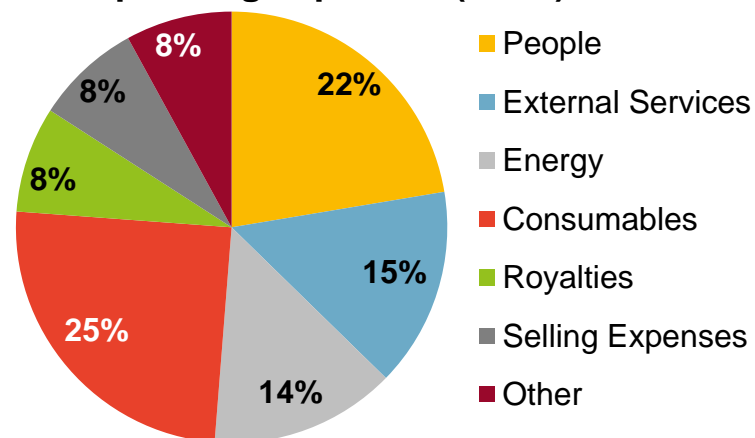
### Revenue by customer location



### EBITDA by operating segment



### Operating expenses (Sites)



# Rosebery



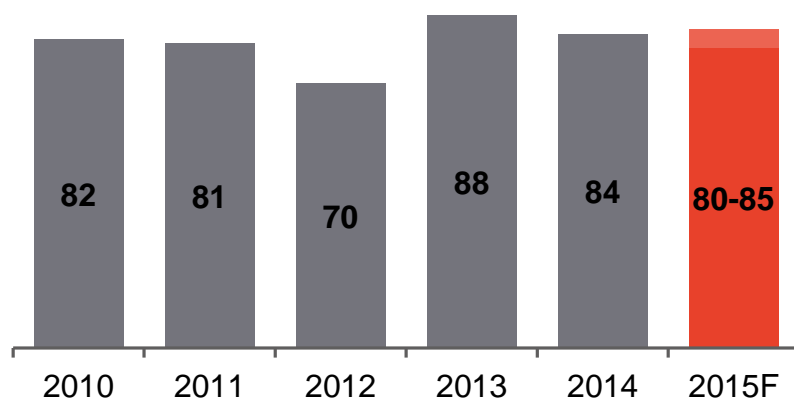
- Production of zinc and lead concentrate was 40% and 3% higher respectively due to higher milling grades and increased throughput.
- Increased cash generation with EBITDA margin increasing to 47% from 26%.
- Operating expenses decreased US\$20.5m (24%).
- Zinc C1 costs US\$0.26/lb.

## Financials

US\$ million	1H15	1H14	%
Revenue	120.4	118.0	2
EBITDA <sup>1</sup>	56.8	30.2	88
EBIT	27.5	14.2	94
EBITDA margin (%)	47	26	
C1 costs – zinc (US\$ / lb)	0.26	0.37	

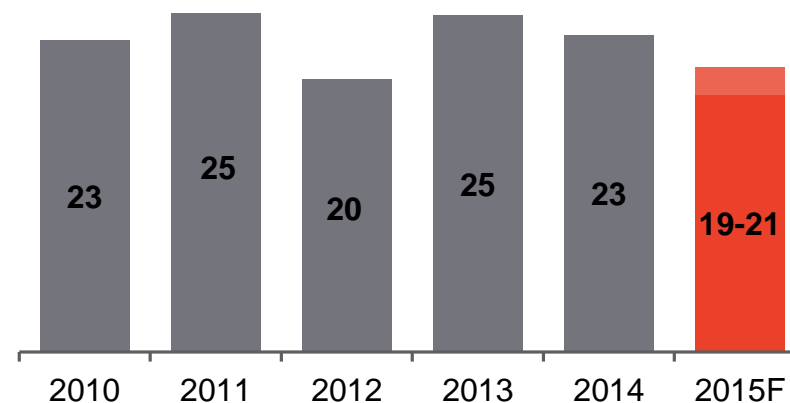
## Zinc in zinc concentrate production

'000 tonnes



## Lead in lead concentrate production

'000 tonnes



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

# Golden Grove

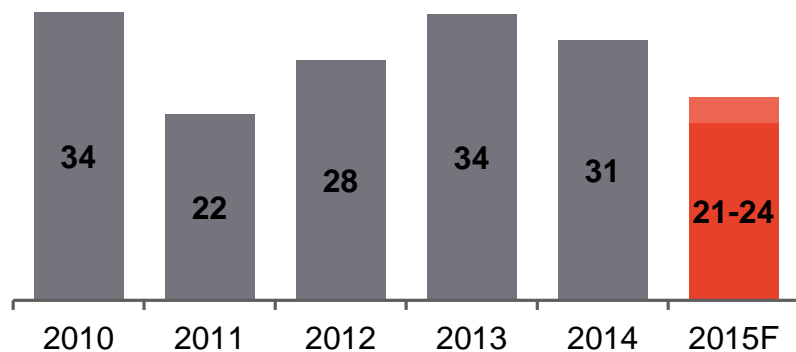


- Production of zinc 39% higher – zinc focused production in 2015.
- Production expenses decreased US\$17.8m (17%).
- Zinc C1 costs US\$0.18/lb.
- Copper C1 costs US\$2.07/lb.

