

FINANCIAL STATEMENTS

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	NOTES	YEAR ENDED 31 DECEMBER	
		2021 US\$ MILLION	2020 US\$ MILLION
Revenue	4	4,255.0	3,033.7
Net other income	5	110.8	12.2
Expenses (excluding depreciation and amortisation)	6	(1,640.4)	(1,666.2)
Earnings before interest, income tax, depreciation and amortisation – EBITDA		2,725.4	1,379.7
Depreciation and amortisation expenses	6	(898.0)	(927.8)
Earnings before interest and income tax – EBIT		1,827.4	451.9
Finance income	7	5.4	1.9
Finance costs	7	(329.0)	(401.4)
Profit before income tax		1,503.8	52.4
Income tax expense	8	(583.3)	(46.8)
Profit for the year		920.5	5.6
Profit for the year attributable to:			
Equity holders of the Company		667.1	(64.7)
Non-controlling interests		253.4	70.3
		920.5	5.6
Profit/(loss) per share attributable to equity holders of the Company			
Basic profit/(loss) per share	9	US 7.95 cents	US (0.80) cents
Diluted profit/(loss) per share	9	US 7.86 cents	US (0.80) cents

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	YEAR ENDED 31 DECEMBER	
	2021 US\$ MILLION	2020 US\$ MILLION
Profit for the year	920.5	5.6
Other comprehensive income/(loss)		
<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)
Other comprehensive income/(loss) for the year, net of income tax	35.7	(14.5)
Total comprehensive income/(loss) for the year	956.2	(8.9)
Attributable to:		
Equity holders of the Company	692.0	(76.5)
Non-controlling interests	264.2	67.6
	956.2	(8.9)

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	AT 31 DECEMBER	
		2021 US\$ MILLION	2020 US\$ MILLION
ASSETS			
Non-current assets			
Property, plant and equipment	12	9,763.1	10,075.9
Right-of-use assets	13	104.6	122.8
Intangible assets	14	537.3	546.5
Inventories	17	80.0	76.2
Deferred income tax assets	18	184.7	238.6
Other receivables	19	161.4	78.6
Derivative financial assets	20	31.8	-
Other financial assets	21	1.8	1.7
Total non-current assets		10,864.7	11,140.3
Current assets			
Inventories	17	602.9	416.5
Trade and other receivables	19	238.0	522.8
Current income tax assets		62.3	25.7
Derivative financial assets	20	0.9	-
Cash and cash equivalents	22	1,255.3	192.7
Total current assets		2,159.4	1,157.7
Total assets		13,024.1	12,298.0
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	23	3,220.3	2,917.6
Reserves and retained profits/(accumulated losses)	24	(1,289.8)	(1,981.2)
		1,930.5	936.4
Non-controlling interests	16	1,997.5	1,733.3
Total equity		3,928.0	2,669.7

The accompanying notes are an integral part of these consolidated financial statements.

	NOTES	AT 31 DECEMBER	
		2021 US\$ MILLION	2020 US\$ MILLION
LIABILITIES			
Non-current liabilities			
Borrowings	25	5,639.0	6,306.7
Lease liabilities	26	112.5	128.5
Provisions	27	532.8	546.5
Derivative financial liabilities	28	-	10.7
Other financial liabilities	29	-	145.4
Trade and other payables	30	164.8	112.2
Deferred income tax liabilities	18	1,018.8	865.2
Total non-current liabilities		7,467.9	8,115.2
Current liabilities			
Borrowings	25	659.1	872.8
Lease liabilities	26	18.6	20.2
Provisions	27	217.0	97.9
Derivative financial liabilities	28	4.9	29.3
Trade and other payables	30	451.0	470.2
Current income tax liabilities		277.6	22.7
Total current liabilities		1,628.2	1,513.1
Total liabilities		9,096.1	9,628.3
Net current asset / (liabilities)		531.2	(355.4)
Total equity and liabilities		13,024.1	12,298.0

The accompanying notes are an integral part of these consolidated financial statements.



LI LIANGANG
INTERIM CEO and Executive Director



XU JIQING
Non-executive Director

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 23)	(Note 24)	(Note 24)		(Note 16)	
At 1 January 2021	2,917.6	(1,917.7)	(63.5)	936.4	1,733.3	2,669.7
Profit for the year	-	-	667.1	667.1	253.4	920.5
Other comprehensive income	-	24.9	-	24.9	10.8	35.7
Total comprehensive income for the year	-	24.9	667.1	692.0	264.2	956.2
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	-	-	-
Total transactions with owners	302.7	30.1	(30.7)	302.1	-	302.1
At 31 December 2021	3,220.3	(1,862.7)	572.9	1,930.5	1,997.5	3,928.0

The accompanying notes are an integral part of these consolidated financial statements.

ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

US\$ MILLION	SHARE CAPITAL	TOTAL RESERVES	RETAINED PROFITS (ACCUMULATED LOSSES)	TOTAL	NON- CONTROLLING INTERESTS	TOTAL EQUITY
	(Note 23)	(Note 24)	(Note 24)		(Note 16)	
At 1 January 2020	2,912.2	(1,899.1)	(0.9)	1,012.2	1,665.7	2,677.9
(Loss)/profit for the year	-	-	(64.7)	(64.7)	70.3	5.6
Other comprehensive loss	-	(11.8)	-	(11.8)	(2.7)	(14.5)
Total comprehensive (loss)/income for the year	-	(11.8)	(64.7)	(76.5)	67.6	(8.9)
Employee long-term incentives	-	(0.5)	-	(0.5)	-	(0.5)
Employee share options exercised and vested	5.4	(4.2)	-	1.2	-	1.2
Employee share options lapsed	-	(2.1)	2.1	-	-	-
Total transactions with owners	5.4	(6.8)	2.1	0.7	-	0.7
At 31 December 2020	2,917.6	(1,917.7)	(63.5)	936.4	1,733.3	2,669.7

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	NOTES	YEAR ENDED 31 DECEMBER	
		2021 US\$ MILLION	2020 US\$ MILLION
Cash flows from operating activities			
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)
Net cash generated from operating activities	31	2,551.5	1,358.2
Cash flows from investing activities			
Purchase of property, plant and equipment	31	(569.7)	(514.6)
Purchase of intangible assets		(4.1)	(2.0)
Proceeds from disposal of property, plant and equipment		0.1	0.8
Net cash used in investing activities		(573.7)	(515.8)
Cash flows from financing activities			
Proceeds from issue of shares	23	302.1	-
Payment of issue costs	23	(3.1)	-
Proceeds from external borrowings	25	-	525.7
Repayments of external borrowings	25	(930.3)	(1,209.0)
Proceeds from related party borrowing	25	270.0	650.0
Repayments of related party borrowing	25	(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	26	(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
Net cash used in financing activities		(915.2)	(867.2)
Net increase/(decrease) in cash and cash equivalents		1,062.6	(24.8)
Cash and cash equivalents at 1 January		192.7	217.5
Cash and cash equivalents at 31 December	22	1,255.3	192.7

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 Note 3.

(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.

(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 ¹
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 ²

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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 Note 33.1(b) 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. 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 Notes 25 and 33.1(b) for further details on impacts from the amendments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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

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

- 1 January 2022
- 1 January 2023
- Effective date to be determined

2.2 CONSOLIDATION

(a) Acquisition method of accounting for non-common control combination

The Group applies the acquisition method of accounting to account for business combinations other than common control combinations. The purchase consideration for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The purchase consideration includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiaries. Acquisition-related costs are

expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, which is the date on which control is obtained. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognised in profit or loss or other comprehensive income, as appropriate.

The excess of purchase consideration, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired are recorded as goodwill. If the total of purchase consideration, non-controlling interest recognised and previously held interest measured are less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of profit or loss.

(b) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when it has existing rights to direct the relevant activities that significantly affect the entity's returns. The subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries are consistent with the policies adopted by the Group.

(c) Transactions with non-controlling interests

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when the control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint arrangement or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(d) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes directly attributable costs of the investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

2.3 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Committee of the Company.

2.4 FOREIGN CURRENCY TRANSLATION

(a) Functional and presentation currency

Items included in the financial statements of each Group entity are measured using the currency of the primary economic environment in which the entity operates

(functional currency). The functional currency of the Company is US dollars (US\$), which is also the presentation currency of the Group.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or reporting date where monetary items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the consolidated statement of profit or loss.

2.5 PROPERTY, PLANT AND EQUIPMENT

Cost

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items and costs incurred in bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of property, plant and equipment includes the estimated cost of mine rehabilitation, restoration and dismantling.

Depreciation and amortisation

The major categories of property, plant and equipment are depreciated over the estimated useful lives of the assets on a unit of production or reducing balance basis as indicated below. The useful lives below are subject to the lesser of the asset categories' useful life and the life of the mine:

- Freehold land – Not depreciated or unit of production (tonnes mined) as applicable;
- Buildings – straight line over the useful life of the asset as applicable which do not exceed 40 years;
- Plant and machinery – Units-of-production (tonnes mined or milled) or straight line over the useful life of the asset as applicable which does not exceed 20 years;
- Mine property and development assets – Units-of-production (tonnes mined, milled, or metal produced);
- Exploration and evaluation assets – Not depreciated; and
- Construction in progress – Not depreciated.

Depreciation and amortisation commence when an asset is available for use.

The units-of-production method is applied based on assessments of proven and probable Ore Reserves and a portion of Mineral Resources available to be mined or processed by the current production equipment to

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

the extent that such resources are considered to be economically recoverable. Resource and Reserves estimates are reviewed annually.

(a) Exploration and evaluation assets

Exploration and evaluation activities include expenditure to identify potential Mineral Resources, determine the technical feasibility and assess the commercial viability of the potential Mineral Resources.

Exploration and evaluation costs that are incurred before the Group has obtained the legal right to explore an area, or are incurred up to and including the pre-feasibility phase, are recognised in the consolidated statement of profit or loss. Subsequent exploration and evaluation costs are capitalised as exploration and evaluation asset.

Exploration and evaluation costs that relate to an area of interest acquired as part of an asset acquisition or business combination are capitalised and the exploration and evaluation asset is measured at fair value on acquisition.

Exploration and evaluation assets are treated as tangible assets and classified as part of property, plant and equipment. As the assets are not yet ready for use they are not depreciated.

Exploration and evaluation assets are carried forward if the rights to the area of interest are current and the expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively by the sale of the asset. Exploration and evaluation assets shall no longer be classified as such when the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

The assets are monitored for indications of impairment and an assessment is performed where an indicator of impairment exists. For the purpose of the impairment testing, exploration and evaluation assets are allocated to cash-generating units (CGU) to which the exploration activity relates.

Once the technical feasibility and commercial viability of the development of an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to construction in progress within property, plant and equipment.

(b) Development expenditure

The following assets are classified directly as mine property and development assets from the commencement of development:

- Mineral rights balances representing identifiable exploration and evaluation assets including Mineral

Resources and Ore Reserves acquired as part of a business combination and recognised at fair value at the date of acquisition; and

- Mine rehabilitation, restoration and dismantling assets.

All subsequent expenditure to develop the mine to the production phase is capitalised and classified as construction in progress. On completion of development, construction in progress balances are reclassified to land and buildings, plant and machinery or mine property and development categories of property, plant and equipment as appropriate.

(c) Overburden and waste removal

Overburden and other waste removal costs incurred in the development phase of a mine before production commences are initially capitalised as part of construction in progress. At the completion of development, costs are transferred to the mine property and development category of property, plant and equipment.

The Group defers a portion of waste removal costs incurred during the production phase of an open-pit operation as part of determining the cost of inventories. Current period waste mining expenses are allocated between current period inventory and deferred waste assets based on the ratio of waste tonnes mined to ore tonnes mined (waste to ore ratio). The amount of deferred waste asset is calculated for each separate component of the ore body identified based on mine plans. Current period expenses are deferred to the extent that the current period waste to ore ratio exceeds the life-of-mine waste to ore ratio for the identified component of ore body. Deferred waste assets are categorised in the mine property and development category of property, plant and equipment and are amortised over the life of the component on a units-of-production basis. Changes to estimates are accounted for prospectively.

(d) Other expenditure

When further development expenditure is incurred in respect of the mine property after the commencement of the production phase, or additional property, plant and equipment are acquired, such expenditure is capitalised and carried forward only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Major spare parts are carried as property, plant and equipment when an entity expects to use them during more than one period or when they can be used only in connection with an item of property, plant and equipment. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are expensed in the consolidated statement of profit or loss during the accounting period in which they are incurred.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

(e) Disposal of property, plant and equipment

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and the carrying amount of the asset is recognised as a gain or loss in the consolidated statement of profit or loss within other income.

2.6 INTANGIBLE ASSETS

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the purchase consideration over the interest of the Group in the fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree and the non-controlling interest in the acquiree.

Goodwill is not amortised and is tested for impairment annually (refer to Note 2.7). For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the acquisition. Each unit or group of units to which the goodwill is allocated, represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(b) Software development

Development costs that are directly attributable to the design, testing and deployment of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs include direct materials, employee costs, services and an appropriate portion of relevant overheads.

Other development expenditure that does not meet these criteria and costs associated with maintaining computer software programs is recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Software development assets are amortised over their estimated useful lives, which do not exceed seven years.

2.7 IMPAIRMENT OF NON-FINANCIAL ASSETS

All intangible assets that have an indefinite useful life, for example goodwill, or are not ready for use are tested annually for impairment or more frequently if events or changes in circumstances indicate a potential impairment.

Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value less costs of disposal and value in use of an asset. For the purposes of impairment assessment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Any impairment loss related to goodwill is recognised immediately as an expense and is not subsequently reversed. Any impairment loss related to non-financial assets other than goodwill is reviewed and may be reversed at subsequent reporting dates. A reversal of previously recognised impairment loss is limited to the lesser of the amount that would not cause the carrying amount to exceed its recoverable amount or the carrying amount that would have been determined (net of accumulated depreciation) had no impairment loss been recognised.

2.8 LEASES

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

(a) Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities other than adjustments to lease liabilities resulting from COVID-19 related rent concessions in which the Group applied the practical expedient.

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group are reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

(b) Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate ("IBR") at the lease

commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets and are recognised as expense in the period on which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments. The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in rental rates, in which case the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

(c) Lease modifications

Except for COVID-19-related rent concessions, if any, where the Group is allowed to apply the practical expedient, the Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use assets arising from the head lease, not with reference to the underlying assets.

2.9 FINANCIAL ASSETS

Classification

Classification of financial assets depends on the Group's business model for managing its financial assets and the contractual terms of the cash flows. The Group classifies its financial assets as:

- financial assets measured at amortised cost, or
- financial assets measured at fair value.

Gains or losses of assets measured at fair value will be recognised either through profit or loss ("FVTPL") or through other comprehensive income ("FVOCI"). For financial assets measured at FVOCI, impairment allowances are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these financial assets.

(a) Amortised cost

A financial asset shall be measured at amortised cost if it is held within a business model. The objective of which is to hold financial assets in order to collect contractual cash flows, where the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(b) Financial assets at fair value through profit or loss (FVTPL)

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income.

Recognition and measurements

Regular purchases and sales of financial assets are recognised on the trade-date being the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the consolidated statement of profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Financial assets at amortised cost are measured at the amount recorded at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss are presented in the consolidated statement of profit or loss within expenses in the period in which they arise. The net gain or loss recognised in profit or loss arising from changes in the fair value of the financial assets at fair value through profit or loss excludes any dividend income. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated statement of profit or loss as part of other income when the right of the Group to receive payment is established, the Group is probable to obtain the economic benefits associated with it and the amount can be measured reliably.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparties.

