FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS

		Six Months Ended 30 June	
	Notes	2023 (Unaudited) US$ Million	2022 (Unaudited) US$ Million
Revenue	3	1,896.2	1,408.0
Other income/(loss)		2.6	(1.6)
Expenses (excluding depreciation and amortisation)	4	(1,263.0)	(754.7)
Earnings before interest, income tax, depreciation and amortisation expenses – EBITDA		**635.8**	**651.7**
Depreciation and amortisation expenses	4	(445.9)	(351.1)
Earnings before interest and income tax – EBIT		**189.9**	**300.6**
Finance income	5	4.3	3.4
Finance costs	5	(184.6)	(140.5)
Profit before income tax		**9.6**	**163.5**
Income tax expense	6	(34.5)	(73.7)
(Loss)/profit for the period		**(24.9)**	**89.8**
(Loss)/profit for the period attributable to:			
Equity holders of the Company		(58.8)	79.5
Non-controlling interests		33.9	10.3
		(24.9)	**89.8**
(Loss)/earnings per share attributable to the equity holders of the Company			
Basic (loss)/earnings per share	7	US (0.68) cents	US 0.92 cents
Diluted (loss)/earnings per share	7	US (0.68) cents	US 0.92 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	
	2023 (Unaudited) US$ Million	2022 (Unaudited) US$ Million
(Loss)/profit for the period	**(24.9)**	**89.8**
Other comprehensive (expense)/income		
Items that may be reclassified to profit or loss		
Movement on hedging instruments designated as cash flow hedges	(4.6)	124.2
Income tax credit/(expense) relating to cash flow hedges	1.4	(37.6)
Item that will not be reclassified to profit or loss		
Remeasurement on the net defined benefit liability	(0.9)	-
Other comprehensive (loss)/income for the period, net of income tax	**(4.1)**	**86.6**
Total comprehensive (loss)/income for the period	**(29.0)**	**176.4**
Total comprehensive (loss)/income attributable to:		
Equity holders of the Company	(61.7)	140.8
Non-controlling interests	32.7	35.6
	(29.0)	**176.4**

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 2023 (Unaudited) US$ Million	As at 31 December 2022 (Audited) US$ Million
ASSETS			
Non-current assets			
Property, plant and equipment	9	9,378.2	9,509.4
Right-of-use assets		122.2	111.2
Intangible assets		533.4	534.2
Inventories		127.6	122.2
Deferred income tax assets		243.4	315.7
Other receivables		177.5	167.5
Derivative financial assets	11	-	113.9
Other financial assets		2.0	1.5
Total non-current assets		**10,584.3**	**10,875.6**
Current assets			
Inventories		723.8	872.6
Trade and other receivables	12	821.2	342.5
Current income tax assets		47.0	60.5
Derivative financial assets	11	18.8	12.1
Cash and cash equivalents		523.7	372.2
Total current assets		**2,134.5**	**1,659.9**
Total assets		**12,718.8**	**12,535.5**
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	13	3,224.6	3,220.5
Reserves and retained profits	14	(1,147.2)	(1,081.5)
		2,077.4	**2,139.0**
Non-controlling interests	10	2,122.2	2,089.5
Total equity		**4,199.6**	**4,228.5**

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 2023 (Unaudited) US$ Million	As at 31 December 2022 (Audited) US$ Million
LIABILITIES			
Non-current liabilities			
Borrowings	15	3,993.5	4,209.6
Lease liabilities		127.4	117.4
Provisions		621.2	599.2
Trade and other payables	16	243.6	217.5
Deferred income tax liabilities		1,123.9	1,208.0
Total non-current liabilities		**6,109.6**	**6,351.7**
Current liabilities			
Borrowings	15	1,587.1	1,203.0
Lease liabilities		23.0	21.3
Provisions		82.8	81.0
Derivative financial liabilities	11	-	0.3
Trade and other payables	16	657.5	535.5
Current income tax liabilities		59.2	114.2
Total current liabilities		**2,409.6**	**1,955.3**
Total liabilities		**8,519.2**	**8,307.0**
Net current liabilities		**(275.1)**	**(295.4)**
Total equity and liabilities		**12,718.8**	**12,535.5**

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	For Six Months Ended 30 June 2023 (Unaudited)					
	Attributable to Equity Holders of the Company					
US$ Million	Share Capital	Total Reserves	Retained Profits	Total	Non-Controlling Interests	Total Equity
	(Note 13)	(Note 14)	(Note 14)			
At 1 January 2023	**3,220.5**	**(1,826.7)**	**745.2**	**2,139.0**	**2,089.5**	**4,228.5**
(Loss)/profit for the period	-	-	(58.8)	**(58.8)**	33.9	**(24.9)**
Other comprehensive loss for the period	-	(2.9)	-	**(2.9)**	(1.2)	**(4.1)**
Total comprehensive (loss)/ income for the period	**-**	**(2.9)**	**(58.8)**	**(61.7)**	**32.7**	**(29.0)**
Transactions with owners						
Employee long-term incentives	-	(1.1)	-	**(1.1)**	-	**(1.1)**
Employee share options and performance awards exercised and vested	4.1	(2.9)	-	**1.2**	-	**1.2**
Employee share options lapsed	-	(0.1)	0.1	**-**	-	**-**
Total transactions with owners	**4.1**	**(4.1)**	**0.1**	**0.1**	**-**	**0.1**
At 30 June 2023	**3,224.6**	**(1,833.7)**	**686.5**	**2,077.4**	**2,122.2**	**4,199.6**

