

Company: MMG Limited
Title: MMG Third Quarter Production Report
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INTRODUCTION (MR JAROD ESAM)

Operator: Thank you for standing by, and welcome to the MMG Limited third quarter production report. All participants are in a listen-only mode. There will be a presentation followed by a question-and-answer session. If you wish to ask a question you will need to press the star key, followed by the number 1, on your telephone keypad. I would now like to hand the conference over to Mr Jarod Esam, Head of Investor Relations. Please, go ahead.

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 third quarter of 2023.

Joining us today are MMG Interim CEO Mr LI Liangang and CFO Mr Ross CARROLL, together with other Exco members.

I will now hand over to Liangang who will discuss the highlights in the report, before we provide an opportunity to ask questions.

QUARTERLY REPORT OVERVIEW (MR LI LIANGANG)

Liangang LI: Thank you, Jarod. Good morning to everyone and welcome to MMG's Third Quarter Production Report teleconference.

As always, **at MMG our first value is safety**. Our Total Recordable Injury Frequency (TRIF) for the third quarter is 2.83 per million hours worked. The higher number of injuries in the quarter is concerning and is being closely monitored. Each site will continue reporting, investigating and learning from actual and potential workplace incidents.

Let's now turn to our production performance for the third quarter of 2023. We achieved production of approximately 94,000 tonnes of copper and 59,000 tonnes of zinc, an increase in both metals compared to the previous quarter.

Las Bambas copper production in the third quarter reached 82,000 tonnes, representing a 1% increase compared to the same period last year. Las Bambas operated at full capacity throughout the quarter, without transport interruptions, and with higher throughput and recovery.

Throughout the third quarter, transportation along the Southern Corridor has been stable, assisted by the Government declared State of Emergency. Recently, the Peruvian government has announced an extension of the State of Emergency for 60 days, until the 12th of December. As a result of stable transportation, Las Bambas has reduced the on-site inventory levels of concentrate. At the end of the second quarter, Las Bambas had approximately 60,000 tonnes of copper metal in on-site inventory. However, by the end of September, this inventory level had decreased to around 10,000 tonnes of copper metal.

Now, I'll provide an update on community dialogue. MMG remains committed to working closely with the Government of Peru and community members for transparent and constructive dialogue. Progress has been made in discussions with the Huancuire community on Chalcobamba, with an agreement on the regulations for the dialogue process reached on the 13th of September. With the participation of the government of Peru and the new negotiating commission of the Huancuire community formed in July, we have established the agenda and recommenced the formal dialogue process on the 2nd of October. MMG is optimistic that more lasting agreements for the development of Las Bambas can be achieved.

Now turning to the **Las Bambas outlook for 2023**. We anticipate Las Bambas copper production to be in the range of 285,000 tonnes and 305,000 tonnes. This revised guidance reflects the stability in operations since March and positions us at the higher end of our original guidance for 2023.

Additionally, C1 costs for Las Bambas are now expected to fall within the range of US\$1.65 – US\$1.75/lb. This reduction in costs is attributed to production being at the higher end of the previous guidance range and higher by-product credits.

Moving on to **Kinsevere**, during the third quarter, copper cathode production decreased by 16% compared to the same period in 2022, resulting in a quarterly production of around 12,000 tonnes. This decline was primarily attributed to lower throughput

as a result of unstable power supply from the national grid. Power supply stability is increasing, and copper production increased by 8% on the second quarter of this year.

Our expectation on full year copper production has been adjusted to a range of 43,000 to 48,000 tonnes, which is towards the higher end of the previous guidance. We anticipate C1 costs to remain between US\$3.15–US\$3.35/lb.

I am pleased to report that the construction progress of our **Kinsevere Expansion Project** remains on track. During the third quarter, we completed the mechanical construction of the cobalt plant. The commissioning of the cobalt plant began in September and will continue in the fourth quarter.

Additionally, the pre-stripping of Sokoroshe II is on track with the establishment of all mining infrastructure, and the construction a 30km haul road connecting the satellite site to the Kinsevere plant. The initial phase of Sokoroshe II contains oxide ore and is expected to contribute to reducing reliance on third-party ore.

