HKEX: 1208

MMG LIMITED
INTERIM REPORT 2023

A MEMBER OF:

ICMM
International Council on Mining & Metals

MINING WITH PRINCIPLES

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WE MINE FOR PROGRESS

We mine to build wealth through the development of our people, partnering with local communities to drive economic growth and the value we deliver to our shareholders.

Our vision is to create a leading international mining company for a low carbon future.

We work in complex jurisdictions and across numerous cultures and communities, who have vastly differing experiences with resource development.

A long-term outlook, our pride in mining, our commitment to international standards and our respect for people, land and culture underpin our success.

LETTER FROM THE BOARD

The Board remains very confident in the medium to long-term outlook for copper, zinc and cobalt and the role MMG can play in the global shift towards renewable energy sources

Dear Shareholders,

The MMG Board of Directors is pleased to present the Company's 2023 interim results.

At MMG, safety is our first value. The Board is greatly saddened by a fatal incident at Dugald River in February this year. We extend our sincere and heartfelt condolences to the families and friends of Mr Trevor Davis and Mr Dylan Langridge.

The Company continues to take every measure necessary to ensure our workplaces are safe and to cooperate fully with investigations that remain underway.

The year continues to be a challenging one for our business as we have contended with community protests and land access challenges at Las Bambas and escalating costs due to global inflation and ongoing supply challenges.

In the face of these challenges, our team continues to drive a strong safety culture for our people and nearby communities. This includes a considered and disciplined approach to restarting our Dugald River operation safely and carefully.

At our Rosebery mine, the Company continues to evaluate options to extend an 87-year operation while assessing the best location for a future tailing solution in a biodiverse region. This work is supported by the recent release of the Company's Exploration Results from Las Bambas and Rosebery.

The Company remains focused on realising its strategic growth opportunities in Peru via the Chalcobamba development and in the Democratic Republic of Congo (DRC) with the Kinsevere Expansion Project, furthering our commitment to these critical regions.

LETTER FROM THE BOARD

CONTINUED

The Board remains very confident in the medium to long-term outlook for copper, zinc and cobalt and the role MMG can play in the global shift towards renewable energy sources. The Company's new vision positions us as a leading international mining company transitioning to a low-carbon future, combined with an ambition to grow, diversifying our assets, commodities and jurisdictions, and bringing together the best of MMG with our Chinese and international expertise.

We are proud of our portfolio of future-focused metals which are essential to creating a more sustainable world. Demand for critical minerals and other base metals necessary for the decarbonisation of the world economy has increased and is expected to continue growing in the coming years. The Company will play a key role in providing these metals to our customers to drive the development of green technologies that reduce reliance on fossil fuels.

This work would not be possible without our talented and dedicated people. We remain committed to increasing diversity and promoting an inclusive culture at MMG. The Board understands that this is critical for our business going forward. The Company is working to increase the number of women in leadership roles across the business and improving our diversity on the Board and across the leadership team.

The Board extends its thanks and appreciation to our shareholders, communities, and partners for their ongoing support and to our talented team for their contributions.

The Board of Directors

CHIEF EXECUTIVE OFFICER'S REPORT

We remain committed to growth through development of our existing portfolio as well as actively evaluating external opportunities that are value accretive to all of our shareholders

Dear Shareholders,

I am pleased to present our 2023 Interim Report.

Safety

At MMG, our first value is safety.

While we continue to strive to improve our safety-focused culture, in a tragic start to the year two people, employed through our mining contractor Barminco at Dugald River mine, lost their lives after a light vehicle they were travelling in fell into a stope on 15 February 2023.

This incident is a reminder to do everything we can to promote a safe workplace and culture - to look after each other so that every person returns safely home to their friends and family.

For the first half of the year, MMG recorded a TRIF of 1.20. This represents a decrease on the full year 2022 TRIF of 1.25. We remain focused on our critical controls in order to eliminate the potential harm to our people.

Financial performance

In the first half of the year, MMG achieved a significant increase in net cash flow from operations, totalling US$425.6 million, representing growth of 216 per cent compared to the first half of 2022. This performance is primarily attributed to favourable working capital movements with an inventory drawdown at Las Bambas compared to a build-up in the first half of 2022.

Revenue increased by US$488.2 million (35 per cent) for the period, primarily driven by higher sales volumes from Las Bambas, which more than offset the impact of lower copper and zinc prices.

Despite this, MMG recorded a net loss after tax of US$24.9 million, including a loss of US$58.8 million attributable to equity holders of the Company. The first half EBITDA of US$635.8 million experienced a two per cent decrease compared with the first half of 2022.

This decline was partly attributed to lower prices for copper and zinc, lower sales at Dugald River following the suspension of operations and higher consumption of third-party ores at Kinsevere to offset reduced oxide ore mined during the transition to mining sulphide ores.

Operational performance

Las Bambas produced 139,594 tonnes of copper in the first half of 2023, 38 per cent above the first half of 2022. Concentrate transportation has remained stable since the removal of roadblocks in March, supported by the State of Emergency implemented by the government of Peru which remained in place throughout the quarter. The mine achieved record sales in the second quarter of around 417,000 tonnes of copper concentrate, with around 43 per cent of sales coming from a draw-down of stockpiles.

Kinsevere produced 21,641 tonnes of copper cathode, a two per cent decrease from the prior comparable period. The construction of the cobalt plant is on track, with the majority of the structural and mechanical installation completed by the end of June. First cobalt production is expected in 2023.

CHIEF EXECUTIVE OFFICER'S REPORT

CONTINUED

Dugald River produced 57,374 tonnes of zinc in the first half of 2023, which is 28 per cent lower than the production in the first half of 2022. The site was impacted after operations were suspended for 34 days following the fatal incident in February.

Rosebery produced 23,102 tonnes of zinc in zinc concentrate and 8,637 tonnes of lead in lead concentrate during the first half of 2023, representing a two per cent and seven per cent decline from the prior corresponding period respectively.

Outlook

As we look ahead to the rest of 2023, MMG will continue its focus on a strong safety-first culture, maintaining stable operations, and careful cost management and capital allocation in a volatile global economic environment.

We remain committed to progressing our growth projects in Las Bambas and Kinsevere. The Las Bambas team is working hard to reach enduring agreements for the development of the Chalcobamba deposit with the Huancuire community. We are hopeful that the development can commence by the end of 2023.

The construction of our Kinsevere expansion project is on track and we expect the first cobalt production in the second half of the year and the first copper cathode from sulphides in 2024. The Kinsevere Expansion Project is expected to extend the mine life to 2035 and take annual production up to 100,000 tonnes of copper equivalent production once we reach full ramp-up in 2025.

Las Bambas copper production for 2023 is expected to remain in the range of 265,000 to 305,000 tonnes, contingent upon continued access to site for supplies, personnel, and logistics. Kinsevere is now expected to produce 40,000 to 48,000 tonnes of copper cathode for 2023. Dugald River production in 2023 is expected to be in the range of 135,000 to 150,000 tonnes of zinc, with Rosebery expected to produce between 55,000 and 65,000 tonnes of zinc in zinc concentrate in 2023.

We remain committed to growth through development of our existing portfolio as well as actively evaluating external opportunities that are value accretive to all of our shareholders.

Thank you for your ongoing support of MMG.

LI Liangang
CHIEF EXECUTIVE OFFICER (INTERIM)

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

For the purpose of the management discussion and analysis, the Group's results for the six months ended 30 June 2023 are compared with results for the six months ended 30 June 2022.

Six Months Ended 30 June	2023 US$ Million	2022 US$ Million	Change % Fav/(Unfav)
Revenue	1,896.2	1,408.0	35%
Operating expenses	(1,257.1)	(761.8)	(65%)
Exploration expenses	(25.0)	(10.8)	(131%)
Administration expenses	(3.3)	(5.5)	40%
Net other income	25.0	21.8	15%
EBITDA	**635.8**	**651.7**	**(2%)**
Depreciation and amortisation expenses	(445.9)	(351.1)	(27%)
EBIT	**189.9**	**300.6**	**(37%)**
Net finance costs	(180.3)	(137.1)	(32%)
Profit before income tax	**9.6**	**163.5**	**(94%)**
Income tax expense	(34.5)	(73.7)	53%
(Loss)/profit after income tax for the period	**(24.9)**	**89.8**	**(128%)**
Attributable to:			
Equity holders of the Company	(58.8)	79.5	(174%)
Non-controlling interests	33.9	10.3	229%
	(24.9)	**89.8**	**(128%)**

Profit attributable to equity holders of the Company

MMG's loss of US$24.9 million for the six months ended 30 June 2023 includes loss attributable to equity holders of US$58.8 million and profit attributable to non-controlling interests of US$33.9 million. This compares to a profit attributable to equity holders of US$79.5 million and profit attributable to non-controlling interests of US$10.3 million for the six months ended 30 June 2022. Amounts attributable to non-controlling interests related to the 37.5 per cent interest in Las Bambas not owned by the Company.

The following table provides a reconciliation of reported profit after tax attributable to equity holders.

Six Months Ended 30 June	2023 US$ Million	2022 US$ Million	Change % Fav/(Unfav)
Profit after tax – Las Bambas 62.5% interest	56.1	17.1	228%
(Loss)/profit after tax – other continuing operations	(63.5)	104.4	(161%)
Administration expenses	(3.3)	(5.5)	40%
Net finance costs (excluding Las Bambas)	(39.5)	(41.8)	6%
Other	(8.6)	5.3	(262%)
(Loss)/profit for the period attributable to equity holders	**(58.8)**	**79.5**	**(174%)**

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINUED

Overview of operating results

The Group's continuing operations comprise Las Bambas, Kinsevere, Dugald River and Rosebery. Exploration, corporate activities and other subsidiaries are classified as 'Other'.

	Revenue			EBITDA		
Six Months Ended 30 June	2023 US$ Million	2022 US$ Million	Change % Fav/(Unfav)	2023 US$ Million	2022 US$ Million	Change % Fav/(Unfav)
Las Bambas	1,480.4	805.0	84%	643.0	411.9	56%
Kinsevere	178.4	202.2	(12%)	(13.8)	64.5	(121%)
Dugald River	132.7	257.6	(48%)	(26.4)	123.8	(121%)
Rosebery	103.2	142.2	(27%)	35.6	55.9	(36%)
Other	1.5	1.0	50%	(2.6)	(4.4)	41%
Total	**1,896.2**	**1,408.0**	**35%**	**635.8**	**651.7**	**(2%)**

The following discussion and analysis of the financial information and results should be read in conjunction with the financial information.

Revenue increased by US$488.2 million (35 per cent) to US$1,896.2 million compared to 2022 due to higher sales volumes (US$658.8 million), partly offset by lower commodity prices (US$170.6 million).

Sales volumes increased by US$658.8 million compared to 2022 driven by higher sales of copper concentrate (US$719.4 million) and molybdenum concentrate (US$21.4 million) at Las Bambas due to fewer road blockages in 2023, with stability along the Southern Corridor since March 2023. This was partly offset by lower zinc concentrate sales volumes at Dugald River (US$51.6 million) following a 34-day suspension due to the tragic incident in February. Rosebery zinc and lead concentrate sales volumes were also lower (US$22.3 million), driven by sales timing.

Unfavourable commodity price variances of US$170.6 million were driven by lower prices for copper (US$125.1 million) and zinc (US$90.5 million), partly offset by higher prices for molybdenum (US$29.8 million), gold (US$10.1 million) and silver (US$6.7 million). Price variances also include mark-to-market adjustments on open sales contracts and the impacts of commodity hedging.

Revenue by Commodity Six Months Ended 30 June	2023 US$ Million	2022 US$ Million	Change % Fav/(Unfav)
Copper	1,432.0	896.8	60%
Zinc	145.0	305.7	(53%)
Lead	25.2	32.0	(21%)
Gold	104.3	62.2	68%
Silver	87.5	60.3	45%
Molybdenum	102.2	51.0	100%
Total	**1,896.2**	**1,408.0**	**35%**

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINUED

Price

Average LME base metals prices for zinc, copper and lead were lower in the six months ended 30 June 2023 compared to the prior corresponding period. The averages for molybdenum, gold and silver were higher.

Average LME Cash Price [1] Six Months Ended 30 June	2023	2022	Change % Fav/(Unfav)
Copper (US$/tonne)	8,704	9,756	(11%)
Zinc (US$/tonne)	2,835	3,834	(26%)
Lead (US$/tonne)	2,129	2,269	(6%)
Gold (US$/ounce)	1,933	1,873	3%
Silver (US$/ounce)	23.37	23.29	0%
Molybdenum (US$/tonne)	59,730	41,302	45%

1 Sources: zinc, lead, and copper: LME cash settlement price; Molybdenum: Platts; gold and silver: LBMA. LME (London Metal Exchange) data is used in this report under licence from LME; LME has no involvement and accepts no responsibility to any third party in connection with the data; and onward distribution of the data by third parties is not permitted.

Sales volumes

Payable Metal in Products Sold Six Months Ended 30 June	2023	2022	Change % Fav/(Unfav)
Copper (tonnes)	182,831	104,437	75%
Zinc (tonnes)	72,008	93,233	(23%)
Lead (tonnes)	13,201	15,751	(16%)
Gold (ounces)	53,793	35,438	52%
Silver (ounces)	3,852,971	2,893,688	33%
Molybdenum (tonnes)	2,039	1,437	42%

Payable Metal in Products Sold Six Months Ended 30 June 2023	Copper Tonnes	Zinc Tonnes	Lead Tonnes	Gold Ounces	Silver Ounces	Molybdenum Tonnes
Las Bambas	160,764	-	-	41,312	2,256,611	2,039
Kinsevere	21,507	-	-	-	-	-
Dugald River	-	54,101	6,965	-	529,595	-
Rosebery	560	17,907	6,236	12,481	1,066,765	-
Total	**182,831**	**72,008**	**13,201**	**53,793**	**3,852,971**	**2,039**

Payable Metal in Products Sold Six Months Ended 30 June 2022	Copper Tonnes	Zinc Tonnes	Lead Tonnes	Gold Ounces	Silver Ounces	Molybdenum Tonnes
Las Bambas	81,931	-	-	22,259	1,194,807	1,437
Kinsevere	21,990	-	-	-	-	-
Dugald River	-	69,805	7,391	-	570,719	-
Rosebery	516	23,428	8,360	13,179	1,128,162	-
Total	**104,437**	**93,233**	**15,751**	**35,438**	**2,893,688**	**1,437**

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINUED

Operating expenses include expenses of operating sites, excluding depreciation and amortisation. Site expenses include mining and processing expenses, changes in inventories, royalty expenses, selling expenses and other operating expenses.

Total operating expenses increased by US$495.3 million (65 per cent) in the first half of 2023. This increase was primarily driven by unfavourable stock movement (US$241.8 million) resulting from the drawdown in Las Bambas copper concentrate stockpiles, compared to a build-up in the first half of 2022. Additionally, higher production expenses (US$175.0 million) were mainly attributed to increased material mined and milled volumes at Las Bambas. Furthermore, there was a higher consumption of third-party ores (US$40.2 million) at Kinsevere to offset the reduced oxide ore mined during the transition to mining sulphide ores.

Further detail is set out below in the mine analysis section.

Exploration expenses increased by US$14.2 million (131 per cent) to US$25.0 million in 2023 due to higher expenditure at Las Bambas (US$6.1 million) with drilling focused on Ferrobamba Deeps. Exploration costs at Kinsevere were higher by US$4.0 million due to increased drilling activities at satellite copper targets within a 50km radius of the Kinsevere mine. At Rosebery, exploration expenses were higher by US$2.2 million driven by the accelerated exploration program.

Administrative expenses decreased by US$2.2 million (40 per cent) to US$3.3 million in 2023 mainly due to the weaker Australian dollar (US$1.4 million).

Net other income increased by US$3.2 million (15 per cent) mainly due to gain on disposal of fixed assets at Las Bambas in 2023.

Depreciation and amortisation expenses increased by US$94.8 million (27 per cent) to US$445.9 million compared to the first half of 2022. The increase was primarily attributable to higher mining and milling volumes at Las Bambas (US$95.7 million).

Net finance costs increased by US$43.2 million (32 per cent) to US$180.3 million compared to 2022. The increase was mainly due to higher net interest costs driven by a rising interest rate environment (US$41.4 million) and a refund of interest from SUNAT (US$9.5 million) in 2022, partly offset by lower debt balances (US$12.8 million).

Income tax expense decreased by US$39.2 million, reflecting the decrease in the Group's underlying profit before income tax from the prior comparative period. Underlying income tax expense for 2023 of US$34.5 million reflects the impacts of non-creditable withholding tax expenses in Peru of US$18.1 million (2022: US$17.7 million), and other non-deductible items.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINUED

MINES ANALYSIS

Las Bambas

Six Months Ended 30 June	2023	2022	Change % Fav/(Unfav)
Production			
Ore mined (tonnes)	21,374,317	17,925,254	19%
Ore milled (tonnes)	25,871,975	18,038,619	43%
Waste movement (tonnes)	51,636,637	46,561,311	11%
Copper in copper concentrate (tonnes)	139,594	101,009	38%
Payable metal in product sold			
Copper (tonnes)	160,764	81,931	96%
Gold (ounces)	41,312	22,259	86%
Silver (ounces)	2,256,611	1,194,807	89%
Molybdenum (tonnes)	2,039	1,437	42%

Six Months Ended 30 June	2023 US$ Million	2022 US$ Million	Change % Fav/(Unfav)
Revenue	**1,480.4**	**805.0**	**84%**
Operating expenses			
Production expenses			
Mining	(239.7)	(142.0)	(69%)
Processing	(151.2)	(102.1)	(48%)
Other	(200.9)	(172.7)	(16%)
Total production expenses	**(591.8)**	**(416.8)**	**(42%)**
Freight (transportation)	(47.9)	(42.3)	(13%)
Royalties	(48.9)	(26.2)	(87%)
Other[1]	(165.9)	81.5	(304%)
Total operating expenses	**(854.5)**	**(403.8)**	**(112%)**
Other income	17.1	10.7	60%
EBITDA	**643.0**	**411.9**	**56%**
Depreciation and amortisation expenses	(390.8)	(295.1)	(32%)
EBIT	**252.2**	**116.8**	**116%**
EBITDA margin	**43%**	**51%**	**(16%)**

1 Other operating expenses include changes in inventories, corporate recharges and other costs of operations.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINUED

Las Bambas produced 139,594 tonnes of copper in the first half of 2023, which was 38,585 tonnes (38 per cent) higher than 2022 due to a shutdown of more than 50 days during the first half of 2022.

Revenue of US$1,480.4 million was US$675.4 million (84 per cent) higher than 2022 due to higher copper (US$719.4 million) and molybdenum sales volumes (US$21.4 million) and higher molybdenum prices (US$29.8 million). This was partly offset by lower copper prices (US$104.9 million).

Copper sales volumes were 96 per cent higher compared to the prior period due to fewer road blockages with stability along the Southern Corridor since March 2023. As a result, concentrate inventory levels on site were reduced to approximately 60,000 tonnes of copper in concentrate at the end of the first half of 2023, compared to approximately 85,000 tonnes at the beginning of the year.

Total production expenses of US$591.8 million were US$175.0 million or 42 per cent above 2022. This was mainly driven by higher material mined and milled volumes (US$52.4 million), increased maintenance works previously deferred (US$38.0 million), higher copper concentrate transported (US$21.1 million) and lower deferred mine capitalisation costs (US$34.6 million).

EBIT was further impacted by unfavourable stock movement of US$241.8 million due to a drawdown of finished goods (US$130.5 million) in the first half of 2023, compared to a build-up (US$85.3 million) in the first half of 2022 and a drawdown of ore stockpiles (US$29.1 million). Royalty expenses were also higher by US$22.7 million reflecting higher revenue.

Depreciation and amortisation expenses were higher than 2022 by US$95.7 million (32 per cent) due to higher mining and milling volumes.

