

TRANSCRIPTION

Company: MMG Limited
Title: MMG 2024 Third Quarter Production teleconference
Date: 25 October 2024
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WELCOME (ANDREA ATELL)

Andrea ATELL:

- Thank you for joining us for 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 2024 and the outlook for the remainder of the year.
 - Joining us for this call are: Mr Liang Cao, our CEO and Mr Song Qian, Chief Financial Officer, along with other members of the Executive Team.
 - I will now hand over to Cao Liang, who will take us through the highlights of the report. Following his overview, we will open the call for questions.
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QUARTERLY REPORT OVERVIEW (CAO LIANG, MMG CEO)

- Thank you, Andrea.
- Good morning and good afternoon, everyone - welcome to MMG's Third Quarter Production Report teleconference. It is an exciting time for our Company, and I am very pleased to be with you today sharing such a strong result. As you know, our Production Report was released yesterday. For the purposes of this presentation, I will take it as read and provide a high-level summary of our results and key highlights. My colleagues and I will be happy to take any questions you may have at the end.
- **At MMG, safety is our first value.** It is pleasing that our overall safety performance for quarter three is showing improvement for both indicators. We are tracking well against our goal of achieving significant and ongoing improvement, although I would like to acknowledge there is still a way to go. As a team, we will remain vigilant and continue to progress our improvement plans across all our sites and champion safety leadership.
- Now turning to the production results, MMG achieved significant growth in copper production for the third quarter with **22% growth compared to the same period last year and 26% growth compared to the previous quarter.** This is driven by a **strong performance at Las Bambas, Kinsevere and Khoemacau.** Notably, Las Bambas had an impressive result, producing over 90,000 tonnes of copper in copper concentrate - its strongest quarter since 2021. The site will continue to ramp up production in the fourth quarter and during that time, is **expected to reach annualised copper production of over 400,000 tonnes.** This would see Las Bambas re-enter the top ten copper mines in the world. A milestone we will work hard to achieve.

- At Khoemacau we had **double digit growth quarter on quarter**, an increase driven by improved mining and milling volumes and higher ore grades. Production will continue to ramp up allowing us to maximise our return from MMG's newest asset.
- Thanks to increased ore supply from the Sokoroshe II pit and enhanced power supply stability, **Kinsevere also performed well**.
- On our 2024 production guidance, off the back of uninterrupted production and operation at the Chalcobamba pit, we are confident in reaching 320,000 tonnes of production this year at Las Bambas. We also anticipate achieving our targets for our other two mines.
- Moving on to zinc. Production was impacted by maintenance at both sites, however, **volumes are set to recover**. While Dugald River and Rosebery had decreased zinc production for quarter three, volumes did recover in September, and are expected to stabilise in the coming months. I'd like to call out that Dugald River's zinc metal production for September was its second highest since January 2022 – an impressive result. With strong ore feed grades and zinc recoveries helping with the higher metal production. Our guidance for Dugald River production has been lowered however Rosebery remains on track.
- Across all sites, C1 cost guidance is unchanged and it's worth highlighting that **Las Bambas and Rosebery are each expected to come in at the lower end of their respective range**.
- In recent years, we have been focussed on growth across all operations through expansion and mine life extension and our recent development projects have helped deliver this. I would now like to highlight some significant project wins.
- First, we are pleased to share that **copper cathode from sulphide ores was produced in late September as part of our Kinsevere Expansion Project**. The completion of this project will - over the coming year – see the team focus on ramping up to reach nameplate capacity. This will extend the mine's life to 2035.
- **Our expansion plans to increase capacity to 130,000 tonnes annually at Khoemacau are proceeding well**. The preliminary feasibility study (PFS) is now complete. The project is expected to move into feasibility by the end of this year, with construction expected to begin in 2026 and be completed by 2028. This will help reduce C1 costs.
- MMG is collaborating with the Huancuire community companies on the Chalcobamba pit development, which is in early operation. Constructive dialogue with Las Bambas, the Huancuire community, and the Peruvian government continues. Discussions are focussed on implementing agreements including local business and employment opportunities, while seeking to finalise development priorities and strengthen relationships.
- And finally, off the back of the successful completion of MMG's rights issue, the proceeds were – this quarter - used for debt facility repayment. **The repayment provides the Company greater flexibility with working capital and the funding of corporate costs, as well as ongoing development of MMG's mines, including essential infrastructure and equipment**.
- In closing, we are committed to growing a strong business across three continents, four countries and three commodities. Importantly, our portfolio is leveraged to minerals critical for a low carbon future. And I am proud of our reputation and commitment to international sustainable leadership standards. Moving forward, we will continue to focus on generating more value from our operations and maximising the growth potential of our assets. On behalf of MMG's Executive

Committee, many thanks to our team for their hard work and dedication. I am excited about the future and what is to come.

- This concludes the results part of our call. We are now happy to take your questions and will hand back to the moderator.
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<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 then two. If you are using a speakerphone, please pick up the handset to ask your question. The first question today comes from Jimmy Feng from Citi. Please go ahead.

