

# INTERIM REPORT 2017



HKEX: 1208  
ASX: MMG



WE MINE FOR  
PROGRESS



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**At MMG we mine for progress.**

Our vision is to build the world's most respected diversified base metals company. A long-term outlook, our pride in mining, our commitment to international standards and our respect for people, land and culture underpin our success.



# CHAIRMAN'S REVIEW

**We have focused on advancing the construction of the Dugald River zinc project, which has pleasingly achieved significant progress and has now entered the last stage of major construction work.**

Dear Shareholders,

I would like to extend my heartfelt thanks for your ongoing interest in, and support of, MMG. On behalf of the Board, I present the Company's 2017 Interim Report.

During the first half of 2017, China continued its solid growth. The base metals market has sustained its upward trajectory from the fourth quarter of 2016, with both copper and zinc prices higher despite small fluctuations. MMG delivered solid performance, with operating revenue of US\$1,942.4 million, an increase of US\$1,356.3 million compared to first half 2016; net profit reached US\$113.7 million, increasing by US\$206.7 million; and operating cash flow reached US\$1,116.0 million, enabling a net debt reduction of US\$868.2 million.

Safety First continues to be a core value for us, with a record lower case total recordable injury frequency (TRIF) of 1.14 for first half 2017. Our injury frequency rates continue to be among the lowest in the industry.

Las Bambas completed its first full year of commercial production in June. We proactively implemented effective measures to address challenges related to community relations and logistics. We also achieved steady production with over 430,000 tonnes of copper in copper concentrate produced in the first 12 months of commercial production, which puts us within the top 10 largest copper mines in the world. Las Bambas is the most successful ramp up of a greenfield copper project in the last decade.

The production performance at Rosebery and Kinsevere was within expectations with production similar to the corresponding period in 2016. Sepon continues to manage the challenges presented by declining grades and more complex ores by improving its operating efficiency. MMG continues to streamline its management, optimise organisational structures at its headquarters and simplify business processes. In line with this, we have implemented a series of cost reduction and efficiency enhancement measures across our headquarters and operations.

We have focused on advancing the construction of the Dugald River zinc project, which has pleasingly achieved significant progress and has now entered the last stage of major construction work. We now turn our focus to operational readiness with first production expected by late 2017. On completion, Dugald River will be ranked among the world's top ten zinc mines, supporting our strategic growth objective.

In the first half of the year, we continued to optimise our asset portfolio. We completed the sales of the Century zinc mine and the Golden Grove zinc and copper mine, and also completed the sale of the Avebury nickel mine to Dundas Mining for A\$25 million in July 2017.

Our major Shareholder, China Minmetals Corporation (CMC), China's largest state-owned investment company in the minerals and metals industry, has extensive experience and competitive advantage in the metals industry. CMC maintained steady growth in

**Top left:**  
Copper cathode at  
our Kinsevere mine.

**Top right:**  
(L-R) Chief Executive  
Officer Mr Jerry Jiao  
and Chairman  
Mr Guo Wenqing at  
Las Bambas.

**Bottom:**  
MMG's Chairman,  
Mr Guo Wenqing.



the first half of 2017, and is ranked 120th among the 2017 Fortune 500 companies list. CMC is committed to being a "best in China, first class in the world" minerals and metals group, with major top tier commodities including copper, zinc and nickel. MMG is an important part of this strategy as CMC's flagship platform for international investment, leading the development of international resources. CMC maintains strong confidence in MMG and will continue to provide full support to MMG's growth.

Looking forward to the second half, we expect that global economic growth will continue to strengthen and China's economy will further improve. Industrial production, consumption and export improvement will drive the steady growth of metal consumption, providing support to metal prices. Accordingly, we maintain a positive outlook on the market fundamentals for our key commodities.

MMG will remain focused on enhancing operational discipline, community and government relations, and on ensuring steady production at Las Bambas and other operations. We are also committed to completing construction and commencing production at the Dugald River project ahead of time and within budget. As we actively explore new opportunities and we gradually shift our growth focus to the rich copper and zinc prospects in Africa and Latin America, we will create greater value for our Shareholders, and all stakeholders.



I thank our Shareholders, our communities and our partners for your great support and express my sincere appreciation for the invaluable contribution of all our employees.

**GUO Wenqing**  
Chairman

# CHIEF EXECUTIVE OFFICER'S REPORT

Dear Shareholders,

MMG has come a long way in eight years. Today, we are a company with sound safety values, strong operational capability and a demonstrated ability to deliver. We have faced our challenges and built a reputation as a world-class operator. We own and operate a copper and zinc portfolio based in the world's most exciting mining regions.

Safety is our first value and our highest operating priority.

In the first half of the year, our operations recorded a TRIF of 1.14, which is the lowest half-yearly TRIF ever recorded by MMG. We continue to benchmark in the lowest quartile of our peers, according to the International Council on Mining and Metals safety statistics. This result demonstrates we are moving in the right direction. However, we must continue to focus on implementing and verifying our fatal risk controls, embedding a safety-first mindset and enacting leadership and practices that create safe, injury-free work.

**MMG delivered a significant improvement in operating cash and profitability with revenue increasing by US\$1,356.3 million to US\$1,942.4 million, driven by the increase in copper sales volumes following the start of commercial production at Las Bambas.**

## OUR TRANSFORMATION

We are, however, a very different company in 2017. Following an industry-leading ramp up, our major asset Las Bambas marked its first full year of production on 30 June 2017. Las Bambas produced over 430,000 tonnes of copper in its first year of operation and ranks as one of the world's top 10 copper mines based on production. While the site's ramp up has been an outstanding success, our focus now is on optimising the operation, increasing efficiencies and reducing costs.

MMG operations produced 290,758 tonnes of copper and 37,519 tonnes of zinc in the first half of 2017. During the first half, MMG delivered a significant improvement in operating cash and profitability with revenue increasing by US\$1,356.3 million to US\$1,942.4 million, driven by the increase in copper sales volumes following the start of commercial production at Las Bambas. Revenue was further buoyed by higher realised prices across all of our key commodities. MMG has maintained full year guidance of 560,000–615,000 tonnes of copper and 65,000–72,000 tonnes of zinc.

We have also substantially reduced our portfolio in Australia. In December 2016, we announced the sale of the Golden Grove mine to EMR Capital for US\$210 million, with the sale process completed on 28 February 2017. In February we entered into an agreement with Century Bull for the sale of the Century mine and associated infrastructure in North West Queensland. The sale delivers a new life for Century, which ceased mining

in early 2016, and is a great outcome for the communities and businesses of the Lower Gulf. Also in early July we finalised the sale of the Avebury nickel mine in Tasmania, which has been on care and maintenance since 2009, to Dundas Mining for A\$25 million.

With our acquisitions of Kinsevere and Las Bambas in recent years, as well as our investment in the Dugald River zinc project, we have re-weighted our portfolio from zinc to copper and our economic centre has shifted from Australia and Asia to Africa and Latin America. We are now generating strong cash flow and continue to deliver compelling growth projects.

Since I began as CEO in February this year, I have focused my efforts on simplifying our business. In many ways, the building phase of our company and its structures is complete – our challenge now is to deliver value. In the first six months of the year we commenced a number of cost reduction programs, which will deliver annualised savings of approximately US\$30 million. While we are committed to growing our business and to achieving our objective of being valued as one of the world's top mid-tier miners by 2020, our current focus is on maximising cash, reducing our debt and improving performance at all levels of the business. By leveraging these factors within our control we create a strong platform for future growth.

The unique MMG model is underpinned by the significant support from our major Shareholder, CMC. Our dedicated focus, leverage



**Top left:**  
Mr Jerry Jiao addresses staff at a recent visit to Kinsevere mine in the DRC.

**Top right:**  
Construction of Dugald River project.

**Bottom:**  
Chief Executive Officer,  
Mr Jerry Jiao.



to copper and zinc, and our belief in the long-term fundamentals of both commodities, is matched by support from CMC, which enables us to take a long-term approach to investment.

Looking ahead, the development of our Dugald River project is advancing ahead of schedule and we anticipate achieving the production of first concentrate in late 2017. With annual production of approximately 170,000 tonnes of zinc in zinc concentrate and an increasingly strong price outlook for zinc, Dugald River is well timed and positioned to be within the world's top 10 zinc mines when operational.

So far this year I have been focused on gaining a deeper operational understanding of the business that I have been part of for eight years, including engaging with our operations and our employees. While we have set ourselves ambitious targets for the future and there is much we can still achieve, I am proud to lead a team of such talented people.

On behalf of the MMG management team, I thank our hard-working employees and contractors, communities and our Shareholders for your support.



A handwritten signature in black ink, appearing to be 'J. Jiao'.

**Jerry JIAO**  
Chief Executive Officer

# 6 MANAGEMENT DISCUSSION AND ANALYSIS

## RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

For the purpose of the management discussion and analysis, the Group's results for the six months ended 30 June 2017 are compared with results for the six months ended 30 June 2016.

SIX MONTHS ENDED 30 JUNE	2017 US\$ MILLION	2016 US\$ MILLION	CHANGE % FAV/(UNFAV)
<b>Revenue</b>	<b>1,942.4</b>	<b>586.1</b>	<b>231%</b>
Operating expenses	(963.8)	(408.8)	(136%)
Exploration expenses	(17.6)	(18.8)	6%
Administration expenses	(40.8)	(27.2)	(50%)
Other income	108.4	3.0	3,513%
<b>EBITDA</b>	<b>1,028.6</b>	<b>134.3</b>	<b>666%</b>
Depreciation and amortisation expenses	(425.7)	(201.3)	(111%)
<b>EBIT</b>	<b>602.9</b>	<b>(67.0)</b>	<b>1,000%</b>
Net finance costs	(260.1)	(47.1)	(452%)
<b>Profit/(Loss) before income tax</b>	<b>342.8</b>	<b>(114.1)</b>	<b>400%</b>
Income tax (expense)/credit	(229.1)	21.1	(1,186%)
<b>Profit/(Loss) after income tax</b>	<b>113.7</b>	<b>(93.0)</b>	<b>222%</b>

The Group's operations comprise Las Bambas, Sepon, Kinsevere and Australian Operations (including Rosebery and Golden Grove mines). Century mine is no longer in operation following the end of processing operations at the start of 2016. Exploration, development projects (including Dugald River) and corporate activities are classified as 'Other'. The Group completed the divestments of Golden Grove and Century mines on 28 February 2017. Accordingly, the operating results for the period from 1 January 2017 to 28 February 2017 for Golden Grove and Century are still reflected in the 2017 interim results.

SIX MONTHS ENDED 30 JUNE	REVENUE			EBITDA		
	2017 US\$ MILLION	2016 US\$ MILLION	CHANGE % FAV/(UNFAV)	2017 US\$ MILLION	2016 US\$ MILLION	CHANGE % FAV/(UNFAV)
Las Bambas	1,361.7	-	100%	756.4	16.9	4,376%
Sepon	192.7	176.3	9%	59.1	61.2	(3%)
Kinsevere	226.8	192.3	18%	65.9	67.9	(3%)
Australian operations	154.5	193.7	(20%)	70.9	59.1	20%
Century	-	23.8	(100%)	(20.6)	(19.9)	(3%)
Other	6.7	-	100%	96.9	(50.9)	290%
<b>Total</b>	<b>1,942.4</b>	<b>586.1</b>	<b>231%</b>	<b>1,028.6</b>	<b>134.3</b>	<b>666%</b>

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



## REVENUE

The Group's operating revenue increased by US\$1,356.3 million to US\$1,942.4 million mainly due to a US\$1,296.7 million increase in copper sales volumes following the achievement of commercial production at Las Bambas on 1 July 2016. In addition, revenue was favourable due to higher realised prices for copper (US\$81.0 million), zinc (US\$28.8 million), lead (US\$8.5 million), silver (US\$0.6 million) and gold (US\$1.7 million). This was partly offset by the impact of the divestment of Golden Grove on 28 February 2017 (US\$72.7 million) and no sales for Century compared to revenue recorded in the first half of 2016 from Dugald River processed ore (US\$23.8 million). Sepon, Kinsevere and Rosebery also had lower sales volumes compared to the prior period (US\$29.4 million).

