

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**MMG LIMITED**  
**五礦資源有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(STOCK CODE: 1208)**

## **ANNOUNCEMENT ON ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021**

The Board of Directors (Board) of MMG Limited (Company) is pleased to announce the consolidated results of the Company and its subsidiaries (Group) for the year ended 31 December 2021.

The financial information set out in this announcement does not constitute the Group's complete set of the consolidated financial statements for the year ended 31 December 2021, but rather, represents an extract from those consolidated financial statements.

The financial information has been reviewed by the Company's Audit and Risk Management Committee and the Company's auditor.

The audited consolidated results of the Group are annexed to this announcement.

# MMG RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

## KEY POINTS

- MMG recorded a Total Injury Frequency Rate (TRIF) of 1.09 per million hours worked for the full year 2021. This represents a 21% decrease on the full year 2020 TRIF of 1.38.
- Net profit after tax of US\$920.5 million, including a profit of US\$667.1 million attributable to equity holders of the Company, was a record result for the Company. This compared to a net profit after tax of US\$5.6 million in 2020, including a loss attributable to equity holders of US\$64.7 million.
- EBITDA of US\$2,725.4 million was 98% higher than 2020, driven by higher commodity prices and strong production at Dugald River and Rosebery.
- MMG's net debt decreased by US\$1,952.8 million due to strong operational cash flow and US\$299.0 million equity issuance in June 2021. Gearing reduced from 73% in 2020 to 56% in 2021, significantly strengthening the balance sheet as MMG looks to move into its next phase of disciplined growth.
- Total capital expenditure for 2021 was US\$573.7 million. This was below initial guidance, reflecting the delay in the progress of key capital projects at Las Bambas and Kinsevere. Much of the planned expenditure will now fall into 2022.
- Las Bambas EBITDA of US\$2,047.3 million was 83% higher than 2020. This result was largely due to higher realised commodity prices and higher molybdenum sales volumes. Copper production in 2021 was 290,097 tonnes, 7% lower than 2020 due to lower average ore grades and community roadblocks that led to a complete shutdown of the mine in December for approximately two weeks.
- Kinsevere EBITDA of US\$137.6 million was 102% higher compared to 2020, due to the higher copper price and lower operating costs reflecting the fact that there was no mining activity in 2021. Annual production at Kinsevere was 48,017 tonnes, 33% lower than 2020 due to the reliance on lower grade stockpiles and third-party ores to feed the processing plant. Plant performance was strong however, with an increased average recovery rate for the year.
- Dugald River recorded EBITDA of US\$212.7 million during 2021, significantly higher than the US\$100.0 million result for 2020. Higher prices and zinc sales volumes were the primary drivers behind the stronger performance. Dugald River produced 180,313 tonnes of zinc in 2021 and on a zinc equivalent basis, production exceeded 200,000 tonnes for the second consecutive year.
- Rosebery EBITDA of US\$203.3 million represented a 56% increase on 2020. This was due to higher metal prices and higher production. Rosebery produced 69,454 tonnes of zinc in zinc concentrate during 2021 and 157,482 tonnes in zinc equivalent terms (including lead, copper, gold and silver), which was 11% higher than 2020.
- As a major supplier of metals linked to a low carbon future, the company committed to an integrated Climate Resilience Strategy targeting a 40% reduction of net greenhouse gas emissions by 2030, toward an ultimate commitment of zero net emissions by 2050.
- Dugald River has entered into a long-term solar offtake agreement with energy provider APA Group. The solar agreement will supply the Dugald River mine with renewable energy to reduce its carbon footprint and provide immediate energy cost savings once supply commences in early 2023.
- The Board did not recommend the payment of a dividend for the year.

## Outlook

- Total copper production for 2022 of between 345,000 and 370,000 tonnes is expected at Las Bambas and Kinsevere. Total zinc production of between 225,000 and 255,000 tonnes is expected at Dugald River and Rosebery.
- C1 cost guidance is expected to increase at all operating mines driven by a combination of inflationary pressures, lower budgeted by-products credits and one-off factors. Higher production levels from 2023 onwards will partially mitigate this C1 increase in subsequent years.
- On 24 March 2022, the MMG Board approved the development of the Kinsevere Expansion Project. This project involves the mining and processing of Kinsevere's sulphide ore body as well as the construction of a roaster and cobalt processing circuit. The total investment amount of US\$550-600 million will be

# MMG RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

funded through a combination of debt and available cash reserves. The project will extend the life of the Kinsevere operation for at least 13 years from 2022 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. First cobalt production is expected in 2023 and first copper from the sulphide feed in 2024.

- On 24 March 2022, the Company announced that it has received regulatory approval from the Peru Ministry of Energy and Mines (MINEM) for the development of the Chalcobamba pit and associated infrastructure at Las Bambas. This development is expected to underpin a production increase at the mine to around 380,000 to 400,000 tonnes of copper in concentrate per annum for the medium term.
- The Kinsevere Expansion Project and the Chalcobamba development at Las Bambas are expected to add in excess of 150,000 tonnes of copper equivalent production per annum by 2025 compared with the 2021 production level, an increase of 28%.
- Total capital expenditure for 2022 is expected to be between US\$700 and US\$800 million, including approximately US\$400 to US\$500 million attributable to Las Bambas and US\$180 to US\$200 million for the Kinsevere expansion project.

# MMG RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021 CONTINUED

YEAR ENDED 31 DECEMBER	2021 US\$ MILLION	2020 US\$ MILLION	CHANGE % FAV/(UNFAV)
Revenue	4,255.0	3,033.7	40%
EBITDA	2,725.4	1,379.7	98%
EBIT	1,827.4	451.9	304%
<b>Profit for the year before income tax</b>	<b>1,503.8</b>	<b>52.4</b>	<b>2,770%</b>
EBITDA margin	64%	45%	n/a
Net cash generated from operating activities	2,551.5	1,358.2	88%
Dividend per share	-	-	n/a
Basic profit/(loss) per share	US 7.95 cents	US (0.80) cents	
Diluted profit/(loss) per share	US 7.86 cents	US (0.80) cents	

# CHAIRMAN'S LETTER

**Dear Shareholders,**

On behalf of the MMG Board, I am pleased to present our 2021 Annual Report to shareholders.

## **Management and Board Changes**

In early January 2022 we announced the appointment of an interim Chief Executive Officer and I was appointed to the role of Chairman, a position I previously occupied from August 2014 until February 2017.

These changes follow the resignation of Mr Geoffrey Gao as Chief Executive Officer in order to return to a role with our major shareholder China Minmetals Corporation (CMC) and Mr Guo Wenqing's resignation as the Chairman in order to focus on his duties as the President of CMC.

Liangang Li, who was the Executive General Manager responsible for the Australian Operations and Commercial teams, has replaced Geoffrey as the interim CEO. I am pleased to have this opportunity to again lead MMG with Liangang, who was there at the very start of MMG more than 12 years ago as a director of the Company with myself. He brings extensive global mining experience and has a deep appreciation for MMG's strengths and opportunities.

I extend my gratitude to both Mr Geoffrey Gao and Mr Guo Wenqing for their leadership of the Company over recent years. They leave a business that has a talented international team, quality assets and, in this financial year, strong performance across safety, operations and financial metrics.

## **Our performance and growth**

In 2021 we continued to contend with the challenges presented by the global COVID-19 pandemic. I am pleased to report that with the commitment and tireless efforts of our people, we were able to maintain continuous operations. Global commodity markets remained robust throughout the year with higher commodity prices driving a record profit result. Earnings before tax, depreciation, amortisation and impairment (EBITDA) were US\$2,725.4 million, a result that was 98% higher than 2020. During the year, we substantially strengthened our balance sheet, reducing our net debt by US\$1,952.8 million on the back of strong operational cash flow and the proceeds from the US\$299.0 million equity issuance completed in June. Gearing also reduced substantially from 73% in 2020 to 56% in 2021.

Our stronger balance sheet positions us to pursue disciplined growth in our future-focussed core commodities of copper, zinc and cobalt. Following approval of the Kinsevere Expansion Project in March 2022, our near-term focus will be the delivery of Chalcobamba project in Peru, expected to begin development in the first half of 2022. In the meanwhile, we will continue to actively pursue value-accretive external opportunities.

## **A future-focussed business**

As a business, and more broadly, as society we face both challenges and opportunities in the transition to a low carbon future. I am proud to be part of a business producing the products that are at the core of the green economy while also being resolute in playing our part in reducing greenhouse gas emissions across our operational footprint. As a Board and Management Team we are committed to delivering a robust climate resilience strategy from 2022 targeting net zero emissions by 2050, with an interim target of 40% reduction in emissions by 2030. Details of this strategy will be included through regular progress updates to shareholders and in our 2021 Sustainability Report.

Maintaining positive and enduring partnerships with our near-mine communities remains a priority for MMG. In 2021, we continued to contend with community blockades in Peru which caused the cessation of mining at Las Bambas for 12 days in the fourth quarter. The Company remains committed to working closely with the government of Peru and communities to maintain dialogue and to deliver on commitments and agreements. With a multi-decade mine life, Las Bambas will continue to be a significant contributor to the local, regional and national economies of Peru, helping to drive community and economic development, and providing employment and training opportunities.

# CHAIRMAN'S LETTER

## **In closing**

With global commodity markets expected to remain robust and demand for our core products expected to grow as decarbonisation efforts accelerate and a shift to electrifications intensifies, the future for our business is bright.

MMG is recognised as CMC's leading international mining company, and I am excited to again have this opportunity to lead the business into its next growth chapter.

Thank you to our employees, shareholders, partners and communities for your continuing support of MMG.

JIAO Jian

**CHAIRMAN**

# CHIEF EXECUTIVE OFFICER'S REPORT

## Dear Shareholders

I am pleased to present our 2021 Annual Report and my first as interim CEO.

In January 2022 we announced that I would be replacing Mr Geoffrey Gao who resigned as CEO of MMG after four years of leading the business, to take up an opportunity with our major shareholder China Minmetals Corporation (CMC) in Beijing. I am excited to have this opportunity to lead MMG as interim CEO and I am grateful to Mr Geoffrey Gao and our former Chairman Mr Guo Wenqing, for having handed over a business in very good health with a solid platform of growth.

## Safety

In 2021 the COVID-19 pandemic has continued to impact the countries and communities in which we operate. I am proud of our team for their commitment and resilience which has enabled us to maintain continuous operation across our portfolio.

Throughout the year we continued to place our focus on eliminating injuries in the workplace and I am pleased to report that our Total Recordable Injury Frequency (TRIF) has reduced by 21% to 1.09 for the full year 2021.

I do, however, regret to report that on 27 August 2021, a vehicle transporting 18 contractors from Cusco to the Las Bambas mine left the road in Huallpachaca area in the Cotabambas province, causing the death of 16 passengers and leaving two people injured. This is a tragic loss that has impacted many of us at MMG and Las Bambas and we extend our deep sympathies to the families and friends of those lost.

We are committed to doing what we can, across our business, to ensure our people are safe and we continue to make strides towards eliminating injuries from our workplaces. We focus on driving a safety-first mindset at our sites, building a culture that places physical and mental health at the core of our values, training our leaders to be on the ground, observing and leading by example and ensuring that our standards and controls are always followed.

## Operational Performance

In 2021, total copper production was 339,681 tonnes and total zinc production was 249,767 tonnes. Copper production was 12% below the 2020 result due to lower grades and 100 days of community roadblocks at Las Bambas, as well as lower ore grades at Kinsevere as it prepared to transition to mining and processing the sulphide ore body. Zinc production was 2% higher than 2020 as a result of record production at Dugald River and consistently solid mining and plant performance at Rosebery. Both Australian operations performed well in 2021 with Dugald River exceeding 200,000 tonnes on a zinc equivalent basis for the second consecutive year; Rosebery's production was 157,482 tonnes, 11% higher than 2020.

Following regulatory approval, we now expect the development of the Chalcobamba pit at Las Bambas to commence from mid-2022, followed by first production during the second half and 2022 copper production from Las Bambas is expected to be in the range of 300,000 to 320,000 tonnes of copper in concentrate.

On 24 March 2022, the Kinsevere Expansion Project was approved by the MMG Board. This project is set to drive higher copper production as well as adding cobalt production – a new commodity to our portfolio that increases our leverage to a low carbon economy. Production of copper cathode at Kinsevere is expected to be in the range of 45,000-50,000 tonnes in 2022 with mining of remaining oxide reserves expected to resume in April 2022, following the wet season.

Zinc in concentrate production from our Dugald River and Rosebery sites is expected to be between 225,000 and 255,000 tonnes in 2022, with a stable production outlook.

# CHIEF EXECUTIVE OFFICER'S REPORT

## Financial Performance

MMG delivered an EBITDA result of US\$2,725.4 million, 98% higher than 2020. Net profit after tax was US\$920.5 million including a profit of US\$667.1 million attributable to equity holders. This record result for MMG was driven by higher commodity prices and the gain recognised on the reduction of the Century mine bank guarantee.

In the year, strong operational cashflow and an equity placement in June also enabled us to substantially reduce debt and strengthen our balance sheet, readying us for the next phase of growth.

## Outlook

As we look ahead to 2022, we have two clear organic growth projects in Chalcobamba and the Kinsevere Expansion Project. Together these projects will deliver a strong production outlook for Las Bambas and an extension to Kinsevere's mine life, strengthening our commitment to these critical regions. Similarly, Australian operations continue to present compelling exploration results, and we will carefully evaluate growth opportunities to extend our current portfolio.

With world taking steps towards a transition to a low carbon economy, MMG's portfolio which is leveraged to the critical materials required to facilitate this change, places us in a strong position to drive future growth for our business and to create greater value for our shareholders.

Thank you for your continuing support of MMG and I look forward to a strong year ahead.

LI Liangang

**CHIEF EXECUTIVE OFFICER (INTERIM)**



# MANAGEMENT DISCUSSION AND ANALYSIS

## RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

For the purpose of the management discussion and analysis, the Group's results for the year ended 31 December 2021 are compared with results for the year ended 31 December 2020.

YEAR ENDED 31 DECEMBER	2021 US\$ MILLION	2020 US\$ MILLION	CHANGE % FAV/(UNFAV)
<b>Revenue</b>	4,255.0	3,033.7	40%
Operating expenses	(1,587.3)	(1,590.6)	0%
Exploration expenses	(21.3)	(19.1)	(12%)
Administration expenses	(20.8)	(20.5)	(1%)
Net other income/(expenses)	99.8	(23.8)	519%
<b>EBITDA</b>	<b>2,725.4</b>	<b>1,379.7</b>	<b>98%</b>
Depreciation and amortisation expenses	(898.0)	(927.8)	3%
<b>EBIT</b>	<b>1,827.4</b>	<b>451.9</b>	<b>304%</b>
Net finance costs	(323.6)	(399.5)	19%
<b>Profit before income tax</b>	<b>1,503.8</b>	<b>52.4</b>	<b>2,770%</b>
Income tax expense	(583.3)	(46.8)	(1,146%)
<b>Profit after income tax for the year</b>	<b>920.5</b>	<b>5.6</b>	<b>16,338%</b>
<b>Attributable to:</b>			
Equity holders of the Company	667.1	(64.7)	1,131%
Non-controlling interests	253.4	70.3	260%

### Profit attributable to equity holders of the Company

MMG's profit of US\$920.5 million for the year ended 31 December 2021 includes profit attributable to equity holders of US\$667.1 million and profit attributable to non-controlling interests of US\$253.4 million. This compares to a loss attributable to equity holders of US\$64.7 million and a profit attributable to non-controlling interests of US\$70.3 million for the year ended 31 December 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.

