



WE MINE FOR  
PROGRESS



# Market outlook

Marcelo Bastos - Chief Operating Officer

April 2015

# Important Information

---

The information contained in this presentation is intended solely for your personal reference and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person (whether within or outside your organisation/firm) or published, in whole or in part, for any purpose without the prior written consent of the Company. No representation or warranty express or implied is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information or opinions contained in this presentation. It is not the intention to provide, and you may not rely on this presentation as providing, a complete or comprehensive analysis of the Company's financial or trading position or prospects. The information contained in this presentation should be considered in the context of the circumstances prevailing at the time and has not been, and will not be, updated to reflect material developments which may occur after the date of the presentation. None of the Company nor any of its respective affiliates, advisors or representatives shall have any liability whatsoever (in negligence or otherwise) for any loss or damage howsoever arising from any use of this presentation or its contents or otherwise arising in connection with this presentation.

This presentation includes forward-looking statements. Forward-looking statements include, but are not limited to, the company's growth potential, costs projections, expected infrastructure development, capital cost expenditures, market outlook and other statements that are not historical facts. When used in this presentation, the words such as "could," "plan," "estimate," "expect," "intend," "may," "potential," "should," and similar expressions are forward-looking statements. Although MMG believes that the expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements.

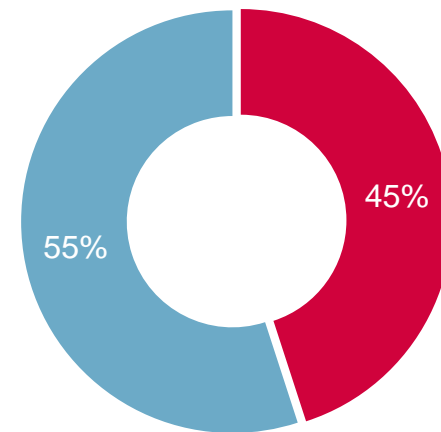
This presentation may contain certain information derived from official government publications, industry sources and third parties. While we believe inclusion of such information is reasonable, such information has not been independently verified by us or our advisers, and no representation is given as to its accuracy or completeness.

This presentation does not constitute an offer or invitation to purchase or subscribe for any securities in the United States or any other jurisdiction and no part of it shall form the basis of or be relied upon in connection with any contract, commitment or investment decision in relation thereto, nor does this presentation constitute a recommendation regarding the securities of the Company. This presentation is not for distribution in the United States. Securities may not be offered or sold in the United States absent registration or exemption from registration under the US Securities Act. There will be no public offering of the Company's securities in the United States.

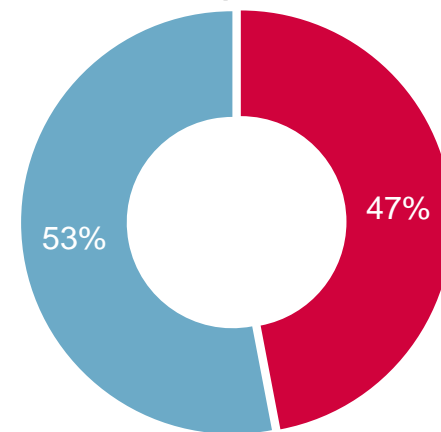
# Introduction

- > MMG's growth strategy targets base metals – predominantly zinc and copper.
- > Base metals enable developing countries to grow and modernise.
- > China continues to grow as the largest global consumer of copper and zinc.
- > Both copper and zinc have a strong and positive long-term demand outlook.
- > Immediate challenges exist in the supply of both metals.
- > MMG's exposure to copper increases upon Las Bambas completion.