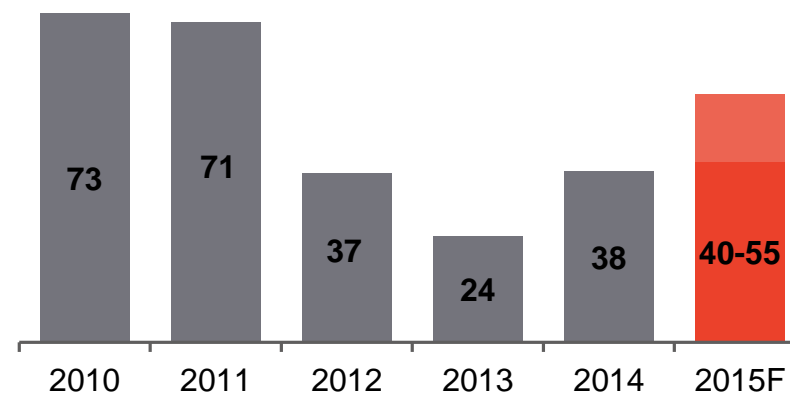
## Financials

US\$ million	1H15	1H14	%
Revenue	111.3	130.5	(15)
EBITDA <sup>1</sup>	(0.4)	4.4	(109)
EBIT	(20.2)	(14.4)	(40)
EBITDA margin (%)	n/a	3	
C1 costs – copper (US\$ / lb)	2.07	2.89	
C1 costs – zinc (US\$ / lb)	0.18	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



	Current 2015 guidance	Previous 2015 guidance	2014 Actual
<b>SEPON</b>			
Copper – production	80,000 – 87,000 tonnes	80,000 – 87,000 tonnes	88,541 tonnes
Copper – C1 costs	US\$1.10 – US\$1.20 / lb	US\$1.10 – US\$1.20 / lb	US\$1.00 / lb
<b>KINSEVERE</b>			
Copper – production	70,000 – 75,000 tonnes	67,000 – 72,000 tonnes	69,624 tonnes
Copper – C1 costs	US\$1.50 – US\$1.70 / lb	US\$1.60 – US\$1.80 / lb	US\$1.62 / lb
<b>CENTURY</b>			
Zinc – production	320,000 – 370,000 tonnes	320,000 – 370,000 tonnes	465,696 tonnes
Zinc – C1 costs	US\$0.60 – US\$0.65 / lb	US\$0.60 – US\$0.65 / lb	US\$0.61 / lb
Lead – production	60,000 – 70,000 tonnes	75,000 – 85,000 tonnes	64,426 tonnes
<b>ROSEBERY</b>			
Zinc – production	80,000 – 85,000 tonnes	80,000 – 85,000 tonnes	83,507 tonnes
Zinc – C1 costs	US\$0.25 – US\$0.30 / lb	US\$0.25 – US\$0.30 / lb	US\$0.26 / lb
Lead – production	19,000 – 21,000 tonnes	22,000 – 24,000 tonnes	23,409 tonnes
<b>GOLDEN GROVE</b>			
Copper – production	21,000 – 24,000 tonnes	21,000 – 24,000 tonnes	30,837 tonnes
Copper – C1 costs	US\$2.40 – US\$2.75 / lb	US\$2.40 – US\$2.75 / lb	US\$2.48 / lb
Zinc – production	40,000 – 55,000 tonnes	40,000 – 55,000 tonnes	37,896 tonnes
Zinc – C1 costs	US\$0.45 – US\$0.60/lb	US\$0.45 – US\$0.60/lb	US\$0.25 / lb

