

**FOR IMMEDIATE RELEASE**

## **COVID19 WEIGHING HEAVILY ON SHORT TERM TUNGSTEN OUTLOOK**

**Hanoi, 29 April 2020** – 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 quarter of the 2020 fiscal year (“1Q2020”).

As reported in 12M2019, green shoots of recovery were showing with Tungsten pricing rising in the fourth quarter of 2019 to US\$234/mtu. The pricing improvement continued to increase slightly and held through the first quarter at US\$240/mtu for February and March deliveries despite the initial outbreak of COVID19 in China and associated shutdown of business activities post Chinese New Year in that country. As the COVID19 outbreak spread throughout the world, Tungsten markets have become increasingly impacted, most notably in EMEA and NAFTA regions relating to motor vehicle, aviation, and, oil and gas industries. Global tungsten demand for 2020 is now expected to contract between 10% and 20% as compared to 2019 assuming a V-shaped recovery in tungsten markets in the second half of the year. For other products, copper and bismuth prices have decreased by 4% and 5% respectively since 4Q2019, also on the back of COVID 19 impacts, whilst fluorspar pricing has remained steady. Management expects pricing for all its products except fluorspar to fall further during the second quarter with any recovery in pricing thereafter entirely dependent upon global responses and recovery efforts in relation to COVID19.

As reported in 3Q2019, MSR announced it had reached agreement to acquire H.C. Starck Group’s tungsten business (“**HCS**”), in line with the Company’s strategy to move further downstream and become a high-tech global advanced materials platform. German government approvals have been received and the Company, via its wholly-owned subsidiary Masan Tungsten LLC, has been granted with the Offshore Investment License by the Ministry of Planning and Investment on 20<sup>th</sup> April. This acquisition provides MSR with a global competitive edge, enabling it to generate stronger, more consistent cash flows across commodity price cycles and expand its addressable market 3.5x from US\$1.3 billion to US\$4.6 billion in the Tungsten market. In the current market, closure of the deal will provide MSR with additional flexibility in sales streams for its existing products and the ability to achieve improved margins as an integrated value add downstream processing business. Completion of the acquisition is currently expected in May 2020.

Net revenue declined 11% in the first quarter predominantly on the back of lower pricing resulting in a attributable net loss for 1Q2020 of VND191 billion (1Q2019 profit of VND 1.5 billion) but MSR expects earnings and cash generation uplift from 2Q2020 onwards due to realization of value from copper inventory and synergies from impending closure of the acquisition of H.C. Starck’s global tungsten business.

### **MARKET DEVELOPMENT: COVID19 WEIGHS HEAVILY ON SHORT TERM MARKET OUTLOOK**

- Q1 2020 began with robust demand for Tungsten products as supply chains rebalanced following a prolonged period of destocking by downstream customers in 2019. The increased demand coupled with a reduced volume of tungsten exports from China due to COVID 19, resulted in a small increase in Q1 average price from prior quarter. Unfortunately, with COVID 19 spreading rapidly across the world, government mandated lockdowns have resulted in a significant impact to volumes as various customers had production facilities closed. We expect continued pricing and volume pressures through Q2 as the market adjusts and downstream businesses contend with varying Government mandated temporary closures of countries. Price and volume recovery thereafter is dependent on the effectiveness of the global response to the COVID 19 pandemic and the rate at which business returns to steady state. Should the economic recovery be V-shaped as widely predicted we have confidence in a more bullish price environment for the second half and in particular the fourth quarter.

In the longer term we remain bullish on the Tungsten price. Whilst the tungsten market has historically grown in line with global GDP, there are indications of significant demand growth ahead in areas of emerging technology. The roll out of 5G mobile connectivity, and associated Internet of Things (IoT) is dependent on the production of trillions of microelectronic devices built around integrated circuits that require Tungsten as a critical element in their manufacture. Additive manufacturing such as 3D printing will greatly expand the applications for tungsten and its alloys, especially in the areas of medical and aerospace, thanks to its ability to produce complex parts from a material that is very cost intensive to form using traditional machining processes. Through these novel applications and others, we see potential for tungsten demand and value growth as the world transitions into a new era of hyper-connectivity and digital manufacturing.

- Fluorspar pricing and demand remains robust, although some softening of the benchmark price was evident in 1Q2020. MSR production volumes for 2020 are fully sold on fixed price contracts.
- The LME copper price was sitting at US\$4,797/ton as of 31 March 2020, a 22% decrease over 31 December 2019. Copper prices as with tungsten are being severely impacted by COVID19. As reported in 12M2019, management expected a resolution to realize value on Copper by 1Q2020. On 27<sup>th</sup> March 2020, the Prime Minister has passed Ruling Letter No. 380/TTg-KTTH approved the export of Nui Phao Mining Company's copper inventory in principle. We have been working with the Ministry of Trade and Industry to finalize export permit documentation with the aim of commencing export in 2Q2020. The export of our copper stocks even at current pricing levels will have a significant positive impact on our cashflows for the remainder of this year.

