

Layers of possibilities



Q1 2015 Results of KGHM International

15 May 2015

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All figures are in US\$ unless otherwise stated or unless the context requires otherwise.

Sierra Gorda

Daily processing reaches nearly 80% of target capacity

Sierra Gorda



- | | |
|---|--|
| ▪ Average annual production
(Phases I & II) | 220 kt Cu
25 mn lbs Mo*
64 kt Au |
| ▪ Ownership | 55% KGHM
45% Sumitomo |
| ▪ Mine profile | Open-pit |



Loading of molybdenum concentrate

Key events update

- Daily ore processing is currently around 80% of target phase I capacity.
- In the first quarter work involved increasing processing capacity, along with continued ramp-up and technical handover of the molybdenum concentrate production installation.
- Production of copper in concentrate in Q1 2015 amounted to 65 thousand tonnes.
- In March 2015 the vicinity of the Sierra Gorda mine and processing plant experienced weather conditions of an unusual type for this region – heavy rain and strong winds. The brief shutdown of the Sierra Gorda mine had no substantial impact on operations.
- In 2015 we will undertake work aimed at optimising basic assumptions as well as on basic engineering work on phase II of the project.
- The Sierra Gorda Oxide Project is expected to complete the advanced engineering study at the end of the first of of 2015 and detailed engineering by the end of 2015.

Victoria and Ajax – key resource projects in the development phase

	Victoria Ni Cu Pt Pd Au	Ajax Cu Au
▪ Average annual production	~16 kt Ni ~15 kt Cu ~150 koz TPM	~50 kt Cu ~100 koz Au
▪ Ownership	100% KGHM	80% KGHM 20% Abacus
▪ Mine profile	Underground	Open-pit

Key events update

- Work is underway to prepare for shaft sinking.
 - Project resources are estimated at 13.6 Mt with an average grade of 2.6% copper, 2.7% nickel and 8.3 g/t TPM*.
 - The project will have a negative cash cost of copper production, i.e. revenues from the sale of associated metals will be higher than production costs.
- Three milestones for 2015:
 - Submitting of application for environmental permit
 - Submitting of application for mining permit
 - Completion of a *Basic Engineering Report*
 - The Minister of Energy and Mines for British Columbia paid a visit to site of the future Ajax mine, ensuring his support for the project.



Companies engaged in developing the Victoria project

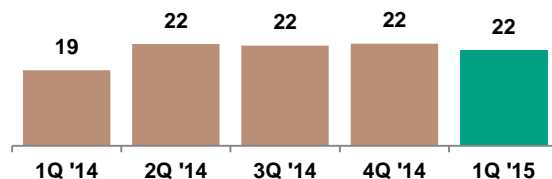
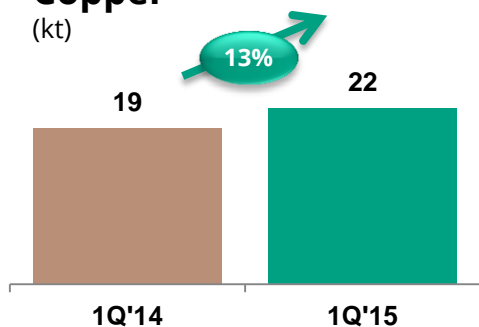


Drilling at the Ajax project

Production & C1

Copper

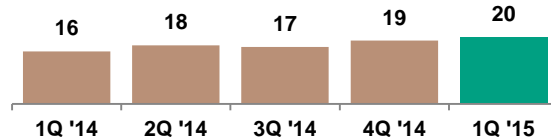
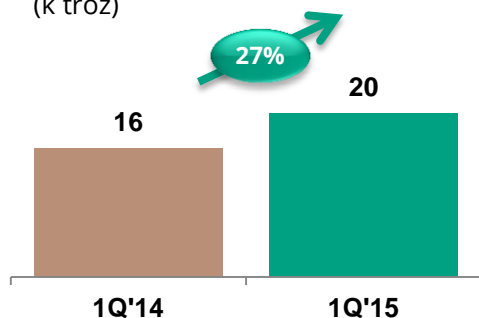
(kt)



