MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

For the purpose of the management discussion and analysis, the Group's results for the six months ended 30 June 2023 are compared with results for the six months ended 30 June 2022.

Six Months Ended 30 June	2023 US$ Million	2022 US$ Million	Change % Fav/(Unfav)
Revenue	1,896.2	1,408.0	35%
Operating expenses	(1,257.1)	(761.8)	(65%)
Exploration expenses	(25.0)	(10.8)	(131%)
Administration expenses	(3.3)	(5.5)	40%
Net other income	25.0	21.8	15%
EBITDA	**635.8**	**651.7**	**(2%)**
Depreciation and amortisation expenses	(445.9)	(351.1)	(27%)
EBIT	**189.9**	**300.6**	**(37%)**
Net finance costs	(180.3)	(137.1)	(32%)
Profit before income tax	**9.6**	**163.5**	**(94%)**
Income tax expense	(34.5)	(73.7)	53%
(Loss)/profit after income tax for the period	**(24.9)**	**89.8**	**(128%)**
Attributable to:			
Equity holders of the Company	(58.8)	79.5	(174%)
Non-controlling interests	33.9	10.3	229%
	(24.9)	**89.8**	**(128%)**

Profit attributable to equity holders of the Company

MMG's loss of US$24.9 million for the six months ended 30 June 2023 includes loss attributable to equity holders of US$58.8 million and profit attributable to non-controlling interests of US$33.9 million. This compares to a profit attributable to equity holders of US$79.5 million and profit attributable to non-controlling interests of US$10.3 million for the six months ended 30 June 2022. Amounts attributable to non-controlling interests related to the 37.5 per cent interest in Las Bambas not owned by the Company.

The following table provides a reconciliation of reported profit after tax attributable to equity holders.

Six Months Ended 30 June	2023 US$ Million	2022 US$ Million	Change % Fav/(Unfav)
Profit after tax – Las Bambas 62.5% interest	56.1	17.1	228%
(Loss)/profit after tax – other continuing operations	(63.5)	104.4	(161%)
Administration expenses	(3.3)	(5.5)	40%
Net finance costs (excluding Las Bambas)	(39.5)	(41.8)	6%
Other	(8.6)	5.3	(262%)
(Loss)/profit for the period attributable to equity holders	**(58.8)**	**79.5**	**(174%)**

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINUED

Overview of operating results

The Group's continuing operations comprise Las Bambas, Kinsevere, Dugald River and Rosebery. Exploration, corporate activities and other subsidiaries are classified as 'Other'.

	Revenue			EBITDA		
Six Months Ended 30 June	**2023 US$ Million**	**2022 US$ Million**	**Change % Fav/(Unfav)**	**2023 US$ Million**	**2022 US$ Million**	**Change % Fav/(Unfav)**
Las Bambas	1,480.4	805.0	84%	643.0	411.9	56%
Kinsevere	178.4	202.2	(12%)	(13.8)	64.5	(121%)
Dugald River	132.7	257.6	(48%)	(26.4)	123.8	(121%)
Rosebery	103.2	142.2	(27%)	35.6	55.9	(36%)
Other	1.5	1.0	50%	(2.6)	(4.4)	41%
Total	**1,896.2**	**1,408.0**	**35%**	**635.8**	**651.7**	**(2%)**

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

Revenue increased by US$488.2 million (35 per cent) to US$1,896.2 million compared to 2022 due to higher sales volumes (US$658.8 million), partly offset by lower commodity prices (US$170.6 million).

Sales volumes increased by US$658.8 million compared to 2022 driven by higher sales of copper concentrate (US$719.4 million) and molybdenum concentrate (US$21.4 million) at Las Bambas due to fewer road blockages in 2023, with stability along the Southern Corridor since March 2023. This was partly offset by lower zinc concentrate sales volumes at Dugald River (US$51.6 million) following a 34-day suspension due to the tragic incident in February. Rosebery zinc and lead concentrate sales volumes were also lower (US$22.3 million), driven by sales timing.

Unfavourable commodity price variances of US$170.6 million were driven by lower prices for copper (US$125.1 million) and zinc (US$90.5 million), partly offset by higher prices for molybdenum (US$29.8 million), gold (US$10.1 million) and silver (US$6.7 million). Price variances also include mark-to-market adjustments on open sales contracts and the impacts of commodity hedging.

Revenue by Commodity Six Months Ended 30 June	**2023 US$ Million**	**2022 US$ Million**	**Change % Fav/(Unfav)**
Copper	1,432.0	896.8	60%
Zinc	145.0	305.7	(53%)
Lead	25.2	32.0	(21%)
Gold	104.3	62.2	68%
Silver	87.5	60.3	45%
Molybdenum	102.2	51.0	100%
Total	**1,896.2**	**1,408.0**	**35%**

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINUED

Price

Average LME base metals prices for zinc, copper and lead were lower in the six months ended 30 June 2023 compared to the prior corresponding period. The averages for molybdenum, gold and silver were higher.

Average LME Cash Price [1] Six Months Ended 30 June	2023	2022	Change % Fav/(Unfav)
Copper (US$/tonne)	8,704	9,756	(11%)
Zinc (US$/tonne)	2,835	3,834	(26%)
Lead (US$/tonne)	2,129	2,269	(6%)
Gold (US$/ounce)	1,933	1,873	3%
Silver (US$/ounce)	23.37	23.29	0%
Molybdenum (US$/tonne)	59,730	41,302	45%

1 Sources: zinc, lead, and copper: LME cash settlement price; Molybdenum: Platts; gold and silver: LBMA. LME (London Metal Exchange) data is used in this report under licence from LME; LME has no involvement and accepts no responsibility to any third party in connection with the data; and onward distribution of the data by third parties is not permitted.