Impairment of financial assets

The Group applies an expected credit loss ("ECL") approach in respect of receivables classified as financial assets at amortised cost, which is assessed on an individual basis for each counterparty at the end of each reporting period where relevant. The Group reviews credit risk with respect to the counterparty, likelihood or risk of default and forward-looking reasonable and supportable documentation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

in assessing a loss allowance for the respective financial asset at the end of each reporting period. The Group's consideration of credit risk takes into account, among other things, the instrument type, credit risk rating, date of initial recognition, remaining term to maturity and geographical location of the debtor. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Credit loss is measured at the present value of such difference in cash flows, discounted using the effective interest rate determined at initial recognition. The Group measures the loss allowance equal to 12-month ECL ("12m ECL"). In the event when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery.

(c) Derivative financial instruments and hedge accounting

For the year ended 31 December 2021, the Group has held derivative financial instruments, all of which have been detailed in note 33.1 (a) and note 33.1 (b). Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

The Group designates certain derivatives as hedging instruments for cash flow hedges.

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking the hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk.

Assessment of hedging relationship and effectiveness

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;

- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

In assessing the economic relationship between the hedged item and the hedging instrument the Group assumes that the interest rate benchmark on which the hedged cash flows and/or hedged risk are based, or the interest rate benchmark on which the cash flows of the hedging instrument are based, is not altered as a result of interest rate benchmark reform.

The effective portion of changes in the fair value of the hedging instrument designated as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedge reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. When a hedged item in a cash flow hedge is amended to reflect the changes that are required by the interest rate benchmark reform, the amount accumulated in the cash flow hedge reserve is deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'finance income' or 'finance costs' line item for a financing hedge (e.g., an interest rate swap) or in 'other income/expense' (for any other hedges, e.g., a commodity hedge). As to cash flow statements disclosure, cashflow resulting from commodity hedge is part of 'operating activities'; cashflow resulting from financing hedge (e.g., an interest rate swap) is part of 'financing activities'.

2.10 FINANCIAL GUARANTEE CONTRACT

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected loss is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For ECL on financial guarantee contracts for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with HKFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period. Other financial liabilities are classified as financial liabilities at fair value through profit or loss.

2.11 INVENTORIES

Inventories comprise raw materials, stores and consumables, work in progress and finished goods. Inventories are stated at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Costs are assigned to individual items of inventory based on weighted average costs. Costs include the costs of direct materials, overburden removal, mining, processing, labour, related transportation costs to the point of sale, an appropriate proportion of related production overheads, mine rehabilitation costs incurred in the extraction process and other fixed and variable costs directly related to mining activities. They exclude borrowings costs.

2.12 TRADE AND OTHER RECEIVABLES

Trade receivables are recognised initially at transaction price and subsequently measured at fair value through profit or loss. The terms of sales contracts with third parties contain provisional pricing arrangements whereby the selling price for contained metal is based on prevailing spot prices during a specified future date range after shipment to the customer (quotation period). In case of such provisional pricing arrangements, the Group re-estimates the fair value of the final sales price adjustment continually by reference to forward market prices. Related trade receivable balances are recognised at fair value through profit and loss. Refer to Note 2.20 for details.

Other receivables are measured at amortised cost using the effective interest method, less provision for impairment. If collection of trade and other receivables is expected in

one year or less, trade and other receivables are classified as current assets. If not, they are presented as non-current assets.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

2.13 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

2.14 FINANCIAL LIABILITIES AND EQUITY

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

(a) Financial liabilities

Financial liabilities are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(b) Equity instruments

Equity instruments are any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Subsequent to initial recognition, the equity instrument is not remeasured. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.15 MINE REHABILITATION, RESTORATION AND DISMANTLING OBLIGATIONS

Provisions are made for the estimated cost of rehabilitation, restoration and dismantling relating to areas disturbed during the mine's operations up to the reporting date but not yet rehabilitated. Provision has been made in full for all the disturbed areas at the reporting date based on current estimates of costs to rehabilitate such areas, discounted to their present value based on expected future cash flows. The estimated cost of rehabilitation includes the current cost of recontouring, top soiling and revegetation to meet legislative requirements. Changes in estimates are dealt with on a prospective basis as they arise.

Uncertainty exists as to the amount of rehabilitation obligations that will be incurred due to the impact of changes in environmental legislation, and many other factors, including future developments, changes in technology, price increases and changes in interest rates. The amount of the provision relating to mine rehabilitation, restoration and dismantling obligations is recognised at the commencement of the mining project and/or construction of the assets where a legal or constructive obligation exists at that time.

The provision is recognised as a liability, separated into current (estimated expenditure arising within 12 months) and non-current components, based on the expected timing of these cash flows. A corresponding asset is included in mine property and development assets, only to the extent that it is probable that future economic benefits associated with the restoration expenditure will flow to the entity, otherwise a corresponding expense is recognised in the profit or loss. The capitalised cost of this asset is recognised in property, plant and equipment and is amortised over the life of the mine.

At each reporting date, the rehabilitation liability is remeasured in line with changes in discount rates, and timing or amounts of the costs to be incurred. Rehabilitation, restoration and dismantling provisions are adjusted for changes in estimates. Adjustments to the estimated amount and timing of future rehabilitation and restoration cash flows are a normal occurrence considering the significant judgements and estimates involved. Changes in the liability relating to mine rehabilitation, restoration and dismantling obligations are added to or deducted from the related asset (where it is probable that future economic benefits will flow to the entity), other than the unwinding of discount on provisions, which is recognised as a finance cost in the consolidated statement of profit or loss. Changes to capitalised cost result in an adjustment to future depreciation charges.

The provisions referred to above do not include any amounts related to remediation costs associated with unforeseen circumstances.

2.16 PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

A provision is recognised for the amount expected to be paid under short-term or long-term bonus entitlements if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the Director or employee and the obligation can be estimated reliably.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the limited circumstances where no reliable estimate can be made.

2.17 CURRENT AND DEFERRED INCOME TAX

The tax expense recognised for the year comprises current and deferred tax. Tax is recognised in the consolidated statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or subsequently enacted at the reporting date in the jurisdictions or where a stability agreement is applicable where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date or where a stability agreement is applicable and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention and agreement with tax authorities to settle the balances on a net basis.

Tax consolidation – Australia

The majority of the Australian subsidiaries of the Company are an income tax consolidated group and are taxed as a single entity. MMG Australia Limited is the head company of the Australian tax consolidated group.

The subsidiaries in the Australian tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone tax payer in its own right. In addition to its own current and deferred tax amounts, the head entity recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from the other entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements between entities within the tax consolidated group entities are utilised as amounts receivable from or payable to other entities within the tax consolidated group.

2.18 TRADE AND OTHER PAYABLES

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Trade and other payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

2.19 EMPLOYEE BENEFITS

(a) Employee leave entitlements

Employee entitlements to annual leave are recognised when they are accrued by employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

(b) Pension obligations – defined contribution plans

Arrangements for staff retirement benefits are made in accordance with local regulations and customs.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payment is available.

(c) Long-term employee benefits

Long-term employee benefit obligations are measured at the present value of expected future payments to be made. Long-term benefits include post-employment defined benefit plan in Democratic Republic of the Congo (“DRC”) and long service leave in Australia.

Post-employment defined benefit plan

Defined benefit obligation under the plan is measured at the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method and recorded as non-current liabilities. Consideration is given to expected future salary increase and historic attrition rates. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows. Re-measurements, if any, as a result of changes in actuarial assumptions are recognised in the consolidated statement of comprehensive income. Changes in the present value of the defined benefit obligation resulting from plan amendments are recognised as past service costs. Current and past service costs related to post-employment benefits are recognised immediately in the consolidated statement of profit and loss while unwinding of the liability at discount rates used are recorded as financial cost.

Long service leave

Long service leave is a period of paid leave granted to an employee in recognition of a long period of service to an employer. The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as

closely as possible, the estimated future cash outflows. The Group applies simplified method of accounting as required by HKAS 19 Employee Benefits and all past service costs and actuarial gains and losses (where applicable) are recognised immediately.

(d) Share-based compensation to employees

The Group operates multiple equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of the options or performance shares is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options/performance shares granted, excluding the impact of any non-market service and performance vesting conditions (for example, profitability and remaining employees of the entity over a specified period). Non-market vesting conditions are included in assumptions about the number of options/performance shares that are expected to vest. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each reporting date, the Group revises its estimates of the number of options/performance shares that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision of original estimates, if any, in the consolidated statement of profit or loss with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital when the options are exercised. Options which lapse or are cancelled prior to their exercisable date are deleted from the register of outstanding options and the amount previously recognised in share-based payment reserve will be transferred to retained profits.

2.20 REVENUE RECOGNITION

Revenue is recognised when persuasive evidence of an arrangement exists, usually in the form of an executed sales agreement, indicating there has been a transfer of control and completion of distinctive performance obligations separately identified by the Group. Factors which indicate transfer of control include, but are not limited to, transfer of risk and reward, transfer of legal title to customer and a present right to payment.

Transaction price under the sales agreement is allocated to the various performance obligations under the relevant sales agreement and revenue is recognised in line with satisfaction of each performance obligation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Revenue is presented net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

(a) Sale of goods

Sale of goods is recognised upon transfer of control, which for majority of the products is the bill of lading date when the commodity is delivered for shipment, or in case of bill-and-hold arrangements, once a holding and title certificate is issued to the buyer together with the invoice. Depending on various incoterms associated with the sales agreement, the Group may have other performance obligations such as shipping service. Revenue may be allocated to various performance obligations and is recognised for each performance obligation as such obligations are fulfilled. Allocation of transaction price to other performance obligations (e.g. shipping services) is based on best estimate of a similar stand-alone service.

Revenue is reported net of discounts and pricing adjustments. Royalties paid and payable are separately reported as expenses. Revenues from the sale of significant by-products, such as gold and silver, are included in sales revenue.

Price adjustments in case of provisionally priced sales

The Group has certain provisionally priced sales where the contract terms for the Group's concentrate sales allow for adjustment based on a final assay of the goods determined after discharge. The Group assesses such provisional pricing to be a variable consideration and recognises revenue at an amount representing the Group's estimate for the expected final consideration. This amount is based on the most recently determined estimate of product assays. The Group applies judgement regarding likelihood of significant reversals to ensure that revenue is only recognised to the extent that it is highly probable that significant reversal will not occur. Any adjustments to the final price are recognised as revenue.

Changes in fair value of provisionally priced sales

The terms of sales contracts with third parties contain provisional pricing arrangements whereby the selling price for contained metal is based on prevailing spot prices during a specified future date range after shipment to the customer (quotational period). Adjustment to the sales price occurs based on movements in quoted market prices up to the completion of the quotational period. The period between provisional invoicing and quotational period completion is typically between 0 and 120 days.

In case of such provisional pricing arrangements, the Group re-estimates the fair value of the final sales price adjustment continually by reference to forward market prices. Such fair value adjustments do not form part of the revenue recognised from customers and are governed under HKFRS 9. Related receivable balances are recognised at fair value through profit and loss.

Payment from customers is due within 2-30 working days of receiving the provisional invoicing and any adjustments as per the final invoice are payable in 2-60 working days.

(b) Interest and dividend income

Interest income is recognised on a time-proportion basis, using the effective interest method. Dividend income is recognised when right to receive dividend is established.

2.21 DIVIDEND DISTRIBUTION

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's Shareholders or the Board, as appropriate.

2.22 GOVERNMENT GRANTS

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Government grants relating to compensation of expenses are deducted from the related expenses, other government grants are presented under "other income".

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing these consolidated financial statements, management has made estimates and judgements that affect the application of the Group's accounting policies. Estimates and judgements are reviewed on an ongoing basis based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

3.1 ESTIMATES

(a) Mine rehabilitation, restoration and dismantling obligations

Provision is made for the anticipated costs of future restoration, rehabilitation and dismantling of mining areas from which natural resources have been extracted in accordance with the accounting policy in Note 2.15. These provisions include future cost estimates associated with reclamation, plant closures, waste site closures, monitoring, demolition, decontamination, water purification and permanent storage of historical residues. These future cost estimates are discounted to their present value. The calculation of these provision estimates requires assumptions such as the application of environmental legislation, the scope and timing of planned activities, available technologies, engineering cost estimates and discount rates. A change in any of the assumptions used may have a material impact on the carrying value of mine rehabilitation, restoration and dismantling provisions. For non-operating sites, changes to estimated costs are recognised immediately in the consolidated statement of profit or loss.

(b) Mineral Resources and Ore Reserves estimates

The estimated quantities of economically recoverable Mineral Resources and Ore Reserves are based upon interpretations of geological and geophysical models and require assumptions to be made regarding factors such as estimates of short and long-term exchange rates, estimates of short and long-term commodity prices, future capital requirements and future operating performance. Changes in reported Reserves and Resources estimates can impact the carrying value of property, plant and equipment through

depreciation, provisions for mine rehabilitation, restoration and dismantling obligations, the recognition of deferred tax assets, as well as the amount of depreciation and amortisation charged to the consolidated statement of profit or loss. The changes are effective from next financial year following Board approval of the revised Reserves and Resources estimates.

(c) Inventory valuation

Accounting for inventory involves the use of estimates. Such estimates include determination of the net realisable value of inventory (refer Note 2.11). Net realisable value is estimated based on expected selling price in the ordinary course of business, less estimated costs of completion and costs necessary to make the sale. Management utilises the mine plan of the respective operations in order to estimate the net realisable value. Where the net realisable value is lower than the cost of inventory, the inventory value is reduced to reflect such difference. In particular, the lower grade ore inventory is generally susceptible to such value reduction. A change in assumptions may result in the net realisable value estimate to vary significantly, thereby impacting the overall inventory valuation.

(d) Recoverability of non-financial assets

The recoverable amount of each of the Group's cash-generating units is determined as the higher of the asset's fair value less costs of disposal and its value in use in accordance with the accounting policy in Notes 2.7 and 12. These calculations require the use of estimates and assumptions including discount rates, exchange rates, commodity prices, exploration potential, future capital requirements and future operating performance.

(e) Deferral of waste removal costs

The Group defers a portion of waste removal costs incurred during the production phase of an open-pit operation as part of determining the cost of inventories. The amount of deferred waste asset is calculated for each separate component of the ore body as identified by management based on mine plans.

(f) Depreciation and amortisation

The Group allocates the depreciable amount of assets on a systematic basis over the relevant asset's useful life. Refer to Note 2.5 where depreciation methods and useful life estimates for major classes of assets has been disclosed. The estimation of the useful life of the asset is a matter of management judgement and changes in such estimation can result in material impact to the current and future depreciation and amortisation expenses. As per Group's policy, the depreciation method is re-assessed periodically

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

and changes are made where management believes that such changes in depreciation method or useful life estimate are required to better reflect the pattern of consumption of economic benefits embodied in the asset.

Change in estimate during the year:

Management reassessed the useful life of certain assets in the Las Bambas and Rosebery operations and amended the useful life based on expected usage as per current operational plans.

The above changes have resulted in depreciation for the year to be higher by US\$42.0 million. Management believes the amended useful lives better reflect the future economic benefits to be obtained from the relevant assets.

3.2 JUDGEMENTS

(a) Taxes

The Group is subject to tax in a number of jurisdictions. Some of these are in countries that carry higher levels of sovereign risk. Management continually assesses the levels of sovereign risk in determining whether political and administrative changes and reforms in laws, regulations or taxation may impact the Group's future performance.

Significant judgement is required in determining the tax position and the estimates and assumptions in relation to the provision for taxes and the recovery of tax assets, having regard to the nature and timing of their origination and compliance with the relevant tax legislation. There are some tax matters for which the ultimate tax determination is uncertain during the ordinary course of business, which could have a significant impact on the Group. Where the final outcome of pending tax matters is different from the amounts that were initially recognised, such differences will impact the balances in the accounting period in which such determination is made. Also refer to Note 37 in respect of tax matters with uncertain outcomes, which could result in further claims in future against the Group.

