

BRISBANE MINING CLUB, 18 MAY 2016

ANDREW MICHELMORE, CEO MMG LIMITED

Introduction

Thank you to Brisbane Mining Club committee for inviting me here today.

This is my second time presenting here at the Brisbane Mining Club. The last was in the middle of the GFC and Minmetals' offer to acquire OZ Minerals.

Much has evolved since then, and I'm pleased to report back on the achievements we have made together.

End of the boom?

2015 was a very challenging year for the mining industry both domestically and internationally.

The industry saw cutbacks and closures as subdued commodity prices continued to threaten the viability of existing operations and new projects alike.

Here in Queensland, the impact on coal producers tested the resilience of the minerals industry.

These challenges have led many to call the end of the boom and much debate continues about Australia's economic future.

Questions abound on where future growth will come from, and which sector will take the mining industry's mantle as the engine of government revenue and further investment.

Much of this debate omits the obvious nature of the mining business; that it is cyclical.

Having seen this first hand over my 30 plus year career, I have also heard the explanation that 'this time is different' just as often, and for various reasons.

While the intensive investment boom seen during the recent years may not repeat itself in quite the same size or scale, the mining boom is not over.

Our industry has a strong future in Queensland and in Australia.

What we have now is a production and export boom. This is the direct result of significant investment during the recent construction phase in

- new projects,
- expansions of existing projects, and
- key pieces of infrastructure such as new ports or rail corridors.

This new period also brings more stability for the industry, marked by greater operational efficiency and improved productivity.

In its paper "The Whole Story" on the industry's contribution to the Australian community, the Minerals Council of Australia found that;

The minerals sector provides more than 200,000 highly paid, skilled jobs in regional and remote Australia.

There are now twice as many jobs in the sector compared to before the boom.

The \$400 billion investment between 2003 and 2014 - led to an increase in export volumes of 19% over the past few years.

The industry invests more in training than the average across all industries.

It also stimulates regional economies, provides local jobs and supports small businesses.

And far from rhetoric, the industry pays an average total tax take, including taxes and royalties across all minerals of nearly 47%. That is nearly half of every dollar of profit¹.

Benefit the industry brings is spread far and wide yet the broader population balances the perceived social and environmental negatives with mining's economic importance and contribution.

The MCA's recent public opinion survey – conducted this year – indicates:

During the boom – economic benefits outweigh concerns about the environment.

Conversely in the post resource boom environment as the perception of the mining industry's economic importance drops, voters become more focused on the perceived negatives.

As Chair of the MCA and ICMM, I am keenly aware of how much our industry had done to improve our safety, environmental and social performance in the 15 years since ICMM was created.

In fact, among most companies these are key metrics as important as operational and financial outcomes.

While the industry continues to focus on gaining further efficiencies and improved productivity in the face of the challenging economic conditions, we must maintain an unrelenting focus on social development and excellence in environmental performance and safety.

We must also continue to share the many positives across the sector.

Century and its contribution to Queensland

At MMG we marked two major milestones in 2015 with the closure of our Century mine here in Queensland, and the completion of construction of Las Bambas in Peru.

As one of the largest zinc mines in the world, Century was unique and similar developments in the future will be at a higher cost and with more challenging, harder to access ore.

During its life Century has contributed strongly to Queensland through taxes, royalties and rates – over \$247 million in total.

It also delivered significant benefits to the local Indigenous communities through employment opportunities and training and was also the first multi-party Native Title Agreement. Century employed over 900 people from the Gulf region over its life.

It made a huge difference to the lives and livelihoods of the people of the lower Gulf. As the operation ramps down, MMG, local communities and government must work together to soften the economic and infrastructure impacts.

Century's infrastructure is now being maintained in a state of operational readiness while we continue to investigate all opportunities to further utilise the significant assets in the region.

Most importantly, we are committed to the rehabilitation of the site, including the engagement of Traditional Owners and procurement of local indigenous contractors.

Following a four year program of significant closure works, our short-term focus has transitioned to geochemical and groundwater monitoring of the open-pit as well as assessing the physical response of capped and uncapped waste rock dumps.

As part of this, MMG and the University of Queensland established a three headline agreement to auspice all research, consultancy and study support across UQ and specifically the Sustainable Minerals Institute.

This is designed to build on existing relationships and collaboration between CSRM and Century which see the periodic review of the implementation of the Gulf Communities Agreement and research on environmental management at Century.

For MMG, Queensland remains a great mining jurisdiction and – even in this tough price environment – an attractive jurisdiction for investment.

Dugald River and the next locus of growth

The North West Queensland Mineral Province offers strong growth opportunities, skilled workforce, infrastructure and proactive councils.

As one of the world's highest grade undeveloped zinc deposits, our Dugald River project provides important zinc exposure at a time of shrinking global supply, made even tighter in recent years by the closure of other operations, including Century.

The project has an estimated 28 year mine life and annual production rate of approximately 160,000 tonnes of zinc in zinc concentrate.

Our history in Queensland and the state's support for the industry will be a strong contributor to the future success of the project.

We welcomed the Queensland Government's decision last month to grant Dugald River the status of prescribed project which is expected to greatly streamline the administrative decisions and accelerate its development.

This is an example of industry and government working together to deliver benefit to all parties including through significant economic and employment opportunities to Cloncurry and Queensland over the next 30 years.

What sets MMG apart from its peers is the support of our major shareholder China Minmetals Corporation.

This shareholder support enables us to take a long-term view and to fund projects like Dugald River, and Las Bambas even at current zinc and copper prices respectively.

While the financing arrangements to complete Dugald River are yet to be finalised, we are committed to this project and continue to advance with pre-production mine development.

We are aware that successfully delivering Dugald River will only be possible through strong partnership with the local and state governments and the rail and energy providers of this vast state.

Collaborating for prosperity

So I return to my earlier comments about the role of the resources industry in Australia.

Few would doubt the contribution mining has delivered to our national prosperity.

But many in our communities still fail to see a long term vision for a vibrant minerals sector as part of our ongoing national success.

We are no longer the world's quarry – we have broadened our export base and we are experiencing strong services and agricultural growth.

But to forget the role that mining investment plays in building technology and services innovation, in driving our balance of payments, in nurturing skills and capability – and doing all this in the most remote and regional areas of our country – is very short sighted.

The investment climate, political and social support for mining must stay strong for all of us – miners and non-miners alike

The resources industry will always have a significant role to play in supporting Australia's success.

This is of course more relevant to resource rich states such as Queensland.

The onus is on the industry, government and civil society to work together and ensure that role is understood, supported and prosperous.

Thank you