- Increase in total production in 1Q 2015 by +4k tonnes due to an improvement at Robinson (+4k tonnes of Copper and +4k ounces of TPM) from increased grades, tonnages and recoveries. Robinson mined higher quality ores from the Ruth pit in 1Q 2015 compared to less favorable ores mined from the Kimbley pit in 1Q 2014.
- Copper production for 1Q 2015 is in line with 4Q 2014. A slight increase in TPM production in 1Q 2015 compared to 4Q 2014 due to higher grade and recovery on TPM mined at Robinson in 1Q 2015.

TPM (gold, platinum palladium)

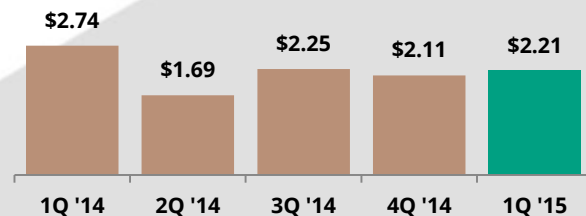
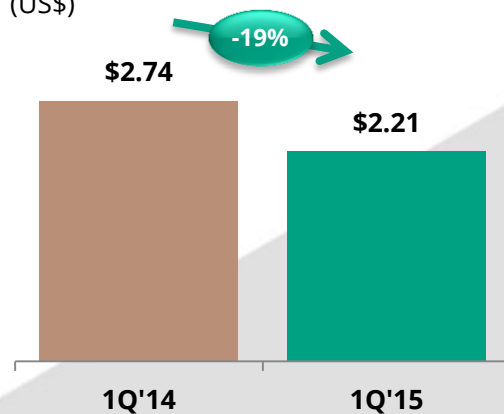
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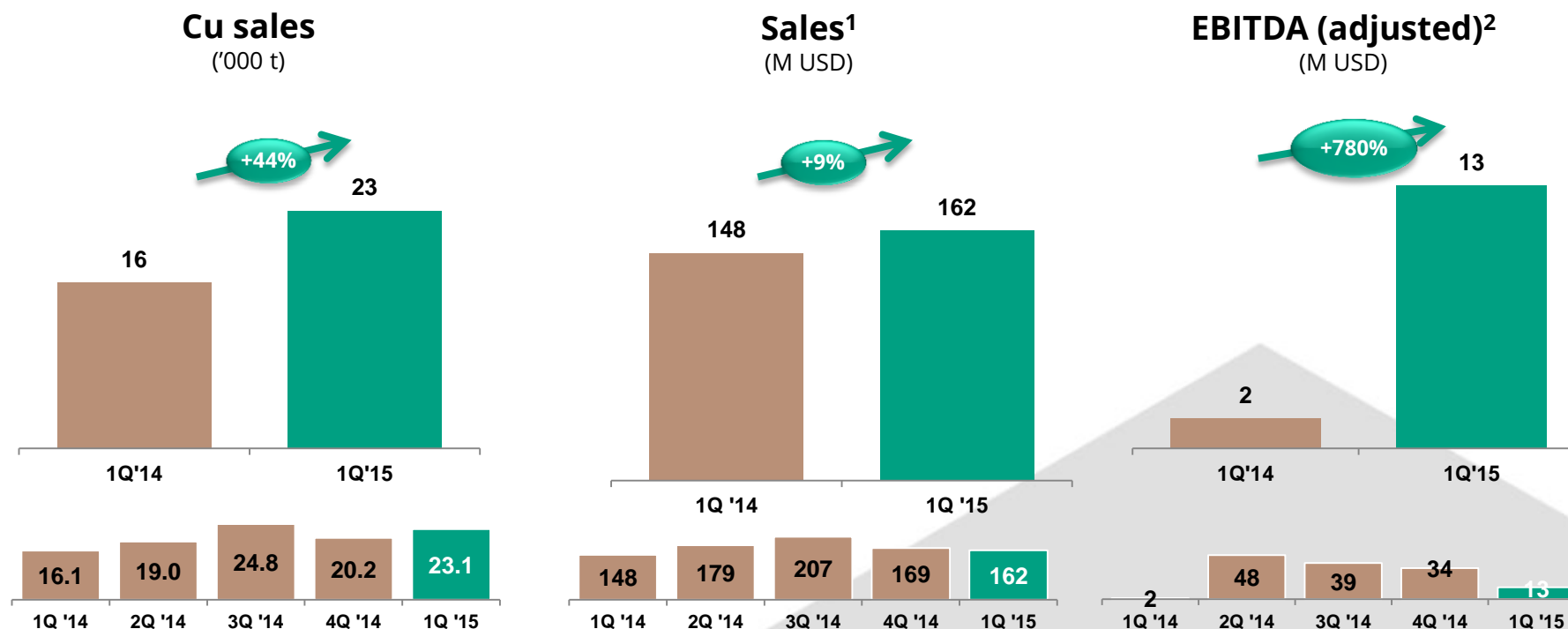
- C1 cash cost in 1Q 2015 decreased compared to 1Q 2014 mainly due to an increase in production at Robinson and reduction of operating costs.
- C1 cash cost for 1Q 2015 slightly increased compared to 4Q 2014 due to a decrease in by-product revenue at Morrison by \$7 million (primarily due to decline in nickel price).