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

	For Six Months Ended 30 June 2022 (Unaudited)					
	Attributable to Equity Holders of the Company					
US$ Million	Share Capital	Total Reserves	Retained Profits	Total	Non-Controlling Interests	Total Equity
	(Note 13)	(Note 14)	(Note 14)			
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						
Transfer 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 the condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	Six Months Ended 30 June	
	2023 (Unaudited) US$ Million	2022 (Unaudited) US$ Million
Cash flows from operating activities		
Receipts from customers	1,719.3	1,430.4
Payments to suppliers and employees	(1,217.6)	(1,061.1)
Payments for exploration expenditure	(22.5)	(10.8)
Income tax paid	(35.6)	(212.0)
Net settlement of commodity hedges	(18.0)	(11.7)
Net cash generated from operating activities	**425.6**	**134.8**
Cash flows from investing activities		
Purchase of property, plant and equipment	(302.1)	(204.1)
Purchase of intangible assets	-	(1.0)
Net cash used in investing activities	**(302.1)**	**(205.1)**
Cash flows from financing activities		
Proceeds from external borrowings	800.0	250.0
Repayments of external borrowings	(434.9)	(835.0)
Repayments of related party borrowings	(200.0)	-
Net settlement of interest rate swap	36.3	(2.2)
Proceeds from shares issued upon exercise of employee share options	1.2	0.1
Repayment of lease liabilities	(19.2)	(15.9)
Interest and financing costs paid on external borrowings	(139.6)	(79.8)
Interest and financing costs paid on related party borrowings	(12.5)	(4.1)
Withholding taxes paid in respect of financing arrangements	(5.9)	(4.3)
Interest received	2.6	3.3
Net cash generated from/(used in) financing activities	**28.0**	**(687.9)**
Net increase/(decrease) in cash and cash equivalents	**151.5**	**(758.2)**
Cash and cash equivalents at 1 January	372.2	1,255.3
Cash and cash equivalents at 30 June	**523.7**	**497.1**

The accompanying notes are an integral part of the condensed consolidated interim 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 2023 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 2023 are presented in United States Dollars ("US$" or "USD") unless otherwise stated and were approved for issue by the Board of Directors of the Company (the "Board") on 15 August 2023.

The financial information relating to the year ended 31 December 2022 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 2022 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 2023 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 2023 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 2022, which were 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 the 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 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.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONTINUED

At 30 June 2023, the Group had net current liabilities of US$275.1 million (31 December 2022: US$295.4 million) and cash and cash equivalents of US$523.7 million (31 December 2022: US$372.2 million). For six months ended 30 June 2023, the Group recognised a net loss of US$24.9 million (30 June 2022: net profit of US$89.8 million) and operational net cash inflows of US$425.6 million (30 June 2022: US$134.8 million).

Cash flow forecasts include drawdowns from existing and new credit facilities and the successful extension of revolving credit facilities ("RCF"). With the inclusion of these assumptions, the Group will have sufficient liquidity to meet its operational, existing contractual debt service and capital expenditure requirements for the 12-month period from the approval of the condensed consolidated interim financial statements.

Management notes the following considerations, relevant to the Group's ability to continue as a going concern:

- The Group has US$775.0 million undrawn facilities as at 30 June 2023:
  - A US$350.0 million undrawn RCF from Album Enterprises Limited ("Album Enterprises") (a subsidiary of China Minmetals Non-ferrous Metals Co., Ltd ("CMN")). This facility was successfully extended for 1 year and will expire in August 2024;
  - A new US$275.0 million undrawn RCF from BOC which will expire in April 2026;
  - A new US$150.0 million undrawn RCF from ICBC made up from three tranches of US$50.0 million each set to expire in March, May and June 2026;
- The Group expects to obtain, renew or extend a number of facilities:
  - A new US$100 million Term Loan Facility with an external bank. Documents have been finalised and are in the execution phase;
  - A new US$300 million Term Loan Facility from Top Create Resources Limited ("Top Create") (a subsidiary of CMN) which has been finalised but waiting for Top Create's registration approval from the Ministry of Commerce of China. This facility supports the Kinsevere Expansion Project ("KEP") project;
  - A new RCF of up to US$200 million currently being negotiated with a potential new lender;
  - Renewal of an existing US$800.0 million RCF from external banks, currently being negotiated prior to its maturity date of October 2023. As at 30 June 2023, US$550 million was drawn, however the balance of US$250.0 million is no longer available for draw down due to the facility documentation not being amended to US Secured Overnight Financing Rate ("SOFR"). The transition to SOFR will occur as part of the facility's renewal; and
  - Renewal of an existing US$300.0 million RCF from ICBC. This facility was fully drawn at 30 June 2023 and is maturing in December 2023. The Group has negotiated to extend the expiry date and potentially increase the facility by an additional US$200.0 million. Lender approval is expected by end of August followed by finalisation of the facility agreement and execution.
- The Group's major shareholder, CMN remains committed to supporting the Group's liquidity. In July 2023, CMN provided additional flexibility for the US$2,161.3 million loan provided by Top Create. This allowed for repayments to be deferred in support of the Group's liquidity for the term of the loan.

In the event that forecast cash flow is not achieved or if existing or expected new debt facilities are insufficient or not obtained in a timely manner, the Group has the ongoing support of its major shareholder, CMN. Support to the Group may be in the form of providing additional debt facilities, deferral of debt service and repayment obligations in relation to existing shareholder loans from CMN, early payments for shipments of product or through further equity contributions.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONTINUED

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, the directors are 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 the 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 2022, except for the adoption of new amendments to the existing standards as set out below.