Jimmy FENG: (Citi, Analyst) Hi, thanks management for the presentation. I have several questions. The first question is for Las Bambas mine. I am very happy to see the full-year C1 costs to be towards the lower end of the guidance. As the first quarter C1 cost was high at US\$1.8/lb, if my calculations are right, the second half C1 cost would be lower than US\$1.5/lb. In this case, what is the C1 cost expectation in 2025 for Las Bambas mine? This is my first question. Thanks.

ZHAO Jing (Ivo) (MMG, Executive General Manager – Americas): Yes, this is Ivo from Las Bambas. As you mentioned, Las Bambas C1 cost for 2024, is expected to be around US\$1.55/lb, despite the actual C1 cost for the first half of the year was US\$1.81/lb. That is due to more than 50% of the ore being supplied from Chalcobamba now, resulting in a significant improvement.

Because of the higher production rates, improved conceptual efficiency and increased by-product credits, we've seen strong performance. Next year, we aim to maintain high production level, and maximize the efficiency of current operations.

We are targeting an annual production of between 350,000 tonnes to 400,000 tonnes, with Chalcobamba contributing around 40% to 50%. As for the C1 cost, I don't have an exact number, but I believe it will be much better than the first half of year of 2024. This is what we are striving to achieve.

Jimmy FENG: (Citi, Analyst) Got it thanks.

QIAN Song (MMG, Chief Financial Officer) Hi Jimmy, this is Song. As we disclosed, the full year guidance for Las Bambas C1 cost is between US\$1.55 and US\$1.75/lb. As Ivo said, with the higher production rate, we expect our costs to reach the lower end of this guidance. Thank you.

Jimmy FENG: (Citi, Analyst) Based on your previous answer, you mentioned next year's production for Las Bambas is estimated at 350,000 to 400,000. Since the annualised production rate for the fourth quarter has already reached 400,000, can we expect that next year's production, assuming no transportation disruptions, will likely meet the higher end of this guidance at 400,000?

ZHAO Jing (Ivo) (MMG, Executive General Manager – Americas): We've mentioned our production for the second half of 2024 to be higher. Typically, another factor impacting production in the first half is the rainy season in the first quarter.

With the startup of Chalcobamba, production has increased, and we are striving to achieve our goal of 320,000 tonnes this year. For next year, Chalcobamba is expected to contribute more than half of the production, with an estimated range of 350,000 to 400,000 tonnes.

Similar to this year, we anticipate that the rainy season in the first quarter will impact output, with higher production levels expected in the second half in 2025. We are quite confident in our efforts to achieve the higher production. Thank you.

Jimmy FENG: (Citi, Analyst) Thanks, very clear. My second question is for the Khoemacau project. As it is ramping up to 60,000 per annual output in 2026, what level do you expect the C1 costs to decrease to? Thanks.

Nan WANG (MMG, Executive General Manager – Operations): Yes, Jimmy, once we ramp up to 60,000 tonnes, we expect our C1 costs to range between approximately US\$1.50/lb and US\$1.70/lb. Currently, we're developing our plans and working budget for next year and beyond. By early next year, we anticipate having greater clarity on the ramp-up profile, at which point we can provide further updates to the market.

Jimmy FENG: (Citi, Analyst) Sure, thanks. That's also a very good improvement in the Khoemacau costs. I have no further questions and thanks for the sharing.

Nan WANG (MMG, Executive General Manager – Operations): Thanks Jimmy.

Operator: Thank you. The next question comes from Lawrence Lau from BOCI. Please go ahead.

Lawrence LAU: (BOCI, Analyst) Hi, first of all, congratulations on the strong performance at Las Bambas in the third quarter. I have two questions. Regarding Las Bambas, we noticed that the sales volume of copper has been below your output for two consecutive quarters already. Could you clarify if this reflects any issues or challenges in products selling, or if it's simply a temporary situation?

Secondly, for Kinsevere, despite the strong performance in the third quarter, it appears you are not guiding toward the higher end of full year production guidance. Are you expecting a quarter-on-quarter decline in output for the fourth quarter. Thank you.

Sandra GUAN (MMG, Interim Executive General Manager - Commercial and Development): This is Sandra. I can provide some information regarding sales. While we didn't experience any significant issues with logistics, there were temporary disruptions on the road for a few days, as well as at the port, which affected our ability to load the concentrate. I can confirm that we didn't experience any material disruptions in logistics.

Nan WANG (MMG, Executive General Manager – Operations): Okay, Lawrence, this is Nan here. Regarding your question on Kinsevere, we are seeing steady production performance in the third quarter and into October. As we transition from oxide to sulphide feed, we have completed the mechanical work on the sulphide plant and the roaster, and we are now beginning the ramp-up process.

We are adopting a cautious approach during ramp-up, recognising that commissioning any processing facility involves inherent variability. Additionally, as we progress toward the year-end, our offsite grade is expected to trend lower than current level.

With the introduction of the sulphide component, we remain committed to reaching the higher end of the production guidance for this year. Our range reflects expected fluctuations during ramp-up, consistent with our operational plan. Thanks.