The C1 costs of US$1.60/lb for the first half of 2023 were below our guidance range of US$1.70 – US$1.90/lb, although they were higher than the 2022 C1 costs of US$1.27/lb. The higher C1 unit costs in 2023 are attributed to higher production costs and the absence of care and maintenance cost exclusions for the period of the shutdown in 2022 (US$97.4 million).

2023 outlook

In line with prior guidance, full-year production for 2023 is expected to be between 265,000 and 305,000 tonnes of copper in copper concentrate, contingent upon continued access to site for supplies, personnel, and logistics. The Las Bambas team is working toward enduring agreements for the development of the Chalcobamba deposit with the Huancuire community. We are hopeful that the development can commence by the end of 2023.

Las Bambas C1 costs in 2023 are expected to remain in the range of US$1.70 – US$1.90/lb, in line with prior guidance.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINUED

Kinsevere

Six Months Ended 30 June	2023	2022	Change % Fav/(Unfav)
Production			
Ore mined (tonnes)	1,272,760	406,571	213%
Ore milled (tonnes)	1,003,743	1,227,198	(18%)
Waste movement (tonnes)	8,930,752	1,567,070	470%
Copper cathode (tonnes)	21,641	22,090	(2%)
Payable metal in product sold			
Copper (tonnes)[1]	21,507	21,990	(2%)

Six Months Ended 30 June	2023 US$ Million	2022 US$ Million	Change % Fav/(Unfav)
Revenue	**178.4**	**202.2**	**(12%)**
Operating expenses			
Production expenses			
Mining	(9.6)	(16.3)	41%
Processing	(111.2)	(53.1)	(109%)
Other	(34.1)	(37.8)	10%
Total production expenses	**(154.9)**	**(107.2)**	**(44%)**
Freight (transportation)	(3.6)	(3.9)	8%
Royalties	(8.0)	(11.3)	29%
Other[2]	(10.2)	(12.6)	19%
Total operating expenses	**(176.7)**	**(135.0)**	**(31%)**
Other expenses	(15.5)	(2.7)	(474%)
EBITDA	**(13.8)**	**64.5**	**(121%)**
Depreciation and amortisation expenses	(8.3)	(13.2)	37%
EBIT	**(22.1)**	**51.3**	**(143%)**
EBITDA margin	**(8%)**	**32%**	**(125%)**

1 Kinsevere sold copper includes copper cathode and copper scrap.
2 Other operating expenses include changes in inventories, corporate recharges and other costs of operations.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINUED

In the first half of 2023, Kinsevere produced 21,641 tonnes of copper cathode, which is a decrease of 2 per cent compared to the prior comparable period. The lower cathode production was primarily attributed to a decrease in ore milled throughput (1,003,743 tonnes vs. 1,227,198 tonnes) caused by an unstable power supply from the national grid and a planned shutdown for the installation of the cobalt plant in the second quarter. However, the lower milled throughput was partly offset by a higher ore feed grade (2.22 per cent vs. 1.91 per cent), which was a result of an increased supply of higher-grade third-party ore.

Kinsevere revenue decreased by US$23.8 million (12 per cent) to US$178.4 million compared to 2022 due to lower copper prices (US$19.5 million) and lower copper sales volumes in line with lower production (US$4.3 million).

Total production expenses increased by US$47.7 million or 44 per cent compared to 2022. This was mainly driven by higher consumption of third-party ores (US$40.2 million) to offset the reduced oxide ore mined during the transition to mining sulphide ores, and higher sulphuric acid consumption (US$8.9 million). Mining activities have increased with a focus on waste stripping, with higher capitalised mining costs, as we transition to the mining of sulphide ores.

C1 costs in the first half of 2023 were US$3.53/lb, higher than the US$2.42/lb in 2022 driven by higher consumption of third-party ores and reduced ore milled volumes caused by unstable power supply.

2023 outlook

In line with prior guidance, copper cathode production for 2023 is expected to be in the range of 40,000 to 48,000 tonnes.

C1 costs in 2023 are now expected to be in the range of US$3.15 – US$3.35/lb, higher than the prior guidance of US$2.50 – US$2.80/lb, mainly driven by a lower-than-expected cobalt price, reduced ore milled volumes caused by the unstable power supply, and increased reliance on third-party ore to offset the reduced oxide ore mined.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINUED

Dugald River

Six Months Ended 30 June	2023	2022	Change % Fav/(Unfav)
Production			
Ore mined (tonnes)	614,004	851,046	(28%)
Ore milled (tonnes)	652,840	856,465	(24%)
Zinc in zinc concentrate (tonnes)	57,374	79,587	(28%)
Lead in lead concentrate (tonnes)	6,540	8,490	(23%)
Payable metal in product sold			
Zinc (tonnes)	54,101	69,805	(22%)
Lead (tonnes)	6,965	7,391	(6%)
Silver (ounces)	529,595	570,719	(7%)

Six Months Ended 30 June	2023 US$ Million	2022 US$ Million	Change % Fav/(Unfav)
Revenue	**132.7**	**257.6**	**(48%)**
Operating expenses			
Production expenses			
Mining	(60.6)	(50.0)	(21%)
Processing	(33.5)	(30.9)	(8%)
Other	(33.7)	(32.0)	(5%)
Total production expenses	**(127.8)**	**(112.9)**	**(13%)**
Freight (transportation)	(7.2)	(6.8)	(6%)
Royalties	(6.9)	(11.9)	42%
Other[1]	(17.7)	(4.7)	(277%)
Total operating expenses	**(159.6)**	**(136.3)**	**(17%)**
Other income	0.5	2.5	(80%)
EBITDA	**(26.4)**	**123.8**	**(121%)**
Depreciation and amortisation expenses	(23.6)	(28.2)	16%
EBIT	**(50.0)**	**95.6**	**(152%)**
EBITDA margin	**(20%)**	**48%**	**(142%)**

1 Other operating expenses include changes in inventories, corporate recharges and other costs of operations.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINUED

Dugald River produced 57,374 tonnes of zinc in zinc concentrate during the first half of 2023, which was 28 per cent lower compared to the prior corresponding period as operations were suspended for 34 days after a fatal incident at the mine on 15 February 2023. Production resumed on 21 March 2023 following approval by the relevant authorities with a focus on a safe ramp-up of operations. The mine achieved full rates of mining and processing in May. Zinc metal production was also impacted by lower feed grade associated with the mining sequence, partially offset by higher zinc recovery performance (89.7 per cent vs 89.0 per cent) driven by ongoing plant optimisation.

The transition to an owner-miner model has been completed with MMG executing production operations and a new mining contractor, Redpath, focusing solely on development. January marked the highest monthly advance rate on record (1,138m) driven by the early ramp-up of development activities and performance continued to be strong after the restart.

Revenue decreased by US$124.9 million to US$132.7 million due to lower zinc prices (US$71.1 million), a 22 per cent drop in zinc sales volumes (US$51.6 million) and a 6 per cent drop in lead sales volumes (US$2.2 million) in line with lower production.

Total production expenses were higher by US$14.9 million compared to the first half of 2022 driven by higher mining costs due to the re-baselining of the mining contractor rates and one-off transition costs to a new mining contractor (US$15.0 million). Consumable unit prices were also higher (US$17.1 million) predominately driven by gas prices, partly offset by savings generated from solar power (US$3.9 million). There were also lower costs (US$6.1 million) due to the suspension of operations for 34 days and the favourable impact of the weaker Australian dollar (US$8.4 million).

EBIT was further impacted by unfavourable stock movement of US$12.7 million due to a net drawdown of finished goods and ore stockpiles.

Dugald River’s zinc C1 costs were US$1.30/lb in the first half of 2023 compared to US$0.83/lb in the first half of 2022. The higher C1 cost was largely attributable to higher cash production costs and lower production volumes.

2023 outlook

In line with prior guidance, and supported by the safe, successful ramp-up of operations, Dugald River production in 2023 is expected to be in the range of 135,000 and 150,000 tonnes of zinc in zinc concentrate.

C1 cost in 2023 is expected in the range of US$1.05 – US$1.20/lb. Measures have been introduced to have better cost control, including a long-term solar offtake agreement with energy provider, APA Group, which has provided immediate cost savings after the commercial operation of the solar farm in April 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINUED

Rosebery

Six Months Ended 30 June	2023	2022	Change % Fav/(Unfav)
Production			
Ore mined (tonnes)	442,297	426,062	4%
Ore milled (tonnes)	440,892	432,036	2%
Zinc in zinc concentrate (tonnes)	23,102	23,664	(2%)
Lead in lead concentrate (tonnes)	8,637	9,324	(7%)
Copper in precious metals concentrate (tonnes)	566	474	19%
Gold (ounces)	12,547	13,581	(8%)
Silver (ounces)	1,355,370	1,141,674	19%
Payable metal in product sold			
Copper (tonnes)	560	516	9%
Zinc (tonnes)	17,907	23,428	(24%)
Lead (tonnes)	6,236	8,360	(25%)
Gold (ounces)	12,481	13,179	(5%)
Silver (ounces)	1,066,765	1,128,162	(5%)

Six Months Ended 30 June	2023 US$ Million	2022 US$ Million	Change % Fav/(Unfav)
Revenue	**103.2**	**142.2**	**(27%)**
Operating expenses			
Production expenses			
Mining	(38.5)	(33.7)	(14%)
Processing	(15.7)	(15.6)	(1%)
Other	(13.4)	(12.5)	(7%)
Total production expenses	**(67.6)**	**(61.8)**	**(9%)**
Freight (transportation)	(3.3)	(5.2)	37%
Royalties	(0.7)	(7.3)	90%
Other[1]	6.3	(12.0)	153%
Total operating expenses	**(65.3)**	**(86.3)**	**24%**
Other expenses	(2.3)	-	-
EBITDA	**35.6**	**55.9**	**(36%)**
Depreciation and amortisation expenses	(26.7)	(19.2)	(39%)
EBIT	**8.9**	**36.7**	**(76%)**
EBITDA margin	**34%**	**39%**	**(13%)**

1 Other operating expenses include changes in inventories, corporate recharges and other costs of operations.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINUED

Rosebery produced 23,102 tonnes of zinc in zinc concentrate and 8,637 tonnes of lead in lead concentrate during the first half of 2023. This represented a 2 per cent and 7 per cent decrease respectively compared to the first half of 2022. The volume of ore mined was 4 per cent higher compared to the first half of 2022, primarily due to improved mine productivity and workforce availability, despite lost production in January resulting from the bushfire incident. The lower production was largely driven by lower milled grades for both zinc (6.2 per cent vs. 6.4 per cent) and lead (2.6 per cent vs. 2.8 per cent) attributable to the mining sequence.

Precious metal production for the first half of 2023 totalled 12,547 ounces of gold and 1,355,370 ounces of silver. This represents a decrease of 8 per cent for gold and an increase of 19 per cent for silver compared to the first half of 2022.

Revenue decreased by US$39.0 million (27 per cent) to US$103.2 million due to lower prices for zinc (US$19.1 million), copper (US$1.1 million), and lead (US$1.0 million), as well as lower sales volumes for zinc (US$18.0 million), lead (US$4.3 million) and other by-products (US$2.1 million). This was partly offset by higher precious metal prices (US$6.6 million).

Total production expenses increased by US$5.8 million (9 per cent) compared to the first half of 2022 mainly due to higher mining costs (US$8.8 million) driven by increased backfill volumes, and higher intensity of ground support in seismically active areas of the mine. This was partly offset by favourable exchange rates with the weakening of the Australian dollar (US$4.7 million).

Other operating expenses were favourable by US$18.3 million with favourable stock movement due to a net build-up of zinc and lead concentrates, driven by sales timing.

Royalties were favourable by US$6.6 million reflecting lower sales revenue and profit and an adjustment that was made to the prior year's royalty return.

Rosebery's C1 costs were US$0.18/lb in the first half of 2023 compared to US$0.38/lb in the first half of 2022. The lower C1 costs were attributable to higher by-product prices partly offset by higher production expenses.

2023 outlook

In line with prior guidance, Rosebery's zinc production for 2023 is expected to be in the range of 55,000 and 65,000 of zinc in zinc concentrate. This is an improvement on 2022 due to higher ore grades and higher ore mined volumes due to improved workforce availability.

C1 costs in 2023 are expected to be at the lower end of prior guidance of US$0.35 – US$0.50/lb with higher by-product grades and strong precious metals prices.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINUED

CASH FLOW ANALYSIS

Net cash flow

Six Months Ended 30 June	2023 US$ Million	2022 US$ Million	Change % Fav/(Unfav)
Net operating cash flows	425.6	134.8	216%
Net investing cash flows	(302.1)	(205.1)	(47%)
Net financing cash flows	28.0	(687.9)	104%
Net cash inflows/(outflows)	**151.5**	**(758.2)**	**120%**

Net operating cash inflows increased by US$290.8 million (216 per cent) to US$425.6 million driven by favourable working capital movements with an inventory drawdown at Las Bambas compared to a build-up in the first half of 2022, partly offset by increased receivables at Las Bambas (US$123.5 million). Lower tax payments in Peru (US$156.5 million) and the DRC (US$19.2 million) also contributed positively. Operating cash flows were unfavourably impacted by lower EBITDA (US$15.9 million).

Net investing cash outflows increased by US$97.0 million (47 per cent) to US$302.1 million. This was driven by higher capital expenditure at Kinsevere (US$124.3 million) attributable to expenditure on the Kinsevere Expansion Project. This was partly offset by lower capital expenditure at Las Bambas (US$37.6 million) due to lower capitalised mining costs in 2023.

Net financing cash flows were favourable by US$715.9 million (104 per cent) compared to the first half of 2022. This was due to a US$500.0 million early payment on the Las Bambas Project facility in the first half of 2022 and a net drawdown on working capital facilities (US$255.0 million) in the first half of 2023. This was partly offset by higher interest paid (US$31.9 million) largely attributable to the rising interest rate environment.

Financial resources and liquidity

	30 June 2023 US$ Million	31 December 2022 US$ Million	Change US$ Million
Total assets	12,718.8	12,535.5	183.3
Total liabilities	(8,519.2)	(8,307.0)	(212.2)
Total equity	**4,199.6**	**4,228.5**	**(28.9)**

Total equity decreased by US$28.9 million to US$4,199.6 million as at 30 June 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINUED

The gearing ratio for the Group is defined as net debt (total borrowings excluding finance charge prepayments, less cash, and cash equivalents) divided by the aggregate of net debt and total equity as set out in the following table:

MMG Group	30 June 2023 US$ Million	31 December 2022 US$ Million
Total borrowings (excluding prepaid finance charges)[1]	5,622.0	5,456.9
Less: cash and cash equivalents	(523.7)	(372.2)
Net debt	**5,098.3**	**5,084.7**
Total equity	4,199.6	4,228.5
Net debt + Total equity	**9,297.9**	**9,313.2**
Gearing ratio	**0.55**	**0.55**

1 Borrowings at an MMG Group level reflect 100 per cent of the borrowings of the Las Bambas Joint Venture Group. Las Bambas Joint Venture Group borrowings as at 30 June 2023 were US$2,890.7 million (31 December 2022: US$3,025.6 million) and Las Bambas Joint Venture Group cash and cash equivalents as at 30 June 2023 were US$182.7 million (31 December 2022: US$171.8 million). For the purpose of calculating the gearing ratio, Las Bambas Joint Venture Group's borrowings have not been reduced to reflect the MMG Group's 62.5% equity interest. This is consistent with the basis of the preparation of MMG's financial statements.

Under the terms of relevant debt facilities held by the Group, the gearing ratio for covenant compliance purposes is calculated exclusive of US$2,161.3 million (31 December 2022: US$2,161.3 million) of shareholder debt that was used to fund the MMG Group's equity contribution to the Las Bambas Joint Venture Group. For the purpose of the above, it has, however, been included as borrowings.

Available debt facilities

As at 30 June 2023, the Las Bambas Joint Venture Group had undrawn debt facilities of US$775.0 million (31 December 2022: US$800.0 million). This was represented by:

(i) US$350.0 million (31 December 2022: 150.0 million) that was undrawn and available under a new US$350.0 million revolving credit facility provided by Album Enterprises Limited (a subsidiary of CMN). The facility has been extended for 1 year and will expire in August 2024;

(ii) US$275.0 million (31 December 2022: nil) that was undrawn and available under a new US$275.0 million revolving credit facility provided by BOC which is maturing in April 2026; and

(iii) US$150.0 million (31 December 2022: nil) that was undrawn and available under a new US$150.0 million revolving credit facility provided by ICBC. The facility was divided into 3 tranches with US$50.0 million for each tranche and will mature in March, May and June 2026 respectively.

Note: There was an undrawn facility of US$250.0 million (31 December 2022: US$650.0 million) which is no longer available under a US$800.0 million revolving credit facility due to the facility documentation not being amended to US Secured Overnight Financing Rate ("SOFR"). The transition to SOFR will occur as part of the facility's renewal.

As at 30 June 2023, the Group (excluding the Las Bambas Joint Venture Group) had no undrawn debt facility (31 December 2022: US$300.0 million). The Group is negotiating with current and new lenders to establish new facilities and renew/extend current facilities which will mature in the second half of 2023.

Some of the Group's available external debt facilities are subject to covenant compliance requirements. The Group was not in breach of covenant requirements in respect of the Group's borrowings as at 30 June 2023. The financial covenants are measured with reference to the financial performance of the Group or its subsidiaries and may be influenced by future operational performance.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINUED

PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 8 June 2021, the Company undertook a share placement with an issue of 565.0 million shares at a price of HK$4.15 per share ("the Placement"). The net proceeds, after deducting share issue costs of US$3.1 million, was US$299.0 million.

At 30 June 2023, the Company has no amount of proceeds brought forward from the placement (31 December 2022: US$85.0 million). The Company has applied 49.8 per cent (31 December 2022: 29.9 per cent) of the net proceeds to the KEP project; and 50.2 per cent (31 December 2022: 70.1 per cent) for the replenishment of working capital and general corporate purposes to support the Company's strategy.

DEVELOPMENT PROJECTS

The Chalcobamba project, as part of the next phase of development at Las Bambas, is located around 3km from the current processing plant. In March 2022, the Peru Ministry of Energy and Mines granted regulatory approval for the development of the Chalcobamba pit and associated infrastructure.

MMG remains committed to working closely with the Government of Peru and the Huancuire community members to review all its commitments and to engage in transparent and constructive dialogue. Discussions with the Huancuire community were delayed due to the resignation of its president. A community president was elected on 15 June, whose appointment was registered at the Public Registry on 6 July. The community has formed a new negotiating commission for the dialogue with Las Bambas, with the first meeting held on 17 July. MMG is optimistic that an enduring agreement for the development of Chalcobamba can be reached.

The project is significant for the economy of Peru and will support additional social contributions and financial and business opportunities for local and regional communities. It will underpin a production increase to a range of 380,000 to 400,000 tonnes over the medium term.

In addition to the Chalcobamba project, successful deep drilling below the current Ferrobamba pit has defined the depth extension and continuity of skarn and porphyry mineralisation beneath the 2022 Ore Reserve pit design. These positive drill results confirmed the potential for a large tonnage of copper (at 0.4 per cent to 0.6 per cent), molybdenum (at 200 to 500 ppm), silver (2g/t to 4g/t) and gold (0.04g/t to 0.08g/t) grade deposit may exist at Ferrobamba Deeps. Ongoing studies are being conducted based on these positive results, and further drilling is planned for 2023 and 2024 to evaluate the mineralisation and determine potential mining methods, including expansion of the open pit and/or an underground development.

Kinsevere Expansion Project, which includes the transition to the mining and processing of sulphide ore and the commencement of cobalt production, is progressing well.

The construction of the cobalt plant is on track, with the majority of the structural and mechanical installation completed by the end of June. The first cobalt production is expected in 2023. Civil work for the concentrator continued, and civil works for the roaster and acid plant commenced in May. Preparatory work, including infrastructure and construction, is progressing at Sokoroshe II and we have commenced the construction of the haul road to connect the satellite pit with the Kinsevere main site.

