MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

For the purpose of the management discussion and analysis, the Group's results for the six months ended 30 June 2021 are compared with results for the six months ended 30 June 2020.

SIX MONTHS ENDED 30 JUNE	2021 US$ MILLION	2020 US$ MILLION	CHANGE % FAV/(UNFAV)
Revenue	**2,433.5**	**1,180.3**	**106%**
Operating expenses	(919.6)	(763.3)	(20%)
Exploration expenses	(10.3)	(8.1)	(27%)
Administration expenses	(10.3)	(13.6)	24%
Other income/(expenses), net	5.4	(11.7)	146%
EBITDA	**1,498.7**	**383.6**	**291%**
Depreciation and amortisation expenses	(454.1)	(406.9)	(12%)
EBIT	**1,044.6**	**(23.3)**	**4,583%**
Net finance costs	(169.2)	(220.4)	23%
Profit/(Loss) before income tax	**875.4**	**(243.7)**	**459%**
Income tax (expense)/ credit	(291.4)	61.0	(578%)
Profit/(Loss) after income tax for the period	**584.0**	**(182.7)**	**420%**
Attributable to:			
Equity holders of the Company	400.1	(158.0)	353%
Non-controlling interests	183.9	(24.7)	845%
	584.0	**(182.7)**	**420%**

PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

MMG's profit of US$584.0 million for the six months ended 30 June 2021 includes profit attributable to equity holders of US$400.1 million and profit attributable to non-controlling interests of US$183.9 million. This compares to a loss attributable to equity holders of US$158.0 million and a loss attributable to non-controlling interests of US$24.7 million for the six months ended 30 June 2020. Amounts attributable to non-controlling interests relate to the 37.5% 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	2021 US$ MILLION	2020 US$ MILLION	CHANGE % FAV/(UNFAV)
Profit/ (loss) after tax – Las Bambas 62.5% interest	312.4	(41.2)	858%
Profit/ (loss) after tax – Other continuing operations	140.7	(52.6)	367%
Administration expenses	(10.3)	(13.6)	24%
Net finance costs (excluding Las Bambas)	(50.0)	(50.5)	1%
Other	7.3	(0.1)	7400%
Profit/(Loss) for the period attributable to equity holders	**400.1**	**(158.0)**	**353%**

OVERVIEW OF OPERATING RESULTS

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

	REVENUE			EBITDA		
SIX MONTHS ENDED 30 JUNE	**2021 US$ MILLION**	**2020 US$ MILLION**	**CHANGE % FAV/(UNFAV)**	**2021 US$ MILLION**	**2020 US$ MILLION**	**CHANGE % FAV/(UNFAV)**
Las Bambas	1,790.6	751.2	138%	1,182.4	328.8	260%
Kinsevere	225.8	187.4	20%	94.7	8.2	1,055%
Dugald River	235.1	120.9	94%	101.7	9.1	1,018%
Rosebery	180.2	119.4	51%	106.2	48.5	119%
Other	1.8	1.4	29%	13.7	(11.0)	225%
Total	**2,433.5**	**1,180.3**	**106%**	**1,498.7**	**383.6**	**291%**

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

Revenue increased by US$1,253.2 million (106%) to US$2,433.5 million compared to the first half of 2020 mainly due to higher realised commodity prices (US$1,104.8 million) and higher sales volumes (US$148.4 million).

Favourable commodity price variances of US$1,104.8 million were driven by higher realised prices for copper (US$885.2 million), zinc (US$124.5 million), molybdenum (US$43.4 million), silver (US$41.5 million) and lead (US$10.7 million).

Higher sales volumes resulted from higher sales of copper concentrate at Las Bambas (US$163.6 million) due to the drawdown of existing stockpiles and higher molybdenum sales (US$34.0 million) following the debottlenecking of the molybdenum plant which increased production. This was partly offset by lower copper cathode sales at Kinsevere (US$61.7 million) due to lower production as a result of processing existing low-grade stockpiles.

REVENUE BY COMMODITY **SIX MONTHS ENDED 30 JUNE**	**2021 US$ MILLION**	**2020 US$ MILLION**	**CHANGE % FAV/(UNFAV)**
Copper	1,827.8	840.8	117%
Zinc	269.3	139.7	93%
Lead	46.2	31.3	48%
Gold	94.9	98.8	(4%)
Silver	113.5	65.3	74%
Molybdenum	81.8	4.4	1,759%
Total	**2,433.5**	**1,180.3**	**106%**

MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

Price

LME base metals prices were higher in the six months ended 30 June 2021 compared to the prior corresponding period for all metals.

AVERAGE LME CASH PRICE SIX MONTHS ENDED 30 JUNE	2021	2020	CHANGE % FAV/(UNFAV)
Copper (US$/tonne)	9,095	5,490	66%
Zinc (US$/tonne)	2,832	2,044	39%
Lead (US$/tonne)	2,074	1,759	18%
Gold (US$/ounce)	1,808	1,647	10%
Silver (US$/ounce)	26.49	16.63	59%
Molybdenum (US$/tonne)	28,048	19,886	41%

Sales volumes

PAYABLE METAL IN PRODUCT SOLD SIX MONTHS ENDED 30 JUNE	2021	2020	CHANGE % FAV/(UNFAV)
Copper (tonnes)	191,669	172,041	11%
Zinc (tonnes)	108,927	105,434	3%
Lead (tonnes)	23,592	20,893	13%
Gold (ounces)	54,726	57,181	(4%)
Silver (ounces)	4,339,740	3,943,411	10%
Molybdenum (tonnes)	2,652	345	669%

PAYABLE METAL IN PRODUCT SOLD SIX MONTHS ENDED 30 JUNE 2021	COPPER TONNES	ZINC TONNES	LEAD TONNES	GOLD OUNCES	SILVER OUNCES	MOLYB-DENUM TONNES
Las Bambas	165,481	-	-	34,807	2,189,358	2,652
Kinsevere	25,201	-	-	-	-	-
Dugald River	-	79,015	10,409	-	671,124	-
Rosebery	988	29,912	13,183	19,920	1,479,257	-
Total	**191,670**	**108,927**	**23,592**	**54,727**	**4,339,739**	**2,652**

PAYABLE METAL IN PRODUCT SOLD SIX MONTHS ENDED 30 JUNE 2020	COPPER TONNES	ZINC TONNES	LEAD TONNES	GOLD OUNCES	SILVER OUNCES	MOLYB-DENUM TONNES
Las Bambas	134,635	-	-	39,597	1,876,506	345
Kinsevere	36,551	-	-	-	-	-
Dugald River	-	72,917	10,969	-	715,484	-
Rosebery	855	32,516	9,924	17,584	1,351,421	-
Total	**172,041**	**105,433**	**20,893**	**57,181**	**3,943,411**	**345**

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$156.3 million (20%) in the first half of 2021, driven by higher store and consumable expenses at Las Bambas (US$42.8 million) due to maintenance of the drilling and hauling fleet and increased consumption of reagents and grinding media, in line with increased mill throughput. Operating expenses were also impacted by higher royalties across the group (US$37.5M) due to higher revenue and higher employee incentives (US$38.9 million) largely due to the employee profit sharing arrangement in Peru.

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

Exploration expenses increased by US$2.2 million (27%) to US$10.3 in the first half of 2021, due to higher expenditure at Las Bambas with drilling focused on Chalcobamba SW.

Administrative expenses decreased by US$3.3 million (24%) in the six months ended 30 June 2021 due to lower restructuring expenses associated with head office transformation initiatives in 2020 (US$8.1 million). This was partly offset by the impact of the stronger Australian Dollar (US$3.0 million) and higher STI expenses (US$1.5 million).

Other income/(expenses) increased by US17.1 million (146%) mainly due the gain recognised on the reduction in the New Century Bank Guarantee (US$19.5 million), partly offset by commodity hedging fees of US$4.3 million.