REVENUE BY COMMODITY SIX MONTHS ENDED 30 JUNE	2017 US\$ MILLION	2016 US\$ MILLION	CHANGE % FAV/(UNFAV)
Copper (US\$ million)	1,656.7	360.0	360%
Zinc (US\$ million)	85.4	108.3	(21%)
Lead (US\$ million)	25.1	17.6	42%
Gold (US\$ million)	100.7	54.8	84%
Silver (US\$ million)	74.5	45.4	64%
<b>Total</b>	<b>1,942.4</b>	<b>586.1</b>	<b>231%</b>

## PRICE

LME base metals prices have been higher in 2017 compared with 2016 resulting in a favourable impact on revenue. Zinc and copper average realised prices were also favourably impacted by a decline in concentrate treatment charges and refinement charges (TC/RC).

AVERAGE LME CASH PRICE SIX MONTHS ENDED 30 JUNE	2017	2016	CHANGE % FAV/(UNFAV)
Copper (US\$/tonne)	5,749	4,701	22%
Zinc (US\$/tonne)	2,690	1,799	50%
Lead (US\$/tonne)	2,221	1,731	28%
Gold (US\$/ounce)	1,238	1,221	1%
Silver (US\$/ounce)	17.32	15.82	9%

## SALES VOLUMES

PAYABLE METAL IN PRODUCT SOLD SIX MONTHS ENDED 30 JUNE	2017	2016	CHANGE % FAV/(UNFAV)
Copper (tonnes)	295,934	85,078	248%
Zinc (tonnes)	34,785	79,669	(56%)
Lead (tonnes)	11,390	14,968	(24%)
Gold (ounces)	15,184	25,283	(40%)
Silver (ounces)	1,161,385	1,849,335	(37%)

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

PAYABLE METAL IN PRODUCT SOLD SIX MONTHS ENDED 30 JUNE 2017	COPPER TONNES	ZINC TONNES	LEAD TONNES	GOLD OUNCES	SILVER OUNCES
Las Bambas	223,065	-	-	-	-
Sepon	33,103	-	-	-	-
Kinsevere	39,026	-	-	-	-
Australian operations	739	34,785	11,390	15,184	1,161,385
Century	-	-	-	-	-
<b>Total</b>	<b>295,934</b>	<b>34,785</b>	<b>11,390</b>	<b>15,184</b>	<b>1,161,385</b>

PAYABLE METAL IN PRODUCT SOLD SIX MONTHS ENDED 30 JUNE 2016	COPPER TONNES	ZINC TONNES	LEAD TONNES	GOLD OUNCES	SILVER OUNCES
Las Bambas	-	-	-	-	-
Sepon	36,854	-	-	-	-
Kinsevere	40,013	-	-	-	-
Australian operations	8,211	57,981	13,355	25,283	1,822,738
Century	-	21,688	1,613	-	26,597
<b>Total</b>	<b>85,078</b>	<b>79,669</b>	<b>14,968</b>	<b>25,283</b>	<b>1,849,335</b>

Copper sales volumes increased by 248% compared with the six months ended 30 June 2016, due to the commencement of commercial production at Las Bambas on 1 July 2016. This was partly offset by lower production at Golden Grove with the divestment of the mine on 28 February 2017, as well as lower sales volumes at Sepon (10%) and Kinsevere (2%).

Zinc and lead sales volumes were 56% and 24% lower respectively for the 2017 half year, due to the divestment of Golden Grove and the Century mine closure.

**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.

Operating expenses have increased by US\$555.0 million (136%) in 2017. Las Bambas achieved commercial production on 1 July 2016, resulting in an increase in operating costs of US\$608.0 million in the income statement in the first half of 2017 (2016: nil). This was partly offset by lower operating expenses resulting from the divestment of Golden Grove (US\$67.1 million) and Century (US\$37.2 million). In addition, costs have increased with the stronger Australian dollar (AUD: USD average rate of 0.7537 in 2017 compared to 0.7337 in 2016).

Operating costs at Kinsevere have also increased by US\$17.2 million (14%) predominantly due to higher strip ratios and more material being mined in 2017, compared to 2016, as well as costs associated with the addition of a new mining contractor. Although Sepon production expenses decreased by US\$11.1 million (10%), total operating expenses increased by \$19.2 million (17%). The increase was driven by the depletion of ore inventories resulting from the combination of lower ore mined (-791.5kt) and higher ore milled (+442.5kt) in the first half of 2017.

**Exploration expenses** decreased by US\$1.2 million (6%) compared to the first half of 2016. New discovery spend was down US\$1.4 million (19%) across all exploration sites.

The Group invested US\$10.1 million in mine district exploration, a decrease of US\$0.5 million compared to the first half of 2016. Exploration in 2017 focused on sustaining current ore reserves and increasing the mine life of existing assets, with particular focus on Kinsevere and establishing exploration programs at Las Bambas.

**Administrative expenses** increased by US\$13.6 million (50%) to US\$40.8 million in the first half of 2017, predominantly due to additional costs associated with the divestment of Golden Grove and Century, including lower corporate recharges to divested operations. The stronger Australian dollar also contributed to the higher administrative expenses.



**Other income and expenses** had an aggregate favourable impact on EBIT of US\$108.4 million in the first half of 2017, compared to the favourable impact of US\$3.0 million in the first half of 2016.

The favourable impact in 2017 was predominantly driven by the pre-tax gain on sale of Golden Grove of \$22.0 million, and the pre-tax gain on sale of Century of US\$151.7 million on 28 February 2017. This was partly offset by the fair value losses on commodity price contracts of US\$24.3 million (2016: nil) and foreign exchange losses on the Century rehabilitation provisions from 1 January 2017 to 28 February 2017. In addition, foreign exchange losses were recognised on the translation of the Kinsevere value-added tax (VAT) receivables, which are denominated in Congolese franc. Other items included gains on disposal of property, plant and equipment, offset by losses on financial assets recognised at fair value through profit or loss, foreign exchange losses on the translation of monetary items and sundry expense items.

**Depreciation and amortisation expenses** increased by US\$224.4 million (111%) to US\$425.7 million in the first half of 2017. The increase was primarily driven by the Las Bambas mine achieving commercial production on 1 July 2016, with additional depreciation of US\$279.6 million reflected in the income statement for the first half of 2017 (2016: nil). This was partly offset by lower depreciation and amortisation expenses at Sepon, Kinsevere and Australian Operations.

**Net finance costs** increased by US\$213.0 million (452%) to US\$260.1 million in the first half of 2017. The increase was mainly due to Las Bambas achieving commercial production on 1 July 2016. Interest expense on borrowings for Las Bambas was capitalised to the assets in the first half of 2016, compared to US\$231.7 million reflected in the income statement in the first half of 2017 (2016: nil).

**Income tax expense** of US\$229.1 million in the first half of 2017 includes US\$167.5 million from the divestments of Golden Grove and Century. The majority of the tax expense on the divestments was due to de-recognition of the deferred tax assets relating to Century.

Excluding the impacts of the divestments of Golden Grove and Century, the effective tax rate for the period ended 30 June 2017 was 36.3% (2016: 18.5%). This is primarily due to the tax expense attributable to the Group's Peruvian operation (statutory tax rate 32%) and the unfavourable impact of the non-creditable Peruvian withholding tax arising on the shareholder loan to fund Las Bambas of US\$12.5 million (2016: US\$12.0 million).

**MINES ANALYSIS**

**LAS BAMBAS**

SIX MONTHS ENDED 30 JUNE	2017	2016	CHANGE % FAV/(UNFAV)
<b>Production</b>			
Ore mined (tonnes)	25,833,534	-	100%
Ore milled (tonnes)	25,301,176	-	100%
Copper concentrate (tonnes)	218,440	-	100%
<b>Payable metal in product sold</b>			
Copper (tonnes)	223,065	-	100%

  

SIX MONTHS ENDED 30 JUNE	2017 US\$ MILLION	2016 US\$ MILLION	CHANGE% FAV/(UNFAV)
<b>Revenue</b>	<b>1,361.7</b>	-	<b>100%</b>
<b>Operating expenses</b>			
<b>Production expenses</b>			
Mining	(167.0)	-	(100%)
Processing	(149.2)	-	(100%)
Other	(166.6)	-	(100%)
<b>Total production expenses</b>	<b>(482.8)</b>	-	<b>(100%)</b>
Freight (transportation)	(34.1)	-	(100%)
Royalties	(41.8)	-	(100%)
Other <sup>(i)</sup>	(49.4)	-	(100%)
<b>Total operating expenses</b>	<b>(608.0)</b>	-	<b>(100%)</b>
Other income/(expenses)	2.8	16.9	(83%)
<b>EBITDA</b>	<b>756.4</b>	<b>16.9</b>	<b>4,376%</b>
Depreciation and amortisation expenses	(279.6)	-	(100%)
<b>EBIT</b>	<b>476.8</b>	<b>16.9</b>	<b>2,721%</b>
<b>EBITDA margin</b>	<b>56%</b>	-	

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

Las Bambas produced 218,440 tonnes of copper in copper concentrate in the first half of 2017, 3% above production in the second half of 2016, as optimisation activities continued during the first 12 months of commercial production.

Revenue of US\$1,361.7 million was driven by payable metal in product sold of 223,065 tonnes of copper concentrate, which was above production for the period due to carried forward inventory from logistics disruptions in the second half of 2016. Inventory on hand remained at low levels with no significant logistics disruptions during the first half of 2017. Total operating expenses were \$608.0 million and EBITDA for the six-month period was US\$756.4 million (2016: \$16.9 million).

Las Bambas was only accounted for as an operation from 1 July 2016 when commercial production was achieved, and therefore the operating results for the six months ended 30 June 2016 do not take into account sales, operating expenses and depreciation and amortisation expenses.

MMG expects total copper in copper concentrate production for 2017 at Las Bambas of 420,000 to 460,000 tonnes, with C1 unit costs to be in the range of US\$0.95/lb to US\$1.05/lb. This makes Las Bambas one of the lowest cost copper mines of this scale in the world. C1 costs for the six months to 30 June 2017 were US\$1.01/lb.

In 2017, Las Bambas has embarked on an efficiency review with the full benefit of this program expected to be realised in 2018.



