FINANCIAL STATEMENTS

CONTENTS

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS

	NOTES	SIX MONTHS ENDED 30 JUNE 2022 (UNAUDITED) US$ MILLION	SIX MONTHS ENDED 30 JUNE 2021 (UNAUDITED) US$ MILLION
Revenue	3	1,408.0	2,433.5
Other (loss)/income		(1.6)	16.4
Expenses (excluding depreciation and amortisation)	4	(754.7)	(951.2)
Earnings before interest, income tax, depreciation and amortisation expenses – EBITDA		**651.7**	**1,498.7**
Depreciation and amortisation expenses	4	(351.1)	(454.1)
Earnings before interest and income tax - EBIT		**300.6**	**1,044.6**
Finance income	5	3.4	0.8
Finance costs	5	(140.5)	(170.0)
Profit before income tax		**163.5**	**875.4**
Income tax expense	6	(73.7)	(291.4)
Profit for the period		**89.8**	**584.0**
Profit for the period attributable to:			
Equity holders of the Company		79.5	400.1
Non-controlling interests		10.3	183.9
		89.8	**584.0**
Earnings per share attributable to the equity holders of the Company			
Basic earnings per share	7	US 0.92 cents	US 4.91 cents
Diluted earnings per share	7	US 0.92 cents	US 4.86 cents

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	SIX MONTHS ENDED 30 JUNE	
	2022 (UNAUDITED) US$ MILLION	2021 (UNAUDITED) US$ MILLION
Profit for the period	89.8	584.0
Other comprehensive income		
Items that may be reclassified to profit or loss		
Movement on hedging instruments designated as cash flow hedges	124.2	46.3
Income tax expense relating to cash flow hedges	(37.6)	(14.0)
Other comprehensive income for the period, net of income tax	86.6	32.3
Total comprehensive income for the period	176.4	616.3
Total comprehensive income attributable to:		
Equity holders of the Company	140.8	424.0
Non-controlling interests	35.6	192.3
	176.4	616.3

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	NOTES	AS AT 30 JUNE 2022 (UNAUDITED) US$ MILLION	AS AT 31 DECEMBER 2021 (AUDITED) US$ MILLION
ASSETS			
Non-current assets			
Property, plant and equipment	9	9,642.5	9,763.1
Right-of-use assets		94.9	104.6
Intangible assets		534.5	537.3
Inventories		77.0	80.0
Deferred income tax assets		223.7	184.7
Other receivables		170.4	161.4
Derivative financial assets		100.0	31.8
Other financial assets		1.7	1.8
Total non-current assets		10,844.7	10,864.7
Current assets			
Inventories		694.4	602.9
Trade and other receivables	10	371.9	238.0
Current income tax assets		31.7	62.3
Derivative financial assets		66.0	0.9
Cash and cash equivalents		497.1	1,255.3
Total current assets		1,661.1	2,159.4
Total assets		12,505.8	13,024.1
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	11	3,220.5	3,220.3
Reserves and retained profits	12	(1,150.5)	(1,289.8)
		2,070.0	1,930.5
Non-controlling interests		2,033.1	1,997.5
Total equity		4,103.1	3,928.0

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

CONTINUED

	NOTES	AS AT 30 JUNE 2022 (UNAUDITED) US$ MILLION	AS AT 31 DECEMBER 2021 (AUDITED) US$ MILLION
LIABILITIES			
Non-current liabilities			
Borrowings	13	4,830.6	5,639.0
Lease liabilities		104.9	112.5
Provisions		524.3	532.8
Trade and other payables	14	190.9	164.8
Deferred income tax liabilities		1,098.5	1,018.8
Total non-current liabilities		6,749.2	7,467.9
Current liabilities			
Borrowings	13	885.5	659.1
Lease liabilities		16.1	18.6
Provisions		181.3	217.0
Derivative financial liabilities		-	4.9
Trade and other payables	14	499.5	451.0
Current income tax liabilities		71.1	277.6
Total current liabilities		1,653.5	1,628.2
Total liabilities		8,402.7	9,096.1
Net current assets		7.6	531.2
Total equity and liabilities		12,505.8	13,024.1

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	FOR SIX MONTHS ENDED 30 JUNE 2022 (UNAUDITED)					
	ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY					
US$ MILLION	SHARE CAPITAL (Note 11)	TOTAL RESERVES (Note 12)	RETAINED PROFITS (Note 12)	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
At 1 January 2022	3,220.3	(1,862.7)	572.9	1,930.5	1,997.5	3,928.0
Profit for the period	-	-	79.5	79.5	10.3	89.8
Other comprehensive income for the period	-	61.3	-	61.3	25.3	86.6
Total comprehensive income for the period	-	61.3	79.5	140.8	35.6	176.4
Transactions with owners						
Provision of surplus reserve	-	0.1	(0.1)	-	-	-
Employee long-term incentives	-	(1.4)	-	(1.4)	-	(1.4)
Employee share options exercised	0.2	(0.1)	-	0.1	-	0.1
Total transactions with owners	0.2	(1.4)	(0.1)	(1.3)	-	(1.3)
At 30 June 2022	3,220.5	(1,802.8)	652.3	2,070.0	2,033.1	4,103.1