Amendments to existing standards effective and adopted in 2023

In the current interim period, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendment to HKAS 8	Definition of Accounting Estimates
Amendment to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

In addition, the Group applied the following agenda decision of the Committee of the International Accounting Standards Board ("IASB") which are relevant to the Group:

Definition of a Lease – Substitution Rights (HKFRS 16 Leases)

The application of above amendments and the Committee's agenda decision 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.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONTINUED

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 2022.

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 2023 are as follows:

US$ Million	Las Bambas	Kinsevere	Dugald River	Rosebery	Other Unallocated Items/ Eliminations	Group
Revenue by metals						
-*Copper*[1]	1,248.0	178.4[3]	-	4.1	1.5	**1,432.0**
-*Zinc*[2]	-	-	106.7	38.3	-	**145.0**
-*Lead*	-	-	13.7	11.5	-	**25.2**
-*Gold*	79.3	-	-	25.0	-	**104.3**
-*Silver*	50.9	-	12.3	24.3	-	**87.5**
-*Molybdenum*	102.2	-	-	-	-	**102.2**
Revenue from contracts with customers	**1,480.4**	**178.4**	**132.7**	**103.2**	**1.5**	**1,896.2**
EBITDA	**643.0**	**(13.8)**	**(26.4)**	**35.6**	**(2.6)**	**635.8**
Depreciation and amortisation expenses	(390.8)	(8.3)	(23.6)	(26.7)	3.5	**(445.9)**
EBIT	**252.2**	**(22.1)**	**(50.0)**	**8.9**	**0.9**	**189.9**
Finance income						4.3
Finance costs						(184.6)
Income tax expense						(34.5)
Loss for the period						**(24.9)**

The segment assets and liabilities as at 30 June 2023 are as follows:

US$ Million	Las Bambas	Kinsevere	Dugald River	Rosebery	Other Unallocated Items/ Eliminations	Group
Segment assets	**9,990.6**	**683.1**	**633.8**	**272.0**	**848.9**[4]	**12,428.4**
Current/deferred income tax assets						290.4
Consolidated assets						**12,718.8**
Segment liabilities	**3,902.0**	**290.2**	**369.2**	**174.2**	**2,600.5**[5]	**7,336.1**
Current/deferred income tax liabilities						1,183.1
Consolidated liabilities						**8,519.2**
Segment non-current assets	**8,855.4**	**536.6**	**591.1**	**238.3**	**362.9**	**10,584.3**

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONTINUED

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

US$ Million	Las Bambas	Kinsevere	Dugald River	Rosebery	Other Unallocated Items/ Eliminations	Group
Revenue by metals						
-Copper[1]	689.5	202.2[3]	-	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 31 December 2022 are as follows:

US$ Million	Las Bambas	Kinsevere	Dugald River	Rosebery	Other Unallocated Items/ Eliminations	Group
Segment assets	**10,275.6**	**539.6**	**654.3**	**276.1**	**413.7**[4]	**12,159.3**
Current/deferred income tax assets						376.2
Consolidated assets						**12,535.5**
Segment liabilities	**3,965.4**	**240.2**	**358.4**	**175.4**	**2,245.4**[5]	**6,984.8**
Current/deferred income tax liabilities						1,322.2
Consolidated liabilities						**8,307.0**
Segment non-current assets	**9,231.8**	**387.6**	**583.1**	**245.3**	**427.8**	**10,875.6**

1 Commodity derivative realised and unrealised net losses with a total amount of US$28.3 million (2022: net gains of US$2.4 million) were included in "Revenue" of Copper;
2 Commodity derivative realised and unrealised net losses with a total amount of US$3.0 million (2022: net gains of US$2.3 million) were included in "Revenue" of Zinc;
3 Commodity hedge trades with realised and unrealised net losses of US$0.1 million (2022: gains of US$7.0 million) under "Kinsevere" were executed by another subsidiary of the Company, MMG Finance Limited located in Hong Kong;
4 Included in segment assets of US$848.9 million (31 December 2022: US$413.7 million) under the other unallocated items is cash of US$323.4 million (31 December 2022: US$171.7 million) mainly held at Group's treasury entities and trade receivables of US$366.9 million (31 December 2022: US$102.9 million) for MMG South America Company Limited ("MMG SA") in relation to copper concentrate sales; and
5 Included in segment liabilities of US$2,600.5 million (31 December 2022: US$2,245.4 million) under the other unallocated items are borrowings of US$2,461.1 million (31 December 2022: US$2,160.9 million) which are managed at Group level.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONTINUED

4. EXPENSES

Profit before income tax includes the following specific expenses:

	Six Months Ended 30 June	
	2023 (Unaudited) US$ Million	2022 (Unaudited) US$ Million
Changes in inventories of finished goods and work in progress	144.8	(68.2)
Write-down of inventories to net realisable value	18.8	2.6
Employee benefit expenses[1]	150.1	116.9
Contracting and consulting expenses[3]	274.0	230.1
Energy costs	178.6	117.2
Stores and consumables costs	238.0	162.3
Depreciation and amortisation expenses[2]	437.3	342.2
Other production expenses[3]	102.7	72.7
Cost of goods sold	**1,544.3**	**975.8**
Other operating expenses[1]	24.1	13.4
Royalties	64.5	56.7
Selling expenses[3]	61.5	58.1
Operating expenses including depreciation and amortisation[4]	**1,694.4**	**1,104.0**
Exploration expenses[1,2,3]	25.0	10.8
Administrative expenses[1,3]	3.3	5.5
Foreign exchange gains – net	(19.7)	(22.1)
(Gain)/loss on financial assets at fair value through profit or loss	(0.5)	0.1
Other expenses[1,2,3]	6.4	7.5
Total expenses	**1,708.9**	**1,105.8**