## SEPON

SIX MONTHS ENDED 30 JUNE	2017	2016	CHANGE % FAV/(UNFAV)
<b>Production</b>			
Ore mined (tonnes)	598,014	1,389,561	(57%)
Ore milled (tonnes)	1,601,451	1,158,918	38%
Copper cathode (tonnes)	32,456	35,919	(10%)
<b>Payable metal in product sold</b>			
Copper (tonnes)	33,103	36,854	(10%)

SIX MONTHS ENDED 30 JUNE	2017 US\$ MILLION	2016 US\$ MILLION	CHANGE% FAV/(UNFAV)
<b>Revenue</b>	<b>192.7</b>	<b>176.3</b>	<b>9%</b>
<b>Operating expenses</b>			
<b>Production expenses</b>			
Mining	(7.0)	(27.9)	75%
Processing	(66.2)	(64.2)	(3%)
Other	(24.8)	(17.0)	(46%)
<b>Total production expenses</b>	<b>(98.0)</b>	<b>(109.1)</b>	<b>10%</b>
Freight (transportation)	(2.3)	(2.1)	(10%)
Royalties	(8.6)	(7.7)	(12%)
Other <sup>(i)</sup>	(24.5)	4.7	(621%)
<b>Total operating expenses</b>	<b>(133.4)</b>	<b>(114.2)</b>	<b>(17%)</b>
Other income/(expenses)	(0.2)	(0.9)	78%
<b>EBITDA</b>	<b>59.1</b>	<b>61.2</b>	<b>(3%)</b>
Depreciation and amortisation expenses	(43.1)	(59.5)	27%
<b>EBIT</b>	<b>16.0</b>	<b>1.7</b>	<b>841%</b>
<b>EBITDA margin</b>	<b>31%</b>	<b>35%</b>	

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

Sepon produced 32,456 tonnes of copper cathode in the first half of 2017, down by 10% on the corresponding prior period. Production was impacted by the continued transition to lower grade and more complex ores, with copper ore grades of 2.6% in the first half of 2017, compared to 3.6% in the first half of 2016. The decline in grade was partially offset by record asset utilisation, with plant throughput 30% above the first half of 2016. This significant throughput improvement was obtained with only minor investments in the plant.

The impact of lower production was offset by a higher average realised copper price resulting in revenue increasing by US\$16.4 million (9%) compared to the first half of 2016.

The lower ore mined was due to increased waste stripping associated with mining of Sepon's western areas in order to expose higher-grade ores during the second half of 2017.

Although Sepon production expenses decreased by US\$11.1 million (10%), total operating expenses increased by US\$19.2 million, primarily driven by an unfavourable inventory movement due to the lower ore mined and high processing of stockpiled ores in the first half of 2017.

EBITDA was broadly flat at US\$59.1 million but margins were lower at 31%, compared to 35% in the same period in 2016.

Depreciation and amortisation expenses decreased by US\$16.4 million (27%) due to the lower ore mined in the first half of 2017.

MMG expects Sepon C1 unit costs to be in the range of US\$1.40/lb to US\$1.50/lb with total copper cathode production around 65,000 tonnes. C1 costs for the six months to 30 June 2017 were US\$1.40/lb.

A review that focused on all activities and costs was implemented at Sepon in 2016 to rebase the asset for a lower grade future and this program is expected to deliver cost savings of approximately US\$20 million in 2017.

MMG continues to actively review future options for the Sepon mine and associated infrastructure following the

depletion of the existing high grade copper Ore Reserves expected over the next three to four years. Future production options being assessed include the processing of lower grade copper ores, the restart of oxide gold production and the exploitation of the sizeable primary gold Resources within the MEPA area.

**KINSEVERE**

SIX MONTHS ENDED 30 JUNE	2017	2016	CHANGE % FAV/(UNFAV)
<b>Production</b>			
Ore mined (tonnes)	1,232,187	1,092,185	13%
Ore milled (tonnes)	1,080,404	1,165,751	(7%)
Copper cathode (tonnes)	39,203	39,974	(2%)
<b>Payable metal in product sold</b>			
Copper (tonnes)	39,026	40,013	(2%)

SIX MONTHS ENDED 30 JUNE	2017 US\$ MILLION	2016 US\$ MILLION	CHANGE % FAV/(UNFAV)
<b>Revenue</b>	<b>226.8</b>	<b>192.3</b>	<b>18%</b>
<b>Operating expenses</b>			
<b>Production expenses</b>			
Mining	(21.6)	(11.3)	(91%)
Processing	(45.2)	(50.2)	10%
Other	(43.2)	(26.5)	(63%)
<b>Total production expenses</b>	<b>(110.0)</b>	<b>(88.1)</b>	<b>(25%)</b>
Freight (transportation)	(19.2)	(19.8)	3%
Royalties	(8.6)	(8.4)	(2%)
Other <sup>(i)</sup>	(2.7)	(7.0)	61%
<b>Total operating expenses</b>	<b>(140.5)</b>	<b>(123.3)</b>	<b>(14%)</b>
Other income/(expenses)	(20.4)	(1.1)	(1,754%)
<b>EBITDA</b>	<b>65.9</b>	<b>67.9</b>	<b>(3%)</b>
Depreciation and amortisation expenses	(67.6)	(91.1)	26%
<b>EBIT</b>	<b>(1.7)</b>	<b>(23.2)</b>	<b>93%</b>
<b>EBITDA margin</b>	<b>29%</b>	<b>35%</b>	

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

Kinsevere production was down 2% on the prior period to 39,203 tonnes of copper cathode due primarily to lower mill throughput. This was partly offset by a higher milled ore grade of 3.8% (2016: 3.7%) and higher copper recovery of 95.1% (2016: 92.8%).

Revenue increased by US\$34.5 million (18%) compared to the first half of 2016 as a result of higher average realised copper prices, partly offset by a decrease in copper sales volumes (2%) resulting from the lower production volumes.

Total operating costs increased by US\$17.2 million (14%) driven by higher strip ratios and more material being mined in 2017, compared to 2016, based on the current mine plan. Kinsevere incurred additional costs in the first half of 2017 due to the addition of a new mining contractor and associated ramp up and mobilisation activities. Other income/(expenses) were unfavourable compared to the first half of 2016, due to the foreign exchange losses realised on the VAT receivables. The VAT receivables are denominated in Congolese franc, which has depreciated against the US dollar during the period.



EBITDA was broadly flat at US\$65.9 million but margins were lower at 29%, compared to 35% in the same period in 2016. Depreciation and amortisation expenses decreased by US\$23.5 million (26%), due to changes in the reserve base.

MMG expects to produce 75,000–80,000 tonnes of copper cathode in 2017 at a C1 cost of US\$1.30–US\$1.45/lb. Short-term optimisation of the mine plan

has resulted in the mining of more ore and less waste than originally planned, which has had the effect of increasing C1 cost (through lower capitalisation of waste movement). C1 costs have also been adversely impacted by costs associated with the addition of a new contractor in the first half of 2017. Full-year C1 costs are, therefore, expected to be at the higher end of guidance for 2017. C1 costs for the six months to 30 June 2017 were US\$1.62/lb.

## AUSTRALIAN OPERATIONS

SIX MONTHS ENDED 30 JUNE	2017	2016	CHANGE % FAV/(UNFAV)
<b>Production</b>			
Ore mined (tonnes)	606,245	906,653	(33%)
Ore milled (tonnes)	560,330	945,526	(41%)
Copper in copper concentrate (tonnes)	2,301	7,231	(68%)
Zinc in zinc concentrate (tonnes)	38,881	58,137	(33%)
Lead in lead concentrate (tonnes)	12,668	14,441	(12%)
Gold (ounces)	6,540	5,462	20%
Silver (ounces)	3,247	3,220	1%
<b>Payable metal in product sold</b>			
Copper (tonnes)	739	8,211	(91%)
Zinc (tonnes)	34,785	57,981	(40%)
Lead (tonnes)	11,390	13,355	(15%)
Gold (ounces)	15,184	25,283	(40%)
Silver (ounces)	1,161,385	1,822,738	(36%)
SIX MONTHS ENDED 30 JUNE	2017 US\$ MILLION	2016 US\$ MILLION	CHANGE % FAV/(UNFAV)
<b>Revenue</b>	<b>154.5</b>	<b>193.7</b>	<b>(20%)</b>
<b>Operating expenses</b>			
<b>Production expenses</b>			
Mining	(46.6)	(49.2)	5%
Processing	(15.5)	(31.7)	51%
Other	(21.5)	(10.3)	(109%)
<b>Total production expenses</b>	<b>(83.6)</b>	<b>(91.2)</b>	<b>8%</b>
Freight (transportation)	(2.7)	(6.0)	55%
Royalties	(8.2)	(7.4)	(11%)
Other <sup>(i)</sup>	14.5	(29.5)	149%
<b>Total operating expenses</b>	<b>(80.0)</b>	<b>(134.1)</b>	<b>40%</b>
Other (expenses)/income	(3.6)	(0.5)	(620%)
<b>EBITDA</b>	<b>70.9</b>	<b>59.1</b>	<b>20%</b>
Depreciation and amortisation expenses	(38.2)	(48.9)	22%
<b>EBIT</b>	<b>32.7</b>	<b>10.2</b>	<b>220%</b>
<b>EBITDA margin</b>	<b>46%</b>	<b>31%</b>	

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

Total revenue decreased by US\$39.2 million (20%) mainly due to the divestment of Golden Grove on 28 February 2017, resulting in a decrease in revenue of US\$72.7 million. In addition, sales volumes at Rosebery were lower by US\$6.6 million predominantly due to declining zinc ore grades. This was partly offset by favourable realised prices for zinc (US\$28.8 million), lead (US\$8.4 million), copper (US\$0.7 million), silver (US\$1.7 million) and gold (US\$0.5 million).

Ore mined and ore milled reduced by 33% and 41% respectively, compared to the first half of 2016, largely due to the divestment of Golden Grove.

Operating expenses decreased by US\$54.1 million (40%) driven by the divestment of Golden Grove to US\$67.1

million. This was partly offset by unfavourable operating expenses for Rosebery of US\$12.9 million due to the higher ore mined and processed in the first half of 2017, compared to the prior period in an attempt to offset the declining ore grade.

In 2017, MMG expects to produce between 65,000–72,000 tonnes of zinc in zinc concentrate and 18,000–25,000 tonnes of lead in lead concentrate.

Due to lower than planned Treatment Charges for zinc concentrate and a continued focus on cost and efficiency, MMG now expects C1 costs for zinc to be in the range of US\$0.15–US\$0.25/lb compared with US\$0.25–US\$0.35/lb previously. Zinc C1 costs for the six months to 30 June 2017 were US\$0.20/lb.

## CASH FLOW ANALYSIS

### NET CASH FLOW

SIX MONTHS ENDED 30 JUNE	2017	2016
Net operating cash flows	1,116.0	57.7
Net investing cash flows	(44.8)	(378.6)
Net financing cash flows	(709.6)	(61.5)
<b>Net cash inflows/(outflows)</b>	<b>361.6</b>	<b>(382.4)</b>

**Net operating cash inflows** increased by US\$1,058.3 million (1,834%) to US\$1,116.0 million mainly reflecting higher EBITDA, following the achievement of commercial production at Las Bambas in the second half of 2016 as well as favourable realised metal prices (particularly copper) in the first half of 2017.

**Net investing cash outflows** decreased by US\$333.8 million to US\$44.8 million largely due to net proceeds of US\$196.3 million from disposals of Golden Grove and Century, as well as proceeds from repayments of a loan to a related party of US\$95.0 million, which partially offset the capital expenditures at Las Bambas and Dugald River project.

**Net financing cash outflows** included repayments of borrowings of US\$588.2 million, and payments of interest and financing costs of US\$210.0 million in line with contractual terms. These were partially offset by drawdowns of US\$80.0 million under the Dugald River project facility.