Depreciation and amortisation expenses increased by US$47.2 million (12%) to US$454.1 million in the first half of 2021. The increase was primarily attributable to higher mining and milling volumes at Las Bambas (US$88.7 million). This was partly offset by lower depreciation expenses at Kinsevere ($US44.7 million) due to lower ore mined.

Net finance costs decreased by US$51.2 million (23%) to US$169.2 million compared to the first half of 2020. The decrease was mainly due to lower debt balances (US$31.6 million) and lower London Inter-Bank Offered Rate (LIBOR) applicable to floating rate debt compared with the first half of 2020 (US$20.6 million).

Income tax expense of US$291.4 million, represents a US$352.4 million increase from the US$61.0 million income tax benefit in the prior year comparative period. This reflects the higher pre-tax profit generated during the six months to 30 June 2021. The effective tax rate for the period to 30 June 2021 was 33.3%, with a prima facie income tax rate from operations of 32%, which was impacted by the non-creditable withholding tax expenses.

MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

MINES ANALYSIS

LAS BAMBAS

SIX MONTHS ENDED 30 JUNE	2021	2020	CHANGE % FAV/(UNFAV)
Production			
Ore mined (tonnes)	33,327,072	20,335,240	64%
Ore milled (tonnes)	25,120,658	19,714,337	27%
Waste movement (tonnes)	70,511,219	66,499,689	6%
Copper in copper concentrate (tonnes)	144,642	131,698	10%
Payable metal in product sold			
Copper (tonnes)	165,481	134,635	23%
Gold (ounces)	34,807	39,597	(12%)
Silver (ounces)	2,189,358	1,876,506	17%
Molybdenum (tonnes)	2,652	345	669%

SIX MONTHS ENDED 30 JUNE	2021 US$ MILLION	2020 US$ MILLION	CHANGE% FAV/(UNFAV)
Revenue	**1,790.6**	**751.2**	**138%**
Operating expenses			
Production expenses			
Mining	(129.1)	(105.9)	(22%)
Processing	(126.0)	(103.1)	(22%)
Other	(197.7)	(143.5)	(38%)
Total production expenses	**(452.8)**	**(352.5)**	**(28%)**
Freight (transportation)	(40.1)	(30.2)	(33%)
Royalties	(53.6)	(23.8)	(125%)
Other[1]	(39.8)	(6.2)	(542%)
Total operating expenses	**(586.3)**	**(412.7)**	**(42%)**
Other expenses	(21.9)	(9.8)	(123%)
EBITDA	**1,182.4**	**328.8**	**260%**
Depreciation and amortisation expenses	(382.4)	(294.0)	(30%)
EBIT	**800.0**	**34.8**	**2,199%**
EBITDA margin	**66%**	**44%**	**50%**

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

Las Bambas produced 144,642 tonnes of copper in the first half of 2021, 12,944 tonnes (10%) higher compared to the prior corresponding period, mainly due to higher mill throughput. Milling volumes in the first half of 2020 were adversely impacted by repairs to the overland conveyor, community road blockages and COVID-19 related disruptions.

Revenue of US$1,790.6 million was 138% above the first half of 2020, due to higher realised commodity prices (US$844.5 million) and higher copper (US$163.6 million) and molybdenum (US$34.0 million) sales volumes. Realised copper prices included gains on copper hedges which contributed US$22.7 million in revenue. MMG has entered into a series of commodity hedges during the first half of 2021 to manage the risk on the price variability of sales and to protect the strong free cash generation of the business.

Copper sales volumes were 23% higher compared to the prior corresponding period, due to the higher copper concentrate production and the draw-down of stockpiles that had built up on site due to community related road disruptions in previous periods. Road availability during the first half of 2021 was better than previous periods, allowing for longer transportation periods and a significant reduction in concentrate inventory levels. As at 30 June 2021, inventory at the mine site had been reduced to approximately 13,000 tonnes of copper in concentrate, compared with a peak of over 65,000 tonnes during 2020.

Molybdenum sales volumes were higher by 2,307 tonnes as a result of increased production following the completion of the debottlenecking of the molybdenum plant in 2020 as well as higher molybdenum feed grades.

Total production expenses of US$452.8 million were 28% above 2020. Higher mining costs of US$23.2 million were largely attributable to the increased ore mined volumes and higher diesel costs due to higher unit prices and increased consumption. Maintenance costs of the drilling and hauling fleet were also higher due to the deferral of maintenance in 2020 and additional mine fleet. Processing costs increased by US$22.9 million driven by higher reagent and grinding media consumption in line with higher ore milled volumes. Production expenses were also impacted by higher employee incentives (US$29.8 million) as a result of increased profitability, higher social programs and community investment expenditure (US$13.4 million) and higher concentrate logistics costs reflecting higher sales volumes (US$8.9 million).

Operating expenses were also impacted by unfavourable stock movement (US$31.4 million) due to a higher net drawdown of finished goods (US$46.1 million) reflecting higher copper concentrate sales volumes. This was offset by a higher build-up of ore stockpiles (US$20.0 million).

Total operating expenses were also impacted by the increased royalty and freight costs (US$39.7 million), reflecting higher concentrate sales volumes and revenue.

C1 costs for the first half of 2021 were US$1.08/lb compared to US$1.15/lb in the first half of 2020. The lower C1 is due to higher copper production volumes and higher by-product credits, partly offset by higher production expenses.

OUTLOOK

Full year production for 2021 is expected to be around 310,000 tonnes of copper in copper concentrate.

Full year C1 costs are still expected to be between US$1.10/lb and US$1.20/lb. Cost pressures associated with increased mining and milling volumes and longer haul distances as the depth of the Ferrobamba pit increases will continue to be partially offset by ongoing cost and efficiency programs. These factors will ensure Las Bambas remains one of the lowest cost mines of this scale in the world.

MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

KINSEVERE

SIX MONTHS ENDED 30 JUNE	2021	2020	CHANGE % FAV/(UNFAV)
Production			
Ore mined (tonnes)	20,075	1,008,322	(98%)
Ore milled (tonnes)	1,177,094	1,193,960	(1%)
Waste movement (tonnes)	-	5,835,523	(100%)
Copper cathode (tonnes)	25,123	36,505	(31%)
Payable metal in product sold			
Copper (tonnes)	25,201	35,910	(30%)

SIX MONTHS ENDED 30 JUNE	2021 US$ MILLION	2020 US$ MILLION	CHANGE % FAV/(UNFAV)
Revenue	**225.8**	**187.4**	**20%**
Operating expenses			
Production expenses			
Mining	(8.1)	(37.7)	79%
Processing	(41.7)	(41.2)	(1%)
Other	(38.6)	(53.1)	27%
Total production expenses	**(88.4)**	**(132.0)**	**33%**
Freight (transportation)	(4.2)	(6.2)	32%
Royalties	(12.7)	(11.6)	(9%)
Other[1]	(19.9)	(20.5)	3%
Total operating expenses	**(125.2)**	**(170.3)**	**26%**
Other expenses	(5.9)	(8.9)	34%
EBITDA	**94.7**	**8.2**	**1,055%**
Depreciation and amortisation expenses	(14.6)	(59.6)	76%
EBIT	**80.1**	**(51.4)**	**256%**
EBITDA margin	**42%**	**4%**	**950%**

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

Kinsevere revenue increased by US$38.4 million or 20% to US$225.8 million compared to the first half of 2020. This increase was driven by higher realised copper prices (US$100.1 million), partly offset by a 31% drop in copper sales volumes in line with lower production (11,350 tonnes or US$61.7 million).

Copper cathode production of 25,123 tonnes was 31% or 11,382 tonnes lower than the first half of 2020. Mining activity was temporarily suspended at Kinsevere during the second half of 2020, with feed to the mill during the first half of 2021 mainly coming from existing ore stockpiles and third parties. A small amount of available higher-grade ore was also retrieved from the Mashi and Central Pits to supplement feed grades in Q1 2021. The lower grade nature of stockpiled ore was the key reason for lower copper cathode production. Processing plant performance remained stable and improved recoveries (96.0% vs. 94.7%) due to a higher content of acid soluble copper (ASCu) in the ore partly offset the lower feed grade.