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

CONTINUED

	FOR SIX MONTHS ENDED 30 JUNE 2021 (UNAUDITED)					
	ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY					
US$ MILLION	SHARE CAPITAL (Note 11)	TOTAL RESERVES (Note 12)	(ACCUMULATED LOSSES)/ RETAINED PROFITS (Note 12)	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
At 1 January 2021	2,917.6	(1,917.7)	(63.5)	936.4	1,733.3	2,669.7
Profit for the period	-	-	400.1	400.1	183.9	584.0
Other comprehensive income for the period	-	23.9	-	23.9	8.4	32.3
Total comprehensive income for the period	-	23.9	400.1	424.0	192.3	616.3
Transactions with owners						
Issue of shares, net of share issue costs	299.0	-	-	299.0	-	299.0
Employee share options exercised and performance awards vested	3.5	(1.3)	-	2.2	-	2.2
Total transactions with owners	302.5	(1.3)	-	301.2	-	301.2
At 30 June 2021	3,220.1	(1,895.1)	336.6	1,661.6	1,925.6	3,587.2

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	SIX MONTHS ENDED 30 JUNE	
	2022 (UNAUDITED) US$ MILLION	2021 (UNAUDITED) US$ MILLION
Cash flows from operating activities		
Receipts from customers	1,430.4	2,457.4
Payments to suppliers and employees	(1,061.1)	(1,054.5)
Payments for exploration expenditure	(10.8)	(11.8)
Income tax paid	(212.0)	(3.2)
Net settlement of commodity hedges	(11.7)	(79.8)
Net cash generated from operating activities	**134.8**	**1,308.1**
Cash flows from investing activities		
Purchase of property, plant and equipment	(204.1)	(273.9)
Purchase of intangible assets	(1.0)	(4.0)
Net cash used in investing activities	**(205.1)**	**(277.9)**
Cash flows from financing activities		
Proceeds from issue of shares	-	302.1
Payment of issue costs	-	(3.1)
Proceeds from external borrowings	250.0	-
Repayments of external borrowings	(835.0)	(636.1)
Proceeds from related party borrowings	-	270.0
Repayments of related party borrowings	-	(230.0)
Net settlement of interest rate swap	(2.2)	(3.0)
Proceeds from shares issued upon exercise of employee share options	0.1	2.2
Repayment of lease liabilities	(15.9)	(16.7)
Interest and financing costs paid on external borrowings	(79.8)	(97.2)
Interest and financing costs paid on related party borrowings	(4.1)	(2.2)
Withholding taxes paid in respect of financing arrangements	(4.3)	(5.1)
Interest received	3.3	0.7
Net cash used in financing activities	**(687.9)**	**(418.4)**
Net (decrease)/increase in cash and cash equivalents	**(758.2)**	**611.8**
Cash and cash equivalents at 1 January	1,255.3	192.7
Cash and cash equivalents at 30 June	**497.1**	**804.5**

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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION AND INDEPENDENT REVIEW

MMG Limited (the "Company") is a limited liability company and was incorporated in Hong Kong on 29 July 1988. The address of its registered office is Unit 1208, 12/F, China Minmetals Tower, 79 Chatham Road South, Tsimshatsui, Kowloon, Hong Kong. The principal place of business of the Company is disclosed in the Corporate Information section to the Group's 2022 Interim Report.

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

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

The condensed consolidated interim financial statements for six months ended 30 June 2022 are presented in United States Dollars ("US$" or "USD") unless otherwise stated and have been approved for issue by the Board of Directors of the Company (the "Board") on 18 August 2022.

The financial information relating to the year ended 31 December 2021 that is included in these condensed consolidated interim financial statements as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

- The Company has delivered the financial statements for the year ended 31 December 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.
- The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

The condensed consolidated interim financial statements for six months ended 30 June 2022 are unaudited and have been reviewed by the audit committee and the external auditor of the Company.

2. BASIS OF PREPARATION

These condensed consolidated interim financial statements for six months ended 30 June 2022 have been prepared in accordance with applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the HKEx and Hong Kong Accounting Standard ("HKAS") 34 Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2021, which have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA.

The condensed consolidated interim financial statements have been prepared on 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 of the Group regularly monitors 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.

At 30 June 2022, the Group had net current assets of US$7.6 million (31 December 2021: US$531.2 million) and cash and cash equivalents of US$497.1 million (31 December 2021: US$1,255.3 million). For six months ended 30 June 2022, the Group generated a net profit of US$89.8 million (2021: US$584.0 million) and operational cash flows of US$134.8 million (2021: US$1,308.1 million).

The Group has various debt facilities to assist with liquidity requirements. At 30 June 2022, these include undrawn facilities of US$300.0 million (31 December 2021: US$560.0 million) for the Group (excluding Las Bambas Joint Venture Group), US$900.0 million for Las Bambas (31 December 2021: US$1,150.0 million). The Group is in negotiations to renew the existing revolving credit facility (RCF) of $350 million which will expire on 21 August 2022, with the drawn amount repaid on 17 August 2022, and/or to enter into new RCF(s) which will further support liquidity. China Minmetals Non-ferrous Metals Co. Ltd ("CMN") which holds 67.7% (31 December 2021: 67.7%) of the Company's shares through its subsidiary, China Minmetals H.K. (Holdings) Limited ("Minmetals HK") has agreed to provide a bridging facility of $350 million for one year if required.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

The Group continues to have the support of its ultimate shareholder China Minmetals Corporation ("CMC") may provide support to Group in the form of prepayments for sale of goods, additional debt facilities, deferral of debt service and repayment obligations in relation to existing shareholder loans, or through further equity contribution.

