

MINE ANALYSIS

KINSEVERE

2020 OVERVIEW

PRODUCTION
COPPER CATHODE

OWNERSHIP
100% MMG

REVENUE (US\$ million)
\$418.9

ORE MILLED (tonnes)
2,448,852

**COPPER CATHODE
PRODUCED** (tonnes)
72,007

IMAGE: Kinsevere processing plant.

MANAGEMENT DISCUSSION AND ANALYSIS

MINE ANALYSIS – KINSEVERE

YEAR ENDED 31 DECEMBER	2020	2019	CHANGE % FAV/(UNFAV)
Production			
Ore mined (tonnes)	1,925,609	2,462,037	(22%)
Ore milled (tonnes)	2,448,852	2,355,275	4%
Waste movement (tonnes)	8,773,208	17,024,362	(48%)
Copper cathode (tonnes)	72,007	67,935	6%
Payable metal in product sold			
Copper (tonnes)	72,024	67,881	6%

YEAR ENDED 31 DECEMBER	2020 US\$ MILLION	2019 US\$ MILLION	CHANGE% FAV/(UNFAV)
Revenue	418.9	386.0	9%
Operating expenses			
Production expenses			
Mining	(63.4)	(88.2)	28%
Processing	(85.0)	(103.3)	18%
Other	(104.1)	(111.7)	7%
Total production expenses	(252.5)	(303.2)	17%
Freight (export clearing costs)	(12.1)	(11.0)	(10%)
Royalties	(24.9)	(22.5)	(11%)
Other ⁽ⁱ⁾	(45.5)	(0.9)	(4,956%)
Total operating expenses	(335.0)	(337.6)	1%
Other expenses ⁽ⁱⁱ⁾	(15.6)	(20.3)	23%
EBITDA	68.3	28.1	143%
Depreciation and amortisation expenses	(117.2)	(140.1)	16%
EBIT (underlying)	(48.9)	(112.0)	56%
Impairment expense	-	(150.0)	-
EBIT (statutory)	(48.9)	(262.0)	81%
EBITDA margin	16%	7%	

(i) Other operating expenses include changes in inventories, corporate recharges and other costs of operations.

(ii) Effective from 2020, Other expenses includes Kinsevere related exploration expenditure, which was previously recognised at a corporate level. Prior year comparatives have been reclassified to reflect this change.

Kinsevere produced 72,007 tonnes of copper cathode in 2020, a 6% increase on the prior year. This was a result of a return to mining at the higher-grade Central pit together with sustained plant stability, with increased throughput, recovery and ore grades all contributing. Mined ore volumes decreased by 22% compared to 2019 levels. This followed a decision to temporarily suspend mining activity from late in the third quarter. It is expected that mining will resume in the second quarter of 2021, with ore stockpiles being consumed in the interim.

Revenue increased by \$32.9 million (9%) compared to 2019, driven by higher sales on the back of increased production (US\$23.6 million) and higher average realised copper prices (US\$9.3 million).

Total operating costs of US\$335.0 million were in line with 2019 (US\$337.6 million). A US\$50.7 million reduction in production expenses, as discussed below, was largely offset by unfavourable inventory movements, with a net drawdown of ore stockpiles in 2020 following the temporary suspension of mining (US\$25.4 million). This compares to a US\$25.8 million ore build-up in 2019, resulting in a year-on-year movement of US\$51.2 million. Increased freight and royalty costs were consistent with higher sales volumes, with a 16% reduction in depreciation reflecting lower mine output.

Mining costs were lower by US\$24.8 million, consistent with lower waste movement and mining volumes, in particular following the temporary suspension of mining at the end of September. Processing costs were lower by US\$18.3 million, with more favourable ore characteristics requiring less reagent and power consumption. This includes savings attributable to lower sulphuric acid consumption (US\$8.4 million) and reduced maintenance costs. Other production expenses were lower by US\$7.6 million mainly due to lower consumption of third-party ore (US\$13.8 million), however this was partially offset by increased health and safety costs in response to COVID-19 (US\$7.0 million).

C1 unit costs for 2020 of \$US1.81/lb reflected higher production volumes, together with benefits associated with a return to mining at the higher-grade Central pit. The temporary suspension of mining from late in the third quarter also contributed.

Copper cathode production for 2021 is expected to be in the range of 50,000 to 60,000 tonnes. This reflects expected ore grade declines, depleting oxide reserves, and a mine plan that assumes the Company will proceed with a transition to the mining and processing of sulphide ores in future years. As noted elsewhere in this report, the decision to proceed with this phase of development remains subject to Board approval. Reflecting a lower production guidance range and an anticipated increase in mining volumes once mining activity resumes, 2021 full year C1 costs are expected to be between US\$2.15 and US\$2.25/lb.