Refined copper consumption



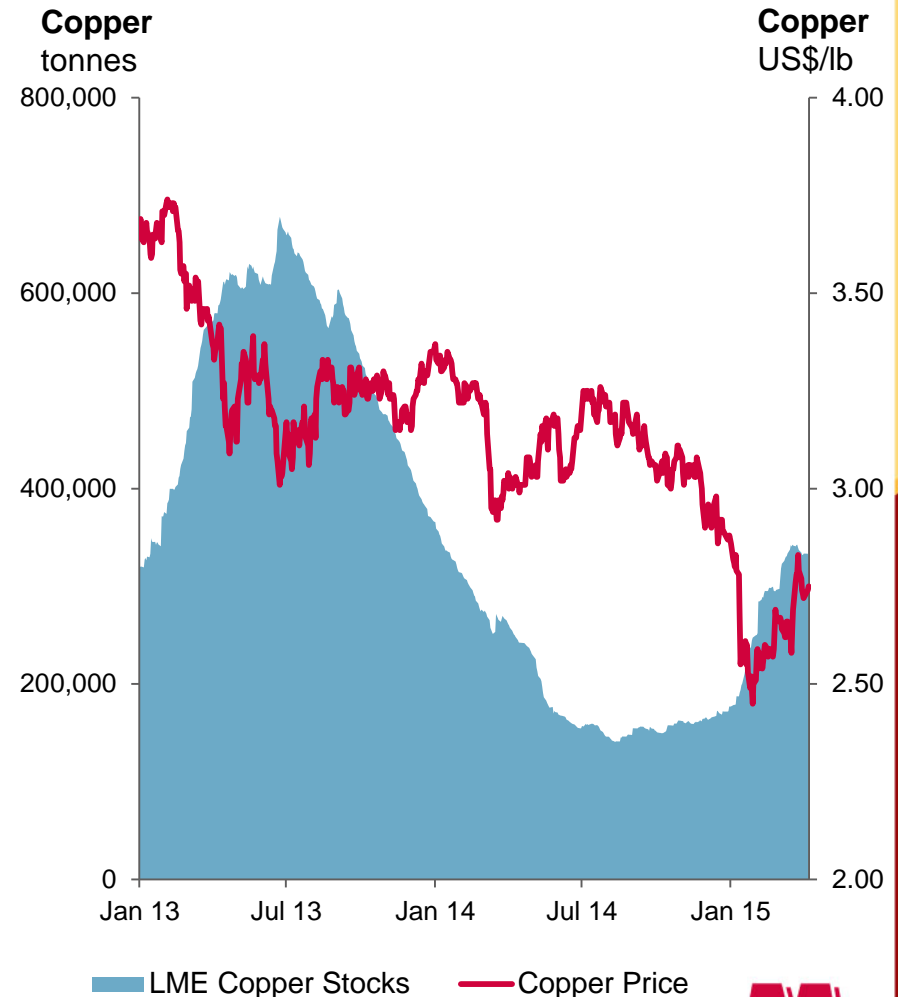
Refined zinc consumption



■ China  
■ Rest of world

# Copper – short term drivers of demand

- > Price decline in 1Q15 not supported by any change in market fundamentals.
- > Quiet trading period leading up to Chinese New Year.
- > Emerging global macroeconomic news flow has impacted market sentiment.
- > China continues to transition from an investment driven economy to a consumption based economy.
- > Interest rate cuts in China aimed at further stimulating consumer spending.
- > US recovery continues to be supported by improving manufacturing activity.
- > Increased exports from Japan as stimulus helps economic recovery.



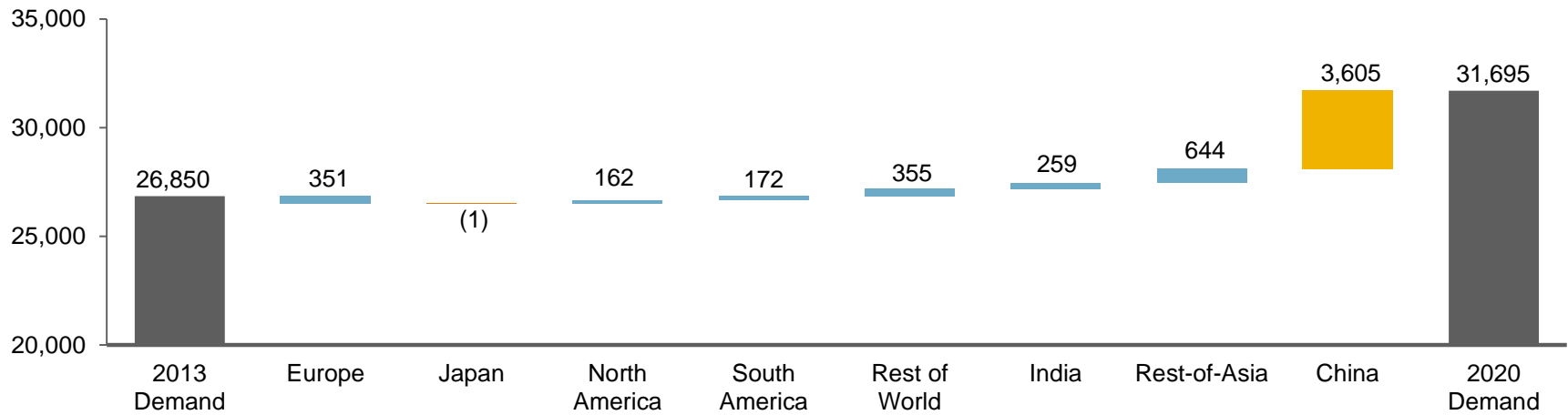
Source: London Metals Exchange.