Total production expenses decreased by US$43.6 million or 33% compared to the first half of 2020. This was mainly driven by lower mining costs due to the suspension of mining activities (US$29.6 million). Processing costs were also lower, mainly driven by lower energy consumption in electrowinning in line with lower cathode production (US$4.8 million) and lower leaching costs driven largely by favourable sulfuric acid prices (US$4.5 million). This was partly offset by higher acid consumption due to the processing of higher gangue acid consuming ores (US$2.2 million). Other production costs were also lower compared to the first half of 2020 (US$7.2 million) mainly due to higher COVID-19 related expenses incurred at the beginning of the pandemic to establish COVID management systems and protocols (US$4.8 million).

Depreciation and amortisation expenses were US$45.0 million or 76% lower in line with lower ore mined compared to the comparative period.

C1 costs for the first half of 2021 were US$1.81/lb, compared to US$1.86/lb in the first half of 2020. The favourable impact of lower cash production expenses due to reduced mining activity in 2021 (US$0.55/lb) was largely offset by the impact of lower copper produced (US$0.50/lb).

OUTLOOK

Copper cathode production for 2021 is expected to be in the range of 50,000 to 60,000 tonnes, with C1 cost guidance lowered to between US$2.05/lb and US$2.15/lb. Lower mining costs are the main driver for the full year C1 reduction, with mining of the remaining oxide reserves now expected to resume in the fourth quarter of 2021, which should improve average milled ore grade compared to the lower grade stockpiles processed during the first half of 2021.

MMG will continue to invest in regional exploration programs focusing on proving up discoveries within an operating radius of the Kinsevere mine.

MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

DUGALD RIVER

SIX MONTHS ENDED 30 JUNE	2021	2020	CHANGE % FAV/(UNFAV)
Production			
Ore mined (tonnes)	884,758	945,735	(6%)
Ore milled (tonnes)	900,954	947,634	(5%)
Zinc in zinc concentrate (tonnes)	89,076	79,177	13%
Lead in lead concentrate (tonnes)	9,956	9,846	1%
Payable metal in product sold			
Zinc (tonnes)	79,015	72,917	8%
Lead (tonnes)	10,409	10,969	(5%)
Silver (ounces)	671,124	715,484	(6%)

SIX MONTHS ENDED 30 JUNE	2021 US$ MILLION	2020 US$ MILLION	CHANGE % FAV/(UNFAV)
Revenue	**235.1**	**120.9**	**94%**
Operating expenses			
Production expenses			
Mining	(43.1)	(35.1)	(23%)
Processing	(38.5)	(25.6)	(50%)
Other	(31.1)	(26.6)	(17%)
Total production expenses	**(112.7)**	**(87.3)**	**(29%)**
Freight (transportation)	(6.0)	(6.3)	5%
Royalties	(8.1)	(5.0)	(62%)
Other[1]	(7.1)	(11.8)	40%
Total operating expenses	**(133.9)**	**(110.4)**	**(21%)**
Other income/(expenses)	0.5	(1.4)	136%
EBITDA	**101.7**	**9.1**	**1,018%**
Depreciation and amortisation expenses	(29.4)	(29.0)	(1%)
EBIT	**72.3**	**(19.9)**	**463%**
EBITDA margin	**43%**	**8%**	**438%**

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

Revenue increased by US$114.2 million (94%) to US$235.1 million, primarily due to higher realised commodity prices (US$106.8 million) and higher zinc sales volumes (US$8.9 million). Zinc sales volumes were higher in the first half of 2021 driven by higher zinc production attributable to higher zinc feed grades, partly offset by lower ore milled as a result of reduced ore availability. The reduced ore availability was due to short term constraints in the south mine, with technical issues impacting the paste-fill delivery system. This issue has now been rectified.

Total production expenses were higher by US$25.4 million compared to the first half of 2020 despite lower mining and milling volumes. This was largely attributable to the unfavourable foreign exchange rate impact of US$14.2 million and higher processing costs due to increased energy expenses attributable to one off savings in 2020 (US$5.4 million) mainly relating to the on sale of gas. Processing costs were also higher in the first half of 2021 due to higher contractor expenses (US$2.5 million) mainly due to the revised ROM loading contractor rates and higher employee costs in 2021 due to JobKeeper payments received in 2020 (US$1.2 million).

Dugald River's zinc C1 costs were US$0.63/lb in the first half of 2021 compared to US$0.76/lb in the first half of 2020. The lower C1 was attributable to higher production volumes, lower treatment charges and higher by-product credits. This was partly offset by higher production expenses.

OUTLOOK

In line with prior guidance, Dugald River is expected to produce between 180,000 and 190,000 tonnes of zinc in zinc concentrate during 2021. C1 cost guidance is lowered to US$0.65/lb and US$0.70/lb, with the benefit of lower prevailing TC's in 2021 only partially offset by the stronger A$/US$ exchange rate.

Dugald River continues to target sustained delivery of annual mine capacity of two million tonnes and by 2022, zinc production approaching 200,000 tonnes per annum.

MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

ROSEBERY

SIX MONTHS ENDED 30 JUNE	2021	2020	CHANGE % FAV/(UNFAV)
Production			
Ore mined (tonnes)	505,990	458,901	10%
Ore milled (tonnes)	514,345	472,647	9%
Zinc in zinc concentrate (tonnes)	37,460	33,894	11%
Lead in lead concentrate (tonnes)	13,612	10,787	26%
Copper in precious metals concentrate (tonnes)	872	736	18%
Gold (ounces)	20,588	18,765	10%
Silver (ounces)	1,642,922	1,392,225	18%
Payable metal in product sold			
Copper (tonnes)	988	855	16%
Zinc (tonnes)	29,912	32,516	(8%)
Lead (tonnes)	13,183	9,924	33%
Gold (ounces)	19,920	17,584	13%
Silver (ounces)	1,479,257	1,351,421	9%

SIX MONTHS ENDED 30 JUNE	2021 US$ MILLION	2020 US$ MILLION	CHANGE % FAV/(UNFAV)
Revenue	**180.2**	**119.4**	**51%**
Operating expenses			
Production expenses			
Mining	(35.5)	(30.6)	(16%)
Processing	(16.1)	(13.6)	(18%)
Other	(13.0)	(10.6)	(23%)
Total production expenses	**(64.6)**	**(54.8)**	**(18%)**
Freight (transportation)	(4.6)	(3.3)	(39%)
Royalties	(9.2)	(5.8)	(59%)
Other[1]	4.4	(6.4)	169%
Total operating expenses	**(74.0)**	**(70.3)**	**(5%)**
Other expenses	-	(0.6)	100%
EBITDA	**106.2**	**48.5**	**119%**
Depreciation and amortisation expenses	(27.7)	(23.6)	(17%)
EBIT	**78.5**	**24.9**	**215%**
EBITDA margin	**59%**	**41%**	**44%**

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

Revenue increased by US$60.8 million (51%) to US$180.2 million due to higher zinc (US$30.3 million), silver (US$14.7 million), lead (US$4.6 million) and copper prices (US$4.1 million). Sales volumes were also higher by US$7.8 million primarily due to higher lead sales volumes (US$5.1 million).

Rosebery produced 37,460 tonnes of zinc and 13,612 tonnes of lead during the first half of 2021. This represented an 11% and 26% improvement in zinc and lead production compared to the prior corresponding period. On a zinc equivalent basis, production was 84,911 tonnes, 23% higher than the first half of 2020. This was mainly driven by higher mill throughput, higher average feed grades and higher precious metal production. Total production expenses increased by US$9.8 million (18%) compared to the first half of 2020 mainly due to unfavourable exchange rates with the strengthening of the Australian dollar in 2021.