Sales volumes

Payable Metal in Products Sold Six Months Ended 30 June	2023	2022	Change % Fav/(Unfav)
Copper (tonnes)	182,831	104,437	75%
Zinc (tonnes)	72,008	93,233	(23%)
Lead (tonnes)	13,201	15,751	(16%)
Gold (ounces)	53,793	35,438	52%
Silver (ounces)	3,852,971	2,893,688	33%
Molybdenum (tonnes)	2,039	1,437	42%

Payable Metal in Products Sold Six Months Ended 30 June 2023	Copper Tonnes	Zinc Tonnes	Lead Tonnes	Gold Ounces	Silver Ounces	Molybdenum Tonnes
Las Bambas	160,764	-	-	41,312	2,256,611	2,039
Kinsevere	21,507	-	-	-	-	-
Dugald River	-	54,101	6,965	-	529,595	-
Rosebery	560	17,907	6,236	12,481	1,066,765	-
Total	**182,831**	**72,008**	**13,201**	**53,793**	**3,852,971**	**2,039**

Payable Metal in Products Sold Six Months Ended 30 June 2022	Copper Tonnes	Zinc Tonnes	Lead Tonnes	Gold Ounces	Silver Ounces	Molybdenum Tonnes
Las Bambas	81,931	-	-	22,259	1,194,807	1,437
Kinsevere	21,990	-	-	-	-	-
Dugald River	-	69,805	7,391	-	570,719	-
Rosebery	516	23,428	8,360	13,179	1,128,162	-
Total	**104,437**	**93,233**	**15,751**	**35,438**	**2,893,688**	**1,437**

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINUED

Operating expenses include expenses of operating sites, excluding depreciation and amortisation. Site expenses include mining and processing expenses, changes in inventories, royalty expenses, selling expenses and other operating expenses.

Total operating expenses increased by US$495.3 million (65 per cent) in the first half of 2023. This increase was primarily driven by unfavourable stock movement (US$241.8 million) resulting from the drawdown in Las Bambas copper concentrate stockpiles, compared to a build-up in the first half of 2022. Additionally, higher production expenses (US$175.0 million) were mainly attributed to increased material mined and milled volumes at Las Bambas. Furthermore, there was a higher consumption of third-party ores (US$40.2 million) at Kinsevere to offset the reduced oxide ore mined during the transition to mining sulphide ores.

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

Exploration expenses increased by US$14.2 million (131 per cent) to US$25.0 million in 2023 due to higher expenditure at Las Bambas (US$6.1 million) with drilling focused on Ferrobamba Deeps. Exploration costs at Kinsevere were higher by US$4.0 million due to increased drilling activities at satellite copper targets within a 50km radius of the Kinsevere mine. At Rosebery, exploration expenses were higher by US$2.2 million driven by the accelerated exploration program.

Administrative expenses decreased by US$2.2 million (40 per cent) to US$3.3 million in 2023 mainly due to the weaker Australian dollar (US$1.4 million).

Net other income increased by US$3.2 million (15 per cent) mainly due to gain on disposal of fixed assets at Las Bambas in 2023.

Depreciation and amortisation expenses increased by US$94.8 million (27 per cent) to US$445.9 million compared to the first half of 2022. The increase was primarily attributable to higher mining and milling volumes at Las Bambas (US$95.7 million).

Net finance costs increased by US$43.2 million (32 per cent) to US$180.3 million compared to 2022. The increase was mainly due to higher net interest costs driven by a rising interest rate environment (US$41.4 million) and a refund of interest from SUNAT (US$9.5 million) in 2022, partly offset by lower debt balances (US$12.8 million).

Income tax expense decreased by US$39.2 million, reflecting the decrease in the Group's underlying profit before income tax from the prior comparative period. Underlying income tax expense for 2023 of US$34.5 million reflects the impacts of non-creditable withholding tax expenses in Peru of US$18.1 million (2022: US$17.7 million), and other non-deductible items.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINUED

MINES ANALYSIS

Las Bambas

Six Months Ended 30 June	2023	2022	Change % Fav/(Unfav)
Production			
Ore mined (tonnes)	21,374,317	17,925,254	19%
Ore milled (tonnes)	25,871,975	18,038,619	43%
Waste movement (tonnes)	51,636,637	46,561,311	11%
Copper in copper concentrate (tonnes)	139,594	101,009	38%
Payable metal in product sold			
Copper (tonnes)	160,764	81,931	96%
Gold (ounces)	41,312	22,259	86%
Silver (ounces)	2,256,611	1,194,807	89%
Molybdenum (tonnes)	2,039	1,437	42%

Six Months Ended 30 June	2023 US$ Million	2022 US$ Million	Change % Fav/(Unfav)
Revenue	**1,480.4**	**805.0**	**84%**
Operating expenses			
Production expenses			
Mining	(239.7)	(142.0)	(69%)
Processing	(151.2)	(102.1)	(48%)
Other	(200.9)	(172.7)	(16%)
Total production expenses	**(591.8)**	**(416.8)**	**(42%)**
Freight (transportation)	(47.9)	(42.3)	(13%)
Royalties	(48.9)	(26.2)	(87%)
Other[1]	(165.9)	81.5	(304%)
Total operating expenses	**(854.5)**	**(403.8)**	**(112%)**
Other income	17.1	10.7	60%
EBITDA	**643.0**	**411.9**	**56%**
Depreciation and amortisation expenses	(390.8)	(295.1)	(32%)
EBIT	**252.2**	**116.8**	**116%**
EBITDA margin	**43%**	**51%**	**(16%)**

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

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINUED

Las Bambas produced 139,594 tonnes of copper in the first half of 2023, which was 38,585 tonnes (38 per cent) higher than 2022 due to a shutdown of more than 50 days during the first half of 2022.