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

Nan WANG (MMG, Executive General Manager – Operations): Thank you.

Operator: Thank you. Once again to ask a question, please press star one on your phone. The next question comes from Chris Shiu from Balyasny Asset Management. Please go ahead.

Chris SHIU: (Balyasny Asset Management, Analyst) Thank you very much, management team and congratulations on the great operating performance. I have two questions regarding Las Bambas. First, about the grade, I observed a significant improvement on a quarter-to-quarter basis. I'm wondering to the sustainability of this enhancement. Additionally, do you anticipate any potential upside to this trend moving forward?

Nan WANG (MMG, Executive General Manager – Operations): Yes Chris, this is Nan here. I can address the question regarding grade. We aim to maintain a reasonable feed grade level between Ferrobamba pit and Chalcobamba pit. While we don't want to operate solely at a high grade, we are confident that the grade will be sustainable. Our approach will ensure a well-balanced contribution from both pits, maximising value to our operation and establishing a strong production profile for Las Bambas moving forward. Thank you.

Chris SHIU: (Balyasny Asset Management, Analyst) Got it. Thank you very much. The second question is about Sulfobamba. Now Chalcobamba has started contributing, what are your thoughts on Sulfobamba? Are there any plans for that pit?

ZHAO Jing (Ivo) (MMG, Executive General Manager – Americas): Yes, this is Ivo. Currently, we are actively engaged in various social programs with Chalcobamba and the surrounding communities, including Pamputa. We are working to maintain an ongoing dialogue and establish connections with these communities in the coming months. It is important to note that the development of the third pit remains part of the Las Bambas development schedule, and we are committed to continuing our community engagement efforts.

Chris SHIU: (Balyasny Asset Management, Analyst) Thank you. Understood. So, there is no definitive timeline yet for Sulfobamba, is that correct?

ZHAO Jing (Ivo) (MMG, Executive General Manager – Americas): Yes, based on our current timeline and evaluation, it remains appropriate to adopt a cautiously optimistic outlook. However, we are actively working to adhere to our timeline and improve negotiations with the communities, with government participation as well.

Chris SHIU: (Balyasny Asset Management, Analyst) Thank you.

Operator: The next question comes from Yujie Wang from Polymer. Please go ahead.

Yujie WANG: (Polymer Capital, Analyst) Hello. Thank you management, for the introduction and congratulations on the strong results. I have two questions. The first one is regarding the Las Bambas facility agreement. I noticed you have made some progress in this area, particularly regarding the potential savings on interest expenses.

The second question is about Kinsevere. I would like to know whether the mine is still sourcing external raw materials or if it is solely relying on self-produced raw materials. Thank you.

QIAN Song (MMG, CFO): Yes, thanks Yujie. This is Song. We have restructured the project facility of 1.8 billion in July and August. In July, we repaid 800 million using a combination of cash and revolving credit facility (RCF). Further, in August, we paid an additional \$1 billion through the newly established bank facility of \$1 billion.

We successfully reduced the interest rate, as the previous project facility was subject to high interest rates. With this restructuring, we have reduced our financing cost by at least 1.5%, which could translate to annualised interest savings of \$30 million to \$40 million in 2025.

Nan WANG (MMG, Executive General Manager – Operations): Hi Yujie. This is Nan here. I would like to address your question about Kinsevere and the external ore source. As we continue to ramp up the sulphide plant and increase our use of sulphide ore, our reliance on third party oxide ore will diminish. While we're not heavily relying on the third party ore, we will definitely consider it if a viable opportunity arises with high-quality third-party ore available at the right price.

Yujie WANG: (Polymer Capital, Analyst) Sure. I have two quick follow-ups. Firstly, just to clarify the numbers mentioned earlier regarding the expected saving on interest expenses for next year, is around US\$30 million to US\$40 million?

QIAN Song (MMG, CFO): Yes, if your calculation is based on a facility of 1.5 billion at a 1.5 interest rate, it would be roughly translated to savings of US\$30 million to US\$40 million.

QIAN Song (MMG, CFO): A further cut in the federal interest rate will significantly benefit us.

Yujie WANG: (Polymer Capital, Analyst) Got it. My second follow-up is about Kinsevere. Could you please provide any information on the production of self-produced copper cathode for next year? What is the volume guidance for 2025?

Nan WANG (MMG, Executive General Manager – Operations): We're currently working through the ramp up profile and the budget process for 2025. We will be in a better position to provide updates in early next year, specifically during our Q4 announcement in January. Thank you.

Yujie WANG: (Polymer Capital, Analyst) I look forward to the updated guidance. Thanks, management. I have no further question.

CAO Liang (MMG, CEO): Thank you. We are still in budgeting cycle, and we will be ready to provide that information later than sooner. Thank you.

Operator: Thank you. One more time, to register a question, please press star one on your phone. We'll pause for a moment to allow any last parties to enter the queue. At this time we're showing no further questions. I'll hand the conference back to Andrea for closing remarks.

Andrea ATELL: Thank you for joining us. If you have any additional questions, please reach out to our investor relations or corporate affairs teams. Thank you for your time. Bye for now.

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