Rosebery's zinc C1 costs were negative (US$0.52/lb) in the first half of 2021 compared to US$0.10/lb in the first half of 2020 reflecting the higher precious metal by-products credits.

OUTLOOK

In line with prior guidance, MMG expects to produce between 60,000 and 70,000 tonnes of zinc in zinc concentrate in 2021. However, full year C1 costs are now expected to be significantly lower than previous guidance, with a range of negative (US$0.20/lb) to US$0.00/lb. The reduced C1 expectation is due to the combined impact of lower TCs, continued strong cost control and higher precious metal by-product credits. This strong performance reflects the ability of the Company to continue to efficiently operate the mine, maximise output and reduce production cost. This is despite longer term grade declines and operating at depth.

Resource extension and near mine exploration drilling will continue during 2021, with results continuing to indicate further extensions to the resource and mine life. As a result, the Company is currently investigating the potential for short term capacity increases at existing tailings storage facilities while studying and permitting a proposed site for a new tailings storage facility to support an extended the life of mine.

CASH FLOW ANALYSIS

NET CASH FLOW

SIX MONTHS ENDED 30 JUNE	2021 US$ MILLION	2020 US$ MILLION
Net operating cash flows	1,308.1	366.6
Net investing cash flows	(277.9)	(255.3)
Net financing cash flows	(418.4)	(257.9)
Net cash inflows/(outflows)	**611.8**	**(146.6)**

Net operating cash inflows increased by US$941.5 million (257%) to US$1,308.1 million. The impact of higher EBITDA (US$1,115.1 million) was largely attributable to higher commodity prices and higher sales volumes at Las Bambas. This was partly offset by unfavourable working capital movements (US$122.4 million), a lower net tax refund in Peru (US$22.8 million) and higher tax payments in the DRC (US$20.1 million).

Net investing cash outflows increased by US$22.6 million (9%) to US$277.9 million. This was mainly due to increased deferred mining costs at Las Bambas of US$116.5 million in the first half of 2021, compared to US$86.8 million in the first half of 2020.

Net financing cash outflows increased by US$160.5 million (62%) compared to the first half of 2020. Included for the period were net repayments of borrowings of US$596.1 million (2020: US$76.9 million) and payment of interest and financing costs of US$102.4 million (2020: US$153.7 million). This was partly offset by net proceeds received from the

MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

share placement in June 2021 (US$299.0 million).

FINANCIAL RESOURCES AND LIQUIDITY

	30 JUNE 2021 US$ MILLION	31 DECEMBER 2020 US$ MILLION	CHANGE US$ MILLION
Total assets	12,842.4	12,298.0	544.4
Total liabilities	(9,255.2)	(9,628.3)	373.1
Total equity	**3,587.2**	**2,669.7**	**917.5**

Total equity increased by US$917.5 million to US$3,587.2 million as at 30 June 2021, mainly due to the profit for the period of US$584.0 million and net proceeds from the share placement of US$299.0 million in June 2021.

The Group's objectives in managing capital are to safeguard its ability to continue as a going concern, support sustainable growth, enhance Shareholder value and provide capital for potential acquisitions and investment.

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 2021 US$ MILLION	31 DECEMBER 2020 US$ MILLION
Total borrowings (excluding prepaid finance charges)[1]	6,642.5	7,238.5
Less: cash and cash equivalents	(804.5)	(192.7)
Net debt	**5,838.0**	**7,045.8**
Total equity	3,587.2	2,669.7
Net debt + Total equity	**9,425.2**	**9,715.5**
Gearing ratio	**0.62**	**0.73**

1. Borrowings at an MMG Group level reflect 100% of the borrowings of the Las Bambas Joint Venture Group. Las Bambas Joint Venture Group borrowings at 30 June 2021 were US$4,106.1 million (31 December 2020: US$4,400.2 million) and Las Bambas Joint Venture Group cash and cash equivalents at 30 June 2021 were US$565.3 million (31 December 2020: US$102.2 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 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$2,261.3 million (31 December 2020: US$2,261.3 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

At 30 June 2021, the Group (excluding the Las Bambas Joint Venture Group) had available to it undrawn debt facilities of US$760.0 million (31 December 2020: US$650.0 million). This was represented by:

(i) US$200.0 million (2020: US$200.0 million) that was undrawn and available under a US$200.0 million revolving credit facility provided by Top Create, for general corporate purposes. The facility matures in October 2021;

(ii) US$80.0 million (2020: US$80.0 million) that was available under an US$85.0 million facility with China Development Bank maturing in September 2023;

(iii) US$300.0 million (2020: US$300.0 million) that was undrawn and available under a US$300.0 million revolving credit facility with ICBC maturing in December 2023;

(iv) US$180.0 million (2020: nil) that was undrawn and available under a US$450.0 million debt facility provided by Album Trading for project funding of Dugald River and for general corporate purposes. The facility matures in June 2026;

At 30 June 2021, the Las Bambas Joint Venture Group had available to it undrawn debt facilities of US$1,150.0 million (31 December 2020: US$1,150.0 million). This was represented by:

(i) US$175.0 million (2020: US$175.0 million) that was undrawn and available under a US$175.0 million revolving credit facility provided by BOC Sydney, for general corporate purposes;

(ii) US$175.0 million (2020: US$175.0 million) that was undrawn and available under a US$175.0 million revolving credit facility provided by ICBC Luxembourg, for general corporate purposes; and

(iii) US$800.0 million (2020: 800.0 million) that was undrawn and available under an US$800.0 million three years revolving credit facility to support the operation through the COVID-19 pandemic with China Development Bank, Bank of China, Industrial and Commercial Bank of China Limited and The Export-Import Bank of China.

In addition, at 30 June 2021, the Las Bambas Joint Venture Group had an agreement with CMC 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$200.0 million, allocated to each party in their respective off-take proportions.

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 2021. 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 and community related disruptions.

PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 8 June 2021, a total of 565,000,000 new Shares (Placing Shares), representing approximately 6.54% of the total issued share capital of the Company (as enlarged by the issue and allotment of the Placing Shares), were successfully placed by the Credit Suisse (Hong Kong) Limited, CLSA Limited and BOCI Asia Limited International (Placing Agents) at Placing Price of HK$4.15 per Placing Share pursuant to the terms of the Placing Agreement entered into between the Company and the Pacing Agents on 1 June 2021. The Placing Shares were allotted to not less than six Places (who are independent professional, institutional or other investors), who and whose ultimate beneficial owners are third parties independent of the Company and its connected persons.

The Placing Price is HK$4.15 per Share and represents: (i) a discount of approximately 8.39% to the closing price of HK$4.53 per Share as quoted on The Stock Exchange of Hong Kong Limited (Stock Exchange) on 31 May 2021, being the last trading day of the Shares prior to the date of the Placing Agreement (Last Trading Day); (ii) a discount of approximately 10.10% to the average closing price of approximately HK$4.62 per Share as quoted on the Stock Exchange for the last five consecutive trading days and including the Last Trading Day; and (iii) a discount of approximately 12.50% to the average closing price of approximately HK$4.74 per Share as quoted on the Stock Exchange for the last ten consecutive trading days and including the Last Trading Day.

MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

The above Placing Shares were allotted and issued under the general mandate granted to the Board at the annual general meeting (AGM) of the Company held on 20 May 2021. The net proceeds from the Placing amounted to approximately HK$2,321.1 million (equivalent to approximately US$299.0 million) with a net price per Placing Share of approximately HK$4.11, will be used for (i) potential future acquisitions or projects; and (ii) replenishment of working capital and general corporate purposes to support the Company's strategy, as detailed in the Company's announcement dated 1 June 2021.

ITEMS	PERCENTAGES OF TOTAL NET PROCEEDS	AMOUNT (HK$ IN MILLION)	EXPECTED TIME OF USAGE
Potential future acquisitions or projects	50%	1,160.56	on or before 31 December 2023
Replenishment of working capital and general corporate purposes	50%	1,160.56	on or before 31 December 2023

As at the date of this report, the net proceeds from the Placing have not been immediately required for these purposes and the Company continues to hold these funds in short-term deposits.