1 In aggregate, US$22.0 million (2022: US$18.7 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$172.1 million (2022: US$135.6 million).
2 In aggregate, US$8.6 million (2022: US$8.9 million) of depreciation and amortisation expenses were included in exploration expenses and other expenses categories. Total depreciation and amortisation expenses were US$445.9 million (2022: US$351.1 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$50.5 million (2022: US$13.7 million) in respect of variable lease payments, US$0.4 million (2022: US$1.0 million) for short-term leases and US$2.9 million (2022: 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	
	2023 (Unaudited) US$ Million	2022 (Unaudited) US$ Million
Finance income		
Interest income on cash and cash equivalents	4.3	3.4
Finance income – total	**4.3**	**3.4**
Finance costs		
Interest expense on bank borrowings	(105.4)	(81.2)
Interest expense on related party borrowings (Note 17(a))	(51.9)	(46.0)
Withholding taxes in respect of financing arrangements	(7.9)	(4.4)
Unwinding of discount on provisions	(11.3)	(5.1)
Unwinding of interest on lease liabilities	(6.4)	(5.9)
Other external finance (costs)/refund – net	(2.6)	2.9
Other related party finance costs (Note 17(a))	(0.8)	(0.8)
	(186.3)	**(140.5)**
Gain reclassified from equity to profit or loss on interest rate swaps designated as cash flow hedges (Note 11)	1.7	-
Finance costs – total	**(184.6)**	**(140.5)**

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONTINUED

6. INCOME TAX EXPENSE

Hong Kong profits tax is provided at a rate of 16.5 per cent 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 per cent), Peru (32.0 per cent) and DRC (30.0 per cent). 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	
	2023 (Unaudited) US$ Million	2022 (Unaudited) US$ Million
Current income tax expense		
– HK income tax	0.8	0.1
– Overseas income tax	44.1	63.8
	44.9	**63.9**
Deferred income tax (credit)/expense		
– HK income tax	(0.8)	1.1
– Overseas income tax	(9.6)	8.7
	(10.4)	**9.8**
Income tax expense	**34.5**	**73.7**

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONTINUED

7. (LOSS)/EARNINGS PER SHARE

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

Diluted loss/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. However, for the period ended 30 June 2023, no conversion of dilutive potential ordinary shares was assumed as it would result in a decrease in the loss per share.

	Six Months Ended 30 June	
	2023 (Unaudited) US$ Million	2022 (Unaudited) US$ Million
(Loss)/profit attributable to equity holders of the Company in the calculation of basic and diluted (loss)/earnings per share	(58.8)	79.5
	Number of Shares '000	Number of Shares '000
Weighted average number of ordinary shares used in the calculation of the basic (loss)/earnings per share	8,642,932	8,639,467
Shares deemed to be issued in respect of long-term incentive equity plans	-	44,644
Weighted average number of ordinary shares used in the calculation of the diluted (loss)/earnings per share	8,642,932	8,684,111
Basic (loss)/earnings per share	**US (0.68) cents**	**US 0.92 cents**
Diluted (loss)/earnings per share	**US (0.68) cents**	**US 0.92 cents**

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONTINUED

8. DIVIDENDS

The Directors did not recommend the payment of any dividends during the six months ended 30 June 2023 (2022: nil).

9. PROPERTY, PLANT AND EQUIPMENT

Six Months Ended 30 June 2023 (Unaudited)	US$ Million
Net book amount at 1 January 2023	9,509.4
Additions	300.6
Depreciation and amortisation	(431.4)
Disposals[1]	(0.4)
Net book amount at 30 June 2023	**9,378.2**

1 For 6 months ended 30 June 2023, there was a net loss of US$0.4 million (2022: US$0.2 million) from disposals of property, plant and equipment.

Impairment review of non-current assets and goodwill

In accordance with the Group's accounting policies and processes, the Group performs its annual impairment assessment at 31 December. Additionally, the 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.

Management of the Group has reviewed indicators for impairment across all of the Group's CGUs as at 30 June 2023. Management of the Group has concluded that no indicators for impairment or impairment reversal were identified during the reporting period in respect of any of the Group's CGUs. Therefore, no impairment assessment for any of the CGUs was performed at 30 June 2023.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONTINUED

10. PRINCIPAL SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

The Group had total non-controlling interests of US$2,122.2 million at 30 June 2023 (31 December 2022: US$2,089.5 million) which relate to the Las Bambas Joint Venture Group.

The summarised financial information is shown on a 100 per cent 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.

Summarised Consolidated Statement of Financial Position

	30 June 2023 (Unaudited) US$ Million	31 December 2022 (Audited) US$ Million
Assets	**10,629.8**	**10,684.4**
Current	1,623.2	1,224.1
Include: Cash and cash equivalents	182.7	171.8
Non-current	9,006.6	9,460.3
Liabilities	**(4,970.7)**	**(5,111.9)**
Current	(1,500.3)	(1,391.4)
Non-current	(3,470.4)	(3,720.5)
Net assets	**5,659.1**	**5,572.5**

Summarised Consolidated Statement of Comprehensive Income

	Six Months Ended 30 June	
	2023 (Unaudited) US$ Million	2022 (Audited) US$ Million
Revenue	1,480.4	805.0
Net financial cost	(115.7)	(84.4)
Income tax expense	(46.3)	(5.0)
Profit for the period	**89.7**	**27.3**
Other comprehensive (loss)/income for the period, net of tax	(3.2)	67.8
Total comprehensive income	**86.5**	**95.1**
Total comprehensive income attributable to:		
Equity holders of the Company	53.8	59.5
Non-controlling interests	32.7	35.6
	86.5	**95.1**

