

SE Finance
HD **MMG sees no cause for alarm in copper's tumble**

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The **Chinese** miner says the broad outlook remains positive

CHINESE state-controlled metals miner MMG has declared it remains confident in the price outlook for **copper**, despite the dramatic fall for the economic bellwether metal in recent days.

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It also has flagged its potential interest in any **sale** by BHP Billiton of its West Australian nickel business, reported to be on the chopping block with the appointment of an investment bank to handle a **sale**.

Copper prices have fallen by more than 8 per cent in the past week and it is trading at the lowest level since July 2010, echoing the sharp retreat in **iron ore** prices in response to looming surplus supply and a tightening of credit in **China** squeezing traders in the steelmaking raw material.

But the Melbourne-based and **Hong Kong**-listed MMG's chief executive Andrew Michelmore said yesterday that while prices would fluctuate, the "supply and demand side for **copper** is still pretty good". He said demand was underpinned by the ongoing electrification of **China**.

Speaking from **Hong Kong**, Mr Michelmore told The Australian that the **Chinese** economy was being squeezed by Beijing as part of a plan to generate longer and more stable gross domestic product growth of 7-7.5 per cent. He said it was the right move because easier credit conditions had given rise to too many "speculative money chasing opportunities" in the economy.

Mr Michelmore was speaking after the release of MMG's 2013 profit report. Earnings before interest, tax, depreciation and amortisation were up modestly to \$US750.9 **million** despite the pressure of lower **copper** and zinc prices on its **operations** in Australia, Laos and Africa.

Increased depreciation was the main factor in pulling net profit back from \$US234m in 2012 to \$US122.5m, with the result ahead of most analyst forecasts.

Despite the 48 per cent fall in net profit, the **company** has declared a US1c dividend (nothing previously), the bulk of which will go to its 73 per cent shareholder, **China** Minmetals Corp.

Minmetals last week confirmed that it was leading a **Chinese** consortium in talks to buy GlencoreXstrata's \$US6bn Las Bambas **copper** development in Peru, the **sale** of which -- or other nominated **copper** assets -- was part of Beijing's approval last year of Glencore's merger with Xstrata.

While it is assumed MMG would be involved in any Las Bambas **acquisition**, Mr Michelmore would not be drawn on the potential deal. "We don't comment on these matters," he said. But he added that MMG "really likes **copper**" and South America as an investment destination.

"And we are after assets that have a long life and offer decent margins."

Mr Michelmore said MMG would continue to be a dispassionate acquirer of assets. "We look at lots of (merger and **acquisition**) opportunities but we don't want to destroy value."

He said any M&A opportunities were put through a range of "filters" to make sure they were value-adding. Mr Michelmoresaid that would also be the case with the possible sale by BHP of its WA nickel assets, which it inherited in its 2005 takeover of WMC. Mr Michelmoresaid was WMC's chief executive at the time of the takeover.

Asked if MMG was interested in any sale by BHP, Mr Michelmoresaid: "We look at a lot of things. But we come back to: can we add value, what's the life like? Certainly we like nickel sulphides."

CO bkhlp : BHP Billiton Ltd | orieml : MMG Limited | bltpc : BHP Billiton PLC | cminmc : China Minmetals Corporation | imreht : Inner Mongolia Baotou Steel Rare-Earth (Group) Hi-Tech Co Ltd | lawspr : Minmetals Land Limited

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