DEVELOPMENT PROJECTS

The next phase of development at Las Bambas includes the mining of the Chalcobamba deposit, which is located around 3km from the current processing plant. Permitting and engineering works continue at this project. The Company had anticipated regulatory approval for the development of the Chalcobamba pit in the first half of 2021 following submission of original application in February 2019. However, a combination of lengthy community consultation and administrative delays – as well as complications associated with the 2021 national elections – has delayed approvals.

The Company looks forward to working with the Government of Peru and the Huancuire community to advance development. The project is significant for the economy of Peru and will support additional social contribution and financial and business opportunities for local and regional communities.

When approval is received, Las Bambas will move immediately towards significant development of the pit, investment in mine fleet and the contribution of the third ball mill, which will underpin a production increase to an average of which along with around 400,000 tonnes per annum for the medium term.

The next phase of Kinsevere development, namely the transition to the mining and processing of sulphide ores, is also progressing with the project team currently undertaking detailed engineering works in anticipation of the development phase of the project over the remainder of 2021 and 2022. This project will extend Kinsevere's mine life, see a return to higher copper production volumes in future years and add cobalt production to MMG's portfolio. A decision to proceed with this project remains subject to MMG Board approval. Due to ongoing project optimisation work and discussions with government and regional officials, a final decision on this is now expected during the second half of 2021.

There were no other major development projects noted during the six months ended 30 June 2021.

CONTRACTS AND COMMITMENTS

During the six months ended 30 June 2021, 307 contracts have been reviewed either through market engagements or in-contract renegotiations. The approximate annual operational or capital values addressed by these activities comes to US$745.1 million.

LAS BAMBAS

New and revised agreements were finalised to support optimising production and development options for Las Bambas, including; contracts for the supply of grinding media, reagents, and other consumables, major component repair, as well as contracts for engineering and civil works. Multiple goods and services contracts were also finalised in support of the operations. Agreements include an important component of the strategic sourcing program and also engagements with various local communities. Continuous improvement initiatives included contract optimisation and renegotiation with certain suppliers to ensure a sustainable cost base for the business. Significant activity was also undertaken to maintain surety of supply during COVID-19 pandemic to support continued operations.

KINSEVERE

New and revised agreements were finalised with regard to various goods and services focussed on supporting the operation while improving operational cost performance, including; operations and exploration services contracts, logistic and custom clearances, and multiple contracts for the supply of reagents and commodities. Significant activity was undertaken to ensure surety of supply during COVID-19 pandemic to support continued operations. In addition, a number of engineering services and consultancy agreements were finalised in support of Kinsevere expansion and development studies.

DUGALD RIVER

New and revised agreements were finalised for requirements in support of optimising production performance and operations, including; contracts for engineering and civil works for the construction of the chiller plant, goods and services requirements for site infrastructure projects, multiple contracts for the supply of reagents and water, and other site support services. A major activity during this period was to progress review of potential long-term energy solutions to drive cost reduction and increase uptake of renewable energy.

ROSEBERY

New and revised agreements were finalised with regard to various goods and services with a focus on supporting tailings-related activities and maintaining production performance. These included contracts for engineering services and consultancy agreements for project-related requirements; multiple goods agreements for the supply of key mining inputs, equipment spares and consumables and partial mobile fleet replacement. Arrangements for specialised labour and site support services were also reviewed for further optimisation to support continued operations.

GROUP (INCLUDING GLOBAL GEOSCIENCE AND DISCOVERY REQUIREMENTS)

New and revised agreements were finalised with regards to various goods and services, including; group-wide travel management services contracts, IT related services and licence agreements, and a number of professional services consultancy agreements (including services for SHEC, Corporate Affairs, Treasury, Human Resource, and OTE).

PEOPLE

As at 30 June 2021, the Group employed a total of 4,105 full-time equivalent employees (2020:3,600.9) in its continuing operations (excluding contractors and casual employees) with the majority of employees based in Australia, Peru, the Democratic Republic of Congo (DRC), China and Laos.

Total employee benefits expenses for the Group's operations for the six months ended 30 June 2021, including Directors' emoluments, totalled US$160.6 million (2020: US$122.5 million).

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.

MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

EXPLORATION ACTIVITIES

LAS BAMBAS

Drilling continued during the first half 2021 on near-surface, skarn and porphyry copper mineralisation at the Chalcobamba Southwest Zone as well as on deep exploration at Chalcobamba and Ferrobamba. All core has been logged and is in the process of being assayed. The analytical results for this drilling will be provided at a later date.

At the Chalcobamba Southwest Zone, located immediately southwest of the current Chalcobamba Ore Reserve pit, coherent, higher-grade copper skarn is located beneath a shallow, unmineralised diorite intrusion that strikes EW and dips gently to the south.

Drilling at Ferrobamba Deeps was designed to test the depth projection of higher-grade mineralization currently being mined by the open pit. The targeted mineralization could serve to deepen the current open pit or provide ore for future UG mining activity.

KINSEVERE

In the DRC, exploration activities continued to focus primarily on the resource development of satellite copper oxide deposits within an operating radius of the Kinsevere mine. This activity continues to confirm and define several compelling copper-cobalt targets at the Mewpu, Sokorshe II, Shandwe and Tshangalele projects.

DUGALD RIVER

During the first half of 2021, site preparations were completed for a 20,000m surface drilling program. The drilling commenced during late May to investigate the host slate horizons on the Southern Leases of the Dugald River mine for zinc and copper mineralised zones. As at 30 June 2021, 3,355m have been drilled across five diamond drill holes. All holes have intersected variable zones of sulphides within the host horizon consisting of pyrrhotite stringers and breccias with low-grade disseminated sphalerite. Assays are pending.

The remainder of the surface program for the year will focus on exploring for indications of zinc mineralised zones along the 3.5 km stratigraphic trend south of the mine. These holes will target structurally complex areas of the host slate and drill beneath the low-grade sphalerite encountered in the drill program so far. Additional drilling will be completed in the proximal zone of the Inferred Resource in lower Panel A and to the north of Panel E, known as Target F.

ROSEBERY

For the first half of 2021, in-mine drilling activities continued to focus on resource conversion and resource extension drilling. Resource conversion programs performed to expectation. Resource Extension programs are ongoing and results from these extension programs were positive during the reporting period. Additional Resource Extensions programs are coming on-line in the Northern Deeps target. These programs are targeting additional mineral extensions down-dip and to the north of known mining zones.

PROJECT	HOLE_TYPE	METERAGE (METRES)	NUMBER OF HOLES	AVERAGE LENGTH (METRES)
Africa, Australia				
Dugald Rover	Diamond	3,355	5	671
Rosebery	Diamond Surface	3,816	2	1,908
	Diamond Underground	43,158	118	366
Americas				
Las Bambas	Diamond (Chalcobamba SW)	2,998	10	300
	Diamond (Chalcobamba Deeps)	1,498	2	749
	Diamond (Ferrobamba Deeps)	2,662	7	380
	Reverse Circulation (Ferrobamba Deeps)	960	3	320
Total		**58,447**	**147**	**398**

MATERIAL ACQUISITIONS AND DISPOSALS

The Group made no material acquisition or disposal in the six months ended 30 June 2021.

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.

- As noted under contingent liabilities for tax, MLB received SUNAT's assessment notice for *Peru - Withholding Taxes (2014, 2015 and 2016)* in connection with audits undertaken in respect of the 2016 tax year in July 2021. MLB intends to appeal the assessments.

FINANCIAL AND OTHER RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks including commodity price risk, interest rate risk, foreign exchange risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group can use derivative financial instruments, such as foreign exchange contracts and commodity swaps, to manage certain exposures. The Group does not and is prohibited from entering into derivative contracts for speculative purposes.