This next phase of Kinsevere development will extend Kinsevere's mine life for at least 13 years and, once fully ramped up, will result in total annual production of approximately 80,000 tonnes of copper cathode and between 4,000-6,000 tonnes of cobalt in cobalt hydroxide. The first copper cathode from sulphides is expected in 2024, and a full ramp-up is expected in 2025.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINUED

Rosebery mine life extension is being supported by an accelerated exploration program over the next two years. Exploration drilling has been conducted both within the immediate mine environs and on surrounding surface leases. This drilling program, which includes both underground and surface drilling, has already resulted in several intersections such as extensions to mine lens (e.g. Z- lens and T- lens) and the discovery of new mineralised zones (e.g. Oak and Bastyan). The current orebody knowledge demonstrates that the Rosebery orebody remains open to the north and south, while prospectivity still exists within the mine footprint.

The Rosebery mine continues to engage with the Minister and the Department of Climate Change, Energy, the Environment and Water (DCCEEW) and provide all required information and documentation while awaiting the Minister's decision on the proposed preliminary works at South Marionoak. Concurrently the mine is continuing to investigate potential options for safe and viable short-term capacity increases at existing tailings storage facilities. Finding a sustainable tailings storage solution that supports the Rosebery mine life extension remains a key priority for our operation and we will continue to proactively explore all feasible options.

There were no other major development projects noted during the six months ended 30 June 2023.

CONTRACTS AND COMMITMENTS

During the six months ended 30 June 2023, 416 contracts have been reviewed either through market engagements or in-contract renegotiations. The approximate annual operational or capital values addressed by these activities come to US$460.7 million.

Las Bambas

New and revised agreements were finalised to optimise production and development options for Las Bambas. These agreements include contracts for a consolidated head contractor for studies and engineering services, projects construction, mining services such as blasting and drilling services, equipment maintenance, catering and camp services, personal transportation, health and medical services, road maintenance, customs and freight forwarding, plant shutdown services, major component repair, as well as components, spares and other consumables. Significant efforts have also been made to ensure the safety and continuity of supply during blockades, in order to support continued operations.

Kinsevere

New and revised agreements were finalised for various contracts that will support steady Kinsevere operations. These contracts include those related to the new fuel management system, fleet management system, and heap leach project, among others. The contracts for the Kinsevere expansion project, which were signed in 2022, include several packages that are currently ongoing in 2023. These packages include the cobalt plant construction package, third tailing storage facility (TSF3) construction package, roaster-gas plant-acid plant (RGA) EPC contract package, concentration plant construction package, and Sokoroshe II mine development package.

Dugald River

New and revised agreements were finalised to support the optimisation of production performance and operations. These agreements include contracts for inbound logistics, goods and services required for site equipment maintenance services, multiple contracts for the purchase of mobile equipment and contractor services related to the insourcing of production mining. Additionally, contracts were finalised for site support services such as camp management.

During this period, a major ongoing activity has been the review of long-term energy options. The objective of this review is to drive cost reduction and increase the adoption of renewable energy sources.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINUED

Rosebery

New and revised agreements were finalised for various significant goods and services. These agreements cover operational mine rehabilitation and development services, electrical services, groundwater monitoring, civil and construction services, and additional office leases.

In addition to these, there are agreements for engineering services and consultancy agreements to meet project-related requirements, and partial mobile fleet replacement.

Group

New and revised agreements have been finalised for various goods and services, including IT-related goods and services, as well as a number of professional services consultancy agreements. These consultancy agreements cover a range of areas such as SHEC (Safety, Health, Environment, and Community), Legal, HR (Human Resources), Corporate Affairs, Marketing, Assurance Risk and Audit, Climate, Social Performance, and OTE (Operation and Technical Excellence).

PEOPLE

As at 30 June 2023, the Group employed a total of 4,550 full-time equivalent employees (2022: 4,245) in its continuing operations (excluding contractors and casual employees) with the majority of employees based in Australia, Peru, the DRC, China and Laos.

Total employee benefits expenses for the Group's operations for the six months ended 30 June 2023, including Directors' emoluments, totalled US$172.1 million (2022: US$135.6 million). The increase was mainly due to insourcing mining processes at Dugald River and the commencement of the Kinsevere Expansion Project in the DRC.

The Group has remuneration policies that align with market practice and remunerates its employees based on the accountabilities of their role, their performance, market practice, legislative requirements and the performance of the Group. Employee benefits include market-competitive fixed remuneration, performance-related incentives, a limited company equity scheme and, in specific cases, insurance and medical support. A range of targeted training and development programs are provided to employees across the Group that are designed to improve individual capability and enhance employee and Group performance.

EXPLORATION ACTIVITIES

Las Bambas

Extensive drilling activities were carried out at various locations within the Ferrobamba pit. Specifically, drilling at Ferrobamba Deeps continued, which is situated directly beneath the current Ferrobamba Ore Reserve pit.

Ongoing studies and further drilling are planned for 2023 and 2024 to evaluate the mineralisation and determine potential mining methods including expansion of the open pit and/or an underground development at Ferrobamba Deeps.

Additionally, drilling activities were carried out at Ferrobamba South, Ferrobamba East, and West Plant targets, drilling primarily focused on near-surface, skarn and porphyry copper mineralisation. At Ferrobamba South, drilling specifically targeted the extension of mineralisation along the southern edge of the Ferrobamba pit. Similarly, at Ferrobamba East, the objective was to explore the extension of mineralisation east of the current open pit. At the West Plant project, drilling activities concentrated on identifying polymetallic intermediate sulfidation veins located west of the processing plant.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINUED

Kinsevere

During the first half year of 2023, exploration activities focused on resource testing drilling and resource delineation drilling at various targets within the Kinsevere mine site, the eastern zone of Sokoroshe II main orebody and the Nambulwa targets.

Resource testing drilling was conducted in the south-eastern part of the known main Sokoroshe II and Wasumbu target in Nambulwa. The purpose of this drilling was to test the copper-cobalt mineralisation at depth based on outlined targets that possess favourable lithological units, geophysical and geochemical anomalies.

Exploration drilling was completed in Kimbwe - Kafubu trend and the northwest part of the Mashi pit at the Kinsevere mine site. The objective of this drilling was to delineate potential copper and cobalt resources and target the up-dip and down-dip extension of copper mineralisation.

Dugald River

Exploration drilling at Dugald River in 2023 is focused on targeting the Extended Dugald River (EDR) utilising a surface rig. The EDR program aims to test the extension of zinc-lead-silver mineralisation down dip of the known orebody. Geological information gathered from this work will be used to improve the interpretation of the mineralised structure of the Dugald River Lode at depth.

Rosebery

During the first half of 2023, underground drilling activities primarily focused on resource testing around the H and Z lenses, H South, V North, and U Downdip. For the remainder of 2023, the key focus will be on resource testing of the U and Z lenses, as well as the southern extension of the Oak target.

Surface drilling primarily concentrated on prospect testing of AB North, Jupiter, North Hercules, Oak and the Sol target. The main focus areas for the remainder of 2023 will be Prospect Testing of Bastyan, EBR, Snake Gully, Sol and Jupiter.

It was worth noting that the drilling totals were impacted at the beginning of 2023 due to a fire in close proximity to the mine. However, with the delivery of two 'key' platforms, it is expected that drilling metres will likely increase towards the end of 2023.

Project	Hole Type	Meterage (Metres)	Number of Holes	Average Length (Metres)
Americas				
Las Bambas	Diamond (Ferrobamba Deeps)	11,802	29	407
	Diamond (Ferrobamba South)	5,649	7	807
	Diamond (Ferrobamba East)	1,983	4	496
	Diamond (West Plant)	2,228	4	557
Africa				
Kinsevere	Diamond (Sokoroshe II Resource)	4,103	27	152
	Diamond (Nambulwa – Wasumbu)	1,195	6	199
	Diamond (Nambulwa – Kimbwe Resource)	5,612	32	175
	Diamond (Mashi links Resource)	1,273	5	255
Australia				
Dugald River	Diamond Surface – Near Mine (EDR)	4,867	4	1,217
Rosebery	Diamond – In Mine	31,072	92	338
	Diamond – Mine Corridor	10,273	13	790
Total		**80,057**	**223**	**359**

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINUED

MATERIAL ACQUISITIONS AND DISPOSALS

The Group made no material acquisition or disposal for the six months ended 30 June 2023.

EVENTS AFTER THE REPORTING DATE

Other than the matters outlined below, there have been no matters that have occurred subsequent to the reporting date, which have significantly affected, or may significantly affect, the Group's operations, results or state of affairs in future years.

In July 2023, CMN provided additional flexibility for the US$2,161.3 million loan provided by Top Create Resources Limited ("Top Create") (a subsidiary of CMN). This allowed for repayments to be deferred in support of the Group's liquidity for future periods.

FINANCIAL AND OTHER RISK MANAGEMENT

Financial risk factors

The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the consolidated financial statements for the year ended 31 December 2022.

There have been no changes in the risk management policies since 31 December 2022.

(a) Commodity price risk

The prices of copper, zinc, lead, gold, silver and molybdenum are affected by numerous factors and events that are beyond the control of the Group. These metal prices change on daily basis and can vary significantly up and down over time. The factors impacting metal prices include both broader macro-economic developments and micro-economic considerations relating more specifically to the particular metal concerned.

During the six months ended 30 June 2023, the Group entered into various commodity trades to hedge the sales prices for copper and zinc. The outstanding commodity trades included:

- Zero/low-cost collar hedges:
  - 22,500 tons of copper at put strike price ranging from US$8,800/ton to US$9,100/ton and call strike price ranging from US$9,200/ton to US$9,600/ton
- Fixed price swap:
  - 1,500 tons of copper with fixed price ranging from US$9,000/ton to $9,010/ton.
- These commodity trades' settlement periods ranging from July 2023 to January 2024.

A change in commodity prices during the reporting period can result in favourable or unfavourable financial impact for the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINUED

The following table contains details of the hedging instrument used in the Group's hedging strategy:

	Term	Carrying Amount of Hedging Instrument US$ Million	Favourable/(Unfavourable) Changes in Fair Value Used for Measuring Ineffectiveness		Settled Portion of Hedging Instrument Realised Gains US$ Million	Hedging Gain Recognised in Cash Flow Hedge Reserve[1] US$ Million	Cost of Hedging Reserve US$ Million
			Hedging Instrument US$ Million	Hedged Item US$ Million			
Cash flow hedges:							
At 30 June 2023 and for six months ended 30 June 2023							
Derivative financial assets	March 2023 to December 2023	15.0	14.3	(14.3)	2.6	9.7	0.5
At 30 June 2022 and for six months ended 30 June 2022							
Derivative financial assets	March 2022 to December 2022	56.1	51.0	(51.0)	0.3	36.7	3.7

1 The hedging gain recognised in cash flow hedge reserve is the amount after tax.

At the reporting date, if the commodity prices increased/(decreased) by 10 per cent and all other variables were held constant, the Group's post-tax (loss)/profit and OCI would have changed as set out below:

	For Six Months Ended 30 June					
	2023			2022		
Commodity	Commodity Price Movement	Decrease in Loss US$ Million	Decrease in OCI US$ Million	Commodity Price Movement	Increase in Profit US$ Million	Decrease in OCI US$ Million
Copper	+10%	65.4	(9.4)	+10%	15.4	(15.3)
Zinc	+10%	3.3	-	+10%	2.9	(5.2)
Total		**68.7**	**(9.4)**		**18.3**	**(20.5)**

Commodity	Commodity Price Movement	Increase in Loss US$ Million	Increase in OCI US$ Million	Commodity Price Movement	Decrease in Profit US$ Million	Increase in OCI US$ Million
Copper	-10%	(65.4)	10.3	-10%	(15.3)	16.8
Zinc	-10%	(3.3)	-	-10%	(2.9)	5.8
Total		**(68.7)**	**10.3**		**(18.2)**	**22.6**

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINUED

(b) Interest rate risk

The Group is exposed to interest rate risk primarily through interest bearing borrowings and investment of surplus cash holdings. Deposits and borrowings at variable rates expose the Group to cash flow interest rate risk.

The Group regularly monitors its interest rate risk to ensure there are no undue exposures to significant interest rate movements. Any decision to hedge interest rate risk is assessed periodically in light of the overall Group's exposure, the prevailing interest rate market and any funding counterparty requirements. Regular reporting of the Group's debt and interest rates is provided to the MMG Executive Committee.

The Group is exposed to the risk-free rate of SOFR. The exposures arise on derivative and non-derivative financial assets and liabilities. The Group cash flow hedge relationship was affected by the interest rate benchmark reform. With the Interest Rate Swap (IRS) closure, the cash flow hedge relationship discontinued. The exposures mainly arise on non-derivative financial assets and liabilities.

The following table contains details of the cash flow hedge was affected by the Interest Rate Swap (IRS) closure:

	At 30 June 2023 And for Six Months Ended 30 June 2023		
	Balance in Cash Flow Hedge Reserve US$ Million	Amount Reclassified from the Cash Flow Hedge Reserve to Profit Or Loss US$ Million	Line Item Affected in Profit Or Loss Because of the Reclassification
Discontinued Cash Flow Hedges: Interest Rate Swap	64.1	1.7	Financial cost

	At 30 June 2022 And for Six Months Ended 30 June 2022							
				Favourable/(Unfavourable) Changes in Fair Value Used for Measuring Ineffectiveness				
	Term	Notional Amortising Amount US$ Million	Carrying Amount of Hedging Instrument US$ Million	Hedging Instrument US$ Million	Hedged Item US$ Million	Settled Portion of Hedging Instrument Realised Losses US$ Million	Hedging Gains Recognised in Cash Flow Hedge Reserve[2] US$ Million	Hedge Ineffectiveness Recognised in Profit Or Loss US$ Million
Cash flow hedges:								
Derivative financial asset[1]	June 2020 - June 2025	1,760.0	100.0	68.2	(68.2)	(2.2)	46.4	-

1 In 2020, the Group has entered into a notional US$2,100 million 5-year amortising interest rate swap with BOC Sydney. The purpose of the arrangement is to fix approximately half of the remaining interest rate exposure accompanying the floating interest rate MLB project facility (borrowings of US$2,653.6 million outstanding at 31 December 2022, maturing in July 2032) from CDB, ICBC, BOC Sydney and The Export-Import Bank of China for a period of 5 years. The interest rate swap hedge will amortise in line with the MLB project facility and swap the 6-month London Interbank Offered Rate ("LIBOR") exposure for a fixed rate (0.5568% per annum in the first year and 0.5425% per annum from June 2021 to June 2025);

2 The hedging gain recognised in cash flow hedge reserve is the amount after tax.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINUED

Interest rate sensitivity analysis

If the interest rate had increased/(decreased) by 100 basis points, with all other variables held constant, post-tax (loss)/profit and OCI would have changed as follows:

	For Six Months Ended 30 June					
	2023		2022			
	+100 Basis Points	-100 Basis Points	+100 Basis Points		-100 Basis Points	
US$ Million	Decrease/ (Increase) in Loss after Tax	(Increase)/ Decrease in Loss after Tax	Increase/ (Decrease) in Profit after Tax	Increase in OCI	(Decrease)/ Increase in Profit after Tax	Decrease in OCI
Financial assets						
Cash and cash equivalents	3.6	(3.6)	3.4	-	(3.4)	-
Financial liabilities						
Borrowings (including the impact of the IRS)	(23.5)	23.5	(5.8)	18.4	5.8	(18.4)
Total	**(19.9)**	**19.9**	**(2.4)**	**18.4**	**2.4**	**(18.4)**

(c) Liquidity risk

Compared to 31 December 2022, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

The Group has sufficient debt facilities to manage liquidity. The Group's available external debt facilities are subject to covenant compliance requirements. The Group was not in breach of covenant requirements in respect of the Group's borrowings at 30 June 2023. Certain financial covenants are measured with reference to the financial performance of the Group or its subsidiaries and may be influenced by future operational performance.

In addition, for six months ended 30 June 2023, the Las Bambas Joint Venture Group had an agreement with CMN and CITIC, each as direct or indirect off-takers of Las Bambas production, for early payment on cargoes already shipped and invoiced as well as pre-payments for inventory held at both port and site. Early payment and pre-payments are permitted up to an aggregate amount of US$268.0 million, allocated to each party in their respective off-take proportions. There was no early payment from CMN and CITIC under this agreement as at 30 June 2023.

Country and community risks

The Group conducts all of its operations outside of Hong Kong and, as such, it is exposed to various levels of political, economic and other risks and uncertainties. These risks and uncertainties vary from country to country. Material risks include, but are not limited to, regime or policy change, fluctuation in currency exchange rates, changes to licensing regimes and amendments to concessions, licences, permits and contracts, changing political conditions and governmental regulations and community disruptions. Changes in any aspects above and in the country where the Group operates may adversely affect the Group's operations and profitability. The decline in growth and macroeconomic activity in many developing nations has resulted in governments seeking alternative means of increasing their income, including increases to corporate tax, VAT and royalty rates, coupled with increased audit and compliance activity.

The DRC Government during 2018 made changes to the 2002 Mining Code and Mining Regulations. These changes were enacted (2018 Mining Code) and continue to result in an increased tax burden on mining companies; In Peru, over the past decades, Las Bambas has experienced heightened political instability with succession of regimes with differing political policies. As the community disruptions and political situation are expected to evolve in the near future, the Group will continue to work closely with the relevant authorities and community groups to minimise the potential risk of social instability and disruptions to the Las Bambas operations.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINUED

CONTINGENT LIABILITIES

Bank guarantees

Certain bank guarantees have been provided in connection with the operations of certain subsidiaries of the Company primarily associated with the terms of mining leases, mining concessions, exploration licences or key contracting arrangements. At the end of the reporting period, no material claims have been made under these guarantees. The amount of these guarantees may vary from time to time depending upon the requirements of the relevant regulatory authorities.

At 30 June 2023, these guarantees amounted to US$312.6 million (31 December 2022: US$297.5 million).

Contingent liabilities - tax related contingencies

The Group has operations in multiple countries, each with its own taxation regime. The nature of the Group's activities requires it to comply with various taxation obligations including corporation tax, royalties, withholding taxes, transfer pricing arrangements with related parties, resource and production-based taxes, environmental taxes and employment related taxes. Application of tax laws and interpretation of tax laws may require judgement to assess risk and estimate outcomes, particularly in relation to the application of income taxes and withholding tax to the Group's cross-border operations and transactions. The evaluation of tax risks considers both assessments received and potential sources of challenge from tax authorities. Additionally, the Group is currently subject to a range of audits and reviews by taxation authorities in Australia, Peru, Zambia, Laos and the DRC. Except for the financial impacts disclosed for the Peruvian tax matters in subsequent paragraphs, no disclosure of an estimate of financial effect of the subject matter has been made in the condensed consolidated interim financial statements as, in the opinion of the management of the Group, such disclosure may seriously prejudice the position of the Group in dealing with those matters.

Tax matters with uncertain outcomes arise in the normal course of business and occur due to changes in tax law, changes in interpretation of tax law, periodic challenges and disagreements with tax authorities, and legal proceedings. The status of proceedings for such uncertain tax matters will impact the ability to determine the potential exposure, and in some cases, it may not be possible to determine a range of possible outcomes, including timing of resolution or determining a reliable estimate of the potential exposure.

Peru – Withholding Taxes (2014, 2015, 2016 and 2017)

Included within such uncertain tax matters are audits of the 2014, 2015, 2016 and 2017 tax periods for Las Bambas in relation to withholding taxes on interest and fees paid under certain loans, which were provided to Las Bambas pursuant to facility agreements entered into among Las Bambas and a consortium of Chinese banks in connection with the acquisition of the Las Bambas mine in 2014. Las Bambas received assessment notices from the Peruvian tax authority (National Superintendence of Tax Administration of Peru or "SUNAT"), which advised that, in its opinion, Las Bambas and the Chinese banks are related parties and thus a 30 per cent withholding tax rate ought to be imposed on payments of interest and fees to such banks, rather than the 4.99 per cent applied by Las Bambas. The assessments of omitted tax plus penalties and interest as at 30 June 2023 totalled PEN2,053.7 million (approximately US$564.8 million).