YEAR ENDED 31 DECEMBER	2021 US\$ MILLION	2020 US\$ MILLION	CHANGE % FAV/(UNFAV)
Profit after tax – Las Bambas 62.5% interest	422.3	117.1	261%
Profit after tax – Other continuing operations	232.4	15.3	14,190%
Exploration expenses	(21.3)	(19.1)	(12%)
Administration expenses	(20.8)	(20.5)	(1%)
Net finance costs (excluding Las Bambas)	(94.7)	(99.5)	5%
Other	149.2	(58.0)	357%
<b>Profit/(loss) for the year attributable to equity holders</b>	<b>667.1</b>	<b>(64.7)</b>	<b>1,131%</b>

# 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'.

YEAR ENDED 31 DECEMBER	REVENUE			EBITDA		
	2021 US\$ MILLION	2020 US\$ MILLION	CHANGE % FAV/(UNFAV)	2021 US\$ MILLION	2020 US\$ MILLION	CHANGE % FAV/(UNFAV)
Las Bambas	2,965.2	1,999.8	48%	2,047.3	1,117.5	83%
Kinsevere	437.3	418.9	4%	137.6	68.3	101%
Dugald River	482.9	331.3	46%	212.7	100.0	113%
Rosebery	365.2	280.7	30%	203.3	130.3	56%
Other	4.4	3.0	47%	124.5	(36.4)	442%
<b>Total</b>	<b>4,255.0</b>	<b>3,033.7</b>	<b>40%</b>	<b>2,725.4</b>	<b>1,379.7</b>	<b>98%</b>

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

**Revenue** increased by US\$1,221.3 million (40%) to US\$4,255.0 million compared to 2020 mainly due to higher realised commodity prices (US\$1,553.7 million), partly offset by lower sales volumes (US\$332.4 million).

Favourable commodity price variances of US\$1,553.7 million were driven by higher realised prices for copper (US\$1,197.8 million), zinc (US\$214.0 million), molybdenum (US\$88.5 million), silver (US\$29.2 million) and lead (US\$21.4 million).

Sales volumes decreased by US\$332.4 million compared to 2020 driven by lower sales of copper concentrate at Las Bambas (US\$223.4 million) as a result of a series of community blockades and lower copper cathode sales at Kinsevere (US\$137.7 million) attributable to lower production as plant feed was reliant on lower grade feed from stockpiles and third-party ores. At Dugald River, lead sales volumes were lower by US\$15.4 million. This was partly offset by higher molybdenum sales (US\$39.7 million) at Las Bambas in line with increased production.

REVENUE BY COMMODITY YEAR ENDED 31 DECEMBER	2021 US\$ MILLION	2020 US\$ MILLION	CHANGE % FAV/(UNFAV)
Copper	3,050.4	2,178.6	40%
Zinc	575.8	369.9	56%
Lead	89.3	70.1	27%
Gold	174.4	190.9	(9%)
Silver	194.0	181.4	7%
Molybdenum	171.1	42.8	300%
<b>Total</b>	<b>4,255.0</b>	<b>3,033.7</b>	<b>40%</b>

# MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

## Price

Average LME base metals prices were higher in the year ended 31 December 2021 compared to the prior corresponding period for all metals.

<b>AVERAGE LME CASH PRICE YEAR ENDED 31 DECEMBER</b>	<b>2021</b>	<b>2020</b>	<b>CHANGE % FAV/(UNFAV)</b>
Copper (US\$/tonne)	9,315	6,169	51%
Zinc (US\$/tonne)	3,005	2,265	33%
Lead (US\$/tonne)	2,205	1,824	21%
Gold (US\$/ounce)	1,800	1,770	2%
Silver (US\$/ounce)	25.17	20.51	23%
Molybdenum (US\$/tonne)	34,930	19,163	82%

## Sales volumes

<b>PAYABLE METAL IN PRODUCT SOLD YEAR ENDED 31 DECEMBER</b>	<b>2021</b>	<b>2020</b>	<b>CHANGE % FAV/(UNFAV)</b>
Copper (tonnes)	322,008	377,852	(15%)
Zinc (tonnes)	213,554	216,535	(1%)
Lead (tonnes)	43,808	45,088	(3%)
Gold (ounces)	97,209	109,336	(11%)
Silver (ounces)	7,621,998	8,418,940	(9%)
Molybdenum (tonnes)	4,935	2,609	89%

<b>PAYABLE METAL IN PRODUCT SOLD YEAR ENDED 31 DECEMBER 2021</b>	<b>COPPER TONNES</b>	<b>ZINC TONNES</b>	<b>LEAD TONNES</b>	<b>GOLD OUNCES</b>	<b>SILVER OUNCES</b>	<b>MOLYBDENUM TONNES</b>
Las Bambas	272,299	-	-	59,673	3,581,185	4,935
Kinsevere	48,096	-	-	-	-	-
Dugald River	-	153,992	18,988	-	1,184,179	-
Rosebery	1,613	59,562	24,820	37,537	2,856,635	-
<b>Total</b>	<b>322,008</b>	<b>213,554</b>	<b>43,808</b>	<b>97,210</b>	<b>7,621,999</b>	<b>4,935</b>

<b>PAYABLE METAL IN PRODUCT SOLD YEAR ENDED 31 DECEMBER 2020</b>	<b>COPPER TONNES</b>	<b>ZINC TONNES</b>	<b>LEAD TONNES</b>	<b>GOLD OUNCES</b>	<b>SILVER OUNCES</b>	<b>MOLYBDENUM TONNES</b>
Las Bambas	304,266	-	-	72,860	4,092,872	2,609
Kinsevere	72,024	-	-	-	-	-
Dugald River	-	152,573	23,301	-	1,583,186	-
Rosebery	1,562	63,962	21,787	36,476	2,742,882	-
<b>Total</b>	<b>377,852</b>	<b>216,535</b>	<b>45,088</b>	<b>109,336</b>	<b>8,418,940</b>	<b>2,609</b>

**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.

# MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

Total operating expenses of US\$1,587.3 million were largely in line with 2020. Operating expenses were impacted by favourable stock movement at Las Bambas (US\$155.7 million) mainly driven by a lower net drawdown of finished goods reflecting lower copper concentrate sales volumes and lower mining costs at Kinsevere (US\$43.3 million) as a result of the suspension of mining activities since the last quarter of 2020.

This was offset by higher employee incentives costs (US\$65.9 million) mainly driven by the employee profit sharing arrangement in Peru and higher royalties across the group (US\$39.4 million). Operating costs at Las Bambas were also impacted by increased spending on health, security and community programs (US\$29.2 million) and higher store and consumable expenses (US\$35.4 million) due to higher maintenance costs incurred for the drilling and hauling fleet and increased consumption of reagents and grinding media, in line with increased mill throughput. At the Australian operations, costs were impacted by unfavourable exchange rates (US\$26.7 million).

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

**Exploration expenses** increased by US\$2.2 million (12%) to US\$21.3 million in 2021 due to higher expenditure at Las Bambas with drilling focused at the Chalcobamba Southwest Zone and Ferrobamba Deeps.

**Administrative expenses** of US\$20.8 million were in line with 2020. Lower restructuring expenses associated with head office transformation initiatives in 2020 (US\$4.8 million) were offset by higher STI expenses (US\$2.9 million) and the impact of the stronger Australian Dollar (US\$1.8 million).

**Net other income/(expenses)** increased by US\$123.6 million (519%) mainly due to the gain recognised on the reduction in the Century Bank Guarantee (US\$136.3 million) and lower foreign exchange losses (2021: US\$10.1 million, 2020: US\$35.1 million). This was partly offset by an increase in the provision in relation to the VAT 2011/2012 matter in Peru (US\$ 15.5 million).

**Depreciation and amortisation expenses** decreased by US\$29.8 million (3%) to US\$898.0 million in 2021. The decrease was due to lower depreciation expenses at Kinsevere (US\$88.1 million) following the suspension in mining activity. This was partly offset by higher depreciation expenses at Las Bambas (US\$37.3 million) attributable higher mining and milling volumes and higher depreciation expenses at Rosebery (US\$28.9 million) due to the accelerated depreciation of assets with limited useful lives.

**Net finance costs** decreased by US\$75.9 million (19%) to US\$323.6 million compared to 2020. The decrease was mainly due to lower debt balances (US\$47.3 million) and lower LIBOR rates compared to 2020 (US\$23.6 million).

**Income tax expense** increased by US\$536.5 million, reflecting the increase in the Group's underlying profit before income tax from the prior year. The effective tax rate for 2021 was 38.8%, with a prima facie income tax rate from operations of 32%, which was impacted by the non-creditable withholding tax expenses (2.4%), increase in tax provisions (6.2%), non-assessable income from Century guarantee liability reduction (-2.7%) and other non-deductible items.

# MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

## MINES ANALYSIS

### Las Bambas

YEAR ENDED 31 DECEMBER	2021	2020	CHANGE % FAV/(UNFAV)
<b>Production</b>			
Ore mined (tonnes)	59,878,802	57,999,845	3%
Ore milled (tonnes)	48,476,799	45,184,395	7%
Waste movement (tonnes)	135,003,377	137,484,467	(2%)
Copper in copper concentrate (tonnes)	290,097	311,020	(7%)
<b>Payable metal in product sold</b>			
Copper (tonnes)	272,299	304,266	(11%)
Gold (ounces)	59,673	72,860	(18%)
Silver (ounces)	3,581,185	4,092,872	(13%)
Molybdenum (tonnes)	4,935	2,609	89%

YEAR ENDED 31 DECEMBER	2021 US\$ MILLION	2020 US\$ MILLION	CHANGE% FAV/(UNFAV)
<b>Revenue</b>	<b>2,965.2</b>	<b>1,999.8</b>	<b>48%</b>
<b>Operating expenses</b>			
<b>Production expenses</b>			
Mining	(244.1)	(211.8)	(15%)
Processing	(235.8)	(216.1)	(9%)
Other	(413.7)	(323.5)	(28%)
<b>Total production expenses</b>	<b>(893.6)</b>	<b>(751.4)</b>	<b>(19%)</b>
Freight (transportation)	(77.2)	(69.0)	(12%)
Royalties	(89.9)	(62.6)	(44%)
Other <sup>(i)</sup>	185.0	10.7	1,629%
<b>Total operating expenses</b>	<b>(875.7)</b>	<b>(872.3)</b>	<b>(0%)</b>
Other expenses	(42.2)	(10.0)	(322%)
<b>EBITDA</b>	<b>2,047.3</b>	<b>1,117.5</b>	<b>83%</b>
Depreciation and amortisation expenses	(732.8)	(695.5)	(5%)
<b>EBIT</b>	<b>1,314.5</b>	<b>422.0</b>	<b>211%</b>
<b>EBITDA margin</b>	<b>69%</b>	<b>56%</b>	<b>23%</b>

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

Las Bambas produced 290,097 tonnes of copper in 2021, 20,923 tonnes (7%) below 2020 due to lower average feed grades and community roadblocks that led to a complete shutdown of the mine in December for approximately two weeks.

Revenue of US\$2,965.2 million was 48% higher than 2020 due to higher realised commodity prices (US\$1,148.8 million) and higher molybdenum sales volumes (US\$39.7 million). This was partly offset by lower copper sales volumes (US\$223.4 million). MMG entered into a series of commodity hedges during 2021 to manage commodity price risk and protect the strong free cash flow in the year. The majority of instruments have a collar structure that provides a floor price protection and retains some upside exposure.

# MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

Copper sales volumes were 11% lower compared to the prior year, primarily due to community roadblocks that caused over 100 days of disruption to concentrate transport in 2021. These roadblocks are the result of community negotiations for business opportunities and additional contributions as well as additional commitments from the Peruvian Government. The most recent disruptions bring total days of transport lost since the commencement of operations in early 2016 to over 400 days. While MMG remains committed to pursuing constructive dialogue, the actions of external agents, disproportionate demands on the MMG and an inability to reach enduring agreements continue to limit Las Bambas' operations, future investment and economic contribution to regional communities and the Peruvian economy.

As at 31 December 2021, inventory at the mine site was approximately 57,000 tonnes of copper in concentrate. This stockpiled copper concentrate is expected to be drawn down and shipped by the third quarter of 2022, subject to there being no further prolonged disruptions over this period.

Molybdenum sales volumes were higher by 2,326 tonnes as a result of increased production in 2021 following debottlenecking works that were completed in June 2020 as well as higher feed grades.

Total production expenses of US\$893.6 million was 19% above 2020. Higher mining costs of US\$32.3 million was due to higher total material moved and higher maintenance costs. Diesel costs were also higher due to higher prices and increased consumption. Processing costs increased by US\$19.7 million driven by higher reagent and grinding media consumption in line with higher milling volumes. Production expenses were also impacted by higher employee incentives as Las Bambas enters the first year of employee profit share agreements under Peruvian law. (US\$50.0 million), higher expenditure on development studies (US\$29.9 million) and higher expenditure on health, security and community programs (US\$29.2 million). Royalty expenses were higher by US\$27.3 million reflecting higher revenue.

The higher production expenses were largely offset by favourable stock movement of US\$155.7 million due to a lower net drawdown of finished goods (US\$185.9 million) reflecting lower copper concentrate sales volumes, partly offset by a lower build-up of ore stockpiles (US\$24.7 million). Operating expenses were also favourably impacted by lower concentrate logistics costs reflecting lower sales volumes (US\$9.6 million). This resulted in total operating expenses of US\$875.7 million being in line with 2020 levels.

C1 costs in 2021 were US\$1.02/lb compared to US\$1.00/lb in 2020. Stable unit costs were a function of the deferral of planned project spending (due to ongoing permitting delays and community disruptions), cost controls and higher by-product credits (particularly Molybdenum) offsetting pressures associated with increased milling volumes, lower grades, higher social costs and higher consumables prices.

## 2022 Outlook

Las Bambas production for 2022 is expected to be in the range of 300,000 to 320,000 tonnes of copper in concentrate, with development of the Chalcobamba open pit and associated waste dumps to be commissioned progressively over the next five months, followed by first production during the second half of 2022.

C1 cost guidance of US\$1.30-1.40/lb for 2022 represents a significant increase on 2021. Higher cost guidance is due to a number of one-off factors and industry cost escalation, including:

- Project development expenses that have been deferred from previous years, including pre-stripping at Chalcobamba;
- the likelihood of an industry standard bonus payment linked to labour contract negotiations scheduled for the first half of 2022;
- lower capitalised mining costs relative to 2021;
- increased material movement and consumables and energy usage as well as higher consumables and energy prices;
- lower budgeted contribution from by-product credits; and

# MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

- higher TC/RCs and selling costs.

From 2023 onwards, Las Bambas is expected to benefit from improved unit costs performance as a result of the development of Chalcobamba, investment in the new mine fleet and the third ball mill and higher production rates than the 2020 to 2022 period.

## Kinsevere

YEAR ENDED 31 DECEMBER	2021	2020	CHANGE % FAV/(UNFAV)
<b>Production</b>			
Ore mined (tonnes)	20,075	1,925,609	(99%)
Ore milled (tonnes)	2,448,517	2,448,852	(0%)
Waste movement (tonnes)	-	8,773,208	(100%)
Copper cathode (tonnes)	48,017	72,007	(33%)
<b>Payable metal in product sold</b>			
Copper (tonnes)	47,325	70,787	(33%)

YEAR ENDED 31 DECEMBER	2021 US\$ MILLION	2020 US\$ MILLION	CHANGE % FAV/(UNFAV)
<b>Revenue</b>	<b>437.3</b>	<b>418.9</b>	<b>4%</b>
<b>Operating expenses</b>			
<b>Production expenses</b>			
Mining	(20.1)	(63.4)	68%
Processing	(85.7)	(95.0)	10%
Other	(78.2)	(94.1)	17%
<b>Total production expenses</b>	<b>(184.0)</b>	<b>(252.5)</b>	<b>27%</b>
Freight (transportation)	(8.3)	(12.1)	31%
Royalties	(25.9)	(24.9)	(4%)
Other <sup>(i)</sup>	(54.1)	(45.5)	(19%)
<b>Total operating expenses</b>	<b>(272.3)</b>	<b>(335.0)</b>	<b>19%</b>
Other expenses	(27.4)	(15.6)	(76%)
<b>EBITDA</b>	<b>137.6</b>	<b>68.3</b>	<b>102%</b>
Depreciation and amortisation expenses	(29.1)	(117.2)	75%
<b>EBIT</b>	<b>108.5</b>	<b>(48.9)</b>	<b>322%</b>
<b>EBITDA margin</b>	<b>31%</b>	<b>16%</b>	<b>94%</b>

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

Kinsevere revenue increased by US\$18.4 million or 4% to US\$437.3 million compared to the 2020. This increase was driven by higher realised copper prices (US\$156.1 million), partly offset by a 33% reduction in copper sales volumes in line with lower production (US\$137.7 million).