Financial risk management is carried out by the Group Treasury function under proposals approved by the Board. Group Treasury identifies, evaluates and manages financial risks in close cooperation with the Group's operating units. The Board approves written principles for overall risk management, as well as policies covering specific areas such as those identified below.

MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

(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 a 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 2021, the Group entered into various commodity trades to hedge the sales prices for copper and zinc. This included:

- Zero/low-cost collar hedges:
  - 67,200 tonnes of zinc with put strike price ranging from US$2,550/ton to US$2,800 /ton and call strike price ranging from US$3,100/ton to US$3,340/ton;
  - 81,800 tonnes of copper at put strike price ranging from US$9,000/ton to US$9,550/ton and call strike price ranging from US$10,000/ton to US$11,350/ton.
  - Certain hedges will be settled in January and February 2022.
- Fixed price swap hedges: 20,500 tonnes of copper with fixed price ranging from US$9,708/ton to US$10,340/ton which will be settled in the second half of 2021.
- Quotation period (QP) hedges: 39,800 tonnes of copper with QP month from July 2021 to September 2021 were swapped to average price for the month of June 2021.

Management of the Group have designated the collar hedges with a QP settling in 2021 under a hedge relationship. The fair value of these collar hedges which remain unsettled at 30 June 2021 have been recognised as a derivative financial asset with an amount of US$18.4 million. Accordingly, the fair value movement, from hedge inception to reporting date, has been recognised in other comprehensive income with an amount of US$0.6 million. Management of the Group has excluded the extrinsic (time value) component from the hedge relationship, and accordingly, this has been recognised in other comprehensive income with an amount of US$12.6 million.

For all remaining derivatives, fair value change in reporting period is recognised through profit or loss.

A change in commodity prices during the six months ended 30 June 2021 can result in favourable or unfavourable financial impact for the Group.

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

AT 30 JUNE 2021	TERM	CARRYING AMOUNT OF HEDGING INSTRUMENT US$ MILLION	FAVOURABLE/(UNFAVOURABLE) CHANGES IN FAIR VALUE USED FOR MEASURING INEFFECTIVENESS		SETTLED PORTION OF HEDGING INSTRUMENT REALIZED LOSSES US$ MILLION	HEDGING GAIN/(LOSS) RECOGNISED IN CASH FLOW HEDGE RESERVE US$ MILLION	COST OF HEDGING RESERVE US$ MILLION
			HEDGING INSTRUMENT US$ MILLION	HEDGED ITEM US$ MILLION			
Cash flow hedges:							
Derivative financial liabilities	January 2021 to March 2021	-	-	-	5.5	-	-
Derivative financial assets	July 2021 to December 2021	18.4	18.4	(18.4)	-	0.6	12.6

The following table details the sensitivity of the Group's financial assets balance to movements in commodity prices. Financial assets arising from revenue on provisionally priced sales are recognised at the estimated fair value of the total consideration of the receivable and subsequently remeasured at each reporting date. At the reporting date, if the commodity prices increased/(decreased) by 10% and all other variables were held constant, the Group's post-tax profit would have changed as set out below:

	30 JUNE 2021			31 DECEMBER 2020		
COMMODITY	COMMODITY PRICE MOVEMENT	(DECREASE)/ INCREASE IN PROFIT US$ MILLION	DECREASE IN OCI US$ MILLION	COMMODITY PRICE MOVEMENT	(DECREASE)/ INCREASE IN PROFIT US$ MILLION	DECREASE IN OCI US$ MILLION
Copper	+10%	(22.8)	(22.0)	+10%	(11.0)	-
Zinc	+10%	0.6	(6.1)	+10%	2.0	(6.3)
Total		**(22.2)**	**(28.1)**		**(9.0)**	**(6.3)**

COMMODITY	COMMODITY PRICE MOVEMENT	INCREASE/ (DECREASE) IN PROFIT US$ MILLION	INCREASE IN OCI US$ MILLION	COMMODITY PRICE MOVEMENT	DECREASE IN PROFIT US$ MILLION	INCREASE IN OCI US$ MILLION
Copper	-10%	23.3	25.8	-10%	(18.9)	-
Zinc	-10%	(0.7)	5.7	-10%	(2.0)	6.3
Total		**22.6**	**31.5**		**(20.9)**	**6.3**

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.

In June 2020, MLB entered into a notional US$2,100 million 5-year amortising interest rate swap with respect to the floating 6-month LIBOR base rate applicable under its existing project facility, converting the floating rate to a fixed base rate. The main sources of hedge ineffectiveness are considered to be the effects of counterparty credit risks on the hedging instrument, the possibility of LIBOR rates becoming negative and uncertainty associated with benchmark interest rate reform. Further, if LIBOR rates become negative for a period of time, then this corresponding component of the hedging instrument will be ineffective from year two to year five. A floor was purchased on LIBOR at zero for the first year of the hedge instrument.

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

AT 30 JUNE 2021	TERM	NOTIONAL AMORTISING AMOUNT US$ MILLION	CARRYING AMOUNT OF HEDGING INSTRUMENT US$ MILLION	FAVOURABLE/(UNFAVOURABLE) CHANGES IN FAIR VALUE USED FOR MEASURING INEFFECTIVENESS		SETTLED PORTION OF HEDGING INSTRUMENT REALIZED LOSSES US$ MILLION	HEDGING GAIN/(LOSS) RECOGNISED IN CASH FLOW HEDGE RESERVE US$ MILLION	HEDGE INEFFECTIVE-NESS RECOGNISED IN PROFIT OR LOSS US$ MILLION
				HEDGING INSTRUMENT US$ MILLION	HEDGED ITEM US$ MILLION			
Cash flow hedges:								
Derivative financial asset[1]	June 2020 - June 2025	1,940.0	9.4	20.1	(20.0)	(3.0)	13.6[2]	0.1

1. In June 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$3,911.4 million outstanding at 30 June 2021, maturing in June 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 LIBOR exposure for a fixed rate (0.5568% per annum in the first year and 0.5425% per annum from year two to year five).
2. The hedging gain recognised in cash flow hedge reserve is the amount after tax.

At 30 June 2021 and 31 December 2020, if the interest rate had increased/(decreased) by 100 basis points, taking into account the interest rate swap, with all other variables held constant, post-tax profit and other comprehensive income (OCI) would have changed as follows:

	30 JUNE 2021				31 DECEMBER 2020			
	+100 BASIS POINTS		-100 BASIS POINTS		+100 BASIS POINTS		-100 BASIS POINTS	
US$ MILLION	INCREASE/ (DECREASE) IN PROFIT AFTER TAX	INCREASE IN OCI	DECREASE IN PROFIT AFTER TAX	DECREASE IN OCI	INCREASE/ (DECREASE) IN PROFIT AFTER TAX	INCREASE IN OCI	DECREASE IN PROFIT AFTER TAX	DECREASE IN OCI
Financial assets								
Cash and cash equivalents	5.5	-	(5.5)	-	1.3	-	(1.3)	-
Financial liabilities								
Borrowings (taking into account the impact of the interest rate swap)	(7.7)	39.6	(9.6)	(28.8)	(19.0)	39.1	(18.5)	(15.9)
Total	**(2.2)**	**39.6**	**(15.1)**	**(28.8)**	**(17.7)**	**39.1**	**(19.8)**	**(15.9)**

EFFECT OF BENCHMARK INTEREST RATES REFORM

The Group has adopted the Phase I and Phase II of the Amendments to HKFRS 9, HKAS 39 and HKFRS 7 Interest Rate Benchmark Reform.

Additionally, the Group has a cash flow hedge relationship (as described above for the interest rate swap) which will also be subject to the interest rate benchmark reform. In respect of the interest rate swap, the amendments provide temporary relief from applying specific hedge accounting requirements to the hedging relationships if it directly gets affected by benchmark interest rates reform. This will prevent hedge accounting from terminating but may result in hedge ineffectiveness. Any hedge ineffectiveness continues to be recorded in the condensed consolidated interim statement of profit or loss.