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

2.1 ACCOUNTING POLICIES

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

The accounting policies applied are consistent with those of the consolidated financial statements for the year ended 31 December 2021, except for the adoption of new amendments to the existing standards as set out below.

Amendments to existing standards effective and adopted in 2022 but not relevant or significant to the Group

Amendment to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendment to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

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

2.2 CRITICAL ESTIMATES AND JUDGEMENTS

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

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

Other than the above, the significant judgements made by management of the Group in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2021.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

3. SEGMENT INFORMATION

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

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

The Group’s reportable segments are as follows:

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

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

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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

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

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

The segment assets and liabilities as at 30 June 2022 are as follows:

US$ MILLION	Las Bambas	Kinsevere	Dugald River	Rosebery	Other unallocated items/eliminations	Group
Segment assets	10,192.6	485.3	639.9	259.7	672.9[3]	12,250.4
Current/deferred income tax assets						255.4
Consolidated assets						12,505.8
Segment liabilities	4,045.4	282.3	353.3	166.7	2,385.4[4]	7,233.1
Current/deferred income tax liabilities						1,169.6
Consolidated liabilities						8,402.7
Segment non-current assets	9,356.5	347.8	567.6	237.6	335.2	10,844.7

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

The segment revenue and result for six months ended 30 June 2021 were as follows:

US$ MILLION	Las Bambas	Kinsevere	Dugald River	Rosebery	Other unallocated items/eliminations	Group
Revenue by metal:						
-Copper[1]	1,591.6	225.8	-	8.6	1.8	1,827.8
-Zinc[2]	-	-	196.3	73.0	-	269.3
-Lead	-	-	20.9	25.3	-	46.2
-Gold	60.9	-	-	34.0	-	94.9
-Silver	56.3	-	17.9	39.3	-	113.5
-Molybdenum	81.8	-	-	-	-	81.8
Revenue from contracts with customers	1,790.6	225.8	235.1	180.2	1.8	2,433.5
EBITDA	1,182.4	94.7	101.7	106.2	13.7	1,498.7
Depreciation and amortisation expenses	(382.4)	(14.6)	(29.4)	(27.7)	-	(454.1)
EBIT	800.0	80.1	72.3	78.5	13.7	1,044.6
Finance income						0.8
Finance costs						(170.0)
Income tax expense						(291.4)
Profit for the period						584.0

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

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

US$ MILLION	Las Bambas	Kinsevere	Dugald River	Rosebery	Other unallocated items/ eliminations	Group
Segment assets	10,876.2	489.7	651.1	271.1	489.0[3]	12,777.1
Current/deferred income tax assets						247.0
Consolidated assets						13,024.1
Segment liabilities	4,642.9	262.4	368.1	180.5	2,345.8[4]	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

1. Commodity derivative realised and unrealised net gains with a total amount of US$2.4 million (2021: gains of US$24.8 million) were included in "Revenue" of copper.
2. Commodity derivative realised and unrealised net gains with a total amount of US$2.3 million (2021: losses of US$7.7 million) were included in "Revenue" of Zinc.
3. Included in segment assets of US$672.9 million (31 December 2021: US$489.0 million) under the other unallocated items is cash of US$367.9 million (31 December 2021: US$353.2 million) mainly held at Group's treasury entities and trade receivables of US$113.2 million (31 December 2021: nil) for MMG South America Company Limited ("MMG SA") in relation to copper concentrate sales.
4. Included in segment liabilities of US$2,385.4 million (31 December 2021: US$2,345.8 million) under the other unallocated items are borrowings of US$2,260.8 million (31 December 2021: US$2,265.6 million) which are managed at Group level.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

4. EXPENSES

Profit before income tax includes the following expenses:

	SIX MONTHS ENDED 30 JUNE	
	2022 (UNAUDITED) US$ MILLION	2021 (UNAUDITED) US$ MILLION
Changes in inventories of finished goods and work in progress	(68.2)	22.5
Write down of inventories to net realisable value	2.6	23.5
Employee benefit expenses[1]	116.9	135.8
Contracting and consulting expenses[3]	230.1	212.3
Energy costs	117.2	108.0
Stores and consumables costs	162.3	207.3
Depreciation and amortisation expenses[2]	342.2	439.6
Other production expenses[3]	72.7	55.2
Cost of goods sold	**975.8**	**1,204.2**
Other operating expenses[1]	13.4	16.5
Royalties	56.7	83.6
Selling expenses[3]	58.1	54.9
Operating expenses including depreciation and amortisation[4]	**1,104.0**	**1,359.2**
Exploration expenses[1,2,3]	10.8	10.3
Administrative expenses[1,3]	5.5	10.3
Foreign exchange (gain)/loss – net	(22.1)	8.5
Loss/(gain) on financial assets at fair value through profit or loss	0.1	(0.7)
Other expenses[1,2,3]	7.5	17.7
Total expenses	**1,105.8**	**1,405.3**