Copper cathode production of 48,017 tonnes was 23,990 tonnes (33%) lower than 2020. This was due to mining activities being suspended since the second half of 2020, and plant feed being entirely reliant on medium and low-grade stockpiles and third-party ores. Average plant feed grade was 2.00% in 2021 compared to 3.08% in 2020. Despite lower ore grades, processing plant performance remained strong, with improved recoveries (2021: 96.6%, 2020: 95.4%) due to better acid dissolution of treated ore from the stockpiles.

# MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

Total production expenses decreased by US\$68.5 million or 27% compared to 2020. This was mainly driven by lower mining costs (US\$43.3 million). Processing costs were also lower than 2020 by US\$9.3 million due to lower energy consumption in the electrowinning circuit and lower sulfuric acid prices. Other production costs were also lower compared to 2020 (US\$15.9 million) driven by lower COVID-19 related expenses (US\$6.8 million) incurred at the beginning of the pandemic to establish management systems and protocols and lower logistics costs (US\$4.7 million).

Depreciation and amortisation expenses were US\$88.1 million (75%) lower compared to 2020, in line with no mining activities.

During the year ended 31 December 2021, following extended discussions MMG Kinsevere reached agreement with Mining Company Katanga SARL (MCK) to settle legal proceedings against MMG Kinsevere with the process to remove the freezing order of Company assets progressing well. All legal proceedings have been withdrawn.

C1 costs for 2021 were US\$1.95/lb, higher than US\$1.81/lb in 2020. The unfavourable impact of lower copper produced (US\$0.79/lb) was largely offset by lower cash production expenses (US\$0.65/lb).

## 2022 outlook

Copper cathode production for 2022 is expected to be in the range of 45,000-50,000 tonnes. Mining of the remaining oxide reserves is expected to resume in April 2022, following the wet season. This will improve the average plant feed grade, however, plant feed will continue to be supplemented by the lower grade remaining stockpiles and 3<sup>rd</sup> party ores, particularly during the first quarter of 2022.

Reflecting the resumption of mining activity during the year, 2022 C1 costs are expected to be between US\$2.50 and US\$2.80/lb.

On 24 March 2022, MMG's board approved the development of the Kinsevere Expansion Project. The total investment amount is expected to be between US\$550 to US\$600 million (including \$180 to \$200 million in 2022) will enable the mining and processing of Kinsevere's sulphide copper and cobalt reserves. Further detail on this project can be located in the Development Projects section of this report.

## Dugald River

YEAR ENDED 31 DECEMBER	2021	2020	CHANGE % FAV/(UNFAV)
<b>Production</b>			
Ore mined (tonnes)	1,862,862	1,982,988	(6%)
Ore milled (tonnes)	1,891,701	1,958,672	(3%)
Zinc in zinc concentrate (tonnes)	180,313	177,704	1%
Lead in lead concentrate (tonnes)	20,361	23,847	(15%)
<b>Payable metal in product sold</b>			
Zinc (tonnes)	153,992	152,573	1%
Lead (tonnes)	18,988	23,301	(19%)
Silver (ounces)	1,184,179	1,583,186	(25%)



# MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

YEAR ENDED 31 DECEMBER	2021 US\$ MILLION	2020 US\$ MILLION	CHANGE % FAV/(UNFAV)
<b>Revenue</b>	<b>482.9</b>	<b>331.3</b>	<b>46%</b>
<b>Operating expenses</b>			
<b>Production expenses</b>			
Mining	(91.1)	(81.0)	(12%)
Processing	(73.4)	(60.8)	(21%)
Other	(71.0)	(57.4)	(24%)
<b>Total production expenses</b>	<b>(235.5)</b>	<b>(199.2)</b>	<b>(18%)</b>
Freight (transportation)	(12.9)	(12.6)	(2%)
Royalties	(18.6)	(11.3)	(65%)
Other <sup>(i)</sup>	(4.6)	(4.0)	(15%)
<b>Total operating expenses</b>	<b>(271.6)</b>	<b>(227.1)</b>	<b>(20%)</b>
Other income/(expenses)	1.4	(4.2)	133%
<b>EBITDA</b>	<b>212.7</b>	<b>100.0</b>	<b>113%</b>
Depreciation and amortisation expenses	(59.8)	(59.9)	0%
<b>EBIT</b>	<b>152.9</b>	<b>40.1</b>	<b>281%</b>
<b>EBITDA margin</b>	<b>44%</b>	<b>30%</b>	<b>47%</b>

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

Revenue increased by US\$151.6 million (46%) to US\$482.9 million due to higher realised commodity prices (US\$164.5 million) and higher zinc sales volumes (US\$2.4 million). This was partly offset by lower lead concentrate sales volumes (US\$15.4 million).

Zinc sales volumes were slightly higher in 2021 driven by higher zinc production. Full year zinc production of 180,313 tonnes was a record for the operation and was 1% above the prior year. This is due to improved stope performance, with higher mined ore grade (11.0% vs. 10.6%), and strong plant performance with improved recovery rates (87.9% vs. 86.8%) compared to 2020, which offset influence of lower mined tonnes. On a zinc equivalent basis, Dugald River's production exceeded 200,000 tonnes for the second consecutive year.

Total production expenses were higher by US\$36.3 million compared to 2020 despite lower mining and milling volumes. This was attributable to the unfavourable foreign exchange rate impact with the strengthening of the Australian dollar (US\$16.2 million). Processing costs were higher due to increased water consumption (US\$2.0 million) as a result of higher pastefill volumes and one-off savings in 2020 relating to the on sale of gas (US\$5.4 million). Mining costs were also higher due to increased backfilling costs (US\$3.5 million) and higher hauling costs (US\$1.9 million) with the mine depth increasing. Employee costs in 2021 were higher by US\$7.2 million across all areas due to increased headcount and higher employee incentive payments.

Dugald River's zinc C1 costs were US\$0.67/lb in 2021 compared to US\$0.70/lb in 2020. Lower costs were a reflection of the significant reduction in treatment charges, higher production rates and higher lead prices.

## 2022 outlook

Production guidance for Dugald River in 2022 is between 170,000 and 190,000 tonnes of zinc in zinc concentrate, C1 costs are expected to be in the range of US\$0.70-0.80/lb. Cash production expenses are expected to increase slightly due to higher prices for energy and consumables. C1 costs also remain sensitive to zinc treatment charges and lead and silver by-product prices. This may provide a tailwind to full year C1 costs if current prices continue to prevail.

Resource conversion and near-mine exploration drilling will continue to support the planned early-stage expansion studies.

# MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

## Rosebery

YEAR ENDED 31 DECEMBER	2021	2020	CHANGE % FAV/(UNFAV)
<b>Production</b>			
Ore mined (tonnes)	1,004,168	991,124	1%
Ore milled (tonnes)	1,022,487	979,718	4%
Zinc in zinc concentrate (tonnes)	69,454	67,393	3%
Lead in lead concentrate (tonnes)	25,053	23,272	8%
Copper in precious metals concentrate (tonnes)	1,567	1,537	2%
Gold (ounces)	43,010	43,580	(1%)
Silver (ounces)	3,375,624	3,436,505	(2%)
<b>Payable metal in product sold</b>			
Copper (tonnes)	1,613	1,562	3%
Zinc (tonnes)	59,562	63,962	(7%)
Lead (tonnes)	24,820	21,787	14%
Gold (ounces)	37,537	36,476	3%
Silver (ounces)	2,856,635	2,742,882	4%

YEAR ENDED 31 DECEMBER	2021 US\$ MILLION	2020 US\$ MILLION	CHANGE % FAV/(UNFAV)
<b>Revenue</b>	<b>365.2</b>	<b>280.7</b>	<b>30%</b>
<b>Operating expenses</b>			
<b>Production expenses</b>			
Mining	(76.5)	(69.2)	(11%)
Processing	(32.5)	(29.7)	(9%)
Other	(27.6)	(23.1)	(19%)
<b>Total production expenses</b>	<b>(136.6)</b>	<b>(122.0)</b>	<b>(12%)</b>
Freight (transportation)	(8.9)	(6.5)	(37%)
Royalties	(18.8)	(15.0)	(25%)
Other <sup>(i)</sup>	2.4	(6.4)	138%
<b>Total operating expenses</b>	<b>(161.9)</b>	<b>(149.9)</b>	<b>(8%)</b>
Other expenses	-	(0.5)	100%
<b>EBITDA</b>	<b>203.3</b>	<b>130.3</b>	<b>56%</b>
Depreciation and amortisation expenses	(79.7)	(50.8)	(57%)
<b>EBIT</b>	<b>123.6</b>	<b>79.5</b>	<b>55%</b>
<b>EBITDA margin</b>	<b>56%</b>	<b>46%</b>	<b>22%</b>

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

Rosebery produced 69,454 tonnes of zinc and 25,053 tonnes of lead in 2021. This represented a 3% and 8% improvement in zinc and lead production compared to 2020. On a zinc equivalent basis, production was 157,482 tonnes, 11% higher than 2020. Declining ore grades were offset by higher recoveries and increased mining and plant throughput.

Revenue increased by US\$84.5 million (30%) to US\$365.2 million due to higher zinc (US\$60.4 million), lead (US\$11.6 million), silver (US\$8.8 million) and copper prices (US\$4.8 million). Sales volumes were also higher by

# MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

US\$1.8 million primarily due to higher lead (US\$4.7 million) and precious metals (US\$4.4 million) sales volumes, partly offset by lower zinc sales volumes (US\$7.6 million).

Total production expenses increased by US\$14.6 million (12%) compared to 2020 mainly due to unfavourable exchange rates with the strengthening of the Australian dollar in 2021.

Rosebery's zinc C1 costs were negative (US\$0.34/lb) in 2021 compared to US\$0.01/lb in 2020 reflecting the higher precious metal by-products credits and higher zinc production.

## 2022 outlook

Rosebery is expected to produce between 55,000 and 65,000 tonnes of zinc in zinc concentrate in 2022 at a C1 cost of US\$0.00 to 0.15/lb. This guidance range reflects longer-term grade declines, lower budgeted by-product credits and higher costs associated with operating at depth as well as increasing energy prices. Similar to Dugald River, full year C1 costs remain highly sensitive to prevailing treatment charges and by-product prices.

Resource extension and near-mine exploration continue, with results indicating 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 life of mine.

## CASH FLOW ANALYSIS

### Net cash flow

YEAR ENDED 31 DECEMBER	2021 US\$ MILLION	2020 US\$ MILLION
Net operating cash flows	2,551.5	1,358.2
Net investing cash flows	(573.7)	(515.8)
Net financing cash flows	(915.2)	(867.2)
<b>Net cash inflows/(outflows)</b>	<b>1,062.6</b>	<b>(24.8)</b>

**Net operating cash inflows** increased by US\$1,193.3 million (88%) to US\$2,551.5 million driven by higher EBITDA (US\$1,345.7 million) attributable to higher commodity prices, partly offset by lower sales volumes at Las Bambas. Operating cash flows were also favourably impacted by net working capital movements (US\$139.3 million) due to timing of receipt of cash from the December 2020 holding certificate sales. This was partly offset by the SUNAT VAT 2011/2012 payment (US\$170.4 million), a lower net tax refund in Peru (US\$47.4 million) and higher tax payments in the DRC (US\$26.4 million).

**Net investing cash outflows** increased by US\$57.9 million (11%) to US\$573.7 million. This was mainly due to increased capitalised mining costs at Las Bambas of US\$222.6 million, compared to US\$197.4 million in 2020 and higher capital expenditure at Dugald River (US\$21.2 million) mainly due to the installation of an underground refrigeration plant (US\$16.5 million). At Rosebery, capital expenditure increased by US\$18.7 million due to expansion of the existing tailings facilities (US\$7.7 million), higher capitalised mining costs (US\$4.5 million) and higher resource infill drilling costs (US\$3.4 million).

**Net financing cash outflows** increased by US\$48.0 million (6%) compared to 2020 due to net repayments of borrowings of US\$890.3 million (2020: US\$453.3 million) and payment of interest and financing costs of US\$279.0 million (2020: US\$362.6 million). This was partly offset by net proceeds received from the share placement in June 2021 (US\$299.0 million).

# MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

## FINANCIAL RESOURCES AND LIQUIDITY

	<b>31 DECEMBER 2021 US\$ MILLION</b>	<b>31 DECEMBER 2020 US\$ MILLION</b>	<b>CHANGE US\$ MILLION</b>
Total assets	13,024.1	12,298.0	726.1
Total liabilities	(9,096.1)	(9,628.3)	532.2
<b>Total equity</b>	<b>3,928.0</b>	<b>2,669.7</b>	<b>1,258.3</b>

Total equity increased by US\$1,258.3 million to US\$3,928.0 million as at 31 December 2021, mainly due to the profit for the year of US\$920.5 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:

	<b>31 DECEMBER 2021 US\$ MILLION</b>	<b>31 DECEMBER 2020 US\$ MILLION</b>
<b>MMG GROUP</b>		
Total borrowings (excluding prepaid finance charges) <sup>1</sup>	6,348.3	7,238.5
Less: cash and cash equivalents	(1,255.3)	(192.7)
<b>Net debt</b>	<b>5,093.0</b>	<b>7,045.8</b>
Total equity	3,928.0	2,669.7
<b>Net debt + Total equity</b>	<b>9,021.0</b>	<b>9,715.5</b>
<b>Gearing ratio</b>	<b>0.56</b>	<b>0.73</b>

(i) 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 31 December 2021 were US\$3,812.0 million (31 December 2020: US\$4,400.2 million) and Las Bambas Joint Venture Group cash and cash equivalents at 31 December 2021 were US\$836.3 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 31 December 2021, the Group (excluding the Las Bambas Joint Venture Group) had available to it undrawn debt facilities of US\$560.0 million (31 December 2020: US\$650.0 million). This was represented by:

- (i) 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;
- (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; and
- (iii) US\$180.0 million (2020: nil) that was undrawn and available under a new US\$450 million Dugald River project facility with Album Trading Company maturing in June 2022.

# MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

At 31 December 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.

The Group's certain 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 31 December 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 as at 8 June 2021), were successfully appointed placing agents at the placing price of HK\$4.15 per Placing Share pursuant to the terms of the placing agreement entered into between the Company and the placing agents on 1 June 2021. The Placing Shares were allotted to not less than six placees (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 represented: (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.

The 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.

# MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

## DEVELOPMENT PROJECTS

On 24 March 2022, it was announced that the Las Bambas operation has received regulatory approval from the Peru Ministry of Energy and Mines for the development of the Chalcobamba pit and associated infrastructure, following submission of the Company's original application in February 2019.

The Chalcobamba deposit is located approximately four kilometres north west from the Las Bambas process plant near the community of Huancuire. The operation will be developed by open pit mining with associated waste dumps, to be commissioned progressively over the next five months. Ore will be transported by haul truck for approximately 15 kilometres to the existing crushing and conveying plant located near the Ferrobamba pit. The development of the Chalcobamba deposit is expected to underpin a production increase at Las Bambas to around 380,000 to 400,000 tonnes of copper in concentrate per annum for the medium term.

The Company looks forward to working with the new 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.

On 24 March 2022, MMG's board approved the development of the Kinsevere Expansion Project. The total investment amount is expected to be between US\$550 million and US\$600 million (including \$180 to \$200 million in 2022) will enable the mining and processing of Kinsevere's sulphide copper and cobalt reserves.

The project will extend the life of the Kinsevere operation for at least 13 years from 2022 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. Construction is expected to commence in 2022, with first cobalt production expected in 2023, and first cathode production from the sulphide orebody expected in 2024. Kinsevere will continue to produce copper cathode from the remaining oxide orebody during the construction phase, with annual copper production expected to remain broadly around 2021 levels of approximately 50,000 tonnes over this time.

The higher production rates as well revenue from cobalt by-product credits is expected to result in C1 costs of US\$1.30 – 1.40/lb when at a steady state of operation, around 30% below the average level over the past 3 years, and will move Kinsevere into the bottom half of the global cost curve.

There were no other major development projects noted during the year ended 31 December 2021.

## CONTRACTS AND COMMITMENTS

A total of 685 contracts have been reviewed during 2021 either through market engagements or in-contract renegotiations. The annual operational or capital values addressed by these activities is US\$1,299.09 million.