Financing cash outflows in the first half 2016 included repayments of borrowings of US\$226.9 million, as well as payments of interest and financing costs of US\$197.1 million in line with contractual terms. Dividends of US\$3.5 million were also paid to Sepon minority shareholder Government of Laos. These were partially offset by drawdowns of US\$263.4 million under the US\$5,988.0 million Las Bambas project facility with China Development Bank Corporation (CDB), Industrial and Commercial Bank of China Limited (ICBC), Bank of China Limited (Sydney Branch) (BOC) and The Export-Import Bank of China (EXIM) and US\$100.0 million under the US\$350.0 million working capital facility with BOC Sydney.



## FINANCIAL RESOURCES AND LIQUIDITY

	30 JUNE 2017 US\$ MILLION	31 DECEMBER 2016 US\$ MILLION	CHANGE US\$ MILLION
Total assets	14,624.3	15,230.0	(605.7)
Total liabilities	(11,910.4)	(12,640.4)	730.0
<b>Total equity</b>	<b>2,713.9</b>	<b>2,589.6</b>	<b>124.3</b>

Total equity increased by US\$124.3 million to US\$2,713.9 million as at 30 June 2017, mainly reflecting the US\$113.7 million net profit for the current reporting period.

The Group's objectives in managing capital are to safeguard its ability to continue as a going concern,

support sustainable growth, enhance Shareholder value and provide capital for potential acquisitions and investment. The gearing ratio for the MMG group is in the following table with gearing defined as net debt (total borrowings excluding finance charge prepayments, less cash and cash equivalents) divided by the aggregate of net debt plus total equity.

	30 JUNE 2017 US\$ MILLION	31 DECEMBER 2016 US\$ MILLION
<b>MMG GROUP</b>		
Total borrowings (excluding prepayments) <sup>1</sup>	9,832.9	10,339.5
Less: cash and cash equivalents	914.3	552.7
<b>Net debt</b>	<b>8,918.6</b>	<b>9,786.8</b>
Total equity	2,713.9	2,589.6
<b>Net debt + Total equity</b>	<b>11,632.5</b>	<b>12,376.4</b>
<b>Gearing ratio</b>	<b>0.77</b>	<b>0.79</b>

<sup>1</sup> Borrowings at MMG Group level reflect 100% of MMG SAM borrowings. MMG SAM's Borrowings have not been reduced to reflect MMG's 62.5% equity interest in the Las Bambas Joint Venture Company. This is consistent with the basis of preparation of MMG's financial statements.

Under the terms of relevant debt facilities held by the MMG Group, the gearing ratio for covenant compliance purposes is calculated exclusive of US\$2,261.1 million (31 December 2016: US\$2,261.3 million) of shareholder debt that was used to fund the MMG Group's equity contribution to the Las Bambas Joint Venture Company, MMG SAM. However, for the purpose of the above gearing ratio calculation, it has been included as borrowings.

### AVAILABLE DEBT FACILITIES

As at 30 June 2017, the Group (excluding the MMG South America Management Group) had available undrawn bank debt facilities of US\$240.7 million (31 December 2016: US\$320.0 million) including:

- US\$140.0 million available under the amended US\$550.0 million exclusive Dugald River facility, which can only be used for the purpose of funding the Dugald River project;
- US\$100.0 million available under the revolving facility as provided by Top Create; and

- US\$0.7 million of the facility provided by Top Create remained undrawn.

As at 30 June 2017, the MMG South America Management Group had available undrawn bank debt facilities of US\$352.3 million (2016: US\$252.3 million), which is available exclusively for the MMG South America Management Group including:

- US\$350.0 million available under the existing US\$350.0 million Bank of China Sydney Working Capital Revolving Facility; and
- US\$2.3 million available under the existing Las Bambas Project Facility with syndicate lenders led by China Development Bank Corporation.

## DEVELOPMENT PROJECTS

An update of the Company's major development projects is following:

### DUGALD RIVER, AUSTRALIA

The Dugald River project was 73% complete as at 30 June 2017. The development of Dugald River is advancing ahead of schedule and the production of first concentrate is now expected in late 2017.

The expected total capital cost to project completion is now approximately US\$600 million<sup>(1)</sup> plus interest costs, at the low end of the previous guidance range of US\$600-620 million.

Dugald River is positioned to be within the world's top 10 zinc mines when operational, with annual production of around 170,000 tonnes of zinc in zinc concentrate, plus by-products. The mine will operate over an estimated 25 years. As previously disclosed, MMG expects to achieve C1 costs of US\$0.68–0.78/lb when at a steady state of operation.

## CONTRACTS AND COMMITMENTS

### SEPON

New and revised agreements were finalised with regard to various goods and services with improved terms and conditions including multiple contracts for reagents and commodities, engineering consultancy services and ancillary equipment.

### KINSEVERE

New and revised agreements were finalised with regard to various goods and services with improved terms and conditions including a new additional mining services contract; multiple contracts covering civil works, structural and mechanical piping and electrical and instrumentation requirements for site projects; multiple contracts for the supply of reagents and commodities; and an extension to the camp services contract.

### AUSTRALIAN OPERATIONS

New and revised agreements were finalised with regard to various goods and services with improved terms and conditions including multiple contracts for reagents and commodity supply; multiple contracts covering civil works, structural and mechanical piping and electrical

and instrumentation requirements for site projects; and multiple contracts for the provision of goods and services for the maintenance of fixed and mobile assets.

Additionally, contracting support was undertaken as part of the separation of the Golden Grove and Century operations.

### LAS BAMBAS

New and revised agreements were finalised with regard to various goods and services with improved terms and conditions including explosives supply and blasting services, Tailings Storage Facility (TSF) capital works, insurance services, fixed plant and mobile equipment spare parts supply and services, additional mobile plant purchases, drilling services, multiple engineering consultancy services, light vehicle services, and multiple amendments and extensions to goods supply and logistics services.

### DUGALD RIVER

As the project progressed through construction and toward commissioning, contracting activity remained high with a focus on construction completion and operational readiness. New and revised agreements of significance include TSF/civil earthworks; village expansion; concentrate plant construction; utilities supply and maintenance; OEM spare parts supply and services; reagents and commodities first-fill and ongoing supply; multiple infrastructure and ancillary equipment contracts including site communication, refuge chambers, laboratory equipment and ancillary fleet, drilling services, raiseboring and paste plant reticulation installation services.

### GROUP (INCLUDING GLOBAL GEOSCIENCE AND DISCOVERY REQUIREMENTS)

New and revised agreements were finalised with regard to various goods and services with improved terms and conditions including multiple consultancy agreements, multiple exploration geophysical consultancy and survey agreements, multiple exploration drilling service agreements, multiple ancillary fleet purchases and multiple IT-related goods supply and service agreements.

## PEOPLE

As at 30 June 2017, the Group employed a total of 5,093 full-time equivalent employees (31 December 2016: 5,210) in its operations (excluding contractors, casual employees,

(1) US\$600 million cost to complete from Board approval of the updated development plan in July 2015 to first shipment of concentrate in 2018.

apprentices and trainees) with the majority of employees based in Australia, Laos, South America and the Democratic Republic of Congo (DRC).

Total employee benefits expenses for the Group's operations for the six months ended 30 June 2017, including Directors' emoluments, totalled US\$200.5 million – an increase of 56.8% (2016: US\$127.9 million), in line with the commencement of production at Las Bambas.

The Group has remuneration policies that align with market practice and remunerates its employees based on the responsibilities of their roles, their performances, market requirements and the performance of the Group. Employee benefits include market-competitive fixed remuneration, performance-related incentives, a limited share option scheme and, in specific cases, insurance and medical coverage. 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

Exploration activities for the first half of 2017 were focused on Las Bambas and Kinsevere mine sites in Peru and the DRC, and a number of exploration prospects in Brazil, Australia, DRC and Zambia. Exploration expenditure for the period is US\$17.6 million (2016: US\$18.8 million).

While continuing with orebody knowledge studies, surface geochemical sampling, ground geophysics and mapping programs were also carried out at a number of areas close to the Ferrobamba and Chalcobamba resources at Las Bambas. Diamond drilling commenced during the second quarter at the Nambulwa project 25 kilometres north of the Kinsevere mine in the DRC with economic and subeconomic oxide copper mineralisation intersected at shallow depth at several prospects.

Scout drilling commenced at a number of projects, namely Limoeiro nickel in Brazil, McArthur Basin zinc in Australia, and Solwezi copper in Zambia. An extensive aircore drilling program targeting a number of soil geochemical anomalies delineated encouraging bedrock mineralisation requiring follow up diamond drilling.

PROJECT	HOLE_TYPE	METERAGE (METRES)	NUMBER OF HOLES	AVERAGE LENGTH (METRES)
Kinsevere (includes Rad50)	Diamond	4,440	38	117
Solwezi (copper, Zambia)	Aircore	4,241	148	29
Limoeiro (nickel, Brazil)	Diamond	225	1	225
<b>Total</b>		<b>8,906</b>	<b>187</b>	

## MATERIAL ACQUISITIONS AND DISPOSALS

The Group made no material acquisitions in the six months ended 30 June 2017.

### SALE OF GOLDEN GROVE MINE

The Group completed the sale of the Golden Grove mine to EMR Capital Holdings Pty Ltd ("EMR Capital") on 28 February 2017 for gross proceeds of US\$210.0 million. All conditions for completion were met on 28 February 2017 and the Group lost control of and ceased to consolidate Golden Grove from that date. The sale agreement provided EMR Capital the economic benefit of operations at Golden Grove from 1 January 2017 and a post settlement adjustment was made to the sale price to reflect the effective date of ownership. The transaction resulted in a pre-tax profit on disposal of US\$22.0 million (US\$18 million post-tax).

### SALE OF CENTURY MINE

On 28 February 2017 the Group entered into agreements with Century Mine Rehabilitation Project Pty Ltd, a subsidiary of Century Bull Pty Ltd ("Century Bull") which is independent of the Group, to effect the disposal of assets and infrastructure associated with the Century mine. The disposal benefitted the Group by transferring the assets and rehabilitation obligations in respect of the Century mine to a specialist in economic rehabilitation of mine sites while capping the Group's potential liabilities related to the Century mine. The sale completed on 28 February 2017.

As at 28 February 2017, the book value of Century amounted to a net liability of US\$336.3 million, including rehabilitation liabilities of US\$337.8 million. As a part of the terms of the sale the Group has procured certain bank guarantees amounting to A\$193 million (equivalent to US\$148.8 million) for the benefit of Century Bull until 31 December 2026. The guarantees have been procured



to support certain obligations Century Bull is required to perform in operating the Century Mine business including rehabilitation activities. Century Bull is legally required to punctually meet all obligations and must use best endeavours to ensure that no demand is made under the bank guarantees.

The Group recognises the fair value of the guarantee as a financial liability until expiry of the guarantee period, which is capped at a maximum of A\$193 million (equivalent to US\$148.8 million). Century Bull must ensure that, within 90 days of the end of each financial year, the bank guarantee is reduced by not less than 40% of the Century mine's EBITDA in respect of a financial year. In addition, the Group will make an additional contribution totalling A\$34.5 million (equivalent to US\$26.5 million) over three years (A\$5.8 million has been paid as of 30 June 2017), to provide short-term support to Century Bull during its transition period in respect to its obligations around site upkeep and environmental maintenance and monitoring. The Group also established a special purpose trust of A\$12.1 million (equivalent to US\$9.3 million), managed independently by Equity Trustees to support Century Bull in meeting Century's existing obligations and agreed community projects for the benefit of Lower Gulf communities. This fund has been drawn in full during the current reporting period.

