

## TRANSCRIPTION

**Company:** MMG Limited  
**Title:** Acquisition of Nickel Brazil Investor Presentation  
**Date:** 19 February 2025  
**Time:** 9:00 AM HKT

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### WELCOME (ANDREA ATELL)

Andrea ATELL:

- Thank you for joining us. Today we'll be discussing our agreed acquisition of Anglo American's Brazilian nickel business.
- Joining us are: Mr. Liang Cao, our CEO and, Sandra Guan, Interim EGM - Commercial & Development, along with Brent Walsh, GM Strategy Development and Projects.
- I will now hand over to Cao Liang. At the conclusion of the presentation, we will open the call for questions. Thank you.

### PROJECT INTRODUCTION (CAO LIANG, SANDRA GUAN, BRENT WALSH)

Cao Liang:

- Thank you, Andrea. Good morning and good afternoon. As you know, our announcement of our MMG-agreed acquisition was released yesterday. We will take it as read, and I'll only cover the transactions, the key highlights. The team and I will be happy to answer any questions at the end of the presentation. Sandra and Brent will cover the agreement in more details. However, I would like to provide some opening comments.
- Our acquisition of Anglo American's nickel business, or Nickel Brazil, is exciting news for MMG and is a great example of our growth strategy in action. It provides important diversification for our business and strengthens our presence in Latin America. Nickel Brazil is a leading ferronickel business that is well-managed and operated by a highly talented and long-standing management team, with lots of growth potential and demonstrated excellence in sustainability performance. A positive legacy we look forward to continuing.
- MMG and Anglo American have a long track record of close collaboration and shared values, as demonstrated by our commitment to ICMM principles. In terms of 'why this asset', nickel has been under consideration by our team going back a number of years. In fact, our geology and M&A teams first identified this asset in 2009 as a high-quality target.
- While nickel prices are currently low, consensus expectations are for them to rise by around twenty-five (25) per cent over the next three to five years. Positively, this business generates robust cash flows and earnings even at low points in the cycle and so can withstand the current market better than its competitors. This, combined with the medium- and longer-term growth

potential driven by energy transition and the essential role for nickel in batteries, paints an extremely bullish picture for the future.

- And of course, the timing of this transaction means we are capitalising on a counter-cyclical investment opportunity in a tier 1 mining jurisdiction. All up – we believe Nickel Brazil presents considerable upside, and we look forward to working with Anglo American on completing this acquisition in a timely manner. I will now pass to Sandra. Thank you.

**Sandra Guan:**

- Thank you, Cao Liang. Good morning and good afternoon everyone. MMG has entered into a binding agreement to acquire Nickel Brazil for a total cash consideration of up to US\$500M. The agreement structure is detailed on screen. It is worth highlighting that we have in place a phased contingent payment structure that comprises an upfront cash consideration of US\$350 million and up to US\$150 million in contingent consideration.
- MMG will fund the acquisition via existing liquidity sources and there is no funding condition associated with this transaction. We continue to work to deliver our strategy and as Cao Liang stated, the agreed acquisition of Nickel Brazil demonstrates our positive progress. It also aligns with our vision to become a leading international player in the mining sector, providing materials essential for the transition to a low carbon future.
- As a team, we remain focused on maximising value and competitiveness of our existing assets, whilst also expanding or 'stepping out' into new regions and other future facing commodities. Here we have detailed key operating asset statistics. You can see that Nickel Brazil is a world class and stable operation producing ~40 kt per annum of nickel in ferronickel across two operating assets, Barro Alto and Codemin.
- Barro Alto is the flagship operation, producing approximately 32 kt per annum of nickel, with ore from Barro Alto also trucked to the Codemin plant, which produces approximately 8 kt per annum of Nickel. The operations have an expected mine life of 18 years on a combined basis.
- On screen now are the investment highlights and strategic rationale behind our agreed acquisition of Nickel Brazil. I will now hand it over to Brent, who will take you through each of these on the following slides.