Significant additional contracting activities were undertaken for all of the Company's operations throughout 2021 to ensure the security of supply for critical inputs and other requirements as necessary to enable continued operations and the management of risks through the ongoing global COVID-19 pandemic as well as other disruptions.

### Las Bambas

New and revised agreements were finalised to support optimising production and development options for Las Bambas, including: contracts for projects construction, mining services, site infrastructure, such as facilities relocation, haul road at the mine site and waste rock dump, supply of grinding media, reagents, and other consumables, additional mobile equipment, major component repair, and contracts for engineering, earthmoving, road maintenance, logistics services, and civil works. Multiple goods and consultancy, studies, and testing services contracts were also finalised in support of the operations. These processes involved engagement with various local communities. Continuous improvement initiatives included contract

# MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

optimisation and renegotiation with certain suppliers to ensure a sustainable cost base for the business. Significant activity was also undertaken to maintain safety and surety of supply during the COVID-19 pandemic and frequent blockades to support continued operations.

## **Kinsevere**

New and revised agreements were finalised with regard to various goods and services focussed on supporting the operation and continuous improvement in terms of cost performance, including; security, operations and exploration services contracts, grinding media and contracts for the supply of reagents and commodities. Activity continued regarding surety of supply during the COVID-19 pandemic to support continued operations and also management of increased shipping costs and shipping delays.

## **Dugald River**

New and revised agreements were finalised for requirements in support of optimising production performance and operations, including; contracts related to construction of the chiller plant, goods and services requirements for site infrastructure projects, multiple contracts for the supply of reagents and fuel, and other site support services. A major ongoing activity during this period was the review of long-term energy options 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 bulk chemicals, key mining consumables and partial mobile fleet replacement.

## **Group (including global Geoscience and Discovery requirements)**

New and revised agreements were finalised with regards to various goods and services, including corporate insurance broker service and captive management contracts, market intelligence services contracts, IT-related services and licence agreements, and a number of professional services consultancy agreements (including services for SHEC, including for environmental issues such as GHG emissions analysis, Corporate Affairs, Treasury, Human Resources and Operational Technical Excellence).

## **PEOPLE**

As at 31 December 2021, the Group employed a total of 4,238 full-time equivalent employees (2020:3,958) in its continuing operations (excluding contractors and casual employees) with the majority of employees based in Australia, Peru, the DRC and China.

Total employee benefits expenses for the Group's operations for the year ended 31 December 2021, including Directors' emoluments, totalled US\$306.3 million (2020: US\$247.4 million). The increase was primarily driven by higher profit share payments due to higher profitability at Las Bambas, increased annual salary, and the sign-on bonuses received by the local community members hired in 2021.

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

### Australia

#### *Dugald River*

Surface drilling commenced within the mining lease at Dugald River in the second quarter of 2021 to test the host slate horizons on the periphery of the wireframe and along strike into the Southern Leases of the Dugald River mine for zinc. A secondary aim was to test the copper mineralisation through the hanging wall schists, calc-silicate and slate units. Deep holes tested the lower bounds of the Inferred zinc, lead and silver resource. Lower block A and E are the main zinc target zones where it is predicted the structural relationships are more conducive to wider and higher-grade mineralised zones based on the current measured resource. Additional drilling is planned for 2022 to test the disseminated copper targets along the southern periphery of the known zinc lode, following up on copper intersections from 2021 and the lower extents of the inferred resource along strike from north to south.

Underground resource drilling continued with two rigs drilling to convert areas of indicated to measured resource. Underground resource drilling continues to expand our understanding of the structural complexity of the Dugald River system. A reduction in the Resource tonnes is counter-balanced with marginally higher zinc grades.

#### *Rosebery*

During 2021, in-mine drilling activities continued to focus on resource conversion and resource extension drilling around U, JRS, V South, H, K and P Lenses. 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 in the Northern Deeps target focussed on Z Lens which is providing results above expectation with further sulphide intercepts received from Marionoak. These programs are targeting additional mineral extensions down-dip and to the north of known mining zones. Interpretations continue with the 2021 results to realise the potential of these zones and other areas on the Mine Lease.

### America

#### *Las Bambas*

During 2021 exploration drilling was performed on near-surface, skarn and porphyry copper mineralisation at the Chalcobamba Southwest Zone as well as along the southern margin of the Chalcobamba Deposit. Drilling was also performed at the Jatun Charcas, Ferrobamba South, Ferrobamba East, Ferrobamba Deeps and Chalcobamba Deeps targets. A total of 47 drill holes were completed for 19,039 metres. All core has been logged and assayed. The analytical results for this drilling will be reported on separately.

- **Chalcobamba Southwest Zone**

Drilling continued at the Chalcobamba Southwest Zone, located immediately southwest of the current Chalcobamba Ore Reserve pit. Fifteen drill holes were completed for a total of 4,632 metres.

- **Chalcobamba South**

Ten drill holes were completed at Chalcobamba South for a total of 3,431 metres. This drilling is targeting the extension of mineralization along the southern edge of the future Chalcobamba pit.

- **Chalcobamba Deeps**

Three drill holes were completed at Chalcobamba Deeps for a total of 1,756 metres. This drilling targets the extension of mineralization below the currently defined open pit at Chalcobamba.

- **Ferrobamba South**



# MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

Six drill holes (2,512 meters) were completed at the Ferrobamba South project targeting potential skarn mineralization located along the southern margin of the Ferrobamba intrusive complex.

- **Ferrobamba East**

One drill hole for 319 meters was completed at the Ferrobamba East project targeting breccias associated with elevated levels of gold, silver, copper, molybdenum, lead and zinc in surface rock and soil samples.

- **Ferrobamba Deeps**

A total of 6,207 meters of drilling were completed on eleven drill holes at the Ferrobamba Deeps target. The combined DDH and RC drilling is designed to test the depth projection of higher-grade mineralization currently being mined by the open pit. RC pre-collars were used for five of the DDH holes to reduce drill time and cost. The targeted mineralisation could serve to deepen the open pit or provide future ore for UG mining activity. A Proof of Concept Study for potential UG mining at Ferrobamba Deeps is underway and will be completed in 2022.

## Africa

### Kinsevere

In 2021, exploration activities continue to focus on the development of the satellite copper deposits within a roughly 50km radius of the Kinsevere Mine ("RAD50) that may be suitable for economic exploitation and processing at the Kinsevere plant. Exploration activities included resource delineation drilling at Sokoroshe II and Mwepu projects, and prospect testing drilling at Shandwe and Tumbwe projects.

Resource models of both Sokoroshe II and Mwepu projects will be updated once all of the assay results are received.

PROJECT	HOLE_TYPE	METERAGE (METRES)	NUMBER OF HOLES	AVERAGE LENGTH (METRES)
<b>Australia</b>				
Dugald River	Diamond Surface	18,268	28	652
	Diamond Underground	73,789	390	189
Rosebery	Diamond Surface	4,664	4	1,166
	Diamond Underground	87,093	355	245
<b>Americas</b>				
Las Bambas	Diamond (Chalcobamba SW)	4,632	15	300
	Diamond (Chalcobamba Deeps)	1,756	3	749
	Diamond (Ferrobamba Deeps)	5,027	11	380
	Diamond (Jatun Charcas)	182	1	182
	Diamond (Chalcobamba South)	3,431	10	343
	Diamond (Ferrobamba South)	2,512	6	419
	Diamond (Ferrobamba East)	319	1	319
	Reverse Circulation (Ferrobamba Deeps)	1,180	5	320
<b>Africa</b>				
Kinsevere	Diamond (MWEPU)	2,170	18	121
	Reverse Circulation (SHANDWE)	3,085	37	83
	Diamond (SOKOROSHE II)	2,514	11	229
	Reverse Circulation (TUMBWE)	1,423	14	102
<b>Total</b>		<b>212,045</b>	<b>909</b>	<b>233</b>

# MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

## MATERIAL ACQUISITIONS AND DISPOSALS

The Group made no material acquisition or disposal in the year ended 31 December 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.

- The Board has approved the progression of Kinsevere Expansion Project ("KEP"). This reduces the impairment risk for Kinsevere.

## FINANCIAL AND OTHER RISK MANAGEMENT

### Financial risk factors

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 interest rate swaps 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.

### (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 year ended 31 December 2021, the Group entered into various commodity trades to hedge the sales prices for copper and zinc. This included:

- Zero/low-cost collar hedges:
  - 10,700 tonnes of zinc with put strike price ranging from US\$2,550/tonne to US\$2,800/tonne and call strike price ranging from US\$3,225/tonne to US\$3,340/tonne which will be settled through January 2022 to March 2022;
  - 59,400 tonnes of copper at put strike price ranging from US\$9,000/tonne to US\$9,550/ton and call strike price ranging from US\$10,000/tonne to US\$11,200/tonne which will be settled through January 2022 to April 2022.
- Fixed price swap hedges: 8,000 tonnes of copper with fixed price ranging from US\$9,538/tonne to US\$9,662/tonne which will be settled in January 2022.

A change in commodity prices during 2022 can result in favourable or unfavourable financial impact for the Group during 2022.

# MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

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

At 31 December 2021	TERM	CARRYING AMOUNT OF HEDGING INSTRUMENT US\$ MILLION	FAVOURABLE/(UNFAVOURABLE) CHANGES IN FAIR VALUE USED FOR MEASURING INEFFECTIVENESS		SETTLED PORTION OF HEDGING INSTRUMENT REALISED LOSSES/(GAIN) 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			
<i>Cash flow hedges:</i>							
Derivative financial liabilities	January 2021 to March 2021	-	-	-	5.5	-	-
Derivative financial assets	June 2021 to December 2021	-	-	-	2.5	-	-

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 taking into account the commodity hedges, with all other variables held constant, the Group's post-tax profit would have changed as set out below:

Commodity	2021			2020		
	Commodity price movement	INCREASE/(DECREASE) IN PROFIT US\$ MILLION	COMMODITY PRICE MOVEMENT	INCREASE/(DECREASE) IN PROFIT US\$ MILLION	INCREASE IN OCI US\$ MILLION	
Copper	+10%	(23.9)	+10%	(11.0)	-	
Zinc	+10%	1.1	+10%	2.0	(6.3)	
<b>Total</b>		<b>(22.8)</b>		<b>(9.0)</b>	<b>(6.3)</b>	

Commodity	2021			2020		
	COMMODITY PRICE MOVEMENT	INCREASE/(DECREASE)/IN PROFIT US\$ MILLION	COMMODITY PRICE MOVEMENT	INCREASE/(DECREASE)/ IN PROFIT US\$ MILLION	DECREASE IN OCI US\$ MILLION	
Copper	-10%	25.5	-10%	(18.9)	-	
Zinc	-10%	(1.7)	-10%	(2.0)	6.3	
<b>Total</b>		<b>23.8</b>		<b>(20.9)</b>	<b>6.3</b>	

## (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. Deposits and borrowings at fixed rates expose the Group to fair value interest rate risk. Details of the Group's cash and cash equivalents and the Group's borrowings are set out in the Financial Statements.

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.

# MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

In 2020, MLB entered into a notional US\$2,100 million five-year amortising interest rate swap with respect to the floating six-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 31 December 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 REALISED LOSSES US\$ MILLION	HEDGING GAIN RECOGNISED IN CASH FLOW HEDGE RESERVE <sup>2</sup> US\$ MILLION	HEDGE INEFFECTIVENESS RECOGNISED IN PROFIT OR LOSS US\$ MILLION
				Hedging instrument US\$ million	Hedged item US\$ million			
<i>Cash flow hedges:</i>								
Derivative financial assets/(liabilities) <sup>1</sup>	June 2020 - June 2025	1,860	31.8	42.5	(42.5)	(6.8)	29.0	-

1. In 2020, the Group has entered into a notional US\$2,100 million five-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\$3,754.2 million outstanding at 31 December 2021, maturing in July 2032) from CDB, ICBC, BOC Sydney and The Export-Import Bank of China for a period of five years. The interest rate swap hedge will amortise in line with the MLB project facility and swap the six-month LIBOR exposure for a fixed rate (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.

At 31 December 2020	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 REALISED LOSSES US\$ MILLION	HEDGING GAIN/(LOSS) RECOGNISED IN CASH FLOW HEDGE RESERVE US\$ MILLION	HEDGE INEFFECTIVENESS RECOGNISED IN PROFIT OR LOSS US\$ MILLION
				Hedging instrument US\$ million	Hedged item US\$ million			
<i>Cash flow hedges:</i>								
Derivative financial assets/(liabilities)	June 2020 - June 2025	2,020.0	(10.7)	(10.7)	10.7	(1.4)	(7.3)	-

At 31 December 2021 and 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/(loss) and other comprehensive income (OCI) would have changed as follows:

# MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

US\$ MILLION	2021				2020			
	+100 BASIS POINTS		-100 BASIS POINTS		+100 BASIS POINTS		-100 BASIS POINTS	
	INCREASE/ (DECREASE) IN PROFIT AFTER TAX	INCREASE/ (DECREASE) IN OCI	INCREASE/ (DECREASE) IN PROFIT AFTER TAX	INCREASE/ (DECREASE) IN OCI	INCREASE/ (DECREASE) IN PROFIT AFTER TAX	INCREASE/ (DECREASE) IN OCI	INCREASE/ (DECREASE) IN PROFIT AFTER TAX	INCREASE/ (DECREASE) IN OCI
<b>Financial assets</b>								
Cash and cash equivalents	8.5	-	(8.5)	-	1.3	-	(1.3)	-
<b>Financial liabilities</b>								
Borrowings (taking into account the impact of the interest rate swap)	(14.8)	26.5	2.9	(24.9)	(19.0)	39.1	(18.5)	(15.9)
<b>Total</b>	<b>(6.3)</b>	<b>26.5</b>	<b>(5.6)</b>	<b>(24.9)</b>	<b>(17.7)</b>	<b>39.1</b>	<b>(19.8)</b>	<b>(15.9)</b>

## Effect of benchmark interest rates reform

As noted in the Financial Statements, the Group has adopted the Phase I and Phase II Amendments to HKFRS 9, HKAS 39 and HKFRS 7 Interest Rate Benchmark Reform. Refer to the Financial Statements for details of borrowings which may be impacted by the interest rate benchmark reform.

Additionally, the Group has 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 consolidated 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").

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

# MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

FINANCIAL INSTRUMENT	TYPE OF INSTRUMENT	MATURING IN	NOTIONAL VALUE US\$ MILLION	CARRYING VALUE US\$ MILLION
US\$ debt linked to LIBOR <sup>1</sup>	Non-derivative liability	Through January 2022 to July 2032	2,169.2	2,169.2
US\$ debt linked to LIBOR designated in cash flow hedge <sup>1</sup>	Non-derivative liability	June 2025	1,860.0	1,860.0
Interest rate swap converting LIBOR to Fixed (cash flow hedge)	Derivatives	June 2025	1,860.0	31.8

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 US\$ 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., one month or six months) 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. 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.

# MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

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	CARRYING VALUE	HEDGED ITEM	TRANSITION PROGRESS
			US\$ MILLION	US\$ MILLION		
Cash flow hedge	Receive 6-month US\$ LIBOR, pay US dollar fixed interest rate swap	June 2025	1,860.0	31.8	US\$ LIBOR debt	Discussion with counterparty of derivatives are in process.

As noted earlier, 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.

Based on the Group's net monetary assets and financial liabilities at 31 December 2021 and 2020, a movement of the US dollar against the principal non-functional currencies as illustrated in the table below, with all other variables held constant, would cause changes in post-tax profit as follows:

US\$ MILLION	2021		2020	
	WEAKENING OF US DOLLAR	STRENGTHENING OF US DOLLAR	WEAKENING OF US DOLLAR	STRENGTHENING OF US DOLLAR
	(DECREASE)/INCREASE IN PROFIT AFTER TAX	(DECREASE)/INCREASE IN PROFIT AFTER TAX	(DECREASE)/INCREASE IN PROFIT AFTER TAX	(DECREASE)/INCREASE IN PROFIT AFTER TAX
10% movement in Australian dollar (2020: 10%)	(5.7)	5.7	(16.2)	16.2
10% movement in Peruvian sol (2020: 10%)	0.7	(0.7)	(10.0)	10.0
<b>Total</b>	<b>(5.0)</b>	<b>5.0</b>	<b>(26.2)</b>	<b>26.2</b>

## (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

## MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

received promptly after delivery and the balance within 30 to 120 days from delivery. The aging analysis of the trade receivables is provided in the Financial Statements, and 100% of the balance is aged less than six months based on invoice date. The carrying amount of the Group's trade receivables at Fair Value Through Profit/(Loss) as disclosed in the Financial Statements best represents their respective maximum exposure to credit risk. The Group holds no collateral over any of these balances.