Under the amendments, hedge accounting is not discontinued solely because of the interest rate benchmark reform. Hedging relationships (and related documentation) are required to be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements. The Group currently anticipates that the areas of greatest change will be amendments to the contractual terms of US$ LIBOR-referenced floating-rate debt and swaps and updating hedge designations.

The Group is closely monitoring the market and the output from the various industry working groups managing the transition to new benchmark interest rates. This includes announcements made by IBOR regulators (including the Financial Conduct Authority 'FCA' and the US Commodity Futures Trading Commission) regarding the transition from IBOR (including the US$ LIBOR) to the Sterling Overnight Index Average rate ("SONIA"), the Secured Overnight Financing rate ("SOFR") and the Tokyo Overnight Average rate (TONA).

MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

Below is the list of derivative and non-derivative financial instrument which will be impacted by IBOR replacement:

FINANCIAL INSTRUMENT	TYPE OF INSTRUMENT	MATURING IN	NOTIONAL VALUE US$ MILLION	CARRYING VALUE US$ MILLION
US$ debt linked to LIBOR[1]	Non-derivative liability	Through July 2021 to July 2032	2,365.9	2,365.9
US$ debt linked to LIBOR designated in cash flow hedge[1]	Non-derivative liability	June 2025	1,940.0	1,940.0
Interest rate swap converting LIBOR to Fixed (cash flow hedge)	Derivatives	June 2025	1,940.0	9.4

1. For the US$ Debt, the fallback clauses are under negotiation with lenders. This relief does not extend to the requirement that the designated interest rate risk component continues to be reliably measurable and if the risk component is no longer reliably measurable, the hedging relationship is discontinued. The Group has determined that USD LIBOR interest rate risk components continue to be reliably measurable.

In response to the announcements, the Group has put in place an interest rate benchmark transition programme being led by the Group's Treasury team. Treasury team has commenced the discussions with the internal and external stakeholders to understand the impact of the transition and work involved.

RISKS ARISING FROM THE INTEREST RATE BENCHMARK REFORM

The following are the key risks for the Group arising from the transition:

- **Interest rate basis risk:** There are two elements to this risk as outlined below:
  - If bilateral negotiations with the Group's counterparties are not successfully concluded before the cessation of LIBOR publishing, there are significant uncertainties with regard to the interest rate that may apply. The Group is working closely with counterparties to avoid this from occurring.
  - Interest rate basis risk can arise if the move to the alternate benchmark rate occurs at different timing for the non-derivative instrument (the project finance facility) and the derivative instrument (the interest rate swap) held to manage the interest risk on the non-derivative. The Group will monitor this risk against its risk management policy which shall allow for temporary mismatches of up to 12 months and transact additional basis interest rate swaps if required.
- **Liquidity risk:** There are differences between the LIBOR and the various alternative benchmark rates which the Group may be adopting. The LIBOR is published for a period (e.g., 1 month or 6 month) and includes an inter-bank credit spread, whereas the alternative benchmark rates are typically risk-free overnight rates with no embedded credit spread and published at the end of the overnight period. These differences can result in uncertainty regarding the floating rate interest payments which will require additional liquidity management. Management of the Group shall ensure sufficient liquidity is available to accommodate any unexpected increases in overnight rates.
- **Accounting risk:** If transition to alternate benchmark rates is finalised in a manner which does not permit the application of reliefs introduced in the Phase 2 amendments, this can lead to discontinuation of hedge accounting relationships (i.e., gains or losses recognised in the other comprehensive income will be re-classified to profit and loss). This can also lead to increased volatility in profit or loss if re-designated hedges are not fully effective and volatility in the profit or loss if non-derivative financial instruments are modified or de-recognised (for e.g., where there is significant impact due to change in effective interest rate on the overall borrowings valuation including the prepaid finance charges). Management of the Group aims to agree timely changes to the contracts to allow HKFRS 9 reliefs to apply and does not expect to close out derivatives and enter into new ones in respect of the existing hedge relationship.

Below are details of the hedging instruments and the related hedged items that will be subject to transition to alternative benchmark interest rates, by hedge type. The terms of the hedged items listed match those of the corresponding hedging instruments.

HEDGE RELATIONSHIP	PRIOR TO TRANSITION INSTRUMENT TYPE	MATURING IN	NOTIONAL VALUE US$ MILLION	CARRYING VALUE US$ MILLION	HEDGED ITEM	TRANSITION PROGRESS
Cash flow hedge	Receive 6-month USD LIBOR, pay US dollar fixed interest rate swap	June 2025	1,940.0	9.4	USD LIBOR debt	Discussion with counterparty of derivatives are in process.

The Group will continue to apply the Phase 1 amendments to HKFRS 9/HKAS 39 until the uncertainty arising from the interest rate benchmark reform with respect to the timing and amount of underlying cashflows to which the Group is exposed ends.

(C) FOREIGN EXCHANGE RISK

The Group operates internationally and is exposed to foreign currency exchange risk. The Group's reporting currency and functional currency of the majority of subsidiaries within the Group is US dollars. The majority of revenue received by the Group is in US dollars. The Group's foreign currency exchange risk arises predominantly from the currency of the countries in which the Group's operations are located. Any decision to hedge foreign currency risk is assessed periodically in light of the Group's exposure, the prevailing foreign currency market and any funding counterparty requirements.

(D) CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group is exposed to counterparty credit risk through sales of metal products on normal terms of trade, through deposits of cash and settlement risk on foreign exchange transactions. While the most significant exposure to credit risk is through sales of metal products on normal terms of trade, the majority of sales for mining operations were made under contractual arrangements, whereby provisional payment is received promptly after delivery and the balance within 30 to 120 days from delivery. All of the Group's trade receivables at 30 June 2021 are aged within six months of the invoice date.

Investments in cash, short-term deposits and similar assets are with approved counterparty banks and the intermediate holding company of the Company. Counterparties are assessed prior to, during and after the conclusion of transactions to ensure exposure to credit risk is limited to acceptable levels. The limits are set to minimise the concentration of risks and, therefore, mitigate the potential for financial loss through counterparty failure.

MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

(E) LIQUIDITY RISK

Compared to 31 December 2020, there was no material change in the contractual undiscounted cash outflows for financial liabilities. The new derivatives including fixed price swaps, QP swaps and collar derivatives are with a carrying value of US$18.4 million for derivatives designated under hedge accounting and with a carrying value of US$25.8 million for derivatives carried at fair value though profit or loss respectively. All of these derivatives will be maturing within 12 months from the reporting date.

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 2021. 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 and community related disruptions.

During the six months ended 30 June 2021, the Group raised equity of US$299.0 million through share a placement.

In addition, at 30 June 2021, the Las Bambas Joint Venture Group had an agreement with CMC 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$200.0 million, allocated to each party in their respective off-take proportions.

(F) SOVEREIGN RISK

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, and changing political conditions and governmental regulations. Changes in any mining or investment policies or shifts in political attitudes in the jurisdictions in which 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 continues to result in an increased tax burden on mining companies.

Some of the countries in which the Group operates carry higher levels of sovereign risk. Political and administrative changes and reforms in law, regulations or taxation may impact sovereign risk. Political and administrative systems can be slow or uncertain and may result in risks to the Group including the ability to obtain tax refunds in a timely manner. The Group has processes in place to monitor any impact on the Group and implement responses to such changes.

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 2021, these guarantees amounted to US$423.0 million (31 December 2020: US$417.7 million).