A number of above-mentioned tax matters exist at Las Bambas which is also currently subject to multiple audits and reviews by the Peruvian taxation authority in relation to value added taxes ("VAT"), withholding taxes and income taxes. Some of these tax matters relate to Glencore plc's period of ownership and may be subject to potential indemnity claims. At 31 December 2021, the Group had certain indemnity claims in court against Glencore plc and its subsidiaries ("Glencore"). These matters remain ongoing in the judicial process.

For some of the tax matters under audit in Peru, Minera Las Bambas S.A ("MLB") may appeal and not pay the assessed amount if unfavourable assessment resolutions were ultimately issued, or make judgements as to the timing of payments in relation to these matters. The timing of resolution and potential economic outflow of the unresolved tax matters are uncertain. Some of these uncertain tax matters are either incapable of being measured reliably or there is remote possibility of economic outflow at the reporting date. As such, no provision has been reflected in the consolidated financial statements for those tax matters.

Where income tax, VAT and withholding tax obligations have been assessed and deemed to have probable future economic outflows capable of reliable measurement, the Group has recognised a provision for these.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable profits will be available to utilise those temporary differences and losses, and the tax losses continue to be available having regard to the nature and timing of their origination and compliance with the relevant tax legislation associated with their recoupment.

(b) Leases

Certain contracts require management to exercise judgement in applying HKFRS 16 requirements to determine whether an identified asset exists for which the Group utilises substantially all the economic benefits and whether the Group may have a right to use or direct use of that asset. Management conclusion as to whether a lease component exists or not in any given contract may thus be subjective.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

4. 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 CONSOLIDATED FINANCIAL STATEMENTS 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
Revenue by metal:						
-Copper ¹	2,595.4	437.3	-	13.9	3.8	3,050.4
-Zinc ²	-	-	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
Revenue from contracts with customers	2,965.2	437.3	482.9	365.2	4.4	4,255.0
EBITDA	2,047.3	137.6	212.7	203.3	124.5	2,725.4
Depreciation and amortisation expenses (Note 6)	(732.8)	(29.1)	(59.8)	(79.7)	3.4	(898.0)
EBIT	1,314.5	108.5	152.9	123.6	127.9	1,827.4
Finance income (Note 7)						5.4
Finance costs (Note 7)						(329.0)
Income tax expense (Note 8)						(583.3)
Profit for the year						920.5
Other segment information:						
Additions to non-current assets (excluding deferred tax assets, inventories and financial instruments)	451.3	23.5	47.5	37.3	2.0	561.6

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS 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
Revenue by metal:						
-Copper ¹	1,747.9	418.9	-	8.9	2.9	2,178.6
-Zinc ²	-	-	261.1 ²	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
Revenue from contracts with customers	1,999.8	418.9	331.3	280.7	3.0	3,033.7
EBITDA	1,117.5	68.3	100.0	130.3	(36.4)	1,379.7
Depreciation and amortisation expenses (Note 6)	(695.5)	(117.2)	(59.9)	(50.8)	(4.4)	(927.8)
EBIT	422.0	(48.9)	40.1	79.5	(40.8)	451.9
Finance income (Note 7)						1.9
Finance costs (Note 7)						(401.4)
Income tax expense (Note 8)						(46.8)
Profit for the year						5.6
Other segment information:						
Additions to non-current assets (excluding deferred tax assets, inventories and financial instruments)	476.6	15.6	46.0	53.5	0.2	591.9

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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

US\$ MILLION	AT 31 DECEMBER 2020					Group
	Las Bambas	Kinsevere	Dugald River	Rosebery	Other unallocated items/ eliminations	
Segment assets ³	10,166.7	513.3	672.6	323.6	357.5	12,033.7
Current/deferred income tax assets						264.3
Consolidated assets						12,298.0
Segment liabilities ⁴	5,097.0	240.2	447.4	194.5	2,761.3	8,740.4
Current/deferred income tax liabilities						887.9
Consolidated liabilities						9,628.3
Segment non-current assets	9,625.2	430.6	583.6	310.3	190.6	11,140.3

1. 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.

2. 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.

3. 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.

4. 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.

5. 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 ¹	136.3	3.7
Sundry (expense)/income	(23.2)	10.5
Total net other income	110.8	12.2

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

6. 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 ¹	260.9	196.9
Contracting and consulting expenses ³	452.8	454.4
Energy costs	213.5	200.1
Stores and consumables costs	387.3	362.0
Depreciation and amortisation expenses ²	873.7	893.8
Other production expenses ³	135.6	111.9
Cost of goods sold	2,142.8	2,203.2
Other operating expenses	52.4	61.1
Royalty expenses	153.2	113.8
Selling expenses ³	107.1	99.9
Total operating expenses including depreciation and amortisation⁴	2,455.5	2,478.0
Exploration expenses ^{1,2,3}	21.3	19.1
Administrative expenses ^{1,3}	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 ^{1,2,3}	32.0	39.8
Total expenses	2,538.4	2,594.0

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) (Note 11).

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 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

7. FINANCE INCOME AND FINANCE COSTS

	2021 US\$ MILLION	2020 US\$ MILLION
Finance income		
Interest income on cash and cash equivalents	5.4	1.9
	5.4	1.9
Finance costs		
Interest expense on bank borrowings	(185.4)	(261.8)
Interest expense on related party borrowings (Note 32(a))	(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 rd party	(15.1)	(2.0)
Other finance cost - related party (Note 32(a))	(1.7)	(1.1)
Finance costs – total	(329.0)	(401.4)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

8. 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.

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

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:

	2021 US\$ MILLION	2020 US\$ MILLION
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)	-
Income tax expense	(583.3)	(46.8)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

9. 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.

	2021 US\$ MILLION	2020 US\$ MILLION
Profit/(loss) attributable to equity holders of the Company in the calculation of basic and diluted profit/(loss) per share	667.1	(64.7)
	NUMBER OF SHARES '000	
	2021	2020
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
Basic profit/(loss) per share ¹	US 7.95 cents	US (0.80) cents
Diluted profit/(loss) per share	US 7.86 cents	US (0.80) cents

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 Note 23 for further details.

10. DIVIDENDS

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

11. EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS

	2021 US\$ MILLION	2020 US\$ MILLION
Salaries and other benefits	291.2	235.6
Retirement scheme contributions (a)	15.1	11.8
Total employee benefit expenses (Note 6)	306.3	247.4

(a) Retirement schemes

The Group provides retirement benefits to all eligible Hong Kong employees under the Mandatory Provident Fund (MPF Scheme). Under the MPF Scheme, the Group and its employees make monthly contributions to the MPF Scheme at 5% of the employees' salaries as defined under the Mandatory Provident Fund legislation. Contributions of both the Hong Kong subsidiaries and their employees are subject to a maximum of HK\$1,500 per month and thereafter contributions are voluntary and are not subject to any limitation. The MPF Scheme is administered by an independent trustee and its assets are held separately from those of the Group.

The Group provides a superannuation contribution for all Australian-based employees to their nominated superannuation fund. This contribution is to provide benefits for employees and their dependants in retirement, and for relevant employees, for disability or death. In accordance with the applicable regulation in Australia, the Group was required to withhold and deposit 9.5% of ordinary time earnings of all Australian-based employees. This rate increased to 10% with effect from 1 July 2021. Also, in accordance with the applicable regulation in Australia, the Group caps the superannuation contributions at the maximum super contribution base. The maximum super contribution base is used to determine the maximum limit on any individual employee's earnings base for each quarter of any financial year. Organisations do not have to provide the minimum support for the part of earnings above this limit.

The Group provides for retirement benefits to those employees who reach statutory retirement age in the DRC in accordance with the Collective Bargaining Agreement with its employees at the Kinsevere mine. A provision for the retirement benefit is recognised which is measured as the present value of the expected future payments to be made taking into consideration the period of employee service and their job position at the reporting date.

The Group provides on a monthly basis to various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the People's Republic of China ("PRC"). The municipal and provincial governments undertake to assume the retirement benefit obligations payable

to all existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made.

The Group provides pension contributions on a monthly basis for all Peru based employees. There are two pension schemes in Peru: the National Pension System and the Private Pension System. Employees can elect to join one of the two pension schemes. Contributions to both schemes are deducted from the employee's monthly base salary and no cap applies.

- The National Pension System (Sistema Nacional de Pensiones – ONP), is administered by the state and the mandatory contribution is 13% of the employee's total remuneration;
- The Private Pension System (Sistema Privado de Pensiones – SPP) is formed by the Private Pension Funds Administrators (Administradoras Privadas de Fondos de Pensiones - AFP) and the mandatory contribution is 10% of the monthly base salary, not including fees and insurances. The overall deduction to employee's salary is approximately 14%, including fees and insurances charged by AFP.

There is also an Early Retirement Fund for employees who are classified as working in high risk jobs in the following areas: underground mining, mining extraction to open pit, centres of mining, metallurgical and steel production, exposed to risk of toxicity, insalubrity and danger and construction activities. The employee and company provide monthly contributions towards the early retirement fund. This additional amount is added to the employee's preferred pension scheme.

The Group provides Social Security contributions to all Laos employees in accordance with the relevant legislation. Contributions will only be made under the National Social Security Scheme and will be calculated on the accumulation of the employee's total gross remuneration, capped at the maximum contribution base of LAK4,500,000. The current contribution rates are:

- 6% of the gross remuneration must be contributed by the employer;
- 5.5% of the gross remuneration must be contributed by the employee.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

12. PROPERTY, PLANT AND EQUIPMENT

US\$ MILLION	Land and buildings	Plant and machinery	Mine property and development	Exploration and evaluation	Construction in progress	Total
At 1 January 2021						
Cost	931.4	4,722.0	9,955.9	106.4	357.9	16,073.6
Accumulated depreciation, amortisation and impairment	(260.2)	(1,861.5)	(3,769.6)	(106.4)	-	(5,997.7)
Net book amount at 1 January 2021	671.2	2,860.5	6,186.3	-	357.9	10,075.9
Year ended 31 December 2021						
At the beginning of the year	671.2	2,860.5	6,186.3	-	357.9	10,075.9
Additions (Note 31(b))	-	60.7	251.7	-	240.6	553.0
Depreciation and amortisation	(69.3)	(267.8)	(526.3)	-	-	(863.4)
Disposals, net	-	(2.3)	(0.1)	-	-	(2.4)
Transfers, net	5.2	38.0	119.3	-	(162.5)	-
At the end of the year	607.1	2,689.1	6,030.9	-	436.0	9,763.1
At 31 December 2021						
Cost	936.5	4,810.7	10,324.1	106.4	436.0	16,613.7
Accumulated depreciation, amortisation and impairment	(329.4)	(2,121.6)	(4,293.2)	(106.4)	-	(6,850.6)
Net book amount at 31 December 2021	607.1	2,689.1	6,030.9	-	436.0	9,763.1

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

US\$ MILLION	Land and buildings	Plant and machinery	Mine property and development	Exploration and evaluation	Construction in progress	Total
At 1 January 2020						
Cost	844.1	4,565.0	9,645.3	206.4	267.6	15,528.4
Accumulated depreciation, amortisation and impairment	(200.4)	(1,601.0)	(3,226.4)	(106.4)	-	(5,134.2)
Net book amount at 1 January 2020	643.7	2,964.0	6,418.9	100.0	267.6	10,394.2
Year ended 31 December 2020						
At the beginning of the year	643.7	2,964.0	6,418.9	100.0	267.6	10,394.2
Additions (Note 31(b))	0.5	111.8	261.4	-	201.8	575.5
Depreciation and amortisation	(59.8)	(270.1)	(546.6)	-	-	(876.5)
Disposals, net	-	(5.9)	(11.4)	-	-	(17.3)
Transfers, net	86.8	60.7	64.0	(100.0) ¹	(111.5)	-
At the end of the year	671.2	2,860.5	6,186.3	-	357.9	10,075.9
At 31 December 2020						
Cost	931.4	4,722.0	9,955.9	106.4	357.9	16,073.6
Accumulated depreciation, amortisation and impairment	(260.2)	(1,861.5)	(3,769.6)	(106.4)	-	(5,997.7)
Net book amount at 31 December 2020	671.2	2,860.5	6,186.3	-	357.9	10,075.9

1. The exploration and evaluation cost of Las Bambas with an amount of US \$100.0 million was reclassified to "land and building" and "mine property and development" categories as Chalcobamba feasibility study completed.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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.

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 Rosebery. 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

(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 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 Kinsevere Expansion Plan("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 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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 CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

13. RIGHT-OF-USE ASSETS

US\$ MILLION	Land and building	Plant and machinery	Total
At 1 January 2021			
Cost	12.6	144.2	156.8
Accumulated depreciation	(6.9)	(27.1)	(34.0)
Net book amount at 1 January 2021	5.7	117.1	122.8
Year ended 31 December 2021			
At the beginning of the year	5.7	117.1	122.8
Additions	-	2.8	2.8
Depreciation	(2.3)	(18.7)	(21.0)
At the end of the year	3.4	101.2	104.6
At 31 December 2021			
Cost	12.6	144.2	156.8
Accumulated depreciation	(9.2)	(43.0)	(52.2)
Net book amount at 31 December 2021	3.4	101.2	104.6

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

US\$ MILLION	Land and building	Plant and machinery	Total
At 1 January 2020			
Cost	13.5	155.5	169.0
Accumulated depreciation	(3.2)	(25.2)	(28.4)
Net book amount at 1 January 2020	10.3	130.3	140.6
Year ended 31 December 2020			
At the beginning of the year	10.3	130.3	140.6
Additions	3.0	11.3	14.3
Depreciation	(4.8)	(23.4)	(28.2)
Termination, net	(2.8)	(1.1)	(3.9)
At the end of the year	5.7	117.1	122.8
At 31 December 2020			
Cost	12.6	144.2	156.8
Accumulated depreciation	(6.9)	(27.1)	(34.0)
Net book amount at 31 December 2020	5.7	117.1	122.8

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

14. INTANGIBLE ASSETS

US\$ MILLION	Goodwill	Software development	Total
At 1 January 2021			
Cost	739.9	209.9	949.8
Accumulated amortisation and impairment	(211.4)	(191.9)	(403.3)
Net book amount at 1 January 2021	528.5	18.0	546.5
Year ended 31 December 2021			
At the beginning of the year	528.5	18.0	546.5
Additions	-	4.4	4.4
Amortisation	-	(13.6)	(13.6)
At the end of the year	528.5	8.8	537.3
At 31 December 2021			
Cost	739.9	214.3	954.2
Accumulated amortisation and impairment	(211.4)	(205.5)	(416.9)
Net book amount at 31 December 2021	528.5	8.8	537.3
At 1 January 2020			
Cost	739.9	207.8	947.7
Accumulated amortisation and impairment	(211.4)	(168.8)	(380.2)
Net book amount at 1 January 2020	528.5	39.0	567.5
Year ended 31 December 2020			
At the beginning of the year	528.5	39.0	567.5
Additions	-	2.1	2.1
Amortisation	-	(23.1)	(23.1)
At the end of the year	528.5	18.0	546.5
At 31 December 2020			
Cost	739.9	209.9	949.8
Accumulated amortisation and impairment	(211.4)	(191.9)	(403.3)
Net book amount at 31 December 2020	528.5	18.0	546.5

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

15. INVESTMENT IN SUBSIDIARIES

The following is a list of the principal subsidiaries of the Group at 31 December 2021 and 2020:

Name of company	Place of incorporation/operation	Principal activities	Particulars of issued or paid-up capital	Proportion of issued capital held by the Company			
				2021		2020	
				Directly	Indirectly	Directly	Indirectly
MMG Australia Limited	Australia	Mineral exploration and production, management and employment services	490,000,000 Ordinary Shares at A\$1 a share	-	100%	-	100%
MMG Dugald River Pty Ltd	Australia	Holds Dugald River Assets	301,902,934 Ordinary Shares at A\$1 a share	-	100%	-	100%
MMG Exploration Pty Ltd	Australia	Investment holding	1 Ordinary Share at A\$1 a share	-	100%	-	100%
MMG Management Pty Ltd	Australia	Treasury and management services	1 Ordinary Share at A\$1 a share	-	100%	-	100%
Topstart Limited	British Virgin Islands	Investment holding	1,386,611,594 Ordinary Shares at US\$1 a share	100%	-	100%	-
Anvil Mining Limited	British Virgin Islands	Investment holding	100 Class A Common Shares at US\$1	-	100%	-	100%
MMG Resources Inc.	Canada	Mineral exploration	200 Common Shares at C\$1 a share	-	100%	-	100%
MMG Kinsevere SARL	DRC	Mineral exploration and production	10,000 Ordinary Shares at CDF ¹ 10,000 a share	-	100%	-	100%
MMG Exploration Holdings Limited	Hong Kong	Mineral exploration and holding company	1 Ordinary Share providing a share capital of HK\$1	100%	-	100%	-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Name of company	Place of incorporation/ operation	Principal activities	Particulars of issued or paid-up capital	Proportion of issued capital held by the Company			
				2021		2020	
				Directly	Indirectly	Directly	Indirectly
MMG Finance Limited	Hong Kong	Administration and treasury services	1 Ordinary Share providing a share capital of HK\$1	100%	-	100%	-
MMG South America Company Limited	Hong Kong	Investment holding and sales of copper concentrate	1,880,000 Ordinary Shares providing a share capital of HK\$1,880,000	100%	-	100%	-
MMG South America Management Company Limited	Hong Kong	Holding investments in Peru	1,200 Ordinary Shares providing a share capital of HK\$28,046,249,501	-	62.5%	-	62.5%
MMG Netherlands B.V.	Netherlands	Investment holding	5,000 Ordinary Shares at EUR ¹ 1 a share	-	62.5%	-	62.5%
Minera Las Bambas S.A.	Peru	Mineral exploration and production	2,890,004,037 Common Shares at PEN ¹ 1 a share	-	62.5%	-	62.5%
Album Investment Pte Ltd	Singapore	Investment holding	488,211,901 Ordinary Shares at S\$ ¹ 1 a share	-	100%	-	100%
Album Resources Pte Ltd	Singapore	Investment holding	488,211,901 Ordinary Shares at S\$ ¹ 1 a share	-	100%	-	100%
MMG Swiss Finance AG	Switzerland	Investment holding and financial services	100,000 Ordinary Shares at CHF ¹ 1 a share	-	62.5%	-	62.5%
MMG Beijing Co., Ltd	Beijing	Corporate management services	Registered capital of CNY ¹ 10,000,000	100%	-	100%	-

1. A\$, C\$, CDF, HK\$, S\$, PEN, CHF, CNY and EUR stand for Australian dollar, Canadian dollar, Congo dollar, Hong Kong dollar, Singapore dollar, Peruvian Sol, Swiss Franc, Chinese Yuan and Euro respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

16. PRINCIPAL SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

The Group had total non-controlling interests of US\$1,997.5 million at 31 December 2021 (2020: US\$1,733.3 million) which relate to the Las Bambas Joint Venture Group.

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

US\$ MILLION	AT 31 DECEMBER	
	2021	2020
Summarised Consolidated Statement of Financial Position		
Assets	11,109.9	10,514.6
Current	1,599.8	885.2
Non-current	9,510.1	9,629.4
Liabilities	(5,783.4)	(5,892.6)
Current	(1,286.7)	(932.0)
Non-current	(4,496.7)	(4,960.6)
Net assets	5,326.5	4,622.0

	YEAR ENDED 31 DECEMBER	
	2021	2020
Summarised Consolidated Statement of Comprehensive Income		
Revenue	2,978.7	2,078.6
Profit for the year	675.6	187.5
Other comprehensive income/(loss) for the year	29.0	(7.3)
Total comprehensive income	704.6	180.2
Total comprehensive income attributable to non-controlling interests	264.2	67.6

	YEAR ENDED 31 DECEMBER	
	2021	2020
Summarised Consolidated Statement of Cash Flows		
Net increase in cash and cash equivalents	734.1	11.3
Cash and cash equivalents at 1 January	102.2	90.9
Cash and cash equivalents at 31 December	836.3	102.2

17. INVENTORIES

	2021 US\$ MILLION	2020 US\$ MILLION
Non-current		
Work in progress	80.0	76.2
Current		
Stores and consumables	114.6	105.0
Work in progress	165.7	136.0
Finished goods	322.6	175.5
	602.9	416.5
Total	682.9	492.7

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

18. DEFERRED INCOME TAX

The movements in deferred income tax assets/(liabilities) during the years are as follows:

US\$ MILLION	Property, plant and equipment	Provisions	Tax losses	Others	Total
At 1 January 2020	(941.0)	188.2	26.9	26.3	(699.6)
Credited/(charged) to profit or loss (Note 8)	98.7	34.6	9.0	(75.1)	67.2
Credited to other comprehensive income or loss (Note 8)	-	-	-	5.8	5.8
At 31 December 2020	(842.3)	222.8	35.9	(43.0)	(626.6)
Credited/(charged) to profit or loss (Note 8)	(261.8)	16.3	(35.9)	89.9	(191.5)
Charged to other comprehensive income or loss (Note 8)	-	-	-	(16.0)	(16.0)
At 31 December 2021	(1,104.1)	239.1	-	30.9	(834.1)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to income tax levied by the same taxation authority on either the taxation entity or different taxation entities, and there is an intention to settle the balances on a net basis. The following amounts, determined after appropriate offsetting, are shown in the consolidated statement of financial position:

	2021 US\$ MILLION	2020 US\$ MILLION
Deferred income tax assets	184.7	238.6
Deferred income tax liabilities	(1,018.8)	(865.2)
	(834.1)	(626.6)

The Group only recognises deferred income tax assets for deductible temporary differences and unused tax losses if it is probable that future taxable amounts will be available to utilise those temporary differences and tax losses in the foreseeable future. Management will continue to assess the recognition of deferred income tax assets in future reporting periods. At 31 December 2021 and 2020, the Group had unrecognised deferred tax losses and temporary differences as follows:

	2021 US\$ MILLION	2020 US\$ MILLION
Tax losses (tax effected)	32.5	30.5
Deductible temporary differences (tax effected)	47.0	42.9
At 31 December	79.5	73.4

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

19. TRADE AND OTHER RECEIVABLES

	2021 US\$ MILLION	2020 US\$ MILLION
Non-current other receivables		
Other receivables – government taxes (net of provisions) ¹	5.4	8.9
Sundry receivables ²	156.0	69.7
	161.4	78.6
Current trade and other receivables		
Trade receivables ³ (Note 33.1(c),(d),(e))	63.9	369.2
Prepayments	28.3	19.4
Other receivables – government taxes ¹	63.4	86.9
Sundry receivables ⁴	82.4	47.3
	238.0	522.8

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 Note 37 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 (Note 32(d)). 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 (Note 37) and receivables from Chifeng Jilong Gold Mining Co., Limited in relation to sale of MMG Laos Holdings Limited in 2018.

20. DERIVATIVE FINANCIAL ASSETS

	2021 US\$ MILLION	2020 US\$ MILLION
Non-current		
Interest rate swap	31.8	-
Current		
Commodity derivative-Copper (Note 32(d))	0.9	-
	32.7	-

At 31 December 2021, post-tax other comprehensive profit on changes in fair value arising from interest rate swap contracts were US\$29.0 million (2020: loss of US\$7.3 million); post-tax other comprehensive profit from commodity hedges were US\$5.5 million (2020: loss of US\$5.5 million). Refer to Note 33.1(a) and (b) for details on the hedge derivative instruments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

21. OTHER FINANCIAL ASSETS

	2021 US\$ MILLION	2020 US\$ MILLION
Non-current financial assets (Note 33.1(c) and (e), 33.3 and 33.4)		
Financial assets at fair value through profit or loss – listed ¹	1.8	1.7
	1.8	1.7

1. Financial assets at fair value through profit or loss are listed investments outside Hong Kong and their carrying values are equal to their market values.

22. CASH AND CASH EQUIVALENTS

	2021 US\$ MILLION	2020 US\$ MILLION
Cash at bank and in hand	269.6	192.7
Short-term bank deposits ²	985.7	-
Total¹ (Note 33.1(c) and (e), 33.3 and 33.5)	1,255.3	192.7

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
	1,255.3	192.7

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

23. SHARE CAPITAL

	NUMBER OF ORDINARY SHARES		SHARE CAPITAL	
	2021 '000	2020 '000	2021 US\$ MILLION	2020 US\$ MILLION
Issued and fully paid:				
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 ¹	6,257	3,554	3.2	1.6
Employee performance awards vested ²	835	8,693	0.5	3.8
At 31 December	8,639,126	8,067,034	3,220.3	2,917.6

1. 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 (Note 35).

2. 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 (Note 35).

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

24. RESERVES AND RETAINED PROFITS/(ACCUMULATED LOSSES)

US\$ MILLION	Special capital reserve	Exchange translation reserve	Merger reserve ¹	Surplus reserve ²	Share-based payment reserve	Cash flow hedge reserve ³	Other reserve	Total reserves	(Accumulated losses)/retained profits	Total
At 1 January 2021	9.4	2.7	(1,946.9)	19.3	9.6	(10.1)	(1.7)	(1,917.7)	(63.5)	(1,981.2)
Profit for the year	-	-	-	-	-	-	-	-	667.1	667.1
Other comprehensive income for the year	-	-	-	-	-	23.7	1.2	24.9	-	24.9
Total comprehensive income for the year	-	-	-	-	-	23.7	1.2	24.9	667.1	692.0
Provision of surplus reserve	-	-	-	30.8	-	-	-	30.8	(30.8)	-
Employee long-term incentives	-	-	-	-	1.0	-	-	1.0	-	1.0
Employee share options exercised and vested	-	-	-	-	(1.6)	-	-	(1.6)	-	(1.6)
Employee share options lapsed	-	-	-	-	(0.1)	-	-	(0.1)	0.1	-
Total transactions with owners	-	-	-	30.8	(0.7)	-	-	30.1	(30.7)	(0.6)
At 31 December 2021	9.4	2.7	(1,946.9)	50.1	8.9	13.6	(0.5)	(1,862.7)	572.9	(1,289.8)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

US\$ MILLION	Special capital reserve	Exchange translation reserve	Merger reserve ¹	Surplus reserve ²	Share-based payment reserve	Cash flow hedge reserve ³	Other reserve	Total reserves	Accumulated losses	Total
At 1 January 2020	9.4	2.7	(1,946.9)	19.3	16.4	-	-	(1,899.1)	(0.9)	(1,900.0)
Loss for the year	-	-	-	-	-	-	-	-	(64.7)	(64.7)
Other comprehensive loss for the year	-	-	-	-	-	(10.1)	(1.7)	(11.8)	-	(11.8)
Total comprehensive loss for the year	-	-	-	-	-	(10.1)	(1.7)	(11.8)	(64.7)	(76.5)
Employee long-term incentives	-	-	-	-	(0.5)	-	-	(0.5)	-	(0.5)
Employee share options exercised and vested	-	-	-	-	(4.2)	-	-	(4.2)	-	(4.2)
Employee share options lapsed	-	-	-	-	(2.1)	-	-	(2.1)	2.1	-
Total transactions with owners	-	-	-	-	(6.8)	-	-	(6.8)	2.1	(4.7)
At 31 December 2020	9.4	2.7	(1,946.9)	19.3	9.6	(10.1)	(1.7)	(1,917.7)	(63.5)	(1,981.2)

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

2. An amount of US\$49.2 million (2020: nil) of which the Group's portion is of US\$30.8 million (2020: nil) corresponding to 10% of net income of one of the Group's subsidiaries, Minera Las Bambas S.A., in 2021 has been appropriated and transferred to surplus reserve. According to the General Law of Companies in Peru, surplus reserve is constituted by transferring 10%, as a minimum, of the net income for each period, after deducting accumulated losses, until reaching an amount equivalent to a fifth of capital.

3. The cashflow hedge reserve records the portion of the gain or loss on a hedging instrument and the related transaction in a cash flow hedge that are determined to be effective. Also refer to Note 20 for Derivative Financial Assets/(Liabilities). During the year ended 31 December 2021, there was realised losses of US\$5.5 million (2020: US\$6.8 million) which were transferred out to "revenue" from settlement of 2020 commodity hedge(Note 33.1(a)); There was realised losses of US\$6.8 million (2020: US\$1.4 million) which were transferred to "financial costs" from settlement of interest rate swap (Note 33.1 (b)).

DISTRIBUTABLE RESERVES

At 31 December 2021 and 2020, the Company did not have any distributable reserves available for distribution to shareholders.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

25. BORROWINGS

	2021 US\$ MILLION	2020 US\$ MILLION
Non-current		
Loan from related parties (Note 32(d))	2,531.3	2,261.3
Bank borrowings, net	3,107.7	4,045.4
	5,639.0	6,306.7
Current		
Loan from a related party (Note 32(d))	-	230.0
Bank borrowings, net	659.1	642.8
	659.1	872.8
Analysed as:		
- Secured	3,812.0	4,742.3
- Unsecured	2,536.3	2,496.2
	6,348.3	7,238.5
Prepayments – finance charges	(50.2)	(59.0)
	6,298.1	7,179.5
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
	6,348.3	7,238.5
Prepayments – finance charges	(50.2)	(59.0)
Total (Notes 33.1(c) and 33.3)	6,298.1	7,179.5

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

	2021 US\$ MILLION	2020 US\$ MILLION
US dollars		
- At floating rates ¹	2,169.3	2,864.8
- At fixed rates	4,179.0	4,373.7
	6,348.3	7,238.5

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).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

The effective interest rate of borrowings during the year ended 31 December 2021 was 3.8% (2020: 3.9%) per annum.

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

(a) US\$3,754.2 million (2020: US\$4,307.6 million) from China Development Bank, ICBC, BOC Sydney and 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) US\$57.8 million (2020: US\$92.5 million) from ICBC Peru Bank, Banco de Crédito del Peru and Scotiabank Peru 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 borrowings prepayment during 2021.

RECONCILIATION OF BORROWINGS ARISING FROM FINANCING ACTIVITIES

US\$ MILLION	NOTES	1 JANUARY 2021	FINANCING CASHFLOW ¹	NON-CASH CHANGES		31 DECEMBER 2021
				EFFECTIVE INTEREST	OTHER CHANGES ²	
Loans from a related party	32(d)	2,491.3	40.0	-	-	2,531.3
Bank borrowings	25	4,688.2	(930.3)	-	8.9	3,766.8
Accrued interest ³		48.4	(273.2)	267.6	-	42.8
		7,227.9	(1,163.5)	267.6	8.9	6,340.9

NON-CASH CHANGES

US\$ MILLION	NOTES	1 JANUARY 2020	FINANCING CASHFLOW	EFFECTIVE INTEREST	OTHER CHANGES	31 DECEMBER 2020
Loan from a related party	32(d)	2,261.3	230.0	-	-	2,491.3
Bank borrowings	25	5,367.0	(683.3)	-	4.5	4,688.2
Accrued interest ³		50.8	(360.8)	358.4	-	48.4
		7,679.1	(814.1)	358.4	4.5	7,227.9

1. Net bank borrowings financing cashflow is made up of repayments of and proceeds from borrowings in the consolidated statement of cash flows.