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONTINUED

11. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

	30 June 2023	31 December 2022
	US$ Million	US$ Million
Assets		
Non-current		
Interest rate swap[1]	-	113.9
Current		
Commodity derivative-Copper	18.8	8.1
Commodity derivative-Zinc	-	4.0
	18.8	**126.0**
Liabilities		
Current		
Commodity derivative-Copper	-	(0.3)
	-	**(0.3)**

1 In June 2020, the Group has entered into a notional US$2,100 million 5-year amortising interest rate swap ("IRS") with Bank of China, Sydney branch ("BOC Sydney"). The purpose of the arrangement was to fix approximately half of the interest rate exposure accompanying the floating interest rate project facility at Las Bambas for a period of 5 years. The IRS was designated as a cash flow hedge and consequently fair value changes were initially recognised under other comprehensive income ("OCI") and recycled to the profit and loss when realised in accordance with the repayment schedule on the project facility.

In June 2023, management closed the IRS. As at the date of closure, the IRS had a positive valuation of $96.0 million which was recognised as under 'other receivables' as at 30 June 2023 with cash proceeds received on 3 July 2023. Fair value gains on the IRS are retained in the OCI and will be recycled to profit and loss over the life of the original IRS based on the cashflow profile of the IRS at the time of closure. As at 30 June 2023, the OCI remaining balance is US$64.1 million.

For 6 months ended 30 June 2023, post-tax OCI from IRS contracts was a loss of US$13.4 million (2022: gain of US$46.4 million); post-tax OCI from commodity hedges which was designated as cash flow hedge was US$10.2 million (2022: US$40.2 million). Refer to Note 20.1 (a) for further details.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONTINUED

12. TRADE AND OTHER RECEIVABLES

At 30 June 2023, trade receivables of the Group included in "Trade and other receivables" mainly related to the mining operations with the balance of US$538.5 million (31 December 2022: US$212.7 million). The majority of sales for mining operations were made under contractual arrangements whereby provisional documents are issued in line with requirement under the sales contract. The sales amount related to provision invoice is usually received within 30 days of submission of all required documentation and fulfilment of obligations under the respective incoterm for the sales; Upon issuance of final invoice at end of the quotational period, any remaining balance is then receivable within 30 days from such final invoice being issued. All the trade receivables at 30 June 2023 and 31 December 2022 were aged within six months from the date of invoice and were measured at fair value at the balance sheet date as these are subject to change in accordance with movements in the commodity price.

The Group's trade receivables, other receivables and prepayments with an amount of US$321.7 million (31 December 2022: US$106.4 million) were from a related company of the Group (Note 17(c)). The carrying amounts of the Group's trade receivables are all denominated in US$.

Other receivables included US$96.0 million from the IRS closure as of 30 June 2023. The full amount was received on 3 July 2023. Refer to Note 11 for further details.

13. SHARE CAPITAL

	Number of Ordinary Shares '000	Share Capital US$ Million
Issued and fully paid:		
At 1 January 2022	8,639,126	3,220.3
Employee share options exercised	641	0.2
At 31 December 2022 (audited)	**8,639,767**	**3,220.5**
Employee share options and performance awards exercised and vested[1]	16,280	4.1
At 30 June 2023 (unaudited)	**8,656,047**	**3,224.6**

1 For six months ended 30 June 2023, a total of 3,158,983 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$2.83 per share; a total of 13,120,972 new shares were issued as a result of 2020 Performance Awards vesting on 1 June 2023.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONTINUED

14. RESERVES AND RETAINED PROFITS

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	Retained Profits	Total
At 1 January 2023 (audited)	**9.4**	**2.7**	**(1,946.9)**	**50.2**	**9.9**	**48.5**	**(0.5)**	**(1,826.7)**	**745.2**	**(1,081.5)**
Loss for the period	-	-	-	-	-	-	-	**-**	(58.8)	**(58.8)**
Other comprehensive loss for the period	-	-	-	-	-	(2.0)	(0.9)	**(2.9)**	-	**(2.9)**
Total comprehensive loss for the period	**-**	**-**	**-**	**-**	**-**	**(2.0)**	**(0.9)**	**(2.9)**	**(58.8)**	**(61.7)**
Employee long-term incentives	-	-	-	-	(1.1)	-	-	**(1.1)**	-	**(1.1)**
Employee share options and performance awards exercised	-	-	-	-	(2.9)	-	-	**(2.9)**	-	**(2.9)**
Employee share options lapsed	-	-	-	-	(0.1)	-	-	**(0.1)**	0.1	**-**
Total transactions with owners	**-**	**-**	**-**	**-**	**(4.1)**	**-**	**-**	**(4.1)**	**0.1**	**(4.0)**
At 30 June 2023 (unaudited)	**9.4**	**2.7**	**(1,946.9)**	**50.2**	**5.8**	**46.5**	**(1.4)**	**(1,833.7)**	**686.5**	**(1,147.2)**

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	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**
Transfer 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 In Peru, according to the General Law of Companies, 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; In China, the Economic Law requires the company to transfer 10% of the net income to surplus reserve until reaching an amount to half of its capital; and

3 The cashflow hedge reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge including commodity hedge and IRS that are determined to be effective and are attributed to equity holders of the Company. For six months ended 30 June 2023, there were realised gains of US$38.0 million (2022: loss of US$2.2 million) which were transferred to "financial costs" from settlements of IRS; There were realised gains of US$2.6 million (2022: US$0.3 million) which were transferred to "revenue" from settlement of commodity hedge (Note 20.1(a)).

