

Company: MMG Limited
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Peter Budd: Hello and welcome to MMG's Second Quarter Production Report teleconference. This report and today's discussion covers MMG's assets for the three months ended 30 June, 2015. Joining us today is Marcelo Bastos, Chief Operating Officer and David Lamont, Chief Financial Officer along with other members of the executive team. I'd like to now hand over to Marcelo who will discuss the highlights of the report after which there will be an opportunity to ask questions.

Marcelo Bastos: Thank you Peter and hello to everyone who has dialled in today. I'll take the report as read and briefly go over some of the highlights and drivers of our second quarter 2015 performance before opening for questions. Our results for the quarter and half year highlight strong production driven by increased asset utilisation and our disciplined operations focus. Backed by diligent cost discipline, production increases were achieved through operational improvement rather than capital investment.

All operations are currently producing at or below full year Q1 guidance targets. Century's performance remains on track despite mining from the open pit finishing in July with final processing of Century ore now expected in the fourth quarter 2015. The updated development plan for Dugald River continues to be considered with all options being reviewed. As we have been very clear on Dugald, the objective is to maximise long term shareholder value. A decision regarding the revised project is still expected during the third quarter 2015.

Given Kinsevere's record half year production we have lifted our annual guidance for copper 3000 tonnes to 171,000 to 186,000 tonnes. Guidance for zinc remains unchanged and MMG expects to produce 440,000 to 510,000 tonnes. While our operations continue to perform well in terms of production and cost, we are facing significant downward pressure on commodity prices which will impact our overall financial results. We will discuss that in more detail on the release of our interim financial results in mid-August.

Turning to some operating highlights. Kinsevere turned in another record half year production of 39,095 tonnes of copper cathode. Kinsevere's result represents an annualised production rate of 130% of Kinsevere's original 60,000 tonne nameplate capacity. This demonstrates our ability to maximise throughput without requiring large capital investment. As a response to lower copper prices, we have strategically lowered our open pit mining rates and instead are drawing down on stockpiles built up in previous years which has been reflected in our lower Q1 cost of \$1.44 per pound.

Sepon is currently transitioning to a harder Type II ore which was expected to reduce ore throughput rates however, they set a new quarterly milling record which was 17% above the same period last year. Alongside strong recoveries, this performance highlights the capabilities of the operations team to effectively transition to this changing ore type. Sepon continues to optimise production through plant improvements as its milling

grade converges towards reserve grade. The expectation is that production will come back toward nameplate capacity of 80,000 tonnes in coming years.

Mining from Century's open pit will be completed in July as planned. Final processing of century ore is expected to be extended in the fourth quarter 2015 rather than the previously planned third quarter 2015. This has been a result of reduction in milling rates to maximise recoveries and offset lower grades. I would like to reiterate that the extension of the processing doesn't mean we will be producing more zinc, and we still expect to produce within our guidance of 320,000 to 370,000 of zinc in zinc concentrate this year.

Dugald River trucking commenced in May with over 86,000 tonnes of zinc ore grading 13.3% now stockpiled at Century. The ore will be processed using existing Century infrastructure following the completion of processing ore from Century's open pit. The updated development plan for Dugald River continues to be considered with all options being reviewed. As we've consistently said, the objective is to maximise long term shareholder value. A decision regarding the revised project is still expected during the third quarter 2015.

Now a quick update on our projects. Las Bambas continues its focus on completing construction and preparing to commission. As at 30 June, overall construction progress was 95% with concentrate related construction 90%. The community relocation continues with 96% of families now successfully relocated to the new Fuerabamba town. Remaining families within the project area will not impact project construction and we continue to work on their successful relocation. It has been a busy quarter but it's important that I highlight our more significant milestones which include the 130 kilometre 220kV power transmission line being successfully commission with the site now receiving electricity and a 33kV mine powered loop now operational.

Mining activities have ramped up with three electric shovels now fully commissioned and operating on grid power. At the end of June, a total of 23,000 million tonnes of material has been mined. Over 8 gigalitres of water has been collected in site dams which is sufficient to support operational requirements for the first year of production. A contract has been signed with Transaltisa for the trucking of copper concentrate from Las Bambas. This was announced along with a contract signed with PeruRail for the transport of copper concentrate via rail from Pillones Transfer Station to the Port of Matarani. The first two of 15 locomotives were delivered and commissioned with remaining locomotives on schedule for delivery during 2015.

