

Perú



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This presentation should be read in conjunction with MMG Limited's interim results announcement for the year ended 30 June 2020 issued to the Hong Kong Stock Exchange on 19 August 2020 and the 3rd Quarter Production Report for the 3 months ended 30 September 2020 issued to the Hong Kong Stock Exchange on 26 October 2020.

# OPPORTUNITIES FOR MINING COMPANIES IN A RESOURCE-RICH COUNTRY

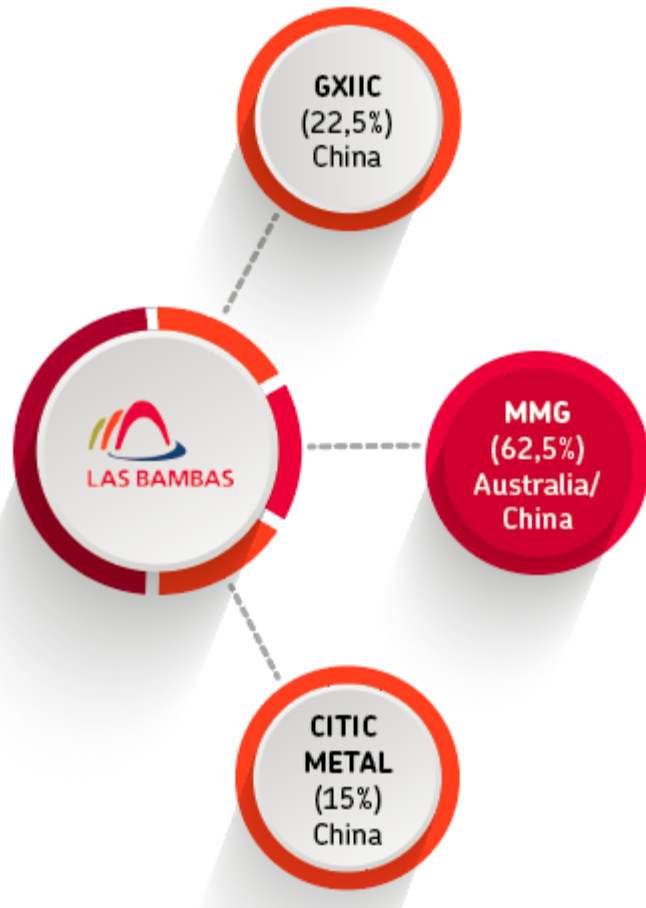
**Alvaro Ossio**

GENERAL MANAGER, COMMERCIAL, FINANCE AND  
ADMINISTRATION  
MMG LAS BAMBAS

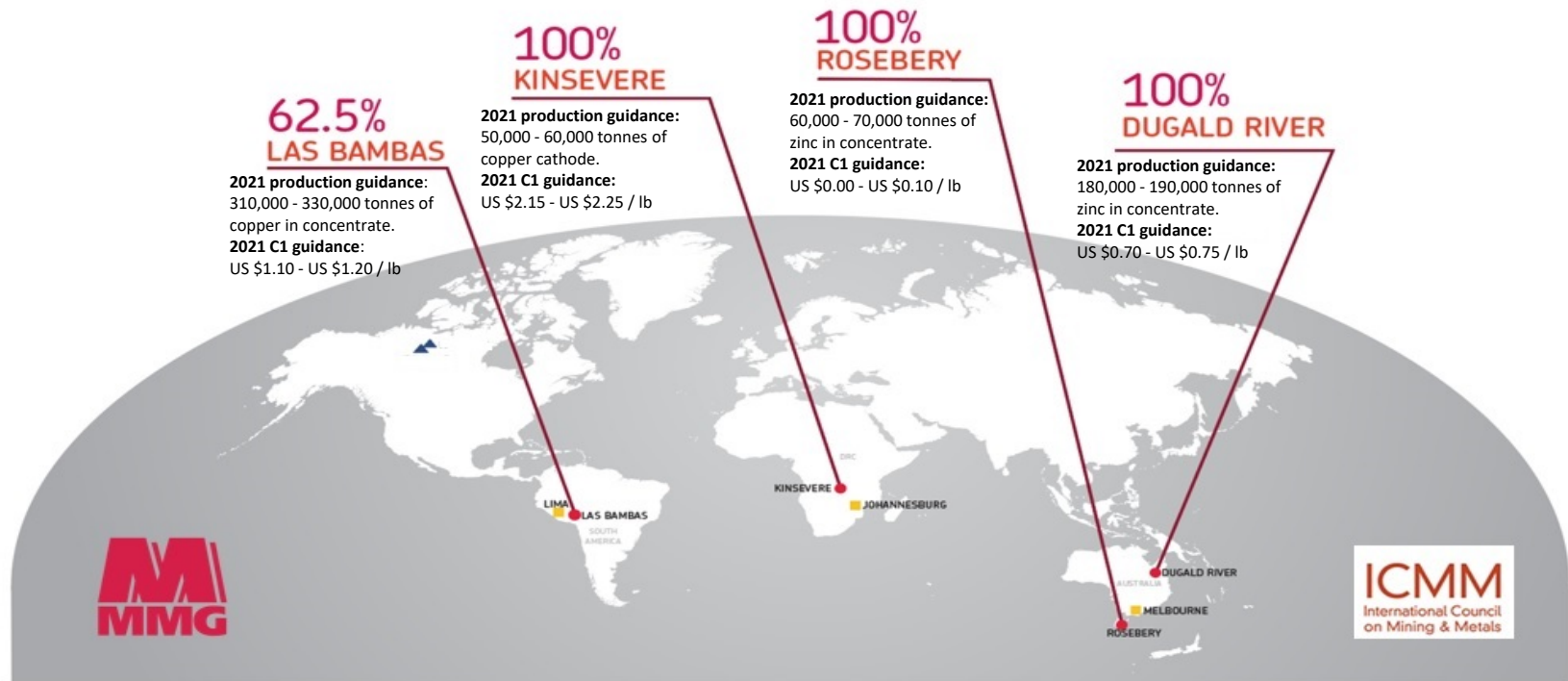
# Part 1. - Las Bambas

# About MMG

- Global base metal miner: we focus on copper and zinc
- Mining operations in Australia, Africa and the Americas
- Headquartered in Melbourne, Australia and Beijing, China
- Listed on the Hong Kong Stock Exchange
- Majority shareholder: China Minmetals Corporation, a Fortune 500 company
- Member, International Council on Mining and Metals



MMG led the joint venture that acquired Las Bambas on 31 July 2014.



# Peru: platform for MMG's growth

## What did MMG see in Peru and in Las Bambas in 2014?

- High geological potential
- Qualified personnel
- Stable rules of the game (EIS, permits, taxes)
- Political stability
- Monetary stability
- Security
- Long life and high quality asset, with significant growth potential

The acquisition of Las Bambas was a great step for MMG, as it was its first foray into Latin America. Peru has become a strategic country for our future expansions in the region.