1. In aggregate, US$18.7 million (2021: US$24.8 million) of employee benefit expenses were included in administrative expenses, exploration expenses, other operating expenses and other expenses categories. Total employee benefit expenses were US$135.6 million (2021: US$160.6 million).
2. In aggregate, US$8.9 million (2021: US$14.5 million) of depreciation and amortisation expenses were included in exploration expenses and other expenses categories. Total depreciation and amortisation expenses were US$351.1 million (2021: US$454.1 million).
3. The expense under these categories include expenditure in respect of contracts assessed as leases but which did not qualify for recognition as right of use assets included US$13.7 million (2021: US$25.7 million) in respect of variable lease payments, US$1.0 million (2021: US$2.7 million) for short-term leases and US$0.7 million (2021: US$0.7 million) for low-value leases.
4. Operating expenses include mining and processing costs, royalties, selling expenses (including transportation) and other costs incurred by operations.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

5. FINANCE INCOME AND FINANCE COSTS

	SIX MONTHS ENDED 30 JUNE	
	2022 (UNAUDITED) US$ MILLION	2021 (UNAUDITED) US$ MILLION
Finance income		
Interest income on cash and cash equivalents	3.4	0.7
Other finance income	–	0.1
Finance income – total	**3.4**	**0.8**
Finance costs		
Interest expense on bank borrowings	(81.2)	(101.4)
Interest expense on related party borrowings (Note 15(a))	(46.0)	(48.4)
Withholding taxes in respect of financing arrangements	(4.4)	(4.7)
Unwinding of discount on provisions	(5.1)	(3.7)
Unwinding of interest on lease liabilities	(5.9)	(6.6)
Other external finance refund/(costs) – net	2.9	(4.3)
Other related party finance costs (Note 15(a))	(0.8)	(0.9)
Finance costs – total	**(140.5)**	**(170.0)**

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

6. INCOME TAX EXPENSE

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

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

	SIX MONTHS ENDED 30 JUNE	
	2022 (UNAUDITED) US$ MILLION	2021 (UNAUDITED) US$ MILLION
Current income tax expense		
– HK income tax	0.1	-
– Overseas income tax	63.8	111.8
	63.9	111.8
Deferred income tax expense		
– HK income tax	1.1	-
– Overseas income tax	8.7	179.6
	9.8	179.6
Income tax expense	73.7	291.4

Deferred income tax expense of US$37.6 million relating to items of other comprehensive income (2021: deferred income tax expense of US$14.0 million relating to other comprehensive income) was recognised during the six months ended 30 June 2022.

In late 2021, the OECD ("Organisation for Economic Co-operation and Development") released guidance materials on the application of the Base Erosion & Profit Shifting (BEPS) project. It is expected that countries will adopt these proposed changes to come into effect from 1 January 2023. No legislation has been introduced in any of the countries in which MMG operates in, and MMG is currently assessing the implications of these proposed changes on its operations and corporate structure.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

7. EARNINGS PER SHARE

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

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the Company's share options and performance awards on issue, a calculation is performed to determine the number of shares that could have been acquired at fair value (determined at the average market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options and performance awards. The number of shares calculated as below is compared with the number of shares that would have been issued assuming the exercise of the share options and performance awards.

	SIX MONTHS ENDED 30 JUNE	
	2022 (UNAUDITED) US$ MILLION	2021 (UNAUDITED) US$ MILLION
Profit attributable to equity holders of the Company in the calculation of basic and diluted earnings per share	79.5	400.1
	NUMBER OF SHARES '000	NUMBER OF SHARES '000
Weighted average number of ordinary shares used in the calculation of the basic earnings per share	8,639,467	8,142,292
Shares deemed to be issued in respect of long-term incentive equity plans	44,644	83,948
Weighted average number of ordinary shares used in the calculation of the diluted earnings per share	8,684,111	8,226,240
Basic earnings per share	US 0.92 cents	US 4.91 cents
Diluted earnings per share	US 0.92 cents	US 4.86 cents

For the six months ended 30 June 2021, the weighted average number of ordinary shares for the purpose of basic earnings per share have been adjusted for the share placement undertaken by the Group.

8. DIVIDENDS

The Directors did not recommend the payment of an interim dividend for six months ended 30 June 2022 (2021: nil).

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

9. PROPERTY, PLANT AND EQUIPMENT

SIX MONTHS ENDED 30 JUNE 2022 (UNAUDITED)	US$ MILLION
Net book amount at 1 January 2022	9,763.1
Additions	217.0
Depreciation and amortisation	(337.4)
Disposals	(0.2)
Net book amount at 30 June 2022	**9,642.5**

IMPAIRMENT REVIEW OF NON-CURRENT ASSETS AND GOODWILL

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

The Group has reviewed indicators for impairment across all of the Group's CGUs. Indicators of impairment were identified for Las Bambas due to local community disruption, which impacted financial performance compared to plan. No indicators of impairment or impairment reversal were identified during the reporting period in respect of Kinsevere, Dugald River and Rosebery CGUs, therefore no impairment assessment was undertaken for these CGUs.

(i) Approach to recognition of an impairment loss

An impairment is recognised when the carrying amount exceeds the recoverable amount. The recoverable amount of Las Bambas 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 expected approach to be taken by any market participant.

(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;
- 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, the Group considered external sources of information where appropriate.