2. Other changes include the amortisation of capitalised prepayments on borrowings.

3. Accrued interest includes both interest on external bank borrowings and related party borrowings.

As noted in Note 2.1(b), the Group has adopted the amendments related to HKFRS 9 and HKAS 39 in respect of the interest rate benchmark reform. As of 31 December 2021, the Group is exposed to potential US\$ LIBOR replacement in respect of borrowings, hedge accounting in relation to the interest rate swap and certain operating related contracts. Borrowings include Dugald River credit facility, Las Bambas project facility and other revolving credit facilities. The long-term project facilities and interest rate swap refer to the 6-month LIBOR, the revolving credit facilities refer to 1, 2, 3, 4 or 6-month LIBOR and have provisions in the debt contracts on how to calculate the applicable interest rate if the LIBOR rate is not available for

a specific period e.g. interpolation using two available rates. In addition, certain sales and supply contracts refer to LIBOR to calculate interest on overdue payments or interest on receiving early payments. They refer to the 1, 3 or 6-month LIBOR. Given the majority of the Group's contracts refer to 1, 3, or 6-month LIBOR, which are expected to be published until 30 June 2023, the Group does not expect any immediate impact to the effective interest rate, borrowings, hedge accounting or operating related contracts. The Group is actively managing the progressive transition to an alternate reference rate. Refer to Note 33.1(b) for further risk management details.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

26. LEASE LIABILITIES

	2021 US\$ MILLION	2020 US\$ MILLION
Non-current		
Lease liabilities	112.5	128.5
Current		
Lease liabilities	18.6	20.2
Total (Notes 33.1(c) and (e), 33.3)	131.1	148.7
Lease liabilities were repayable as follows:		
- Within one year	18.6	20.2
- More than one year but not exceeding two years	14.6	18.3
- More than two years but not exceeding five years	24.4	29.4
- More than five years	73.5	80.8
	131.1	148.7

The weighted average incremental borrowing rates applied to new lease liabilities at 31 December 2021 was from 1.90% to 3.30% (2020: from 2.21% to 8.66%).

Refer to Note 33.1(e) for maturity profile of the undiscounted lease liabilities. In respect of such lease liabilities, the Group generally does not have any early termination options. However, in case of certain leases the Group has extension option exercisable at the discretion of the Group. Such extension

options allow for operational flexibility in managing the Group's assets. Where the Group assesses at lease commencement date that it is reasonably certain to exercise the extension options, rentals during the extension period are included in determination of lease liability. The undiscounted potential estimated exposure in respect of future lease payments for extension options which the Group is not reasonably certain to exercise is presented as follows:

	2021 US\$ MILLION	2020 US\$ MILLION
- Within one year	1.0	0.4
- More than one year but not exceeding two years	4.7	1.6
- More than two years but not exceeding five years	10.6	14.3
- More than five years	43.2	47.7
Total	59.5	64.0

As presented under financing cashflows in the consolidated statement of cashflows, cash outflows for lease payments of US\$33.4 million (2020: US\$36.5 million) include repayment of US\$20.6 million principal (2020: US\$22.5 million) and US\$12.8 million interest (2020: US\$14.0 million).

In respect of lease contracts not recognised as right-of-use assets in line with HKFRS 16 requirements (refer to Note 6), payments of US\$73.5 million (2020: US\$45.0 million) have been presented under operating cash flows.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

27. PROVISIONS

	2021 US\$ MILLION	2020 US\$ MILLION
Non-current		
Employee benefits	16.9	15.8
Workers' compensation	0.4	0.4
Mine rehabilitation, restoration and dismantling (a)	466.9	485.2
Other provisions	48.6	45.1
Total non-current provisions	532.8	546.5
Current		
Employee benefits	76.1	27.8
Workers' compensation	0.2	0.2
Mine rehabilitation, restoration and dismantling (a)	8.4	10.5
Other provisions ¹	132.3	59.4
Total current provisions	217.0	97.9
Aggregate		
Employee benefits	93.0	43.6
Workers compensation	0.6	0.6
Mine rehabilitation, restoration and dismantling (a)	475.3	495.7
Other provisions	180.9	104.5
Total provisions	749.8	644.4

(a) Mine rehabilitation, restoration and dismantling

	2021 US\$ MILLION	2020 US\$ MILLION
At 1 January	495.7	430.3
(Reversal)/recognition of provisions	(13.6)	38.2
Payments made	(4.7)	(2.1)
Unwinding of discount on provisions	9.4	12.9
Exchange rate differences	(11.5)	16.4
At 31 December	475.3	495.7

1. Other provisions primarily include amounts for certain tax related matters and an amount payable in respect of the recently settled litigation with Mining Company Katanga SARL ("MCK") pending satisfaction of all conditions precedent to the settlement agreement. Refer to Note 37 for further details.

Provision is made in these consolidated financial statements for the anticipated costs of the mine rehabilitation obligations under the mining leases and exploration licences.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

28. DERIVATIVE FINANCIAL LIABILITIES

	2021 US\$ MILLION	2020 US\$ MILLION
Non-current		
Interest rate swap	-	10.7
Current		
Cash flow hedge-Zinc	-	7.9
Commodity derivative- Zinc	4.1	-
Commodity derivative-Copper	0.8	21.4
	4.9	40.0

29. OTHER FINANCIAL LIABILITIES

	2021 US\$ MILLION	2020 US\$ MILLION
Non-current other financial liabilities		
Bank guarantee liabilities (Notes 33.1(c) and (e) and 33.3) (Note 37)	-	145.4

Bank guarantee liabilities were associated with the disposal of the Century mine in 2017, for the benefit of New Century. In line with the Bank Guarantee Support Agreement which was in place with New Century, the bank guarantee has been terminated consequent to New Century's refinancing. Refer to Note 37 for details. The provision in respect of such bank guarantee liabilities has been reduced to nil.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30. TRADE AND OTHER PAYABLES

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

	2021 US\$ MILLION	2020 US\$ MILLION
Non-Current		
Other payables and accruals	164.8	112.2
Current		
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
Total current trade and other payables	451.0	470.2
Aggregate		
Trade payables ¹	249.8	269.1
Related party interest payable(Note 32(d))	37.2	42.9
Other payables and accruals ²	328.8	270.4
Total trade and other payables (Notes 33.1(c),(e),33,3 and 33.4)	615.8	582.4

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) (Note 32(d)), 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 CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

31. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit for the year to net cash generated from operating activities is as follows:

	2021 US\$ MILLION	2020 US\$ MILLION
Profit for the year	920.5	5.6
Adjustments for:		
Finance income (Note 7)	(5.4)	(1.9)
Finance costs (Note 7)	329.0	401.4
Depreciation and amortisation expenses (Note 6)	898.0	927.8
Loss on disposal of property, plant and equipment (Note 5)	2.3	2.0
Gain on termination of right-of-use assets	-	(0.3)
(Gain)/loss on financial assets at fair value through profit or loss (Note 6)	(0.1)	1.4
Share-based payment	1.0	(0.5)
Unrealised loss on commodity hedge ¹	4.0	21.4
Changes in working capital:		
Inventories	(190.3)	(15.7)
Trade and other receivables	0.4	170.3
Trade and other payables	314.3	(502.8)
Provisions	(183.0)	261.9
Tax assets and tax liabilities	460.8	87.6
Net cash generated from operating activities	2,551.5	1,358.2

(b) In the Consolidated Statement of Cash Flows, purchase of property, plant and equipment comprises:

	2021 US\$ MILLION	2020 US\$ MILLION
Total additions (Note 12)	553.0	575.5
<i>Less: non-cash reduction</i>		
Reversal/(recognition) of provision for mine rehabilitation, restoration and dismantling ²	25.1	(54.6)
<i>Less: other non-cash additions</i>	(8.4)	(6.3)
Purchase of property, plant and equipment	569.7	514.6

1. The unrealised loss on commodity derivative is recognised in revenue.

2. The transfer from provision for mine rehabilitation, restoration and dismantling included the impact of exchange rate differences on foreign currency provisions for mine rehabilitation, restoration and dismantling for operating sites. Refer to Note 27(a) for details.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

32. SIGNIFICANT RELATED PARTY TRANSACTIONS

The Group is controlled by China Minmetals Non-ferrous Metals Co. Ltd (“CMN”) through China Minmetals H.K. (Holdings) Limited (“Minmetals HK”), which is a subsidiary of CMN. At 31 December 2021, 67.7% (31 December 2020: 72.5%) of the Company’s shares were held by CMN and 32.3% (31 December 2020: 27.5%) were widely held by the public. The Directors consider the ultimate holding company to be CMC, a stated-owned company incorporated in the PRC, of which CMN is a subsidiary.

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

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

	2021 US\$ MILLION	2020 US\$ MILLION
Revenue		
Sales of non-ferrous metals	1,855.8	1,341.0
Commodity derivatives	20.1	(78.8)
Purchases		
Purchases of consumables and services	(34.0)	(6.0)
Finance costs – net		
Finance costs (Note 7)	(97.0)	(97.7)

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

During the year ended 31 December 2021, the Group’s significant transactions with Chinese state-owned enterprises (excluding CMC and its subsidiaries) are sales of non-ferrous metals and purchases of consumables and services and the related receivables and payables balances. These transactions were based on terms as set out in the underlying agreements, on statutory rates or market prices or actual cost incurred, or as mutually agreed.

(c) Key management compensation

Key management includes Directors (executive and non-executive) and members of the Executive Committee. The key management personnel remuneration for the Group was as follows:

	2021 US\$ MILLION	2020 US\$ MILLION
Salaries and other short-term employee benefits	5.0	5.1
Short-term incentives and discretionary bonus	4.0	4.6
Long-term incentives	1.1	0.8
Post-employment benefits	0.1	0.1
	10.2	10.6

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

(d) Year-end balances

	2021 US\$ MILLION	2020 US\$ MILLION
Amounts payable to related parties		
Loan from Top Create Resources Limited ("Top Create") ¹ (Note 25)	2,261.3	2,261.3
Loan from Top Create – working capital facility (Note 25)	-	230.0
Loan from Album Trading Company ² (Note 25)	270.0	-
Interest payable to Top Create ¹ (Note 31)	36.9	42.9
Interest payable to Album Trading Company	0.3	-
Trade and other payable to CMN (Note 31)	4.4	1.0
	2,572.9	2,535.2
Amounts receivable from related parties		
Trade receivables from CMN (Note 19)	19.8	165.4
Prepayments from CMN (Note 19)	2.7	4.2
	22.5	169.6
Derivative financial assets to related parties (Note 20)	0.9	-
Derivative financial liabilities to related parties	1.1	21.4

1. The loan amount from Top Create represents the amounts drawn by the Company on 22 July 2014 (US\$1,843.8 million) and 16 February 2015 (US\$417.5 million) pursuant to a facility agreement dated 22 July 2014 between MMG SA and Top Create. In accordance with that agreement, a loan facility of up to US\$2,262.0 million was made available to MMG SA, for a period of eleven years commencing on the date of the first drawdown of the loan. The loan repayments falling due in three separate tranches in July 2023 (US\$700.0 million), July 2024 (US\$700.0 million) and July 2025 (US\$862.0 million). The facility incurs interest at a separate all-in fixed rate for each of the repayment tranches of between 2.20% and 4.50% per annum, which is payable annually.

2. The loan amount from Album Trading Company represents the amount drawn by the Company on 17 June 2021 under a project facility up to US\$450.0 million maturing in June 2026. The facility incurs interest at LIBOR plus 2.7% per annum.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

33. FINANCIAL AND OTHER RISK MANAGEMENT

33.1 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.

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			
Cash flow hedges:							
Derivative financial liabilities (Note 28)	January 2021 to March 2021	-	-	-	5.5	-	-
Derivative financial assets (Note 20)	June 2021 to December 2021	-	-	-	2.5	-	-

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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		Increase in OCI US\$ million
	Commodity price movement	Increase/(decrease) in profit US\$ million	Commodity price movement	Increase/(decrease) in profit US\$ million	
Copper	+10%	(23.9)	+10%	(11.0)	-
Zinc	+10%	1.1	+10%	2.0	(6.3)
Total		(22.8)		(9.0)	(6.3)

Commodity	2021		2020		Decrease in OCI US\$ million
	Commodity price movement	Increase/(decrease) in profit US\$ million	Commodity price movement	Increase/(decrease) in profit US\$ million	
Copper	-10%	25.5	-10%	(18.9)	-
Zinc	-10%	(1.7)	-10%	(2.0)	6.3
Total		23.8		(20.9)	6.3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

(b) Interest rate risk

The Group is exposed to interest rate risk primarily through interest bearing borrowings and investment of surplus cash holdings. Deposits and borrowings at variable rates expose the Group to cash flow interest rate risk. Deposits and borrowings at fixed rates expose the Group to fair value interest rate risk. Details of the Group's cash and cash equivalents have been disclosed in Note 22 while the details of the Group's borrowings are set out in Note 25.

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

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

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

At 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 (Note24)	Hedging gain recognised in cash flow hedge reserve ² US\$ million	Hedge ineffectiveness recognised in profit or loss US\$ million
				Hedging instrument US\$ million	Hedged item US\$ million			
Cash flow hedges:								
Derivative financial assets/ (liabilities) (Note 20, Note 28) ¹	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 5-year amortising interest rate swap with BOC Sydney. The purpose of the arrangement is to fix approximately half of the remaining interest rate exposure accompanying the floating interest rate MLB project facility (borrowings of US\$3,754.2 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 5 years. The interest rate swap hedge will amortise in line with the MLB project facility and swap the 6-month LIBOR exposure for a fixed rate (0.5425% 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 (Note24)	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			
Cash flow hedges:								
Derivative financial assets/ (liabilities) (Note 20, Note 28)	June 2020 - June 2025	2,020.0	(10.7)	(10.7)	10.7	(1.4)	(7.3)	-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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 and other comprehensive income (OCI) would have changed as follows:

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
Financial assets								
Cash and cash equivalents	8.5	-	(8.5)	-	1.3	-	(1.3)	-
Financial liabilities								
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)
Total	(6.3)	26.5	(5.6)	(24.9)	(17.7)	39.1	(19.8)	(15.9)

EFFECT OF BENCHMARK INTEREST RATES REFORM

As noted in Note 2.1(b), 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 Note 25 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").

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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

Financial Instrument	Type of Instrument	Maturing In	Notional Value US\$ Million	Carrying Value US\$ Million
US\$ debt linked to LIBOR ¹	Non-derivative liability	Through January 2022 to July 2032	2,169.2	2,169.2
US\$ debt linked to LIBOR designated in cash flow hedge ¹	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., 1 month or 6 month) and includes an inter-bank credit spread, whereas the alternative benchmark rates are typically risk-free overnight rates with no embedded credit spread and published at the end of the overnight period. These differences can result in uncertainty regarding the floating rate interest payments which will require additional liquidity management. Management of the Group shall ensure sufficient liquidity is available to accommodate any unexpected increases in overnight rates.

Accounting risk:

If transition to alternate benchmark rates is finalised in a manner which does not permit the application of reliefs introduced in the Phase 2 amendments, this can lead to discontinuation of hedge accounting relationships (i.e., gains or losses recognised in the other comprehensive income will be re-classified to profit and loss). This can also lead to increased volatility in profit or loss if re-designated hedges are not fully effective and volatility in the profit or loss if non-derivative financial instruments are modified or de-recognised. 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS 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 US\$ Million	Carrying Value US\$ Million	Hedged Item	Transition Progress
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.

The following table shows the foreign currency risk arising from the monetary assets and liabilities, which are shown by foreign currency of respective subsidiaries.