# Las Bambas: a glance at the operation

*Third copper mine in Peru and Top 10 globally*

- Located in Cotabambas, Apurímac region, Peru.
- It has three main deposits: Ferrobamba, Chalcobamba and Sulfobamba.
- Produces clean copper concentrate with gold, silver and molybdenum by-products.
- It has ore reserves of 5.631 million tonnes of copper and mineral resources of 8.982 million tonnes of copper.
- The lifecycle of the mine exceeds 18 years based on current reserves with significant geological potential to support mine life extension.
- Production: 2Mt Cu for first five years, average over LOM >300ktpa Cu.
- It allocates 3% of its sales to contractual royalties and pays 32% Income Tax.
- It uses a bimodal transport system for the concentrate.

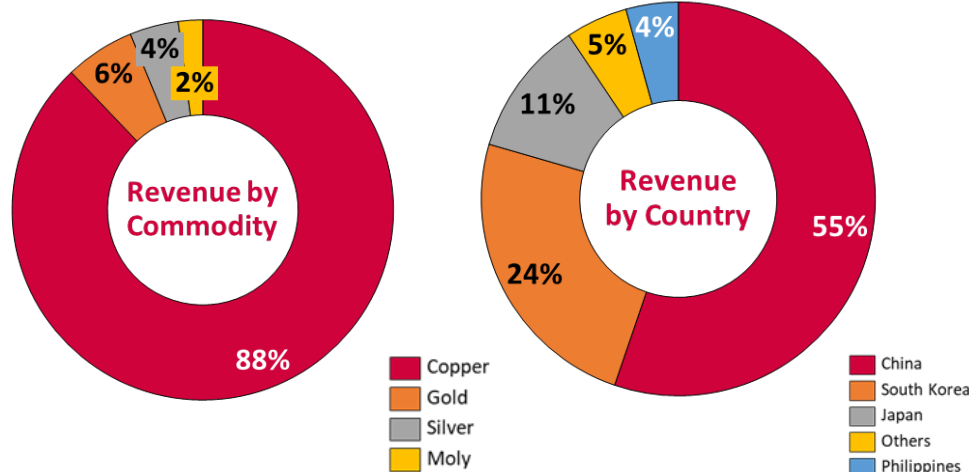
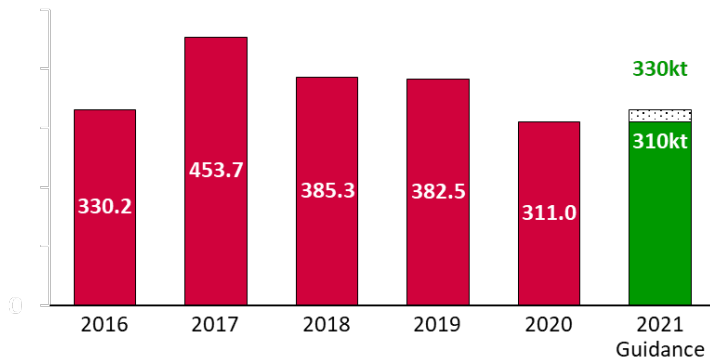




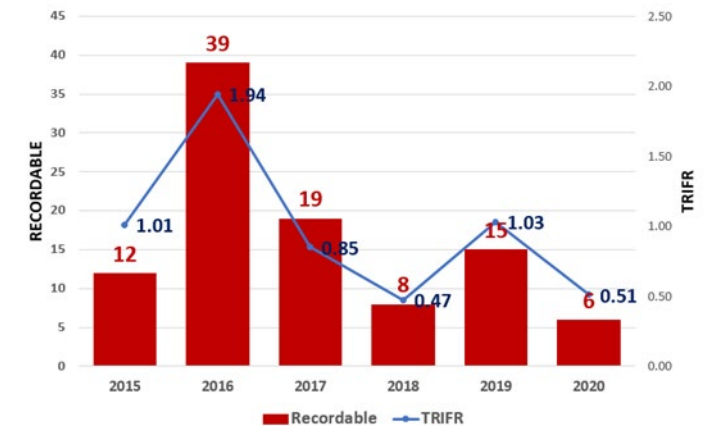
# Las Bambas update

- In 2020, the TRIFR was reduced by over 50% compared to the previous year
- 2020 was significantly affected by Covid-19 restrictions. C1 costs of \$1.0/lb were within the guidance range.
- 2021 represents a year of transition, with the focus on continuing to increase mining volumes to open up additional operating faces.
- Las Bambas is now expected to deliver around two million tonnes of copper production in the five year period from 2021 to 2025
- This extends the previous guidance of two million tonnes in the first years and is significantly above the acquisition mine plan.
- The improved medium-term outlook is a result development of the Chalcobamba pit and a series of initiatives.

**Copper Production ('000 tonnes)**



**Safety our cornerstone value**





# Social Management at Las Bambas: all agents are responsible for development

## Adjacent communities and towns to the operations and transport route

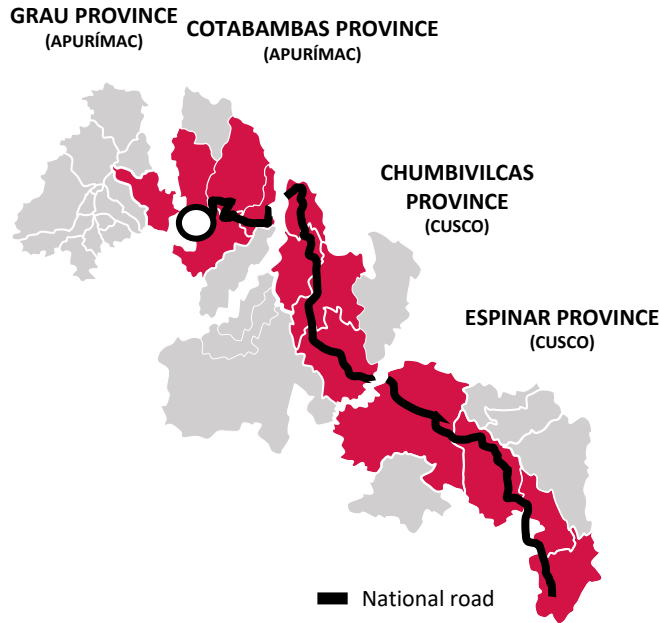


### 2 regions

Apurímac (7 provinces)  
Cusco (13 provinces)

### 4 provinces / 14 districts

Apurímac: Cotabambas, Grau  
Cusco: Chumbivilcas, Espinar



### 71 communities and towns

Apurímac: 43 communities  
Cusco: 28 communities and towns



2 Medicinal Oxygen Plant  
5 Mechanical Respirators  
30 Health Facilities



**Rapid Tests**  
500K delivered to the Ministry of Health through Peru's National Society of Mining, Petroleum and Energy (SNMPE)  
19,550 Apurímac Regional Government



80 Communities, towns and cities  
1622 disinfected km



2 Isolation and Care Tents



20K face masks were purchased and donated Inter-institutional Agreement with Haqira District Municipality



9K families received cleaning kits



852 returning residents mobilised by air and land to Cusco and Apurímac



**SUYAY**  
Financing of UNI Project to manufacture a mechanical ventilator



852 returning residents mobilised by air and land to Cusco and Apurímac



30 weekly hours  
Broadcasting of educational content of "Aprendo en Casa" (I Learn at Home) Government Program