Assumptions regarding commodity prices are based on the latest internal forecasts benchmarked against 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$3.47 per pound, which has been rebased from the 31 December 2021 long-term copper price of US$3.35 per pound.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

The real post-tax discount rate used is 7.50% (31 December 2021: 7.25%).

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

(iii) Valuation methodology

The Fair Value has been determined primarily through CGU discounted cash flows at 30 June 2022. The valuation also includes potential value from further regional exploration targets that were included in the initial valuation to acquire the mine in 2014. The Group continues to work with local communities to secure land access to conduct its exploratory drilling activities in order to materialise the potential from such exploration targets.

The cash flows also assume additional capital investment in the processing plant, tailings facilities and mine development, expected cost reductions from operational improvement programs and estimated cost of obtaining access to land where the rights do not currently exist. The valuation includes certain significant upcoming projects which are subject to regulatory permits and approval.

The impairment assessment of the Las Bambas CGU at 30 June 2022 did not result in the recognition of any impairment, although a limited headroom was observed.

(iv) Sensitivity analysis

The success of converting reserves, resources, exploration targets and increasing the resource estimates over the life of the mine 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 can be determined. Changes to any of these assumptions would initially result in management managing the impact by amending the mine plan, however, there may still be an impact on the Fair Value and a consequent impairment loss.

At acquisition of Las Bambas in 2014, the initial valuation included significant value to be realised from exploration targets. Las Bambas' future cash flows remain significantly dependent on the realisation of such value from exploration activities. Identification and exploitation of resources and timely and continued access to drilling targets are of critical importance. 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.

Political instability and community disruption also continue to remain potential risks which may result in further interruption to operations and reduce the ability to access land required for carrying out exploration activities and ultimately the development of additional reserves in a timely manner. They may also cause delays to critical projects adversely impacting the timing and quantum of cashflows.

The Group 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.

Other key assumptions to which the calculation of recoverable amount for Las Bambas is most sensitive are discount rate, copper prices and operating costs.

A sensitivity analysis is presented below. 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.

- An increase of 1% to the discount rate would decrease recoverable amount by approximately US$750 million;
- An adverse change of 5% in copper price over the remaining mine life would decrease the recoverable amount by approximately US$1 billion; and
- An adverse change of 5% in operating and capital costs would decrease the recoverable amount by approximately US$650 million.

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.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

10. TRADE AND OTHER RECEIVABLES

At 30 June 2022, trade receivables of the Group mainly related to the mining operations with the balance of US$194.9 million (31 December 2021: US$63.9 million). 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 30 June 2022 and 31 December 2021 were within six months from the date of invoice and were measured at fair value at the balance sheet date which were subject to change in accordance with movements in the commodity price.

The Group's trade receivables with an amount of US$100.5 million (31 December 2021: US$19.8 million) was due from a related company of the Group (Note 15(c)). The carrying amounts of the Group's trade receivables are all denominated in US$.

11. SHARE CAPITAL

	NUMBER OF ORDINARY SHARES '000	SHARE CAPITAL US$ MILLION
Issued and fully paid:		
At 1 January 2021	8,067,034	2,917.6
Shares issued	565,000	299.0
Employee share options exercised	6,257	3.2
Employee performance awards vested	835	0.5
At 31 December 2021 (audited)	**8,639,126**	**3,220.3**
Employee performance awards vested[1]	641	0.2
At 30 June 2022 (unaudited)	**8,639,767**	**3,220.5**

1. For six months ended 30 June 2022, a total of 640,980 new shares were issued as a result of employee share options exercised at a weighted average exercise price of HK$2.29 per share under the Company's 2016 Share Options which were pursuant to 2013 Share Option Scheme. The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK$3.08 per share.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

12. RESERVES AND RETAINED PROFITS

US$ MILLION	Special capital reserve	Exchange translation reserve	Merger reserve[1]	Surplus reserve	Share-based payment reserve	Cash flow hedge reserve[2]	Other reserve	Total reserves	Retained profits	Total
At 1 January 2022 (audited)	9.4	2.7	(1,946.9)	50.1	8.9	13.6	(0.5)	(1,862.7)	572.9	(1,289.8)
Profit for the period	-	-	-	-	-	-	-	-	79.5	79.5
Other comprehensive income for the period	-	-	-	-	-	61.3	-	61.3	-	61.3
Total comprehensive income for the period	-	-	-	-	-	61.3	-	61.3	79.5	140.8
Provision of surplus reserve	-	-	-	0.1	-	-	-	0.1	(0.1)	-
Employee long-term incentives	-	-	-	-	(1.4)	-	-	(1.4)	-	(1.4)
Employee share options exercised	-	-	-	-	(0.1)	-	-	(0.1)	-	(0.1)
Total transactions with owners	-	-	-	0.1	(1.5)	-	-	(1.4)	(0.1)	(1.5)
At 30 June 2022 (unaudited)	9.4	2.7	(1,946.9)	50.2	7.4	74.9	(0.5)	(1,802.8)	652.3	(1,150.5)

1. Merger reserve represents the excess of investment cost in entities that have been accounted for under merger accounting for common control combinations in accordance with AG5 (Accounting Guideline 5 issued by the HKICPA) against their share capital.
2. 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 and are attributed to equity holders of the Company. For six months ended 30 June 2022, there was realised gains of US$0.3 million (2021: losses of US$5.5 million) which were transferred out to "revenue" from settlement of 2022 commodity hedge(Note 18(b)); There was realised losses of US$2.2 million (2021: US$3.0 million) which were transferred to "financial costs" from settlement of interest rate swap (Note 18(c)).