In terms of concentrate related construction highlights the SAG and Ball Mills have been floated and rotated on their bearings. Overall cable terminations are 70% complete and belt installation has been completed on 25 of 26 plant conveyors with the final conveyor belt installation scheduled for completion in July. Overall, pre-operational testing is 14% complete. We believe there is significant upside at Las Bambas and exploration in the quarter focused on reconnaissance field visits and mapping of a number of prospects outside the known resource areas. Several investigations have commenced aimed at gaining more knowledge of Las Bambas' mineralisation in general.

As always, we will continue to provide further updates on the progress of our projects and the exploration results in future quarterly reports. That brings me to the end of today's briefing and I know would like to open up the lines for questions.

Operator: Your first question today comes from the line of Daniel Lian from Bank of America Merrill Lynch. Daniel, please go ahead.

Daniel Lian: (Bank of America Merrill Lynch, Analyst) Hi, good afternoon guys. Thanks for the update. Just two questions from my side. Firstly, can I just ask on Sepon; it looks like you guys had a pretty strong performance in the first half here but I noticed the feed grade at the mill at Sepon was still relatively high in the June quarter 5.2%. I was wondering how much grade drop do you expect in Q3, Q4 Sepon as you're mining the lower grade ore and how negatively that might impact your production of Sepon in the second half? Secondly, just a question on Las Bambas. I know you've signed a couple of contracts for the trucking and the rail. Can you just remind me what your guidance is on total transportation costs on a per pound or a per tonne basis at Las Bambas?

Marcelo Bastos: Well to respond to your first question Daniel, regarding Sepon nothing has changed on course in Sepon. We have been able to achieve better performance operationally based on the experience that we are gaining on the harder ores and how we deal with it. It doesn't change the plans for the ore body, and the grades that we are expecting. We don't expect higher grades different from the plan that we have and as we said in the report, all the grades that we had and grades that we eventually will have. In the end Sepon will be moving to the nameplate capacity of that plant which is 80,000 tonnes.

So what we are trying through operational improvement is to compensate and to keep this level at a reasonable level that keeps costs under control. There is no big change in grades, not down, not up, but we know very well that we need to improve our operations because mines when they get towards the end of their lives, they don't get easier, they get more difficult and you have fewer options. We have proved for example in Century where we have emphasised our operational capability and improvement to compensate those variations. We don't anticipate Sepon to be different.

On the other question in respect to costs of concentrate transportation. We are progressing as per planned on our contracts and options in terms of the cost but we don't talk about the forecasts and what these costs will be.

Daniel Lian: (Bank of America Merrill Lynch, Analyst) Okay, no worries.

David Lamont: Daniel, it's David Lamont. Just to add to that a little bit, what we have said when we announced the contracts was that we did this primarily to mitigate risk. It wasn't a financial decision, it was primarily a risk-based decision to actually enable us to obviously take a substantial amount of the road out and use the rail through the busiest parts of where the trucking was required. So it was a decision based on risk mitigation and as we said in the announcement, that shouldn't change people's view around the overall transport costs. Having said that, we also haven't given cost guidance for 2016 because we're very much focused on getting the plant up and running, but as we do with all of our operations, we will give guidance closer to the 2016 outlook.

Daniel Lian: (Bank of America Merrill Lynch, Analyst) Okay, no worries, understood. Sorry, just to clarify on Sepon, are you able just to give some guidance on the feed grade of the mill as we kind of progress through Q3/Q4?

David Lamont: Well I think the guidance that we've given is that we're still saying we're going to produce 80,000 to 87,000 tonnes of copper cathode. If you look at where we are for the half, we're ahead of where we were last year and if you take the 80,000 to 87,000 tonnes, we'll be below 2014's performance which was 88,541 tonnes. So we're going to come down that grade curve, we're not moving away from that.

Daniel Lian: (Bank of America Merrill Lynch, Analyst) Okay, no worries, thanks guys.