# Copper – long term drivers of demand

- > Global demand growth expected to increase 4% YoY between 2013 and 2020.
- > Long term demand growth is highly leveraged to the continued industrialisation of China.
- > China is expected to account for 47% of global demand in 2020.

## Global copper consumption growth

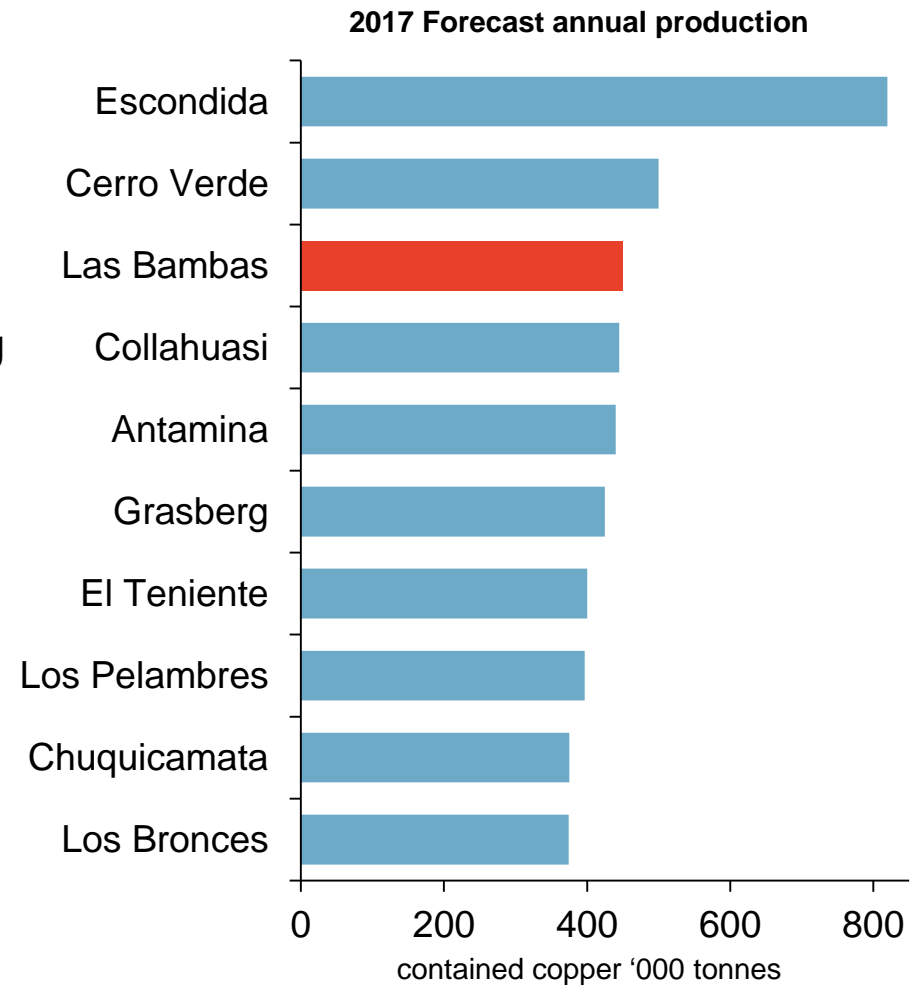
'000 tonnes



<sup>5</sup> Source: Wood Mackenzie, MMG analysis.