US\$ MILLION	Notes	US\$	PEN	A\$	HK\$	OTHERS	Total
At 31 December 2021							
Financial assets							
Cash and cash equivalents	22	1,242.4	7.1	1.2	2.4	2.2	1,255.3
Trade receivables	19	63.9	-	-	-	-	63.9
Other receivables		38.5	236.5	0.9	-	24.6	300.5
Derivative financial assets	20	32.7	-	-	-	-	32.7
Other financial assets	21	1.8	-	-	-	-	1.8
Financial liabilities							
Trade and other payables	30	(300.1)	(233.2)	(72.8)	-	(9.7)	(615.8)
Borrowings	25	(6,298.1)	-	-	-	-	(6,298.1)
Lease liabilities	26	(119.8)	(0.5)	(10.8)	-	-	(131.1)
Derivative financial liabilities	28	(4.9)	-	-	-	-	(4.9)
		(5,343.6)	9.9	(81.5)	2.4	17.1	(5,395.7)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

US\$ MILLION	Notes	US\$	PEN	A\$	HK\$	OTHERS	Total
At 31 December 2020							
Financial assets							
Cash and cash equivalents	22	173.0	13.7	2.7	1.2	2.1	192.7
Trade receivables	19	369.2	-	-	-	-	369.2
Other receivables		41.8	124.7	3.4	0.3	15.1	185.3
Other financial assets	21	1.7	-	-	-	-	1.7
Financial liabilities							
Trade and other payables	30	(218.4)	(285.6)	(75.3)	-	(3.1)	(582.4)
Other financial liabilities	29	-	-	(145.4)	-	-	(145.4)
Borrowings	25	(7,179.5)	-	-	-	-	(7,179.5)
Lease liabilities	26	(131.3)	(0.3)	(17.1)	-	-	(148.7)
Derivative financial liabilities	28	(40.0)	-	-	-	-	(40.0)
		(6,983.5)	(147.5)	(231.7)	1.5	14.1	(7,347.1)

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
Total	(5.0)	5.0	(26.2)	26.2

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

(d) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group is exposed to counterparty credit risk through sales of metal products on normal terms of trade, through deposits of cash and settlement risk on foreign exchange transactions. While the most significant exposure to credit risk is through sales of metal products on normal terms of trade, the majority of sales for mining operations were made under contractual arrangements whereby provisional payment is received promptly after delivery and the balance within 30 to 120 days from delivery. The aging analysis of the trade receivables is provided in Note 19, and 100% of the balance is aged less than 6 months based on invoice date. The carrying amount of the Group's trade receivables at FVTPL as disclosed in Note 19 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

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:

	2021	2020
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:

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

in assessing the ECL 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.

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(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 carrying value
At 31 December 2021						
Financial assets						
Cash and cash equivalents (Note 22)	1,255.3	-	-	-	1,255.3	1,255.3
Trade receivables (Note 19)	63.9	-	-	-	63.9	63.9
Other receivables	150.6	135.6	14.3	-	300.5	300.5
Derivative financial assets (Note 20)	0.5	26.7	5.5	-	32.7	32.7
Other financial assets (Note 21)	1.8	-	-	-	1.8	1.8
Financial liabilities						
Trade and other payables (Note 30)	(451.0)	(164.8)	-	-	(615.8)	(615.8)
Derivative financial liabilities (Note 28)	(4.9)	-	-	-	(4.9)	(4.9)
Borrowings (including interest) (Note 25)	(899.6)	(1,610.8)	(3,212.0)	(1,644.1)	(7,366.5)	(6,298.1)
Lease liabilities (including interest) (Note 26)	(30.0)	(24.8)	(49.7)	(98.2)	(202.7)	(131.1)
	86.6	(1,638.1)	(3,241.9)	(1,742.3)	(6,535.7)	(5,395.7)
At 31 December 2020						
Financial assets						
Cash and cash equivalents (Note 22)	192.7	-	-	-	192.7	192.7
Trade receivables (Note 19)	369.2	-	-	-	369.2	369.2
Other receivables	139.4	23.4	16.7	5.8	185.3	185.3
Other financial assets (Note 21)	1.7	-	-	-	1.7	1.7
Financial liabilities						
Trade and other payables (Note 30)	(470.2)	(112.2)	-	-	(582.4)	(582.4)
Other financial liabilities (Note 29)	-	-	-	(145.4)	(145.4)	(145.4)
Borrowings (including interest) (Note 25)	(1,152.6)	(969.2)	(4,418.1)	(1,999.6)	(8,539.5)	(7,179.5)
Lease liabilities (including interest) (Note 26)	(33.0)	(29.7)	(57.0)	(113.4)	(233.1)	(148.7)
Derivative financial liabilities (Note 28)	(35.8)	(6.0)	1.7	-	(40.1)	(40.0)
	(988.6)	(1,093.7)	(4,456.7)	(2,252.6)	(8,791.6)	(7,347.1)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Available Debt Facilities

At 31 December 2021, the Group (excluding the Las Bambas Joint Venture Group) had available in its undrawn debt facilities an amount of US\$560.0 million (31 December 2020: US\$650.0 million). These include:

1. US\$80.0 million (2020: US\$80.0 million) that was undrawn and available under a US\$85.0 million facility with China Development Bank maturing in September 2023;
2. 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; and
3. 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 (Note 32(d)).

At 31 December 2021, the Las Bambas Joint Venture Group had available in its undrawn debt facilities of US\$1,150.0 million (31 December 2020: US\$1,150.0 million). These include:

1. 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;
2. 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
3. US\$800.0 million (2020: 800.0 million) that was undrawn and available under a 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.

33.2 SOVEREIGN RISK

The Group conducts all of its operations outside of Hong Kong and, as such, it is exposed to various levels of political, economic and other risks and uncertainties. These risks and uncertainties vary from country to country. Material risks include, but are not limited to, regime or policy change, fluctuation in currency exchange rates, changes to licensing regimes and amendments to concessions, licences, permits and contracts, and changing political conditions and governmental regulations. Changes in any mining or investment policies or shifts in political attitudes in the jurisdictions in which the Group operates may adversely

affect the Group's operations and profitability. The decline in growth and macroeconomic activity in many developing nations has resulted in governments seeking alternative means of increasing their income, including increases to corporate tax, VAT and royalty rates, coupled with increased audit and compliance activity. The DRC Government during 2018 made changes to the 2002 Mining Code and Mining Regulations. These changes were enacted (2018 Mining Code) and 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.

33.3 FAIR VALUES OF FINANCIAL INSTRUMENTS

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

The fair value of the interest rate swap is determined based the discounted future cash flows. Future cash flows are estimated based on forward interest rates from observable yield curves at the end of the reporting period and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.

The fair value of commodity derivatives is determined based on the discounted future cash flows. Future cash flows are estimated based on forward commodity price from observable yield curves at the end of the reporting period and contracted price, discounted by the current interest rate.

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

The carrying amounts and fair values of financial assets and liabilities by category and class at 31 December 2021 and 2020 are:

US\$ MILLION	Notes	Amortised cost (assets)	Financial assets/ (liabilities) at fair value through profit or loss	Financial assets/ (liabilities) at fair value designated under cash flow hedge	Amortised cost (liabilities)	Total carrying value	Total fair value
At 31 December 2021							
Financial assets							
Cash and cash equivalents	22	1,255.3	-	-	-	1,255.3	1,255.3
Trade receivables	19	-	63.9	-	-	63.9	63.9
Other receivables		300.5	-	-	-	300.5	300.5
Derivative financial assets	20	-	0.9	31.8	-	32.7	32.7
Other financial assets	21	-	1.8	-	-	1.8	1.8
Financial liabilities							
Trade and other payables	30	-	-	-	(615.8)	(615.8)	(615.8)
Derivative financial liabilities	28	-	(4.9)	-	-	(4.9)	(4.9)
Borrowings	25	-	-	-	(6,298.1)	(6,298.1)	(6,623.8)
Lease liabilities	26	-	-	-	(131.1)	(131.1)	(131.1)
		1,555.8	61.7	31.8	(7,045.0)	(5,395.7)	(5,721.4)

US\$ MILLION	Notes	Amortised cost (assets)	Financial assets/ (liabilities) at fair value through profit or loss	Financial assets/ (liabilities) at fair value designated under cash flow hedge	Amortised cost (liabilities)	Total carrying value	Total fair value
At 31 December 2020							
Financial assets							
Cash and cash equivalents	22	192.7	-	-	-	192.7	192.7
Trade receivables	19	-	369.2	-	-	369.2	369.2
Other receivables		185.3	-	-	-	185.3	185.3
Other financial assets	21	-	1.7	-	-	1.7	1.7
Financial liabilities							
Trade and other payables	30	-	-	-	(582.4)	(582.4)	(582.4)
Other financial liabilities	29	-	-	-	(145.4)	(145.4)	(145.4)
Derivative financial liabilities	28	-	(21.4)	(18.6)	-	(40.0)	(40.0)
Borrowings	25	-	-	-	(7,179.5)	(7,179.5)	(7,179.5)
Lease liabilities	26	-	-	-	(148.7)	(148.7)	(148.7)
		378.0	349.5	(18.6)	(8,056.0)	(7,347.1)	(7,347.1)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

33.4 FAIR VALUE ESTIMATION

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

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

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2021 and 31 December 2020.

US\$ MILLION	Level 1	Level 2	Total
At 31 December 2021			
Trade receivables (Note 19)	-	63.9	63.9
Derivative financial assets ² (Note 20)	-	32.7	32.7
Derivative financial liabilities ² (Note 28)	-	(4.9)	(4.9)
Financial assets at fair value through profit and loss – listed ¹ (Note 21)	1.8	-	1.8
	1.8	91.7	93.5
At 31 December 2020			
Trade receivables (Note 19)	-	369.2	369.2
Derivative financial liabilities ² (Note 28)	-	(40.0)	(40.0)
Financial assets at fair value through profit and loss – listed ¹ (Note 21)	1.7	-	1.7
	1.7	329.2	330.9

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

1. The fair values of financial instruments traded in active markets are based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Instruments included in level 1 comprise investments in listed stock exchanges.
2. The fair value of the interest rate swap is determined based on discounted future cash flows. Future cash flows are estimated based on forward interest rates from observable yield curves at the end of the reporting period and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties. The fair value of the fixed price swap hedge, collar hedge and QP hedge are determined based on discounted future cash flows. Future cash flows are estimated based on London Metal Exchange contract future rates for commodities at the end of the reporting period and contracted commodity prices, discounted at a rate that reflects the credit risk of various counterparties.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

33.5 CAPITAL RISK MANAGEMENT

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 set out below, with gearing 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.

The Group	2021 US\$ MILLION	2020 US\$ MILLION
Total borrowings (excluding prepaid finance charges) ¹ (Note 25)	6,348.3	7,238.5
Less: cash and cash equivalents (Note 22)	(1,255.3)	(192.7)
Net debt	5,093.0	7,045.8
Total equity	3,928.0	2,669.7
Net debt +Total equity	9,021.0	9,715.5
Gearing ratio	0.56	0.73

1. Borrowings at an MMG Group level reflect 100% of borrowings of the Las Bambas Joint Venture Group. The Las Bambas Joint Venture Group's borrowings have not been reduced to reflect the MMG Group's 62.5% equity interest in that entity. 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 (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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

34. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The remuneration of every Director for the year ended 31 December 2021 is set out below:

Name of Director	FOR THE YEAR ENDED 31 DECEMBER 2021					
	Fees US\$'000	Salaries US\$'000	Other benefits ¹ US\$'000	Short-term incentive plans ² US\$'000	Long-term incentive plans ³ US\$'000	Total US\$'000
Mr GAO Xiaoyu ⁴	-	1,701	32	1,729 ⁵	849 ⁵	4,311
Mr XU Jiqing	-	-	2	-	-	2
Mr JIAO Jian ⁶	-	-	2	-	-	2
Mr LEUNG Cheuk Yan	153	-	-	-	-	153
Dr Peter William CASSIDY	163	-	1	-	-	164
Mr GUO Wenqing (Chairman) ⁶	-	-	-	-	-	-
Mr ZHANG Shuqiang	-	-	1	-	-	1
Mr Peter Ka Keung CHAN	174	-	1	-	-	175
	490	1,701	39	1,729	849	4,808

1. Other benefits include statutory superannuation, pension contributions and non-monetary benefits. Not all benefits apply to each executive; benefits are applied variably based on contractual obligations.

2. Short-term incentive ("STI") plans include at-risk, performance-linked remuneration, STI plans and discretionary bonuses.

The STI plan is an annual cash award determined by performance against Group financial and safety targets and individual performance. For operational roles, additional components include performance targets related to production rates, unit costs, and operational safety.

Participation in the at-risk incentive plans is offered to participants as a percentage of their fixed remuneration according to seniority and their ability to influence the performance of the Group. All employees on long-term employment contracts are eligible to participate in a STI plan. The incentive plans' provision for STIs was re-assessed at the reporting date.

3. Long-term incentive ("LTI") plans are performance-linked remuneration LTI plans, and most recently consist of the 2019, 2020 and 2021 Long-Term Incentive Equity plans ("LTIEP"), which are Performance Awards Schemes vesting at the conclusion of a three year performance period. The vesting of LTI plans is conditional upon the achievement of certain performance conditions as set out in the respective letters of grant, including amongst others, achievement of financial, resources growth and market-related performance targets at the conclusion of the respective vesting period.

Participation in the at-risk incentive plans is offered to participants as a percentage of their fixed remuneration according to seniority and their ability to influence the performance of the Group. The LTI plans are limited to senior managers invited to participate by the Board. The incentive plans' provision for LTI plans was re-assessed at the reporting date. The values attributed to the LTI plans are estimated values based on an assessment of the likely outcomes for each LTI plans and may be adjusted based on the actual outcome. The values attributed to the LTI plans are subject to Board approval at end of the vesting period.

4. Mr Gao Xiaoyu has resigned as the Chief Executive Officer ("CEO") and an Executive Director of the Company on 5 January 2022; Mr Li Liangang was appointed as the interim CEO and an Executive Director of the Company on 5 January 2022.

5. On Mr Gao Xiaoyu's resignation as the Chief Executive Officer ("CEO") on 5 January 2022, he forfeited his entitlement to receive his STI benefits and Performance Awards (Shares) granted through the Company's LTI Equity Plans.

6. Mr Guo Wenqing has resigned as the Chairman and Non-executive Director of the Company on 5 January 2022; Mr Jiao Jian has been appointed as the Chairman of the Company on 5 January 2022.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

The remuneration of every Director for the year ended 31 December 2020 is set out below:

FOR THE YEAR ENDED 31 DECEMBER 2020

Name of Director	Fees US\$'000	Salaries US\$'000	Other benefits ¹ US\$'000	Short-term incentive plans ² US\$'000	Long-term incentive plans ³ US\$'000	Total US\$'000
Mr GAO Xiaoyu	-	1,536	32	1,674	403	3,645
Mr XU Jiqing ⁴	140	-	41	-	-	181
Mr JIAO Jian	135	-	8	-	-	143
Mr LEUNG Cheuk Yan	140	-	-	-	-	140
Dr Peter William CASSIDY	150	-	4	-	-	154
Mr GUO Wenqing (Chairman)	-	-	-	-	-	-
Mr ZHANG Shuqiang	135	-	2	-	-	137
Mr Peter Ka Keung CHAN	159	-	-	-	-	159
	859	1,536	87	1,674	403	4,559

1. Other benefits include statutory superannuation, pension contributions and non-monetary benefits. Not all benefits apply to each executive; benefits are applied variably based on contractual obligations.

2. STI plans include at-risk, performance-linked remuneration, STI plans and discretionary bonuses.

The STI plan is an annual cash award determined by performance against Group financial and safety targets and individual performance. For operational roles, additional components include performance targets related to production rates, unit costs, and operational safety.

Participation in the at-risk incentive plans is offered to participants as a percentage of their fixed remuneration according to seniority and their ability to influence the performance of the Group. All employees on long-term employment contracts are eligible to participate in a STI plan. The incentive plans' provision for STIs was re-assessed at the reporting date.

3. LTI plans are performance-linked remuneration LTI plans, and most recently consist of the 2018, 2019 and 2020 LTIEP, which are Performance Awards Schemes vesting at the conclusion of a three year performance period. The vesting of LTI plans is conditional upon the achievement of certain performance conditions as set out in the respective letters of grant, including amongst others, achievement of financial, resources growth and market-related performance targets at the conclusion of the respective vesting period.

Participation in the at-risk incentive plans is offered to participants as a percentage of their fixed remuneration according to seniority and their ability to influence the performance of the Group. The LTI plans are limited to senior managers invited to participate by the Board. The incentive plans' provision for LTI plans was re-assessed at the reporting date. The values attributed to the LTI plans are estimated values based on an assessment of the likely outcomes for each LTI plans and may be adjusted based on the actual outcome. The values attributed to the LTI plans are subject to Board approval at end of the vesting period.