The transaction resulted in a pre-tax profit on disposal of US\$151.7 million and a post-tax loss of US\$11.8 million following de-recognition of the associated deferred income tax assets of US\$163.5 million.

The operating results for the period from 1 January 2017 to 28 February 2017 of Golden Grove and Century mines are still consolidated into the Group's condensed consolidated interim statement of profit or loss for the current reporting period.

## EVENTS AFTER THE REPORTING DATE

On 7 July 2017, the Group completed the sale of the Avebury mine to Dundas Mining Pty Ltd for total consideration of A\$25 million (equivalent to US\$19.0 million). All conditions to completion were met on 7 July 2017, and the Group ceased to consolidate Avebury from that date. An estimated net profit after tax of between US\$3.0 million and US\$5.0 million will be recognised from the disposal of the Avebury mine in the second half of 2017.

On 31 July 2017, Minera Las Bambas S.A. voluntarily prepaid US\$500.0 million under its secured US\$5,988 million project facility from China Development Bank Corporation, Industrial and Commercial Bank of China Limited, Bank of China Limited (Sydney Branch) and The Export-Import Bank of China.

The payment was funded with surplus cash generated by the Las Bambas operations and will result in gross annualised interest savings of approximately US\$25.0 million (based on prevailing LIBOR rates).

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

## FINANCIAL AND OTHER RISK MANAGEMENT

### FINANCIAL RISK FACTORS

The Group's activities expose it to a variety of financial risks including commodity price risk, interest rate risk, foreign exchange risk, credit risk, liquidity risk and sovereign risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group can use derivative financial instruments, such as foreign exchange contracts and commodity swaps, to manage certain exposures. The Group does not enter into, and is prohibited from entering into, derivative contracts for speculative purposes.

Financial risk management is carried out by the Group Treasury function under proposals approved by the Board. Group Treasury identifies, evaluates and manages financial risks in close cooperation with the Group's operating units. The Board approves written principles for overall risk management, as well as policies covering specific areas, such as those following.

#### (a) Commodity price risk

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

The following table details the sensitivity of the Group's financial assets balance to movements in commodity prices. Financial assets arising from revenue on provisionally priced sales are recognised at the estimated fair value of the total consideration of the receivable

and subsequently remeasured at each reporting date. At the reporting date, if the commodity prices increased/ (decreased) by 10% and all other variables were held constant, the Group's after tax profit/(loss) would have changed as set out.

COMMODITY	30 JUNE 2017			31 DECEMBER 2016		
	COMMODITY PRICE MOVEMENT	INCREASE PROFIT US\$ MILLION	DECREASE PROFIT US\$ MILLION	COMMODITY PRICE MOVEMENT	DECREASE LOSS US\$ MILLION	INCREASE LOSS US\$ MILLION
Zinc	10%	1.2	(1.2)	10%	5.1	(5.1)
Copper	10%	20.4	(20.4)	10%	53.8	(53.8)
Lead	10%	0.8	(0.8)	10%	0.1	(0.1)
<b>Total</b>		<b>22.4</b>	<b>(22.4)</b>		<b>59.0</b>	<b>(59.0)</b>

#### (b) Interest rate risk

The Group is exposed to interest rate risk primarily through interest bearing borrowings and investment of surplus cash holdings. Deposits and borrowings at variable rates expose the Group to cash flow interest rate risk. Deposits and borrowings at fixed rates expose the Group to fair value interest rate risk.

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 Group's overall exposure, the prevailing interest rate market and any funding counterparty requirements. Regular reporting that summarises the Group's debt and interest rates is provided to the Executive Committee.

#### (c) Foreign exchange risk

The Group operates internationally and is exposed to foreign currency exchange risk. The Group's reporting currency and functional currency of the majority of subsidiaries within the Group is US dollars. The majority of revenue received by the Group is in US dollars. The Group's foreign currency exchange risk arises predominantly from the currency of the countries in which the Group's operations are located. Any decision to hedge foreign currency risk is assessed periodically in light of the Group's exposure, the prevailing foreign currency market and any funding counterparty requirements.

#### (d) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to

the Group. The Group is exposed to counterparty credit risk through sales of metal products on normal terms of trade, through deposits of cash and settlement risk on foreign exchange transactions.

The credit risk on investments in cash, short-term deposits and similar assets are with approved counterparty banks and the intermediate holding company of the Company. Counterparties are assessed prior, during and after the conclusion of transactions to ensure exposure to credit risk is limited to acceptable levels. The limits are set to minimise the concentration of risks and therefore mitigate the potential for financial loss through counterparty failure.

#### (e) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities.

Management utilises short- and long-term cash flow forecasts and other consolidated information to ensure that appropriate liquidity buffers are maintained to support the Group's activities.

#### (g) Sovereign risk

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

Changes in any mining or investment policies or shifts in political attitudes in the jurisdictions in which the Group operates may adversely affect the Group's operations and profitability.

Some of the countries in which the Group operates carry higher levels of sovereign risk. Political and administrative changes and reforms in law, regulations or taxation may impact sovereign risk. Political and administrative systems can be slow or uncertain and may result in risks to the Group, including the ability to obtain tax refunds in a timely manner. The Group has processes in place to monitor any impact on the Group and implement responses to such changes.

## 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 year, 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. These guarantees amount to US\$422.5 million as at 30 June 2017 (31 December 2016: US\$383.4 million), which include certain bank guarantees amounting to A\$193 million (equivalent to US\$148.8 million) for the benefit of Century Bull associated with the disposal of Century mine.

### CONTINGENT LIABILITIES – TAX RELATED CONTINGENCIES

Tax authorities conduct regular routine tax reviews and audits on the Group. The final outcome cannot be determined with sufficient reliability. The consolidated interim statement of financial position currently reflects all probable taxation liabilities and reasonable steps are being undertaken in relation to all potential tax uncertainty.

## CHARGES ON ASSETS

As at 30 June 2017, the borrowings of the Group were secured as follows:

- (a) Approximately US\$410.0 million (2016: US\$330.0 million) from China Development Bank Corporation and Bank of China Limited (Sydney Branch) was secured by a first-ranking equitable mortgage over each of the entire share capital of Album Investment: 100% of the share capital of certain wholly owned subsidiaries of Album Investment including MMG Laos Holdings Limited; a share charge over 70% of the share capital of certain wholly owned subsidiaries of Album Investment including MMG Laos Holdings Limited; a share charge over all of the shares in MMG Dugald River Pty Ltd (MMG Dugald River); a real property mortgage over all of the interests in land of MMG Dugald River; a general security agreement in respect of all of the assets of MMG Dugald River, and specific security over certain assets owned by MMG Australia Limited relating to the Dugald River project; and a featherweight charge over all of MMG Australia Limited's other assets (which security may now be released as MMG Australia Limited, has completed the transfer of the Dugald River project assets to MMG Dugald River).
- (b) Approximately US\$6,954.7 million (2016: US\$6,954.5 million) from China Development Bank Corporation, Industrial and Commercial Bank of China Limited, Bank of China Limited (Sydney Branch) and The Export-Import Bank of China was secured by share security over the entire share capital of MMG South America Management Co Ltd and each of its subsidiaries including Minera Las Bambas S.A., a debenture over the assets of MMG South America Management Co Ltd, an assets pledge agreement and production unit mortgage in respect of all of the assets of Minera Las Bambas S.A., assignments of shareholder loans between MMG South America Management Co Ltd and its subsidiaries and security agreements over bank accounts of Minera Las Bambas S.A. These borrowings are also guaranteed on a several basis by CMNH and CMCL, Guoxin International Investment Corporation Limited and CITIC Corporation Limited (formerly known as CITIC Limited) in proportion to the respective shareholdings of MMG S.A., Elion Holdings Corporation Limited and Citic Metal Peru Investment Limited in MMG SAM.



## **FUTURE PROSPECTS**

MMG expects to produce 560,000–615,000 tonnes of copper and 65,000–72,000 tonnes of zinc in 2017.

Total capital expenditure is expected to be around US\$850 million for 2017. This includes approximately US\$330 million for Dugald River (US\$137.0 million incurred in first half of 2017).

MMG currently 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.

# OTHER INFORMATION

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2017, the interests and short positions of the Directors and the CEO of the Company or any of their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (SFO)), which were required to be

notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, which they are taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be kept pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (Model Code) as set out in Appendix 10 of the Listing Rules were as follows:

### LONG POSITION IN THE SHARES AND THE UNDERLYING SHARES OF THE COMPANY AS AT 30 JUNE 2017

NAME OF DIRECTOR <sup>1</sup>	NATURE OF INTEREST	NUMBER OF SHARES HELD	NUMBER OF UNDERLYING SHARES HELD		APPROXIMATE PERCENTAGE OF TOTAL NUMBER OF ISSUED SHARES (%) <sup>4</sup>
			OPTIONS <sup>2</sup>	PERFORMANCE AWARDS <sup>3</sup>	
XU Jiqing	Personal	-	6,119,962	1,880,100	0.10

Notes:

1. Mr Jiao Jian, who was re-designated as an Executive Director and appointed as the CEO of the Company on 15 February 2017, does not have any interest in shares, underlying shares and debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO as at 30 June 2017.
2. The Directors' interests in the underlying ordinary shares of the Company are through options granted by the Company and the adjustment of options as a result of Rights Issue pursuant to the 2013 Share Option Scheme, details of which are set out under the section titled '2013 Share Option Scheme'.
3. The Directors' interests in the underlying ordinary shares of the Company are through performance awards granted by the Company and the adjustment of performance awards as a result of Rights Issue pursuant to the long-term incentive equity plan adopted by the Company (Long Term Incentive Equity Plan), details of which are set out under the section titled '2015 Performance Awards'.
4. The calculation is based on the number of ordinary shares and/or underlying ordinary shares as a percentage of the total number of issued ordinary shares of the Company (that is: 7,948,895,469 shares) as at 30 June 2017.

Save as disclosed above, as at 30 June 2017, none of the Directors or the CEO of the Company or any of their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, which they are taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register required to be kept pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code. In addition, none of the Directors or the CEO of the Company or any of their associates had been granted or had exercised any rights to subscribe for any equity or

debt securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) during the first half of 2017.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as is known to the Directors and CEO of the Company, as at 30 June 2017, the following persons had interests or short positions in the shares or underlying shares of the Company that were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or that were recorded in the register required to be kept by the Company under Section 336 of the SFO.