In relation to these assessments, having received external legal and tax advice, the Group has formed the view that the Company and its controlled entities are not related parties to the Chinese banks under Peruvian tax law. Additionally, the Peruvian tax law was amended (with effect from October 2017) to provide expressly that parties are not related by being under state ownership for the purposes of withholding taxes. Las Bambas has appealed the assessments issued by SUNAT in the Peru Tax Court and the pronouncement is pending. Where MLB is not successful in rebutting or appealing such challenge(s), this could result in significant additional tax liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINUED

Peru –2016 Income Tax

In January 2023, Las Bambas received assessment notices from SUNAT in connection with the 2016 income tax audit (2016 Income Tax Assessment). The assessment denied the deductions for all interest on borrowings expensed during the 2016 tax year. This included the loans from Chinese banks where SUNAT denied the interest deductions on the basis that the borrowings were from related parties and that the alleged related party debt should be included in calculating Las Bambas' related party 'debt to equity' ratio (the 'thin capitalisation' threshold) which would then be breached. SUNAT also alleged that interest payable on the shareholder loan from MMG Swiss Finance A.G. is non-deductible, due to the application of the "Causality Principle" (i.e., the loan has no relevance to the income-producing activities of Las Bambas). Further, SUNAT separately alleged that the accounting treatment of the merger of Peruvian entities (subsequent to the acquisition of Las Bambas in 2014) should have resulted in a negative equity adjustment which would result in Las Bambas having no equity for the purposes of calculating its thin capitalisation allowance. The Assessment issued by SUNAT for tax, interest and penalties for the income tax year 2016 totalled PEN632.0 million (approximately US$174.0 million) as at 30 June 2023.

On 27 July 2023, SUNAT confirmed that it had considered Las Bambas' appeal against the Assessment and concluded that the Assessment remains correct and valid. Las Bambas will appeal to the Peru Tax Court.

Las Bambas has notified the Peru Government of a dispute pursuant to the Peru-Netherlands Bilateral Investment Treaty (Treaty) and is awaiting a response to the notification. The notification advises that, unless the matters can be resolved by negotiation, Las Bambas will seek damages from the Government of Peru for a number of breaches of the Treaty.

Considering the Las Bambas' proposed appeals and advice from the Las Bambas' tax and legal advisers, the Group did not recognise a liability in its condensed consolidated interim financial statements for any assessed amount. If Las Bambas is unsuccessful in its challenge on the SUNAT assessments, this could result in significant liabilities being recognised.

CHARGES ON ASSETS

As at 30 June 2023, certain borrowings of the Group were secured as follows:

(a) Approximately US$2,335.2 million (31 December 2022: US$2,653.6 million) from China Development Bank, Industrial and Commercial Bank of China Limited, BOC Sydney and The Export-Import Bank of China was secured by share security over the entire share capital of MMG South America Management Company Limited and each of its subsidiaries including MLB, a debenture over the assets of MMG South America Management Company Limited, an assets pledge agreement and production unit mortgage in respect of all of the assets of MLB, assignments of shareholder loans between MMG South America Management Company Limited and its subsidiaries and security agreements over bank accounts of MLB; and

(b) Approximately US$5.5 million (31 December 2022: US$22.0 million) from ICBC Peru Bank, Banco de Crédito del Peru and Scotiabank Peru was secured by mine fleet equipment procured under asset finance arrangements.

FUTURE PROSPECTS

MMG's vision is to create a leading international mining company for a low-carbon future. We mine to create wealth for our people, host communities and shareholders with an ambition to grow and diversify our resources, production and value, by leveraging Chinese and international expertise. Our strong relationship with China draws upon the strength of the world's largest commodities consumer and provides a deep understanding of markets and access to its sources of funding.

The Company is focused on maximising the value of our existing assets by increasing our safety performance, improving competitiveness, containing costs, continually improving productivity, building successful relationships with our host communities and governments and growing our resource base. We are actively pursuing our next phase of disciplined growth.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINUED

Las Bambas copper production in 2023 is expected to be in the range of 265,000 and 305,000 tonnes. MMG expects to produce between 40,000 and 48,000 tonnes of copper cathode at Kinsevere, and between 190,000 and 215,000 tonnes of zinc at its Dugald River and Rosebery operations in 2023.

Las Bambas annual production is expected to reach 380,000-400,000 tonnes in the medium term with the extended contribution from the Chalcobamba project. The Las Bambas team is working toward enduring agreements for the development of the Chalcobamba deposit with the Huancuire community. We are hopeful that the development can commence by the end of 2023. The continued development of Las Bambas is significant for the economy of Peru and will support additional social contributions and financial and business opportunities for local and regional communities.

In the DRC, MMG continues to progress the next phase of **Kinsevere Expansion Project**, namely the transition to the mining and processing of sulphide ores. This project will extend Kinsevere's mine life and increase copper production back to around 80,000 tonnes of copper cathode per annum and 4,000 to 6,000 tonnes of cobalt in cobalt hydroxide. The construction of the cobalt plant is on track, with the majority of the structural and mechanical installation completed by the end of June. The first cobalt production is expected in 2023. First cathode production from sulphides is expected in 2024. MMG will continue to invest in regional exploration programs focusing on proving up discoveries within an operating radius of the Kinsevere mine.

In relation to **Dugald River**, the Company remains committed to safe, greener and sustainable production to deliver annual ore mined throughput of 2,000,000 tonnes in the future years. This will pave the way for targeted zinc equivalent production to remain at around 200,000 tonnes annually. MMG will build on the already operational long-term solar offtake agreement to pursue more green, reliable and cost-effective energy solutions, including supporting CopperString 2032, which aims to connect Queensland's North West Minerals Province to the National Electricity Grid.

At **Rosebery**, an accelerated resource extension and near mine exploration drilling program is currently in progress to support a mine life extension. MMG remains committed to extending the operating life of this important asset, proactively investigating all feasible options to secure a sustainable tailings storage solution.

In line with previous guidance, total capital expenditure in 2023 is expected to be between US$700 million and US$850 million. US$350-400 million is attributable to Las Bambas, including the expansion of the Las Bambas tailings dam facility and Ferrobamba pit infrastructure. At Kinsevere, capital expenditure related to the Kinsevere Expansion Project is expected to be between US$200-250 million for the new plant with US$50-100 million on associated capitalised mining.

MMG will continue to focus on the next phase of growth. Currently, the company has no future plans for material investments or capital assets sanctioned by the Board, other than those detailed in this report or announced to the market.

OTHER INFORMATION

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2023, the interests and short positions of the Directors and the CEO of the Company or any of their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (SFO)), which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be kept pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (Model Code) were as follows:

LONG POSITION IN THE SHARES AND THE UNDERLYING SHARES OF THE COMPANY AS AT 30 JUNE 2023

			Number of Underlying Shares Held		
Name of Directors	Nature of Interest	Number of Shares Held	Options	Performance Awards	Approximate Percentage of Total Number of Issued Shares (%)[3]
LI Liangang[1]	Personal	764,962	-	2,009,859	0.03
XU Jiqing[2]	Personal	940,050	-	-	0.01

Notes:
1 The interests of Mr Li Liangang in the 764,962 shares were from the vested performance awards granted to him under 2020 Performance Awards which were subject to meeting performance conditions and vested on 1 June 2023. The interests in the 2,009,859 performance awards were granted under 2021 and 2022 Performance Awards, details of which are set out under the section headed 'Performance Awards' on pages 39 to 42 of this Interim Report.
2 The 940,050 shares held by Mr Xu Jiqing were the balance of the vested performance awards granted to him under 2015 Performance Awards in 2015 and 2016 which were subject to holding locks for various periods of up to three years after vesting in 2018.
3 The calculation is based on the number of shares and/or underlying shares as a percentage of the total number of issued shares of the Company (that is, 8,656,047,188 shares) as at 30 June 2023.

Save as disclosed above, as at 30 June 2023, none of the Directors or the CEO of the Company or any of their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, which they are taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register required to be kept pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code. In addition, none of the Directors or the CEO of the Company or any of their associates had been granted or had exercised any rights to subscribe for any equity or debt securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) during the six months ended 30 June 2023.

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SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as is known to the Directors and the CEO of the Company, as at 30 June 2023, the following persons had interests or short positions in the shares or underlying shares of the Company that were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or that were recorded in the register required to be kept by the Company under Section 336 of the SFO:

LONG POSITION IN THE SHARES OF THE COMPANY AS AT 30 JUNE 2023

Name of Substantial Shareholders	Capacity	Number of Shares Held[1]	Approximate Percentage of Total Number of Issued Shares (%)[2]
China Minmetals Corporation (CMC)	Interest of controlled corporations	5,847,166,374	67.55
China Minmetals Corporation Limited (CMCL)	Interest of controlled corporations	5,847,166,374	67.55
China Minmetals Non-ferrous Metals Holding Company Limited (CMNH)	Interest of controlled corporations	5,847,166,374	67.55
China Minmetals Non-ferrous Metals Company Limited (CMN)	Interest of controlled corporations	5,847,166,374	67.55
Album Enterprises Limited (Album Enterprises)	Interest of controlled corporations	5,847,166,374	67.55
China Minmetals H.K. (Holdings) Limited (Minmetals HK)	Beneficial owner	5,847,166,374	67.55

Notes:
1 Minmetals HK is owned as to approximately 39.04 per cent, 38.95 per cent and 22.01 per cent by CMCL, Album Enterprises and Top Create respectively. Album Enterprises and Top Create are wholly owned by CMN that, in turn, is owned as to approximately 99.999 per cent and 0.001 per cent by CMNH and CMCL respectively. CMNH is a wholly owned subsidiary of CMCL. CMCL is owned as to approximately 87.5 per cent by CMC and approximately 0.8 per cent by China National Metal Products Co. Ltd. that, in turn, is a wholly owned subsidiary of CMC. Accordingly, each of CMC, CMCL, CMNH, CMN and Album Enterprises was deemed as interested in the 5,847,166,374 shares of the Company held by Minmetals HK.
2 The calculation is based on the number of shares that each person is interested in (whether directly/indirectly interested or deemed to be interested) as a percentage of the total number of issued shares (that is, 8,656,047,188 shares) of the Company as at 30 June 2023.

Save as disclosed above, as at 30 June 2023, there was no other person who was recorded in the register of the Company, as having an interest or short positions in the shares or underlying shares of the Company who was required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was recorded in the register required to be kept by the Company under Section 336 of the SFO.

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BORROWINGS

Particulars of borrowings of the Group, as at 30 June 2023, are set out in Note 15 to the Condensed Consolidated Financial Statements.

During 2023, the Company and its subsidiaries continued to maintain loan agreements that included conditions imposing specific performance obligations on a controlling Shareholder. A breach of such an obligation would cause a default in respect of loans that are significant to the operations of the issuer, the details of which are set out below.

LOAN AGREEMENTS WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDER

In accordance with the continuing disclosure requirements under Rule 13.21 of the Listing Rules, following are the details of the Group's facility agreements that contain covenants requiring specific performance obligations of the controlling Shareholders.

1. **Facility granted by China Development Bank, Bank of China Limited, Sydney Branch, Bank of Communications Co., Ltd. and The Export-Import Bank of China to Minera Las Bambas S.A.**

   On 19 October 2020, Minera Las Bambas S.A. (MLB) entered into a US$800.0 million three-year credit facility for its operational funding requirements with each of CDB, BOC Sydney, ICBC Macau and EXIM Bank, (2020 Las Bambas Facility). As at 30 June 2023, under 2020 Las Bambas Facility, US$550.0 million was drawn.

   In June 2022, ICBC Macau transferred its interests in the 2020 Las Bambas Facility to BOCOM.

   Under the 2020 Las Bambas Facility, upon the occurrence of the following events, CDB, BOC Sydney, BOCOM and EXIM Bank may, by not less than 20 days' notice to MLB, declare all outstanding loans under their respective facility agreement immediately due and payable:

   (a) China Minmetals Corporation (CMC) ceases to beneficially hold more than 50 per cent of the issued share capital of the Company; or

   (b) CMC ceases to have the power, directly or indirectly, to:

      (i) cast, or control the casting of, more than 50 per cent of the maximum number of votes that might be cast at a general meeting of the Company; or

      (ii) appoint or remove all, or the majority, of the directors or other equivalent officers of the Company; or

      (iii) give directions with respect to the operating and financial policies of the Company with which the directors or other equivalent officers of the Company are obliged to comply.

The same control requirements are imposed on the Company in relation to its interest in and control of MLB, failing which CDB, BOC Sydney, BOCOM and EXIM Bank may also cancel commitments and declare all outstanding loans under their respective facility agreement immediately due and payable.

2. **Facility granted by Industrial and Commercial Bank of China Limited to MMG Finance Limited**

   On 21 December 2020, MMG Finance Limited (MMG Finance) entered into a facility agreement (2020 ICBC Facility) pursuant to which ICBC agreed to provide MMG Finance with a US$300.0 million revolving credit facility for a term of three years for general corporate purposes. As at 30 June 2023, under 2020 ICBC Facility, US$300.0 million was drawn.

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Under the 2020 ICBC Facility, an event of default will occur in the event that the Company ceases to be a subsidiary of CMN, or MMG Finance ceases to be a wholly owned subsidiary of the Company, and ICBC is entitled to declare all outstanding loans under the facilities immediately due and payable.

3. **Facility granted by Bank of China Limited, Sydney Branch to MLB**

   On 26 April 2023, MLB entered into a US$275.0 million three-year revolving loan facility for its general funding requirements with BOC Sydney (2023 BOC Facility). The 2023 BOC Facility replaced the US$175.0 million working capital facility that BOC Sydney granted to MLB from August 2019 to August 2022. As at 30 June 2023, the 2023 BOC Facility was undrawn.

   Under 2023 BOC Facility, upon the occurrence of the following events, BOC Sydney may, by not less than 5 days' notice to MLB, declare all outstanding loans under the facility agreement due and payable:

   (a) CMC ceases to beneficially hold more than 50 per cent of the issued share capital of the Company; or

   (b) CMC ceases to have the power, directly or indirectly, to:

      (i) cast, or control the casting of, more than 50% of the maximum number of votes that might be cast at a general meeting of the Company;

      (ii) appoint or remove all, or the majority, of the directors or other equivalent officers of the Company; or

      (iii) directions with respect to the operating and financial policies of the Company with which the directors or other equivalent officers of the Company are obliged to comply.

The same control requirements are imposed on the Company in relation to its interest in, and control of MLB, failing which the Lenders may also declare all outstanding loans under the Facility Agreement immediately due and payable.

4. **Facility granted by Industrial and Commercial Bank of China Limited, Panama Branch to MLB**

   On 18 June 2023, MLB entered into a US$150.0 million revolving credit facility for working capital funding with ICBC Panama, (2023 ICBC Facility). The 2023 ICBC Facility is comprised of three tranches of US$50.0 million available with a term of three years and to be drawn pursuant to facility agreements with the ICBC Panama. The 2023 ICBC Facility replaced the US$175.0 million working capital facility that ICBC Luxembourg granted to MLB from August 2019 to August 2022. As at 30 June 2023, the 2023 ICBC Facility was undrawn.

   Under the 2023 ICBC Facility, upon the occurrence of the following events, ICBC Panama may, by not less than 3 days' notice to MLB., declare all outstanding loans under the facility agreements immediately due and payable:

   (a) CMC ceases to beneficially hold more than 50 per cent of the issued share capital of the Company; or

   (b) CMC ceases to have the power, directly or indirectly, to:

      (i) cast, or control the casting of, more than 50 per cent of the maximum number of votes that might be cast at a general meeting of the Company;

      (ii) appoint or remove all, or the majority, of the directors or other equivalent officers of the Company; or

      (iii) give directions with respect to the operating and financial policies of the Company with which the directors or other equivalent officers of the Company are obliged to comply.

The same control requirements are imposed on the Company in relation to its interest in and control of MLB, failing which the lenders may also declare all outstanding loans under the facility agreements immediately due and payable.

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SHARE OPTION SCHEME

2013 SHARE OPTION SCHEME

Pursuant to share option scheme adopted at the extraordinary general meeting of the Company held on 26 March 2013 (2013 Share Option Scheme), options were granted to eligible participants under 2016 Options. The option period of 2013 Share Option Scheme has been expired in March 2023. As at 30 June 2023, there were no options outstanding which granted under 2016 Options.

The following is a summary of the principal terms of the 2013 Share Option Scheme:

1. **Purpose**

   The purpose of the 2013 Share Option Scheme is to enable the Company to grant awards to selected employees of the Group as incentives or rewards for their contribution or potential contribution to the development and growth of the Group.

2. **Participants**

   The Company may grant an option to anyone who is an employee of the Company, its subsidiaries or any other company that is associated with the Company and is so designated by the Directors on the date of grant.

3. **Total number of shares available for issue under the 2013 Share Option Scheme**

   There were no outstanding shares available under 2013 Share Option Scheme as at the date of this report.

4. **Maximum entitlement of each participant**

   No option may be granted to any eligible person which, if exercised in full, would result in the total number of shares issued and to be issued upon exercise of the options already granted and to be granted to such eligible person under the 2013 Share Option Scheme (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such new grant exceeding 1 per cent of the total number of issued shares of the Company as at the date of such new grant. Any grant of further options above this limit shall be subject to the requirements under the Listing Rules.

5. **Period within which the shares must be taken up under an option**

   The Board may in its absolute discretion determine the period during which an option may be exercised, save that such period shall not be more than 10 years from the date on which such option is granted and accepted subject to the provisions for early termination.

6. **Minimum period for which an option must be held before it can be exercised**

   The minimum period for which an option must be held before it can be exercised is 12 months from the date of grant, subject to the Board having the right to determine a longer minimum period at the time of granting the option.

7. **Time of acceptance and the amount payable on acceptance of the option**

   No amount is payable upon application or acceptance of an option.

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8. **Basis of determining the exercise price**

   The exercise price shall be determined by the Board at the time of grant of the relevant option and shall not be less than the highest of:

   - the closing price per share of the Company as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date of grant of the relevant option; and
   - an amount equivalent to the average closing price per share of the Company as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the relevant option.

9. **The remaining life of the 2013 Share Option Scheme**

   The 2013 Share Option Scheme was expired in March 2023.

2016 OPTIONS

On 15 December 2016, the Company granted options to the eligible participants pursuant to the 2013 Share Option Scheme (2016 Options). The option period of 2016 Options has been expired in May 2023. There were no options outstanding as at 30 June 2023.

During the six months ended 30 June 2023, the movements of the 2016 Options were as follows:

				Number of Options				
Category Participant	Date of Grant[1]	Exercise Price Per Share (HK$)	Exercise Period[2]	Balance As at 1 January 2023	Granted During the Period	Exercised During the Period[3]	Lapsed During the Period[4]	Balance As at 30 June 2023
Employees of the Group	15 December 2016	2.29	4 years after the date of vesting	3,261,984	-	(3,158,983)	(103,001)	-
Total				**3,261,984**	**-**	**(3,158,983)**	**(103,001)**	**-**

Notes:
1 The closing price of the shares of the Company immediately before the date on which the options were granted on 15 December 2016 was HK$2.25 per share.
2 The vesting and performance period of the options is three years from 1 January 2016 to 31 December 2018, with 60 per cent of vested options exercisable from 1 January 2019 and 40 per cent of the vested options subject to a 12-month exercise deferral period, such options being exercisable after 1 January 2020. The vesting of options is conditional upon the achievement of certain performance conditions as set out in the respective letters of grant including, among others, achievement of resources growth and market-related performance targets during the vesting period. Options vest on a percentage basis based on the target performance level achieved. Achievement of the Company and individual performance conditions have resulted in 33.33 per cent of the 2016 Options granted to participants vesting on 22 May 2019.
3 The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK$2.83.
4 Options lapsed due to cessation of employment.
5 No options were cancelled during the year.