# Condensed consolidated income statement



Six months ended 30 June US\$ million	2015 Unaudited	2014 Audited	Variance %
Revenue	1,113.8	1,193.7	(7)
Other income	1.5	5.4	(72)
Expenses (Excluding depreciation and amortisation)	(739.4)	(834.4)	11
<b>EBITDA</b>	<b>375.9</b>	<b>364.7</b>	<b>3</b>
Depreciation and amortisation	(380.9)	(248.2)	(53)
<b>EBIT</b>	<b>(5.0)</b>	<b>116.5</b>	<b>(104)</b>
Finance income	2.3	1.5	53
Finance costs	(44.1)	(38.8)	(14)
<b>(Loss)/profit before income tax</b>	<b>(46.8)</b>	<b>79.2</b>	<b>(159)</b>
Income tax expense	(1.2)	(31.5)	96
<b>(Loss)/profit for the period</b>	<b>(48.0)</b>	<b>47.7</b>	<b>(201)</b>
<b>(Loss) earnings per share for profit attributable to the equity holders of the Company</b>			
Basic (loss) / earnings per share	US (0.87) cents	US 0.74 cents	(218)



# Condensed consolidated balance sheet



US\$ million	30 June 2015 Unaudited	31 December 2014 Audited
Non-current assets	12,844.9	12,280.6
Current assets – cash and cash equivalents	613.3	251.2
Current assets – other	960.7	958.2
<b>Total assets</b>	<b>14,418.9</b>	<b>13,490.0</b>
<b>Total equity</b>	<b>3,176.3</b>	<b>2,974.6</b>
Non-current liabilities	10,440.2	9,711.2
Current liabilities	802.4	804.2
<b>Total liabilities</b>	<b>11,242.6</b>	<b>10,515.4</b>
<b>Total equity and liabilities</b>	<b>14,418.9</b>	<b>13,490.0</b>
<b>Net current assets</b>	<b>771.6</b>	<b>405.2</b>
<b>Total assets less current liabilities</b>	<b>13,616.5</b>	<b>12,685.8</b>

# Consolidated financial performance:

## Cash flow statement

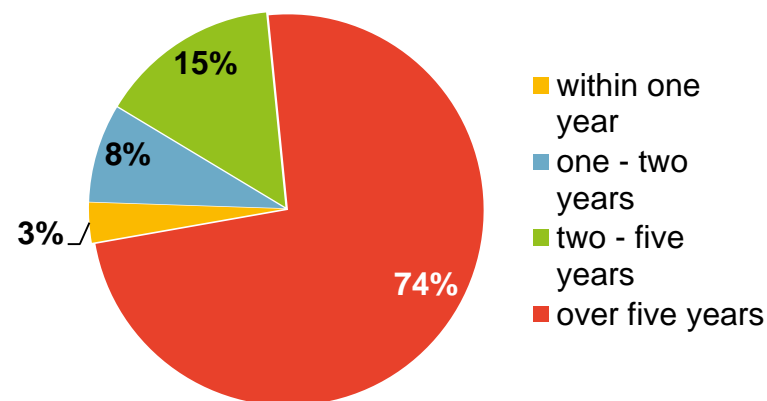


Six months ended 30 June US\$ million	2015 Unaudited	2014 Audited
Receipts from customers	1,161.6	1,197.2
Payments to suppliers	(865.2)	(855.2)
Payments for exploration expenditure	(17.9)	(31.2)
Income tax paid	(75.8)	(80.3)
<b>Net cash generated from operating activities</b>	<b>202.7</b>	<b>200.5</b>
Purchase of property, plant and equipment	(946.4)	(116.0)
Other investing activities	(19.2)	28.4
<b>Net cash used in investing activities</b>	<b>(965.6)</b>	<b>(87.6)</b>
<b>Net cash generated from / (used in) financing activities</b>	<b>1,125.0</b>	<b>(105.9)</b>
<b>Net increase in cash and cash equivalents</b>	<b>362.1</b>	<b>7.0</b>
Cash and cash equivalents at 1 January	251.2	137.4
<b>Cash and cash equivalents at 30 June</b>	<b>613.3</b>	<b>144.4</b>

## Financial resources and liquidity

- Total drawn down of US\$5,538.7 million in bank borrowings and a US\$2,261.3 million in shareholder borrowings to fund the Las Bambas project.
- Gearing ratio<sup>1</sup> MMG Group (excluding Las Bambas) as at 30 June 2015 of 0.34.
- Gearing ratio<sup>1</sup> MMG South America Management Group as at 30 June 2015 of 0.60.

### Maturity profile of borrowings as at 30 June 2015



### MMG GROUP (EXCLUDING MMG SOUTH AMERICA GROUP)

US\$ million	30 June 2015	31 December 2014
Total borrowings (excluding prepayments)	1,458.3	1,321.8
Less: Cash and cash equivalents	479.6	91.9
<b>Net debt</b>	<b>978.7</b>	<b>1,229.9</b>
Total equity	1,892.8	1,922.5
	<b>2,871.5</b>	<b>3,152.4</b>
<b>Gearing ratio<sup>1</sup></b>	<b>0.34</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.