535 local businesses trained on new protocols



Biosafety Materials  
19 COVID-19 District Committees  
23 Benefitted Facilities

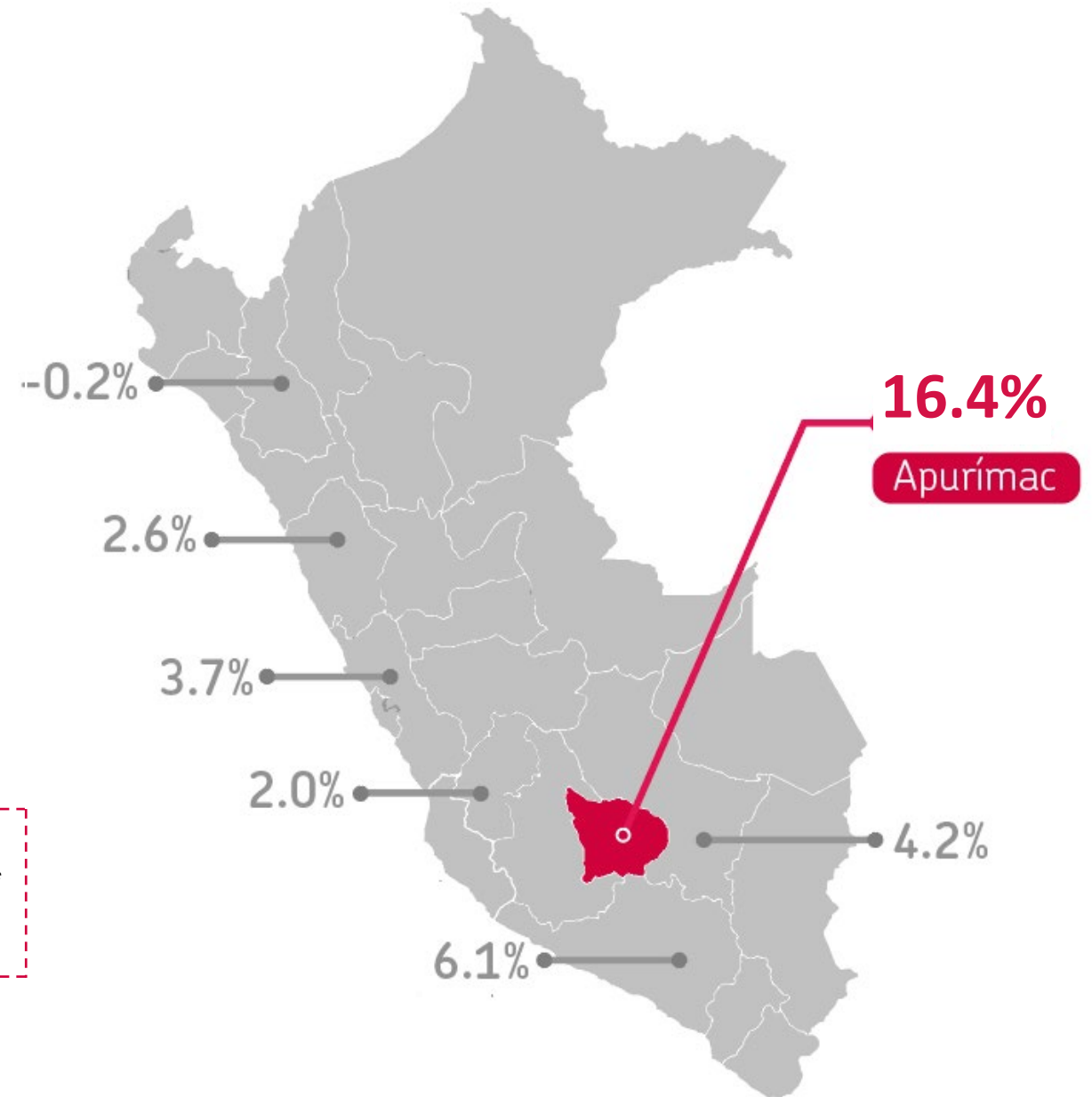
4.6 million dollars invested in social responsibility actions against COVID

Continue to work with the government, the communities and the regional leaders to develop strategies for significant community investment proposals to mitigate impacts and seek the development of the communities.

Specific COVID-19 community support – education campaigns, donation of test kits and medical equipment, food and sanitation services for local communities.

# Las Bambas' impact

<b>Royalties</b> <b>S/ 1.1 billion</b> <small>(2016 – 2020) December 2020</small>	<b>Initial Investment</b> <b>S/ 33 billion</b>		
<b>Apurímac: fifth largest monthly per capita public budget in 2020:</b> <b>S/ 520</b> <small>(Peru: S/ 478)</small>	<b>Taxes Paid</b> <b>S/ 4.380 billion</b> <small>(2014 – 2020) *Includes Royalties.</small>	<b>Additional Investment</b> <b>S/ 4.9 billion</b> <small>(2016 – 2020)</small>	
<b>Average growth of Apurímac regional GDP</b> <b>16.4%</b> <small>(Peru: 5.5% on average) (2004 – 2019)</small>	<b>Investment in Social Development:</b> <b>S/ 1.1 billion</b> <small>(2004 – 2020)</small>	<b>Share in Peru's total GDP</b> <b>0.85%</b> <small>(2019)</small>	
<b>Improved Competitiveness</b> <small>(from the 21<sup>st</sup> position in 2017 to the 17<sup>th</sup> position in 2018)</small>	<b>9,000 jobs</b> <small>Direct and indirect</small>	<b>Poverty Reduction*</b> <b>24 p.p.</b> <small>(2012 – 2018)</small>	<b>Reduced Malnutrition*</b> <b>8 p.p.</b> <small>(2012 – 2018)</small>



Source: Peruvian Institute of Economics (IPE) 2018 and 2019. Royalties generated as at December 2020.

\*Difference of percentages in 2018 and 2012.

# Additional investment to maintain production US\$ 2 Billion



## Key aspects

- The current reserves allow for a production of up to ~2040. This will require an ongoing development of new pits and infrastructure
- Currently, Las Bambas operates the Ferrobamba pit (stages 2, 3, 4).
- The current plan for Las Bambas includes the development of Ferrobamba (stages 5, 6, 7 and 8), the Chalcobamba and Sulfobamba deposits.
- Improvement projects underway include:
  - Implementation of **third ball mill**;
  - Construction of **truck shop**;
  - Construction of **water management canals and systems**;
  - Construction of **main camp**;
  - Construction of new **crusher and conveyor** at Chalcobamba, among others.