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

13. BORROWINGS

	30 JUNE 2022 (UNAUDITED) US$ MILLION	31 DECEMBER 2021 (AUDITED) US$ MILLION
Non-current		
Loans from related parties (Note 15(c))	2,531.3	2,531.3
Bank borrowings, net	2,299.3	3,107.7
	4,830.6	**5,639.0**
Current		
Bank borrowings, net	885.5	659.1
	885.5	**659.1**
Analysed as:		
-Secured[1]	2,982.1	3,812.0
-Unsecured	2,781.2	2,536.3
	5,763.3	**6,348.3**
Prepayments – finance charges	(47.2)	(50.2)
	5,716.1	**6,298.1**
Borrowings (excluding prepayments) are repayable as follows:		
- Within one year	891.3	665.1
- More than one year but not exceeding two years	1,242.3	1,406.6
- More than two years but not exceeding five years	2,591.6	2,844.5
- More than five years	1,038.1	1,432.1
	5,763.3	**6,348.3**
Prepayments – finance charges	(47.2)	(50.2)
Total (Note 18(e))	**5,716.1**	**6,298.1**

1. In June 2022, MLB made a prepayment on their project facility of US$500.0 million.

The effective interest rate of borrowings for six months ended 30 June 2022 was 4.2% (2021: 3.9%) per annum.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

14. TRADE AND OTHER PAYABLES

At 30 June 2022, the balance of the trade payables was US$222.7 million (31 December 2021: US$249.8 million), of which an amount of US$212.4 million (31 December 2021: US$247.0 million) was aged less than six months; and an amount of US$10.3 million (31 December 2021: US$2.8 million) was aged over six months.

15. SIGNIFICANT RELATED PARTY TRANSACTIONS

At 30 June 2022, 67.7% (31 December 2021: 67.7%) of the Company's shares were held by CMN through its subsidiary, Minmetals HK. The remainder 32.3% (31 December 2021: 32.3%) of the Company's shares 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 condensed consolidated interim financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties during the period.

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

	SIX MONTHS ENDED 30 JUNE	
	2022 (UNAUDITED) US$ MILLION	2021 (UNAUDITED) US$ MILLION
Sales		
Sales of non-ferrous metals	499.8	1,179.4
Commodity derivatives transaction		
(Loss)/gain on Commodity derivatives settlement	(4.2)	24.7
Purchases		
Purchases of consumables and services	(13.0)	(13.8)
Finance costs		
Finance costs (Note 5)	(46.8)	(49.3)

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

During six months ended 30 June 2022, the Group's significant transactions with other state-owned enterprises (excluding CMC and its subsidiaries) are sales of non-ferrous metals and purchases of consumables and the related receivables and payables balances. These transactions were based on terms as set out in the underlying agreements, on statutory rates, market prices, actual cost incurred, or as mutually agreed.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

(c) Significant related party balances

	30 JUNE 2022 (UNAUDITED) US$ MILLION	31 DECEMBER 2021 (AUDITED) US$ MILLION
Amounts payable to related parties		
Loan from Top Create[1] (Note 13)	2,261.3	2,261.3
Loan from Album Trading Company[2] (Note 13)	270.0	270.0
Interest payable to Top Create[1]	78.5	36.9
Interest payable to Album Trading Company[2]	0.6	0.3
Trade and other payable to CMN	2.7	4.4
	2,613.1	**2,572.9**
Amounts receivable from related parties		
Trade receivables from CMN (Note 10)	100.5	19.8
Other receivables from CMN	1.1	-
Prepayments from CMN	1.9	2.7
	103.5	**22.5**
Derivative financial assets to related parties	**31.5**	**0.9**
Derivative financial liabilities to related parties	**-**	**1.1**

1. The loan amount from Top Create represents the amounts drawn by the Company on 22 July 2014 (US$1,843.8 million) and 16 February 2015 (US$417.5 million) pursuant to a facility agreement dated 22 July 2014 between MMG SA and Top Create. In accordance with that agreement, a loan facility of up to US$2,262.0 million was made available to MMG SA, for a period of eleven years commencing on the date of the first drawdown of the loan. The loan repayments fall due in three separate tranches in July 2023 (US$700.0 million), July 2024 (US$700.0 million), and July 2025 (US$861.3 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 from Album Trading Company represents the amount drawn by the Company on 17 June 2021 under a project facility up to US$270.0 million maturing in June 2026. The facility incurs interest at LIBOR plus 2.7% per annum.

16. CAPITAL COMMITMENTS

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

	30 JUNE 2022 (UNAUDITED) US$ MILLION	31 DECEMBER 2021 (AUDITED) US$ MILLION
Property, plant and equipment		
Within one year	165.0	100.9
Over one year but not more than five years	42.8	34.4
	207.8	135.3

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

17. CONTINGENCIES

(a) Bank guarantees

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

At 30 June 2022, these guarantees amounted to US$295.0 million (31 December 2021: US$291.5 million).