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONTINUED

15. BORROWINGS

	30 June 2023 (Unaudited) US$ Million	31 December 2022 (Audited) US$ Million
Non-current		
Loans from related parties (Note 17(c))	2,231.3	2,231.3
Bank borrowings, net	1,762.2	1,978.3
	3,993.5	**4,209.6**
Current		
Loan from related parties (Note 17(c), 21)	200.0	400.0
Bank borrowings, net	1,387.1	803.0
	1,587.1	**1,203.0**
Analysed as:		
- Secured	2,340.7	2,675.7
- Unsecured	3,281.3	2,781.2
	5,622.0	**5,456.9**
Prepayments – finance charges	(41.4)	(44.3)
	5,580.6	**5,412.6**
Borrowings (excluding prepayments) are repayable as follows:		
- Within one year	1,592.3	1,208.8
- More than one year but not exceeding two years	1,026.8	1,136.8
- More than two years but not exceeding five years	2,181.6	2,181.6
- More than five years	821.3	929.7
	5,622.0	**5,456.9**
Prepayments – finance charges	(41.4)	(44.3)
Total (Note 20(d))	**5,580.6**	**5,412.6**

The effective interest rate of borrowings for six months ended 30 June 2023 was 5.2 per cent (2022: 4.2 per cent) per annum.

A fundamental reform of major interest rate benchmarks has been undertaken globally to replace some interbank offered rates ("IBORs") with alternative nearly risk-free rates. As at 30 June 2023, the London Interbank Offered Rate ("LIBOR") has ceased to be published. As such, the Group has finalised its US dollar LIBOR replacement to SOFR in respect of key existing borrowings and certain operating contracts that had LIBOR provisions actively used.

In the first half of 2023, the Group transitioned US$2,605.2 million bank borrowings and US$350.0 million undrawn facility to SOFR with a credit adjustment spread. No other terms were amended as part of the transition. The Group accounted for the change to SOFR using the practical expedient in IFRS 9, which allows the Group to change the basis for determining the contractual cash flows prospectively by revising the effective interest rate. Refer to note 20.1(b). For the remaining borrowings with variable interest rates, given these facilities mature in the second half of 2023 and are expected to be extended or renewed, the interest rates will be transitioned to SOFR as part of each facility's extension or renewal.

The Group also updated certain sales, supply and trade finance contracts that refer to LIBOR to calculate interest or interest on receiving early payments. These have been transitioned to Term SOFR plus a credit adjustment spread for trade finance contracts.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONTINUED

16. TRADE AND OTHER PAYABLES

At 30 June 2023, the balance of the trade payables included in "Trade and other payables" was US$307.9 million (31 December 2022: US$272.3 million), of which US$304.7 million (31 December 2022: US$271.9 million) was aged less than six months.

17. SIGNIFICANT RELATED PARTY TRANSACTIONS

At 30 June 2023, 67.6 per cent (31 December 2022: 67.7 per cent) of the Company's shares were held by CMN through its subsidiary, China Minmetals H.K. (Holdings) Limited ("Minmetals HK"). The remainder 32.4 per cent (31 December 2022: 32.3 per cent) of the Company's shares were widely held by the public. The Directors consider the ultimate holding company to be China Minmetals Corporation ("CMC"), a stated-owned company incorporated in China, 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 six months ended 30 June 2023.

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

	Six Months Ended 30 June	
	2023 (Unaudited) US$ Million	2022 (Unaudited) US$ Million
Sales		
Sales of non-ferrous metals	974.6	499.8
Commodity derivatives transaction		
Loss on commodity derivatives	(28.2)	(5.1)
Other (loss)/gains	(0.8)	0.9
	(29.0)	**(4.2)**
Purchases		
Purchases of consumables and services	(8.2)	(13.0)
Finance costs		
Finance costs (Note 5)	(52.7)	(46.8)

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

During the six months ended 30 June 2023, 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 2023 (Unaudited) US$ Million	31 December 2022 (Audited) US$ Million
Amounts payable to related parties		
Loan from Top Create (Note 15)[1]	2,161.3	2,161.3
Loan from Album Trading Company (Note 15)[2]	270.0	270.0
Loan from Album Enterprises Limited (Note 15)	-	200.0
Interest payable to related parties	77.0	37.6
Trade and other payables to CMN	-	3.5
	2,508.3	**2,672.4**
Amounts receivable from related parties		
Trade receivables from CMN	319.7	102.6
Other receivables from CMN	1.6	2.6
Prepayments from CMN	0.4	1.2
	321.7	**106.4**
Derivative financial assets-transacted with related parties	**17.6**	**1.8**

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 four separate tranches in July 2023 (US$200.0 million), July 2024 (US$700.0 million), July 2025 (US$861.3 million) and July 2026 (US$400.0 million). In July 2023, MMG SA successfully deferred US$200.0 million of the first tranche to an indefinite future date at which the US$300.0 million Top Create facility for KEP is available. 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 borrowing from Album Trading Company Limited (a subsidiary of CMN) is a project facility and will mature in June 2026. The interest rate is SOFR plus margin and a credit adjustment spread.