## Part 2. - Challenges and Opportunities for Mining Investment in Peru



# Mining in Peru before the Pandemic



According to the BCRP, the mining sector contributed **9% of the country's GDP.\***



The mining sector accounted for **58% of Peruvian exports.\***  
**2019: US\$25,321 MM.**



**19% of Income Tax collection** from companies, royalties and other special taxes, came from mining.\*



**16% of private investment** corresponded to mining.\*  
**2019: US\$6,157 MM**



Mining creates nearly **1.5 million** direct, indirect and induced jobs.  
**2019: 208,716 Direct workers**



**1.28% of the territory** represents the areas of mining activity that together, total 1,638,711 hectares..



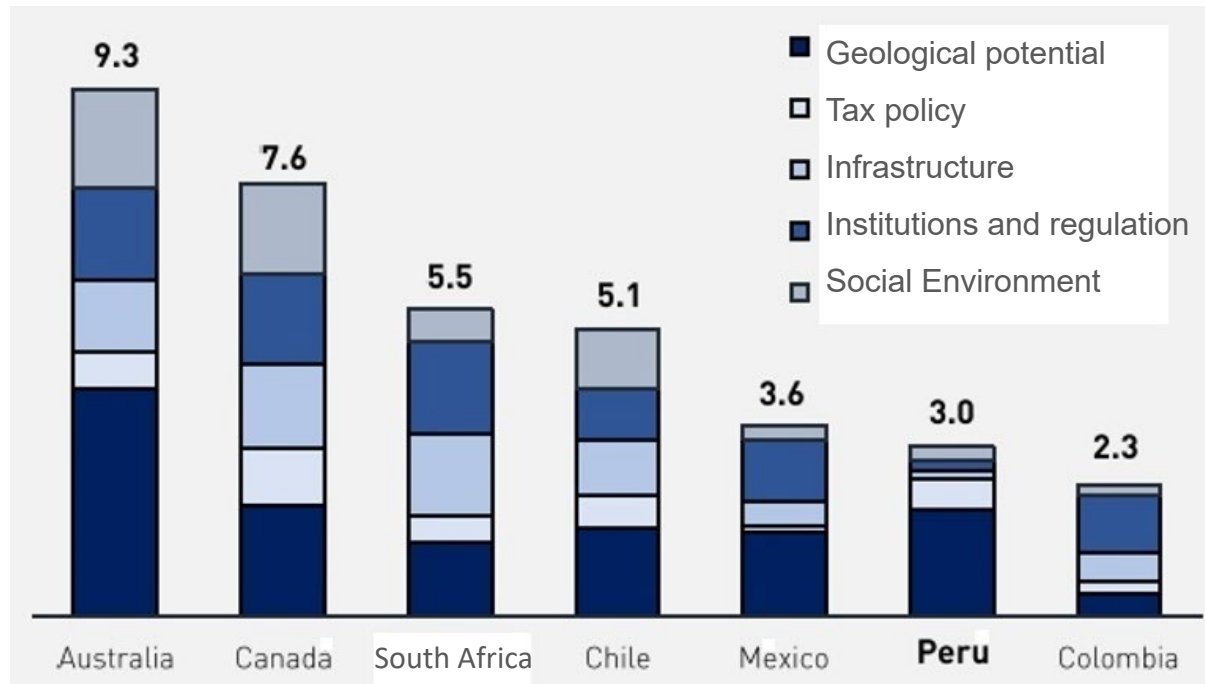
*“Mining can create many resources very quickly, even quicker than other sectors; therefore, **its participation in economic recovery will be essential.**” - Diego Macera (IPE)*

\*Last 10 years before the pandemic (2010-2019).

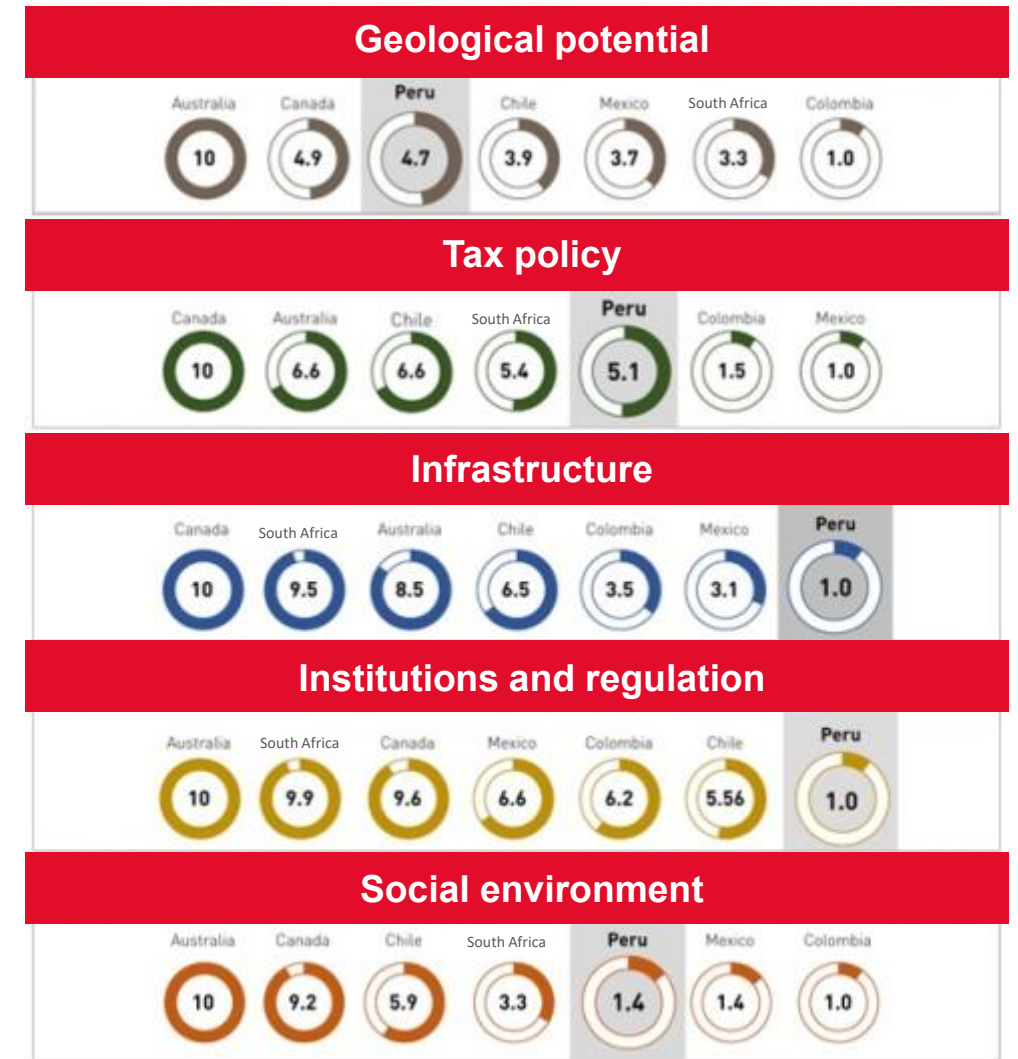
Source: Peru's Central Reserve Bank (BCRP), Ministry of Energy and Mines (MINEM), IPE, National Superintendency of Tax Administration (SUNAT), National Agency of Hydrocarbons (Perupetro).

# Competitiveness of the peruvian mining sector

Analysis of the competitiveness of the Peruvian mining sector with respect to its peers in the Pacific Alliance: Chile, Colombia and Mexico; and benchmark countries in mining such as Australia, Canada and South Africa.