■ AVERAGE COMMODITY PRICES	Unit	Average 1Q2020	Average 1Q2019	% change	At 31.3.20	At 31.3.19
APT European Low*	USD/mtu	238	265	-10%	240	271
Bismuth Low*	USD/lb	2.5	3.5	-29%	2.5	3.3
Copper*	USD/t	5,636	6,215	-9%	4,797	6,485
Fluorspar Acid Grade**	USD/t	429	524	-18%	445	483

\* Metals Bulletin, \*\* Industrial Minerals

## 1Q2020 FINANCIAL HIGHLIGHTS: PRICING AND COPPER INVENTORY CONTINUES TO IMPACT REVENUE AND PROFIT, FLUORSPAR THE BRIGHT SPOT IN Q1

- **Net revenue down 11%** – MSR posted net revenue of VND1,064 billion in 1Q2020, a 11% decrease compared to VND1,190 billion recorded in 1Q2019. Production volumes for APT products were lower by 17% due to build-up of Tungsten Concentrate stocks in NPMC, Copper was up on higher throughput and Fluorspar up on higher throughput and feed grade. Bismuth production continued to be impacted by an extended maintenance shutdown. Revenues were also impacted by lower realized prices for Tungsten and a build-up in Tungsten stocks as well as a continuing build-up of Copper stocks. Fluorspar revenues were down on the back of lower tons sold but partially offset by a higher realized price.
- **EBITDA of VND466 billion** – EBITDA decreased by 28% for 1Q2020. This was primarily due to the impacts of lower net revenues as noted above. Tungsten unit costs were higher as compared to last year on lower production, Copper costs were lower on the higher throughput, Fluorspar costs were also lower on the back of higher throughput and feed grade. EBITDA were at 44%, as compared to 54% for 1Q2019, mainly as a result of the lower selling prices.
- **VND191 billion attributable net loss** – The Company delivered an attributable net loss of VND191 billion for 1Q2020, VND193 billion decrease over the same period last year due to items noted above and higher interest charges.

VND Billion	1Q2020	1Q2019	Growth
<b>Masan Resources Consolidated Financial Results<sup>(1)</sup></b>			
Net Revenue	1,064	1,190	-11%
EBITDA <sup>(2)</sup>	466	645	-28%
Attributable Net Profit/(Loss) After Tax (VAS)	-191	1.5	-12833%

<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.

## OPERATIONAL HIGHLIGHTS

- Tungsten concentrate production increased by 10% over 1Q2019 on predominantly higher throughput of 11%. Throughput was positively impacted year on year as a result of the 6 monthly maintenance shutdown occurring in April 2020, whereas in 2019 this was undertaken in March 2019. Feed grades were also slightly higher by 1% whilst recoveries were 2% lower. Recoveries are expected to increase for the remainder of the year. At MTC, APT production decreased by 17% over 1Q2019 due to a build-up of tungsten concentrate stocks that will be processed throughout the remainder of 2020.
- Fluorspar production was 17% higher than 1Q2019 due to the higher throughput as noted above and 6% higher feed grades, whilst recoveries were consistent with last year.
- Copper production was 10% higher than 1Q2019 on the higher throughput, whilst 1% higher feed grades were offset by a 1% reduction in recoveries.

SUMMARY PRODUCTION DATE	Unit	3M2020	3M2019	Growth
Ore processed	kt	994	899	10.6%
APT / BTO / YTO / ST (contained)	t	1,262	1,519	-16.9%
Copper in Copper Concentrate (Contained)	t	2,184	1,979	10.3%
Acid Grade Fluorspar	t	62,194	53,197	16.9%
Bismuth in Bismuth Cement (Contained)	t	-	558	-100%

## 2020 FINANCIAL AND STRATEGIC OUTLOOK

- Due to the ongoing evolution of the COVID19 pandemic, our financial forecasts are continually evolving and developing in response to address the global and local economic uncertainties. Whilst we are confident of the long-term fundamentals of the markets in which we operate, we cannot as yet accurately assess the short-term impacts on our business and our short-term strategies will continue to evolve as the pandemic evolves. As per regulations, MSR will provide the latest version of our 2020 financial budget to our shareholders prior to the Annual General Meeting, which has been delayed due to the impacts of COVID19. The opportunity to realize cash for our copper stocks through the approval of our export permit by the Government of Vietnam and the acquisition of the HC Stark Tungsten GmbH business will assist MSR to weather any further short term shocks in the markets in which we operate.
- In line with the Company's five-year strategic plan, the Company has announced the acquisition of the HCS business and as noted expects the acquisition to close in May 2020, subject to Vietnamese government approvals. Management continues to see the 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. The HCS acquisition is the next step in delivering on the strategy MSR has consistently communicated to the market over the past few years and will provide significantly more flexibility. In the current market, closure of the deal will provide MSR with additional flexibility for its products and the ability to achieve improved margins on its products as they are flowed through to HCS for further downstream processing.

## 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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