Operator: Your next question today comes from the line of Alex Latzer from Maybank. Alex, please go ahead.

Alex Latzer: (Maybank Kim Eng Securities, Analyst) Thanks, good afternoon, thanks for your comments. I have a couple of questions, one you mentioned Dugald River study should be completed during the third quarter, I was wondering when would you plan on announcing those results, for example would there be a mid-quarter release when the study is done or will we expect to discuss that perhaps during the quarterly review in October? That's my first question.

Second one was just on Avebury; maybe you can give us an update on the status of that to the extent that you can. I know it's not material really overall, but I have one or two questions coming in on that that have come up over the last month or so. Thank you.

David Lamont: It's David here, I'll take both of those. The first one just around Dugald River, let me just say upfront we always said third quarter; we haven't shied away from third quarter and when we have an announcement, we will make an announcement. That's subject obviously to the Board's approval, whichever way that goes. So it is a project that we are focused on ensuring we deliver shareholder value and once a decision has been made, we will announce that decision. We certainly see it as being a material decision and therefore under continuous disclosures we would make an announcement post any decision.

On Avebury, you're right, it's not material. What I can say to you is as a result of the option that the party had lapsing because they were unable to complete the transaction, we certainly have had a number of parties showing interest and we're obviously pursuing those. It's an asset that, as we have said, we don't think fits our portfolio, principally from a scale perspective and we think it has more value in other people's hands and we will continue to pursue that strategy.

Alex Latzer: (Maybank Kim Eng Securities, Analyst) Great, so that's it for me for now, thanks.

Operator: Your next question today comes from the line of Alex Kong from Hong Kong Zhongcai. Alex, please go ahead.

Alex Kong: (Hong Kong Zhongcai, Analyst) Hello everyone. I have one question about the stock market crash in China, probably due to the de-leverage of the market. My question is, do you see any negative effects in the economic growth or any negative effects on the demand of copper or any other base metal due to the deleverage of the market or the crash of the market? Do you see any significant impact on the fundamental side of MMG? Thank you.

Marcelo Bastos: We don't see any change on the fundamentals. Of course there is turbulence, but this, as you explained well, this turbulence is related to the internal share market in China. We are not seeing

changes in the fundamentals. Of course we don't have a crystal ball to say exactly what will happen, but we don't have reasons to believe that there is a change in fundamentals. The recent growth of China that was made public yesterday, it's in line with what the government has planned and makes us think that things are progressing as expected and there's no change in the fundamentals.

David Lamont: I would also just add to that that in our report we did outline where we're seeing copper TC/RC move and they've certainly moved; they're currently trading somewhere around about 30% below benchmark. We're well sold for the year, so we're certainly seeing some good underlying demand. The other pleasing thing that we have seen is on the zinc side of things, we have certainly seen a little bit of a rebound in zinc prices from where they finished at 30 June, back up now to closer to \$0.94. So the fundamentals that we're seeing are an improvement slightly in some of the market conditions, so we're not seeing any negative inbound calls in relation to the products we have to sell.

Alex Kong: (Hong Kong Zhongcai, Analyst) Alright, thank you.

Operator: Your next question today comes from the line of Brett McKay from Deutsche Bank. Brett, please go ahead.

Brett McKay: (Deutsche Bank, Analyst) Good afternoon everyone. Just had a question on Golden Grove and your copper production there. I've noticed that the cash costs obviously haven't changed through the course of the year, given where the copper price is and the current C1 costs, you're probably not making any money off your copper production. Is there any scope to reduce that output through the course of the year if the copper price doesn't improve and go to possibly more zinc production which seems to make a little bit extra cash at current prices?

Marcelo Bastos: Yes. Our focus in Golden Grove is on the zinc and you are right. The first half of the year we produced more copper than we originally planned as a consequence of seismicity at the end of last year, and then some issues related to that which we experienced in the mine. So we're planning to get back on track on the zinc. So our focus on Golden Grove is on zinc and we are heading more to this now.