Looking ahead, our primary focus will be on the construction of the sulphide plant, which includes the concentrator, roaster, gas cleaning, and acid plant facilities. We expect the first copper cathode from sulphides to be produced in 2024 with full ramp-up completed in 2025. The Kinsevere expansion project is projected to extend the mine life to 2035 and increase annual production up to 100,000 tonnes of copper equivalent production once we reach full ramp-up in 2025.

I will now move on to our **Australian operations**, Dugald River and Rosebery.

At **Dugald River**, we produced approximately 47,000 tonnes of zinc in the third quarter, which is 4% lower compared to the same quarter last year but 30% higher than the previous quarter. Additionally, Dugald River achieved a 1% increase in lead production compared to the prior corresponding period and a 51% increase compared to the previous quarter.

The mine has achieved full production rates following the ramp up in the second quarter. The processing plant's performance remained strong, achieving a zinc recovery rate of 90.6% and a record-high lead recovery rate of 69.3%, driven by continuous operational improvement activities.

Supported by the strong and stable operations during the third quarter, Dugald River now expects a production range of 140,000 to 150,000 tonnes of zinc in zinc concentrate, which is towards the higher end of the previous guidance. The C1 cost in 2023 is expected to remain in the range of US\$1.05 – US\$1.20/lb.

At **Rosebery**, we produced around 12,000 tonnes of zinc in zinc concentrate and 5,000 tonnes of lead in lead concentrate during the third quarter of 2023. This represented a 2% and 15% increase in zinc and lead production respectively compared to the prior corresponding period, primarily due to higher milled ore grades resulting from the mining sequence, partly offset by lower mill throughput.

Rosebery is now expected to produce between 48,000 and 53,000 tonnes of zinc in zinc concentrate in 2023. This is below the prior guidance due to lost production time in the first quarter related to the bushfire incident, slower stope turnover reflecting challenges with mining at depth, and lower-than-expected milled ore grades due to mining sequence.

C1 cost at Rosebery is expected to be at the lower end of prior guidance of US\$0.35 – US\$0.50/lb, primarily due to higher by-product grades and strong precious metal prices.

I am now happy to take your questions.

FOLLOWING QUESTIONS

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 using a speakerphone, please pick up the handset to ask your question. Your first question comes from Jimmy FENG from Citi. Please, go ahead.

Jimmy FENG: (Citi, Analyst) Hi. Thanks, Mr LI Liangang for sharing. I have a few questions regarding Las Bambas. I would like to have a quick chat to inquire about the cost guidance. I noticed that the cost guidance has been revised down, but it still suggests higher costs in the second half compared to the first half, despite a higher run rate. Therefore, I would like to know the main reason for the higher costs in the second half of the year and what we should be expected for Las Bambas in the upcoming year. This is my first question.

Moving on to my second question, I would like to inquire about the Huancuire negotiation and the Chalcobamba project. If the development can commence by the end of this year, let's say in November or December, when can we expect Chalcobamba to contribute some copper volume? Thank you.

Ross CARROLL: Jimmy, it's Ross. I'll address your first question regarding the Las Bambas cost guidance. It is indeed true that the cost guidance is somewhat conservative, and one of the reasons for this is the uncertainty surrounding potential roadblocks and social issues. Currently, with the state of emergency being extended into December, we anticipate a smooth operation for this quarter.

However, we still maintain a level of conservatism. Additionally, during this period of smoother operations, we allocate more funds towards community development programs, in addition to ongoing operating costs. If everything goes well this quarter, we expect to finish within the lower range of the cost guidance. I hope this answers your question.

Jimmy FENG: (Citi, Analyst) Yes, that's clear. Okay, that's good to hear that.

Ross CARROLL: Regarding Huancuire, our plan is to initiate discussions and aim to have access by the beginning of next year. However, it is unfortunate that this would coincide with the rainy season, which means it would take approximately three to four months to complete the necessary development work, including road construction and other related tasks. Therefore, we anticipate obtaining mining access around April of next year, with the first ore expected to be extracted sometime in July or August. This plan aligns with the message we shared during our last update.