Investments in cash, short-term deposits and similar assets are with approved counterparty banks. Counterparties are assessed prior to, during and after the conclusion of transactions to ensure exposure to credit risk is limited to acceptable levels. There has been no change in the estimation techniques or significant assumptions made during the year ended 31 December 2021 in assessing the Expected Credit Loss for these financial assets. The limits are set to minimise the concentration of risks and therefore mitigate the potential for financial loss through counterparty failure. Impairment is provided for where the credit risk is perceived to exceed the acceptable levels and there are concerns on recoverability of the relevant assets. The management of the Group considers cash and cash equivalents that are deposited with financial institutions with high credit rating to be low credit risk financial assets.

Other receivables include balances related to various matters including other taxes, indemnities, restricted cash in relation to MCK case and the last instalment receivable for sale of Sepon. These balances are assessed at the reporting date considering contractual and non-contractual legal rights to receive such amounts as well as the expectation of recoverability based on expert third party advice and management assessment based on all available information. There are no significant increases in credit risk for these balances since their initial recognition and the Group provided impairment based on a 12 month ECL. For the years ended 31 December 2021 and 2020, the Group assessed the ECL for these balances and considered no significant impact to the consolidated financial statements.

The Group's most significant customers are CMN, Citic Metal Peru Investment Limited ("CITIC Metal"), and Trafigura Pte Ltd ("Trafigura"). Revenue earned from these customers as a percentage of total revenue was:

	<b>2021</b>	<b>2020</b>
CMN	38.2%	37.9%
CITIC Metal	16.6%	18.3%
Trafigura	13.2%	14.6%

The Group's largest debtor at 31 December 2021 was Minmetals North-Europe Aktiebolag, with a balance of US\$18.1 million (2020: US\$121.1 million) and the five largest debtors accounted for 96.2% (2020: 85.0%) of the Group's trade receivables. Credit risk arising from sales to large concentrate customers is managed by contracts that stipulate a provisional payment of at least 90% of the estimated value of each sale. For most sales a second provisional payment is received within 60 days of the vessel arriving at the port of discharge. Final payment is recorded after completion of the quotation period and assaying.

The credit risk by geographic region was:

	<b>AT 31 DECEMBER</b>	
<b>US\$ MILLION</b>	<b>2021</b>	<b>2020</b>
Asia	28.7	297.5
Europe	20.9	67.9
Australia	1.8	0.6
Other	12.5	3.2
	<b>63.9</b>	<b>369.2</b>



# MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

## (e) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities.

Management utilises short and long-term cash flow forecasts and other consolidated financial information to ensure that appropriate liquidity buffers are maintained to support the Group's activities.

The table below analyses the Group's financial assets and liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in each maturity grouping are the contractual undiscounted cash flows for financial instruments.

US\$ MILLION	WITHIN 1 YEAR	BETWEEN 1 AND 2 YEARS	BETWEEN 2 AND 5 YEARS	OVER 5 YEARS	TOTAL	TOTAL CARRYIN G VALUE
<b>At 31 December 2021</b>						
<b>Financial assets</b>						
Cash and cash equivalents	1,255.3	-	-	-	1,255.3	1,255.3
Trade receivables	63.9	-	-	-	63.9	63.9
Other receivables	150.6	135.6	14.3	-	300.5	300.5
Derivative financial assets	0.5	26.7	5.5	-	32.7	32.7
Other financial assets	1.8	-	-	-	1.8	1.8
<b>Financial liabilities</b>						
Trade and other payables	(451.0)	(164.8)	-	-	(615.8)	(615.8)
Derivative financial liabilities	(4.9)	-	-	-	(4.9)	(4.9)
Borrowings (including interest)	(899.6)	(1,610.8)	(3,212.0)	(1,644.1)	(7,366.5)	(6,298.1)
Lease liabilities (including interest)	(30.0)	(24.8)	(49.7)	(98.2)	(202.7)	(131.1)
	<b>86.6</b>	<b>(1,638.1)</b>	<b>(3,241.9)</b>	<b>(1,742.3)</b>	<b>(6,535.7)</b>	<b>(5,395.7)</b>
<b>At 31 December 2020</b>						
<b>Financial assets</b>						
Cash and cash equivalents	192.7	-	-	-	192.7	192.7
Trade receivables	369.2	-	-	-	369.2	369.2
Other receivables	139.4	23.4	16.7	5.8	185.3	185.3
Other financial assets	1.7	-	-	-	1.7	1.7
<b>Financial liabilities</b>						
Trade and other payables	(470.2)	(112.2)	-	-	(582.4)	(582.4)
Other financial liabilities	-	-	-	(145.4)	(145.4)	(145.4)
Borrowings (including interest)	(1,152.6)	(969.2)	(4,418.1)	(1,999.6)	(8,539.5)	(7,179.5)
Lease liabilities (including interest)	(33.0)	(29.7)	(57.0)	(113.4)	(233.1)	(148.7)
Derivative financial liabilities	(35.8)	(6.0)	1.7	-	(40.1)	(40.0)
	<b>(988.6)</b>	<b>(1,093.7)</b>	<b>(4,456.7)</b>	<b>(2,252.6)</b>	<b>(8,791.6)</b>	<b>(7,347.1)</b>

## (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

# MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

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. As the Peru political situation continues to evolve in 2022 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 Las Bambas operations.

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 31 December 2021, these guarantees amounted to US\$291.5 million (2020: US\$417.7 million). The Group has an A\$100.0 million guarantee (approximately US\$72.5 million) which decreased during the year from A\$230.0 million (approximately US\$176.7 million), revolving bank guarantee facility with BOC Sydney ("BG Facility"), which is guaranteed by CMN. The Company has entered into a counter-indemnity agreement in favour of CMN for the maximum principal amount outstanding under the BG Facility.

As at 31 December 2021, the bank guarantee that the Group was maintaining subsequent to the sale of Century mine in 2017 had been reduced to nil as New Century undertook an equity raise and replaced the bank guarantee which the Group provided by cash backing or other external insurance providers.

### 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 and the DRC. No disclosure of an estimate of financial effect of the subject matter has been made in the consolidated 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.

# MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

## *Peru – Withholding Taxes (2014/15/16)*

Included within such uncertain tax matters are audits of the 2014, 2015 and 2016 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 PEN224.3 million (approximately US\$58.3 million), PEN613.6 million (approximately US\$159.4 million) and PEN767.5 million (approximately US\$199.3 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 has appealed the assessments. SUNAT could bring a similar challenge regarding the rate of withholding tax applied by MLB for 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.

For the year ended 31 December 2021, SUNAT collected PEN 685.0 million (approximately US\$171.0 million) from MLB bank account in respect of VAT, penalties and interest. Based on the latest legal advice, there is a high probability of a positive outcome in the judiciary. Hence, the Group recognised the deducted amount as a “non-current receivable” from SUNAT.

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 relevant 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, where applicable, provisions have been raised to recognise potential liabilities.

## **Contingent Liabilities - other contingencies**

In 2019, MCK filed a claim against MMG Kinsevere, to compensate MCK for losses allegedly suffered as a result of Kinsevere’s decision to not renew or extend the mining services contract with its associate entity MCK Trucks (then known as NB Mining SA) in 2018 on the basis that MCK was entitled to a “life of mine” agreement with Kinsevere. Court proceedings continued between MMG Kinsevere and MCK in the DRC. MCK also obtained freezing orders in February 2020 over certain assets of Kinsevere, which have been partly enforced over US\$15.0 million cash held in bank accounts in the DRC. A settlement in this matter was agreed in December 2021. Subsequent to such settlement, in January 2022 the DRC Commercial Court ordered the release of the frozen cash funds in DRC bank accounts. Part of the settlement amount has been paid while the remaining balance has been recognised as a provision pending satisfaction of all conditions precedent to the settlement agreement.

# MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

## CHARGES ON ASSETS

As at 31 December 2021, certain borrowings of the Group were secured as follows:

- (a) Approximately US\$3,754.2 million (31 December 2020: US\$4,307.6 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.
- (b) Approximately US\$57.8 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.

At 31 December 2020, borrowing of US\$342.2 million from China Development Bank and BOC Sydney was substantively secured by the shares and assets of MMG Dugald River Pty Ltd ("MMG Dugald River"). This consists of a charge over the shares in MMG Dugald River, a real property mortgage over all of the interests in land of MMG Dugald River, a general security agreement in respect of all of the assets of MMG Dugald River, and specific security over certain assets owned by MMG Australia Limited relating to the Dugald River project, and a featherweight charge over all of MMG Australia Limited's other assets. This borrowing was guaranteed by CMC. The restrictions on above assets and guarantee provided by CMC were lifted with the borrowing's prepayment during 2021.

## 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.

Las Bambas copper production in 2022 is expected to be around 300,000 to 320,000 tonnes. The continued development of this mine is significant for the economy of Peru and will support additional social contribution and financial and business opportunities for local and regional communities.

MMG expects to produce between 45,000 and 50,000 tonnes of copper cathode at Kinsevere, and between 225,000 and 255,000 tonnes of zinc at its Dugald River and Rosebery operations in 2022.

In the DRC, MMG will now progress the next phase of Kinsevere development, namely the transition to the mining and processing of sulphide ores, following the approval of the project by the Board in March 2022. This project will extend Kinsevere's mine life, 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. Construction will commence in 2022, with first cobalt production expected in 2023, and first cathode production from the sulphide orebody 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.

## MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

In relation to Dugald River, the Company continues to focus on sustained delivery of annual mine throughput of two million tonnes. This will pave the way for targeted zinc equivalent production to remain at around 200,000 tonnes annually. At Rosebery, resource extension and near mine exploration drilling will continue during 2022, 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 2022 is expected to be between US\$700.0 million and US\$800.0 million. US\$400.0-500.0 million is attributable to Las Bambas, including the Chalcobamba development, completion of the third ball mill project and expansion of the Las Bambas tailings dam facility. At Kinsevere, capital expenditure plan in 2022 is approximately US\$200.0-220.0 million in which approximately US\$180.0-200.0 million is for the expansion project.

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

## ANNUAL GENERAL MEETING

The annual general meeting (AGM) of the Company will be held on Friday, 20 May 2022 (2022 AGM). The notice of the 2022 AGM will be published and despatched to shareholders of the Company in due course.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 17 May 2022 to Friday, 20 May 2022, inclusive, during which period no transfer of shares will be registered.

In order to qualify for attending and voting at the 2022 AGM, all completed transfer forms accompanied by the relevant share certificates must be lodged with Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 16 May 2022.

The record date for determining Shareholders' eligibility to attend and vote at the 2022 AGM will be on Friday, 20 May 2022.

## 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 Corporate Governance Code and Corporate Governance Report (CG Code) set out in Appendix 14 of the Listing Rules has been amended and renamed the Corporate Governance Code (Revised CG Code). Part 2 of the Revised CG Code (Principles of good corporate governance, code provisions and recommended best practices) took effect on 1 January 2022. The Company has complied with all the code provisions set out in Part 2 of the Revised CG Code throughout the year ended 31 December 2021, except for the deviations as explained below.

Code provision C.2.7 requires the Chairman should at least annually hold meetings with the independent non-executive directors without the presence of other directors. During the year, the Chairman did not hold a separate meeting with the Independent Non-executive Directors. The Chairman met with all the directors including the Non-executive Directors and Independent Non-executive Directors at each Board meeting. 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 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 AGM.

Code provision F.2.2 requires the Chairman of the Board to attend and answer questions at the AGM. Mr Guo Wenqing, the then Chairman of the Board, was not available for the Company's AGM held on 20 May 2021 due to inability to travel to Hong Kong as a result of COVID-19 restrictions and conflicting business commitments. Accordingly, Mr Leung Cheuk Yan, an Independent Non-executive Director, a member of the Audit and Risk Management Committee and the Governance, Remuneration and Nomination Committee of the Company, was nominated by the Board to take the chair of the said meeting.

## **OTHER INFORMATION** CONTINUED

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.

### **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 for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (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 year ended 31 December 2021.

### **AUDIT AND RISK MANAGEMENT COMMITTEE**

The Audit and Risk Management Committee comprises five members including three Independent Non-executive Directors, namely Mr Chan Ka Keung, Peter as Chair, Dr Peter Cassidy and 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) 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 consolidated financial statements of the Group for the year ended 31 December 2021.

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

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

### **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT**

This annual results announcement is also published on the website of the Company ([www.mmg.com](http://www.mmg.com)). The Company's 2021 Annual Report will be despatched to Shareholders and made available on the websites of the Hong Kong Exchange and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company in due course.

### **SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and the related notes thereto for the year ended 31 December 2021 as set out in the announcement on annual results for year ended 31 December 2021 have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the announcement on annual results for year ended 31 December 2021.

# FINANCIAL INFORMATION OF THE GROUP

The financial information relating to the year ended 31 December 2021 and 2020 included in this preliminary announcement of annual results for 2021 does not constitute the Company's statutory consolidated financial statements for those years but is derived from those financial statements.

Further information relating to these statutory consolidated financial statements as required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

1. The Company has delivered the consolidated financial statements for the year ended 31 December 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to the Companies Ordinance and will deliver the consolidated financial statements for the year ended 31 December 2021 to the Registrar of Companies in due course.
2. The Company's auditors have reported on these consolidated financial statements. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.



# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	NOTES	YEAR ENDED 31 DECEMBER	
		2021 US\$ MILLION	2020 US\$ MILLION
Revenue	3	4,255.0	3,033.7
Net other income	4	110.8	12.2
Expenses (excluding depreciation and amortisation)	5	(1,640.4)	(1,666.2)
<b>Earnings before interest, income tax, depreciation and amortisation – EBITDA</b>		<b>2,725.4</b>	<b>1,379.7</b>
Depreciation and amortisation expenses	5	(898.0)	(927.8)
<b>Earnings before interest and income tax – EBIT</b>		<b>1,827.4</b>	<b>451.9</b>
Finance income	6	5.4	1.9
Finance costs	6	(329.0)	(401.4)
<b>Profit before income tax</b>		<b>1,503.8</b>	<b>52.4</b>
Income tax expense	7	(583.3)	(46.8)
<b>Profit for the year</b>		<b>920.5</b>	<b>5.6</b>
<b>Profit for the year attributable to:</b>			
Equity holders of the Company		667.1	(64.7)
Non-controlling interests		253.4	70.3
		<b>920.5</b>	<b>5.6</b>
<b>Profit/(loss) per share attributable to equity holders of the Company</b>			
Basic profit/(loss) per share	8	US 7.95 cents	US (0.80) cents
Diluted profit/(loss) per share	8	US 7.86 cents	US (0.80) cents

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	YEAR ENDED 31 DECEMBER	
	2021 US\$ MILLION	2020 US\$ MILLION
<b>Profit for the year</b>	<b>920.5</b>	<b>5.6</b>
<b>Other comprehensive income/(loss)</b>		
<i>Items that may be reclassified to profit or loss</i>		
Movement on hedging instruments designated as cash flow hedges	50.5	(18.6)
Income tax (expense)/credit relating to cash flow hedges	(16.0)	5.8
<i>Item that may not be reclassified to profit or loss</i>		
Remeasurement on the net defined benefit liability	1.2	(1.7)
<b>Other comprehensive income/(loss) for the year, net of income tax</b>	<b>35.7</b>	<b>(14.5)</b>
<b>Total comprehensive income/(loss) for the year</b>	<b>956.2</b>	<b>(8.9)</b>
<b>Attributable to:</b>		
Equity holders of the Company	692.0	(76.5)
Non-controlling interests	264.2	67.6
	<b>956.2</b>	<b>(8.9)</b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		AT 31 DECEMBER	
	NOTES	2021 US\$ MILLION	2020 US\$ MILLION
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		9,763.1	10,075.9
Right-of-use assets		104.6	122.8
Intangible assets		537.3	546.5
Inventories		80.0	76.2
Deferred income tax assets		184.7	238.6
Other receivables	11	161.4	78.6
Derivative financial assets		31.8	-
Other financial assets		1.8	1.7
<b>Total non-current assets</b>		<b>10,864.7</b>	<b>11,140.3</b>
<b>Current assets</b>			
Inventories		602.9	416.5
Trade and other receivables	11	238.0	522.8
Current income tax assets		62.3	25.7
Derivative financial assets		0.9	-
Cash and cash equivalents	12	1,255.3	192.7
<b>Total current assets</b>		<b>2,159.4</b>	<b>1,157.7</b>
<b>Total assets</b>		<b>13,024.1</b>	<b>12,298.0</b>
<b>EQUITY</b>			
Capital and reserves attributable to equity holders of the Company			
Share capital	13	3,220.3	2,917.6
Reserves and retained profits/(accumulated losses)		(1,289.8)	(1,981.2)
		<b>1,930.5</b>	<b>936.4</b>
Non-controlling interests		1,997.5	1,733.3
<b>Total equity</b>		<b>3,928.0</b>	<b>2,669.7</b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