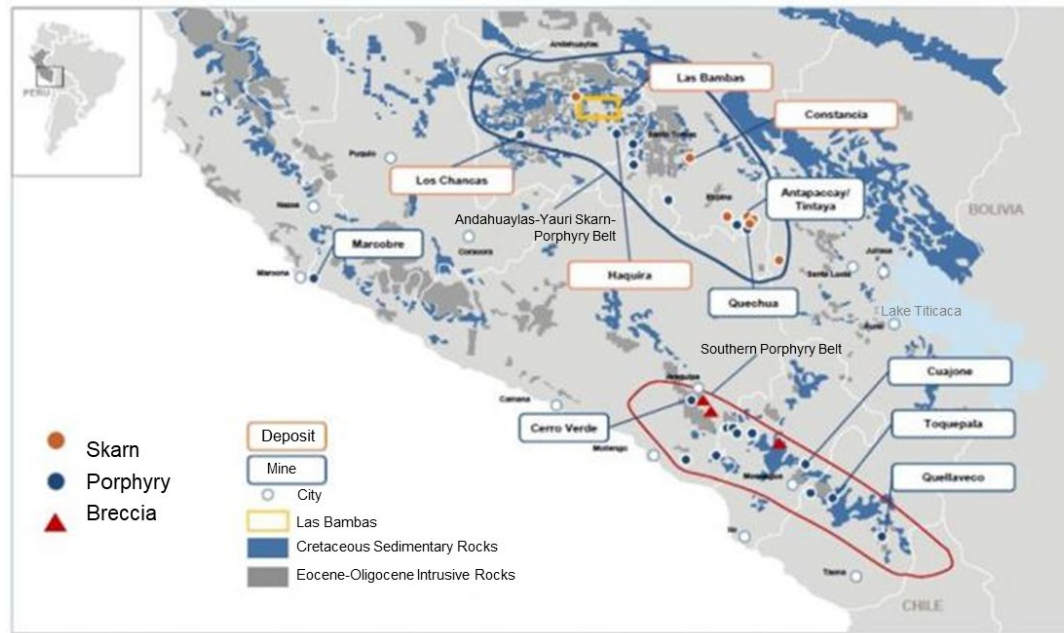


Source: "Indicador de Competitividad Minera del PERUMIN 2019" (PERUMIN 2019 Mining Competitiveness Indicator)  
- Peruvian Institute of Mining Engineers (IIMP) and Macroconsult.



# Peru's geological and mining potential

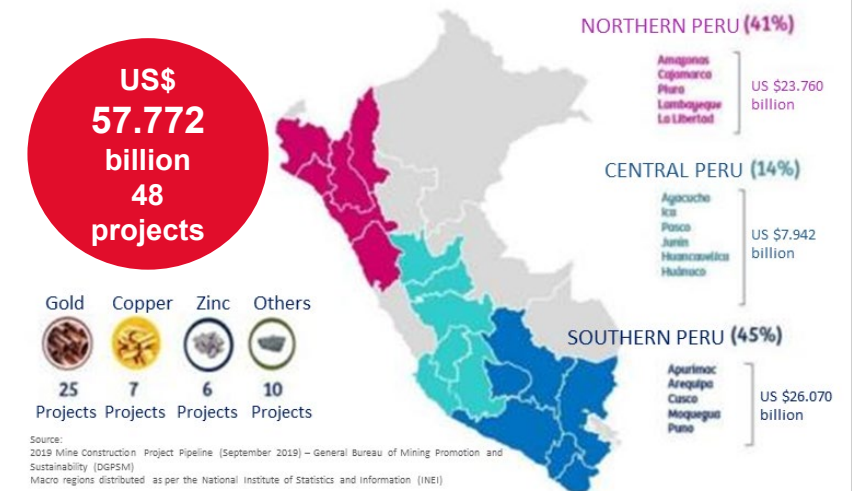
- Skarn-porphyry deposits such as those of Las Bambas are found within the Eocene-Oligocene Band of the Andahuaylas-Yauri Belt.
- This belt houses several major projects and operations such as Haquira, Quechua, Constancia and Antapaccay.



## 2020 mine exploration project pipeline



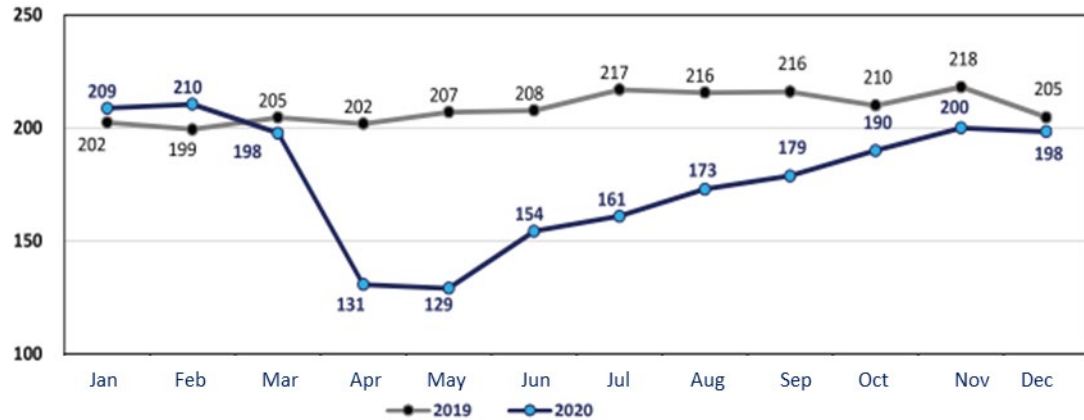
## 2019-2028 mine construction project pipeline



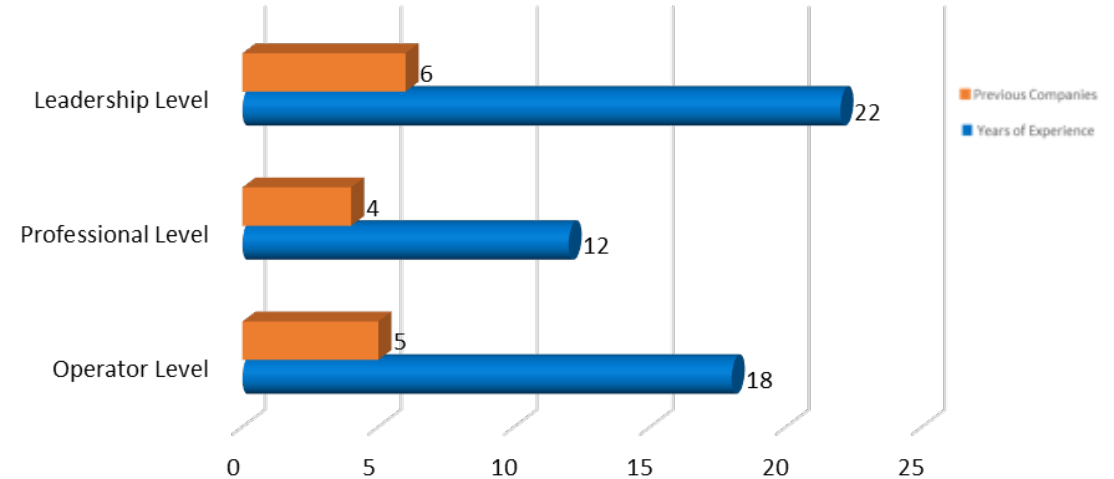


# Experienced peruvian mining workforce

**Evolution of average employment in mining 2020**  
(in thousands of workers)



**Las Bambas: Mine Employee Quality Profile**  
Average per Person Data 2020



- The average employment created by mining at the end of 2020 reached 177 692 workers (mining companies and mining contractors).(a)
- The jobs created by contractors in December amounted to 68.6% of the total mining employment.(a)
- Each directly created job in the extractive mining sector creates other 6.25 jobs in the rest of the economy due to the indirect and induced effects.(b)
- Based on MMG experience in various jurisdictions, Peruvian workforce is highly productive