- The Group has an Australian dollar ("A$") 230.0 million (approximately US$172.8 million), revolving bank guarantee facility with BOC, Sydney ("BG Facility"), which is guaranteed by CMN. MMG has entered into a counter-indemnity agreement in favour of CMN for the maximum principal amount outstanding under the BG Facility.
- Following the sale of Century mine in 2017, the Group has procured certain bank guarantees amounting to US$122.9 million (31 December 2020: US$145.4 million) for the benefit of New Century until 31 December 2023. New Century is legally required to punctually meet all obligations and must use best endeavours to ensure that no demand is made under the bank

guarantees. New Century must ensure that, within 90 days of the end of each half-year financial period, the bank guarantee is reduced by not less than 40% of the Century mine's EBITDA in respect of a half-year financial period. During the six months ended 30 June 2021, the bank guarantee has been reduced by A$7.6 million (US$5.7 million) to A$181.3 million (US$136.2 million) from a partial reduction of the rehabilitation reduction agreement between New Century and the Queensland Government's Department of Environment and Science ("DES"). Management of the Group agreed to defer any further reductions to the bank guarantee to the second half of 2021.

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, Laos and the DRC. 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 these 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 and 2016)

Included within such uncertain tax matters is an audit of the 2014 and 2015 tax years for MLB in relation to withholding taxes on fees paid under certain loans, which were provided to MLB pursuant to facility agreements entered into among MLB and a consortium of Chinese banks in connection with the acquisition of the Las Bambas mine in 2014. MLB received assessment notices from the Peruvian tax authority (National Superintendence of Tax Administration of Peru or "SUNAT"), which advised that, in its opinion, MLB and the Chinese banks are related parties and thus a 30% withholding tax rate ought to be imposed rather than the 4.99% applied. The assessments of omitted tax plus penalties and interest until the estimate date of Peru Tax Court resolution are PEN199,030,760 (approximately US$51.0 million), PEN534,307,517 (approximately US$137.0 million) and PEN 660,508,102 (approximately US$169.4 million) for 2014, 2015 and 2016 tax years respectively.

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 Chinese banks under Peruvian tax law. MLB notes that the Peruvian tax law was amended to apply from October 2017 onwards to provide expressly that parties are not related by being under state ownership for the purposes of withholding taxes. MLB intends to appeal the assessments. SUNAT could bring a similar challenge regarding the rate of withholding tax applied by MLB in the part of the 2017 tax year before the amendment to the Peruvian tax law. Where MLB is not successful in rebutting or appealing such challenge(s), this could result in significant additional tax liabilities.

Peru – VAT refund claims (2011/12)

Included as an uncertain tax matter is the decision from the Peru Tax Court in relation to SUNAT's audit of MLB's VAT refund claims in the 2011 and 2012 years. SUNAT conducted an audit of MLB's tax affairs of the 2011 and 2012 financial years and challenged certain VAT matters. SUNAT disallowed MLB's claim, despite MLB providing a substantial amount of documentary evidence to support its position during and after the audit, which MLB is of the opinion it is entitled to do, pursuant to Peruvian law. Based on SUNAT issued assessments by the end of 2020, there will be approximately PEN687.0 million (approximately

MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

US$176.0 million) of VAT, penalties and interest in respect of the 2011 and 2012 financial years when the Las Bambas mine was under the ownership of Glencore plc.

MLB has appealed the judgment. Appeals in the Peruvian Judiciary System may take several years to resolve.

The assessed amount relates to the pre-closing period under the agreement signed with Glencore in 2014 ("Share Purchase Agreement") in respect of the acquisition of the Las Bambas mine, which clarified MMG can pursue indemnity and warranty claims against Glencore due to the matters before 2014 and, upon the Peruvian Tax Court upholding the assessment, MLB may seek reimbursement of some or all of the amount from Glencore plc by way of indemnity or warranty claims under that agreement.

The Group continues to proactively cooperate with the relevant taxation authorities and to actively manage these audits and reviews. Where appropriate, the Group has filed appeals with either the relevant tax authority or the tax court. For all such open tax matters that the Group presently has, any ultimate obligation would depend on future resolution of the matters and currently, a payment is either not probable or cannot be measured reliably. As such, no provision has been reflected in the condensed consolidated interim financial statements for such tax matters.

CONTINGENT LIABILITIES – OTHER CONTINGENCIES

Mining Company Katanga SARL ("MCK") filed a claim against MMG Kinsevere SARL ("MMG Kinsevere"), a subsidiary of the Group, in relation to a mining services contract with its associate entity MCK Trucks (then known as NB Mining SA) in 2018.

MCK is seeking an award of losses suffered and punitive damages. MMG Kinsevere and the Company regard the claim as unfounded and the amount claimed as disproportionate to the losses that could reasonably have been suffered. The Group is contesting the claim. Court proceedings between MMG Kinsevere and MCK in the DRC are continuing. MCK obtained freezing orders in 2020 over certain assets of Kinsevere, which have been partly enforced over US$15.8 million cash held in bank accounts in the DRC.

Considering the uncertainty around this matter and the fact that there is no present obligation for Kinsevere to make any payments, nor such payment being reliably estimated at this time, no provision has been recognised for this matter.

CHARGES ON ASSETS

As at 30 June 2021, certain borrowings of the Group were secured as follows:

(a) Approximately US$4,030.9 million (31 December 2020: US$4307.6 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 Co Ltd and each of its subsidiaries including MLB, a debenture over the assets of MMG South America Management Co Ltd, 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 Co Ltd and its subsidiaries and security agreements over bank accounts of MLB. Approximately US$119.5 million (31 December 2020: US$239.0 million) of these borrowings are guaranteed on a several basis by China Minmetals Non-ferrous Metals Holding Company Limited, Guoxin International Investment Corporation Limited and CITIC Corporation Limited in proportion to the respective shareholdings of MMG SA, Elion Holdings Corporation Limited and Citic Metal Peru Investment Limited in the Las Bambas Joint Venture Group.

(b) Approximately US$75.3 million (31 December 2020: US$92.5 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 build the world's most respected mining company. We mine to create wealth for our people, host communities and shareholders with an ambition to double the size and value of MMG, and then double again by 2030. MMG has established strong foundations that support future growth and development. The Board is committed to sustaining the successful model that brings together the best fit management team and a strong relationship with China that draws upon the strength of the world's largest commodities consumer, provides deep understanding of markets and access to its sources of funding.

The Company is focused on containing costs, continually improving productivity, growing its resource base and strengthening the balance sheet. This will enable the Company to step into its next phase of disciplined growth.

MMG continues to pro-actively respond to the COVID-19 pandemic, working closely with national authorities to protect the health and safety of its employees, host communities and other stakeholders.

Las Bambas copper production in 2021 is now expected to be around 310,000 tonnes as a result of the ongoing uncertainty around Chalcobamba approvals. The Company looks forward to working with the Government of Peru and the Huancuire community to advance development. The project is a significant one for the economy of Peru and will support additional social contribution and financial and business opportunities for local and regional communities.

The development of Chalcobamba pit, together with the investment in mine fleet and the third ball mill will underpin a production increase to an average of around 400,000 tonnes per annum for the medium term.

MMG continues to expect to produce between 50,000 and 60,000 tonnes of copper cathode at Kinsevere, and between 240,000 and 260,000 tonnes of zinc at its Dugald River and Rosebery operations in 2021.

In the DRC, MMG continues to progress the next phase of Kinsevere development, namely the transition to the mining and processing of sulphide ores. This project will extend Kinsevere's mine life, see a return to higher copper production volumes in future years and add cobalt production to MMG's portfolio. 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 continues to focus on sustained delivery of annual mine throughput of two million tonnes by 2022. This will pave the way for targeted zinc equivalent production approaching 200,000 tonnes annually from 2022. At Rosebery, resource extension and near mine exploration drilling will continue during 2021, with results continuing to indicate further extensions to the resource and mine life. MMG remains committed to extending the operating life of this important asset.

Total capital expenditure in 2021 is now expected to be between US$600.0 million and US$650.0 million. Of this, approximately US$500.0 million is attributable to Las Bambas, including approximately US$250.0 million related to capitalised deferred stripping activity. The balance is made up of expenditure on the Chalcobamba development, completion of the third ball mill project and expansion of the Las Bambas tailings dam facility. These figures do not include costs associated with the next phase of development at Kinsevere, details of which will be announced if and when the project receives formal approval.

MMG currently 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.