CONTINUED

	NOTES	AT 31 DECEMBER	
		2021 US\$ MILLION	2020 US\$ MILLION
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	14	5,639.0	6,306.7
Lease liabilities		112.5	128.5
Provisions		532.8	546.5
Derivative financial liabilities		-	10.7
Other financial liabilities		-	145.4
Trade and other payables	15	164.8	112.2
Deferred income tax liabilities		1,018.8	865.2
<b>Total non-current liabilities</b>		<b>7,467.9</b>	<b>8,115.2</b>
<b>Current liabilities</b>			
Borrowings	14	659.1	872.8
Lease liabilities		18.6	20.2
Provisions		217.0	97.9
Derivative financial liabilities		4.9	29.3
Trade and other payables	15	451.0	470.2
Current income tax liabilities		277.6	22.7
<b>Total current liabilities</b>		<b>1,628.2</b>	<b>1,513.1</b>
<b>Total liabilities</b>		<b>9,096.1</b>	<b>9,628.3</b>
<b>Net current asset / (liabilities)</b>		<b>531.2</b>	<b>(355.4)</b>
<b>Total equity and liabilities</b>		<b>13,024.1</b>	<b>12,298.0</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

US\$ MILLION	SHARE CAPITAL	TOTAL RESERVES	RETAINED PROFITS (ACCUMULATED LOSSES)	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
	(Note 13)					
<b>At 1 January 2021</b>	<b>2,917.6</b>	<b>(1,917.7)</b>	<b>(63.5)</b>	<b>936.4</b>	<b>1,733.3</b>	<b>2,669.7</b>
Profit for the year	-	-	667.1	667.1	253.4	920.5
Other comprehensive income	-	24.9	-	24.9	10.8	35.7
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>24.9</b>	<b>667.1</b>	<b>692.0</b>	<b>264.2</b>	<b>956.2</b>
Provision of surplus reserve	-	30.8	(30.8)	-	-	-
Issue of shares, net of share issue costs	299.0	-	-	299.0	-	299.0
Employee long-term incentives	-	1.0	-	1.0	-	1.0
Employee share options exercised and vested	3.7	(1.6)	-	2.1	-	2.1
Employee share options lapsed	-	(0.1)	0.1	-	-	-
<b>Total transactions with owners</b>	<b>302.7</b>	<b>30.1</b>	<b>(30.7)</b>	<b>302.1</b>	<b>-</b>	<b>302.1</b>
<b>At 31 December 2021</b>	<b>3,220.3</b>	<b>(1,862.7)</b>	<b>572.9</b>	<b>1,930.5</b>	<b>1,997.5</b>	<b>3,928.0</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY CONTINUED

US\$ MILLION	ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY					
	SHARE CAPITAL	TOTAL RESERVES	RETAINED PROFITS (ACCUMULATED LOSSES)	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
	(Note 13)					
<b>At 1 January 2020</b>	<b>2,912.2</b>	<b>(1,899.1)</b>	<b>(0.9)</b>	<b>1,012.2</b>	<b>1,665.7</b>	<b>2,677.9</b>
(Loss)/profit for the year	-	-	(64.7)	<b>(64.7)</b>	70.3	<b>5.6</b>
Other comprehensive loss	-	(11.8)	-	<b>(11.8)</b>	(2.7)	<b>(14.5)</b>
<b>Total comprehensive (loss)/income for the year</b>	<b>-</b>	<b>(11.8)</b>	<b>(64.7)</b>	<b>(76.5)</b>	<b>67.6</b>	<b>(8.9)</b>
Employee long-term incentives	-	(0.5)	-	<b>(0.5)</b>	-	<b>(0.5)</b>
Employee share options exercised and vested	5.4	(4.2)	-	<b>1.2</b>	-	<b>1.2</b>
Employee share options lapsed	-	(2.1)	2.1	-	-	-
<b>Total transactions with owners</b>	<b>5.4</b>	<b>(6.8)</b>	<b>2.1</b>	<b>0.7</b>	<b>-</b>	<b>0.7</b>
<b>At 31 December 2020</b>	<b>2,917.6</b>	<b>(1,917.7)</b>	<b>(63.5)</b>	<b>936.4</b>	<b>1,733.3</b>	<b>2,669.7</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

	NOTES	YEAR ENDED 31 DECEMBER	
		2021 US\$ MILLION	2020 US\$ MILLION
<b>Cash flows from operating activities</b>			
Receipts from customers		4,689.1	3,200.4
Payments to suppliers and employees		(2,029.0)	(1,830.7)
Payments for exploration expenditure		(21.3)	(19.3)
Income tax (paid)/refunded		(41.1)	32.4
Net settlement of commodity hedges		(46.2)	(24.6)
<b>Net cash generated from operating activities</b>		<b>2,551.5</b>	<b>1,358.2</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(569.7)	(514.6)
Purchase of intangible assets		(4.1)	(2.0)
Proceeds from disposal of property, plant and equipment		0.1	0.8
<b>Net cash used in investing activities</b>		<b>(573.7)</b>	<b>(515.8)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		302.1	-
Payment of issue costs		(3.1)	-
Proceeds from external borrowings		-	525.7
Repayments of external borrowings		(930.3)	(1,209.0)
Proceeds from related party borrowing		270.0	650.0
Repayments of related party borrowing		(230.0)	(420.0)
Net settlement of interest rate swap		(6.8)	(1.4)
Proceeds from shares issued upon exercise of employee share options		2.1	1.2
Repayment of lease liabilities		(33.4)	(36.5)
Interest and financing costs paid on external borrowings		(179.1)	(260.9)
Interest and financing costs paid on related party borrowings		(99.9)	(101.7)
Withholding taxes paid in respect of financing arrangements		(9.5)	(16.7)
Interest received		2.7	2.1
<b>Net cash used in financing activities</b>		<b>(915.2)</b>	<b>(867.2)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,062.6</b>	<b>(24.8)</b>
Cash and cash equivalents at 1 January		192.7	217.5
<b>Cash and cash equivalents at 31 December</b>	12	<b>1,255.3</b>	<b>192.7</b>

# NOTES TO FINANCIAL INFORMATION

## 1. GENERAL INFORMATION

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 2021 Annual 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 consolidated financial statements for the year ended 31 December 2021 are presented in United States dollars ("US\$") unless otherwise stated and were approved for issue by the Board of Directors of the Company (the "Board") on 24 March 2022.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") – a collective term that includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). These consolidated financial statements have been prepared under the historical cost convention, 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 preparation of consolidated financial statements in accordance with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise their judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in the financial statements.

#### (a) Going Concern

The consolidated financial statements have been prepared on a 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 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.

The strong economic performance in 2021 shows improvement in a number of key items as at 31 December 2021. The Group had net current assets of US\$531.2 million (31 December 2020: net current liabilities US\$355.4 million) and cash and cash equivalents of US\$1,255.3 million (31 December 2020: US\$192.7 million). For the year ended 31 December 2021, the Group generated a net profit of US\$920.5 million (2020: net profit of US\$5.6 million) and operational cash flows of US\$2,551.5 million (2020: US\$1,358.2 million).

In June 2021, the Group raised equity of US\$299.0 million, net of issue costs, through share placement. The Group has various revolving credit facilities to assist with liquidity requirements. The Group expects to continue to generate positive operating cashflows for the 12 months following the approval of the annual consolidated financial statements given the recent and forecast improvement in commodity prices.

Consequently, management is of the view that the Group will be able to meet its debts as and when they fall due and accordingly the consolidated financial statements have been prepared on a going concern basis



# NOTES TO FINANCIAL INFORMATION CONTINUED

## (b) Amendments to existing standards effective and adopted in 2021 with no significant impact to the Group

Amendment to HKFRS 16	Covid-19-Related Rent Concessions <sup>1</sup>
Amendments to HKFRS 9 Financial Instruments, HKAS 39 Financial Instruments: Recognition and Measurement, HKFRS 7 Financial Instruments: Disclosures, HKFRS 4 Insurance Contracts and HKFRS 16 Leases	Interest Rate Benchmark Reform – Phase 2 <sup>2</sup>

1. 'COVID-19-Related Rent Concessions beyond 30 June 2021' amendment to HKFRS 16 has also been issued, effective from 1 April 2021, which extends the applicability of the initial amendment to 30 June 2022.
2. The Group has early adopted the amendment of 'Interest Rate Benchmark Reform – Phase 2' which has been issued and are effective for the Group for reporting periods beginning on 1 January 2021. The application of this amendment has had no material impact on the Group's financial positions and performance for the current and prior periods.

IFRS Interpretations Committee (the "Committee") of the International Accounting Standards Board issued an agenda decision in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value ("NRV") of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that an entity must incur to sell its inventories including those that are not incremental to a particular sale.

The application of the Committee's agenda decision has had no material impact on the Group's financial positions and performance. In the Group's NRV model, sales price was already adjusted for costs that the Group must incur to sell inventories including treatment charges, penalties, allowances, shipping and logistics costs as well as mineral royalties where applicable.

### **Impact of the initial application of amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 "Interest Rate Benchmark Reform Phase 2"**

For the year ended 31 December 2020, the Group early adopted the Phase 1 amendments for the Interest Rate Benchmark Reform—Amendments to HKFRS 9/ HKAS 39 and HKFRS 7. These amendments modified specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments are amended as a result of the interest rate benchmark reform.

The Phase 2 amendments for the Interest Rate Benchmark Reform—Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 (issued in August 2020) has been adopted by the Group, being mandatory for reporting periods beginning on or after 1 January 2021. Adopting these amendments enables the Group to reflect the effects of transitioning from interbank offered rates ("IBOR") to alternative benchmark interest rates (also referred to as 'risk free rates' or RFRs) without giving rise to accounting impacts that would not provide useful information to users of financial statements.

Both the Phase 1 and 2 amendments are relevant to the Group as it applies hedge accounting for the interest rate benchmark exposure in respect of the interest rate swap hedge on the Las Bambas project finance facility. Refer to financial statements for further details on the interest rate swap hedge and the impact of the amendments on the hedge instruments.

The Group will continue to apply the Phase 1 amendments 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. The Group expects this uncertainty will continue until the Group's contracts that reference the London inter-bank offered rates ("LIBOR") expire or are revised. LIBOR will be amended to specify the date on which the interest rate benchmark will be replaced and the basis for the cash flows of alternative benchmark rate are determined.

# NOTES TO FINANCIAL INFORMATION CONTINUED

As a result of adoption of Phase 1 amendments, the Group will retain the cumulative gain or loss in the cash flow hedge reserve for designated cash flow hedges that are subject to interest rate benchmark reform.

In respect of the Phase 2 amendments:

- When contractual terms of the Group's borrowings are amended as direct consequence of the interest rate benchmark reform and the new basis of determining the contractual cash flows is economically equivalent to the basis immediately preceding the change, the Group shall change the basis for determining the contractual cash flows prospectively by revising the effective interest rate. Any additional changes not directly related to the reforms will be accounted for in line with applicable requirements of HKFRS 9.
- The Group currently does not have any leases with an IBOR as the basis for lease payments. In case the Group may acquire such leases and if the interest rate reforms impact the basis for determining lease payments, then if the new basis is economically equivalent to the previous basis, the Group shall remeasure the lease liability to reflect the revised lease payments discounted using the revised discount rate.
- When any changes shall be made to hedging instrument or the hedged item and hedged risk as a result of these reforms, the Group shall update the hedge documentation without discontinuing the hedge relationship.
- In respect of the cash flow hedge reserve, if the hedged item is modified due to the interest rate benchmark reform, the cumulative gain or loss in the cash flow hedge reserve shall be deemed to be based on the alternative benchmark rate.
- The Group currently does not have any fair value hedges.

Please refer to financial statements for further details on impacts from the amendments.

## **(c) New standards and amendments to standards that have been issued but not yet effective or early adopted by the Group**

The Group has not early adopted the following new standards and amendments to standards that have been issued but are not effective for financial year 2021. The Group does not expect them to have material impact to the Group's financial results.

HKFRS 17	Insurance Contracts and the related Amendments <sup>2</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>2</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>2</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>2</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>2</sup>
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use <sup>1</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 <sup>1</sup>

Effective for the Group for annual periods beginning on or after:

1. 1 January 2022
2. 1 January 2023
3. Effective date to be determined

# NOTES TO FINANCIAL INFORMATION CONTINUED

## 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 mine sites under care and maintenance and 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 consolidated 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 FINANCIAL INFORMATION CONTINUED

The segment revenue and results for the year ended 31 December 2021 are as follows:

	FOR THE YEAR ENDED 31 DECEMBER 2021					
US\$ MILLION	Las Bambas	Kinsevere	Dugald River	Rosebery	Other unallocated items/ eliminations	Group
<b>Revenue by metal:</b>						
-Copper <sup>1</sup>	2,595.4	437.3	-	13.9	3.8	3,050.4
-Zinc <sup>2</sup>	-	-	414.2	161.6	-	575.8
-Lead	-	-	39.5	49.8	-	89.3
-Gold	107.1	-	-	66.9	0.4	174.4
-Silver	91.6	-	29.2	73.0	0.2	194.0
-Molybdenum	171.1	-	-	-	-	171.1
<b>Revenue from contracts with customers</b>	<b>2,965.2</b>	<b>437.3</b>	<b>482.9</b>	<b>365.2</b>	<b>4.4</b>	<b>4,255.0</b>
<b>EBITDA</b>	<b>2,047.3</b>	<b>137.6</b>	<b>212.7</b>	<b>203.3</b>	<b>124.5</b>	<b>2,725.4</b>
Depreciation and amortisation expenses	(732.8)	(29.1)	(59.8)	(79.7)	3.4	(898.0)
<b>EBIT</b>	<b>1,314.5</b>	<b>108.5</b>	<b>152.9</b>	<b>123.6</b>	<b>127.9</b>	<b>1,827.4</b>
Finance income						5.4
Finance costs						(329.0)
Income tax expense						(583.3)
<b>Profit for the year</b>						<b>920.5</b>
<b>Other segment information:</b>						
Additions to non-current assets (excluding deferred tax assets, inventories and financial instruments)	451.3	23.5	47.5	37.3	2.0	<b>561.6</b>

The segment assets and liabilities at 31 December 2021 are as follows:

	AT 31 DECEMBER 2021					
US\$ MILLION	Las Bambas	Kinsevere	Dugald River	Rosebery	Other unallocated items/ eliminations	Group
<b>Segment assets<sup>3</sup></b>	<b>10,876.2</b>	<b>489.7</b>	<b>651.1</b>	<b>271.1</b>	<b>489.0</b>	<b>12,777.1</b>
Current/deferred income tax assets						247.0
<b>Consolidated assets</b>						<b>13,024.1</b>
<b>Segment liabilities<sup>4</sup></b>	<b>4,642.9</b>	<b>262.4</b>	<b>368.1</b>	<b>180.5</b>	<b>2,345.8</b>	<b>7,799.7</b>
Current/deferred income tax liabilities						1,296.4
<b>Consolidated liabilities</b>						<b>9,096.1</b>
<b>Segment non-current assets</b>	<b>9,438.0</b>	<b>322.8</b>	<b>581.5</b>	<b>240.0</b>	<b>282.4</b>	<b>10,864.7</b>