## LONG POSITION IN THE SHARES OF THE COMPANY AS AT 30 JUNE 2017

NAME	CAPACITY	NUMBER OF SHARES HELD	APPROXIMATE PERCENTAGE OF TOTAL NUMBER OF ISSUED SHARES (%) <sup>1</sup>
China Minmetals Corporation (CMC)	Interest of controlled corporations <sup>2,3,4</sup>	5,847,166,374	73.56
China Minmetals Corporation Limited (CMCL)	Interest of controlled corporations <sup>2,3,4</sup>	5,847,166,374	73.56
China Minmetals Non-ferrous Metals Holding Company Limited (CMNH)	Interest of controlled corporations <sup>2,3,4</sup>	5,847,166,374	73.56
China Minmetals Non-ferrous Metals Company Limited (CMN)	Interest of controlled corporations <sup>2,3,4</sup>	5,847,166,374	73.56
Album Enterprises Limited (Album Enterprises)	Beneficial owner <sup>2,4</sup>	2,333,232,860	29.35
Top Create Resources Limited (Top Create)	Beneficial owner <sup>3,4</sup>	1,621,310,056	20.40
China Minmetals H.K. (Holdings) Limited (Minmetals HK)	Beneficial owner <sup>4</sup>	1,892,623,458	23.81

## Notes:

1. The calculation is based on the number of ordinary shares that each person is interested in (whether directly/indirectly interested or deemed to be interested) as a percentage of the total number of issued ordinary shares (that is: 7,948,895,469 shares) of the Company as at 30 June 2017.
2. Album Enterprises is a wholly owned subsidiary of CMN, which, in turn, is owned as to approximately 99.999% by CMNH and approximately 0.001% by CMCL. CMNH is a wholly owned subsidiary of CMCL. CMCL is owned as to approximately 87.5% by CMC and approximately 0.8% by China National Metal Products Co. Ltd., which, in turn, is a wholly owned subsidiary of CMC. Accordingly, CMN, CMNH, CMCL and CMC were by virtue of the SFO deemed to be interested in the 2,333,232,860 shares of the Company held by Album Enterprises as at 30 June 2017.
3. Top Create is a wholly owned subsidiary of CMN. Accordingly, CMN, CMNH, CMCL and CMC were by virtue of the SFO deemed to be interested in the 1,621,310,056 shares of the Company held by Top Create as at 30 June 2017.
4. As disclosed in the Company's announcement dated 7 January 2016, a conditional sale and purchase agreement dated 31 December 2015 was entered into among Album Enterprises and Top Create as vendors, and Minmetals HK as purchaser in relation to the share transfer under which each of Album Enterprises and Top Create has agreed to transfer all its shares in the Company, that is, approximately 43.04% and 30.65% respectively to Minmetals HK (Share Transfer). The consideration for the Share Transfer will be settled by Minmetals HK issuing new shares to Album Enterprises and Top Create in proportion to their respective existing shareholdings in the Company. As at 30 June 2017, the Share Transfer is in progress and Album Enterprises, Top Create and Minmetals HK held approximately 29.35%, 20.40% and 23.81% of the shares of the Company respectively. Upon completion of the Share Transfer, Minmetals HK will hold in total approximately 73.56% of the shares of the Company and be owned by Album Enterprises, Top Create and CMCL as to approximately 38.95%, 22.01% and 39.04%, respectively.

Save as disclosed above, as at 30 June 2017, there was no other person who was recorded in the register of the Company, as having an interest or short positions in the shares or underlying shares of the Company who was required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was recorded in the register required to be kept by the Company under Section 336 of the SFO.

#### LOAN AGREEMENTS WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDER

In accordance with the continuing disclosure requirements under Rule 13.21 of the Listing Rules, following are the details of the Group's facility agreements that contain covenants requiring specific performance obligations of the controlling Shareholders.

## BORROWINGS

Particulars of borrowings of the Group as at 30 June 2017 are set out in Note 14 to the Consolidated Financial Statements.

During the first half of 2017, the Company and its subsidiaries continued to maintain pre-existing loan agreements that include conditions imposing specific performance obligations on a controlling Shareholder. A breach of such an obligation would cause a default in respect of loans that are significant to the operations of the issuer, the details of which are set out below.



### Facilities granted by China Development Bank Corporation and Bank of China Limited

On 13 June 2012, Album Resources and MMG Management, each a wholly owned subsidiary of the Company, entered into the US\$751.0 million Facility, pursuant to which:

- CDB agreed to provide Album Resources with a US\$366.0 million cash facility (Tranche A Facility), which was fully drawn. Such loan was repaid by instalment on specified dates set out in the facility agreement. On 3 May 2017, Album Resources repaid all amounts then outstanding on the Tranche A Facility, at which point it was cancelled.
- BOC Sydney agreed to provide MMG Management with a US\$385.0 million cash facility (Tranche B Facility), which was fully drawn. Such loan was repaid by instalment on specified dates set out in the facility agreement. On 3 May 2017, MMG Management repaid all amounts then outstanding on the Tranche B Facility, at which point it was cancelled.

Pursuant to the terms of the US\$751.0 million Facility, on the occurrence of the following events (among others), CDB and/or BOC Sydney were entitled to declare all outstanding loans under the Tranche A Facility and/or the Tranche B Facility immediately due and payable:

- CMCL (formerly CMN) ceased to legally and beneficially own at least 51% of the total number of issued shares of the Company; or
- CMN (a) ceased to beneficially hold at least 51% of the total number of issued shares of Album Resources; or (b) did not have any of the following: (1) the power to cast, or control the casting of, at least 51% of the maximum number of votes that might be cast at a general meeting of Album Resources; or (2) the ability to appoint or remove all, or the majority, of the directors of Album Resources; or (3) the power to give directions with respect to the operating and financial policies of Album Resources with which the directors of Album Resources are obliged to comply.

On 27 June 2013, the Company, MMG Dugald River and certain other subsidiaries entered into a facility agreement with CDB and BOC Sydney in relation to the financing of the development and construction of the Dugald River project for an amount up to US\$1 billion (Dugald River Facility). On 27 June 2016, parties to the Dugald River Facility entered into an amendment agreement pursuant to which the Dugald River Facility was reduced to US\$550 million. The Dugald River Facility will now be available for drawdown

until 27 June 2018, and is to be repaid by 28 June 2026. As at 30 June 2017, the amount of US\$410.0 million was drawn under the Dugald River Facility.

Pursuant to the terms of the amended Dugald River Facility, on the occurrence of the following events (among others), CDB and/or BOC Sydney may declare all outstanding loans under the facility immediately due and payable:

- CMCL ceases to legally and beneficially own, directly or indirectly, at least 51% of the total number of issued shares of the Company; or
- CMCL ceases to have the power to (a) cast, or control the casting of, more than one half of the maximum number of votes that might be cast at a general meeting of the Company; or (b) appoint or remove all, or the majority, of the Directors or other equivalent officers of the Company; or (c) give directions with respect to the Company's operating and financial policies with which the Directors or other equivalent officers of the Company are obliged to comply.

### Facility granted by Industrial and Commercial Bank of China Limited

On 22 August 2012, MMG Finance Limited was granted by ICBC a US\$150.0 million one-year term facility. On 20 August 2013, ICBC agreed to extend its facility for a further term of one year. On 20 May 2014, ICBC and MMG Finance Limited entered into a US\$300.0 million three-year loan facility, to replace the US\$150.0 million loan facility, which consists of a US\$200.0 million term facility along with a US\$100.0 million revolving facility for discretionary working capital (ICBC Facility). On 30 December 2016, MMG Finance Limited prepaid all amounts then outstanding under the ICBC Facility, at which point the US\$200.0 million term tranche was cancelled. On 22 May 2017, the remaining US\$100.0 million revolving tranche of the facility expired. At that time, no amounts were outstanding.

Under the ICBC Facility, an event of default would occur in the event that the Company ceased to be a subsidiary of CMN or MMG Finance Limited ceased to be a wholly owned subsidiary of the Company, and the lender may have declared all outstanding loans under the facilities immediately due and payable.

Please refer to the announcements of the Company on 10 January 2011, 14 June 2012, 22 August 2012, 27 June 2013, 20 August 2013, 20 May 2014, 27 June 2016 and 23 December 2016 for further details of the facilities referred to above.

## SHARE OPTION SCHEME

### 2013 SHARE OPTION SCHEME

Pursuant to the share option scheme adopted at the extraordinary general meeting of the Company held on 26 March 2013 (2013 Share Option Scheme), there were 216,933,964 options outstanding as at 30 June 2017, which represented approximately 2.73% of the total number of issued shares of the Company as at 30 June 2017.

During the first half of 2017, the movements of the options that have been granted under the 2013 Share Option Scheme were as follows:

#### 2013 Options

CATEGORY AND NAME OF PARTICIPANT	DATE OF GRANT <sup>1,2,3</sup>	EXERCISE PRICE PER SHARE <sup>4</sup> HK\$	EXERCISE PERIOD <sup>5</sup>	NUMBER OF OPTIONS					
				BALANCE AS AT 1 JANUARY 2017	GRANTED DURING THE PERIOD	EXERCISED DURING THE PERIOD <sup>6</sup>	CANCELLED DURING THE PERIOD	LAPSED DURING THE PERIOD <sup>7</sup>	BALANCE AS AT 30 JUNE 2017
<b>DIRECTOR</b>									
XU Jiqing	15 December 2016 <sup>3</sup>	2.51	15 December 2016 to 8 April 2020	2,626,701	–	–	–	–	2,626,701
				2,626,701	–	–	–	–	2,626,701
<b>EMPLOYEES OF THE GROUP</b>									
	9 April 2013 <sup>1</sup>	2.51	9 April 2016 to 8 April 2020	91,745,606					
	13 December 2016 <sup>2</sup>	2.51	13 December 2016 to 8 April 2020	4,082,680					
				95,828,286	– (13,790,636)		– (15,594,679)		66,442,971
	15 December 2016 <sup>3</sup>	2.51	15 December 2016 to 8 April 2020	3,296,606	–	–	–	–	3,296,606
				3,296,606	–	–	–	–	3,296,606
<b>TOTAL</b>				<b>101,751,593</b>	<b>– (13,790,636)</b>		<b>– (15,594,679)</b>		<b>72,366,278</b>

Notes:

- The closing price of the shares of the Company immediately before the date on which the options were granted on 9 April 2013 was HK\$2.45 per share.
- Pursuant to the terms of the Long Term Incentive Equity Plan, which governs (among others) the share option scheme, the exercise price and the number of shares issuable upon exercise of the 2013 Options were adjusted as a result of the Rights Issue with the effect from 13 December 2016.
- As originally contemplated in the 2013 Long-Term Incentive Cash Plan, 5,923,307 Options were also granted to certain employees of the Company and its subsidiaries, as a result of the conversion of their entitlements under the 2013 Long Term Incentive Cash Plan pursuant to the share option scheme under the long-term incentive scheme of the Company, which was adopted on 26 March 2013 (2013 Long Term Incentive Equity Plan), to the equity equivalent of the entitlements they would have received historically under the 2013 Long Term Incentive Equity Plan, had they received such equity-based entitlements, rather than cash-based entitlements, at that time. The options are fully vested upon grant. The closing price of the shares of the Company immediately before the date on which the options were granted on 15 December 2016 was HK\$2.25 per share.
- As a result of Rights Issue, the exercise price per share was adjusted from HK\$2.62 to HK\$2.51.
- The vesting period of the options is three years from the date of grant. The vesting of options is conditional upon the achievement of certain performance conditions as set out in the respective letters of grant, including among others, achievement of financial, reserves and market-related performance targets during the vesting period. Achievement of Company and individual performance conditions has resulted in 66.67% of the 2013 Options granted to participants vesting on 9 April 2016.
- The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK\$2.97.
- Options lapsed due to cessation of employment and non-achievement of performance conditions before the expiry of vesting period, and six months after the date the participant ceased to be an employee after the date of expiry of the vesting period.

## OTHER INFORMATION (CONTINUED)

The estimated fair value of the options granted on 9 April 2013 was approximately US\$0.1356 each, estimated as at the date of grant by using the Black–Scholes option-pricing model.