The estimated fair value of the options granted on 15 December 2016 was approximately US$0.1371 each, estimated as at the date of grant by using the Black-Scholes option-pricing model.

The value of the share options was subject to a number of assumptions and limitations of the option-pricing model, including a risk-free interest rate, option price volatility, expected life of the option, market price of the Company's shares and expected dividend. The risk-free interest rate was 1.89 per cent, the expected volatility used in calculating the value of options was 40 per cent and the expected dividend was assumed to be nil.

OTHER INFORMATION

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The validity period of the options is from the date of vesting until four years from 22 May 2019 to 22 May 2023. The vesting and performance period of the options was three years from 1 January 2016 to 31 December 2018. The 2016 Options vested with an overall outcome of 33.33 per cent of the target values on 22 May 2019. In accordance with the terms and conditions of the 2016 Options, if a participant ceased employment before the expiry of the vesting period, the option would lapse unless the participant departed due to certain specific reasons including ill-health, injury or disability, retirement with the agreement of the employer, redundancy, death, the participating employing company ceasing to be part of the Group and any other reason, subject to approval by the Board. In addition, if a participant ceased employment after expiry of the vesting period, the option would lapse six months after the date the participant ceased to be an employee.

PERFORMANCE AWARDS

The purpose of the performance awards is to assist in the retention and incentivisation of selected employees of Members of the Group and align their interests with the development and growth of the Group.

The Company may grant performance awards to anyone who is an employee of the Group or any other company that is associated with the Company and is so designated by Directors.

The Governance, Nomination, Remuneration and Sustainability Committee has reviewed the following plans for approval by the Board from 1 January 2022 to 30 June 2023:

- 2022 Long-Term Incentive Plan;
- Vesting of 0 per cent of Share Awards under 2019 Long-Term Incentive Plan;
- Structure of the 2023 Long-Term Incentive Plan; and
- Vesting of 33.33 per cent of Share Awards under 2020 Long-Term Incentive Plan.

Pursuant to the performance awards granted under the Long-Term Incentive Equity Plan, performance awards were granted to eligible participants under the 2020 Performance Awards, 2021 Performance Awards and 2022 Performance Awards. As at 30 June 2023, there were a total of 41,652,668 performance awards granted under the 2021 Performance Awards and 2022 Performance Awards, which represented approximately 0.48 per cent of the total number of issued shares of the Company as at that date.

OTHER INFORMATION

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2020 PERFORMANCE AWARDS

On 29 April 2020, the Company granted performance awards to the eligible participants pursuant to the Long-Term Incentive Equity Plan (2020 Performance Awards). There were no performance awards outstanding as at 30 June 2023 due to vesting has been completed in June 2023.

During the six months ended 30 June 2023, the movements of the 2020 Performance Awards were as follows:

		Number of Performance Awards					
Category and Name of Participants	Date of Grant[2]	Balance as at 1 January 2023	Granted During the Period	Vested During the Period[2]	Cancelled During the Period	Lapsed During the Period[3]	Balance as at 30 June 2023
Director							
Li Liangang[1]	29 April 2020	2,295,115	-	(764,962)	-	(1,530,153)	-
Employees of the Group	29 April 2020	45,943,153	-	(12,356,010)	-	(33,587,143)	-
Total		**48,238,268**	**-**	**(13,120,972)**	**-**	**(35,117,296)**	**-**

Notes:

1 Upon vesting has been completed in June 2023, portion of the performance awards of 764,962 were vested and 1,530,153 performance awards were lapsed during the vesting period.

2 The vesting and performance period of the performance awards is three years from 1 January 2020 to 31 December 2022. The vesting has been completed in June 2023. The vesting of performance awards is conditional upon the achievement of certain performance conditions as set out in the respective letters of grant including, among others, achievement of resources growth, financial and market-related performance targets during the vesting period. Performance awards vest on a percentage basis based on the threshold and target performance levels achieved. Portions of the vested performance awards will be subject to holding locks for various periods of up to two years after vesting. The performance awards are granted for nil cash consideration. Achievement of the Company and individual performance conditions have resulted in 33.33% of the 2020 Performance Awards granted to participants vesting on 1 June 2023. The closing price on the vesting date and the date before the vesting date were HK$2.39 and HK$2.35 respectively. The closing price of the Shares of the Company immediately before the date on which the performance awards were granted on 29 April 2020 was HK$1.34 per share.

3 Performance awards lapsed due to non-achievement of performance conditions during the vesting period and cessation of employment during the period.

The estimated fair value of the performance awards granted on 29 April 2020 was approximately US$0.1462 each, estimated at the date of grant by using Monte Carlo Simulations (for market based conditions) and reference to market price of the Company's shares at the date of grant.

The value of the performance awards was subject to a number of assumptions and limitations of the performance awards-pricing model, including a risk-free interest rate, price volatility, expected life of the performance awards, market price of the Company's shares and expected dividend. The risk-free interest rate was 0.80 per cent; the expected volatility used in calculating the value of performance awards was 60.29 per cent and the expected dividend was assumed to be nil.

OTHER INFORMATION

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2021 PERFORMANCE AWARDS

On 21 June 2021, the Company granted performance awards to the eligible participants pursuant to the Long-Term Incentive Equity Plan (2021 Performance Awards). There were 14,298,396 performance awards outstanding as at 30 June 2023, representing approximately 0.17 per cent of the total number of issued shares of the Company as at that date.

During the six months ended 30 June 2023, the movements of the 2021 Performance Awards were as follows:

		Number of Performance Awards					
Category and Name of Participants	Date of Grant[2]	Balance as at 1 January 2023	Granted During the Period	Vested During the Period	Cancelled During the Period	Lapsed During the Period[3]	Balance as at 30 June 2023
Director							
Li Liangang[1]	21 June 2021	760,615	-	-	-	-	760,615
Employees of the Group	21 June 2021	14,060,567	-	-	-	(522,786)	13,537,781
Total		**14,821,182**	**-**	**-**	**-**	**(522,786)**	**14,298,396**

Notes:

1 Mr Li Liangang was appointed as the Interim CEO and an Executive Director of the Company on 5 January 2022. He was granted 760,615 performance awards on 21 June 2021.

2 The vesting and performance period of the performance awards is three years from 1 January 2021 to 31 December 2023. The time of vesting will be on or around June 2024. The vesting of performance awards is conditional upon the achievement of certain performance conditions as set out in the respective letters of grant including, among others, achievement of resources growth, financial and market- related performance targets during the vesting period. Performance awards vest on a percentage basis based on the threshold and target performance levels achieved. Portions of the vested performance awards will be subject to holding locks for various periods of up to two years after vesting. The performance awards are granted for nil cash consideration. The closing price of the Shares of the Company immediately before the date on which the performance awards were granted on 21 June 2021 was HK$3.39 per share.

3 Performance awards lapsed due to cessation of employment during the period.

The estimated fair value of the performance awards granted on 21 June 2021 was approximately US$0.3928 each, estimated at the date of grant by using Monte Carlo Simulations (for market based conditions) and reference to market price of the Company's shares at the date of grant.

The value of the performance awards was subject to a number of assumptions and limitations of the performance awards-pricing model, including a risk-free interest rate, price volatility, expected life of the performance awards, market price of the Company's shares and expected dividend. The risk-free interest rate was 0.45 per cent; the expected volatility used in calculating the value of performance awards was 69.06 per cent and the expected dividend was assumed to be nil.

OTHER INFORMATION

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2022 PERFORMANCE AWARDS

On 21 April 2022, the Company granted performance awards to the eligible participants pursuant to the Long-Term Incentive Equity Plan (2022 Performance Awards). There were 27,354,272 performance awards outstanding as at 30 June 2023, representing approximately 0.32 per cent of the total number of issued shares of the Company as at that date.

During the six months ended 30 June 2023, the movements of the 2022 Performance Awards were as follows:

		Number of Performance Awards					
Category and Name of Participants	Date of Grant[1]	Balance as at 1 January 2023	Granted During the Period	Vested During the Period	Cancelled During the Period	Lapsed During the Period[2]	Balance as at 30 June 2023
Director							
LI Liangang[1]	21 April 2022	1,249,244		-	-	-	1,249,244
Employees of the Group	21 April 2022	26,802,050		-	-	(697,022)	26,105,028
Total		**28,051,294**		**-**	**-**	**(697,022)**	**27,354,272**

Notes:

1 The vesting and performance period of the performance awards is three years from 1 January 2022 to 31 December 2024. The time of vesting will be on or around June 2025. The vesting of performance awards is conditional upon the achievement of certain performance conditions as set out in the respective letters of grant including, among others, achievement of resources growth, financial and market-related performance targets during the vesting period. Performance awards vest on a percentage basis based on the threshold and target performance levels achieved. Portions of the vested performance awards will be subject to holding locks for various periods of up to two years after vesting. The performance awards are granted for nil cash consideration. The closing price of the Shares of the Company immediately before the date on which the performance awards were granted on 21 April 2022 was HK$3.50 per share.

2 Performance awards lapsed due to cessation of employment during the period.

The estimated fair value of the performance awards granted on 21 April 2022 was approximately US$0.4114 each, estimated at the date of grant by using Monte Carlo Simulations (for market based conditions) and reference to market price of the Company's shares at the date of grant.

The value of the performance awards was subject to a number of assumptions and limitations of the performance awards-pricing model, including a risk-free interest rate, price volatility, expected life of the performance awards, market price of the Company's shares and expected dividend. The risk-free interest rate was 2.87 per cent; the expected volatility used in calculating the value of performance awards was 68.26 per cent and the expected dividend was assumed to be nil.

OTHER INFORMATION

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CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices by emphasising a quality Board, sound internal controls, and transparency and accountability to all Shareholders.

The Company has complied with all the code provisions set out in the Corporate Governance Code (CG Code) under Appendix 14 of the Listing Rules throughout the six months ended 30 June 2023, except for the deviations from code provisions C.2.7, F.1.1 and F.2.2 of the CG Code as explained below.

Code provision C.2.7 of the CG Code requires that the Chairman should at least annually hold meetings with the independent non-executive directors without the presence of other directors. The then Chairman of the Board was Mr Jiao Jian. He resigned as the Chairman of the Board and a Non-Executive Director with effect from 31 March 2023. During the reporting period, the then Chairman met with all the Directors including the Non-executive Directors and Independent Non-executive Directors at each Board meeting, except the boarding meeting held after 31 March due to his resignation. The preliminary section of each meeting was devoted to an exchange of ideas and discussion between the Chairman and the Directors.

Code provision F.1.1 of the CG Code requires the issuer should have a policy on payment of dividends. The Company does not have a dividend policy. The Board will decide on the declaration/recommendation of any future dividends after taking into consideration a number of factors, including the prevailing market conditions, the Company's operating results, future growth requirements, liquidity position, and other factors that the Board considers relevant. The recommendation of the payment of any dividend is subject to the discretion of the Board, and any declaration of dividend will be subject to the approval of Shareholders at the annual general meeting of the Company.

Code provision F.2.2 of the CG Code requires the Chairman of the Board to attend and answer questions at the Annual General Meeting (AGM). Mr Jiao Jian, the then Chairman of the Board, resigned as the Chairman of the Board on 31 March 2023. As such, Mr Leung Cheuk Yan, an Independent Non-executive Director, a member of the Audit and Risk Management Committee and the Governance, Remuneration, Nomination and Sustainability Committee of the Company, was nominated by the Board to take the chair of the AGM on 25 May 2023.

The Company adopted a Board Charter to outline the manner in which its constitutional powers and responsibilities will be exercised, delegated and discharged, having regard to principles of good corporate governance, international best practices and applicable laws. The Board Charter is adopted on the basis that strong corporate governance can add to the performance of the Company, create Shareholder value and engender the confidence of the investment market.

AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee comprised five members including three Independent Non-executive Directors, namely Mr Chan Ka Keung, Peter as Chair, Dr Peter Cassidy, Mr Leung Cheuk Yan and two Non-executive Directors, namely Mr Zhang Shuqiang and Mr Xu Jiqing.

The Audit and Risk Management Committee is principally responsible for (i) the financial reporting related matters, such as reviewing financial information and overseeing financial reporting related systems and controls; and (ii) advising the Board on high-level risk related matters, risk management and internal control, including advising on risk assessment and oversight of the internal audit function.

The Audit and Risk Management Committee has reviewed the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2023, which have also been reviewed by the Company's independent auditor, Deloitte Touche Tohmatsu, in accordance with the Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

OTHER INFORMATION

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DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a model code for securities trading by Directors (Securities Trading Model Code) on terms no less exacting than the required standard of the Model Code.

Specific enquiry was made with all the Directors and all confirmed that they have complied with the requirements set out in the Model Code and the Securities Trading Model Code during the six months ended 30 June 2023.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B of the Listing Rules, the information on Directors provided since publication of Company's Annual Report 2022 up to 15 August 2023 (being the date of approval of the Company's Interim Report) are set out below:

CHANGES IN DIRECTORSHIPS

Name of Director	Position	Details of Change
Jiao Jian	Non-executive Director and the Chairman	Resigned as a Chairman and a Non-executive Director of the Company on 31 March 2023.
Xu Jiqing	Non-executive Director	He was appointed as a Chairman of the Company on 18 August 2023.

CHANGES IN REMUNERATION

Name of Director	Position	Details of Changes
Li Liangang	Executive Director and Interim CEO	1. Total fixed remuneration increased effective 1 January 2023 from A$852,313 to A$882,144. Increase following standard MMG Annual Remuneration Review process. 2. Total fixed remuneration increased effective 1 July 2023 from A$882,144 to A$884,250. Increase due to legislative changes to the Superannuation Guarantee Contribution. 3. A higher duties allowance implemented from 5 January 2022 of A$600,000 (A$50,000 per month) to reflect Mr Li's temporary role as Interim CEO continues to be provided.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2023.

INDEPENDENT REVIEW REPORT

Deloitte. 德勤

To the Board of Directors of MMG Limited
(Incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the condensed consolidated interim financial statements of MMG Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as set out on pages 47 to 79, which comprise the condensed consolidated interim statement of financial position as of 30 June 2023 and the related condensed consolidated interim statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
15 August 2023

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FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS

		Six Months Ended 30 June	
	Notes	2023 (Unaudited) US$ Million	2022 (Unaudited) US$ Million
Revenue	3	1,896.2	1,408.0
Other income/(loss)		2.6	(1.6)
Expenses (excluding depreciation and amortisation)	4	(1,263.0)	(754.7)
Earnings before interest, income tax, depreciation and amortisation expenses – EBITDA		**635.8**	**651.7**
Depreciation and amortisation expenses	4	(445.9)	(351.1)
Earnings before interest and income tax – EBIT		**189.9**	**300.6**
Finance income	5	4.3	3.4
Finance costs	5	(184.6)	(140.5)
Profit before income tax		**9.6**	**163.5**
Income tax expense	6	(34.5)	(73.7)
(Loss)/profit for the period		**(24.9)**	**89.8**
(Loss)/profit for the period attributable to:			
Equity holders of the Company		(58.8)	79.5
Non-controlling interests		33.9	10.3
		(24.9)	**89.8**
(Loss)/earnings per share attributable to the equity holders of the Company			
Basic (loss)/earnings per share	7	US (0.68) cents	US 0.92 cents
Diluted (loss)/earnings per share	7	US (0.68) cents	US 0.92 cents

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Six Months Ended 30 June	
	2023 (Unaudited) US$ Million	2022 (Unaudited) US$ Million
(Loss)/profit for the period	**(24.9)**	**89.8**
Other comprehensive (expense)/income		
Items that may be reclassified to profit or loss		
Movement on hedging instruments designated as cash flow hedges	(4.6)	124.2
Income tax credit/(expense) relating to cash flow hedges	1.4	(37.6)
Item that will not be reclassified to profit or loss		
Remeasurement on the net defined benefit liability	(0.9)	-
Other comprehensive (loss)/income for the period, net of income tax	**(4.1)**	**86.6**
Total comprehensive (loss)/income for the period	**(29.0)**	**176.4**
Total comprehensive (loss)/income attributable to:		
Equity holders of the Company	(61.7)	140.8
Non-controlling interests	32.7	35.6
	(29.0)	**176.4**

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2023 (Unaudited) US$ Million	As at 31 December 2022 (Audited) US$ Million
ASSETS			
Non-current assets			
Property, plant and equipment	9	9,378.2	9,509.4
Right-of-use assets		122.2	111.2
Intangible assets		533.4	534.2
Inventories		127.6	122.2
Deferred income tax assets		243.4	315.7
Other receivables		177.5	167.5
Derivative financial assets	11	-	113.9
Other financial assets		2.0	1.5
Total non-current assets		**10,584.3**	**10,875.6**
Current assets			
Inventories		723.8	872.6
Trade and other receivables	12	821.2	342.5
Current income tax assets		47.0	60.5
Derivative financial assets	11	18.8	12.1
Cash and cash equivalents		523.7	372.2
Total current assets		**2,134.5**	**1,659.9**
Total assets		**12,718.8**	**12,535.5**
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	13	3,224.6	3,220.5
Reserves and retained profits	14	(1,147.2)	(1,081.5)
		2,077.4	**2,139.0**
Non-controlling interests	10	2,122.2	2,089.5
Total equity		**4,199.6**	**4,228.5**

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

CONTINUED

	Notes	As at 30 June 2023 (Unaudited) US$ Million	As at 31 December 2022 (Audited) US$ Million
LIABILITIES			
Non-current liabilities			
Borrowings	15	3,993.5	4,209.6
Lease liabilities		127.4	117.4
Provisions		621.2	599.2
Trade and other payables	16	243.6	217.5
Deferred income tax liabilities		1,123.9	1,208.0
Total non-current liabilities		**6,109.6**	**6,351.7**
Current liabilities			
Borrowings	15	1,587.1	1,203.0
Lease liabilities		23.0	21.3
Provisions		82.8	81.0
Derivative financial liabilities	11	-	0.3
Trade and other payables	16	657.5	535.5
Current income tax liabilities		59.2	114.2
Total current liabilities		**2,409.6**	**1,955.3**
Total liabilities		**8,519.2**	**8,307.0**
Net current liabilities		**(275.1)**	**(295.4)**
Total equity and liabilities		**12,718.8**	**12,535.5**

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	For Six Months Ended 30 June 2023 (Unaudited)					
	Attributable to Equity Holders of the Company					
US$ Million	Share Capital	Total Reserves	Retained Profits	Total	Non-Controlling Interests	Total Equity
	(Note 13)	(Note 14)	(Note 14)			
At 1 January 2023	**3,220.5**	**(1,826.7)**	**745.2**	**2,139.0**	**2,089.5**	**4,228.5**
(Loss)/profit for the period	-	-	(58.8)	**(58.8)**	33.9	**(24.9)**
Other comprehensive loss for the period	-	(2.9)	-	**(2.9)**	(1.2)	**(4.1)**
Total comprehensive (loss)/ income for the period	**-**	**(2.9)**	**(58.8)**	**(61.7)**	**32.7**	**(29.0)**
Transactions with owners						
Employee long-term incentives	-	(1.1)	-	**(1.1)**	-	**(1.1)**
Employee share options and performance awards exercised and vested	4.1	(2.9)	-	**1.2**	-	**1.2**
Employee share options lapsed	-	(0.1)	0.1	**-**	-	**-**
Total transactions with owners	**4.1**	**(4.1)**	**0.1**	**0.1**	**-**	**0.1**
At 30 June 2023	**3,224.6**	**(1,833.7)**	**686.5**	**2,077.4**	**2,122.2**	**4,199.6**

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

	For Six Months Ended 30 June 2022 (Unaudited)					
	Attributable to Equity Holders of the Company					
US$ Million	Share Capital	Total Reserves	Retained Profits	Total	Non-Controlling Interests	Total Equity
	(Note 13)	(Note 14)	(Note 14)			
At 1 January 2022	**3,220.3**	**(1,862.7)**	**572.9**	**1,930.5**	**1,997.5**	**3,928.0**
Profit for the period	-	-	79.5	**79.5**	10.3	**89.8**
Other comprehensive income for the period	-	61.3	-	**61.3**	25.3	**86.6**
Total comprehensive income for the period	**-**	**61.3**	**79.5**	**140.8**	**35.6**	**176.4**
Transactions with owners						
Transfer of surplus reserve	-	0.1	(0.1)	**-**	-	**-**
Employee long-term incentives	-	(1.4)	-	**(1.4)**	-	**(1.4)**
Employee share options exercised	0.2	(0.1)	-	**0.1**	-	**0.1**
Total transactions with owners	**0.2**	**(1.4)**	**(0.1)**	**(1.3)**	**-**	**(1.3)**
At 30 June 2022	**3,220.5**	**(1,802.8)**	**652.3**	**2,070.0**	**2,033.1**	**4,103.1**

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	Six Months Ended 30 June	
	2023 (Unaudited) US$ Million	2022 (Unaudited) US$ Million
Cash flows from operating activities		
Receipts from customers	1,719.3	1,430.4
Payments to suppliers and employees	(1,217.6)	(1,061.1)
Payments for exploration expenditure	(22.5)	(10.8)
Income tax paid	(35.6)	(212.0)
Net settlement of commodity hedges	(18.0)	(11.7)
Net cash generated from operating activities	**425.6**	**134.8**
Cash flows from investing activities		
Purchase of property, plant and equipment	(302.1)	(204.1)
Purchase of intangible assets	-	(1.0)
Net cash used in investing activities	**(302.1)**	**(205.1)**
Cash flows from financing activities		
Proceeds from external borrowings	800.0	250.0
Repayments of external borrowings	(434.9)	(835.0)
Repayments of related party borrowings	(200.0)	-
Net settlement of interest rate swap	36.3	(2.2)
Proceeds from shares issued upon exercise of employee share options	1.2	0.1
Repayment of lease liabilities	(19.2)	(15.9)
Interest and financing costs paid on external borrowings	(139.6)	(79.8)
Interest and financing costs paid on related party borrowings	(12.5)	(4.1)
Withholding taxes paid in respect of financing arrangements	(5.9)	(4.3)
Interest received	2.6	3.3
Net cash generated from/(used in) financing activities	**28.0**	**(687.9)**
Net increase/(decrease) in cash and cash equivalents	**151.5**	**(758.2)**
Cash and cash equivalents at 1 January	372.2	1,255.3
Cash and cash equivalents at 30 June	**523.7**	**497.1**

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION AND INDEPENDENT REVIEW

MMG Limited (the "Company") is a limited liability company and was incorporated in Hong Kong on 29 July 1988. The address of its registered office is Unit 1208, 12/F, China Minmetals Tower, 79 Chatham Road South, Tsimshatsui, Kowloon, Hong Kong. The principal place of business of the Company is disclosed in the Corporate Information section to the Group's 2023 Interim Report.