Jimmy FENG: (Citi, Analyst) Okay, got it. So just to confirm, production will commence around July or August next year, correct?

Ross CARROLL: Yes, that's correct. We will begin with pre-stripping, which involves removing the waste between April and July. That's the plan, but it's important to note that it is subject to us reaching an agreement with the community.

Jimmy FENG: (Citi, Analyst): Yes. That's very clear. Thanks for the sharing. I have no further questions.

Ross CARROLL: Thanks, Jimmy.

Operator: Thank you. Once again, if you wish to ask a question, please press star one on your telephone. Your next question comes from Chris SHIU from Balyasny Asset Management. Please, go ahead.

Chris SHIU: (Balyasny Asset Management, Analyst) Hi. Thank you very much, management team, and congratulations on the upward revision for the guidance. My question is regarding the extension of the state of emergency until December 12th. Do you expect it to be further extended? Has the state of emergency been the main reason for the relatively peaceful and stable conditions at Las Bambas?

Troy HEY: Thank you, Chris. There's no doubt that the state of emergency has been instrumental in maintaining peace and stability throughout this year. We have made significant progress and are almost back to normal stock levels at the site, which is fantastic. Additionally, we have continued our dialogue processes with the communities along the haul road, working hard to ensure successful operations even without the state of emergency.

The government has been supportive and has extended the state of emergency to allow for ongoing conversations and the establishment of enduring agreements with the communities. This extension enables us to operate smoothly during an extended period. However, I cannot comment on the government's intentions beyond December as it is up to them to decide.

Our focus is on working with the communities along the haul road and around the mine to establish agreements that make road blockades less appealing. We aim to build positive relationships with the communities so that they have no great interest in blocking the road. We have seen progress along the haul road this year, and I would like to mention that negotiations with the Huancuire community are currently underway. These negotiations are intense, and we are meeting regularly to work towards an agreement. While we haven't reached that point yet, we have a clear plan and are hopeful that the community will work with us.

Chris SHIU: (Balyasny Asset Management, Analyst) Got it. Thank you very much. One other question just regarding the DRC and the upcoming election: Do you see any differences for the various candidates to operate in the DRC?

Nang WANG: Yes, Chris, at this stage, our operation remains normal. We don't see any issues.

Chris SHIU: (Balyasny Asset Management) Got it. So you don't expect the election outcome to have any major impact on your operation, one way or the other?

Nan WANG: No, we don't anticipate any potential issues impacting our operations.

Chris SHIU: (Balyasny Asset Management, Analyst) Got it.

Troy HEY: Chris, we have experienced a couple of elections in the Congo before, and we have never had any site-based impacts. This upcoming election, compared to previous ones in the DRC, doesn't appear to be as controversial. So we are in a good place, I think.

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

Operator: Thank you. Once again, if you wish to ask a question, please press star one on your telephone. We'll now pause a moment to allow for any final questions. The next question comes from Lawrence LAU from BOCI. Please, go ahead.

Lawrence LAU: (BOCI, Analyst) Hi. Thank you for taking my questions. I have two questions. First of all, regarding Rosebery, it seems like you are revising down the guidance in terms of output. I just wonder how long this mine can continue producing metals at a similar output as in 2003. Are you expecting a gradually declining output for the next few years? That's the first question.

Second question is that the development of Chalcobamba seems to be delayed a bit. Can you offer an update regarding the capital expenditure (capex) for this year? Is there any revision to that because of the delay? Thank you.

Nan WANG: Yes, Lawrence, I'll answer the first question regarding Rosebery production. Currently, a majority of the zinc ore source comes from the lower part of the ore body, which is about 1.8 kilometers below the surface. At that depth, we are experiencing some production challenges in terms of ground pressures, ground support, and long haulage. However, our team is working on other ore sources at the middle and upper levels of the mine. We believe there are potential extensions from the previous working areas, and that program is in progress.