The value of the share options was subject to a number of assumptions and limitations of the option-pricing model, including a risk-free interest rate, option price volatility, expected life of the option, market price of the Company's shares and expected dividend. The risk-free interest rate was 0.68%; the expected volatility used in calculating the value of the options was 46% based on weekly closing prices of the Company's securities on the Hong Kong Stock Exchange between 1 April 2011 and 5 April 2013, and the expected dividend was assumed to be nil.

The validity period of the options is seven years from the date of grant to 8 April 2020. The vesting period of the options is three years from the date of grant. The 2013 Long Term Incentive Equity Plan options vested with an overall outcome of 66.67% of the target values on 9 April 2016. In accordance with the terms and conditions of the 2013 Long Term Incentive Equity Plan, if a participant ceased employment before the expiry of the vesting period, the option would lapse unless the participant departed due to certain specific reasons, including retirement with the agreement of the employer, redundancy or any other reason, subject to approval by the Board. In addition, if a participant ceased employment after the expiry of the vesting period, the option would lapse six months after the date the participant ceased to be an employee.

## 2016 Options

CATEGORY AND NAME OF PARTICIPANT	DATE OF GRANT <sup>1</sup>	EXERCISE PRICE PER SHARE HK\$	EXERCISE PERIOD <sup>2</sup>	NUMBER OF OPTIONS					BALANCE AS AT 30 JUNE 2017
				BALANCE AS AT 1 JANUARY 2017	GRANTED DURING THE PERIOD	EXERCISED DURING THE PERIOD	CANCELLED DURING THE PERIOD	LAPSED DURING THE PERIOD	
<b>DIRECTOR</b>									
XU Jiqing	15 December 2016	2.29	1 January 2019 to 31 December 2022	3,493,261	-	-	-	-	3,493,261
<b>EMPLOYEES OF THE GROUP</b>									
	15 December 2016	2.29	1 January 2019 to 31 December 2022	145,655,338	-	-	-	(4,580,913)	141,074,425
<b>TOTAL</b>				<b>149,148,599</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,580,913)</b>	<b>144,567,686</b>

Notes:

- The closing price of the shares of the Company immediately before the date on which the options were granted was HK\$2.25 per share.
- The vesting period of the options is three years from 1 January 2016 of which 40% of the vested options will be subject to a 12-month exercise deferral period from 1 January 2019. The vesting of options is conditional upon the achievement of certain performance conditions as set out in the respective letters of grant including, among others, achievement of resources growth and market related performance targets during the vesting period.

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

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

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



## PERFORMANCE AWARDS

### 2015 PERFORMANCE AWARDS

On 19 May 2015, the Company granted performance awards to the eligible participants pursuant to the Long Term Incentive Equity Plan (2015 Performance Awards). There were 75,025,019 performance awards outstanding as at 30 June 2017, representing approximately 0.94% of the total number of issued shares of the Company as at that date.

During the first half of 2017, the movements of the 2015 Performance Awards were as follows:

CATEGORY AND NAME OF PARTICIPANT	DATE OF GRANT	NUMBER OF PERFORMANCE AWARDS					BALANCE AS AT 30 JUNE 2017
		BALANCE AS AT 1 JANUARY 2017	GRANTED DURING THE PERIOD	EXERCISED DURING THE PERIOD	CANCELLED DURING THE PERIOD	LAPSED DURING THE PERIOD <sup>2</sup>	
<b>DIRECTOR</b>							
XU Jiqing	19 May 2015	1,800,000					
	13 December 2016 <sup>1</sup>	80,100					
		1,880,100	-	-	-	-	1,880,100
<b>EMPLOYEES OF THE GROUP</b>							
	19 May 2015	71,963,500					
	13 December 2016 <sup>1</sup>	3,226,406					
		75,189,906	-	-	-	(2,044,087)	73,145,819
<b>TOTAL</b>		<b>77,070,006</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,044,087)</b>	<b>75,025,919</b>

Notes:

- Pursuant to the terms of the Long Term Incentive Equity Plan, which governs (among others) the performance awards, adjustments are required to be made to the number of shares issuable upon exercise of the performance awards, as a result of the Rights Issue. Details of such adjustments are disclosed in the Company's announcement dated 14 December 2016.
- Performance awards lapsed due to cessation of employment.

The performance awards are granted for nil cash consideration. The vesting of the performance awards will be subject to the achievement by each participant of certain performance conditions, among other things, independently assessed measures of achievement of resources growth and financial and market-related targets. The performance period is a three-year period from 1 January 2015 to 31 December 2017. Time of vesting will be on or around April 2018. Portions of the vested performance awards will be subject to holding locks for various periods of up to three years after vesting.

## CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices by emphasising a quality Board, sound internal controls, transparency and accountability to all Shareholders.

The Company has complied with all the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Listing Rules throughout the first half 2017, except for the following deviations:

- Code provision A.4.1 requires that Non-executive Directors should be appointed for a specific term and subject to re-election. Each of the Non-executive Directors entered into a service agreement with the Company for a specific term of three years, except for Dr Peter Cassidy. Dr Cassidy's appointment agreement commenced on 31 December 2010 and continues until either the Company or he terminates such agreement by serving on the other not less than one month's prior written notice.

In accordance with the Company's articles of association, each Director appointed by the Board shall be subject to re-election by Shareholders at the next general meeting (in the case of filling a casual vacancy) or at the next annual general meeting of the Company (AGM) (in the case of an addition to the Board), and thereafter be subject to retirement by rotation at least once every three years at the AGM. Dr Cassidy, who was appointed by the Board on 31 December 2010 to fill a casual vacancy, is also subject to retirement from the Board by rotation at least once every three years at the AGM. Since Dr Cassidy has been appointed, he has been re-elected by the Shareholders at three AGMs of the Company. These AGMs were held in 2011, 2013 and 2015.

- Code provision E.1.2 requires that the Chairman of the Board to attend and answer questions at the AGM.

Mr Guo Wenqing, the Chairman of the Board, was not available for the Company's AGM held on 24 May 2017 as he was indisposed and unfit to travel. Accordingly, Dr Peter Cassidy, the Independent Non-executive Director, the Chairman of the Remuneration Committee, and a member of the Governance and Nomination Committee and the Risk Management Committee of the Company, was nominated by the Board to take the chair of the said meeting.

The Company adopted a Board Charter to outline the manner in which its constitutional powers and responsibilities will be exercised, delegated and/or discharged, having regard to principles of good corporate governance, international best practice and applicable laws. The Board Charter is adopted on the basis that strong corporate governance can add to the performance of the Company, create Shareholder value and engender the confidence of the investment market.

## AUDIT COMMITTEE

The Audit Committee comprises five members including three Independent Non-executive Directors, namely Mr Leung Cheuk Yan, Ms Jennifer Seabrook and Professor Pei Ker Wei and two Non-executive Directors, namely Mr Gao Xiaoyu and Mr Zhang Shuqiang. Mr Zhang Shuqiang was appointed as a member of the Audit Committee on 15 February 2017. Ms Seabrook is the Chair of the Audit Committee.

The Audit Committee is accountable to the Board. It focuses primarily on financial reporting related matters, such as reviewing financial information and overseeing financial reporting related systems and controls. The Audit Committee has reviewed the unaudited interim financial report of the Group for the first half 2017.

## SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a model code for securities trading by directors of the Company (Securities Trading Model Code) on terms no less exacting than the required standard of the Model Code as set out in Appendix 10 of the Listing Rules.

Specific enquiry was made with all the Directors and all confirmed that they have complied with the requirements set out in the Model Code and the Securities Trading Model Code during the first half 2017.

## CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B of the Listing Rules, the information on Directors provided in the 2016 Annual Report of the Company is updated as follows:

### CHANGES IN DIRECTORSHIPS AND PROFESSIONAL QUALIFICATIONS

NAME OF DIRECTOR	DETAILS OF CHANGES
GUO Wenqing	<ol style="list-style-type: none"> <li>1. Appointed as a Non-Executive Director and the Chairman of the Company on 15 February 2017.</li> <li>2. Appointed as Chairman of China Metallurgical Group Corporation since May 2016.</li> </ol>
JIAO Jian	<ol style="list-style-type: none"> <li>1. Resigned as the Vice President of CMC on 22 January 2017.</li> <li>2. Re-designated as an Executive Director and appointed as the CEO of the Company on 15 February 2017.</li> <li>3. Resigned as the Chairman of the Company on 15 February 2017.</li> <li>4. Resigned as the Chairman of the Governance and Nomination Committee and the Risk Management Committee, and a member of the Remuneration Committee of the Company on 15 February 2017.</li> <li>5. Resigned as director of Minmetals HK on 6 March 2017.</li> <li>6. Appointed as director of the following subsidiaries of the Company: <ol style="list-style-type: none"> <li>i. Album Investment Pte Limited and Album Resources Pte Limited on 2 March 2017;</li> <li>ii. Chalcocite Pty Limited, MMG Australia Limited, MMG Dugald River Pty Limited and MMG Management Pty Limited on 16 March 2017;</li> <li>iii. MMG Exploration Holdings Limited, MMG Finance Limited and MMG South America Company Limited on 17 March 2017;</li> <li>iv. EML Bornite Mining Inc on 27 March 2017;</li> <li>v. MMG Insurance Singapore Pte Limited and MMG Laos Holdings Limited on 31 March 2017; and</li> <li>vi. All Glorious Limited, First Harvest Limited, Green Fortress Limited and Topstart Limited on 8 June 2017.</li> </ol> </li> </ol>
Andrew MICHELMORE	<ol style="list-style-type: none"> <li>1. Resigned as an Executive Director and the CEO of the Company on 15 February 2017 and remained as an employee of the Company until 30 June 2017.</li> </ol>
XU Jiqing	<ol style="list-style-type: none"> <li>1. Mr Xu's role title was changed to Executive General Manager – Marketing and Risk in June 2017.</li> </ol>
GAO Xiaoyu	<ol style="list-style-type: none"> <li>1. Appointed as a member of the Governance and Nomination Committee of the Company on 15 February 2017.</li> </ol>
ZHANG Shuqiang	<ol style="list-style-type: none"> <li>1. Appointed as a Non-Executive Director, a member of the Audit Committee and the Remuneration Committee of the Company on 15 February 2017.</li> </ol>
LEUNG Cheuk Yan	<ol style="list-style-type: none"> <li>1. Appointed as the Chairman of the Governance and Nomination Committee of the Company on 15 February 2017.</li> </ol>
Jennifer SEABROOK	<ol style="list-style-type: none"> <li>1. Appointed as a member of the Audit and Compliance Committee and the Risk Committee of the Australian Rail Track Corporation on 1 December 2016.</li> </ol>
PEI Ker Wei	<ol style="list-style-type: none"> <li>1. Appointed as the Chairman of the Risk Management Committee of the Company on 15 February 2017.</li> </ol>