**Brent Walsh:**

- Thank you, Sandra. That's slide 9. Firstly, Nickel Brazil allows MMG to strengthen our presence in South America, an existing regional jurisdiction, whilst diversifying into a new commodity. We anticipate being able to leverage MMG's internal capabilities and experience, gained from our flagship asset in South America, Las Bambas, to optimise operations at Nickel Brazil and realise potential operational synergies.
- As mentioned by Cao Liang, the acquisition of Nickel Brazil represents a genuine counter-cyclical acquisition, with the assets having generated average annual EBITDA of around US\$250 million over the past five years. As such, the implied acquisition multiple is very attractive on a trailing basis, while considering the positive medium and longer-term nickel market outlook.
- On to slide 10. Secondly, Brazil is widely recognised as a world-class mining jurisdiction, rich in resources - from nickel to copper to lithium and other minerals, with Nickel Brazil providing the platform to pursue future organic and inorganic growth opportunities. Mining is a key industry for

Brazil, given the approximate five per cent contribution to Brazil's GDP, with the industry benefiting from a well-established and streamlined mining regulatory framework and attractive tax incentives as well.

- Slide 11. MMG is pleased to not only be acquiring one of the largest ferronickel producers in the world, but one that has impressive ESG credentials as well. On screen are a number of examples. Given the significance MMG places on safety – it's our number one priority – it was reassuring to see Nickel Brazil's commitment in this critical area. It's also worth highlighting the operation's strong environmental and social performance, with a community office at Barro Alto to actively engage with local communities.
- In terms of energy supply, Nickel Brazil has a combination of self-generation, long-term contracts, and other energy sourced from the grid, ensuring a stable supply of 100 per cent renewable energy for its electricity needs. It is also notable that Barro Alto is the first nickel producing mine globally to achieve the Initiative for Responsible Mining Assurance (IRMA) 75 standard in 2024. Finally, the operations have a minimal environmental footprint given there are no tailings dams or slurry pipelines on site.
- Slide 12. Moving onto operating and financial performance, you can see that Nickel Brazil has a history of stable production of approximately 40kt per annum of nickel. Indeed, the team that went to site was highly impressed by how well managed the operations were, which is not a surprise given the average tenure of the management team is fifteen years. We look forward to welcoming these professionals to the MMG family.
- As a result, Nickel Brazil consistently produce a high-quality ferronickel product that has typically received better pricing in the market than other ferronickel competitors and looking ahead, MMG expects the operations to continue delivering strong and stable operational performance whilst focusing on being a cost-competitive nickel producer.
- Slide 13. As mentioned previously, the fact Nickel Brazil currently has the lowest cash cost amongst global ferronickel producers and sits in the first quartile of the global Nickel cost curve was a key acquisition rationale for MMG. This cost curve positioning, ensures Nickel Brazil is well positioned in a weaker nickel price environment, like it is currently, whilst benefiting strongly from the expected future increase in the nickel price in the medium to longer term. The operations' combined remaining life of 18 years ensures MMG should have the opportunity to benefit from multiple nickel cycles over this period.
- Finally, as you can see on this slide, Nickel Brazil has one of the world's largest portfolios of nickel deposits with a resource endowment of approximately 5.2 million tonnes of contained nickel... which means as you can see on this slide, it provides MMG with significant growth optionality through the greenfield projects Jacare and MSB.
- Both projects have well-understood geology, high grade deposits and solid infrastructure options. Whilst Jacare and MSB will require a higher nickel price environment to get developed, the expansion potential presented by these projects could transform MMG into a leading global nickel producer, which aligns with our vision to become a leading global base-metals producer that is leveraged to a decarbonised future.
- For those unfamiliar with the nickel and ferronickel market dynamics, we wanted to provide a brief overview on these next two slides. Nickel has long been a critical component in industrial

applications, with stainless steel as its primary demand driver. Additional demand comes from products like cathodes for electric vehicle batteries and energy storage systems.