C1 cash cost

(US\$)



Financial Results



- Copper sales volume in 1Q 2015, improved compared to 1Q 2014 due to increased production and increased concentrate inventory sales at Robinson.
- Net revenue improved due to increased production at Robinson, partially off-set by decrease in metal price from external market conditions.
- Results positively impacted by exchange rate changes – weakening of the CAD and CLP versus the USD

Main reasons for higher EBITDA:

- Despite lower metal prices decreasing revenues by \$18 million, EBITDA increased by \$11 million:
- Higher sales and production volume for metals increasing net revenue by \$37 million.
- Lower unit cost of production as a result of cost management initiatives, lower fuel prices and favorable exchange rates.

¹ Revenues from sales net of treatment and refining charges

² Profit on mining operations plus depreciation and the Sierra Gorda JV management fee, less general administrative costs and impairment losses

Robinson Mine: Current Status and Outlook



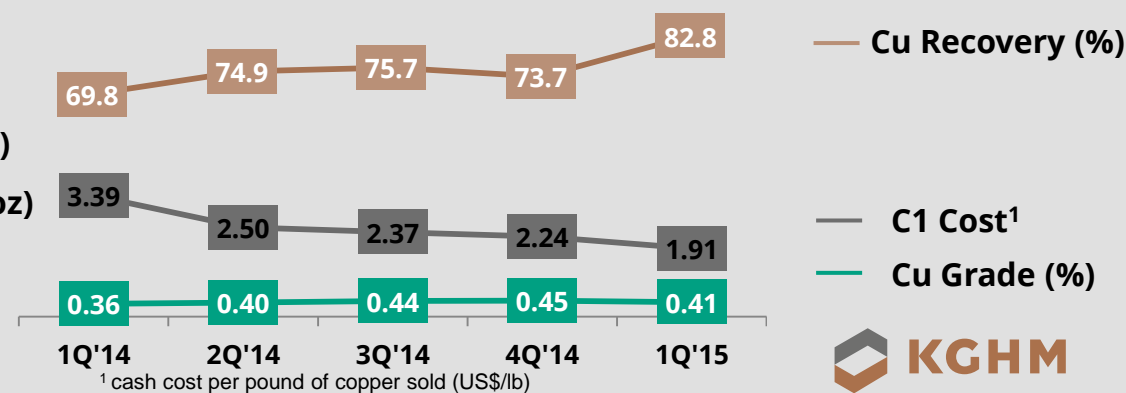
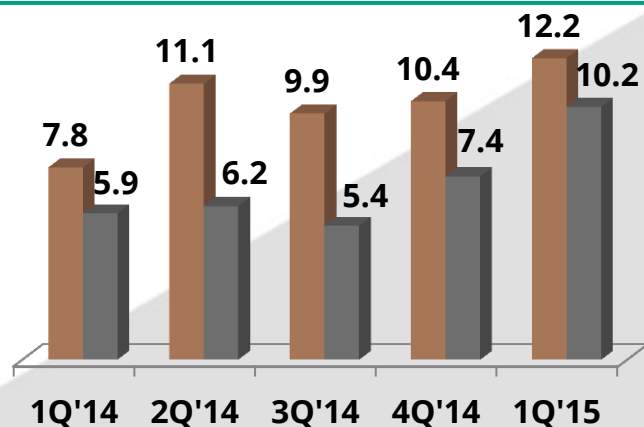
Cu Au Mo