18. 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 2023 (Unaudited) US$ Million	31 December 2022 (Audited) US$ Million
Property, plant and equipment		
Within one year	245.3	143.9
Over one year but not more than five years	108.0	127.6
	353.3	**271.5**
Intangible assets		
Within one year	**5.9**	**2.7**
Aggregate		
Property, plant and equipment and intangible assets		
Contracted but not provided for	**359.2**	**274.2**

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONTINUED

19. 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 2023, these guarantees amounted to US$312.6 million (31 December 2022: US$297.5 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, Zambia, Laos and the DRC. Except for the financial impacts disclosed for the Peruvian tax matters in subsequent paragraphs, 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 those 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 2017 tax periods for Las Bambas in relation to withholding taxes on interest and fees paid under certain loans, which were provided to Las Bambas pursuant to facility agreements entered into among Las Bambas and a consortium of Chinese banks in connection with the acquisition of the Las Bambas mine in 2014. Las Bambas received assessment notices from the Peruvian tax authority (National Superintendence of Tax Administration of Peru or "SUNAT"), which advised that, in its opinion, Las Bambas and the Chinese banks are related parties and thus a 30 per cent withholding tax rate ought to be imposed on payments of interest and fees to such banks, rather than the 4.99 per cent applied by Las Bambas. The assessments of omitted tax plus penalties and interest as at 30 June 2023 totalled PEN2,053.7 million (approximately US$564.8 million).

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 the Chinese banks under Peruvian tax law. Additionally, the Peruvian tax law was amended (with effect from October 2017) to provide expressly that parties are not related by being under state ownership for the purposes of withholding taxes. Las Bambas has appealed the assessments issued by SUNAT in the Peru Tax Court and the pronouncement is pending. 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

Peru –2016 Income Tax

In January 2023, Las Bambas received assessment notices from SUNAT in connection with the 2016 income tax audit (2016 Income Tax Assessment). The assessment denied the deductions for all interest on borrowings expensed during the 2016 tax year. This included the loans from Chinese banks where SUNAT denied the interest deductions on the basis that the borrowings were from related parties and that the alleged related party debt should be included in calculating Las Bambas' related party 'debt to equity' ratio (the 'thin capitalisation' threshold) which would then be breached. SUNAT also alleged that interest payable on the shareholder loan from MMG Swiss Finance A.G. is non-deductible, due to the application of the "Causality Principle" (i.e., the loan has no relevance to the income-producing activities of Las Bambas). Further, SUNAT separately alleged that the accounting treatment of the merger of Peruvian entities (subsequent to the acquisition of Las Bambas in 2014) should have resulted in a negative equity adjustment which would result in Las Bambas having no equity for the purposes of calculating its thin capitalisation allowance. The Assessment issued by SUNAT for tax, interest and penalties for the income tax year 2016 totalled PEN632.0 million (approximately US$174.0 million) as at 30 June 2023.

On 27 July 2023, SUNAT confirmed that it had considered Las Bambas' appeal against the Assessment and concluded that the Assessment remains correct and valid. Las Bambas will appeal to the Peru Tax Court.

Las Bambas has notified the Peru Government of a dispute pursuant to the Peru-Netherlands Bilateral Investment Treaty (Treaty) and is awaiting a response to the notification. The notification advises that, unless the matters can be resolved by negotiation, Las Bambas will seek damages from the Government of Peru for a number of breaches of the Treaty.

Considering the Las Bambas' proposed appeals and advice from the Las Bambas' tax and legal advisers, the Group did not recognise a liability in its condensed consolidated interim financial statements for any assessed amount. If Las Bambas is unsuccessful in its challenge on the SUNAT assessments, this could result in significant liabilities being recognised.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONTINUED

20. FINANCIAL AND OTHER RISK MANAGEMENT

20.1 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 2022.

There have been no changes in the risk management policies since 31 December 2022.

(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 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 2023, 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:
  - 22,500 tons of copper at put strike price ranging from US$8,800/ton to US$9,100/ton and call strike price ranging from US$9,200/ton to US$9,600/ton
- Fixed price swap:
  - 1,500 tons of copper with fixed price ranging from US$9,000/ton to $9,010/ton.
  - These commodity trades' settlement periods ranging from July 2023 to January 2024.

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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONTINUED

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

			Favourable/(Unfavourable) Changes in Fair Value Used for Measuring Ineffectiveness				
	Term	Carrying Amount of Hedging Instrument US$ Million	Hedging Instrument US$ Million	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:							
At 30 June 2023 and for six months ended 30 June 2023							
Derivative financial assets (Note 11)	March 2023 to December 2023	15.0	14.3	(14.3)	2.6	9.7	0.5
At 30 June 2022 and for six months ended 30 June 2022							
Derivative financial assets (Note 11)	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.

At the reporting date, if the commodity prices increased/(decreased) by 10 per cent and all other variables were held constant, the Group's post-tax (loss)/profit and OCI would have changed as set out below:

	For Six Months Ended 30 June					
	2023			2022		
Commodity	Commodity Price Movement	Decrease in Loss US$ Million	Decrease in OCI US$ Million	Commodity Price Movement	Increase in Profit US$ Million	Decrease in OCI US$ Million
Copper	+10%	65.4	(9.4)	+10%	15.4	(15.3)
Zinc	+10%	3.3	-	+10%	2.9	(5.2)
Total		**68.7**	**(9.4)**		**18.3**	**(20.5)**

Commodity	Commodity Price Movement	Increase in Loss US$ Million	Increase in OCI US$ Million	Commodity Price Movement	Decrease in Profit US$ Million	Increase in OCI US$ Million
Copper	-10%	(65.4)	10.3	-10%	(15.3)	16.8
Zinc	-10%	(3.3)	-	-10%	(2.9)	5.8
Total		**(68.7)**	**10.3**		**(18.2)**	**22.6**

NOTES TO CONDENSED CONSOLIDATED INTERIM 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. Details of the Group's borrowings are set out in Note 15.

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.

The Group is exposed to the risk-free rate of SOFR. The exposures arise on derivative and non-derivative financial assets and liabilities. The Group cash flow hedge relationship was affected by the interest rate benchmark reform. With the IRS closure (Note 11), the cash flow hedge relationship discontinued. The exposures mainly arise on non-derivative financial assets and liabilities. Interest rate benchmark transition for non-derivative financial instruments is disclosed in Note 15.