The Company is an investment holding company listed on the main board of The Stock Exchange of Hong Kong Limited ("HKEx").

The Company and its subsidiaries (the "Group") are engaged in the exploration, development and mining of copper, zinc, gold, silver, molybdenum and lead deposits around the world.

The condensed consolidated interim financial statements for six months ended 30 June 2023 are presented in United States Dollars ("US$" or "USD") unless otherwise stated and were approved for issue by the Board of Directors of the Company (the "Board") on 15 August 2023.

The financial information relating to the year ended 31 December 2022 that is included in these condensed consolidated interim financial statements as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

- The Company has delivered the financial statements for the year ended 31 December 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.
- The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

The condensed consolidated interim financial statements for six months ended 30 June 2023 are unaudited and have been reviewed by the audit committee and the external auditor of the Company.

2. BASIS OF PREPARATION

These condensed consolidated interim financial statements for six months ended 30 June 2023 have been prepared in accordance with applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the HKEx and Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting,* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2022, which were prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA.

The condensed consolidated interim financial statements have been prepared on the going concern basis which assumes the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business. Management of the Group continues to closely monitor the liquidity position of the Group, which includes the sensitised analysis of forecast cash balances for key financial risks (including commodity and foreign exchange risks) over the short and medium term to ensure adequate liquidity is maintained.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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At 30 June 2023, the Group had net current liabilities of US$275.1 million (31 December 2022: US$295.4 million) and cash and cash equivalents of US$523.7 million (31 December 2022: US$372.2 million). For six months ended 30 June 2023, the Group recognised a net loss of US$24.9 million (30 June 2022: net profit of US$89.8 million) and operational net cash inflows of US$425.6 million (30 June 2022: US$134.8 million).

Cash flow forecasts include drawdowns from existing and new credit facilities and the successful extension of revolving credit facilities ("RCF"). With the inclusion of these assumptions, the Group will have sufficient liquidity to meet its operational, existing contractual debt service and capital expenditure requirements for the 12-month period from the approval of the condensed consolidated interim financial statements.

Management notes the following considerations, relevant to the Group's ability to continue as a going concern:

- The Group has US$775.0 million undrawn facilities as at 30 June 2023:
  - A US$350.0 million undrawn RCF from Album Enterprises Limited ("Album Enterprises") (a subsidiary of China Minmetals Non-ferrous Metals Co., Ltd ("CMN")). This facility was successfully extended for 1 year and will expire in August 2024;
  - A new US$275.0 million undrawn RCF from BOC which will expire in April 2026;
  - A new US$150.0 million undrawn RCF from ICBC made up from three tranches of US$50.0 million each set to expire in March, May and June 2026;
- The Group expects to obtain, renew or extend a number of facilities:
  - A new US$100 million Term Loan Facility with an external bank. Documents have been finalised and are in the execution phase;
  - A new US$300 million Term Loan Facility from Top Create Resources Limited ("Top Create") (a subsidiary of CMN) which has been finalised but waiting for Top Create's registration approval from the Ministry of Commerce of China. This facility supports the Kinsevere Expansion Project ("KEP") project;
  - A new RCF of up to US$200 million currently being negotiated with a potential new lender;
  - Renewal of an existing US$800.0 million RCF from external banks, currently being negotiated prior to its maturity date of October 2023. As at 30 June 2023, US$550 million was drawn, however the balance of US$250.0 million is no longer available for draw down due to the facility documentation not being amended to US Secured Overnight Financing Rate ("SOFR"). The transition to SOFR will occur as part of the facility's renewal; and
  - Renewal of an existing US$300.0 million RCF from ICBC. This facility was fully drawn at 30 June 2023 and is maturing in December 2023. The Group has negotiated to extend the expiry date and potentially increase the facility by an additional US$200.0 million. Lender approval is expected by end of August followed by finalisation of the facility agreement and execution.
- The Group's major shareholder, CMN remains committed to supporting the Group's liquidity. In July 2023, CMN provided additional flexibility for the US$2,161.3 million loan provided by Top Create. This allowed for repayments to be deferred in support of the Group's liquidity for the term of the loan.

In the event that forecast cash flow is not achieved or if existing or expected new debt facilities are insufficient or not obtained in a timely manner, the Group has the ongoing support of its major shareholder, CMN. Support to the Group may be in the form of providing additional debt facilities, deferral of debt service and repayment obligations in relation to existing shareholder loans from CMN, early payments for shipments of product or through further equity contributions.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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Based on above, and a review of forecast financial position and results of the Group for the twelve months from approval of these condensed consolidated interim financial statements, the directors are of the view that the Group will be able to meet its debts as and when they fall due and accordingly the condensed consolidated interim financial statements have been prepared on the going concern basis.

2.1 Accounting policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for financial assets and financial liabilities at fair value through profit or loss and through other comprehensive income, which are measured at fair value.

The accounting policies applied are consistent with those of the consolidated financial statements for the year ended 31 December 2022, except for the adoption of new amendments to the existing standards as set out below.

Amendments to existing standards effective and adopted in 2023

In the current interim period, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendment to HKAS 8	Definition of Accounting Estimates
Amendment to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

In addition, the Group applied the following agenda decision of the Committee of the International Accounting Standards Board ("IASB") which are relevant to the Group:

Definition of a Lease – Substitution Rights (HKFRS 16 Leases)

The application of above amendments and the Committee's agenda decision in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and on the disclosures set out in these condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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2.2 Critical estimates and judgements

The preparation of condensed consolidated interim financial statements requires management of the Group to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Significant judgement and estimates applied by management in assessing recoverability of non-financial assets have been disclosed in Note 9.

Other than the above, the significant judgements made by management of the Group in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2022.

3. SEGMENT INFORMATION

HKFRS 8 "*Operating Segments*" requires operating segments to be identified on the basis of internal reports about operations of the Group that are regularly reviewed by the chief operating decision-maker ("CODM") in order to allocate resources to the segment and assess its performance.

The Company's Executive Committee has been identified as the CODM. The Executive Committee reviews the Group's internal reporting of these operations in order to assess performance and allocate resources.

The Group's reportable segments are as follows:

Las Bambas	The Las Bambas mine is a large open-pit, scalable, long-life copper and molybdenum mining operation with prospective exploration options. It is located in the Cotabambas, Apurimac region of Peru.
Kinsevere	Kinsevere is an open-pit copper mining operation located in the Haut-Katanga Province of the Democratic Republic of the Congo ("DRC").
Dugald River	The Dugald River mine is an underground zinc mining operation located near Cloncurry in North West Queensland.
Rosebery	Rosebery is an underground polymetallic base metal mining operation located on Tasmania's west coast.
Other	Includes corporate entities in the Group.

A segment result represents the EBIT by each segment. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance. Other information provided, except as disclosed in the following paragraph, to the CODM is measured in a manner consistent with that in these condensed consolidated interim financial statements.

Segment assets exclude current income tax assets, deferred income tax assets and net inter-segment receivables. Segment liabilities exclude current income tax liabilities, deferred income tax liabilities and net inter-segment loans. The excluded assets and liabilities are presented as part of the reconciliation to total consolidated assets or liabilities.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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The segment revenue and result for six months ended 30 June 2023 are as follows:

US$ Million	Las Bambas	Kinsevere	Dugald River	Rosebery	Other Unallocated Items/ Eliminations	Group
Revenue by metals						
-*Copper*[1]	1,248.0	178.4[3]	-	4.1	1.5	**1,432.0**
-*Zinc*[2]	-	-	106.7	38.3	-	**145.0**
-*Lead*	-	-	13.7	11.5	-	**25.2**
-*Gold*	79.3	-	-	25.0	-	**104.3**
-*Silver*	50.9	-	12.3	24.3	-	**87.5**
-*Molybdenum*	102.2	-	-	-	-	**102.2**
Revenue from contracts with customers	**1,480.4**	**178.4**	**132.7**	**103.2**	**1.5**	**1,896.2**
EBITDA	**643.0**	**(13.8)**	**(26.4)**	**35.6**	**(2.6)**	**635.8**
Depreciation and amortisation expenses	(390.8)	(8.3)	(23.6)	(26.7)	3.5	**(445.9)**
EBIT	**252.2**	**(22.1)**	**(50.0)**	**8.9**	**0.9**	**189.9**
Finance income						4.3
Finance costs						(184.6)
Income tax expense						(34.5)
Loss for the period						**(24.9)**

The segment assets and liabilities as at 30 June 2023 are as follows:

US$ Million	Las Bambas	Kinsevere	Dugald River	Rosebery	Other Unallocated Items/ Eliminations	Group
Segment assets	**9,990.6**	**683.1**	**633.8**	**272.0**	**848.9**[4]	**12,428.4**
Current/deferred income tax assets						290.4
Consolidated assets						**12,718.8**
Segment liabilities	**3,902.0**	**290.2**	**369.2**	**174.2**	**2,600.5**[5]	**7,336.1**
Current/deferred income tax liabilities						1,183.1
Consolidated liabilities						**8,519.2**
Segment non-current assets	**8,855.4**	**536.6**	**591.1**	**238.3**	**362.9**	**10,584.3**

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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The segment revenue and result for six months ended 30 June 2022 were as follows:

US$ Million	Las Bambas	Kinsevere	Dugald River	Rosebery	Other Unallocated Items/ Eliminations	Group
Revenue by metals						
-Copper[1]	689.5	202.2[3]	-	4.1	1.0	**896.8**
-Zinc[2]	-	-	229.5	76.2	-	**305.7**
-Lead	-	-	15.3	16.7	-	**32.0**
-Gold	39.0	-	-	23.2	-	**62.2**
-Silver	25.5	-	12.8	22.0	-	**60.3**
-Molybdenum	51.0	-	-	-	-	**51.0**
Revenue from contracts with customers	**805.0**	**202.2**	**257.6**	**142.2**	**1.0**	**1,408.0**
EBITDA	**411.9**	**64.5**	**123.8**	**55.9**	**(4.4)**	**651.7**
Depreciation and amortisation expenses	(295.1)	(13.2)	(28.2)	(19.2)	4.6	**(351.1)**
EBIT	**116.8**	**51.3**	**95.6**	**36.7**	**0.2**	**300.6**
Finance income						3.4
Finance costs						(140.5)
Income tax expense						(73.7)
Profit for the period						**89.8**

The segment assets and liabilities as at 31 December 2022 are as follows:

US$ Million	Las Bambas	Kinsevere	Dugald River	Rosebery	Other Unallocated Items/ Eliminations	Group
Segment assets	**10,275.6**	**539.6**	**654.3**	**276.1**	**413.7**[4]	**12,159.3**
Current/deferred income tax assets						376.2
Consolidated assets						**12,535.5**
Segment liabilities	**3,965.4**	**240.2**	**358.4**	**175.4**	**2,245.4**[5]	**6,984.8**
Current/deferred income tax liabilities						1,322.2
Consolidated liabilities						**8,307.0**
Segment non-current assets	**9,231.8**	**387.6**	**583.1**	**245.3**	**427.8**	**10,875.6**

1 Commodity derivative realised and unrealised net losses with a total amount of US$28.3 million (2022: net gains of US$2.4 million) were included in "Revenue" of Copper;
2 Commodity derivative realised and unrealised net losses with a total amount of US$3.0 million (2022: net gains of US$2.3 million) were included in "Revenue" of Zinc;
3 Commodity hedge trades with realised and unrealised net losses of US$0.1 million (2022: gains of US$7.0 million) under "Kinsevere" were executed by another subsidiary of the Company, MMG Finance Limited located in Hong Kong;
4 Included in segment assets of US$848.9 million (31 December 2022: US$413.7 million) under the other unallocated items is cash of US$323.4 million (31 December 2022: US$171.7 million) mainly held at Group's treasury entities and trade receivables of US$366.9 million (31 December 2022: US$102.9 million) for MMG South America Company Limited ("MMG SA") in relation to copper concentrate sales; and
5 Included in segment liabilities of US$2,600.5 million (31 December 2022: US$2,245.4 million) under the other unallocated items are borrowings of US$2,461.1 million (31 December 2022: US$2,160.9 million) which are managed at Group level.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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4. EXPENSES

Profit before income tax includes the following specific expenses:

	Six Months Ended 30 June	
	2023 (Unaudited) US$ Million	2022 (Unaudited) US$ Million
Changes in inventories of finished goods and work in progress	144.8	(68.2)
Write-down of inventories to net realisable value	18.8	2.6
Employee benefit expenses[1]	150.1	116.9
Contracting and consulting expenses[3]	274.0	230.1
Energy costs	178.6	117.2
Stores and consumables costs	238.0	162.3
Depreciation and amortisation expenses[2]	437.3	342.2
Other production expenses[3]	102.7	72.7
Cost of goods sold	**1,544.3**	**975.8**
Other operating expenses[1]	24.1	13.4
Royalties	64.5	56.7
Selling expenses[3]	61.5	58.1
Operating expenses including depreciation and amortisation[4]	**1,694.4**	**1,104.0**
Exploration expenses[1,2,3]	25.0	10.8
Administrative expenses[1,3]	3.3	5.5
Foreign exchange gains – net	(19.7)	(22.1)
(Gain)/loss on financial assets at fair value through profit or loss	(0.5)	0.1
Other expenses[1,2,3]	6.4	7.5
Total expenses	**1,708.9**	**1,105.8**

1 In aggregate, US$22.0 million (2022: US$18.7 million) of employee benefit expenses were included in administrative expenses, exploration expenses, other operating expenses and other expenses categories. Total employee benefit expenses were US$172.1 million (2022: US$135.6 million).
2 In aggregate, US$8.6 million (2022: US$8.9 million) of depreciation and amortisation expenses were included in exploration expenses and other expenses categories. Total depreciation and amortisation expenses were US$445.9 million (2022: US$351.1 million).
3 The expense under these categories include expenditure in respect of contracts assessed as leases but which did not qualify for recognition as right of use assets included US$50.5 million (2022: US$13.7 million) in respect of variable lease payments, US$0.4 million (2022: US$1.0 million) for short-term leases and US$2.9 million (2022: US$0.7 million) for low-value leases.
4 Operating expenses include mining and processing costs, royalties, selling expenses (including transportation) and other costs incurred by operations.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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5. FINANCE INCOME AND FINANCE COSTS

	Six Months Ended 30 June	
	2023 (Unaudited) US$ Million	2022 (Unaudited) US$ Million
Finance income		
Interest income on cash and cash equivalents	4.3	3.4
Finance income – total	**4.3**	**3.4**
Finance costs		
Interest expense on bank borrowings	(105.4)	(81.2)
Interest expense on related party borrowings (Note 17(a))	(51.9)	(46.0)
Withholding taxes in respect of financing arrangements	(7.9)	(4.4)
Unwinding of discount on provisions	(11.3)	(5.1)
Unwinding of interest on lease liabilities	(6.4)	(5.9)
Other external finance (costs)/refund – net	(2.6)	2.9
Other related party finance costs (Note 17(a))	(0.8)	(0.8)
	(186.3)	**(140.5)**
Gain reclassified from equity to profit or loss on interest rate swaps designated as cash flow hedges (Note 11)	1.7	-
Finance costs – total	**(184.6)**	**(140.5)**

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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6. INCOME TAX EXPENSE

Hong Kong profits tax is provided at a rate of 16.5 per cent where there are net assessable profits derived for the period. The income tax rates applicable for the main jurisdictions in which the Group operates are: Australia (30.0 per cent), Peru (32.0 per cent) and DRC (30.0 per cent). Tax rates for some jurisdictions are covered by historical legal agreements with governments. Taxation on profits arising from other jurisdictions has been calculated on the estimated assessable profits for the period at the rates prevailing in the relevant jurisdictions.

The Group recognises deferred income tax assets if it is probable that future taxable amounts will be available to utilise the deductible temporary differences and unused tax losses in the foreseeable future. Management will continue to assess the recognition of deferred income tax assets in future reporting periods.

	Six Months Ended 30 June	
	2023 (Unaudited) US$ Million	2022 (Unaudited) US$ Million
Current income tax expense		
– HK income tax	0.8	0.1
– Overseas income tax	44.1	63.8
	44.9	**63.9**
Deferred income tax (credit)/expense		
– HK income tax	(0.8)	1.1
– Overseas income tax	(9.6)	8.7
	(10.4)	**9.8**
Income tax expense	**34.5**	**73.7**

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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7. (LOSS)/EARNINGS PER SHARE

Basic loss/earnings per share is calculated by dividing the loss/profit attributable to equity holders of the Company by the weighted average number of ordinary shares on issue during the reporting period.

Diluted loss/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the Company's share options and performance awards on issue, a calculation is performed to determine the number of shares that could have been acquired at fair value (determined at the average market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options and performance awards. The number of shares calculated as below is compared with the number of shares that would have been issued assuming the exercise of the share options and performance awards. However, for the period ended 30 June 2023, no conversion of dilutive potential ordinary shares was assumed as it would result in a decrease in the loss per share.