# Copper – short term supply factors

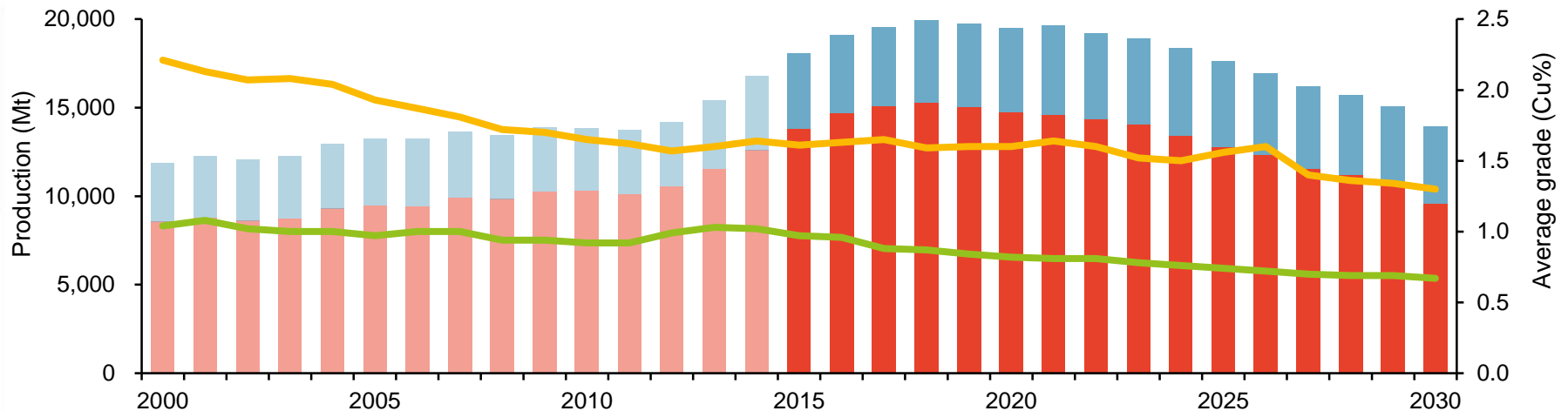
- > Copper metal stocks are expected to increase 6% in 2015.
- > Unexpected short-term disruptions continue to impact supply.
- > Tax and political reforms are influencing production decisions.
- > Delays in project construction and ramp-up are resulting in lower than expected supply.
- > Availability of power and water is, and will continue to, impact production.



# Copper – long term supply factors

- > Availability of power and water is a serious issue for the industry.
- > Grade decline continues globally.
- > Availability of project finance is expected to limit greenfield projects and brownfield expansions.
- > Capital and operating cost inflation will impact future investment decisions.

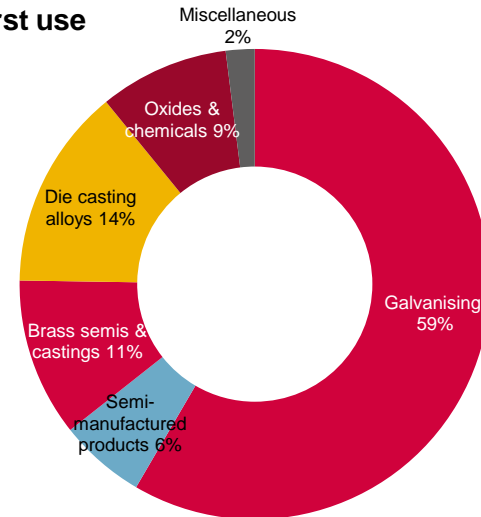
Copper production from Open Pit and Underground mines



