

INDEPENDENT AUDITOR'S REPORT

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To the Members of MMG Limited

(incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of MMG Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 115 to 200, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key audit matters

How our audit addressed the key audit matters

Impairment of goodwill and other non-current assets – Las Bambas

We identified the impairment of goodwill and other non-current assets for the Las Bambas cash generating unit ("CGU") as a key audit matter due to the significance of these balances in the Group's consolidated statement of financial position. In addition, the estimation of recoverable amount of the Las Bambas CGU involves complex and subjective estimates based on management's judgement of key variables and market conditions such as future commodity prices, future exchange rates, future operating performance, the timing and approval of future capital and operating expenditure, and the discount rate.

As at 31 December 2022, the Las Bambas CGU has segment non-current assets, which mainly comprise of property, plant and equipment and goodwill, details of which are set out in notes 4, 12 and 14 to the consolidated financial statements.

Goodwill is required to be tested for impairment annually. As a result, management completed impairment testing for the Las Bambas CGU as at 31 December 2022. Following management's assessment, no impairment has been recognised for the year ended 31 December 2022.

Our procedures in relation to the impairment assessment of goodwill and other non-current assets for the Las Bambas CGU included:

- Testing key controls over the valuation of the Las Bambas CGU's non-financial assets and goodwill, including those to determine asset impairments;
- Working with valuation specialists to:
 - Evaluate the appropriateness of the model used by management to calculate the fair value less cost of disposal of the Las Bambas CGU;
 - Assess and challenge the reasonableness of the key assumptions such as forecast commodity prices, discount rates, including country specific risk rates used, and comparing them to external market data;
 - Review and assess the appropriateness of mining-based assumptions, including dilution and recovery rates, ore grades and ramp-up profiles included within the models; and
 - Challenge management's sensitivity analysis on key variables (e.g. commodity pricing and discount rate).
- Analysing the future projected cash flows used in the model to determine whether they are reasonable and supportable given the current macroeconomic climate, the political environment in Peru and the expected future performance of the Las Bambas CGU;
- Evaluating the competence and objectivity of management's experts who assisted in the valuation, including those who prepared the resource and reserve estimates;
- Evaluating comparable market transactions that support the valuation of exploration potential value included in the Las Bambas CGU; and
- Assessing the appropriateness of the related disclosures included in notes 4, 12 and 14 to the consolidated financial statements.

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Accounting for uncertain tax matters

We identified the accounting for uncertain tax matters as a key audit matter due to the Group's related party relationships and associated tax implications of substantial transactions, the significant judgement involved in the determination of the tax positions and the relevant estimates and assumptions in light of the number of jurisdictions in which the Group operates, including judgement concerning residency of key operations and holding companies, application of transfer pricing rules, the recognition of deferred income tax assets, the taxation impacts of any corporate restructurings and the recognition and measurement of provisions for tax exposures that may arise and associated disclosures.

This gives rise to complexity and uncertainty in respect of the calculation of income taxes and deferred taxation and consideration of contingent liabilities associated with tax years open to audit.

As at 31 December 2022, the Group operates across a number of jurisdictions and is subject to periodic challenges by local tax authorities on a range of tax matters during the normal course of business, including transfer pricing, indirect taxes, change of taxation laws, and transaction related tax matters as disclosed in notes 3.2(a), 8, 18, 19, 35 and 36 to the consolidated financial statements.

Our procedures in relation to the accounting for uncertain tax matters included:

- Testing key controls relating to the accounting for and the disclosure of tax related transactions and matters;
- Working with tax specialists in Australia, Peru and Democratic Republic of Congo to evaluate the Group's tax obligations, review tax computations of the Group, obtain an understanding of the current status of tax assessments and investigations and to evaluate developments in ongoing tax disputes, if any;
- Assessing the recognition and measurement of any relevant deferred tax assets, deferred tax liabilities and current provisions for tax;
- Reading recent rulings, correspondence with local tax authorities and the advices from management's external tax advisors with the assistance from our tax specialists, to satisfy ourselves that the tax provisions recognised or contingent liabilities disclosed have been appropriately recorded or adjusted to reflect the latest external developments;
- Assessing the Group's related party relationships for any transactions and associated tax implications outside the normal course of business; and
- Assessing the appropriateness of the related disclosures included in notes 3.2(a), 8, 18, 19, 35 and 36 to the consolidated financial statements.

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Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Tsang Yiu Chung.



Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
7 March 2023