Revenue of US$1,480.4 million was US$675.4 million (84 per cent) higher than 2022 due to higher copper (US$719.4 million) and molybdenum sales volumes (US$21.4 million) and higher molybdenum prices (US$29.8 million). This was partly offset by lower copper prices (US$104.9 million).

Copper sales volumes were 96 per cent higher compared to the prior period due to fewer road blockages with stability along the Southern Corridor since March 2023. As a result, concentrate inventory levels on site were reduced to approximately 60,000 tonnes of copper in concentrate at the end of the first half of 2023, compared to approximately 85,000 tonnes at the beginning of the year.

Total production expenses of US$591.8 million were US$175.0 million or 42 per cent above 2022. This was mainly driven by higher material mined and milled volumes (US$52.4 million), increased maintenance works previously deferred (US$38.0 million), higher copper concentrate transported (US$21.1 million) and lower deferred mine capitalisation costs (US$34.6 million).

EBIT was further impacted by unfavourable stock movement of US$241.8 million due to a drawdown of finished goods (US$130.5 million) in the first half of 2023, compared to a build-up (US$85.3 million) in the first half of 2022 and a drawdown of ore stockpiles (US$29.1 million). Royalty expenses were also higher by US$22.7 million reflecting higher revenue.

Depreciation and amortisation expenses were higher than 2022 by US$95.7 million (32 per cent) due to higher mining and milling volumes.

The C1 costs of US$1.60/lb for the first half of 2023 were below our guidance range of US$1.70 – US$1.90/lb, although they were higher than the 2022 C1 costs of US$1.27/lb. The higher C1 unit costs in 2023 are attributed to higher production costs and the absence of care and maintenance cost exclusions for the period of the shutdown in 2022 (US$97.4 million).

2023 outlook

In line with prior guidance, full-year production for 2023 is expected to be between 265,000 and 305,000 tonnes of copper in copper concentrate, contingent upon continued access to site for supplies, personnel, and logistics. The Las Bambas team is working toward enduring agreements for the development of the Chalcobamba deposit with the Huancuire community. We are hopeful that the development can commence by the end of 2023.

Las Bambas C1 costs in 2023 are expected to remain in the range of US$1.70 – US$1.90/lb, in line with prior guidance.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINUED

Kinsevere

Six Months Ended 30 June	2023	2022	Change % Fav/(Unfav)
Production			
Ore mined (tonnes)	1,272,760	406,571	213%
Ore milled (tonnes)	1,003,743	1,227,198	(18%)
Waste movement (tonnes)	8,930,752	1,567,070	470%
Copper cathode (tonnes)	21,641	22,090	(2%)
Payable metal in product sold			
Copper (tonnes) [1]	21,507	21,990	(2%)

Six Months Ended 30 June	2023 US$ Million	2022 US$ Million	Change % Fav/(Unfav)
Revenue	**178.4**	**202.2**	**(12%)**
Operating expenses			
Production expenses			
Mining	(9.6)	(16.3)	41%
Processing	(111.2)	(53.1)	(109%)
Other	(34.1)	(37.8)	10%
Total production expenses	**(154.9)**	**(107.2)**	**(44%)**
Freight (transportation)	(3.6)	(3.9)	8%
Royalties	(8.0)	(11.3)	29%
Other [2]	(10.2)	(12.6)	19%
Total operating expenses	**(176.7)**	**(135.0)**	**(31%)**
Other expenses	(15.5)	(2.7)	(474%)
EBITDA	**(13.8)**	**64.5**	**(121%)**
Depreciation and amortisation expenses	(8.3)	(13.2)	37%
EBIT	**(22.1)**	**51.3**	**(143%)**
EBITDA margin	**(8%)**	**32%**	**(125%)**

1 Kinsevere sold copper includes copper cathode and copper scrap.
2 Other operating expenses include changes in inventories, corporate recharges and other costs of operations.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINUED

In the first half of 2023, Kinsevere produced 21,641 tonnes of copper cathode, which is a decrease of 2 per cent compared to the prior comparable period. The lower cathode production was primarily attributed to a decrease in ore milled throughput (1,003,743 tonnes vs. 1,227,198 tonnes) caused by an unstable power supply from the national grid and a planned shutdown for the installation of the cobalt plant in the second quarter. However, the lower milled throughput was partly offset by a higher ore feed grade (2.22 per cent vs. 1.91 per cent), which was a result of an increased supply of higher-grade third-party ore.

Kinsevere revenue decreased by US$23.8 million (12 per cent) to US$178.4 million compared to 2022 due to lower copper prices (US$19.5 million) and lower copper sales volumes in line with lower production (US$4.3 million).

Total production expenses increased by US$47.7 million or 44 per cent compared to 2022. This was mainly driven by higher consumption of third-party ores (US$40.2 million) to offset the reduced oxide ore mined during the transition to mining sulphide ores, and higher sulphuric acid consumption (US$8.9 million). Mining activities have increased with a focus on waste stripping, with higher capitalised mining costs, as we transition to the mining of sulphide ores.

C1 costs in the first half of 2023 were US$3.53/lb, higher than the US$2.42/lb in 2022 driven by higher consumption of third-party ores and reduced ore milled volumes caused by unstable power supply.

2023 outlook

In line with prior guidance, copper cathode production for 2023 is expected to be in the range of 40,000 to 48,000 tonnes.