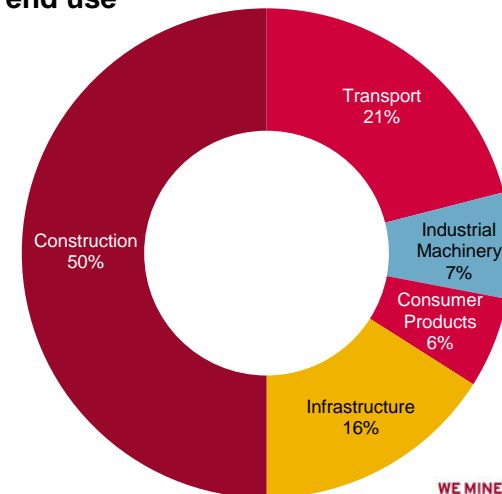
# Zinc – short term drivers of demand

- > Price decline in 1Q15 not supported by any change in market fundamentals.
- > Sentiment is also influencing markets.
- > Global refined zinc consumption is expected to increase by 4% to 14.5 million tonnes in 2015.
- > Chinese zinc consumption is expected to increase by 7% to 6.9 million tonnes in 2015.
- > Encouraging global data emerging from the construction and manufacturing sectors.

Zinc – first use



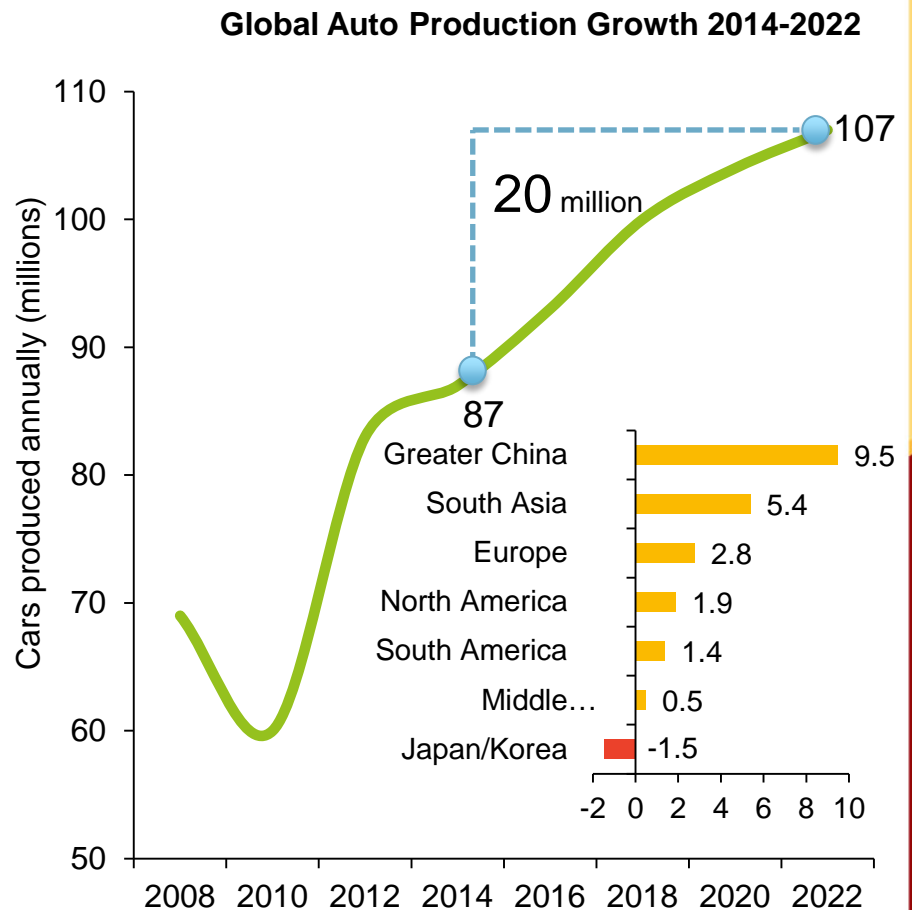
Zinc – end use