The following table contains details of the cash flow hedge was affected by the IRS closure:

	At 30 June 2023 and for Six Months Ended 30 June 2023		
	Balance in Cash Flow Hedge Reserve US$ Million	Amount Reclassified from the Cash Flow Hedge Reserve to Profit or Loss US$ Million	Line Item Affected in Profit or Loss Because of the Reclassification
Discontinued Cash Flow Hedges:			
Interest Rate Swap	64.1	1.7	Financial cost

		At 30 June 2022 and for Six Months Ended 30 June 2022						
				Favourable/(Unfavourable) Changes in Fair Value Used for Measuring Ineffectiveness				
	Term	Notional Amortising Amount US$ Million	Carrying Amount of Hedging Instrument US$ Million	Hedging Instrument US$ Million	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
Cash flow hedges:								
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. Refer to Note 11 for further details; and

2 The hedging gains recognised in cash flow hedge reserve is the amount after tax.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONTINUED

Interest rate sensitivity analysis

If the interest rate had increased/(decreased) by 100 basis points, with all other variables held constant, post-tax (loss)/profit and OCI would have changed as follows:

	For Six Months Ended 30 June					
	2023		2022			
	+100 Basis Points	-100 Basis Points	+100 Basis Points		-100 Basis Points	
US$ Million	Decrease/ (Increase) in Loss after Tax	(Increase)/ Decrease in Loss after Tax	Increase/ (Decrease) in Profit after Tax	Increase in OCI	(Decrease)/ Increase in Profit after Tax	Decrease in OCI
Financial assets						
Cash and cash equivalents	3.6	(3.6)	3.4	-	(3.4)	-
Financial liabilities						
Borrowings (including the impact of the IRS)	(23.5)	23.5	(5.8)	18.4	5.8	(18.4)
Total	**(19.9)**	**19.9**	**(2.4)**	**18.4**	**2.4**	**(18.4)**

(c) Liquidity risk

Compared to 31 December 2022, 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 2023. 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 2023, 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. There was no early payment from CMN and CITIC under this agreement as at 30 June 2023.

(d) 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 2023						
Financial assets						
Cash and cash equivalents	523.7	-	-	-	**523.7**	**523.7**
Trade receivables (Note 12)	-	538.5	-	-	**538.5**	**538.5**
Other receivables	404.0	-	-	-	**404.0**	**404.0**
Derivative financial assets (Note 11)	-	3.8	15.0	-	**18.8**	**18.8**
Other financial assets	-	2.0	-	-	**2.0**	**2.0**
Financial liabilities	-	-	-	-		
Trade and other payables	-	-	-	(901.1)	**(901.1)**	**(901.1)**
Borrowings (Note 15)	-	-	-	(5,580.6)	**(5,580.6)**	**(5,693.6)**
Lease liabilities	-	-	-	(150.4)	**(150.4)**	**(150.4)**
Total	**927.7**	**544.3**	**15.0**	**(6,632.1)**	**(5,145.1)**	**(5,258.1)**
As at 31 December 2022						
Financial assets						
Cash and cash equivalents	372.2	-	-	-	**372.2**	**372.2**
Trade receivables (Note 12)	-	212.7	-	-	**212.7**	**212.7**
Other receivables	270.1	-	-	-	**270.1**	**270.1**
Derivative financial assets	-	12.1	113.9	-	**126.0**	**126.0**
Other financial assets	-	1.5	-		**1.5**	**1.5**
Financial liabilities						
Trade and other payables	-	-	-	(753.0)	**(753.0)**	**(753.0)**
Derivative financial liabilities	-	(0.3)	-	-	**(0.3)**	**(0.3)**
Borrowings (Note 15)	-	-	-	(5,412.6)	**(5,412.6)**	**(5,533.6)**
Lease liabilities	-	-	-	(138.7)	**(138.7)**	**(138.7)**
Total	**642.3**	**226.0**	**113.9**	**(6,304.3)**	**(5,322.1)**	**(5,443.1)**

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).

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONTINUED

The following table presents the Group's financial assets and liabilities that are measured at fair value as at 30 June 2023 and 31 December 2022.

US$ Million	Level 1	Level 2	Total
As at 30 June 2023			
Trade receivables (Note 12)	-	538.5	**538.5**
Derivative financial assets (Note 11)[2]		18.8	**18.8**
Financial assets at fair value through profit and loss – listed[1]	2.0	-	**2.0**
	2.0	**557.3**	**559.3**
As at 31 December 2022			
Trade receivables (Note 12)	-	212.7	**212.7**
Derivative financial assets (Note 11)[2]	-	126.0	**126.0**
Derivative financial liabilities (Note 11)[2]	-	(0.3)	**(0.3)**
Financial assets at fair value through profit and loss – listed[1]	1.5	-	**1.5**
	1.5	**338.4**	**339.9**

There were no transfers between levels 1, 2 and 3 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 was determined based on discounted future cash flows. Future cash flows were 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 hedges and fixed price swaps 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.

20.2 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, over the past decades, Las Bambas has 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 near future, 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.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONTINUED

21. EVENTS AFTER THE REPORTING DATE

Other than the matters outlined below, there have been no matters that have occurred subsequent to the reporting date, which have significantly affected, or may significantly affect, the Group's operations, results or state of affairs in future years.

In July 2023, CMN provided additional flexibility for the US$2,161.3 million loan provided by Top Create. This allowed for repayments to be deferred in support of the Group's liquidity for future periods.