Source: Dec 2020 Mining Statistical Bulletin, Minem. (b) IPE, El valor agregado de la Minería (The added value of Mining), 2017

# Competitive tax policy, but with challenges

**Mining is one of the sectors that contributes the most to tax collection**

- 32% income Tax (29.5% plus 2% for CET)
- Actual tax burden: 47.7%(\*) – above the average of companies

**Tax system designed to promote investment**

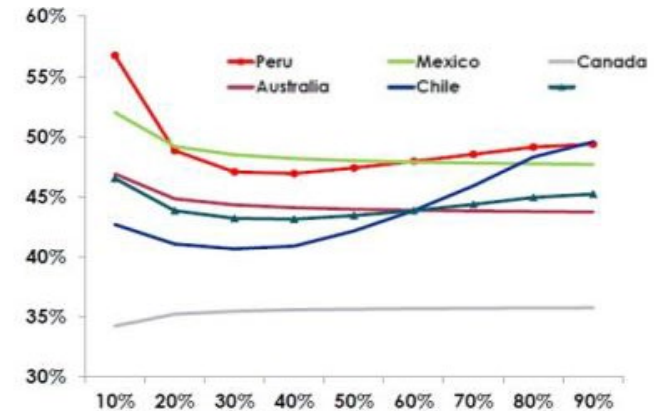
- Accelerated methods to amortise the initial investment
- Tax Stability Agreements (CET)
- Value Added Tax (VAT) Refund regimes

**In practice, however, there are still areas to be strengthened**

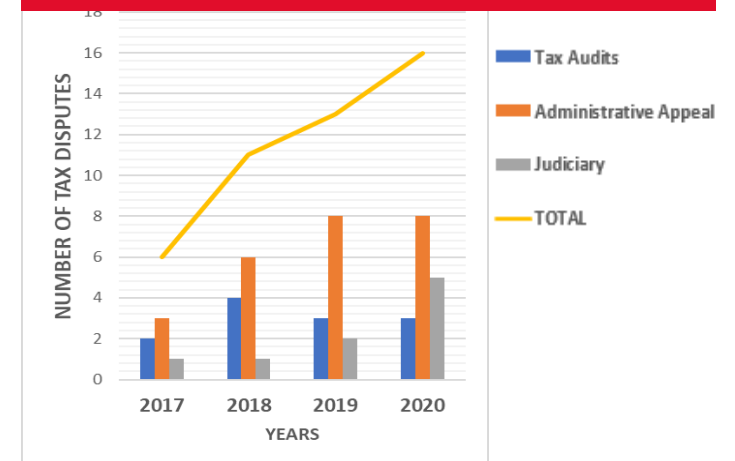
- Predictability in the application of tax regulations for effective enjoyment of promotion measures.
- Understanding of the sector for a reasonable interpretation of tax provisions
- Alternate dispute settlement methods to reduce the number of proceedings (tripled at MLB over the last four years).

(\*) Source: IPE – Evaluación Tributaria del Sector Minero (Tax Evaluation of the Mining Sector)

**Tax burden of mining per operating margin by country**  
(percentage of operating profit)

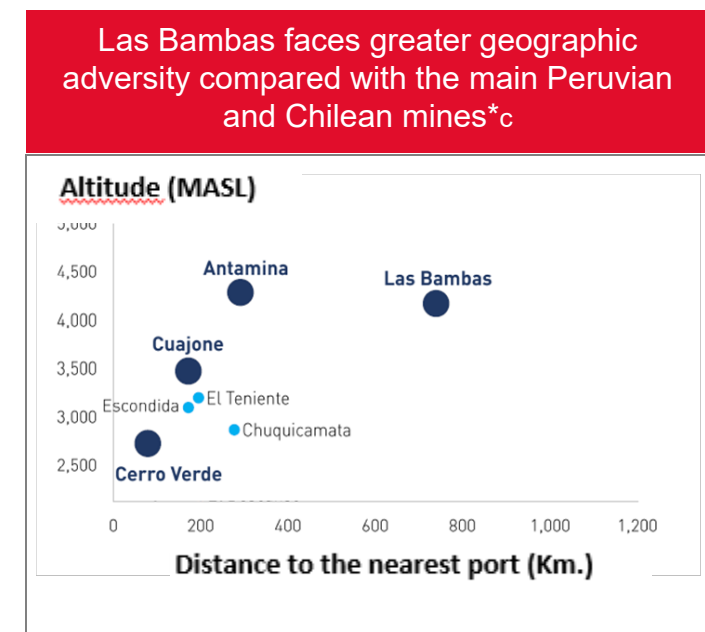
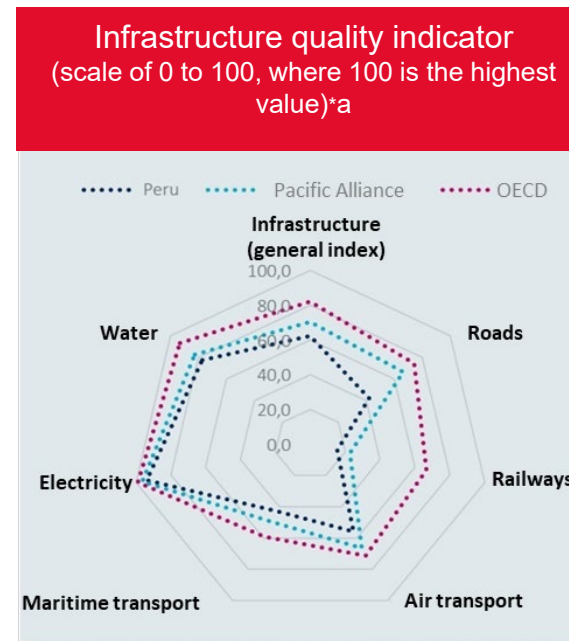
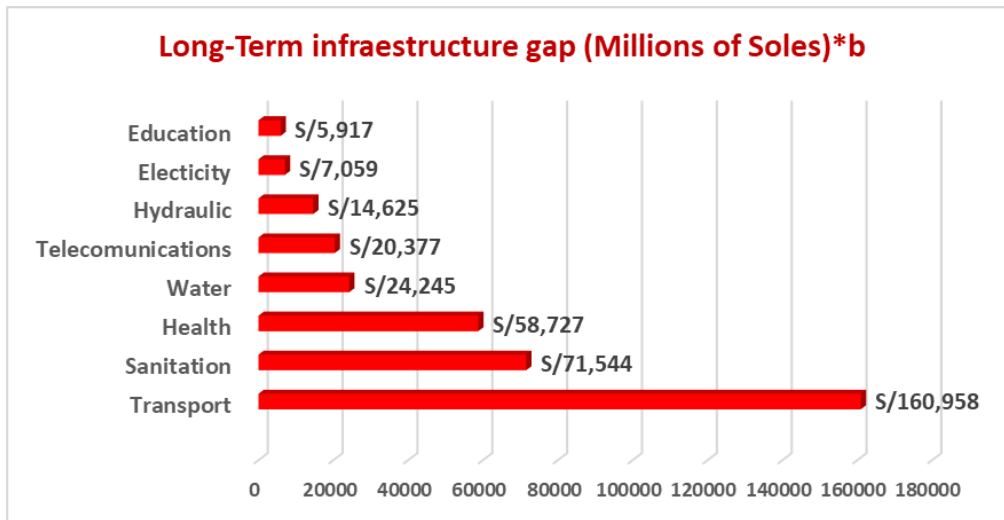