C1 costs in 2023 are now expected to be in the range of US$3.15 – US$3.35/lb, higher than the prior guidance of US$2.50 – US$2.80/lb, mainly driven by a lower-than-expected cobalt price, reduced ore milled volumes caused by the unstable power supply, and increased reliance on third-party ore to offset the reduced oxide ore mined.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINUED

Dugald River

Six Months Ended 30 June	2023	2022	Change % Fav/(Unfav)
Production			
Ore mined (tonnes)	614,004	851,046	(28%)
Ore milled (tonnes)	652,840	856,465	(24%)
Zinc in zinc concentrate (tonnes)	57,374	79,587	(28%)
Lead in lead concentrate (tonnes)	6,540	8,490	(23%)
Payable metal in product sold			
Zinc (tonnes)	54,101	69,805	(22%)
Lead (tonnes)	6,965	7,391	(6%)
Silver (ounces)	529,595	570,719	(7%)

Six Months Ended 30 June	2023 US$ Million	2022 US$ Million	Change % Fav/(Unfav)
Revenue	**132.7**	**257.6**	**(48%)**
Operating expenses			
Production expenses			
Mining	(60.6)	(50.0)	(21%)
Processing	(33.5)	(30.9)	(8%)
Other	(33.7)	(32.0)	(5%)
Total production expenses	**(127.8)**	**(112.9)**	**(13%)**
Freight (transportation)	(7.2)	(6.8)	(6%)
Royalties	(6.9)	(11.9)	42%
Other[1]	(17.7)	(4.7)	(277%)
Total operating expenses	**(159.6)**	**(136.3)**	**(17%)**
Other income	0.5	2.5	(80%)
EBITDA	**(26.4)**	**123.8**	**(121%)**
Depreciation and amortisation expenses	(23.6)	(28.2)	16%
EBIT	**(50.0)**	**95.6**	**(152%)**
EBITDA margin	**(20%)**	**48%**	**(142%)**

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

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINUED

Dugald River produced 57,374 tonnes of zinc in zinc concentrate during the first half of 2023, which was 28 per cent lower compared to the prior corresponding period as operations were suspended for 34 days after a fatal incident at the mine on 15 February 2023. Production resumed on 21 March 2023 following approval by the relevant authorities with a focus on a safe ramp-up of operations. The mine achieved full rates of mining and processing in May. Zinc metal production was also impacted by lower feed grade associated with the mining sequence, partially offset by higher zinc recovery performance (89.7 per cent vs 89.0 per cent) driven by ongoing plant optimisation.

The transition to an owner-miner model has been completed with MMG executing production operations and a new mining contractor, Redpath, focusing solely on development. January marked the highest monthly advance rate on record (1,138m) driven by the early ramp-up of development activities and performance continued to be strong after the restart.

Revenue decreased by US$124.9 million to US$132.7 million due to lower zinc prices (US$71.1 million), a 22 per cent drop in zinc sales volumes (US$51.6 million) and a 6 per cent drop in lead sales volumes (US$2.2 million) in line with lower production.

Total production expenses were higher by US$14.9 million compared to the first half of 2022 driven by higher mining costs due to the re-baselining of the mining contractor rates and one-off transition costs to a new mining contractor (US$15.0 million). Consumable unit prices were also higher (US$17.1 million) predominately driven by gas prices, partly offset by savings generated from solar power (US$3.9 million). There were also lower costs (US$6.1 million) due to the suspension of operations for 34 days and the favourable impact of the weaker Australian dollar (US$8.4 million).

EBIT was further impacted by unfavourable stock movement of US$12.7 million due to a net drawdown of finished goods and ore stockpiles.

Dugald River's zinc C1 costs were US$1.30/lb in the first half of 2023 compared to US$0.83/lb in the first half of 2022. The higher C1 cost was largely attributable to higher cash production costs and lower production volumes.

2023 outlook

In line with prior guidance, and supported by the safe, successful ramp-up of operations, Dugald River production in 2023 is expected to be in the range of 135,000 and 150,000 tonnes of zinc in zinc concentrate.

C1 cost in 2023 is expected in the range of US$1.05 – US$1.20/lb. Measures have been introduced to have better cost control, including a long-term solar offtake agreement with energy provider, APA Group, which has provided immediate cost savings after the commercial operation of the solar farm in April 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINUED

Rosebery

Six Months Ended 30 June	2023	2022	Change % Fav/(Unfav)
Production			
Ore mined (tonnes)	442,297	426,062	4%
Ore milled (tonnes)	440,892	432,036	2%
Zinc in zinc concentrate (tonnes)	23,102	23,664	(2%)
Lead in lead concentrate (tonnes)	8,637	9,324	(7%)
Copper in precious metals concentrate (tonnes)	566	474	19%
Gold (ounces)	12,547	13,581	(8%)
Silver (ounces)	1,355,370	1,141,674	19%
Payable metal in product sold			
Copper (tonnes)	560	516	9%
Zinc (tonnes)	17,907	23,428	(24%)
Lead (tonnes)	6,236	8,360	(25%)
Gold (ounces)	12,481	13,179	(5%)
Silver (ounces)	1,066,765	1,128,162	(5%)

Six Months Ended 30 June	2023 US$ Million	2022 US$ Million	Change % Fav/(Unfav)
Revenue	**103.2**	**142.2**	**(27%)**
Operating expenses			
Production expenses			
Mining	(38.5)	(33.7)	(14%)
Processing	(15.7)	(15.6)	(1%)
Other	(13.4)	(12.5)	(7%)
Total production expenses	**(67.6)**	**(61.8)**	**(9%)**
Freight (transportation)	(3.3)	(5.2)	37%
Royalties	(0.7)	(7.3)	90%
Other[1]	6.3	(12.0)	153%
Total operating expenses	**(65.3)**	**(86.3)**	**24%**
Other expenses	(2.3)	-	-
EBITDA	**35.6**	**55.9**	**(36%)**
Depreciation and amortisation expenses	(26.7)	(19.2)	(39%)
EBIT	**8.9**	**36.7**	**(76%)**
EBITDA margin	**34%**	**39%**	**(13%)**

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

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINUED

Rosebery produced 23,102 tonnes of zinc in zinc concentrate and 8,637 tonnes of lead in lead concentrate during the first half of 2023. This represented a 2 per cent and 7 per cent decrease respectively compared to the first half of 2022. The volume of ore mined was 4 per cent higher compared to the first half of 2022, primarily due to improved mine productivity and workforce availability, despite lost production in January resulting from the bushfire incident. The lower production was largely driven by lower milled grades for both zinc (6.2 per cent vs. 6.4 per cent) and lead (2.6 per cent vs. 2.8 per cent) attributable to the mining sequence.

