

TRANSCRIPTION

Company: MMG Limited
Title: MMG 2024 First Quarter Production teleconference
Date: 24 April 2024
Time: 09:00AM HKT

WELCOME (MR JAROD ESAM)

Jarod ESAM:

- Hello and welcome to MMG's Quarterly Production Report teleconference.
 - This report and today's discussion cover the operational performance of MMG's sites for the first quarter of 2024 and the outlook for the year.
 - Joining us today for this presentation are key members of the MMG leadership team: Mr. Li Liangang, our Interim CEO; Mr. Song Qian, Executive General Manager - Finance; Mr. Troy Hey, Executive General Manager – Corporate Relations; and Mr. Nan Wang, Executive General Manager – Operations.
 - I will now pass the floor to Liangang, who will walk us through the highlights of the report. Following his overview, we will open the call for any questions you may have.
-

QUARTERLY REPORT OVERVIEW (MR LIANGANG LI)

- Thank you, Jarod. Good morning to everyone and welcome to MMG's First Quarter Production Report teleconference.
- **As always, at MMG, safety comes first.** In the first quarter of 2024, our Total Recordable Injury Frequency was 2.74 per million hours worked, indicating an increase from the 2023 full-year TRIF of 1.97. On a positive note, we saw an improvement in the Significant Events with Energy Exchange Frequency, which was 1.11 per million hours worked in the first quarter of 2024, down from 1.54 in the fourth quarter of 2023.
- There is an increased focus from our sites on enhancing the planning and execution of tasks and reminding our people that they are encouraged to stop work if they feel it is unsafe.
- I am delighted that we successfully **completed the acquisition of the Khoemacau mine** in Botswana on March 22, 2024. Khoemacau is a scarce, high-grade, low-cost, producing copper asset in the world class mining jurisdiction of Botswana. An expansion project will deliver near-term pr-oduction of around 130,000 tonnes of copper per annum. The expansion is a cost-efficient pathway to achieve production at scale with a low capital intensity. In addition to the mine and the existing resources, we are also acquiring a dominant tenement package with 4,040 square kilometres in the emerging and highly prospective Kalahari CopperBelt. This acquisition marks a pivotal moment in our company's journey, bringing a high-quality, transformational growth asset into our portfolio.
- Now, let's turn to our operation performance for the first quarter 2024. **During the first quarter of 2024, we produced a total of over 67,000 tonnes of copper and 59,000 tonnes of zinc.**
- Specifically, **at Las Bambas, we produced 56,000 tonnes of copper.** This reflects a 4% decrease compared to the same period last year, primarily due to lower ore grades, which is mainly a result of our mining sequence. During the quarter, mining activities were conducted in lower grade sectors as part of the development of phase 5 of the Ferrobamba pit, to access higher-grade sectors in the third quarter and fourth quarters. Additionally, the concentrator consumed some low-grade stockpiled ores during the first quarter, further contributing to the reduction in the average ore milled grade.
- With an expected improvement in ore grades from the Ferrobamba pit and the mill returning to normal operations following a planned maintenance shutdown, we expect a rebound in Las Bambas' production during the remainder of the year. Ore grades are also expected to improve in the second half with the contribution from Chalcobamba.
- I'd also like to take this opportunity to update you on our community engagement efforts and transport logistics.