# NOTES TO FINANCIAL INFORMATION CONTINUED

The segment revenue and results for the year ended 31 December 2020 are as follows:

## FOR THE YEAR ENDED 31 DECEMBER 2020

US\$ MILLION	Las Bambas	Kinsevere	Dugald River	Rosebery	Other unallocated items/ eliminations	Group
<b>Revenue by metal:</b>						
-Copper <sup>1</sup>	1,747.9	418.9	-	8.9	2.9	2,178.6
-Zinc <sup>2</sup>	-	-	261.1 <sup>2</sup>	108.8	-	369.9
-Lead	-	-	36.5	33.5	0.1	70.1
-Gold	123.1	-	-	67.8	-	190.9
-Silver	86.0	-	33.7	61.7	-	181.4
-Molybdenum	42.8	-	-	-	-	42.8
<b>Revenue from contracts with customers</b>	<b>1,999.8</b>	<b>418.9</b>	<b>331.3</b>	<b>280.7</b>	<b>3.0</b>	<b>3,033.7</b>
<b>EBITDA</b>	<b>1,117.5</b>	<b>68.3</b>	<b>100.0</b>	<b>130.3</b>	<b>(36.4)</b>	<b>1,379.7</b>
Depreciation and amortisation expenses	(695.5)	(117.2)	(59.9)	(50.8)	(4.4)	(927.8)
<b>EBIT</b>	<b>422.0</b>	<b>(48.9)</b>	<b>40.1</b>	<b>79.5</b>	<b>(40.8)</b>	<b>451.9</b>
Finance income						1.9
Finance costs						(401.4)
Income tax expense						(46.8)
<b>Profit for the year</b>						<b>5.6</b>
<b>Other segment information:</b>						
Additions to non-current assets (excluding deferred tax assets, inventories and financial instruments)	476.6	15.6	46.0	53.5	0.2	<b>591.9</b>

The segment assets and liabilities at 31 December 2020 are as follows:

## AT 31 DECEMBER 2020

US\$ MILLION	Las Bambas	Kinsevere	Dugald River	Rosebery	Other unallocated items/ eliminations	Group
<b>Segment assets<sup>3</sup></b>	<b>10,166.7</b>	<b>513.3</b>	<b>672.6</b>	<b>323.6</b>	<b>357.5</b>	<b>12,033.7</b>
Current/deferred income tax assets						264.3
<b>Consolidated assets</b>						<b>12,298.0</b>
<b>Segment liabilities<sup>4</sup></b>	<b>5,097.0</b>	<b>240.2</b>	<b>447.4</b>	<b>194.5</b>	<b>2,761.3</b>	<b>8,740.4</b>
Current/deferred income tax liabilities						887.9
<b>Consolidated liabilities</b>						<b>9,628.3</b>
<b>Segment non-current assets</b>	<b>9,625.2</b>	<b>430.6</b>	<b>583.6</b>	<b>310.3</b>	<b>190.6</b>	<b>11,140.3</b>

- Commodity derivative realised gains and unrealised gains with a total amount of US\$23.4 million (2020: losses of US\$78.8 million) were included in "Revenue" of copper.
- Commodity derivative realised losses and unrealised losses with a total amount of US\$16.4 million (2020: losses of US\$6.8 million) were included in "Revenue" of Zinc.
- Included in segment assets of US\$489.0 million (2020: US\$357.5 million) under the other unallocated items is cash of US\$353.2 million (2020: US\$42.8 million) mainly held in the Group treasury entities and nil trade receivables (2020: US\$198.3 million) for MMG South America Company Limited ("MMG SA") in relation to copper concentrate sales.
- Included in segment liabilities of US\$2,345.8 million (2020: US\$2,761.3 million) under the other unallocated items are borrowings of US\$2,265.6 million (2020: US\$2,496.2 million), which are managed at the Group level.

# NOTES TO FINANCIAL INFORMATION CONTINUED

## 4. NET OTHER INCOME

	2021 US\$ MILLION	2020 US\$ MILLION
Loss on disposal of property, plant and equipment	(2.3)	(2.0)
Century Bank guarantee liability reduction <sup>1</sup>	136.3	3.7
Sundry (expense)/income	(23.2)	10.5
<b>Total net other income</b>	<b>110.8</b>	<b>12.2</b>

1. In 2017, the Group sold the assets and infrastructure associated with Century Mine. As part of the sales terms, the Group agreed to provide a bank guarantee facility against which a provision was recognised by the Group given the risk associated with providing such guarantee at the time. The provision has since been reduced in line with reduced bank guarantee levels. In 2021, New Century Resources Limited ("New Century") announced an undertaking of equity raise and replacement of the Group's bank guarantee. The bank guarantee has now been reduced to nil, and consequently, the Group has reversed the provision in relation to such bank guarantee.

## 5. EXPENSES

Profit before income tax includes the following expenses:

	2021 US\$ MILLION	2020 US\$ MILLION
Changes in inventories of finished goods and work in progress	(182.8)	(38.3)
Write-down of inventories to net realisable value	1.8	22.4
Employee benefit expenses <sup>1</sup>	260.9	196.9
Contracting and consulting expenses <sup>3</sup>	452.8	454.4
Energy costs	213.5	200.1
Stores and consumables costs	387.3	362.0
Depreciation and amortisation expenses <sup>2</sup>	873.7	893.8
Other production expenses <sup>3</sup>	135.6	111.9
<b>Cost of goods sold</b>	<b>2,142.8</b>	<b>2,203.2</b>
Other operating expenses	52.4	61.1
Royalty expenses	153.2	113.8
Selling expenses <sup>3</sup>	107.1	99.9
<b>Total operating expenses including depreciation and amortisation<sup>4</sup></b>	<b>2,455.5</b>	<b>2,478.0</b>
Exploration expenses <sup>1,2,3</sup>	21.3	19.1
Administrative expenses <sup>1,3</sup>	20.8	20.5
Auditors' remuneration	1.5	1.6
Foreign exchange loss – net	7.4	33.6
(Gain)/loss on financial assets at fair value through profit or loss	(0.1)	1.4
Other expenses <sup>1,2,3</sup>	32.0	39.8
<b>Total expenses</b>	<b>2,538.4</b>	<b>2,594.0</b>

1. In aggregate US\$45.4 million (2020: US\$50.5 million) employee benefit expenses by nature is included in the administrative expenses, exploration expenses, and other expenses categories. Total employee benefit expenses were US\$306.3 million (2020: US\$247.4 million).
2. In aggregate US\$24.3 million (2020: US\$34.0 million) depreciation and amortisation expenses are included in exploration expenses and the other expenses category. Total depreciation and amortisation expenses were US\$898.0 million (2020: US\$927.8 million).
3. The expense under these categories include certain amounts in respect of lease and non-lease contracts which were not recognised as right-of-use assets on the consolidated statement of financial position following the guidance as per HKFRS 16 or where the contracts were low value for a lease assessment under HKFRS 16 requirements. Expenditure in respect of such contracts assessed as leases but which did not qualify for recognition as right-of-use assets included US\$65.4 million (2020: US\$41.8 million) in respect of

# NOTES TO FINANCIAL INFORMATION CONTINUED

variable lease payments contracts and, US\$7.1 million (2020: US\$1.9 million) and US\$1.4 million (2020: US\$1.3 million) for short-term and low-value lease contracts, respectively.

4. Operating expenses include mining and processing costs, royalties, selling expenses (including transportation) and other costs incurred by operations.

## 6. FINANCE INCOME AND FINANCE COSTS

	<b>2021</b> <b>US\$ MILLION</b>	<b>2020</b> <b>US\$ MILLION</b>
<b>Finance income</b>		
Interest income on cash and cash equivalents	5.4	1.9
	<b>5.4</b>	<b>1.9</b>
<b>Finance costs</b>		
Interest expense on bank borrowings	(185.4)	(261.8)
Interest expense on related party borrowings	(95.3)	(96.6)
Withholding taxes in respect of financing arrangements	(9.0)	(12.7)
Unwinding of discount on lease liabilities	(12.8)	(14.3)
Unwinding of discount on provisions	(9.7)	(12.9)
Other finance cost - 3 <sup>rd</sup> party	(15.1)	(2.0)
Other finance cost - related party	(1.7)	(1.1)
<b>Finance costs – total</b>	<b>(329.0)</b>	<b>(401.4)</b>

# NOTES TO FINANCIAL INFORMATION CONTINUED

## 7. INCOME TAX EXPENSE

Hong Kong profits tax is provided at a rate of 16.5% where there are net assessable profits derived for the year. The income tax rates applicable for the main jurisdictions in which the Group operates are: Australia (30.0%), Peru (32.0%) and the DRC (30.0%). 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 year 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 those 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.

	<b>2021</b>	<b>2020</b>
	<b>US\$ MILLION</b>	<b>US\$ MILLION</b>
Current income tax expense – Overseas income tax	(391.8)	(114.0)
Deferred income tax benefit– Overseas income tax	(191.5)	67.2
<b>Income tax expense</b>	<b>(583.3)</b>	<b>(46.8)</b>

The deferred income tax expense relating to items of other comprehensive income is US\$16.0 million (2020: deferred income tax credit of US\$5.8 million) and it is included in other comprehensive income.

The tax on the Group's profit before income tax differs from the prima facie amount that would arise using the applicable tax rate to profit of the consolidated companies as follows:

	<b>2021</b>	<b>2020</b>
	<b>US\$ MILLION</b>	<b>US\$ MILLION</b>
Profit before income tax	1,503.7	52.4
Calculated at domestic tax rates applicable to profits or losses in the respective countries	(460.0)	(5.9)
Net (non-deductible )/non-taxable amounts	(66.7)	16.1
Under-provision in prior years	(1.1)	(1.7)
Non-creditable withholding tax	(52.7)	(55.3)
Others	(2.8)	-
<b>Income tax expense</b>	<b>(583.3)</b>	<b>(46.8)</b>



# NOTES TO FINANCIAL INFORMATION CONTINUED

## 8. PROFIT/(LOSS) PER SHARE

Basic profit/(loss) per share is calculated by dividing the profit/(loss) for the year attributable to equity holders of the Company by the weighted average number of ordinary shares on issue during the year.

Diluted profit/(loss) per share are 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.

	<b>2021</b>	<b>2020</b>
	<b>US\$ MILLION</b>	<b>US\$ MILLION</b>
Profit/(loss) attributable to equity holders of the Company in the calculation of basic and diluted profit/(loss) per share	<b>667.1</b>	<b>(64.7)</b>
	<b>NUMBER OF SHARES '000</b>	
	<b>2021</b>	<b>2020</b>
Weighted average number of ordinary shares used in the calculation of the basic profit/(loss) per share	8,392,739	8,060,179
Shares deemed to be issued in respect of long-term incentive equity plans	94,545	-
Weighted average number of ordinary shares used in the calculation of the diluted profit/(loss) per share	8,487,284	8,060,179
<b>Basic profit/(loss) per share<sup>1</sup></b>	<b>US 7.95 cents</b>	<b>US (0.80) cents</b>
<b>Diluted profit/(loss) per share</b>	<b>US 7.86 cents</b>	<b>US (0.80) cents</b>

1. For the year ended 31 December 2021, the weighted average number of ordinary shares for the purpose of basic profit per share have been adjusted for the share placement undertaken by the Group. Refer to financial statements for further details.

## 9. DIVIDENDS

The Directors did not recommend the payment of an interim or final dividend for the year ended 31 December 2021 (2020: nil).

## 10. IMPAIRMENT TESTING OF NON-CURRENT ASSETS AND GOODWILL

In accordance with the Group's accounting policies and processes, the Group performs its impairment testing annually at 31 December. In addition, 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, a formal estimate of the recoverable amount is made at the reporting period.

In respect of Las Bambas, the CGU is subject to impairment testing due to goodwill being attributed to the CGU which requires an annual impairment assessment.

In respect of Kinsevere and Dugald River, impairment losses have been recognised in 2019 and 2015 respectively. Management has reviewed the operational performance and considered the operation's sensitivity to a range of factors including commodity prices, throughput, grade, recovery, operation, capital expenditure and progress of development projects and concluded that there is currently no further impairment or any requirement to reverse the previously recognised impairment.

# NOTES TO FINANCIAL INFORMATION CONTINUED

No impairment indicators were noted in respect of Rosebery.

## **(i) Approach to recognition of an impairment loss**

An impairment is recognised when the carrying amount exceeds the recoverable amount. The recoverable amount of each CGU has been estimated using its fair value less costs of disposal ("Fair Value"), which is consistent with the approach from the prior year. The Group considers the inputs and the valuation approach to be consistent with the approach taken by market participants.

Estimates of quantities of recoverable minerals, production levels, operating costs and capital requirements are sourced from the Group's planning process, including Life of Mine Planning, three-year budgets, periodic forecasts and CGU specific studies. Expected operating performance improvements reflecting the Group's objectives to maximise free cash flow, optimise operational activity, apply technology, improve capital and labour productivity and other production efficiencies are also included along with the expected costs to realise the initiatives.

All Reserves and Resources have been included in the valuations at justifiable reasonable conversion rates, supported by proof of concept studies. Exploration targets are included in the valuation based on management's expectation of identifying and converting potential resources to reserves and successfully utilising such resources.

## **(ii) Key assumptions**

The key assumptions impacting the discounted cash flow models used to determine the Fair Value include:

- Commodity prices;
- Operating costs;
- Capital requirements;
- Obtaining regulatory approvals and timing thereof;
- Real post-tax discount rates;
- Foreign exchange rates;
- Reserves and Resources and conversion of exploration targets;
- Recovery of taxes;
- Optimisation of operational activity and productivity; and
- Rehabilitation timing.

In determining some of the key assumptions, management considered external sources of information where appropriate.

Commodity price and exchange rate assumptions are based on the latest internal forecasts benchmarked to analyst consensus forecasts. The long-term cost assumptions are based on actual costs adjusted for planned operational changes and input cost assumptions over the life of mine.

The long-term price assumed for copper is US\$3.35 (2020: US\$3.25) per pound and for zinc is US\$1.16 (2020: US\$1.15) per pound.

The long term AUD:USD exchange rate has been included at 0.75 (2020: 0.75).

The real post-tax discount rates used in the Fair Value estimates of the CGU's are listed below remained unchanged at 10% for Kinsevere and 6% for Dugald River and Roseberry. Real post-tax discount rate for Las Bambas has increased to 7.25% (2020: 7.0%), reflecting an increased Country Risk Premium ("CRP") for Peru.

Management considers the estimates applied in this impairment assessment are reasonable. However, such estimates are subject to significant uncertainties and judgements. Refer to (iv) below for sensitivity analysis.

## **(iii) Valuation methodology**

### **Las Bambas**

The Las Bambas Fair Value is determined through CGU discounted cash flows at 31 December 2021. The valuation contains the current operation and further regional exploration targets included in the initial

# NOTES TO FINANCIAL INFORMATION CONTINUED

valuation to acquire the mine in 2014. Management continues to work with local communities to secure land access to continue its exploratory drilling activities, to materialise the potential from such exploration targets.

The cash flows assume additional capital investment in the processing plant, tailings facilities and mine developments as well as expected cost reductions from operational improvement programs already underway. Significant upcoming projects are included that are subject to regulatory permits and approval. Future cash flow forecasts include estimates for the cost of obtaining access to land where the rights do not currently exist.

Political instability at a national level may result in delays of environmental and drilling permits and the ability to engage with the community and carry out exploration drilling. Community disruptions along the Southern Road Corridor had a significant impact to operations late in 2021 and will bring potential risks on operation in 2022. MMG remains committed to working closely with the government of Peru and community members, to reach an enduring agreement.

Management continues to progress dialogue with local communities and the Government of Peru to ensure the continuity of road access into the future. This includes continuing to deliver on the Company's obligations in relation to social and community development programs and supporting the Government of Peru to progress public investment projects which will improve the condition of the public road which Las Bambas' uses for the transport of concentrate to the port, which is expected to reduce disruptions of road usage into the future.

The impairment assessment of the Las Bambas CGU at 31 December 2021 did not result in the recognition of any impairment but with a limited headroom.