Precious metal production for the first half of 2023 totalled 12,547 ounces of gold and 1,355,370 ounces of silver. This represents a decrease of 8 per cent for gold and an increase of 19 per cent for silver compared to the first half of 2022.

Revenue decreased by US$39.0 million (27 per cent) to US$103.2 million due to lower prices for zinc (US$19.1 million), copper (US$1.1 million), and lead (US$1.0 million), as well as lower sales volumes for zinc (US$18.0 million), lead (US$4.3 million) and other by-products (US$2.1 million). This was partly offset by higher precious metal prices (US$6.6 million).

Total production expenses increased by US$5.8 million (9 per cent) compared to the first half of 2022 mainly due to higher mining costs (US$8.8 million) driven by increased backfill volumes, and higher intensity of ground support in seismically active areas of the mine. This was partly offset by favourable exchange rates with the weakening of the Australian dollar (US$4.7 million).

Other operating expenses were favourable by US$18.3 million with favourable stock movement due to a net build-up of zinc and lead concentrates, driven by sales timing.

Royalties were favourable by US$6.6 million reflecting lower sales revenue and profit and an adjustment that was made to the prior year's royalty return.

Rosebery's C1 costs were US$0.18/lb in the first half of 2023 compared to US$0.38/lb in the first half of 2022. The lower C1 costs were attributable to higher by-product prices partly offset by higher production expenses.

2023 outlook

In line with prior guidance, Rosebery's zinc production for 2023 is expected to be in the range of 55,000 and 65,000 of zinc in zinc concentrate. This is an improvement on 2022 due to higher ore grades and higher ore mined volumes due to improved workforce availability.

C1 costs in 2023 are expected to be at the lower end of prior guidance of US$0.35 – US$0.50/lb with higher by-product grades and strong precious metals prices.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINUED

CASH FLOW ANALYSIS

Net cash flow

Six Months Ended 30 June	2023 US$ Million	2022 US$ Million	Change % Fav/(Unfav)
Net operating cash flows	425.6	134.8	216%
Net investing cash flows	(302.1)	(205.1)	(47%)
Net financing cash flows	28.0	(687.9)	104%
Net cash inflows/(outflows)	**151.5**	**(758.2)**	**120%**

Net operating cash inflows increased by US$290.8 million (216 per cent) to US$425.6 million driven by favourable working capital movements with an inventory drawdown at Las Bambas compared to a build-up in the first half of 2022, partly offset by increased receivables at Las Bambas (US$123.5 million). Lower tax payments in Peru (US$156.5 million) and the DRC (US$19.2 million) also contributed positively. Operating cash flows were unfavourably impacted by lower EBITDA (US$15.9 million).

Net investing cash outflows increased by US$97.0 million (47 per cent) to US$302.1 million. This was driven by higher capital expenditure at Kinsevere (US$124.3 million) attributable to expenditure on the Kinsevere Expansion Project. This was partly offset by lower capital expenditure at Las Bambas (US$37.6 million) due to lower capitalised mining costs in 2023.

Net financing cash flows were favourable by US$715.9 million (104 per cent) compared to the first half of 2022. This was due to a US$500.0 million early payment on the Las Bambas Project facility in the first half of 2022 and a net drawdown on working capital facilities (US$255.0 million) in the first half of 2023. This was partly offset by higher interest paid (US$31.9 million) largely attributable to the rising interest rate environment.

Financial resources and liquidity

	30 June 2023 US$ Million	31 December 2022 US$ Million	Change US$ Million
Total assets	12,718.8	12,535.5	183.3
Total liabilities	(8,519.2)	(8,307.0)	(212.2)
Total equity	**4,199.6**	**4,228.5**	**(28.9)**

Total equity decreased by US$28.9 million to US$4,199.6 million as at 30 June 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

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The gearing ratio for the Group is defined as net debt (total borrowings excluding finance charge prepayments, less cash, and cash equivalents) divided by the aggregate of net debt and total equity as set out in the following table:

MMG Group	30 June 2023 US$ Million	31 December 2022 US$ Million
Total borrowings (excluding prepaid finance charges) [1]	5,622.0	5,456.9
Less: cash and cash equivalents	(523.7)	(372.2)
Net debt	**5,098.3**	**5,084.7**
Total equity	4,199.6	4,228.5
Net debt + Total equity	**9,297.9**	**9,313.2**
Gearing ratio	**0.55**	**0.55**

1 Borrowings at an MMG Group level reflect 100 per cent of the borrowings of the Las Bambas Joint Venture Group. Las Bambas Joint Venture Group borrowings as at 30 June 2023 were US$2,890.7 million (31 December 2022: US$3,025.6 million) and Las Bambas Joint Venture Group cash and cash equivalents as at 30 June 2023 were US$182.7 million (31 December 2022: US$171.8 million). For the purpose of calculating the gearing ratio, Las Bambas Joint Venture Group's borrowings have not been reduced to reflect the MMG Group's 62.5% equity interest. This is consistent with the basis of the preparation of MMG's financial statements.

Under the terms of relevant debt facilities held by the Group, the gearing ratio for covenant compliance purposes is calculated exclusive of US$2,161.3 million (31 December 2022: US$2,161.3 million) of shareholder debt that was used to fund the MMG Group's equity contribution to the Las Bambas Joint Venture Group. For the purpose of the above, it has, however, been included as borrowings.