(b) Contingent Liabilities - tax related contingencies

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

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

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

Included within such uncertain tax matters are audits of the 2014, 2015, 2016 and 9 months ended 30 September 2017 tax periods for MLB in relation to withholding taxes on fees paid under certain loans, which were provided to MLB pursuant to facility agreements entered into among MLB and a consortium of Chinese banks in connection with the acquisition of the Las Bambas mine in 2014. MLB received assessment notices from the Peruvian tax authority (National Superintendence of Tax Administration of Peru or "SUNAT"), which advised that, in its opinion, MLB and the Chinese banks are related parties and thus a 30% withholding tax rate ought to be imposed rather than the 4.99% applied. The assessments of omitted tax plus penalties and interest until the estimated date of Peru Tax Court resolution are PEN211.1 million (approximately US$55.7 million), PEN565.3 million (approximately US$149.2 million), PEN702.7 million (approximately US$185.5 million) and PEN516.0 million (approximately US$137.0 million) for 2014, 2015, 2016 and 2017 tax periods 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.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

18. FINANCIAL AND OTHER RISK MANAGEMENT

(a) Financial risk factors

The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the consolidated financial statements for the year ended 31 December 2021.

There have been no changes in the risk management policies since 31 December 2021.

(b) Commodity price risk

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

During the six months ended 30 June 2022, the Group entered into various commodity trades to hedge the sales prices for copper and zinc. The outstanding commodity trades included:

- Zero/low-cost collar hedges:
  - » 41,800 tons of zinc with put strike price ranging from US$3,300/ton to US$4,100 /ton and call strike price ranging from US$3,800/ton to US$4,600/ton;
  - » 34,500 tons of copper at put strike price ranging from US$9,500/ton to US$10,150/ton and call strike price ranging from US$10,300/ton to US$11,000/ton;
  - » Certain hedges will be settled in January to March 2023.

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

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

At 30 June 2022	Term	Carrying amount of hedging instrument US$ million	Favourable/(unfavourable) changes in fair value used for measuring ineffectiveness: Hedging instrument US$ million	Favourable/(unfavourable) changes in fair value used for measuring ineffectiveness: Hedged item US$ million	Settled portion of hedging instrument realised gains US$ million	Hedging gain recognised in cash flow hedge reserve[1] US$ million	Cost of hedging reserve US$ million
Cash flow hedges:							
Derivative financial assets	March 2022 to December 2022	56.1	51.0	(51.0)	0.3	36.7	3.7

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

NOTES TO CONDENSED CONSOLIDATED INTERIM 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 all other variables were held constant, the Group's post-tax profit and other comprehensive income (OCI) would have changed as set out below:

	FOR SIX MONTHS ENDED 30 JUNE					
	2022			2021		
Commodity	Commodity price movement	Increase in profit US$ million	Decrease in OCI US$ million	Commodity price movement	(Decrease)/ increase in profit US$ million	Decrease in OCI US$ million
Copper	+10%	15.4	(15.3)	+10%	(22.8)	(22.0)
Zinc	+10%	2.9	(5.2)	+10%	0.6	(6.1)
Total		**18.3**	**(20.5)**		**(22.2)**	**(28.1)**

Commodity	Commodity price movement	Decrease in profit US$ million	Increase in OCI US$ million	Commodity price movement	Increase/ (decrease) in profit US$ million	Increase in OCI US$ million
Copper	-10%	(15.3)	16.8	-10%	23.3	25.8
Zinc	-10%	(2.9)	5.8	-10%	(0.7)	5.7
Total		**(18.2)**	**22.6**		**22.6**	**31.5**

(c) Interest rate risk

The Group is exposed to interest rate risk primarily through interest bearing borrowings and investment of surplus cash holdings. Deposits and borrowings at variable rates expose the Group to cash flow interest rate risk. Details of the Group's borrowings are set out in Note 13.

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

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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

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

At 30 June 2022	Term	Notional amortising amount US$ million	Carrying amount of hedging instrument US$ million	Favourable/(unfavourable) changes in fair value used for measuring ineffectiveness: Hedging instrument US$ million	Favourable/(unfavourable) changes in fair value used for measuring ineffectiveness: Hedged item US$ million	Settled portion of hedging instrument realised losses US$ million	Hedging gains recognised in cash flow hedge reserve[2] US$ million	Hedge ineffectiveness recognised in profit or loss US$ million
<u>Cash flow hedges:</u>								
Derivative financial asset[1]	June 2020 - June 2025	1,760.0	100.0	68.2	(68.2)	(2.2)	46.4	-

1. In June 2020, the Group has entered into a notional US$2,100 million 5-year amortising interest rate swap with BOC Sydney. The purpose of the arrangement is to fix approximately half of the remaining interest rate exposure accompanying the floating interest rate MLB project facility (borrowings of US$2,942.0 million outstanding at 30 June 2022, maturing in July 2032) from CDB, ICBC, BOC Sydney and The Export-Import Bank of China for a period of 5 years. The interest rate swap hedge will amortise in line with the MLB project facility and swap the 6-month LIBOR exposure for a fixed rate (0.5568% per annum in the first year and 0.5425% per annum from the year two to year five).
2. The hedging gains recognised in cash flow hedge reserve is the amount after tax.