- MMG remains committed to transparent and constructive dialogue with the Government of Peru and community members. **Our discussions with the Huancuire community continued to progress as we work with the community towards a lasting agreement for the development of the Chalcobamba deposit.**
- As a result of collaborative efforts of our Las Bambas team and the community, the contracts for the 5 Huancuire community companies have been extended through to the end of the year. MMG machinery and personnel are now working alongside the community companies on development activities at the Chalcobamba pit since the beginning of February.
- Regarding transport logistic, the government has extended the state of emergency for an additional 30 days, beginning on 5 April 2024. At the beginning of April, we encountered a disruption in transportation due to a blockade on the southern road corridor in the Velille district. A meeting led by the national government and attended by Velille local authorities, community members, and representatives from Las Bambas, was convened. As a result of this collaborative effort, the blockade was lifted on 11 April and production at Las Bambas remained unaffected.
- Now, looking ahead to the rest of 2024, we remain aligned with our previously issued guidance. **We anticipate Las Bambas' copper production to be in the range of 280,000 to three hundred and 320,000 tonnes. However, these figures are contingent upon the timing of the Chalcobamba development.**
- Moving on to **our operations at Kinsevere, we produced approximately 9,700 tonnes of copper cathode**, marking a 6% decrease from the same period in 2023. This decline primarily stemmed from a reduction in feed grade, a move to reduce our reliance on costly, high-grade third-party ores. However, this impact was somewhat offset by an increased supply from the mining activities at the Sokoroshe II pit during the quarter.
- In alignment with our prior guidance, **we anticipate Kinsevere production to be between 39,000 and 44,000 tonnes in 2024.**
- As many of you are aware, Kinsevere is now in the transition period from the mining of oxide ore to sulphide ore. Following the commissioning of the cobalt plant in the fourth quarter of 2023, we initiated various improvement measures in the first quarter, aimed at supporting the ramp-up of cobalt production. Our sales and marketing team has been engaging with cobalt customers to align on their specific assay requirements, and we're preparing for a trial sale of 100 tonnes in April.
- For the remaining months of the year, our focus will be on completing the installation of the concentrator and the roaster, gas cleaning and acid plant, along with work related to operational readiness. During the first quarter, we made progress in the construction of the concentrator, which included the installation of the SAG mill shell and gear ring, hydro cyclone cluster, and flotation cells. Looking ahead, we expect to produce the first copper cathode from sulphides this year. **This project is set to extend the mine's life to 2035 and, upon reaching full ramp-up in 2025, is expected to increase our annual production to 100,000 tonnes of copper equivalent.**
- I'll now turn our attention to the **Khoemaçau mine** – a significant addition to our copper asset portfolio. For the first time, we've included production data for Khoemaçau in our report, with a contribution of 1,075 tonnes of copper during a 9-day period starting from March 23.
- We've also provided the 2024 guidance for Khoemaçau in the report. **We're expecting copper production to be between 30,500 and 40,500 tonnes starting from 23 March of 2024, with C1 costs anticipated to range from US\$2.30 to US\$2.65 per pound.** Our efforts in 2024 will focus on continuous mining development to expand mining fronts, increase mining volumes, and gain access to higher-grade areas.
- Regarding capital costs of Khoemaçau mine, we expect them to be in the range of US\$108 million–138 million from 23 March 2024. This includes capitalised underground mine development, continued study of the expansion project, design, as well as the construction of the paste-fill plant project, construction and installation of primary ventilation fans among sustaining capital.
- We are committed to supporting the ramp-up of Khoemaçau to achieve an annual production of 60,000 tonnes of copper by 2026. This ramp-up is expected to lead to an improvement in C1 costs. Furthermore, looking ahead, we plan to expand the mine's capacity to 130,000 tonnes, which we anticipate will further reduce C1 costs to around US\$1.55 per pound.
- Let's now shift our focus to our zinc operations at Dugald River and Rosebery.
- Starting with **Dugald River, we saw zinc production reach approximately 45,000 tonnes**, which is a 114% increase compared to the same period last year when operations were temporarily suspended for 34 days. In alignment with our previous forecasts, Dugald River is expected to produce between 175,000 and 190,000 tonnes of zinc in zinc concentrate for the year.
- Moving on to **Rosebery, the mine produced around 14,000 tonnes of zinc in the first quarter.** This marks a 49% increase from the prior corresponding period, reflecting a stable production and improved workforce availability. When including the contribution from by-product metals, zinc equivalent production at Rosebery reached 32,000 tonnes in the first quarter, effectively more than doubling its sole zinc output.

- In accordance with our prior guidance, we anticipate Rosebery's production to be between 50,000 to 60,000 tonnes of zinc in zinc concentrate for the year. On a zinc equivalent basis, we expect production to be in the range of 115,000 to 130,00 tonnes for 2024.
 - I am now happy to take your questions.
-

<QUESTIONS AND ANSWERS>

Operator: Thank you. If you wish to ask a question, please press star one on your telephone and wait for your name to be announced. If you wish to cancel your request, please press star two. If you are on a speaker phone, please pick up the handset to ask your question.

Your first question comes from Lawrence Lau with BOCI. Please go ahead.

Lawrence Lau: (BOCI, Analyst) Hi, thank you to the management team for taking my questions. Firstly, concerning Kinsevere, in your announcement, you mentioned discussions with a client about selling cobalt. Could you specify the type of client you're selling to, or if the sales are directed back to China?

Secondly, regarding Khoemacau, I understand there's a clause requiring the sale of silver to Royal Gold at 20% of the spot price for a certain quantity, up to 40 million tonnes. Could you update us on the progress with this clause? How much has been sold under this arrangement so far, and does management have any expectations for when this clause will be fully met?

Lastly, I noticed that you've secured a loan from China Development Bank to finance the acquisition of Khoemacau. Could you share the interest rate for this US\$1 billion loan? Thank you.

Liangang Li: Yes, thank you, Lawrence. I'll address the first question regarding cobalt sales. MMG has been in contact with various customers, including traders and producers globally. Our first trial sales contract will be with a producer based in China. However, we are open to any opportunities to sell our cobalt products to achieve the most attractive prices possible.