Available debt facilities

As at 30 June 2023, the Las Bambas Joint Venture Group had undrawn debt facilities of US$775.0 million (31 December 2022: US$800.0 million). This was represented by:

(i) US$350.0 million (31 December 2022: 150.0 million) that was undrawn and available under a new US$350.0 million revolving credit facility provided by Album Enterprises Limited (a subsidiary of CMN). The facility has been extended for 1 year and will expire in August 2024;

(ii) US$275.0 million (31 December 2022: nil) that was undrawn and available under a new US$275.0 million revolving credit facility provided by BOC which is maturing in April 2026; and

(iii) US$150.0 million (31 December 2022: nil) that was undrawn and available under a new US$150.0 million revolving credit facility provided by ICBC. The facility was divided into 3 tranches with US$50.0 million for each tranche and will mature in March, May and June 2026 respectively.

Note: There was an undrawn facility of US$250.0 million (31 December 2022: US$650.0 million) which is no longer available under a US$800.0 million revolving credit facility 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.

As at 30 June 2023, the Group (excluding the Las Bambas Joint Venture Group) had no undrawn debt facility (31 December 2022: US$300.0 million). The Group is negotiating with current and new lenders to establish new facilities and renew/extend current facilities which will mature in the second half of 2023.

Some of 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 as at 30 June 2023. The financial covenants are measured with reference to the financial performance of the Group or its subsidiaries and may be influenced by future operational performance.

MANAGEMENT DISCUSSION AND ANALYSIS

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PLACING OF NEW SHARES UNDER GENERAL MANDATE

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

At 30 June 2023, the Company has no amount of proceeds brought forward from the placement (31 December 2022: US$85.0 million). The Company has applied 49.8 per cent (31 December 2022: 29.9 per cent) of the net proceeds to the KEP project; and 50.2 per cent (31 December 2022: 70.1 per cent) for the replenishment of working capital and general corporate purposes to support the Company's strategy.

DEVELOPMENT PROJECTS

The Chalcobamba project, as part of the next phase of development at Las Bambas, is located around 3km from the current processing plant. In March 2022, the Peru Ministry of Energy and Mines granted regulatory approval for the development of the Chalcobamba pit and associated infrastructure.

MMG remains committed to working closely with the Government of Peru and the Huancuire community members to review all its commitments and to engage in transparent and constructive dialogue. Discussions with the Huancuire community were delayed due to the resignation of its president. A community president was elected on 15 June, whose appointment was registered at the Public Registry on 6 July. The community has formed a new negotiating commission for the dialogue with Las Bambas, with the first meeting held on 17 July. MMG is optimistic that an enduring agreement for the development of Chalcobamba can be reached.

The project is significant for the economy of Peru and will support additional social contributions and financial and business opportunities for local and regional communities. It will underpin a production increase to a range of 380,000 to 400,000 tonnes over the medium term.

In addition to the Chalcobamba project, successful deep drilling below the current Ferrobamba pit has defined the depth extension and continuity of skarn and porphyry mineralisation beneath the 2022 Ore Reserve pit design. These positive drill results confirmed the potential for a large tonnage of copper (at 0.4 per cent to 0.6 per cent), molybdenum (at 200 to 500 ppm), silver (2g/t to 4g/t) and gold (0.04g/t to 0.08g/t) grade deposit may exist at Ferrobamba Deeps. Ongoing studies are being conducted based on these positive results, and further drilling is planned for 2023 and 2024 to evaluate the mineralisation and determine potential mining methods, including expansion of the open pit and/or an underground development.

Kinsevere Expansion Project, which includes the transition to the mining and processing of sulphide ore and the commencement of cobalt production, is progressing well.

The construction of the cobalt plant is on track, with the majority of the structural and mechanical installation completed by the end of June. The first cobalt production is expected in 2023. Civil work for the concentrator continued, and civil works for the roaster and acid plant commenced in May. Preparatory work, including infrastructure and construction, is progressing at Sokoroshe II and we have commenced the construction of the haul road to connect the satellite pit with the Kinsevere main site.

This next phase of Kinsevere development will extend Kinsevere's mine life for at least 13 years and, once fully ramped up, will result in total annual production of approximately 80,000 tonnes of copper cathode and between 4,000-6,000 tonnes of cobalt in cobalt hydroxide. The first copper cathode from sulphides is expected in 2024, and a full ramp-up is expected in 2025.

MANAGEMENT DISCUSSION AND ANALYSIS

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Rosebery mine life extension is being supported by an accelerated exploration program over the next two years. Exploration drilling has been conducted both within the immediate mine environs and on surrounding surface leases. This drilling program, which includes both underground and surface drilling, has already resulted in several intersections such as extensions to mine lens (e.g. Z- lens and T- lens) and the discovery of new mineralised zones (e.g. Oak and Bastyan). The current orebody knowledge demonstrates that the Rosebery orebody remains open to the north and south, while prospectivity still exists within the mine footprint.

The Rosebery mine continues to engage with the Minister and the Department of Climate Change, Energy, the Environment and Water (DCCEEW) and provide all required information and documentation while awaiting the Minister's decision on the proposed preliminary works at South Marionoak. Concurrently the mine is continuing to investigate potential options for safe and viable short-term capacity increases at existing tailings storage facilities. Finding a sustainable tailings storage solution that supports the Rosebery mine life extension remains a key priority for our operation and we will continue to proactively explore all feasible options.

There were no other major development projects noted during the six months ended 30 June 2023.

CONTRACTS AND COMMITMENTS

During the six months ended 30 June 2023, 416 contracts have been reviewed either through market engagements or in-contract renegotiations. The approximate annual operational or capital values addressed by these activities come to US$460.7 million.

Las Bambas

New and revised agreements were finalised to optimise production and development options for Las Bambas. These agreements include contracts for a consolidated head contractor for studies and engineering services, projects construction, mining services such as blasting and drilling services, equipment maintenance, catering and camp services, personal transportation, health and medical services, road maintenance, customs and freight forwarding, plant shutdown services, major component repair, as well as components, spares and other consumables. Significant efforts have also been made to ensure the safety and continuity of supply during blockades, in order to support continued operations.