Improved results in Q1 2015:

- 57% increase in copper production from 1Q 2015 compared to 1Q 2014 due to higher quality ore mined, favorable milling rates and increased copper recovery. Gold production also increased by 73% or 4 thousand ounces from 1Q 2014 to 1Q 2015.
- Copper ore grade increased compared to 1Q 2014 from higher grade material mined from Ruth pit ores compared to lower quality Kimbley pit ores. Mine productivity enabled ore stockpile to increase 2 million tonnes expected to be drawn down in Q4 2015 when transitioning to the next pushback at Ruth.
- Robinson achieved a mine record average mill throughput rate for the month of February of 49 thousand tonnes per day
- Improved C1 cost for the quarter compared to 1Q 2014 due to lower production cost of goods sold as a result of cost management initiatives and increased production from increased grade

Outlook

- Robinson plans on continued ore deliveries from the lower elevations of the east side of the Ruth pit for 2Q and 3Q of 2015
- Ore quality for 2Q and 3Q is expected to be consistent with 1Q of 2015. 4Q 2015, ore deliveries will primarily come from the lower grade stockpiled ores.
- Improvement in C1 cash cost is expected to continue with cost management initiatives except during transition in 4Q 2015.
- Capital expenditures for the remainder of 2015 will primarily relate to development capital for the west side of the Ruth pit to access associated ore in 2016 and beyond.



Morrison Mine: Current Status and Outlook



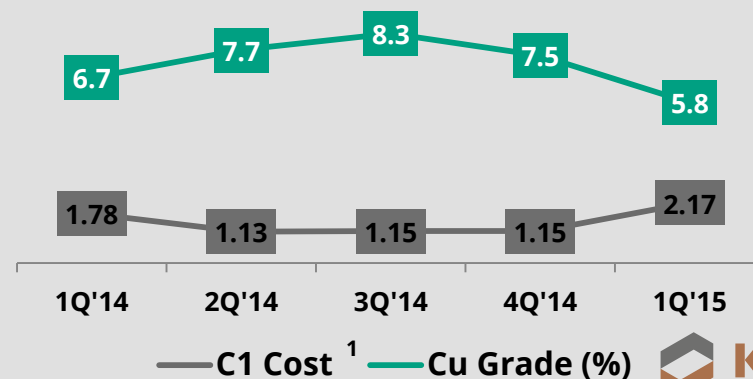
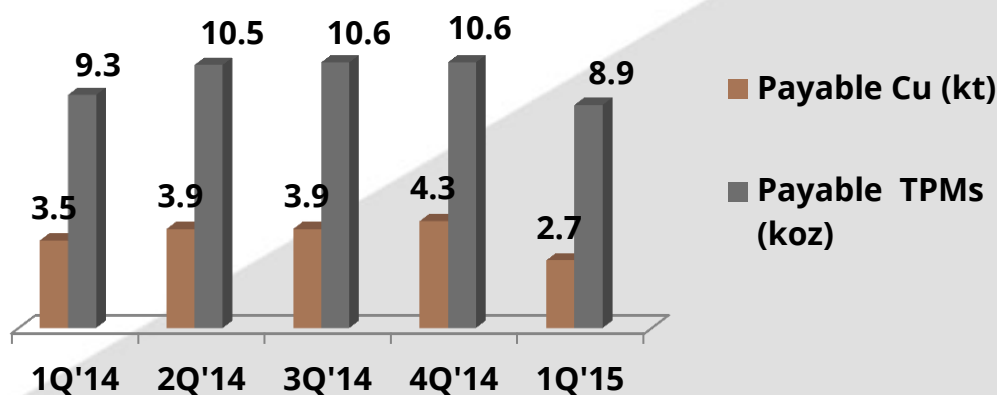
Cu Ni TPMs