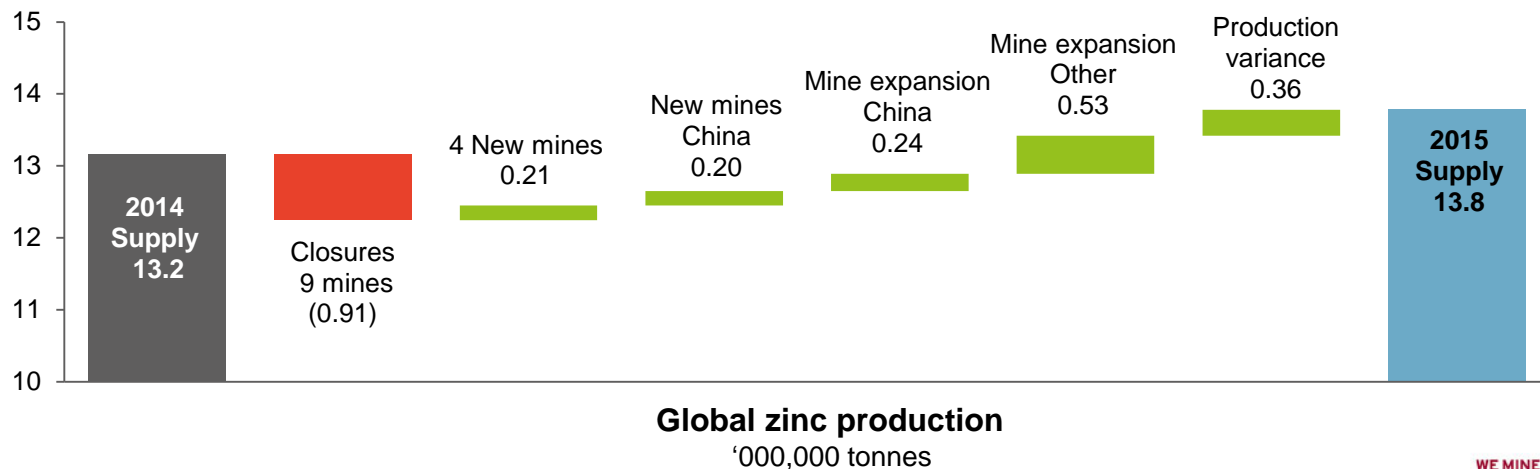
# Zinc – long term drivers of demand

- > The urbanisation and industrialisation of China will result in a continuing increase in per capita zinc production.
- > Zinc's first use of galvanising and final use in construction will support long-term demand.
- > In the developing world, zinc demand is expected to grow at an average rate of 2.2% per annum until 2035.
- > Majority of global zinc consumption growth will be from China, which is expected to increase to over 50% of market share by 2020.



