MINE ANALYSIS: DUGALD RIVER

Products

Zinc Concentrate
Lead Concentrate

Ownership

100%
MMG Limited

Location: Australia

Revenue (US$ Million)

$484.3

Ore Milled (Tonnes)

1,844,212

Zinc in Zinc Concentrate Produced (Tonnes)

173,395

Lead in Lead Concentrate Produced (Tonnes)

20,869

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Year Ended 31 December	2022	2021	Change % Fav/(Unfav)
Production			
Ore mined (tonnes)	1,873,332	1,862,862	1%
Ore milled (tonnes)	1,844,212	1,891,701	(3%)
Zinc in zinc concentrate (tonnes)	173,395	180,313	(4%)
Lead in lead concentrate (tonnes)	20,869	20,361	2%
Payable metal in product sold			
Zinc (tonnes)	140,980	153,992	(8%)
Lead (tonnes)	19,116	18,988	1%
Silver (ounces)	1,342,406	1,184,179	13%

Year Ended 31 December	2022 US$ Million	2021 US$ Million	Change % Fav/(Unfav)
Revenue	**484.3**	**482.9**	**0%**
Operating expenses			
Production expenses			
Mining	(111.6)	(91.1)	(23%)
Processing	(68.6)	(73.4)	7%
Other[1]	(69.3)	(71.0)	2%
Total production expenses	**(249.5)**	**(235.5)**	**(6%)**
Freight (transportation)	(18.2)	(12.9)	(41%)
Royalties	(20.7)	(18.6)	(11%)
Other[1]	10.9	(4.6)	337%
Total operating expenses	**(277.5)**	**(271.6)**	**(2%)**
Other income/(expenses)	3.4	1.4	143%
EBITDA	**210.2**	**212.7**	**(1%)**
Depreciation and amortisation expenses	(57.7)	(59.8)	4%
EBIT	**152.5**	**152.9**	**0%**
EBITDA margin	**43%**	**44%**	**(2%)**

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

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Dugald River produced 173,395 tonnes of zinc in zinc concentrate in 2022, 4 per cent lower than 2021. The reduction is primarily due to COVID-19 impacts on workforce availability early in the year, alongside lower ore feed grade compared to 2021 (10.5 per cent vs. 10.8 per cent). This was partly offset by record high annual zinc recovery rates of 89.3 per cent compared to 87.9 per cent in 2021. In the fourth quarter, Dugald River achieved the highest mining rates in the past two years, driven by better workforce availability and improved equipment utilisation. On a zinc equivalent basis, Dugald River production exceeded 200,000 tonnes for the third consecutive year.

Revenue marginally increased by US$1.4 million to US$484.3 million due to higher realised zinc prices (US$38.8 million) and higher by-products sales volumes (US$4.2 million). This was partly offset by an 8 per cent drop in zinc concentrate sales volumes (US$35.0 million) in line with lower production and lower realised silver (US$5.0 million) and lead prices (US$1.6 million).

Total production expenses were higher by US$14.0 million compared to 2021. This was mainly attributable to higher contractor mining expenses (US$20.6 million) to support the transition to owner miner model for production activities and onboarding of Redpath for development activities and increased development metres. Costs were also impacted by higher unit prices for gas (US$3.8 million), diesel (US$1.5 million) and other processing consumables (US$3.5 million). This was partly offset by favourable exchange rates with the weakening of the Australian dollar (US$20.9 million).

Freight costs were also higher by US$5.3 million due to revised sea freight rates in 2022 reflecting current market conditions.

Dugald River's zinc C1 costs were US$0.84/lb in 2022, lower than our revised guidance of US$0.85 – US$0.95/lb but higher than US$0.67/lb in 2021. Higher C1 costs were attributable to lower production volumes and higher treatment charges.

2023 outlook

Dugald River zinc production for 2023 is expected to be in the range of 170,000 and 185,000 tonnes of zinc in zinc concentrate.

C1 costs in 2023 are expected to be in the range of US$0.90 – US$1.05/lb. Cost escalation includes increased mining costs in the current highly competitive market and a soaring domestic gas price. Dugald River is transitioning to an owner miner model for production activities, which will partially mitigate cost escalation. Redpath has been awarded a contract for development to ensure a dedicated focus on these activities. Dugald River has also entered into a long-term solar offtake agreement with energy provider, APA Group. The solar agreement will supply the Dugald River mine with renewable energy to reduce its carbon footprint and provide immediate energy cost savings once operational. The solar farm commissioning period started in February 2023 and we expect it to be in commercial operations in March 2023.