	Six Months Ended 30 June	
	2023 (Unaudited) US$ Million	2022 (Unaudited) US$ Million
(Loss)/profit attributable to equity holders of the Company in the calculation of basic and diluted (loss)/earnings per share	(58.8)	79.5
	Number of Shares '000	Number of Shares '000
Weighted average number of ordinary shares used in the calculation of the basic (loss)/earnings per share	8,642,932	8,639,467
Shares deemed to be issued in respect of long-term incentive equity plans	-	44,644
Weighted average number of ordinary shares used in the calculation of the diluted (loss)/earnings per share	8,642,932	8,684,111
Basic (loss)/earnings per share	**US (0.68) cents**	**US 0.92 cents**
Diluted (loss)/earnings per share	**US (0.68) cents**	**US 0.92 cents**

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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8. DIVIDENDS

The Directors did not recommend the payment of any dividends during the six months ended 30 June 2023 (2022: nil).

9. PROPERTY, PLANT AND EQUIPMENT

Six Months Ended 30 June 2023 (Unaudited)	US$ Million
Net book amount at 1 January 2023	9,509.4
Additions	300.6
Depreciation and amortisation	(431.4)
Disposals[1]	(0.4)
Net book amount at 30 June 2023	**9,378.2**

1 For 6 months ended 30 June 2023, there was a net loss of US$0.4 million (2022: US$0.2 million) from disposals of property, plant and equipment.

Impairment review of non-current assets and goodwill

In accordance with the Group's accounting policies and processes, the Group performs its annual impairment assessment at 31 December. Additionally, the Cash Generating Units ("CGUs") are reviewed at each reporting period to determine whether there is an indication of impairment or impairment reversal. Where an indicator of impairment or impairment reversal exists, an impairment assessment is performed.

Management of the Group has reviewed indicators for impairment across all of the Group's CGUs as at 30 June 2023. Management of the Group has concluded that no indicators for impairment or impairment reversal were identified during the reporting period in respect of any of the Group's CGUs. Therefore, no impairment assessment for any of the CGUs was performed at 30 June 2023.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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10. PRINCIPAL SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

The Group had total non-controlling interests of US$2,122.2 million at 30 June 2023 (31 December 2022: US$2,089.5 million) which relate to the Las Bambas Joint Venture Group.

The summarised financial information is shown on a 100 per cent basis. It represents the amounts shown in the Las Bambas Joint Venture Group's consolidated financial statements prepared in accordance with HKFRSs under Group's accounting policies, before inter-company eliminations.

Summarised Consolidated Statement of Financial Position

	30 June 2023 (Unaudited) US$ Million	31 December 2022 (Audited) US$ Million
Assets	**10,629.8**	**10,684.4**
Current	1,623.2	1,224.1
Include: Cash and cash equivalents	182.7	171.8
Non-current	9,006.6	9,460.3
Liabilities	**(4,970.7)**	**(5,111.9)**
Current	(1,500.3)	(1,391.4)
Non-current	(3,470.4)	(3,720.5)
Net assets	**5,659.1**	**5,572.5**

Summarised Consolidated Statement of Comprehensive Income

	Six Months Ended 30 June	
	2023 (Unaudited) US$ Million	2022 (Audited) US$ Million
Revenue	1,480.4	805.0
Net financial cost	(115.7)	(84.4)
Income tax expense	(46.3)	(5.0)
Profit for the period	**89.7**	**27.3**
Other comprehensive (loss)/income for the period, net of tax	(3.2)	67.8
Total comprehensive income	**86.5**	**95.1**
Total comprehensive income attributable to:		
Equity holders of the Company	53.8	59.5
Non-controlling interests	32.7	35.6
	86.5	**95.1**

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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11. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

	30 June 2023	31 December 2022
	US$ Million	US$ Million
Assets		
Non-current		
Interest rate swap[1]	-	113.9
Current		
Commodity derivative-Copper	18.8	8.1
Commodity derivative-Zinc	-	4.0
	18.8	**126.0**
Liabilities		
Current		
Commodity derivative-Copper	-	(0.3)
	-	**(0.3)**

1 In June 2020, the Group has entered into a notional US$2,100 million 5-year amortising interest rate swap ("IRS") with Bank of China, Sydney branch ("BOC Sydney"). The purpose of the arrangement was to fix approximately half of the interest rate exposure accompanying the floating interest rate project facility at Las Bambas for a period of 5 years. The IRS was designated as a cash flow hedge and consequently fair value changes were initially recognised under other comprehensive income ("OCI") and recycled to the profit and loss when realised in accordance with the repayment schedule on the project facility.

In June 2023, management closed the IRS. As at the date of closure, the IRS had a positive valuation of $96.0 million which was recognised as under 'other receivables' as at 30 June 2023 with cash proceeds received on 3 July 2023. Fair value gains on the IRS are retained in the OCI and will be recycled to profit and loss over the life of the original IRS based on the cashflow profile of the IRS at the time of closure. As at 30 June 2023, the OCI remaining balance is US$64.1 million.

For 6 months ended 30 June 2023, post-tax OCI from IRS contracts was a loss of US$13.4 million (2022: gain of US$46.4 million); post-tax OCI from commodity hedges which was designated as cash flow hedge was US$10.2 million (2022: US$40.2 million). Refer to Note 20.1 (a) for further details.

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12. TRADE AND OTHER RECEIVABLES

At 30 June 2023, trade receivables of the Group included in "Trade and other receivables" mainly related to the mining operations with the balance of US$538.5 million (31 December 2022: US$212.7 million). The majority of sales for mining operations were made under contractual arrangements whereby provisional documents are issued in line with requirement under the sales contract. The sales amount related to provision invoice is usually received within 30 days of submission of all required documentation and fulfilment of obligations under the respective incoterm for the sales; Upon issuance of final invoice at end of the quotational period, any remaining balance is then receivable within 30 days from such final invoice being issued. All the trade receivables at 30 June 2023 and 31 December 2022 were aged within six months from the date of invoice and were measured at fair value at the balance sheet date as these are subject to change in accordance with movements in the commodity price.

The Group's trade receivables, other receivables and prepayments with an amount of US$321.7 million (31 December 2022: US$106.4 million) were from a related company of the Group (Note 17(c)). The carrying amounts of the Group's trade receivables are all denominated in US$.

Other receivables included US$96.0 million from the IRS closure as of 30 June 2023. The full amount was received on 3 July 2023. Refer to Note 11 for further details.

13. SHARE CAPITAL

	Number of Ordinary Shares '000	Share Capital US$ Million
Issued and fully paid:		
At 1 January 2022	8,639,126	3,220.3
Employee share options exercised	641	0.2
At 31 December 2022 (audited)	**8,639,767**	**3,220.5**
Employee share options and performance awards exercised and vested[1]	16,280	4.1
At 30 June 2023 (unaudited)	**8,656,047**	**3,224.6**

1 For six months ended 30 June 2023, a total of 3,158,983 new shares were issued as a result of employee share options exercised at a weighted average exercise price of HK$2.29 per share under the Company's 2016 Share Options which were pursuant to 2013 Share Option Scheme. The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK$2.83 per share; a total of 13,120,972 new shares were issued as a result of 2020 Performance Awards vesting on 1 June 2023.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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14. RESERVES AND RETAINED PROFITS

US$ Million	Special Capital Reserve	Exchange Translation Reserve	Merger Reserve[1]	Surplus Reserve[2]	Share-Based Payment Reserve	Cash Flow Hedge Reserve[3]	Other Reserve	Total Reserves	Retained Profits	Total
At 1 January 2023 (audited)	**9.4**	**2.7**	**(1,946.9)**	**50.2**	**9.9**	**48.5**	**(0.5)**	**(1,826.7)**	**745.2**	**(1,081.5)**
Loss for the period	-	-	-	-	-	-	-	**-**	(58.8)	**(58.8)**
Other comprehensive loss for the period	-	-	-	-	-	(2.0)	(0.9)	**(2.9)**	-	**(2.9)**
Total comprehensive loss for the period	**-**	**-**	**-**	**-**	**-**	**(2.0)**	**(0.9)**	**(2.9)**	**(58.8)**	**(61.7)**
Employee long-term incentives	-	-	-	-	(1.1)	-	-	**(1.1)**	-	**(1.1)**
Employee share options and performance awards exercised	-	-	-	-	(2.9)	-	-	**(2.9)**	-	**(2.9)**
Employee share options lapsed	-	-	-	-	(0.1)	-	-	**(0.1)**	0.1	**-**
Total transactions with owners	**-**	**-**	**-**	**-**	**(4.1)**	**-**	**-**	**(4.1)**	**0.1**	**(4.0)**
At 30 June 2023 (unaudited)	**9.4**	**2.7**	**(1,946.9)**	**50.2**	**5.8**	**46.5**	**(1.4)**	**(1,833.7)**	**686.5**	**(1,147.2)**

US$ Million	Special Capital Reserve	Exchange Translation Reserve	Merger Reserve[1]	Surplus Reserve[2]	Share-Based Payment Reserve	Cash Flow Hedge Reserve[3]	Other Reserve	Total Reserves	Retained Profits	Total
At 1 January 2022 (audited)	**9.4**	**2.7**	**(1,946.9)**	**50.1**	**8.9**	**13.6**	**(0.5)**	**(1,862.7)**	**572.9**	**(1,289.8)**
Profit for the period	-	-	-	-	-	-	-	**-**	79.5	**79.5**
Other comprehensive income for the period	-	-	-	-	-	61.3	-	**61.3**	-	**61.3**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**61.3**	**-**	**61.3**	**79.5**	**140.8**
Transfer of surplus reserve	-	-	-	0.1	-	-	-	**0.1**	(0.1)	**-**
Employee long-term incentives	-	-	-	-	(1.4)	-	-	**(1.4)**	-	**(1.4)**
Employee share options exercised	-	-	-	-	(0.1)	-	-	**(0.1)**	-	**(0.1)**
Total transactions with owners	**-**	**-**	**-**	**0.1**	**(1.5)**	**-**	**-**	**(1.4)**	**(0.1)**	**(1.5)**
At 30 June 2022 (unaudited)	**9.4**	**2.7**	**(1,946.9)**	**50.2**	**7.4**	**74.9**	**(0.5)**	**(1,802.8)**	**652.3**	**(1,150.5)**

1 Merger reserve represents the excess of investment cost in entities that have been accounted for under merger accounting for common control combinations in accordance with AG5 (Accounting Guideline 5 issued by the HKICPA) against their share capital;

2 In Peru, according to the General Law of Companies, surplus reserve is constituted by transferring 10%, as a minimum, of the net income for each period, after deducting accumulated losses, until reaching an amount equivalent to a fifth of capital; In China, the Economic Law requires the company to transfer 10% of the net income to surplus reserve until reaching an amount to half of its capital; and

3 The cashflow hedge reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge including commodity hedge and IRS that are determined to be effective and are attributed to equity holders of the Company. For six months ended 30 June 2023, there were realised gains of US$38.0 million (2022: loss of US$2.2 million) which were transferred to "financial costs" from settlements of IRS; There were realised gains of US$2.6 million (2022: US$0.3 million) which were transferred to "revenue" from settlement of commodity hedge (Note 20.1(a)).

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15. BORROWINGS

	30 June 2023 (Unaudited) US$ Million	31 December 2022 (Audited) US$ Million
Non-current		
Loans from related parties (Note 17(c))	2,231.3	2,231.3
Bank borrowings, net	1,762.2	1,978.3
	3,993.5	**4,209.6**
Current		
Loan from related parties (Note 17(c), 21)	200.0	400.0
Bank borrowings, net	1,387.1	803.0
	1,587.1	**1,203.0**
Analysed as:		
- Secured	2,340.7	2,675.7
- Unsecured	3,281.3	2,781.2
	5,622.0	**5,456.9**
Prepayments – finance charges	(41.4)	(44.3)
	5,580.6	**5,412.6**
Borrowings (excluding prepayments) are repayable as follows:		
- Within one year	1,592.3	1,208.8
- More than one year but not exceeding two years	1,026.8	1,136.8
- More than two years but not exceeding five years	2,181.6	2,181.6
- More than five years	821.3	929.7
	5,622.0	**5,456.9**
Prepayments – finance charges	(41.4)	(44.3)
Total (Note 20(d))	**5,580.6**	**5,412.6**

The effective interest rate of borrowings for six months ended 30 June 2023 was 5.2 per cent (2022: 4.2 per cent) per annum.

A fundamental reform of major interest rate benchmarks has been undertaken globally to replace some interbank offered rates ("IBORs") with alternative nearly risk-free rates. As at 30 June 2023, the London Interbank Offered Rate ("LIBOR") has ceased to be published. As such, the Group has finalised its US dollar LIBOR replacement to SOFR in respect of key existing borrowings and certain operating contracts that had LIBOR provisions actively used.

In the first half of 2023, the Group transitioned US$2,605.2 million bank borrowings and US$350.0 million undrawn facility to SOFR with a credit adjustment spread. No other terms were amended as part of the transition. The Group accounted for the change to SOFR using the practical expedient in IFRS 9, which allows the Group to change the basis for determining the contractual cash flows prospectively by revising the effective interest rate. Refer to note 20.1(b). For the remaining borrowings with variable interest rates, given these facilities mature in the second half of 2023 and are expected to be extended or renewed, the interest rates will be transitioned to SOFR as part of each facility's extension or renewal.

The Group also updated certain sales, supply and trade finance contracts that refer to LIBOR to calculate interest or interest on receiving early payments. These have been transitioned to Term SOFR plus a credit adjustment spread for trade finance contracts.

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16. TRADE AND OTHER PAYABLES

At 30 June 2023, the balance of the trade payables included in "Trade and other payables" was US$307.9 million (31 December 2022: US$272.3 million), of which US$304.7 million (31 December 2022: US$271.9 million) was aged less than six months.

17. SIGNIFICANT RELATED PARTY TRANSACTIONS

At 30 June 2023, 67.6 per cent (31 December 2022: 67.7 per cent) of the Company's shares were held by CMN through its subsidiary, China Minmetals H.K. (Holdings) Limited ("Minmetals HK"). The remainder 32.4 per cent (31 December 2022: 32.3 per cent) of the Company's shares were widely held by the public. The Directors consider the ultimate holding company to be China Minmetals Corporation ("CMC"), a stated-owned company incorporated in China, of which CMN is a subsidiary.

For the purposes of the related party transaction disclosures, the Directors believe that meaningful information in respect of related party transactions has been adequately disclosed. In addition to the related party information and transactions disclosed elsewhere in the condensed consolidated interim financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties during the six months ended 30 June 2023.

(a) Transactions with CMC and its group companies (other than those within the Group)

	Six Months Ended 30 June	
	2023 (Unaudited) US$ Million	**2022 (Unaudited) US$ Million**
Sales		
Sales of non-ferrous metals	974.6	499.8
Commodity derivatives transaction		
Loss on commodity derivatives	(28.2)	(5.1)
Other (loss)/gains	(0.8)	0.9
	(29.0)	**(4.2)**
Purchases		
Purchases of consumables and services	(8.2)	(13.0)
Finance costs		
Finance costs (Note 5)	(52.7)	(46.8)

(b) Transactions and balances with other state-owned enterprises

During the six months ended 30 June 2023, the Group's significant transactions with other state-owned enterprises (excluding CMC and its subsidiaries) are sales of non-ferrous metals and purchases of consumables and the related receivables and payables balances. These transactions were based on terms as set out in the underlying agreements, on statutory rates, market prices, actual cost incurred, or as mutually agreed.

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(c) Significant related party balances

	30 June 2023 (Unaudited) US$ Million	31 December 2022 (Audited) US$ Million
Amounts payable to related parties		
Loan from Top Create (Note 15)[1]	2,161.3	2,161.3
Loan from Album Trading Company (Note 15)[2]	270.0	270.0
Loan from Album Enterprises Limited (Note 15)	-	200.0
Interest payable to related parties	77.0	37.6
Trade and other payables to CMN	-	3.5
	2,508.3	**2,672.4**
Amounts receivable from related parties		
Trade receivables from CMN	319.7	102.6
Other receivables from CMN	1.6	2.6
Prepayments from CMN	0.4	1.2
	321.7	**106.4**
Derivative financial assets-transacted with related parties	**17.6**	**1.8**

1 The loan amount from Top Create represents the amounts drawn by the Company on 22 July 2014 (US$1,843.8 million) and 16 February 2015 (US$417.5 million) pursuant to a facility agreement dated 22 July 2014 between MMG SA and Top Create. In accordance with that agreement, a loan facility of up to US$2,262.0 million was made available to MMG SA, for a period of eleven years commencing on the date of the first drawdown of the loan. The loan repayments fall due in four separate tranches in July 2023 (US$200.0 million), July 2024 (US$700.0 million), July 2025 (US$861.3 million) and July 2026 (US$400.0 million). In July 2023, MMG SA successfully deferred US$200.0 million of the first tranche to an indefinite future date at which the US$300.0 million Top Create facility for KEP is available. The facility incurs interest at a separate all-in fixed rate for each of the repayment tranches of between 2.20% and 4.50% per annum, which is payable annually.

2 The borrowing from Album Trading Company Limited (a subsidiary of CMN) is a project facility and will mature in June 2026. The interest rate is SOFR plus margin and a credit adjustment spread.

18. CAPITAL COMMITMENTS

Commitments for capital expenditure contracted at the reporting date but not recognised as a liability, are set out in the table below:

	30 June 2023 (Unaudited) US$ Million	31 December 2022 (Audited) US$ Million
Property, plant and equipment		
Within one year	245.3	143.9
Over one year but not more than five years	108.0	127.6
	353.3	**271.5**
Intangible assets		
Within one year	**5.9**	**2.7**
Aggregate		
Property, plant and equipment and intangible assets		
Contracted but not provided for	**359.2**	**274.2**

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19. CONTINGENCIES

(a) Bank guarantees

Certain bank guarantees have been provided in connection with the operations of certain subsidiaries of the Company primarily associated with the terms of mining leases, mining concessions, exploration licences or key contracting arrangements. At the end of the reporting period, no material claims have been made under these guarantees. The amount of these guarantees may vary from time to time depending upon the requirements of the relevant regulatory authorities.

At 30 June 2023, these guarantees amounted to US$312.6 million (31 December 2022: US$297.5 million).

(b) Contingent liabilities – tax related contingencies

The Group has operations in multiple countries, each with its own taxation regime. The nature of the Group's activities requires it to comply with various taxation obligations including corporation tax, royalties, withholding taxes, transfer pricing arrangements with related parties, resource and production-based taxes, environmental taxes and employment related taxes. Application of tax laws and interpretation of tax laws may require judgement to assess risk and estimate outcomes, particularly in relation to the application of income taxes and withholding tax to the Group's cross-border operations and transactions. The evaluation of tax risks considers both assessments received and potential sources of challenge from tax authorities. Additionally, the Group is currently subject to a range of audits and reviews by taxation authorities in Australia, Peru, Zambia, Laos and the DRC. Except for the financial impacts disclosed for the Peruvian tax matters in subsequent paragraphs, no disclosure of an estimate of financial effect of the subject matter has been made in the condensed consolidated interim financial statements as, in the opinion of the management of the Group, such disclosure may seriously prejudice the position of the Group in dealing with those matters.

Tax matters with uncertain outcomes arise in the normal course of business and occur due to changes in tax law, changes in interpretation of tax law, periodic challenges and disagreements with tax authorities, and legal proceedings. The status of proceedings for such uncertain tax matters will impact the ability to determine the potential exposure, and in some cases, it may not be possible to determine a range of possible outcomes, including timing of resolution or determining a reliable estimate of the potential exposure.

Peru – Withholding Taxes (2014, 2015, 2016 and 2017)

Included within such uncertain tax matters are audits of the 2014, 2015, 2016 and 2017 tax periods for Las Bambas in relation to withholding taxes on interest and fees paid under certain loans, which were provided to Las Bambas pursuant to facility agreements entered into among Las Bambas and a consortium of Chinese banks in connection with the acquisition of the Las Bambas mine in 2014. Las Bambas received assessment notices from the Peruvian tax authority (National Superintendence of Tax Administration of Peru or "SUNAT"), which advised that, in its opinion, Las Bambas and the Chinese banks are related parties and thus a 30 per cent withholding tax rate ought to be imposed on payments of interest and fees to such banks, rather than the 4.99 per cent applied by Las Bambas. The assessments of omitted tax plus penalties and interest as at 30 June 2023 totalled PEN2,053.7 million (approximately US$564.8 million).