## **Kinsevere**

The Kinsevere Fair Value at 31 December 2021 is based upon the assumption of the KEP proceeding in the upcoming year. This will extend the life of Kinsevere by varying and extending the existing oxide processing facilities to enable a sulphide ore and cobalt processing circuit.

The impairment assessment of the Kinsevere CGU at 31 December 2021 did not result in the recognition of any further impairment.

In 2019, management had recognised a pre-tax impairment of US\$ 150.0 million due to operational challenges and risks associated with political and legislative matters. Significant risks and uncertainties still exist in respect of application of the new Mining Code (2018), additional duties and taxes, and recoverability of VAT receivable from the DRC Government. The valuation is also sensitive to factors such as copper and cobalt price, recovery, ore loss and dilution. Considering such risks and sensitivities, no reversal of impairment was deemed prudent.

## **Dugald River**

The impairment assessment of the Dugald River CGU at 31 December 2021 resulted in a positive headroom requiring no impairment.

Previously, in 2015, management had recognised a pre-tax impairment loss of US\$573.6 million for Dugald River. Given the value of the headroom and considering that the fair value is highly sensitive to zinc price, exchange rates and operational performance, management believes no reversal of previously recognised impairment is required. The Group will continue to monitor and assess if a reversal of impairment is required in future periods.

## **Rosebery**

The Rosebery Fair Value is determined through the 2021 Life of Mine Planning discounted cashflows. No indicators of impairment were noted for Rosebery and the Fair Value currently supports the carrying value of the CGU. Consequently, no impairment was recognised.

### ***(iv) Sensitivity analysis***

Commodity prices, the level of production activity as well as the success of converting Reserves, Resources, Exploration targets and increasing the resource estimates over the lives of mines are key assumptions in the

# NOTES TO FINANCIAL INFORMATION CONTINUED

determination of Fair Value. Due to the number of risk factors that could impact production activity, such as processing throughput, changing ore grade and/or metallurgy and revisions to mine plans in response to physical or economic conditions, no quantified sensitivity has been determined. Changes to these assumptions may however result in an impact on the Fair Value and result in impairment in future.

A sensitivity analysis is presented below for both Las Bambas and Kinsevere. The sensitivities assume that the specific assumption moves in isolation, whilst all other assumptions are held constant. A change in one of the aforementioned assumptions may accompany a change in another assumption which may have an offsetting impact. Action is also usually taken to respond to adverse changes in economic assumptions that may mitigate the impact of any such change.

## **Las Bambas**

The key assumptions to which the calculation of recoverable amount for Las Bambas is most sensitive are discount rate, copper prices, operating costs, permitting delays, land access and the timing of identifying and converting potential resources and reserves thereby realising the exploration potential.

- An increase of 1% to the discount rate would decrease recoverable amount by approximately US\$750 million resulting in material impairment to the asset;
- An adverse change of 5% in copper price over the remaining mine life would decrease the recoverable amount by approximately US\$1,000 million resulting in material impairment to the asset; and
- An adverse change of 5% in operating costs would decrease the recoverable amount by approximately US\$500 million resulting in material impairment to the asset.

Political instability and community blockades are potential risks which may result in delays in environmental and drilling permits and the ability to access land required for carrying out exploration activities and ultimately the development of operations. They may also cause delays to critical capital projects resulting in an impact to the cashflows. MMG remains committed to working closely with the government of Peru and community members to reach an enduring agreement. Potential impacts on Las Bambas' cashflows due to a level of delays in permits and disruptions by communities have already been considered in the Las Bambas fair value.

At acquisition of Las Bambas in 2014, the initial valuation included significant value to be realised from the exploratory targets. Las Bambas future cash flows remain significantly dependent on the realisation of such value from exploration activities. Identification and exploitation of resources depends on obtaining permits and timely and continued access to drilling targets. There is also a risk that exploration activities may result in lower than expected actual resources whereby the value assigned to the exploration potential may not be fully recoverable.

Management expects that the impact of delays caused by community disputes, access to land or the amount or the volume or timing of exploration potential realised would result in a revision to the mine plan in response to these conditions.

The occurrence of one or more of the above assumptions in isolation, without a change in other assumptions which may have an offsetting impact, is likely to result in recognition of material impairment.

## **Kinsevere**

The key assumptions to which the calculation of Fair Value for Kinsevere is most sensitive are copper and cobalt prices and schedule delays to KEP.

An adverse change of 5% in copper price over the remaining mine life would further decrease the recoverable amount by approximately US\$100 million; an adverse change of 5% in cobalt price over the remaining mine life would further decrease the recoverable amount by approximately US\$20 million.

The impact of delays in KEP schedule would result in a revision to the mine plan in response to these conditions. In the event that KEP does not progress to execution, this would likely result in a further impairment to the assets of Kinsevere.

# NOTES TO FINANCIAL INFORMATION CONTINUED

## 11. TRADE AND OTHER RECEIVABLES

	2021 US\$ MILLION	2020 US\$ MILLION
<b>Non-current other receivables</b>		
Other receivables – government taxes (net of provisions) <sup>1</sup>	5.4	8.9
Sundry receivables <sup>2</sup>	156.0	69.7
	<b>161.4</b>	<b>78.6</b>
<b>Current trade and other receivables</b>		
Trade receivables <sup>3</sup>	63.9	369.2
Prepayments	28.3	19.4
Other receivables – government taxes <sup>1</sup>	63.4	86.9
Sundry receivables <sup>4</sup>	82.4	47.3
	<b>238.0</b>	<b>522.8</b>

1. The government taxes amount mainly consists of VAT receivables associated with the Group's operations in Peru and DRC.
2. Sundry receivables amount mainly consists of receivables from Glencore in MLB acquisition project and VAT2011/12 receivables from SUNAT. Refer to financial statements for more details.
3. At 31 December 2021 and 2020, trade receivables of the Group mainly related to the mining operations. 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 the trade receivables at 31 December 2021 and 2020 were within 6 months from the date of invoice. At 31 December 2021, there was no trade receivable past due (2020: nil). At 31 December 2021, the Group's trade receivables and prepayments included an amount of US\$22.5 million (2020: US\$169.6 million) which were due from a related company of the Group. The carrying amounts of the Group's trade receivables are all denominated in US\$.
4. Current sundry receivables include cash held in bank accounts in the DRC, which is restricted for use and receivables from Chifeng Jilong Gold Mining Co., Limited in relation to sale of MMG Laos Holdings Limited in 2018.

## 12. CASH AND CASH EQUIVALENTS

	2021 US\$ MILLION	2020 US\$ MILLION
Cash at bank and in hand	269.6	192.7
Short-term bank deposits <sup>2</sup>	985.7	-
<b>Total<sup>1</sup></b>	<b>1,255.3</b>	<b>192.7</b>

1. Total cash and cash equivalents include US\$836.3 million (2020: US\$102.2 million) of cash held limited for use by Las Bambas Joint Venture Group.
2. The weighted average effective interest rate on short-term bank deposits as at 31 December 2021 was 0.41% (2020: nil). These deposits have an average 54 days (2020: nil) to maturity.

The carrying amounts of the cash and cash equivalents are denominated in the following currencies:

	2021 US\$ MILLION	2020 US\$ MILLION
US dollars	1,242.4	173.0
Australian dollars	1.2	2.7
Peruvian sol	7.1	13.7
Hong Kong dollars	2.4	1.2
Others	2.2	2.1
	<b>1,255.3</b>	<b>192.7</b>

# NOTES TO FINANCIAL INFORMATION CONTINUED

## 13. SHARE CAPITAL

	NUMBER OF ORDINARY SHARES		SHARE CAPITAL	
	2021 '000	2020 '000	2021 US\$ MILLION	2020 US\$ MILLION
<b>Issued and fully paid:</b>				
At 1 January	8,067,034	8,054,787	2,917.6	2,912.2
Shares issued	565,000	-	299.0	-
Employee share options exercised <sup>1</sup>	6,257	3,554	3.2	1.6
Employee performance awards vested <sup>2</sup>	835	8,693	0.5	3.8
At 31 December	<b>8,639,126</b>	<b>8,067,034</b>	<b>3,220.3</b>	<b>2,917.6</b>

- During the year ended 31 December 2021, a total of 6,257,077 (2020: 3,554,014) 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 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\$4.68;
- During the year ended 31 December 2021, a total of 835,659 new shares were issued as a result of employee exercised 2018 Performance Awards.

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

## 14. BORROWINGS

	2021 US\$ MILLION	2020 US\$ MILLION
<b>Non-current</b>		
Loan from related parties	2,531.3	2,261.3
Bank borrowings, net	3,107.7	4,045.4
	<b>5,639.0</b>	<b>6,306.7</b>
<b>Current</b>		
Loan from a related party	-	230.0
Bank borrowings, net	659.1	642.8
	<b>659.1</b>	<b>872.8</b>
Analysed as:		
– Secured	3,812.0	4,742.3
– Unsecured	2,536.3	2,496.2
	<b>6,348.3</b>	<b>7,238.5</b>
Prepayments – finance charges	(50.2)	(59.0)
	<b>6,298.1</b>	<b>7,179.5</b>
Borrowings (excluding: prepayments) were repayable as follows:		
– Within one year	665.1	879.5
– More than one year but not exceeding two years	1,406.6	722.2
– More than two years but not exceeding five years	2,844.5	3,912.0
– More than five years	1,432.1	1,724.8
	<b>6,348.3</b>	<b>7,238.5</b>
Prepayments – finance charges	(50.2)	(59.0)
<b>Total</b>	<b>6,298.1</b>	<b>7,179.5</b>

# NOTES TO FINANCIAL INFORMATION CONTINUED

An analysis of the carrying amounts of the total borrowings (excluding prepayments) by type and currency is as follows:

	<b>2021</b> <b>US\$ MILLION</b>	<b>2020</b> <b>US\$ MILLION</b>
US dollars		
– At floating rates <sup>1</sup>	2,169.3	2,864.8
– At fixed rates	4,179.0	4,373.7
	<b>6,348.3</b>	<b>7,238.5</b>

1. Includes the floating interest rate MLB project facility (borrowings of US\$3,754.2 million outstanding at 31 December 2021, maturing in July 2032), whereby the Group has entered into a notional US\$2,100 million 5-year amortising interest rate swap with Bank of China Sydney Branch office (“BOC Sydney”) in 2020 with notional principal US\$1,860 million outstanding at 31 December 2021. The interest rate swap hedge will reduce 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 the second to fifth years).

## 15. TRADE AND OTHER PAYABLES

The analysis of the trade and other payables is as follows:

	<b>2021</b> <b>US\$ MILLION</b>	<b>2020</b> <b>US\$ MILLION</b>
<b>Non-current</b>		
<b>Other payables and accruals</b>	<b>164.8</b>	<b>112.2</b>
<b>Current</b>		
Trade payables		
- Less than 6 months	247.0	265.7
- More than 6 months	2.8	3.4
	249.8	269.1
Related party interest payable	37.2	42.9
Other payables and accruals	164.0	158.2
<b>Total current trade and other payables</b>	<b>451.0</b>	<b>470.2</b>
<b>Aggregate</b>		
Trade payables <sup>1</sup>	249.8	269.1
Related party interest payable	37.2	42.9
Other payables and accruals <sup>2</sup>	328.8	270.4
<b>Total trade and other payables</b>	<b>615.8</b>	<b>582.4</b>

1. At 31 December 2021, the Group’s trade and other payables included an amount of US\$4.4 million (2020: US\$1.0 million), which was due to a related company of the Group. The ageing analysis of the trade payables is based on the creditors’ invoice date.
2. At 31 December 2021, the Group’s other payables and accruals included an amount of US\$5.6 million (2020: US\$5.5 million) accrued interest on external bank borrowings.

# NOTES TO FINANCIAL INFORMATION CONTINUED

## 16. COMMITMENTS

### Capital commitments

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

	<b>2021</b>	<b>2020</b>
	<b>US\$ MILLION</b>	<b>US\$ MILLION</b>
<b>Property, plant and equipment</b>		
Within one year	100.9	121.5
Over one year but not more than five years	34.4	25.0
	<b>135.3</b>	<b>146.5</b>
<b>Aggregate</b>	<b>2021</b>	<b>2020</b>
	<b>US\$ MILLION</b>	<b>US\$ MILLION</b>
<b>Property, plant and equipment and intangible assets</b>		
Contracted but not provided for	<b>135.3</b>	<b>146.5</b>



# GLOSSARY

2022 AGM	AGM to be held on Friday, 20 May 2022
AGM	annual general meeting of the Company
associate(s)	has the meaning ascribed to it under the Listing Rules
Board	the board of directors of the Company
Board Charter	the board charter of the Company
BOC Sydney	Bank of China Limited, Sydney Branch
CDB	China Development Bank
CEO	Chief Executive Officer
CMC	China Minmetals Corporation, a state-owned enterprise incorporated under the laws of the PRC
CMN	China Minmetals Non-ferrous Metals Company Limited, a subsidiary of CMC
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
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
Hong Kong Stock Exchange	(please refer to the definition of 'Stock Exchange')
ICBC Luxembourg	Industrial and Commercial Bank of China Limited, Luxembourg Branch
KEP	Kinsevere Expansion Project
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
Placee(s)	professional, institutional or other investors whom the Placing Agents procure to purchase any Placing Shares pursuant to their obligations under the Placing Agreement
Placing	the placement of the Placing Shares to the Placee(s) at the placing price of HK\$4.15 per Placing Share pursuant to the Placing Agreement
Placing Agents	Credit Suisse (Hong Kong) Limited, CLSA Limited and BOCI Asia Limited
Placing Agreement	the placing agreement dated 1 June 2021 between the Company and the Placing Agents in respect of the Placing
Placing Share(s)	565,000,000 new Shares, representing approximately 6.54% of the issued share capital of the Company as enlarged by the Placing
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
TRIF	total recordable injury frequency per million hours worked
US\$	United States dollar, the lawful currency of the United States of America
VAT	value added tax

# CORPORATE DETAILS

## MELBOURNE OFFICE

Level 23, 28 Freshwater Place  
Southbank, Victoria 3006, Australia  
T +61 3 9288 0888

## HONG KONG OFFICE

Unit 1208, 12/F,  
China Minmetals Tower  
79 Chatham Road South, Tsimshatsui,  
Kowloon, Hong Kong  
T +852 2216 9688

## POSTAL ADDRESS

GPO 2982  
Melbourne, Victoria 3001, Australia

[www.mmg.com](http://www.mmg.com)

[info@mmg.com](mailto:info@mmg.com)

## SHARE REGISTRAR

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

Due to COVID-19 restrictions, MMG will present its financial results to investors via webinar and teleconference only, at 9.00am (HKT) on 25 March 2022. For details please contact Investor Relations.

## INVESTOR AND MEDIA ENQUIRIES

### Brent WALSH

Head of Corporate Development and Investor  
Relations  
T +61 3 9284 4170  
E [InvestorRelations@mmg.com](mailto:InvestorRelations@mmg.com)

### Andrea ATELL

Head of Corporate Affairs  
T +61 3 9288 0758  
E [CorporateAffairs@mmg.com](mailto:CorporateAffairs@mmg.com)

## Chinese Language:

### Sandra GUAN

General Manager Stakeholder Relations  
T +61 3 9288 0443  
E [ChinaRelations@mmg.com](mailto:ChinaRelations@mmg.com)

## MMG LIMITED

### EXECUTIVE COMMITTEE

LI Liangang, Interim Chief Executive Officer and Executive Director  
Ross CARROLL, Chief Financial Officer  
Troy HEY, Executive General Manager – Corporate Relations  
WEI Jianxian, Executive General Manager – Americas

### IMPORTANT DATES\*\*

22 April 2022 – First Quarter Production Report  
26 April 2022 – Annual Report lodged

*\*\*This information is subject to change.*

By order of the Board  
**MMG Limited**  
**LI Liangang**  
*Interim CEO and Executive Director*

Hong Kong, 24 March 2022

*As at the date of this announcement, the Board comprises seven directors, of which one is an executive director, namely Mr Li Liangang; three are non-executive directors, namely Mr Jiao Jian (Chairman), Mr Zhang Shuqiang and Mr Xu Jiqing; and three are independent non-executive directors, namely Dr Peter William Cassidy, Mr Leung Cheuk Yan and Mr Chan Ka Keung, Peter.*