4. Resigned as the Executive General Manager – Commercial and was re-designated from an Executive Director to a Non-Executive Director of the Company on 1 January 2020. His interests in the 2017, 2018 and 2019 LTIEP lapsed on the same day.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

(b) Five highest-paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one Director (2020: one) whose emoluments are reflected in the analysis presented above and four (2020: four) senior executives whose remuneration by band are set out in the “Senior management remuneration by band” section in this Note.

Details of the emoluments payable to all five individuals during the year are as follows:

	2021 US\$'000	2020 US\$'000
Salaries and other short-term employee benefits	4,481	4,184
Short-term incentives and discretionary bonus	4,023	4,603
Long-term incentives	1,061	798
Post-employment benefits	115	109
	9,680	9,694

During the years ended 31 December 2021 and 2020, no emoluments were paid or payable by the Group to the Directors or any of the five highest-paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

(c) Senior management remuneration by band

The emoluments fell within the following bands:

	NUMBER OF INDIVIDUALS	
	2021	2020
HK\$8,500,001 - HK\$9,000,000 (US\$1,084,581 - US\$1,148,380)	1	1
HK\$9,000,001 - HK\$9,500,000 (US\$1,148,381-US\$1,212,180)	1	1
HK\$9,500,001 - HK\$10,000,000 (US\$1,212,181-US\$1,275,980)	1	-
HK\$10,000,001 - HK\$10,500,000 (US\$1,275,981-US\$1,339,780)	-	1
HK\$14,500,001 - HK\$15,000,000 (US\$1,850,181-US\$1,913,980)	1	-
HK\$19,500,001 - HK\$20,000,000 (US\$2,488,171-US\$2,551,960)	-	1
HK\$23,000,001 - HK\$23,500,000 (US\$2,934,761 - US\$2,998,560)	-	-
HK\$28,500,001 - HK\$29,000,000 (US\$3,636,551- US\$3,700,350)	-	1
HK\$33,500,001 - HK\$34,000,000 (US\$4,274,541 - US\$4,338,340)	1	-
	5	5

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

35. LONG-TERM INCENTIVE EQUITY PLANS

Share Option Scheme

Pursuant to share option scheme adopted at the extraordinary general meeting of the Company held on 26 March 2013 (2013 Share Option Scheme), options were granted to eligible participants under 2016 Options. At 31 December 2021, there were a total of 4,074,630 options outstanding granted under 2016 Options (2020: 11,192,385), of which 4,074,630 (2020: 11,192,385) were exercisable. The outstanding options represented approximately 0.05% (2020: 0.14%) of the total number of issued shares of the Company at that date.

During the year ended 31 December 2021, the movement in the number of options granted under the 2016 Share Option Scheme was as follows.

2016 Options

On 15 December 2016, the Company granted options to the eligible participants pursuant to the 2013 Share Option Scheme (2016 Options). There were 4,074,630 options outstanding at 31 December 2021, which represented approximately 0.05% of the total number of issued shares of the Company at 31 December 2021.

During the year ended 31 December 2021, the movements of the 2016 Options were as follows:

Category and name of participant	Date of grant ¹	Exercise price per share (HK\$)	Exercise period ^{2,5}	NUMBER OF OPTIONS				
				Balance at 1 January 2021	Granted during the year	Exercised during the year ³	Lapsed during the year ⁴	Balance at 31 December 2021
Employees of the Group	15 December 2016	2.29	4 years after date of vesting	11,192,385	-	(6,257,076)	(860,679)	4,074,630

1. The closing price of the shares of the Company immediately before the date on which the options were granted on 15 December 2016 was HK\$2.25 per share.

2. The vesting and performance period of the options is three years from 1 January 2016 to 31 December 2018, with 60% of vested options exercisable from 1 January 2019 and 40% of the vested options subject to a 12-month exercise deferral period, such options being exercisable after 1 January 2020. The vesting of options is conditional upon the achievement of certain performance conditions as set out in the respective letters of grant including, among others, achievement of resources growth and market-related performance targets during the vesting period. Options vest on a percentage basis based on the target performance level achieved. Achievement of the Company and individual performance conditions have resulted in 33.33% of the 2016 Options granted to participants vesting on 22 May 2019.

3. The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK\$4.68 per share.

4. Options lapsed due to cessation of employment.

5. No options were cancelled during the year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

During the year ended 31 December 2020, the movements of the 2016 Options were as follows:

Category and name of participant	Date of grant ¹	Exercise price per share (HK\$)	Exercise period ^{2,5}	NUMBER OF OPTIONS				
				Balance at 1 January 2020	Granted during the year	Exercised during the year ³	Lapsed during the year ⁴	Balance at 31 December 2020
Directors								
XU Jiqing	15 December 2016	2.29	4 years after date of vesting	1,164,420	-	-	(1,164,420)	-
Employees of the Group	15 December 2016	2.29	4 years after date of vesting	24,628,806	-	(3,554,014)	(9,882,407)	11,192,385
Total Group				25,793,226	-	(3,554,014)	(11,046,827)	11,192,385

1. The closing price of the shares of the Company immediately before the date on which the options were granted on 15 December 2016 was HK\$2.25 per share.

2. The vesting and performance period of the options is three years from 1 January 2016 to 31 December 2018, with 60% of vested options exercisable from 1 January 2019 and 40% of the vested options subject to a 12-month exercise deferral period, such options being exercisable after 1 January 2020. The vesting of options is conditional upon the achievement of certain performance conditions as set out in the respective letters of grant including, among others, achievement of resources growth and market-related performance targets during the vesting period. Options vest on a percentage basis based on the target performance level achieved. Achievement of the Company and individual performance conditions have resulted in 33.33% of the 2016 Options granted to participants vesting on 22 May 2019.

3. The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK\$3.30 per share.

4. Options lapsed due to cessation of employment.

5. No options were cancelled during the year.

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

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

The validity period of the options is from the date of grant until seven years from 1 January 2016 to 31 December 2022. The vesting and performance period of the options is three years from 1 January 2016 to 31 December 2018. If a participant leaves employment before the expiry of the vesting period, the option will lapse unless the participant leaves due to certain specific reasons including ill-health, injury or disability, retirement with the agreement of the employer, redundancy, death, the participating employing company ceasing to be part of the Group and any other reason, if the Board so decides.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

PERFORMANCE AWARDS (SHARES)

Pursuant to the performance awards granted under the Long-Term Incentive Equity Plan, performance awards were granted to eligible participants under 2018 Performance Awards, 2019 Performance Awards, 2020 Performance Awards and 2021 Performance Awards. At 31 December 2021, there were a total of 101,556,419 performance awards outstanding granted under the 2019, 2020 and 2021 Performance Awards, which represented approximately 1.18% of the total number of issued shares of the Company at that date.

2018 Performance Awards

On 29 June 2018, the Company granted performance awards to the eligible participants pursuant to the Long-Term Incentive Equity Plan (2018 Performance Awards). There were no performance awards outstanding at 31 December 2021.

During the year ended 31 December 2021, the movements of the 2018 Performance Awards were as follows:

Category and name of participant	Date of grant ¹	NUMBER OF PERFORMANCE AWARDS					Balance at 31 December 2021
		Balances at 1 January 2021	Granted during the year	Vested and exercised during the year	Cancelled during the year	Lapsed during the year ²	
Employees of the Group	29 June 2018	7,002,799	-	(835,659)	-	(6,167,140)	-

1. The vesting and performance period of the performance awards is three years from 1 January 2018 to 31 December 2020. The vesting of performance awards is conditional upon the achievement of certain performance conditions as set out in the respective letters of grant including, among others, achievement of resources growth and market-related performance targets during the vesting period. Performance awards vest on a percentage basis based on the threshold and target performance levels achieved. Portions of the vested performance awards will be subject to holding locks for various periods of up to two years after vesting. The performance awards are granted for nil cash consideration. Achievement of the Company and individual performance conditions have resulted in 17% of the 2018 Performance Awards granted to participants vesting on 10 June 2021.

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

During the year ended 31 December 2020, the movements of the 2018 Performance Awards were as follows:

Category and name of participant	Date of grant ¹	NUMBER OF PERFORMANCE AWARDS					Balance at 31 December 2020
		Balances at 1 January 2020	Granted during the year	Vested and exercised during the year	Cancelled during the year	Lapsed during the year ³	
Directors							
XU Jiqing ²	29 June 2018	705,833	-	-	-	(705,833)	-
Employees of the Group	29 June 2018	7,618,284	-	-	-	(615,485)	7,002,799
Total		8,324,117	-	-	-	(1,321,318)	7,002,799

1. The vesting and performance period of the performance awards is three years from 1 January 2018 to 31 December 2020. The vesting of performance awards is conditional upon the achievement of certain performance conditions as set out in the respective letters of grant including, among others, achievement of resources growth and market-related performance targets during the vesting period. Performance awards vest on a percentage basis based on the threshold and target performance levels achieved. Portions of the vested performance awards will be subject to holding locks for various periods of up to two years after vesting. The performance awards are granted for nil cash consideration.

2. On 1 January 2020, Mr Xu Jiqing resigned as the Executive General Manager - Commercial and was re-designated from an Executive Director to a Non-executive Director of the Company. His interests in the 705,833 performance awards lapsed on the same day.

3. Performance awards lapsed due to cessation of employment.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

The performance awards are granted for nil cash consideration. The vesting of the performance awards will be subject to the achievement by each participant of certain performance conditions, among other things, independently assessed measures of achievement of non-market based conditions such as resources growth and financial and market based conditions such as total shareholder return. Portions of the vested performance awards will be subject to holding locks for various periods of up to three years after vesting.

The estimated fair value of the performance awards granted on 29 June 2018 was approximately US\$0.6572 each, estimated at the date of grant by using Monte Carlo Simulations (for market based conditions) and reference to market price of the Company's shares at the date of grant.

The value of the performance awards was subject to a number of assumptions and limitations of the performance awards-pricing model, including a risk-free interest rate, price volatility, expected life of the performance awards, market price of the Company's shares and expected dividend. The risk-free interest rate was 1.34%; the expected volatility used in calculating the value of performance awards was 46.78% and the expected dividend was assumed to be nil.

2019 Performance Awards

On 3 May 2019, the Company granted performance awards to the eligible participants pursuant to the Long-Term Incentive Equity Plan (2019 Performance Awards). There were 17,400,963 performance awards outstanding at 31 December 2021, representing approximately 0.2% of the total number of issued shares of the Company at that date.

During the year ended 31 December 2021, the movements of the 2019 Performance Awards were as follows:

Category and name of participant	Date of grant ¹	NUMBER OF PERFORMANCE AWARDS					Balance at 31 December 2021
		Balances at 1 January 2021	Granted during the year	Vested and exercised during the year	Cancelled during the year	Lapsed during the year ²	
Directors							
GAO Xiaoyu ³	3 May 2019	5,604,754	-	-	-	-	5,604,754
Employees of the Group	3 May 2019	12,845,086	-	-	-	(1,048,877)	11,796,209
Total	3 May 2019	18,449,840	-	-	-	(1,048,877)	17,400,963

1. The vesting and performance period of the performance awards is three years from 1 January 2019 to 31 December 2021. The time of vesting will be on or around June 2022. The vesting of performance awards is conditional upon the achievement of certain performance conditions as set out in the respective letters of grant including, among others, achievement of resources growth and market-related performance targets during the vesting period. Performance awards vest on a percentage basis based on the threshold and target performance levels achieved. Portions of the vested performance awards will be subject to holding locks for various periods of up to two years after vesting. The performance awards are granted for nil cash consideration.

2. Performance awards lapsed due to cessation of employment.

3. Mr Gao Xiaoyu has resigned as the CEO and Executive Director of the Company and an Executive Director on 5 January 2022. His interests in the performance awards lapsed on the same day.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

During the year ended 31 December 2020, the movements of the 2019 Performance Awards were as follows:

Category and name of participant	Date of grant ¹	NUMBER OF PERFORMANCE AWARDS					Balance at 31 December 2020
		Balances at 1 January 2020	Granted during the year	Vested and exercised during the year	Cancelled during the year	Lapsed during the year ²	
Directors							
GAO Xiaoyu	3 May 2019	5,604,754	-	-	-	-	5,604,754
XU Jiqing	3 May 2019	1,145,229	-	-	-	(1,145,229)	-
Employees of the Group	3 May 2019	14,449,696	-	-	-	(1,604,610)	12,845,086
Total		21,199,679	-	-	-	(2,749,839)	18,449,840

1. The vesting and performance period of the performance awards is three years from 1 January 2019 to 31 December 2021. The time of vesting will be on or around June 2022. The vesting of performance awards is conditional upon the achievement of certain performance conditions as set out in the respective letters of grant including, among others, achievement of resources growth and market-related performance targets during the vesting period. Performance awards vest on a percentage basis based on the threshold and target performance levels achieved. Portions of the vested performance awards will be subject to holding locks for various periods of up to two years after vesting. The performance awards are granted for nil cash consideration.

2. Performance awards lapsed due to cessation of employment.

The vesting of the performance awards will be subject to the achievement by each participant of certain performance conditions, among other things, independently assessed measures of achievement of non-market based conditions such as resources growth and financial and market based conditions such as total shareholder return. Portions of the vested performance awards will be subject to holding locks for various periods of up to three years after vesting.

The estimated fair value of the performance awards granted on 3 May 2019 was approximately US\$0.3766 each, estimated at the date of grant by using Monte Carlo Simulations (for market based conditions) and reference to market price of the Company's shares at the date of grant.

The value of the performance awards was subject to a number of assumptions and limitations of the performance awards-pricing model, including a risk-free interest rate, price volatility, expected life of the performance awards, market price of the Company's shares and expected dividend. The risk-free interest rate was 2.11%; the expected volatility used in calculating the value of performance awards was 63.75% and the expected dividend was assumed to be nil.

During the year ended 31 December 2021, the Group recognised a share award expense of approximately US\$0.4 million (2020: US\$0.2 million) in relation to the 2019 Performance Awards.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2020 Performance Awards

On 29 April 2020, the Company granted performance awards to the eligible participants pursuant to the Long-Term Incentive Equity Plan (2020 Performance Awards). There were 63,573,192 performance awards outstanding at 31 December 2021, representing approximately 0.7% of the total number of issued shares of the Company at that date.

During the year ended 31 December 2021, the movements of the 2020 Performance Awards were as follows:

Category and name of participant	Date of grant ¹	NUMBER OF PERFORMANCE AWARDS					Balance at 31 December 2021
		Balances at 1 January 2021	Granted during the year	Vested and exercised during the year	Cancelled during the year	Lapsed during the year ²	
Directors							
Gao Xiaoyu ³	29 April 2020	12,130,042	-	-	-	-	12,130,042
Li Liangang ⁴	29 April 2020	2,295,115	-	-	-	-	2,295,115
Employees of the Group	29 April 2020	55,145,298	-	-	-	(5,997,263)	49,148,035
Total		69,570,455	-	-	-	(5,997,263)	63,573,192

1. The vesting and performance period of the performance awards is three years from 1 January 2020 to 31 December 2022. The time of vesting will be on or around June 2023. The vesting of performance awards is conditional upon the achievement of certain performance conditions as set out in the respective letters of grant including, among others, achievement of resources growth, financial and market-related performance targets during the vesting period. Performance awards vest on a percentage basis based on the threshold and target performance levels achieved. Portions of the vested performance awards will be subject to holding locks for various periods of up to two years after vesting. The performance awards are granted for nil cash consideration.

2. Performance awards lapsed due to cessation of employment.

3. Mr Gao Xiaoyu has resigned as the CEO and Executive Director of the Company and an Executive Director on 5 January 2022. His interests in the performance awards lapsed on the same day.