Brett McKay: (Deutsche Bank, Analyst) Thanks Marcelo. Just finally, have you seen unit cost reductions coming through from your Australian operations with lower fuel prices, consumable prices, labour costs, et cetera, the currency effect? Has that been flowing through to your benefit?

Marcelo Bastos: Of course the currency flows in our benefit and the other things that you enumerate, but we don't only rely on that, we are also changing - or reorganising and improving our structure in Australia to get more benefit of more standardisation and more centralised. This will share more service with all the Australian operations now that we have Century getting to the end of its mine life, and we will have in Australia basically underground operations. So it opens a good opportunity for us to share practise and to improve operationally speaking.

David, anything to add?

David Lamont: The only thing that I'd add on that with fuel prices is that we do see certainly some lag in our overseas operations and specifically draw your attention to the DRC, so to Kinsevere. Given the tariffs and

the way the fuel is regulated there, you don't see movements in spot prices on diesel flow through anywhere near at the pace that you see in other jurisdictions. So we are clearly seeing a lower diesel price, but the impacts at Kinsevere are far less than what you would see in the other operations.

Brett McKay: (Deutsche Bank, Analyst) Alright, great, thanks guys, appreciate it.

Operator: Your next question comes from the line of Alex Latzer from Maybank. Alex, please go ahead.

Alex Latzer: (Maybank Kim Eng Securities, Analyst) Thanks, it's Alex Latzer. I noticed I think it was China Metallurgical had recently made an acquisition or was investing - committed to invest some more in the Congo and we are continuing to see more outbound investment there. I was wondering how or if you could see over the next few years how that might potentially favourably impact your options with respect to Kinsevere there in terms of expansion or the availability of electricity or infrastructure sharing, these kinds of things. So as we look, the operation is performing so well, I'm wondering at what point when you might consider, when the environment improves, putting more CapEx there or at least what might be changing in the future through other companies investments in the region that could help improve your optionality there.

Marcelo Bastos: Alex, our focus in Kinsevere, as you know, is to keep improving of course how we operate, but also in Kinsevere to explore opportunities on increasing reserves. Improving the operational parameters in Kinsevere has been a strong focus and we have been improving. We cannot do more if we don't have more reserve and certainly being better in Kinsevere makes us more confident that we can do more things there, but the extent of conditions in the country, electricity and et cetera, they haven't changed; they are still the same. So our focus is working with the other peers in the country and to extract benefits of what we can do together to improve electricity supply for example, we have been doing this for a while. With our focus on the exploration in the surroundings of Kinsevere, in areas that you can add feed to the Kinsevere plant. Those are our focus and we haven't changed it.

You said, well yes, we are performing and so it makes us more interested in the location. Yes, we are comfortable operating there. We are getting the good results, but the challenge around there, there are still the same challenges from when we started.

David Lamont: Yes, I think Alex the only other thing is around the fact that clearly investment in the region is needed. The power infrastructure has been underinvested and I think ever since we acquired the asset, we've taken the approach that the mining industry needs to work with the power companies to develop the infrastructure to support the growth that the country's wanting in the cooper belt. We haven't take the approach that we will do that by ourselves in isolation; we do think that it is a mining community that needs to work together to actually come up with that solution. So further mine investment from wherever that comes from certainly is an activity that we would like to harness and work with. We're quite comfortable working in joint ventures to solve an infrastructure issue, but as Marcelo said, we also need to continue to run the operation and develop the feed grade that we need and that's the focus of our Rad50 program in looking to discover and find and put our foot on more resources to feed the plant. But as far as infrastructure goes, the country needs investment and anybody that's prepared to step into the country and invest, we see as a positive.

Alex Latzer: (Maybank Kim Eng Securities, Analyst) Good, thank you.

Operator: I would now like to hand the conference back to Mr Bastos for closing remarks.

Marcelo Bastos: Thank you for the questions and your participation. Just to reiterate some key points, we are on track for completion and commissioning of Las Bambas, with first production expected in the first quarter 2016. While we mentioned a tough pricing environment, our production and cost control remains strong. The next quarter will see the release of our interim financial results, the end of mining at Century and an update on the revised development plan for Dugald River.

Thank you again for joining us today and if you have any additional questions, please contact either our media or investor relations team.

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