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:

	FOR SIX MONTHS ENDED 30 JUNE							
	2022				2021			
	+100 basis points		-100 basis points		+100 basis points		-100 basis points	
US$ MILLION	Increase/(decrease) in profit after tax	Increase in OCI	(Decrease)/increase in profit after tax	Decrease in OCI	Increase/(decrease) in profit after tax	Increase in OCI	Decrease in profit after tax	Decrease in OCI
Financial assets								
Cash and cash equivalents	3.4	-	(3.4)	-	5.5	-	(5.5)	-
Financial liabilities								
Borrowings (taking into account the impact of the interest rate swap)	(5.8)	18.4	5.8	(18.4)	(7.7)	39.6	(9.6)	(28.8)
Total	(2.4)	18.4	2.4	(18.4)	(2.2)	39.6	(15.1)	(28.8)

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

(d) Liquidity risk:

Compared to 31 December 2021, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

The Group has sufficient debt facilities to manage liquidity. The Group's available external debt facilities are subject to covenant compliance requirements. The Group was not in breach of covenant requirements in respect of the Group's borrowings at 30 June 2022. Certain financial covenants are measured with reference to the financial performance of the Group or its subsidiaries and may be influenced by future operational performance.

In addition, for six months ended 30 June 2022, the Las Bambas Joint Venture Group had an agreement with CMN and CITIC, each as direct or indirect off-takers of Las Bambas production, for early payment on cargoes already shipped and invoiced as well as pre-payments for inventory held at both port and site. Early payment and pre-payments are permitted up to an aggregate amount of US$268.0 million, allocated to each party in their respective off-take proportions.

(e) Fair value of financial instruments

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

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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

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

US$ MILLION	Amortised cost (assets)	Financial assets/ (liabilities) at fair value through profit or loss	Financial assets/ (liabilities) at fair value designated under cash flow hedge	Amortised cost (liabilities)	Total carrying value	Total fair value
As at 30 June 2022						
Financial assets						
Cash and cash equivalents	497.1	-	-	-	497.1	497.1
Trade receivables (Note 10)	-	194.9	-	-	194.9	194.9
Other receivables	289.0	-	-	-	289.0	289.0
Derivative financial assets	-	9.9	156.1	-	166.0	166.0
Other financial assets	-	1.7	-	-	1.7	1.7
Financial liabilities						
Trade and other payables	-	-	-	(690.4)	(690.4)	(690.4)
Borrowings (Note 13)	-	-	-	(5,716.1)	(5,716.1)	(5,939.6)
Lease liabilities	-	-	-	(121.0)	(121.0)	(121.0)
Total	786.1	206.5	156.1	(6,527.5)	(5,378.8)	(5,602.3)

US$ MILLION	Amortised cost (assets)	Financial assets/ (liabilities) at fair value through profit or loss	Financial assets/ (liabilities) at fair value designated under cash flow hedge	Amortised cost (liabilities)	Total carrying value	Total fair value
As at 31 December 2021						
Financial assets						
Cash and cash equivalents	1,255.3	-	-	-	1,255.3	1,255.3
Trade receivables (Note 10)	-	63.9	-	-	63.9	63.9
Other receivables	300.5	-	-	-	300.5	300.5
Derivative financial assets	-	0.9	31.8	-	32.7	32.7
Other financial assets	-	1.8	-	-	1.8	1.8
Financial liabilities						
Trade and other payables	-	-	-	(615.8)	(615.8)	(615.8)
Derivative financial liabilities	-	(4.9)	-	-	(4.9)	(4.9)
Borrowings (Note 13)	-	-	-	(6,298.1)	(6,298.1)	(6,623.8)
Lease liabilities	-	-	-	(131.1)	(131.1)	(131.1)
Total	1,555.8	61.7	31.8	(7,045.0)	(5,395.7)	(5,721.4)

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

(f) 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 as at 30 June 2022 and 31 December 2021.

US$ MILLION	Level 1	Level 2	Total
As at 30 June 2022			
Trade receivables (Note 10)	-	194.9	194.9
Derivative financial assets[1]	-	166.0	166.0
Financial assets at fair value through profit and loss – listed[2]	1.7	-	1.7
	1.7	360.9	362.6
At 31 December 2021			
Trade receivables (Note 10)	-	63.9	63.9
Derivative financial assets[1]	-	32.7	32.7
Derivative financial liabilities[1]	-	(4.9)	(4.9)
Financial assets at fair value through profit and loss – listed[2]	1.8	-	1.8
	1.8	91.7	93.5

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

1. 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 collar hedge is determined based on discounted future cash flows. Future cash flows are estimated based on London Metal Exchange contract future rates for commodities at the end of the reporting period and contracted commodity prices, discounted at a rate that reflects time value.
2. 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.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

(g) Country and community risks

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

The DRC Government during 2018 made changes to the 2002 Mining Code and Mining Regulations. These changes were enacted (2018 Mining Code) and continue to result in an increased tax burden on mining companies; In Peru, Las Bambas faced continuous community disruptions during the first half of 2022 which resulted in 97 days of road blockades and 51 days of full operation cessation. Over the past decades, Peru has also experienced heightened political instability with succession of regimes with differing political policies. As the community disruptions and political situation are expected to evolve in the second half of 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 the Las Bambas operations.

19. EVENTS AFTER THE REPORTING DATE

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.

20. RECLASSIFICATION

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