

**FOR IMMEDIATE RELEASE**

**Challenging Market for MSR Products Impacting Results**

**Hanoi, 30 July 2019** – Masan Resources Corporation (HNX-UpCOM: “MSR”, “Masan Resources” or the “Company”), one of Vietnam’s largest integrated industrial mineral and chemical producers, reports its results for the first half of the 2019 fiscal year (“1H2019”).

As reported in 1Q2019, the ongoing US-China trade tensions and its impacts on world economic growth forecasts are making for cautious buyers in the tungsten, copper and bismuth markets. Unfortunately, the trade issues have not been resolved and the expected improvement to market conditions have not eventuated. Two of Tungsten’s biggest markets, motor vehicles and the aero industries, are both down in volumes year on year. China and US automotive sales are down by 12% and 2% respectively as compared to the same time last year. In the aero industry the two biggest producers, Boeing and Airbus are down 74% and 18% respectively for orders on a year on year basis. Boeing’s reductions have been compounded by safety issues relating to the 737 Max aircraft. Market uncertainty in Tungsten was further impacted by concerns over the release of Fanya stocks in the China market and the uncertainty surrounding the prices at which Fanya stocks will be released. First sale of Fanya stocks occurred in April 2019 with 34 tons of Indium sold via auction to the market. The Fanya exchange contains approximately 29,000 tons of Tungsten products in various forms, equivalent to one quarter’s production in China.

MSR broke even for 1H2019 (profit of VND1.6b) on the back of lower pricing for Tungsten, Bismuth and Copper and a build-up of inventories due to soft market conditions. Fluorspar was the only bright spot from a pricing perspective. The expected improvement in demand for Tungsten products in Q2 did not eventuate as expected for the reasons noted above. As a result, management is taking a cautious approach for the remainder of 2019 and has significantly scaled back growth capital, undertaken a review of non-essential operational expenditure and is focused on reducing unit production costs to enhance margins and maximize EBITDA and cash flow for the remainder of 2019. Should market fundamentals improve MSR is well placed to respond quickly to any changing circumstance.

**1H2019 FINANCIAL HIGHLIGHTS: REDUCED PRICING AND INVENTORIES IMPACT UPON REVENUE AND PROFIT**

- **Net revenue down 17%** – MSR posted net revenue of VND2,690 billion in 1H2019, 17% decrease compared to VND3,239 billion recorded in 1H2018. Production volumes were up for Tungsten on higher third-party purchases, down for Copper due to lower head grades with Fluorspar broadly in line with 1H2018. Bismuth production was lower due to lower head grade and an extended maintenance shut which commenced in June. Revenues were also impacted by lower realized prices for Tungsten and a build-up in Tungsten stocks due to soft market conditions as well as a build-up in Copper stocks as the company seeks solutions for local processing and continues to investigate the financial viability of constructing its own Copper/Gold smelter. The Copper/Gold smelter is being progressed to a bankable feasibility stage. Partially offsetting this was an increase in Fluorspar revenues on the back of higher pricing and production. Bismuth revenue was also impacted by lower pricing.
- **EBITDA of VND1,309 billion** – Whilst revenue decreased by 17%, EBITDA decreased by 23% during the 1H2019. This was primarily due to limited sales of higher margin copper in the first half as compared to 2018. Per unit production costs also generally increased as a result of lower feed grades into the process plant which was partially offset by recovery improvements in Fluorspar, Bismuth and Copper.
- **Breakeven attributable net profit** – The Company delivered an attributable net profit of VND1.6 billion for 1H2019, 99% decrease over the same period last year, mainly on the back of lower net revenues and EBITDA as described above. As compared to 1H2018, EBITDA reduced by VND383 billion, while attributable net profit decreased by VND298 billion. The VND85 billion favorable difference is due to the full consolidation of MTC profits in 1H2019 as compared to last year, lower income taxes and partially offset by higher interest on increased working capital funding due to an increase in inventory.

VND Billion	1H2019	1H2018	Growth
<b>Masan Resources Consolidated Financial Results<sup>(1)</sup></b>			
Net Revenue	2,690	3,239	-17%
EBITDA <sup>(2)</sup>	1,309	1,691	-23%
Attributable Net Profit/(Loss) After Tax (VAS)	1.6	300	-99%

<sup>(1)</sup> Financial numbers are based on management figures.

<sup>(2)</sup> Earnings before interest, taxation, depreciation and amortization (EBITDA) excludes other income and other expenses.

## MARKET DEVELOPMENT: US-CHINA TRADE TENSIONS CONTINUE TO IMPACT MARKET

- As reported in 4Q2018 and 1Q2019, US-China trade tensions continue to influence demand and there has been further downward pricing pressure since 1Q2019 on all MSR products, except Fluorspar.