Rosebery has always benefited from precious metal by-product credits, and we expect those credits to continue supporting Rosebery going forward. Looking at the history of 80-odd years from Rosebery, we firmly believe that with the current work in hand, we will continue to extend the mine's life. While there may be a short-term impact on zinc production due to mining at depth, overall, with strong by-product credits, we still see Rosebery sustaining its current operation and extending its life in the near future. Thank you.

Ross CARROLL: If I could add to that, Lawrence, Nan has mentioned the by-product credit. Rosebery still has a competitive C1 cost, which then flows through to the C3 costs. So even though zinc production has dropped, the operation is still profitable. While we would like it to be more profitable, there is no doubt about the operation's viability.

Regarding your other question about the Chalcobamba development, the capex for Chalcobamba is not overly capital intensive. It mainly involves building access roads and some minor infrastructure for the pit, with the ore being transported back to Ferrobamba for processing. If Chalcobamba doesn't ramp up significantly this year, the capex will be on the lower side of guidance. However, the delay primarily impacts revenue and profitability, not the capex itself.

Lawrence LAU: (BOCI, Analyst) Okay, thank you very much.

Operator: Thank you. Your next question comes from Eun Young LEE from DBS. Please, go ahead.

Eun Young LEE: (DBS Bank, Analyst) Hi. Thank you for giving me the opportunity to ask questions. Congratulations on your good production results. I have a few questions.

Firstly, regarding Las Bambas, what is your expectation for the production in Las Bambas, including Chalcobamba, in 2024?

Secondly, what do you expect the C1 cost of Chalcobamba to be when the mine is fully ramped up?

Thirdly, I'm curious about which part of the production cost is most affected by inflation. Additionally, what is the contribution of labor cost to your total production cost?

Lastly, I would like to know the company's outlook on capex going forward.

Ross CARROLL: Thank you for the questions. Firstly, in regard to 2024, we are currently working on our budget. This year, we expect to produce around 300,000 tonnes, and with the inclusion of Chalcobamba at full capacity, we anticipate reaching around 375,000 to 400,000 tonnes. However, as I mentioned earlier, we will not be receiving ore from Chalcobamba until August, so we do not expect a full contribution from Chalcobamba next year. Therefore, you can expect the production volume to be more in the range of 320,000 to 300,000 tonnes. Please note that this is not a specific or approved number yet, but just initial guidance.

Regarding the C1 costs for next year, we have not provided an estimate publicly yet. We will announce the C1 costs for next year when we release the production report in January, after compiling our budgets for next year.

In terms of inflationary aspects impacting our costs, the major impact we are currently seeing is in fuel costs, which are very volatile. While we experienced a reduction in costs during the middle part of the year, the recent political situation in the Middle East has led to an increase in fuel prices, which has a significant impact on us. We are also experiencing ongoing wage inflation. These are the two major cost factors. However, prior to the events in the Middle East, we were seeing our costs start to flatten out a bit.

As for the contribution of labor cost to our total production cost, I couldn't quite pick up the secondary question. Could you please clarify?

Eun Young LEE: (DBS, Analyst) Thank you so much. So what is the contribution of labour costs to total production costs?

Ross CARROLL: Labor costs typically account for approximately 20% of our cash operating costs, although this can vary by country. In Peru, for example, labor costs make up roughly 20% of our cash operating costs.

Eun Young LEE: (DBS, Analyst) Okay. Thank you for answering my questions, thanks.

Ross CARROLL: You're welcome. I believe your last question was about capex. Generally, the sustaining capex at Las Bambas ranges between \$400 million and \$500 million per year. If we undertake major projects, growth initiatives, or develop new deposits, that would be in addition to the mentioned amount. We will provide more clarity on this when we give our guidance at the beginning of the year.

Eun Young LEE: (DBS, Analyst) Okay, thank you. Bye.

Operator: Thank you. There are no further questions at this time. I'll now hand back to Mr Li for closing remarks.

LI LIANGANG: Yes. Thank you very much, everyone, for your time. If you have any further questions, please feel free to follow up with our Investor Relations and also Corporate Affairs teams. I think that we can close the meeting today. Thank you.

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

[END OF TRANSCRIPT]