Song Qian: I'll address the second and third questions. Regarding the streaming agreement, the deadline for this agreement is set for 2039.

As for the CDB loan, it is a 7-year funding arrangement. The interest rate for borrowing from CDB is based on SOFR plus a margin, with the margin ranging from 150 to 200 basis points. This rate is lower than that of the Las Bambas project facility.

Lawrence Lau: (BOCI, Analyst) Okay. Thank you.

Operator: Your next question comes from Jimmy Feng with Citi. Please go ahead.

Jimmy Feng: (Citi, Analyst) Hi, management team, thanks for the sharing. I have a couple of questions.

Firstly, regarding the Khoemacau project, this year's C1 cost is relatively high. I'm interested in knowing what the cost expectation will be when it ramps up to 50 kt in 2026?

My second question also pertains to the Khoemacau purchase. I'm looking for the D&A estimation for the Khoemacau project this year. Additionally, I noticed the capex guidance for this year; will that also apply to next year up until the pre-expansion project?

Lastly, my third question is about Las Bambas. I observed there was a roadblock on April 5, but it was resolved quite swiftly. I'm curious if this resolution was related to the government-declared state of emergency, as I understand the meeting had national government backing. Has the state of emergency expired on May 5? What are the expectations regarding transportation disruptions?

That's all my questions for now. Thanks.

Liangang Li: Thank you, Jimmy, for your questions. Song, would you like to take Jimmy's questions on the Khoemacau issue?

Song Qian: Okay, thanks, Liangang. With Khoemacau, we have just completed the transaction and are in the process of integration. Currently, we are providing guidance that is merely indicative, but by the time of the interim report, we will update the forecast. This will then offer official guidance for the entire year.

Regarding the C1 cost, we anticipate it to be between US\$2.30 to US\$2.65 per pound. The C1 cost guidance for 2024 reflects the ongoing efforts to expand mining fronts, exchange mining volumes, and gain access to higher-grade areas. These efforts are all part of the preparation for reaching an annual production of 60,000 pounds per annum by 2026. As the mine is still ramping up to this level of copper production, a higher C1 cost in 2024 was anticipated. However, from 2026 onwards, C1 costs are expected to trend lower. This decrease will be due to the development rates reaching a steady state, an increase in grade from mining in higher-grade areas, and the move to lower-cost owner mining.

Troy, could you address the transport logistics?

Troy Hey: Yes, Qian. Thank you for the question. Currently, transport logistics are operating normally. In context, as has been the case for years, you'll notice regular occurrences of small roadblocks that come and go. This is simply part of operating within the very remote logistics corridor of the Peruvian Andes. However, the last 12 months have been very positive. Stock levels at the site are very low, and supplies have been running smoothly. So, while it's unrealistic to expect a complete absence of small roadblocks, often due to local issues or matters related to the Ministry of Transport, road maintenance, or other factors, we are growing increasingly confident. The Las Bambas team, in collaboration with the government and local communities, is working diligently to maintain efficient operation of the road.

Jimmy Feng: (Citi, Analyst) Okay. Thanks for the answer, and that is now clear. I have no more questions. Thanks.

Operator: Once again, if you wish to ask a question, please press star one on your telephone and wait for your name to be announced.

Your next question comes from Chris Shiu with Balyasny Asset Management. Please go ahead.

Chris Shiu: (Balyasny Asset Management, Analyst) Hi. Thank you very much to the management team. I would like to inquire about the latest overall capex guidance for the year after consolidating Khoemacau. Additionally, I'm interested in what the annual finance costs are expected to look like going forward. Thank you.

Liangang Li: Song, are you happy to take Chris's two questions?

Song Qian: Yes. The capex guidance for the expansion is projected to be between \$800 million and \$900 million. This expenditure is anticipated to unfold over a period of roughly five years.

As for your inquiry regarding this year's capex, it is forecasted to be in the vicinity of \$900 million to \$1040 million. I trust this provides clarity to your questions.

Chris Shiu: (Balyasny Asset Management, Analyst) How about the finance costs going forward, on an annual basis, I mean for the entire company, not just for that one project?

Song Qian: Currently, we do not disclose that level of detailed information. However, I can confirm that we are raising funds from CDB and other banks under a pricing regime that is based on SOFR plus a margin.

Chris Shiu: (Balyasny Asset Management, Analyst) Got it. Thank you very much.

Operator: There are no further questions at this time. I will now hand back to Mr Liangang Li for closing remarks.

Liangang Li: Yes, thank you very much for everyone attending this teleconference, and just in case you have any further questions, please feel free to contact our Investor Relations or Corporate Affairs teams.

Thank you very much, and goodbye.

Operator: That does conclude our conference for today. Thank you for participating. You may now disconnect.

[END OF TRANSCRIPT]