Q1 2015 Results:

- Decrease in copper ore sold in 1Q 2015 compared to 1Q 2014 due to limited production resulted from geotechnical restrictions for safety considerations and a decrease in drilled long-hole inventory at the start of 2015
- Production was also impacted by lower metal grades in 1Q 2015 compared to 1Q 2014 due to increased long-hole production, and mining veins of narrower width (in line with mine plan)
- Decrease in operating income compared to 1Q 2014 due to a decrease in sales volumes and decline in metal prices, particularly nickel

Outlook

- Production volumes and grades for the remainder of 2015 are expected to increase compared to 1Q 2015
- Continuing improvement to long-hole process execution is critical to achieving targets. Long-hole recovery rates are currently being analyzed for potential improvement opportunities
- Diamond drilling of the Morrison down-dip extension will continue through 4Q 2015



¹ cash cost per pound of copper sold (US\$/lb)

Q1 2015 Financing Update

- **\$200M Corporate Facility:** Refinanced by KGHM in January 2015
- **Equity:** \$85M received in Q1 2015 to fund Sierra Gorda operations and project development
- **Cash Pooling:** \$9M repaid in Q1 2015

- **\$500M Senior Notes due 2019:**
 - On April 24, 2015 the Company gave notice to the holders of the Company's \$500 million Notes of the intention **to redeem** all the Notes at 103.875% plus accrued and unpaid interest **on June 15, 2015**, subject to the Company's parent (KGHM SA) providing by that date the funds for redemption.
 - On May 11, 2015 KGHM SA confirmed its intention to make the redemption
 - KGHMI contacts - Unjoo Burlie, Andrew Nichols
 - Trustee contact - Yana Kislenko, Vice President Wells Fargo Bank, National Association Corporate Trust Services. Telephone: (917) 260-1550.

KGHM International Q1 2015 Summary

Growth Pipeline:

- **Sierra Gorda:** Mine produced 38 million pounds of copper and 10 thousand ounces of total precious metals. In April, mine made its first shipment of molybdenum concentrate for conversion to molybdenum oxide.
- **Sierra Gorda Oxide:** Expected to complete the Advanced Engineering Study at the end of the first half of 2015 and Detailed Engineering Study by the end of 2015.
- **Victoria:** Expected to conclude the Advanced Engineering Study during second half of 2015.
- **Ajax:** Expected to submit the EA and complete the Basic Engineering Study in 2015

Operations:

- **Production:** Improved production due to exceptional performance by the Robinson mine in Q1 2015 compared to Q1 2014.
- **C1 Cost:** Improvement in C1 cash costs primarily due to the increased production at Robinson
- **EBITDA:** Despite the decline in realized copper price in Q1 2015 compared to Q1 2014, EBITDA increased due to increased production and sales volume.

Financing Update:

- **Bond Repayment:** On April 24, 2015 the Company gave notice to the holders of the Company's \$500 million Notes of the intention to redeem all the Notes at 103.875% plus accrued and unpaid interest on June 15, 2015, subject to the Company's parent providing by that date the funds for redemption.