Kinsevere

New and revised agreements were finalised for various contracts that will support steady Kinsevere operations. These contracts include those related to the new fuel management system, fleet management system, and heap leach project, among others. The contracts for the Kinsevere expansion project, which were signed in 2022, include several packages that are currently ongoing in 2023. These packages include the cobalt plant construction package, third tailing storage facility (TSF3) construction package, roaster-gas plant-acid plant (RGA) EPC contract package, concentration plant construction package, and Sokoroshe II mine development package.

Dugald River

New and revised agreements were finalised to support the optimisation of production performance and operations. These agreements include contracts for inbound logistics, goods and services required for site equipment maintenance services, multiple contracts for the purchase of mobile equipment and contractor services related to the insourcing of production mining. Additionally, contracts were finalised for site support services such as camp management.

During this period, a major ongoing activity has been the review of long-term energy options. The objective of this review is to drive cost reduction and increase the adoption of renewable energy sources.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINUED

Rosebery

New and revised agreements were finalised for various significant goods and services. These agreements cover operational mine rehabilitation and development services, electrical services, groundwater monitoring, civil and construction services, and additional office leases.

In addition to these, there are agreements for engineering services and consultancy agreements to meet project-related requirements, and partial mobile fleet replacement.

Group

New and revised agreements have been finalised for various goods and services, including IT-related goods and services, as well as a number of professional services consultancy agreements. These consultancy agreements cover a range of areas such as SHEC (Safety, Health, Environment, and Community), Legal, HR (Human Resources), Corporate Affairs, Marketing, Assurance Risk and Audit, Climate, Social Performance, and OTE (Operation and Technical Excellence).

PEOPLE

As at 30 June 2023, the Group employed a total of 4,550 full-time equivalent employees (2022: 4,245) in its continuing operations (excluding contractors and casual employees) with the majority of employees based in Australia, Peru, the DRC, China and Laos.

Total employee benefits expenses for the Group's operations for the six months ended 30 June 2023, including Directors' emoluments, totalled US$172.1 million (2022: US$135.6 million). The increase was mainly due to insourcing mining processes at Dugald River and the commencement of the Kinsevere Expansion Project in the DRC.

The Group has remuneration policies that align with market practice and remunerates its employees based on the accountabilities of their role, their performance, market practice, legislative requirements and the performance of the Group. Employee benefits include market-competitive fixed remuneration, performance-related incentives, a limited company equity scheme and, in specific cases, insurance and medical support. A range of targeted training and development programs are provided to employees across the Group that are designed to improve individual capability and enhance employee and Group performance.

EXPLORATION ACTIVITIES

Las Bambas

Extensive drilling activities were carried out at various locations within the Ferrobamba pit. Specifically, drilling at Ferrobamba Deeps continued, which is situated directly beneath the current Ferrobamba Ore Reserve pit.

Ongoing studies and further drilling are planned for 2023 and 2024 to evaluate the mineralisation and determine potential mining methods including expansion of the open pit and/or an underground development at Ferrobamba Deeps.

Additionally, drilling activities were carried out at Ferrobamba South, Ferrobamba East, and West Plant targets, drilling primarily focused on near-surface, skarn and porphyry copper mineralisation. At Ferrobamba South, drilling specifically targeted the extension of mineralisation along the southern edge of the Ferrobamba pit. Similarly, at Ferrobamba East, the objective was to explore the extension of mineralisation east of the current open pit. At the West Plant project, drilling activities concentrated on identifying polymetallic intermediate sulfidation veins located west of the processing plant.

MANAGEMENT DISCUSSION AND ANALYSIS

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Kinsevere

During the first half year of 2023, exploration activities focused on resource testing drilling and resource delineation drilling at various targets within the Kinsevere mine site, the eastern zone of Sokoroshe II main orebody and the Nambulwa targets.

Resource testing drilling was conducted in the south-eastern part of the known main Sokoroshe II and Wasumbu target in Nambulwa. The purpose of this drilling was to test the copper-cobalt mineralisation at depth based on outlined targets that possess favourable lithological units, geophysical and geochemical anomalies.

Exploration drilling was completed in Kimbwe - Kafubu trend and the northwest part of the Mashi pit at the Kinsevere mine site. The objective of this drilling was to delineate potential copper and cobalt resources and target the up-dip and down-dip extension of copper mineralisation.

Dugald River

Exploration drilling at Dugald River in 2023 is focused on targeting the Extended Dugald River (EDR) utilising a surface rig. The EDR program aims to test the extension of zinc-lead-silver mineralisation down dip of the known orebody. Geological information gathered from this work will be used to improve the interpretation of the mineralised structure of the Dugald River Lode at depth.

Rosebery

During the first half of 2023, underground drilling activities primarily focused on resource testing around the H and Z lenses, H South, V North, and U Downdip. For the remainder of 2023, the key focus will be on resource testing of the U and Z lenses, as well as the southern extension of the Oak target.

Surface drilling primarily concentrated on prospect testing of AB North, Jupiter, North Hercules, Oak and the Sol target. The main focus areas for the remainder of 2023 will be Prospect Testing of Bastyan, EBR, Snake Gully, Sol and Jupiter.

It was worth noting that the drilling totals were impacted at the beginning of 2023 due to a fire in close proximity to the mine. However, with the delivery of two 'key' platforms, it is expected that drilling metres will likely increase towards the end of 2023.