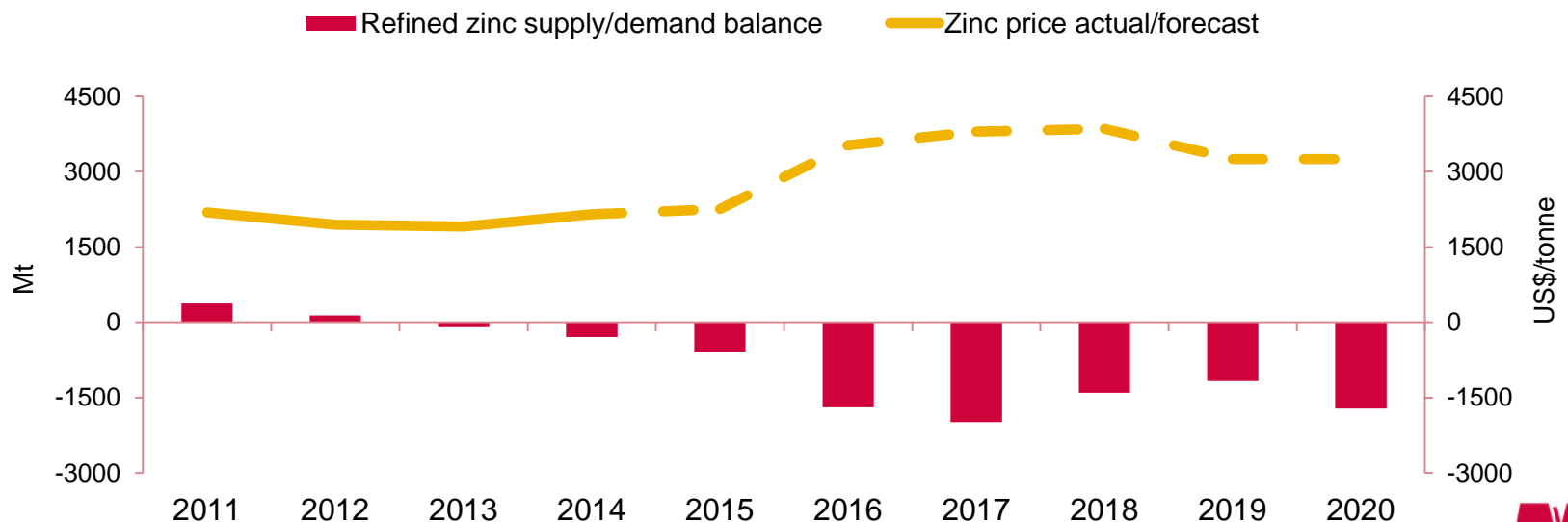
# Zinc – short term supply factors

- > Century's closure in 3Q15 will remove approximately 0.5 million tonnes from a 13.2 million tonne concentrate market.
- > This is in addition to other mine closures which have already removed a further 0.5 million tonnes from the concentrate market in 2015.
- > Small mines in China are being closed on environmental grounds – while not materially impacting supply, the ability of marginal cost producers in China to restart production at higher prices is limited.
- > Zinc demand growth is expected to increase at a higher rate than supply growth, keeping the market in deficit.



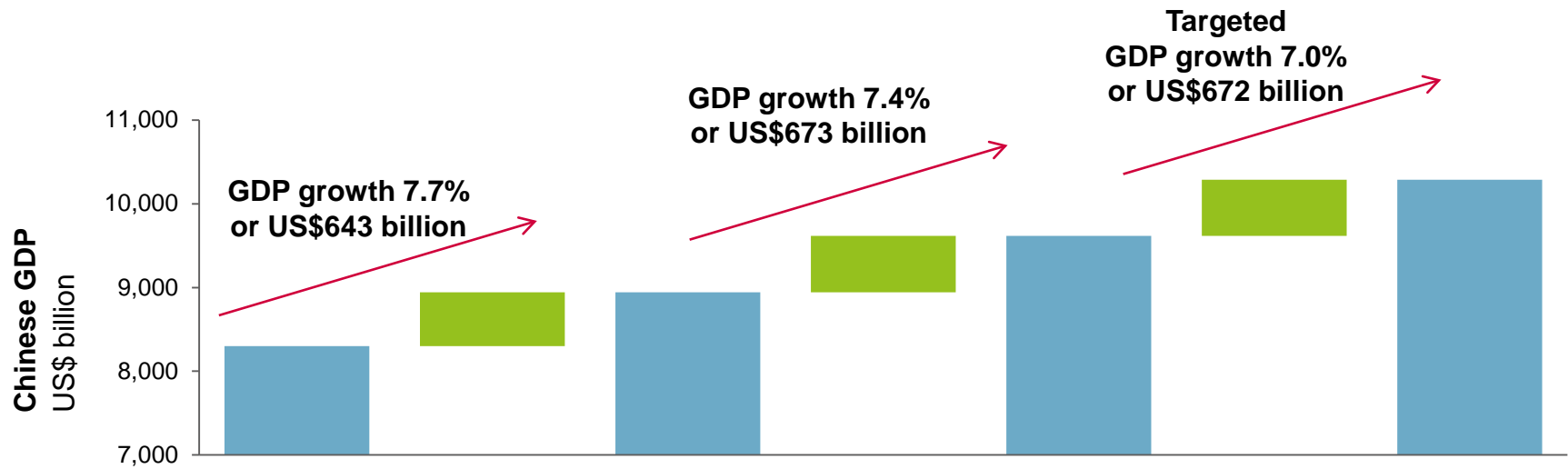
# Zinc – long term supply factors

- > New mine production will be required to meet growing demand and offset mine closures.
- > Zinc assets have experienced historically low returns – this has influenced exploration and development decisions.
- > New capacity is expected to be small and project finance will remain challenging.
- > Chinese mine and smelter operations will need to meet higher environmental standards.



# Summary

- > MMG's outlook remains positive on the demand growth from China in base metals commodities.
- > China's rate of growth is slowing but the economy is still growing from a very large base.
- > Base metals are a critical element in China's pursuit of continuing urbanisation and industrialisation.
- > Chinese GDP grew an equivalent of the entire Swiss economy in 2014 in US\$ terms.





**WE MINE FOR  
PROGRESS**