In relation to these assessments, having received external legal and tax advice, the Group has formed the view that the Company and its controlled entities are not related parties to the Chinese banks under Peruvian tax law. Additionally, the Peruvian tax law was amended (with effect from October 2017) to provide expressly that parties are not related by being under state ownership for the purposes of withholding taxes. Las Bambas has appealed the assessments issued by SUNAT in the Peru Tax Court and the pronouncement is pending. Where MLB is not successful in rebutting or appealing such challenge(s), this could result in significant additional tax liabilities.

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Peru –2016 Income Tax

In January 2023, Las Bambas received assessment notices from SUNAT in connection with the 2016 income tax audit (2016 Income Tax Assessment). The assessment denied the deductions for all interest on borrowings expensed during the 2016 tax year. This included the loans from Chinese banks where SUNAT denied the interest deductions on the basis that the borrowings were from related parties and that the alleged related party debt should be included in calculating Las Bambas' related party 'debt to equity' ratio (the 'thin capitalisation' threshold) which would then be breached. SUNAT also alleged that interest payable on the shareholder loan from MMG Swiss Finance A.G. is non-deductible, due to the application of the "Causality Principle" (i.e., the loan has no relevance to the income-producing activities of Las Bambas). Further, SUNAT separately alleged that the accounting treatment of the merger of Peruvian entities (subsequent to the acquisition of Las Bambas in 2014) should have resulted in a negative equity adjustment which would result in Las Bambas having no equity for the purposes of calculating its thin capitalisation allowance. The Assessment issued by SUNAT for tax, interest and penalties for the income tax year 2016 totalled PEN632.0 million (approximately US$174.0 million) as at 30 June 2023.

On 27 July 2023, SUNAT confirmed that it had considered Las Bambas' appeal against the Assessment and concluded that the Assessment remains correct and valid. Las Bambas will appeal to the Peru Tax Court.

Las Bambas has notified the Peru Government of a dispute pursuant to the Peru-Netherlands Bilateral Investment Treaty (Treaty) and is awaiting a response to the notification. The notification advises that, unless the matters can be resolved by negotiation, Las Bambas will seek damages from the Government of Peru for a number of breaches of the Treaty.

Considering the Las Bambas' proposed appeals and advice from the Las Bambas' tax and legal advisers, the Group did not recognise a liability in its condensed consolidated interim financial statements for any assessed amount. If Las Bambas is unsuccessful in its challenge on the SUNAT assessments, this could result in significant liabilities being recognised.

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20. FINANCIAL AND OTHER RISK MANAGEMENT

20.1 Financial risk factors

The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the consolidated financial statements for the year ended 31 December 2022.

There have been no changes in the risk management policies since 31 December 2022.

(a) Commodity price risk

The prices of copper, zinc, lead, gold, silver and molybdenum are affected by numerous factors and events that are beyond the control of the Group. These metal prices change on daily basis and can vary significantly up and down over time. The factors impacting metal prices include both broader macro-economic developments and micro-economic considerations relating more specifically to the particular metal concerned.

During the six months ended 30 June 2023, the Group entered into various commodity trades to hedge the sales prices for copper and zinc. The outstanding commodity trades included:

- Zero/low-cost collar hedges:
  - 22,500 tons of copper at put strike price ranging from US$8,800/ton to US$9,100/ton and call strike price ranging from US$9,200/ton to US$9,600/ton
- Fixed price swap:
  - 1,500 tons of copper with fixed price ranging from US$9,000/ton to $9,010/ton.
  - These commodity trades' settlement periods ranging from July 2023 to January 2024.

A change in commodity prices during the reporting period can result in favourable or unfavourable financial impact for the Group.

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The following table contains details of the hedging instrument used in the Group's hedging strategy:

	Term	Carrying Amount of Hedging Instrument US$ Million	Favourable/(Unfavourable) Changes in Fair Value Used for Measuring Ineffectiveness: Hedging Instrument US$ Million	Favourable/(Unfavourable) Changes in Fair Value Used for Measuring Ineffectiveness: Hedged Item US$ Million	Settled Portion of Hedging Instrument Realised Gains US$ Million	Hedging Gain Recognised in Cash Flow Hedge Reserve[1] US$ Million	Cost of Hedging Reserve US$ Million
Cash flow hedges:							
At 30 June 2023 and for six months ended 30 June 2023							
Derivative financial assets (Note 11)	March 2023 to December 2023	15.0	14.3	(14.3)	2.6	9.7	0.5
At 30 June 2022 and for six months ended 30 June 2022							
Derivative financial assets (Note 11)	March 2022 to December 2022	56.1	51.0	(51.0)	0.3	36.7	3.7

1 The hedging gain recognised in cash flow hedge reserve is the amount after tax.

At the reporting date, if the commodity prices increased/(decreased) by 10 per cent and all other variables were held constant, the Group's post-tax (loss)/profit and OCI would have changed as set out below:

	For Six Months Ended 30 June					
	2023			2022		
Commodity	Commodity Price Movement	Decrease in Loss US$ Million	Decrease in OCI US$ Million	Commodity Price Movement	Increase in Profit US$ Million	Decrease in OCI US$ Million
Copper	+10%	65.4	(9.4)	+10%	15.4	(15.3)
Zinc	+10%	3.3	-	+10%	2.9	(5.2)
Total		**68.7**	**(9.4)**		**18.3**	**(20.5)**

Commodity	Commodity Price Movement	Increase in Loss US$ Million	Increase in OCI US$ Million	Commodity Price Movement	Decrease in Profit US$ Million	Increase in OCI US$ Million
Copper	-10%	(65.4)	10.3	-10%	(15.3)	16.8
Zinc	-10%	(3.3)	-	-10%	(2.9)	5.8
Total		**(68.7)**	**10.3**		**(18.2)**	**22.6**

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(b) Interest rate risk

The Group is exposed to interest rate risk primarily through interest bearing borrowings and investment of surplus cash holdings. Deposits and borrowings at variable rates expose the Group to cash flow interest rate risk. Details of the Group's borrowings are set out in Note 15.

The Group regularly monitors its interest rate risk to ensure there are no undue exposures to significant interest rate movements. Any decision to hedge interest rate risk is assessed periodically in light of the overall Group's exposure, the prevailing interest rate market and any funding counterparty requirements. Regular reporting of the Group's debt and interest rates is provided to the MMG Executive Committee.

The Group is exposed to the risk-free rate of SOFR. The exposures arise on derivative and non-derivative financial assets and liabilities. The Group cash flow hedge relationship was affected by the interest rate benchmark reform. With the IRS closure (Note 11), the cash flow hedge relationship discontinued. The exposures mainly arise on non-derivative financial assets and liabilities. Interest rate benchmark transition for non-derivative financial instruments is disclosed in Note 15.

The following table contains details of the cash flow hedge was affected by the IRS closure:

	At 30 June 2023 and for Six Months Ended 30 June 2023		
	Balance in Cash Flow Hedge Reserve US$ Million	Amount Reclassified from the Cash Flow Hedge Reserve to Profit or Loss US$ Million	Line Item Affected in Profit or Loss Because of the Reclassification
Discontinued Cash Flow Hedges:			
Interest Rate Swap	64.1	1.7	Financial cost

		At 30 June 2022 and for Six Months Ended 30 June 2022						
				Favourable/(Unfavourable) Changes in Fair Value Used for Measuring Ineffectiveness				
	Term	Notional Amortising Amount US$ Million	Carrying Amount of Hedging Instrument US$ Million	Hedging Instrument US$ Million	Hedged Item US$ Million	Settled Portion of Hedging Instrument Realised Losses US$ Million	Hedging Gains Recognised in Cash Flow Hedge Reserve[2] US$ Million	Hedge Ineffectiveness Recognised in Profit or Loss US$ Million
Cash flow hedges:								
Derivative financial asset[1]	June 2020 - June 2025	1,760.0	100.0	68.2	(68.2)	(2.2)	46.4	-

1 In June 2020, the Group has entered into a notional US$2,100 million 5-year amortising interest rate swap with BOC Sydney. Refer to Note 11 for further details; and
2 The hedging gains recognised in cash flow hedge reserve is the amount after tax.

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Interest rate sensitivity analysis

If the interest rate had increased/(decreased) by 100 basis points, with all other variables held constant, post-tax (loss)/profit and OCI would have changed as follows:

	For Six Months Ended 30 June					
	2023		2022			
	+100 Basis Points	-100 Basis Points	+100 Basis Points		-100 Basis Points	
US$ Million	Decrease/ (Increase) in Loss after Tax	(Increase)/ Decrease in Loss after Tax	Increase/ (Decrease) in Profit after Tax	Increase in OCI	(Decrease)/ Increase in Profit after Tax	Decrease in OCI
Financial assets						
Cash and cash equivalents	3.6	(3.6)	3.4	-	(3.4)	-
Financial liabilities						
Borrowings (including the impact of the IRS)	(23.5)	23.5	(5.8)	18.4	5.8	(18.4)
Total	**(19.9)**	**19.9**	**(2.4)**	**18.4**	**2.4**	**(18.4)**

(c) Liquidity risk

Compared to 31 December 2022, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

The Group has sufficient debt facilities to manage liquidity. The Group's available external debt facilities are subject to covenant compliance requirements. The Group was not in breach of covenant requirements in respect of the Group's borrowings at 30 June 2023. Certain financial covenants are measured with reference to the financial performance of the Group or its subsidiaries and may be influenced by future operational performance.

In addition, for six months ended 30 June 2023, the Las Bambas Joint Venture Group had an agreement with CMN and CITIC, each as direct or indirect off-takers of Las Bambas production, for early payment on cargoes already shipped and invoiced as well as pre-payments for inventory held at both port and site. Early payment and pre-payments are permitted up to an aggregate amount of US$268.0 million, allocated to each party in their respective off-take proportions. There was no early payment from CMN and CITIC under this agreement as at 30 June 2023.

(d) Fair value of financial instruments

The fair values of cash and cash equivalents and short-term monetary financial assets and financial liabilities approximate their carrying values. The fair values of other monetary financial assets and liabilities are either based upon market prices, where a market exists, or have been determined by discounting the expected future cash flows by the current interest rate for financial assets and financial liabilities with similar risk profiles.

The fair values of listed equity investments have been valued by reference to market prices prevailing at the reporting date.

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The carrying values of trade and other receivables less impairment provisions and trade payables are a reasonable approximation of their fair values due to the short-term nature of trade receivables and payables. The fair values of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the consolidated entity for similar financial instruments.

US$ Million	Amortised Cost (Assets)	Financial Assets/ (Liabilities) at Fair Value through Profit or Loss	Financial Assets/ (Liabilities) at Fair Value Designated under Cash Flow Hedge	Amortised Cost (Liabilities)	Total Carrying Value	Total Fair Value
As at 30 June 2023						
Financial assets						
Cash and cash equivalents	523.7	-	-	-	**523.7**	**523.7**
Trade receivables (Note 12)	-	538.5	-	-	**538.5**	**538.5**
Other receivables	404.0	-	-	-	**404.0**	**404.0**
Derivative financial assets (Note 11)	-	3.8	15.0	-	**18.8**	**18.8**
Other financial assets	-	2.0	-	-	**2.0**	**2.0**
Financial liabilities	-	-	-	-		
Trade and other payables	-	-	-	(901.1)	**(901.1)**	**(901.1)**
Borrowings (Note 15)	-	-	-	(5,580.6)	**(5,580.6)**	**(5,693.6)**
Lease liabilities	-	-	-	(150.4)	**(150.4)**	**(150.4)**
Total	**927.7**	**544.3**	**15.0**	**(6,632.1)**	**(5,145.1)**	**(5,258.1)**
As at 31 December 2022						
Financial assets						
Cash and cash equivalents	372.2	-	-	-	**372.2**	**372.2**
Trade receivables (Note 12)	-	212.7	-	-	**212.7**	**212.7**
Other receivables	270.1	-	-	-	**270.1**	**270.1**
Derivative financial assets	-	12.1	113.9	-	**126.0**	**126.0**
Other financial assets	-	1.5	-		**1.5**	**1.5**
Financial liabilities						
Trade and other payables	-	-	-	(753.0)	**(753.0)**	**(753.0)**
Derivative financial liabilities	-	(0.3)	-	-	**(0.3)**	**(0.3)**
Borrowings (Note 15)	-	-	-	(5,412.6)	**(5,412.6)**	**(5,533.6)**
Lease liabilities	-	-	-	(138.7)	**(138.7)**	**(138.7)**
Total	**642.3**	**226.0**	**113.9**	**(6,304.3)**	**(5,322.1)**	**(5,443.1)**

Fair value estimation

The table below analyses financial instruments carried at fair value, by the valuation method. The different levels have been defined as follows:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

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The following table presents the Group's financial assets and liabilities that are measured at fair value as at 30 June 2023 and 31 December 2022.

US$ Million	Level 1	Level 2	Total
As at 30 June 2023			
Trade receivables (Note 12)	-	538.5	**538.5**
Derivative financial assets (Note 11)[2]		18.8	**18.8**
Financial assets at fair value through profit and loss – listed[1]	2.0	-	**2.0**
	2.0	**557.3**	**559.3**
As at 31 December 2022			
Trade receivables (Note 12)	-	212.7	**212.7**
Derivative financial assets (Note 11)[2]	-	126.0	**126.0**
Derivative financial liabilities (Note 11)[2]	-	(0.3)	**(0.3)**
Financial assets at fair value through profit and loss – listed[1]	1.5	-	**1.5**
	1.5	**338.4**	**339.9**

There were no transfers between levels 1, 2 and 3 during the reporting period.

1 The fair values of financial instruments traded in active markets are based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Instruments included in level 1 comprise investments in listed stock exchanges;

2 The fair value of the interest rate swap was determined based on discounted future cash flows. Future cash flows were estimated based on forward interest rates from observable yield curves at the end of the reporting period and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties; The fair value of the collar hedges and fixed price swaps is determined based on discounted future cash flows. Future cash flows are estimated based on London Metal Exchange contract future rates for commodities at the end of the reporting period and contracted commodity prices, discounted at a rate that reflects time value.

20.2 Country and community risks

The Group conducts all of its operations outside of Hong Kong and, as such, it is exposed to various levels of political, economic and other risks and uncertainties. These risks and uncertainties vary from country to country. Material risks include, but are not limited to, regime or policy change, fluctuation in currency exchange rates, changes to licensing regimes and amendments to concessions, licences, permits and contracts, changing political conditions and governmental regulations and community disruptions. Changes in any aspects above and in the country where the Group operates may adversely affect the Group's operations and profitability. The decline in growth and macroeconomic activity in many developing nations has resulted in governments seeking alternative means of increasing their income, including increases to corporate tax, VAT and royalty rates, coupled with increased audit and compliance activity.

The DRC Government during 2018 made changes to the 2002 Mining Code and Mining Regulations. These changes were enacted (2018 Mining Code) and continue to result in an increased tax burden on mining companies; In Peru, over the past decades, Las Bambas has experienced heightened political instability with succession of regimes with differing political policies. As the community disruptions and political situation are expected to evolve in the near future, the Group will continue to work closely with the relevant authorities and community groups to minimise the potential risk of social instability and disruptions to the Las Bambas operations.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONTINUED

21. EVENTS AFTER THE REPORTING DATE

Other than the matters outlined below, there have been no matters that have occurred subsequent to the reporting date, which have significantly affected, or may significantly affect, the Group's operations, results or state of affairs in future years.

In July 2023, CMN provided additional flexibility for the US$2,161.3 million loan provided by Top Create. This allowed for repayments to be deferred in support of the Group's liquidity for future periods.

GLOSSARY

A$	Australian dollar, the lawful currency of Australia
Album Enterprises	Album Enterprises Limited, a wholly owned subsidiary of CMN
associate(s)	has the meaning ascribed to it under the Listing Rules
Australia	The Commonwealth of Australia
Board	the board of directors of the Company
BOCOM	Bank of Communications Co., Ltd.
BOC Sydney	Bank of China Limited, Sydney Branch
CDB	China Development Bank
CEO	Chief Executive Officer
CG Code	Corporate Governance Code as set out in Appendix 14 of the Listing Rules
China	has the same meaning as People's Republic of China
CMC	China Minmetals Corporation, a state-owned enterprise incorporated under the laws of the People's Republic of China
CMCL	China Minmetals Corporation Limited, a subsidiary of CMC
CMN	China Minmetals Non-ferrous Metals Company Limited, a subsidiary of CMC
CMNH	China Minmetals Non-ferrous Metals Holding Company Limited, a subsidiary of CMC
Companies Ordinances	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
Company	MMG Limited, a company incorporated in Hong Kong, the securities of which are listed and traded on the Main Board of the Stock Exchange
Director(s)	the director(s) of the Company
DRC	Democratic Republic of Congo
Executive Committee	the executive committee of the Group, which consists of all Executive Directors of the Company, Chief Executive Officer/Interim Chief Executive Officer, Chief Financial Officer, Executive General Manager – Corporate Relations, Executive General Manager – Americas and Executive General Manager – Australia and Africa
EXIM Bank	The Export-Import Bank of China
Group	the Company and its subsidiaries
HK$	Hong Kong dollar, the lawful currency of Hong Kong
Hong Kong	the Hong Kong Special Administrative Region of the People's Republic of China

GLOSSARY

CONTINUED

Hong Kong Stock Exchange	(please refer to the definition of 'Stock Exchange')
ICBC	Industrial and Commercial Bank of China Limited
ICBC Macau	Industrial and Commercial Bank of China Limited, Macau Branch
JORC Code	Joint Ore Reserves Committee 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange
LME	London Metal Exchange
Minmetals HK	China Minmetals H.K. (Holdings) Limited, an indirectly owned subsidiary of CMC
MLB	Minera Las Bambas S.A., a non-wholly owned subsidiary of MMG and the owner of the Las Bambas mine
MMG or MMG Limited	has the same meaning as the Company
MMG Finance	MMG Finance Limited, a wholly owned subsidiary of the Company
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Share(s)	fully paid ordinary share(s) of the Company
Shareholder(s)	the shareholder(s) of the Company
Stock Exchange	The Stock Exchange of Hong Kong Limited
US$	United States dollar, the lawful currency of the United States of America

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman
XU Jiqing
(Non-executive Director)

Executive Director
LI Liangang
(Interim Chief Executive Officer)

Non-executive Director
ZHANG Shuqiang

Independent Non-executive Directors
Peter CASSIDY
LEUNG Cheuk Yan
CHAN Ka Keung, Peter

AUDIT AND RISK MANAGEMENT COMMITTEE

Chairman
CHAN Ka Keung, Peter

Members
ZHANG Shuqiang
XU Jiqing
Peter CASSIDY
LEUNG Cheuk Yan

GOVERNANCE, REMUNERATION, NOMINATION AND SUSTAINABILITY COMMITTEE

Chairman
Peter CASSIDY

Members
XU Jiqing
LEUNG Cheuk Yan
CHAN Ka Keung, Peter

DISCLOSURE COMMITTEE

Members
LI Liangang
Ross CARROLL
Troy HEY
Nicholas MYERS
Wong Lok Wun, Anfield

GENERAL COUNSEL

Nicholas MYERS

COMPANY SECRETARY

WONG Lok Wun, Anfield

LEGAL ADVISER

Linklaters, Hong Kong

AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditor

SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
17th Floor Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

China Development Bank
Industrial and Commercial Bank of China Limited
Bank of China Limited
The Export-Import Bank of China
Bank of America Merrill Lynch Limited
Australia and New Zealand Banking Group Limited
Banco Bilbao Vizcaya Argentaria, S.A.

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SHARE LISTING

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Stock Code: 1208

ADDITIONAL SHAREHOLDER INFORMATION

The Chinese version of the Interim Report is prepared based on the English version. If there is any inconsistency between the English and Chinese versions of this Interim Report, the English text shall prevail to the extent of the inconsistency.