- In recent years, increased Indonesian supply has created a short- to medium-term surplus, adversely affecting nickel prices. However, as resource depletion accelerates and demand from stainless steel and electric vehicles continues to grow, the nickel market is expected to shift into deficit post 2030. A shift that MMG and Nickel Brazil will be well placed to capitalise on.
- In terms of Ferronickel, it competes directly with Nickel Pig Iron - or NPI - to supply the stainless-steel industry. There are a number of advantages that Ferronickel has over NPI. Briefly, these include a higher nickel content, a lower carbon footprint and also lower impurities. The rapid increase in NPI supply has significantly widened the price discount at which ferronickel trades to the LME nickel price.
- However, Nickel Brazil has maintained a stronger pricing position, achieving lower discounts compared to other South American ferronickel producers. We believe Nickel Brazil's production of a low-carbon content via an environmentally sustainable production process will be desired by international stainless steel producers seeking sources of nickel supply outside of Indonesia. This concludes our presentation. My colleagues and I are now happy to take your questions. I will hand back to the moderator. Thank you.

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## <QUESTIONS AND ANSWERS>

**Operator:** Thank you. If you would like to ask a question, please press star one on your telephone and wait for your name to be announced. If you would like to cancel your request, please press star two. If you are on a speakerphone, please pick up the handset to ask your question. Your first question today comes from [Jimmy Fang] from Citi. Please go ahead.

**Jimmy FENG (Citi, Analyst):** Hi, thanks for the presentation and sharing. I'm happy to see this acquisition. My first question is about the valuation. I noticed that, based on calculations, the average EBITDA is around US\$110 million for this operation project. I would like to know what the average nickel price assumption is for this valuation over the next 18 years. What is the average level?

**Brent Walsh:** Certainly. I'll just make a couple of comments. The average EBITDA forecast in our valuation announcement is a requirement from the Hong Kong Stock Exchange. It doesn't provide a particularly insightful picture to investors because earnings volatility is heavily influenced by nickel price forecasts, as you pointed out.

However, what I can share, without disclosing our specific nickel price assumptions, is that in the short term, our assumptions for this acquisition are below consensus. In the longer term, we expect a recovery in nickel prices towards the consensus level. We are genuinely optimistic about the long-term fundamentals of nickel, which is what attracted us to this opportunity. Rest assured, we haven't factored in an aggressive "hockey stick" recovery in the nickel price, and this is well considered in our forward forecasts.

**Jimmy FENG (Citi, Analyst):** Okay, got it. Another question is about the two greenfield mines in addition to the current operating project. In the previous presentation, you mentioned that we might need a higher price to develop these greenfield mines. I want to know at what price level it would be attractive to develop them, and if you have any plans for their development?

**Brent Walsh:** Yes, yes, certainly. That may be a premature comment because we haven't yet had the opportunity to study those projects in the detail we'd like. Our first priority will be to conduct an in-depth study. We believe they present a very attractive opportunity, given the size of the nickel endowment we've highlighted. Another unique advantage our group offers is the expertise of our parent company and related companies in nickel processing technology in Indonesia, through both HPAL technologies and other pyrometallurgical processing methods.

We are eager to study these projects and involve our experts from China to review and explore potential opportunities. We believe there's a lot of optionality, but we're not in a position to specify the nickel price at which they will be developed. However, we are confident that we can add significant value to these projects through our unique model.

**Jimmy FENG (Citi, Analyst):** Got it, thank you. My final question is at the strategic level. We know there are many nickel projects in Indonesia, and the MHP, the hydro method, has a cost advantage. What is the rationale for entering this industry in Brazil, and what do you see as the competitive advantage of this project compared to the nickel projects in Indonesia?

**Brent Walsh:** Okay, thanks. I'll address that again. There are a few points I'd like to highlight. First, having this ex-Indonesian supply is a significant advantage. We've demonstrated the pricing premium the product commands due to several value factors, such as a lower carbon footprint, an end-to-end supply chain, and lower impurities. This gives it a strategic advantage from a pricing perspective.