**Tax Disputes**  
**Minera Las Bambas**



# Infrastructure deficit

- Transport infrastructure is the main challenge for the development of mining in Peru.
- Bimodal transport system:
  - 438km by truck from Las Bambas to the Pillones transfer station (Arequipa);
  - 285km by rail from Pillones to the Port of Matarani.
- Las Bambas has invested more than US \$235 million to improve this means of transport.
- Other infrastructure financed by Las Bambas includes:
  - Electric transmission line;
  - Dock and warehouses at the Port of Matarani;
  - Pillones transfer station and rail.



Source:

\*a: Infrastructure Quality Indicator of the 2017-2018 Global Competitiveness Index, World Economic Forum. \*b: Universidad del Pacífico, National Infrastructure Plan for Competitiveness – Ministry of Economy and Finance (MEF). \*c: “Indicador de Competitividad Minera”, IIMP y Macroconsult, 2019

# ‘Growing and slowing’ regulatory and permitting burden

- The regulatory burden for mining increased from 12 to more than 200 regulations over the last two decades.



**232** administrative proceedings



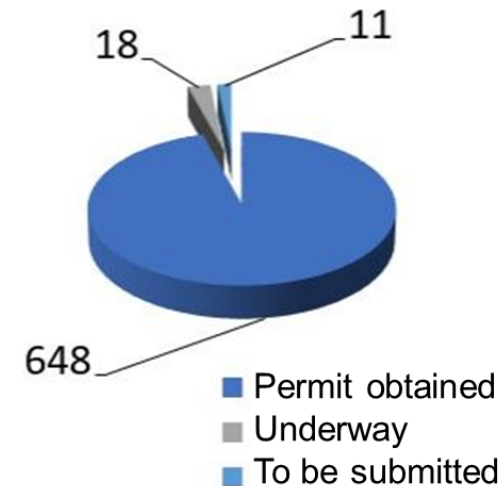
**407** regulations



**29** institutions

## Permits since the commencement of construction – Las Bambas

Dec. 2020



### Permits:

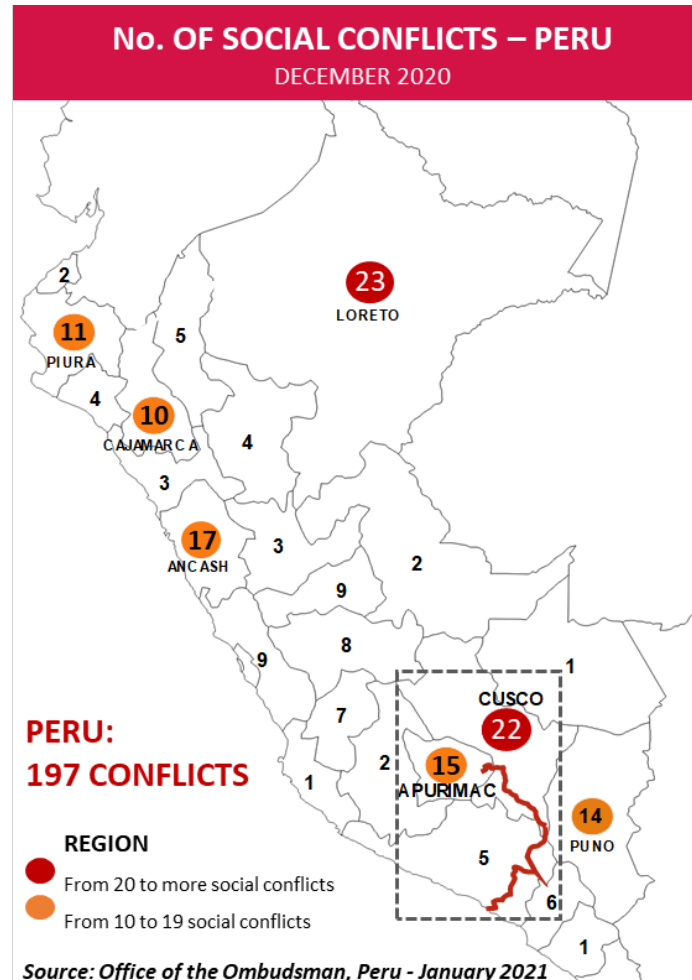
- CdB
- Authorisation for Commencement of Mining Operations (AIA)
- Water
- Roads
- Hydrocarbons
- Explosives
- Others

	2013	2014	2015	2016	2017	2018	2019	2020
With Resolution	190	259	360	428	488	551	622	648
Underway	18	12	10	6	18	13	36	18
To be submitted	18	19	1	10	6	23	10	11
Total	226	290	371	444	512	587	668	677

Source: Apoyo (2018)

# Ongoing social conflicts

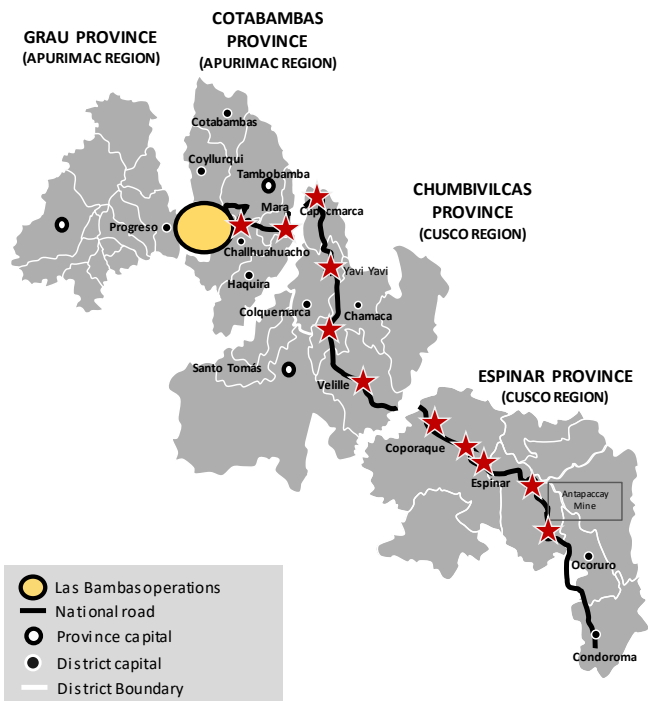
- Political instability increased across Peru over the second half of 2020.
- It is expected that the political crisis will continue in the lead up to presidential and congressional elections on 11 April 2021 (1<sup>st</sup> round) or 6 June 2021 (2<sup>nd</sup> round).
- This instability has facilitated an escalation in community unrest nationwide, with a series of road blocks occurring nationwide.