4. Mr Li Liangang was appointed as the interim CEO and Executive Director of the Company and an Executive director on 5 January 2022. He was granted 2,295,115 performance awards on 29 April 2020.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

During the year ended 31 December 2020, the movements of the 2020 Performance Awards were as follows:

NUMBER OF PERFORMANCE AWARDS							
Category and name of participant	Date of grant ¹	Balances at 1 January 2020	Granted during the year	Vested and exercised during the year	Cancelled during the year	Lapsed during the year ²	Balance at 31 December 2020
Directors							
Gao Xiaoyu	29 April 2020	-	12,130,042	-	-	-	12,130,042
Employees of the Group	29 April 2020	-	59,489,005	-	-	(2,048,592)	57,440,413
Total		-	71,619,047	-	-	(2,048,592)	69,570,455

1. The vesting and performance period of the performance awards is three years from 1 January 2020 to 31 December 2022. The time of vesting will be on or around June 2023. The vesting of performance awards is conditional upon the achievement of certain performance conditions as set out in the respective letters of grant including, among others, achievement of resources growth, financial and market-related performance targets during the vesting period. Performance awards vest on a percentage basis based on the threshold and target performance levels achieved. Portions of the vested performance awards will be subject to holding locks for various periods of up to two years after vesting. The performance awards are granted for nil cash consideration.

2. Performance awards lapsed due to cessation of employment.

The performance awards are granted for nil cash consideration. The vesting of the performance awards will be subject to the achievement by each participant of certain performance conditions, among other things, independently assessed measures of achievement of non-market based conditions such as resources growth and financial and market based conditions such as total shareholder return. Portions of the vested performance awards will be subject to holding locks for various periods of up to three years after vesting.

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

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

During the year ended 31 December 2021, the Group recognised a share award expense of approximately US\$0.1 million (2020: US\$0.9 million) in relation to the 2020 Performance Awards.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2021 Performance Awards

On 21 June 2021, the Company granted performance awards to the eligible participants pursuant to the Long-Term Incentive Equity Plan (2021 Performance Awards). There were 20,582,264 performance awards outstanding at 31 December 2021, representing approximately 0.24% of the total number of issued shares of the Company at that date.

During the year ended 31 December 2021, the movements of the 2021 Performance Awards were as follows:

NUMBER OF PERFORMANCE AWARDS							
Category and name of participant	Date of grant ¹	Balances at 1 January 2021	Granted during the year	Vested and exercised during the year	Cancelled during the year	Lapsed during the year ²	Balance at 31 December 2021
Directors							
Gao Xiaoyu ³	21 June 2021	-	4,019,967	-	-	-	4,019,967
Li Liangang ⁴	21 June 2021	-	760,615	-	-	-	760,615
Employees of the Group	21 June 2021	-	16,526,199	-	-	(724,517)	15,801,682
Total		-	21,306,781	-	-	(724,517)	20,582,264

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

2. Performance awards lapsed due to cessation of employment.

3. Mr Gao Xiaoyu has resigned as the CEO and Executive Director of the Company and an Executive Director on 5 January 2022. His interests in the performance awards lapsed on the same day.

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

The performance awards are granted for nil cash consideration. The vesting of the performance awards will be subject to the achievement by each participant of certain performance conditions, among other things, independently assessed measures of achievement of non-market based conditions such as resources growth and financial and market based conditions such as total shareholder return. Portions of the vested performance awards will be subject to holding locks for various periods of up to three years after vesting.

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

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

During the year ended 31 December 2021, the Group recognised a share award expense of approximately US\$2.2 million in relation to the 2021 Performance Awards.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

36. 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:

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

37. 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 (Note 29).

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, such disclosure may seriously prejudice the position of the Group in dealing with these matters.

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

Peru – Withholding Taxes (2014/15/16)

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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 SARL ("MMG Kinsevere"), a subsidiary of the Group, 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. Partial settlement amount has been paid while remaining has been recognised as a provision pending satisfaction of all conditions precedent to the settlement agreement (refer Note 27).

38. EVENTS AFTER THE END OF THE REPORTING PERIOD

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 KEP. This reduces the impairment risk for Kinsevere as noted in the sensitivity section of Note 12.

39. RE-CLASSIFICATION

Certain amounts and disclosures in the prior period consolidated financial statements have been reclassified to conform to the presentation of the current period consolidated financial statements. These reclassifications had no effect on the previously reported total comprehensive loss for the year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

40. COMPANY STATEMENT OF FINANCIAL POSITION, RESERVES AND ACCUMULATED LOSSES

(a) Company Statement of Financial Position

	NOTE	AT 31 DECEMBER	
		2021 US\$ MILLION	2020 US\$ MILLION
ASSETS			
Non-current assets			
Loans to subsidiaries		140.9	-
Interests in subsidiaries		2,487.4	2,487.4
		2,628.3	2,487.4
Current assets			
Other receivables		2.8	4.4
Cash and cash equivalents		2.4	6.2
		5.2	10.6
Total assets		2,633.5	2,498.0
EQUITY			
Share capital		3,220.3	2,917.6
Reserves and accumulated losses	(b)	(595.2)	(1,376.7)
Total equity		2,625.1	1,540.9
LIABILITIES			
Non-current liabilities			
Loans from subsidiaries		-	952.0
Current liabilities			
Lease liabilities		-	-
Borrowings		5.0	5.0
Other payables		0.1	0.1
Loans from subsidiaries		3.3	-
		8.4	5.1
Total liabilities		8.4	957.1
Net current (liabilities)/assets		(3.2)	5.5
Total equity and liabilities		2,633.5	2,498.0



LI LIANGANG
Interim CEO and Executive Director



XU JIQING
Non-executive Director

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

(b) Company reserves and accumulated losses

US\$ MILLION	Special capital reserve	Share-based payment reserve	Accumulated losses	Total
At 1 January 2020	9.4	16.4	(1,371.9)	(1,346.1)
Loss and total comprehensive loss for the year	-	-	(25.9)	(25.9)
Employee long-term incentives	-	(0.5)	-	(0.5)
Employee share options exercised and vested	-	(4.2)	-	(4.2)
Employee share options lapsed	-	(2.1)	2.1	-
At 31 December 2020	9.4	9.6	(1,395.7)	(1,376.7)
Profit and total comprehensive income for the year	-	-	782.1	782.1
Employee long-term incentives	-	1.0	-	1.0
Employee share options exercised and vested	-	(1.6)	-	(1.6)
Employee share options lapsed	-	(0.1)	0.1	-
At 31 December 2021	9.4	8.9	(613.5)	(595.2)

FIVE-YEAR FINANCIAL SUMMARY

US\$ MILLION	2021	2020	2019 ¹	2018	2017
Results – the Group					
Revenue	4,255.0	3,033.7	3,011.6	3,670.2	3,751.3
EBITDA	2,725.4	1,379.7	1,461.5	1,751.2	2,090.8
EBIT	1,827.4	451.9	341.9	833.1	1,272.2
Finance income	5.4	1.9	11.2	6.8	6.0
Finance costs	(329.0)	(401.4)	(523.1)	(533.7)	(537.6)
Profit/(loss) before income tax	1,503.8	52.4	(170.0)	306.2	740.6
Income tax expense	(583.3)	(46.8)	(25.3)	(169.6)	(394.5)
Profit/(loss) for the year	920.5	5.6	(195.3)	136.6	346.1
Attributable to:					
Equity holders of the Company	667.1	(64.7)	(230.4)	68.3	147.1
Non-controlling interests	253.4	70.3	35.1	69.1	201.3
	920.5	5.6	(195.3)	137.4	348.4

1. The Group adopted the new HKFRS 16 Leases on 1 January 2019, as such the prior period information presented is not comparable.

A summary of the Group results that relate to current operations involving the exploration for, and development of mining projects, is presented below.

US\$ MILLION	2021	2020	2019	2018	2017
Results – current operations					
EBIT	1,827.4	451.9	341.9	833.1	1,272.2
Significant non-recurring items	-	-	150.0	-	(178.6)
Underlying EBIT¹	1,827.4	451.9	491.9	833.1	1,093.6

1. Underlying EBIT represents EBIT adjusted for significant non-recurring items (before tax).

During the year ended 31 December 2019, the underlying loss attributable to equity holders of the Company excludes non-recurring item relating to the impairment of Kinsevere assets of US\$105.0 million (post-tax).

During the year ended 31 December 2017, the underlying gain attributable to equity holders of the Company excludes non-recurring item relating to the disposal of subsidiaries gain of US\$9.7 million (post-tax).

FIVE-YEAR FINANCIAL SUMMARY CONTINUED

US\$ MILLION	2021	2020	2019	2018	2017
Assets and liabilities – the Group					
Property, plant and equipment	9,763.1	10,075.9	10,394.2	10,897.7	11,982.1
Right-of-use assets	104.6	122.8	140.6	-	-
Intangible assets	537.3	546.5	567.5	596.0	622.3
Inventories	682.9	492.7	488.6	279.7	348.0
Trade and other receivables	399.4	601.4	571.9	644.4	506.6
Loan to a related party	-	-	-	-	120.0
Cash and cash equivalents	1,255.3	192.7	217.5	601.9	936.1
Other financial assets	1.8	1.7	3.1	3.3	17.8
Derivative financial assets	32.7	-	-	-	0.5
Current income tax assets	62.3	25.7	101.3	54.3	55.7
Deferred income tax assets	184.7	238.6	180.4	178.1	200.5
Total assets	13,024.1	12,298.0	12,665.1	13,255.4	14,789.6
Capital and reserves attributable to equity holders of the Company	1,930.5	936.4	1,012.2	1,257.1	1,211.4
Non-controlling interests	1,997.5	1,733.3	1,665.7	1,639.2	1,760.4
Total equity	3,928.0	2,669.7	2,677.9	2,896.3	2,971.8
Borrowings	6,298.1	7,179.5	7,628.3	8,131.4	9,192.5
Lease liabilities	131.1	148.7	160.8	-	-
Trade and other payables	615.8	582.4	591.3	508.1	730.1
Derivative financial liabilities	4.9	40.0	-	-	-
Other financial liabilities	-	145.4	135.7	136.6	160.3
Current income tax liabilities	277.6	22.7	2.4	18.8	15.2
Provisions	749.8	644.4	588.7	630.8	856.7
Deferred income tax liabilities	1,018.8	865.2	880.0	933.4	863.0
Total liabilities	9,096.1	9,628.3	9,987.2	10,359.1	11,817.8
Total equity and liabilities	13,024.1	12,298.0	12,665.1	13,255.4	14,789.6

GLOSSARY

AGM	annual general meeting of the Company
Album Enterprises	Album Enterprises Limited, a wholly owned subsidiary of CMN
Album Trading	Album Trading Co., Ltd., a wholly owned subsidiary of CMC
associate(s)	has the meaning ascribed to it under the Listing Rules
Australia	The Commonwealth of Australia
Board	the board of directors of the Company
Board Charter	the board charter of the Company
BOC Sydney	Bank of China Limited, Sydney Branch
CDB	China Development Bank
CEO	Chief Executive Officer
CFO	Chief Financial Officer
China	has the same meaning as PRC
CITIC	CITIC Metal Peru Investment Limited
CMC	China Minmetals Corporation, a state-owned enterprise incorporated under the laws of the PRC
CMC Group	CMC and its subsidiaries
CMCL	China Minmetals Corporation Limited, a subsidiary of CMC
CMN	China Minmetals Non-ferrous Metals Company Limited, a subsidiary of CMC
CMNH	China Minmetals Non-ferrous Metals Holding Company Limited, a subsidiary of CMC
Companies Ordinance	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
Company	MMG Limited, a company incorporated in Hong Kong, the securities of which are listed and traded on the Main Board of the Stock Exchange
Director(s)	the director(s) of the Company
Executive Committee	the executive committee of the Group, which consists of all Executive Directors of the Company, Chief Executive Officer/Interim Chief Executive Officer, Chief Financial Officer, Executive General Manager – Corporate Relations, Executive General Manager – Americas and Executive General Manager – Australia, Africa and Commercial
EXIM Bank	The Export-Import Bank of China
Group	the Company and its subsidiaries
HK\$	Hong Kong dollar, the lawful currency of Hong Kong
HKFRS	Hong Kong Financial Reporting Standards, which include 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)
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	Industrial and Commercial Bank of China Limited
ICBC Luxembourg	Industrial and Commercial Bank of China Limited, Luxembourg Branch
ICBC Macau	Industrial and Commercial Bank of China Limited, Macau Branch
Las Bambas Joint Venture Group	MMG South America Management Company Limited (also referred to as MMG SAM), and its subsidiaries
Las Bambas Project	the development, construction and operation of the copper mines, processing facilities and associated infrastructure at the Las Bambas copper project located in the Apurimac region in Peru, together with all activities and infrastructure associated with the transportation and export of products from such mines
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange

GLOSSARY CONTINUED

LME	London Metal Exchange
MCC19	China 19th Metallurgical Corporation Sucursal Peru, a wholly owned subsidiary of CMC
Minerals and Metals Group	the collective brand name of the portfolio of international mining assets held by Album Resources Private Limited, a wholly owned subsidiary of the Company
Minmetals HK	China Minmetals H.K. (Holdings) Limited, an indirectly owned subsidiary of CMC
Minmetals Logistics	Minmetals Logistics Group Co., Ltd, a wholly owned subsidiary of CMC
Minmetals North-Europe	Minmetals North-Europe AB, a wholly owned subsidiary of CMC
MLB	Minera Las Bambas S.A., a non-wholly owned subsidiary of MMG and the owner of the Las Bambas mine
MMG or MMG Limited	has the same meaning as the Company
MMG Australia	MMG Australia Limited, a wholly owned subsidiary of the Company
MMG Dugald River	MMG Dugald River Pty Ltd, a wholly owned subsidiary of the Company
MMG Finance	MMG Finance Limited, a wholly owned subsidiary of the Company
MMG SA	MMG South America Company Limited, a wholly owned subsidiary of the Company
MMG SAM	MMG South America Management Company Limited, a non-wholly owned subsidiary of the Company
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
PRC	the People's Republic of China excluding, for the purpose of this document only, Hong Kong, the Macao Special Administrative Region of the People's Republic of China and Taiwan, unless the context requires otherwise
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
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Share(s)	fully paid ordinary share(s) of the Company
Shareholder(s)	the shareholder(s) of the Company
SHEC	Safety, Health, Environment and Community
Stock Exchange	The Stock Exchange of Hong Kong Limited
Top Create	Top Create Resources Limited, a wholly owned subsidiary of CMN
US\$	United States dollar, the lawful currency of the United States of America
VAT	value added tax

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman

JIAO Jian
(Non-executive Director)

Executive Director

LI Liangang
(Interim Chief Executive Officer)

Non-executive Directors

ZHANG Shuqiang
XU Jiqing

Independent Non-executive Directors

Peter CASSIDY
LEUNG Cheuk Yan
CHAN Ka Keung, Peter

AUDIT AND RISK MANAGEMENT COMMITTEE

Chairman

CHAN Ka Keung, Peter

Members

ZHANG Shuqiang
XU Jiqing
Peter CASSIDY
LEUNG Cheuk Yan

GOVERNANCE, REMUNERATION AND NOMINATION COMMITTEE

Chairman

Peter CASSIDY

Members

JIAO Jian
XU Jiqing
LEUNG Cheuk Yan
CHAN Ka Keung, Peter

DISCLOSURE COMMITTEE

Members

LI Liangang
Ross CARROLL
Troy HEY
Nick MYERS
LEUNG Suet Kam, Lucia

GENERAL COUNSEL

Nick MYERS

COMPANY SECRETARY

LEUNG Suet Kam, Lucia

LEGAL ADVISER

Linklaters, Hong Kong

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

SHARE REGISTRAR

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

PRINCIPAL BANKERS

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

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SHARE LISTING

The Stock Exchange of
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Stock Code: 1208

ADDITIONAL SHAREHOLDER INFORMATION

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