Project	Hole Type	Meterage (Metres)	Number of Holes	Average Length (Metres)
Americas				
Las Bambas	Diamond (Ferrobamba Deeps)	11,802	29	407
	Diamond (Ferrobamba South)	5,649	7	807
	Diamond (Ferrobamba East)	1,983	4	496
	Diamond (West Plant)	2,228	4	557
Africa				
Kinsevere	Diamond (Sokoroshe II Resource)	4,103	27	152
	Diamond (Nambulwa – Wasumbu)	1,195	6	199
	Diamond (Nambulwa – Kimbwe Resource)	5,612	32	175
	Diamond (Mashi links Resource)	1,273	5	255
Australia				
Dugald River	Diamond Surface – Near Mine (EDR)	4,867	4	1,217
Rosebery	Diamond – In Mine	31,072	92	338
	Diamond – Mine Corridor	10,273	13	790
Total		**80,057**	**223**	**359**

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINUED

MATERIAL ACQUISITIONS AND DISPOSALS

The Group made no material acquisition or disposal for the six months ended 30 June 2023.

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 Resources Limited ("Top Create") (a subsidiary of CMN). This allowed for repayments to be deferred in support of the Group's liquidity for future periods.

FINANCIAL AND OTHER RISK MANAGEMENT

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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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	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	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**

MANAGEMENT DISCUSSION AND ANALYSIS

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(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.

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 Interest Rate Swap (IRS) closure, the cash flow hedge relationship discontinued. The exposures mainly arise on non-derivative financial assets and liabilities.

The following table contains details of the cash flow hedge was affected by the Interest Rate Swap (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 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$2,653.6 million outstanding at 31 December 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 London Interbank Offered Rate ("LIBOR") exposure for a fixed rate (0.5568% per annum in the first year and 0.5425% per annum from June 2021 to June 2025);

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

MANAGEMENT DISCUSSION AND ANALYSIS

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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.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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CONTINGENT LIABILITIES

Bank guarantees

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

At 30 June 2023, these guarantees amounted to US$312.6 million (31 December 2022: US$297.5 million).

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

CHARGES ON ASSETS

As at 30 June 2023, certain borrowings of the Group were secured as follows:

(a) Approximately US$2,335.2 million (31 December 2022: US$2,653.6 million) from China Development Bank, Industrial and Commercial Bank of China Limited, BOC Sydney and The Export-Import Bank of China was secured by share security over the entire share capital of MMG South America Management Company Limited and each of its subsidiaries including MLB, a debenture over the assets of MMG South America Management Company Limited, an assets pledge agreement and production unit mortgage in respect of all of the assets of MLB, assignments of shareholder loans between MMG South America Management Company Limited and its subsidiaries and security agreements over bank accounts of MLB; and

(b) Approximately US$5.5 million (31 December 2022: US$22.0 million) from ICBC Peru Bank, Banco de Crédito del Peru and Scotiabank Peru was secured by mine fleet equipment procured under asset finance arrangements.

FUTURE PROSPECTS

MMG's vision is to create a leading international mining company for a low-carbon future. We mine to create wealth for our people, host communities and shareholders with an ambition to grow and diversify our resources, production and value, by leveraging Chinese and international expertise. Our strong relationship with China draws upon the strength of the world's largest commodities consumer and provides a deep understanding of markets and access to its sources of funding.

The Company is focused on maximising the value of our existing assets by increasing our safety performance, improving competitiveness, containing costs, continually improving productivity, building successful relationships with our host communities and governments and growing our resource base. We are actively pursuing our next phase of disciplined growth.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINUED

Las Bambas copper production in 2023 is expected to be in the range of 265,000 and 305,000 tonnes. MMG expects to produce between 40,000 and 48,000 tonnes of copper cathode at Kinsevere, and between 190,000 and 215,000 tonnes of zinc at its Dugald River and Rosebery operations in 2023.

Las Bambas annual production is expected to reach 380,000-400,000 tonnes in the medium term with the extended contribution from the Chalcobamba project. The Las Bambas team is working toward enduring agreements for the development of the Chalcobamba deposit with the Huancuire community. We are hopeful that the development can commence by the end of 2023. The continued development of Las Bambas is significant for the economy of Peru and will support additional social contributions and financial and business opportunities for local and regional communities.

In the DRC, MMG continues to progress the next phase of **Kinsevere Expansion Project**, namely the transition to the mining and processing of sulphide ores. This project will extend Kinsevere's mine life and increase copper production back to around 80,000 tonnes of copper cathode per annum and 4,000 to 6,000 tonnes of cobalt in cobalt hydroxide. The construction of the cobalt plant is on track, with the majority of the structural and mechanical installation completed by the end of June. The first cobalt production is expected in 2023. First cathode production from sulphides is expected in 2024. MMG will continue to invest in regional exploration programs focusing on proving up discoveries within an operating radius of the Kinsevere mine.

In relation to **Dugald River**, the Company remains committed to safe, greener and sustainable production to deliver annual ore mined throughput of 2,000,000 tonnes in the future years. This will pave the way for targeted zinc equivalent production to remain at around 200,000 tonnes annually. MMG will build on the already operational long-term solar offtake agreement to pursue more green, reliable and cost-effective energy solutions, including supporting CopperString 2032, which aims to connect Queensland's North West Minerals Province to the National Electricity Grid.

At **Rosebery**, an accelerated resource extension and near mine exploration drilling program is currently in progress to support a mine life extension. MMG remains committed to extending the operating life of this important asset, proactively investigating all feasible options to secure a sustainable tailings storage solution.

In line with previous guidance, total capital expenditure in 2023 is expected to be between US$700 million and US$850 million. US$350-400 million is attributable to Las Bambas, including the expansion of the Las Bambas tailings dam facility and Ferrobamba pit infrastructure. At Kinsevere, capital expenditure related to the Kinsevere Expansion Project is expected to be between US$200-250 million for the new plant with US$50-100 million on associated capitalised mining.

MMG will continue to focus on the next phase of growth. Currently, the company has no future plans for material investments or capital assets sanctioned by the Board, other than those detailed in this report or announced to the market.