Secondly, regarding the nickel market in general, the influx of supply into Indonesia is no surprise. We've factored that into our analysis. However, one aspect that might be overlooked is that nickel, as a base metal, has the highest demand growth profile among all base metals, expected to grow by 6% annually between now and 2030.

There's a clear differentiation between Class 1 and Class 2 nickel supply. Class 2 nickel supply is actually tighter than the market might realize. Global ferronickel production has decreased from 375,000 tonnes per year in 2021 to around 110,000 tonnes per year now. There will always be strong demand from stainless steel producers in Europe and the US for a premium ferronickel product, which this asset provides.

Additionally, while there is an influx of supply, there are potential risks and volatility associated with it, such as Indonesian mining restrictions and potential export bans from the Philippines. We see enough risk and volatility on the supply side, but we also see ample protection to our margins from our cost position and premium product offerings. We've considered all these factors in assessing whether acquiring this ferronickel asset in Brazil is the right move for the business.

**Jimmy FENG (Citi, Analyst):** Okay, got it. Got it. Thanks for the answer, and that's very clear. I have no more questions. Thanks.

**Operator:** Thank you. Your next question comes from [Chris Hsu] from [Bell Asset Management]. Please go ahead.

**Chris Shiu (Balyasny Asset Management, Analyst):** Thank you very much for the presentation, and congratulations on the acquisition. My question is about capex. What additional recurring and growth capex should we expect due to this acquisition? Is there any incremental capex? Thank you.

**Brent Walsh:** Okay, thanks, Chris. Sustaining capital will likely hover around the \$20 million to \$30 million per annum range. We obviously need to take a closer look at this once we're more involved, but that's our current forecast. It can fluctuate from year to year, especially during high capital years when tasks like kiln relines are necessary in a capital-intensive pyrometallurgical process like this. However, an average of \$20 million to \$30 million is what you can expect.

There are no major growth capital projects attached to the assets at the moment, but we will be looking to optimize and drive efficiencies where possible. As I mentioned before, these are very well-maintained, well-run assets with a stable operational track record.

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

**Operator:** Thank you. Once again, if you would like to ask a question, please press star one on your telephone and wait for your name to be announced. Your next question comes from Lawrence Lau from BOCI. Please go ahead.

**Lawrence Lau (BOCI, Analyst):** Hi, thanks for taking my question. I have a few questions. First, I'd like to know if the consideration is partly attached to the two greenfield mines. Is there any time limit for the consideration related to the greenfield development, similar to the four-year time limit for the consideration related to product prices? I'm curious if there's a time limit for the two greenfield projects.

My second question is about the historical financials of the target asset. I noticed that the target asset actually incurred a significant loss in 2023. I'm curious about what happened, because according to the relevant information from Anglo American, the EBIT of the nickel operation was US\$52 million in 2023. I want to understand what occurred between EBITDA and profit before taxes. Thanks.

**Cao Liang:** Thank you, Lawrence. To quickly answer your questions:

For the two greenfield projects, the payment continues up to now. According to the design, there isn't a specific time limit like four or five years. It depends on when we decide to proceed with construction and make an investment decision.

Regarding 2023, there was a significant impairment, which, if I remember correctly, was around \$80 million to \$100 million. Excluding this impairment, the operation remains profitable. Brent, do you have anything to add?

**Brent Walsh:** No, that's correct. That impairment reflected the carrying value of those assets at the time for Anglo. We clearly haven't paid anywhere near \$800 million for those assets. It's a historical legacy issue rather than an ongoing issue for the assets.

**Lawrence Lau (BOCI, Analyst):** Okay. Thank you.

**Operator:** Thank you. Once again, if you would like to ask a question, please press star one on your telephone and wait for your name to be announced. As there are no further questions at this time, I'll now hand back to the MMG management team for any 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 team. Bye for now.

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