- The Office of the Ombudsman registered **197 cases (146 active, 51 inactive)**.
- The number of social conflicts has increased during the COVID-19 pandemic (March: 188).
- **Cusco and Apurímac** are the **second and fourth** most conflictive regions.
- Social and environmental conflicts continue to be the principal issues (65%). Out of 129 cases, **83 are connected to mining (64%)**.

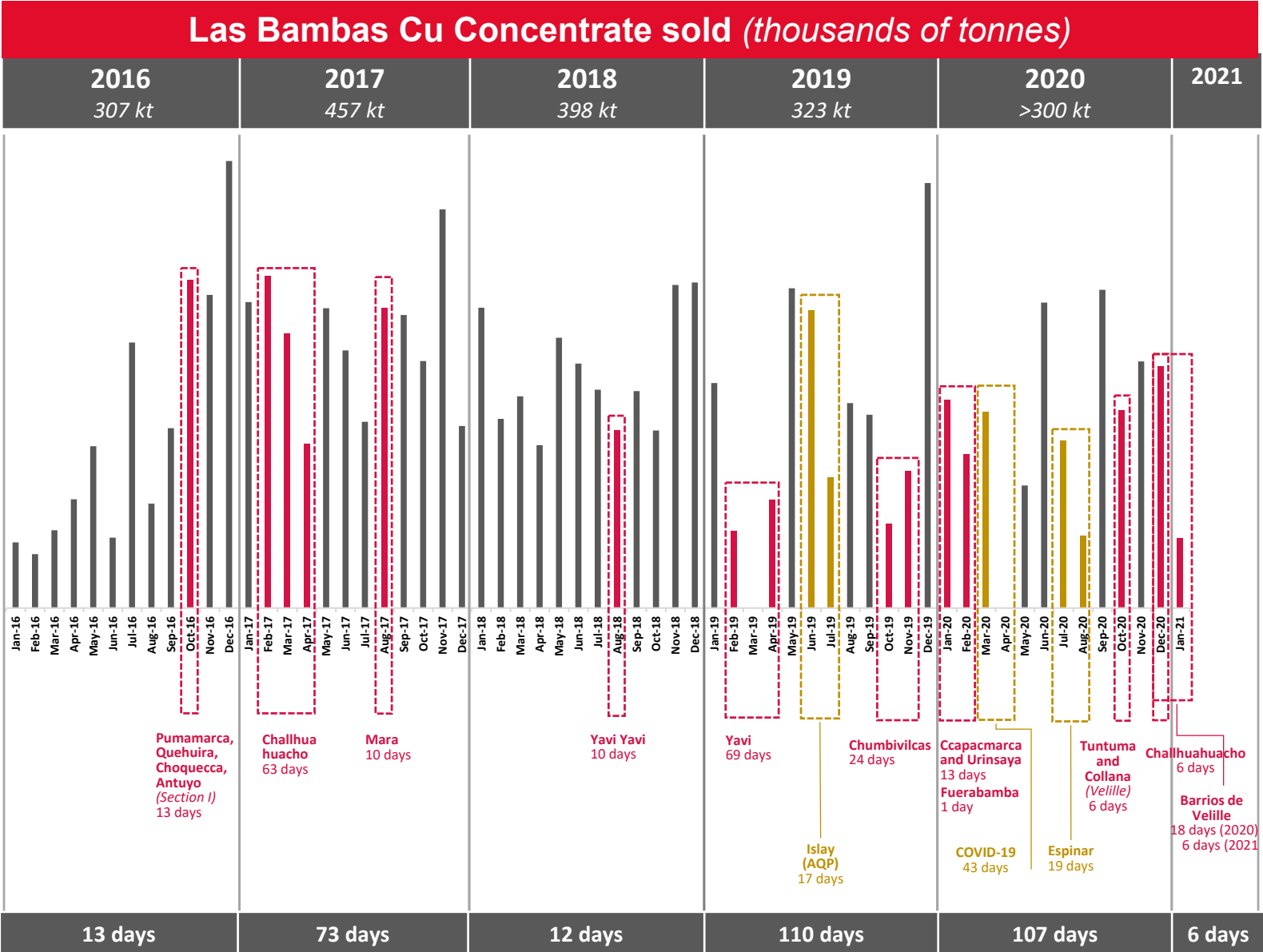
# Las Bambas: blockades impact production and affect sales

Heavy Haul Road Map



2016- 2021  
321 days of blockades

LB related  
Not related to LB





# Opportunities for mining companies in Peru

- Peru's **geological potential** makes it one of the main countries that attract mining investment globally.
- Peruvian **mining workforce is highly qualified** and productive.
- **Decarbonisation and other global economic trends** will create an increased demand for the main Peruvian export metals, generating momentum for new projects.
- The COVID-19 pandemic is leading mining companies to expedite the implementation of **new technologies and remote work**, achieving higher productivity.
- There is **an opportunity to improve relationships with the communities** adjacent to mining operations and to improve the management of tax revenues generated by the sector, which may contribute to local development and social peace.
- The '**Canon Minero**' (**Mining Canon**) and "**Obras por Impuestos**" (Work for Taxes) offer unique funding opportunity for regional development but suffer from lack of governance and effective delivery in remote regions.
- Forum to **collaborate with the government**:
  - To provide the institutional framework for constructive dialogue.
  - To ensure that the parties comply with the agreements reached during the negotiations.
  - Public institutions must be trustworthy and impartial authentication parties of the information used in the negotiations.
  - To promote the creation of public infrastructure for communities adjacent to the mining projects.
  - To promote the creation of infrastructure to drive the construction of new projects (means of communication, ports, electricity).
  - To propose clear and agile processes to obtain licences.



# Final Thoughts

*We will continue to invest in Peru*

**It is necessary to:**

- Promote government policies that expedite the management of paperwork and permits.
- Strengthen the institutional framework and respect for the rule of law.
- Ensure the early and continuous presence of the government in areas where investment projects will be developed.
- Prevent and manage social challenges.

**However:**

- The mining industry has proven that it is prepared to overcome these challenges.
- Peru is a great destination for mining investments and a platform from which to grow in the Americas.
- At Las Bambas, we have only explored 10% of our mining concessions, we have a large investment portfolio and a long way ahead.