For Tungsten, supply-side structural shift continues to take place in China. As reported in 1Q2019 this is due to ongoing enforcement of stringent environmental regulations, rising production and environmental compliance costs and continuing regulatory inspections. These pressures continue to aid a process of tungsten industry consolidation within China, however this has not resulted in an improvement to pricing at this stage. It is understood that >70% of Chinese producers are losing money at the current APT price. In the ex-China markets, buyers remain cautious and are generally only seeking to match purchases to confirmed orders.

- Given the current market sentiment, management has revised its pricing downwards for APT for the second half of the year as compared to previous guidance. Management expects the benchmark price to strengthen slightly from current levels throughout the remainder of this year on the back of further supply consolidation and rationalization by producers to balance the market while global trade uncertainties prevail. The EBITDA margins and low-cost nature of the MSR operation give it flexibility over other Tungsten producers and MSR is well placed to weather the short-term weakness and take advantage of improvements to market fundamentals moving forward.
- Fluorspar prices remain robust. With continuing reduction in Chinese exports and ongoing robust downstream demand, prices are expected to remain strong in the short to medium term.
- The LME copper price was sitting at US\$5,972/ton as at 30 June 2019. Consensus forecasts among global investment banks have the copper price recovering to around US\$6,400/ton by year end. Government environmental restrictions on domestic copper processing are affecting our ability to sell concentrates domestically. MSR is currently examining alternative options to sell its copper and is confident of a resolution to realize value before the end of 2019.

AVERAGE COMMODITY PRICES	Unit	Average 1H2019	Average 1H2018	% change	At 30.6.19	At 31.3.18
APT European Low*	USD/mtu	265	328	-19%	250	349
Bismuth Low*	USD/lb	3.4	4.9	-30%	3.0	4.3
Copper*	USD/t	6,167	6,902	-11%	5,972	6,646
Fluorspar Acid Grade**	USD/t	503	488	3%	490	490

\* Metals Bulletin, \*\* Industrial Minerals

## OPERATIONAL HIGHLIGHTS

- Despite a 10% reduction in tungsten head grades, APT production increased by 4% over 1H2018 mainly due to an increase in third party purchased material of 558 tons. Third party purchases have been reduced in the second half to match the revised market forecasts.
- Performance of the fluorspar circuit for the 1H2019 was strong with a 11% improvement in recoveries over the same period last year, despite a reduction in head grade, resulting in an overall improvement to production of 1%.

- Copper production was 5% lower than 1H2018 on lower feed grades but partially offset by recovery improvements whilst Bismuth was 26% lower on the back of reduced head grades and an extended maintenance shutdown which commenced in June which was partially offset by an increase in recoveries.

<b>SUMMARY PRODUCTION DATE</b>	<b>Unit</b>	<b>1H2019</b>	<b>1H2018</b>	<b>Growth</b>
Ore processed	kt	<b>1,875</b>	1,911	-1.9%
APT / BTO / YTO / ST (contained)	t	<b>3,209</b>	3,086	4.0%
Copper in Copper Concentrate (Contained)	t	<b>4,002</b>	4,387	-8.8%
Acid Grade Fluorspar	t	<b>115,702</b>	114,879	0.7%
Bismuth in Bismuth Cement (Contained)	t	<b>917</b>	1,244	-26.3%

## **2019 FINANCIAL AND STRATEGIC OUTLOOK**

- As highlighted in the 1Q2019 results, management expected continued growth in both revenue and profit to shareholders from the solid base delivered in 2018. This was based on no further worsening of global economic performance and improvement in market sentiment in the second half of the year. Unfortunately, the ongoing US China trade tensions will ensure neither of these events will occur as has been evidenced in our 1H2019 result. Accordingly, management expects the second half result to be broadly in line with the first half from an attributable profit perspective in the absence of a general improvement in market conditions.
- In line with Company's five-year strategic plan, the Company continues to discuss various opportunities to further consolidate its upstream business and remains in discussions with selected partners to explore strategic partnerships in and outside Vietnam for further downstream integration. Management continues to see justification in downstream expansion where pricing and sales have shown far less volatility than in the intermediate and oxide markets where the company currently operates.

## ABOUT MASAN RESOURCES CORPORATION

Masan Resources a leading supplier of critical minerals including tungsten, fluorspar and bismuth. Masan Resources is currently operating the world class polymetallic mineral resource and chemical processing plant in Northern Vietnam. Masan Resource's vision is to show the world that a Vietnamese company can lead the transformation of the global tungsten market.

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