## OTHER INFORMATION (CONTINUED)

## CHANGE IN REMUNERATION

NAME OF DIRECTOR	POSITION	DETAILS OF CHANGES
GUO Wenqing	Chairman	Mr Guo has elected to waive his remuneration being the Chairman of the Company effective from the date of his appointment on 15 February 2017.
JIAO Jian	Chairman (until 15 February 2017)	Total fixed remuneration of A\$477,500 per annum as the Chairman and the Non-executive Director of the Company until 15 February 2017. Mr Jiao has been re-designated as the Executive Director and CEO of the Company effective from 15 February 2017.
	Executive Director and CEO (effective from 15 February 2017)	Total fixed remuneration of A\$2.2 million per annum, an annual cash bonus of up to 150% of his total fixed remuneration as a short term incentive and to participate in the prevailing long term performance incentive plan of the Company, providing for a grant of either cash, options and/or performance shares valued at up to 150% of total fixed remuneration.
Andrew MICHELMORE	Executive Director and CEO (until 15 February 2017)	Total fixed remuneration of A\$2.475 million per annum as the Executive Director and CEO of the Company until 15 February 2017. Mr Michelmores ceased to be a director and CEO of the Company effective from 15 February 2017 but remained an employee of the Company until 30 June 2017.
GAO Xiaoyu	Non-Executive Director	Adjusted from A\$4,500 to A\$6,000 per Committee, per annum as a member of the Governance and Nomination, Risk Management, Audit, and Remuneration Committees. The adjustment in remuneration took effect from 1 March 2017 and was the result of a remuneration review carried out by the Company.
ZHANG Shuqiang	Non-Executive Director	A base fee of A\$188,000 per annum as a Non-executive Director of the Company effective from 15 February 2017 and an additional A\$6,000 per Committee, per annum as a member of both of the Audit, and Remuneration Committees effective from 1 March 2017.
Peter CASSIDY	Independent Non-Executive Director	Adjusted from A\$4,500 to A\$6,000 per Committee, per annum as a member of both the Governance and Nomination Committee and Risk Management Committee. Adjusted from A\$12,500 to A\$20,000, per annum as Chair of the Remuneration Committee. The adjustment in remuneration took effect from 1 March 2017 and was the result of a remuneration review carried out by the Company.
LEUNG Cheuk Yan	Independent Non-Executive Director	Adjusted from A\$4,500 to A\$6,000 per Committee, per annum as a member of both the Audit and Risk Management Committees. Adjusted from A\$4,500 to A\$10,000 per annum as the Chair of the Governance and Nomination Committee. The adjustment in remuneration took effect from 1 March 2017 and was the result of a remuneration review carried out by the Company.
Jennifer SEABROOK	Independent Non-Executive Director	Adjusted from A\$4,500 to A\$6,000, per annum as a member of the Remuneration Committee. Adjusted from A\$25,000 to A\$35,000, per annum as the Chair of the Audit Committee. The adjustment in remuneration took effect from 1 March 2017 and was the result of a remuneration review carried out by the Company.
PEI Ker Wei	Independent Non-Executive Director	Adjusted from A\$4,500 to A\$6,000 per Committee, per annum as a member of both the Audit and Remuneration Committees. Adjusted from A\$4,500 to A\$10,000, per annum as the Chair of the Risk Management Committee. The adjustment in remuneration took effect from 1 March 2017 and was the result of a remuneration review carried out by the Company.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the first half 2017.



# INDEPENDENT REVIEW REPORT

## Deloitte.

## 德勤

### REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF MMG LIMITED

(Incorporated in Hong Kong with limited liability)

#### Introduction

We have reviewed the condensed consolidated interim financial statements of MMG Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as set out on pages 33 to 61, which comprise the condensed consolidated interim statement of financial position as of 30 June 2017 and the related condensed consolidated interim statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

#### Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

#### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with HKAS 34.



**Deloitte Touche Tohmatsu**

Certified Public Accountants  
Hong Kong

22 August 2017

# FINANCIAL STATEMENTS

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# CONDENSED CONSOLIDATED

## INTERIM STATEMENT OF PROFIT OR LOSS

	NOTES	SIX MONTHS ENDED 30 JUNE	
		2017 (UNAUDITED) US\$ MILLION	2016 (UNAUDITED) US\$ MILLION
Revenue	3	1,942.4	586.1
Other (loss)/income		(21.3)	0.8
Gains on disposal of subsidiaries	4	173.7	-
Expenses (excluding depreciation and amortisation expenses)	5	(1,066.2)	(452.6)
<b>Earnings before interest, income tax, depreciation and amortisation expenses – EBITDA</b>		<b>1,028.6</b>	<b>134.3</b>
Depreciation and amortisation expenses	5	(425.7)	(201.3)
<b>Profit/(loss) before interest and income tax - EBIT</b>		<b>602.9</b>	<b>(67.0)</b>
Finance income	6	4.7	2.2
Finance costs	6	(264.8)	(49.3)
<b>Profit/(loss) before income tax</b>		<b>342.8</b>	<b>(114.1)</b>
Income tax (expense)/credit	7	(229.1)	21.1
<b>Profit/(loss) for the period</b>		<b>113.7</b>	<b>(93.0)</b>
<b>Profit/(loss) for the period attributable to:</b>			
Equity holders of the Company		17.8	(92.5)
Non-controlling interests		95.9	(0.5)
		<b>113.7</b>	<b>(93.0)</b>
<b>Earnings/(loss) per share for profit/(loss) attributable to the equity holders of the Company</b>			
			<b>(RESTATED)</b>
Basic earnings/(loss) per share	8	US 0.22 cents	US (1.53) cents
Diluted earnings/(loss) per share	8	US 0.22 cents	US (1.53) 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	
	2017 (UNAUDITED) US\$ MILLION	2016 (UNAUDITED) US\$ MILLION
<b>Profit /(loss) for the period</b>	<b>113.7</b>	<b>(93.0)</b>
Other comprehensive income		
<i>Items that may subsequently be reclassified to profit or loss</i>		
Change in fair value of hedging instruments in cash flow hedges	6.5	-
Change in fair value of available-for-sale financial assets	-	3.3
<b>Other comprehensive income for the period, net of tax</b>	<b>6.5</b>	<b>3.3</b>
<b>Total comprehensive income/(expense) for the period</b>	<b>120.2</b>	<b>(89.7)</b>
<b>Total comprehensive income/(expense) attributable to:</b>		
Equity holders of the Company	24.3	(89.2)
Non-controlling interests	95.9	(0.5)
	<b>120.2</b>	<b>(89.7)</b>

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



# CONDENSED CONSOLIDATED

## INTERIM STATEMENT OF FINANCIAL POSITION

		30 JUNE	31 DECEMBER
	NOTES	2017 (UNAUDITED) US\$ MILLION	2016 (AUDITED) US\$ MILLION
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	11,945.3	12,084.3
Intangible assets		619.3	620.6
Inventories		25.8	29.8
Deferred income tax assets		189.1	291.1
Other receivables	11	132.6	160.2
Other financial assets		13.9	12.5
<b>Total non-current assets</b>		<b>12,926.0</b>	<b>13,198.5</b>
<b>Current assets</b>			
Inventories		287.7	345.7
Trade and other receivables	11	444.1	755.5
Loan to a related party		-	95.0
Current income tax assets		30.4	5.5
Derivative financial assets	20	3.0	16.7
Other financial assets		-	0.2
Cash and cash equivalents		914.3	552.7
		1,679.5	1,771.3
Assets of disposal group classified as held for sale	19	18.8	260.2
<b>Total current assets</b>		<b>1,698.3</b>	<b>2,031.5</b>
<b>Total assets</b>		<b>14,624.3</b>	<b>15,230.0</b>
<b>EQUITY</b>			
Capital and reserves attributable to equity holders of the Company			
Share capital	12	2,868.6	2,863.3
Reserves and retained profits	13	(1,809.7)	(1,832.8)
		1,058.9	1,030.5
Non-controlling interests		1,655.0	1,559.1
<b>Total equity</b>		<b>2,713.9</b>	<b>2,589.6</b>

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

## CONDENSED CONSOLIDATED

## INTERIM STATEMENT OF FINANCIAL POSITION (CONTINUED)

		30 JUNE	31 DECEMBER
	NOTES	2017 (UNAUDITED) US\$ MILLION	2016 (AUDITED) US\$ MILLION
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	14	9,346.1	9,516.2
Provisions		708.1	831.3
Deferred income tax liabilities		788.5	683.0
<b>Total non-current liabilities</b>		<b>10,842.7</b>	<b>11,030.5</b>
<b>Current liabilities</b>			
Borrowings	14	405.1	737.0
Provisions		105.5	141.6
Trade and other payables	15	548.5	652.6
Current income tax liabilities		4.1	3.1
Derivative financial liabilities		-	5.8
		<b>1,063.2</b>	<b>1,540.1</b>
Liabilities of disposal group classified as held for sale	19	4.5	69.8
<b>Total current liabilities</b>		<b>1,067.7</b>	<b>1,609.9</b>
<b>Total liabilities</b>		<b>11,910.4</b>	<b>12,640.4</b>
<b>Net current assets</b>		<b>630.6</b>	<b>421.6</b>
<b>Total equity and liabilities</b>		<b>14,624.3</b>	<b>15,230.0</b>

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 2017 (UNAUDITED)						
ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY						
US\$ MILLION	SHARE CAPITAL	TOTAL RESERVES (NOTE 13)	RETAINED PROFITS (NOTE 13)	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
<b>At 1 January 2017</b>	<b>2,863.3</b>	<b>(1,913.9)</b>	<b>81.1</b>	<b>1,030.5</b>	<b>1,559.1</b>	<b>2,589.6</b>
Profit for the period	-	-	17.8	17.8	95.9	113.7
Other comprehensive income	-	6.5	-	6.5	-	6.5
<b>Total comprehensive income for the period</b>		<b>6.5</b>	<b>17.8</b>	<b>24.3</b>	<b>95.9</b>	<b>120.2</b>
<b>Transactions with owners</b>						
Employee share options exercised	5.3	(1.2)	-	4.1	-	4.1
Employee share options lapsed after vesting	-	(1.4)	1.4	-	-	-
<b>Total transactions with owners</b>	<b>5.3</b>	<b>(2.6)</b>	<b>1.4</b>	<b>4.1</b>	<b>-</b>	<b>4.1</b>
<b>At 30 June 2017</b>	<b>2,868.6</b>	<b>(1,910.0)</b>	<b>100.3</b>	<b>1,058.9</b>	<b>1,655.0</b>	<b>2,713.9</b>

FOR SIX MONTHS ENDED 30 JUNE 2016 (UNAUDITED)						
ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY						
US\$ MILLION	SHARE CAPITAL	TOTAL RESERVES (NOTE 13)	RETAINED PROFITS (NOTE 13)	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
<b>At 1 January 2016</b>	<b>2,359.1</b>	<b>(1,926.3)</b>	<b>233.8</b>	<b>666.6</b>	<b>1,508.6</b>	<b>2,175.2</b>
Loss for the period	-	-	(92.5)	(92.5)	(0.5)	(93.0)
Other comprehensive income	-	3.3	-	3.3	-	3.3
<b>Total comprehensive expense for the period</b>	<b>-</b>	<b>3.3</b>	<b>(92.5)</b>	<b>(89.2)</b>	<b>(0.5)</b>	<b>(89.7)</b>
<b>Transactions with owners</b>						
Dividends paid to non-controlling interests	-	-	-	-	(3.5)	(3.5)
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3.5)</b>	<b>(3.5)</b>
<b>At 30 June 2016</b>	<b>2,359.1</b>	<b>(1,923.0)</b>	<b>141.3</b>	<b>577.4</b>	<b>1,504.6</b>	<b>2,082.0</b>

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

	NOTE	SIX MONTHS ENDED 30 JUNE	
		2017 (UNAUDITED) US\$ MILLION	2016 (UNAUDITED) US\$ MILLION
<b>Cash flows from operating activities</b>			
Receipts from customers		2,426.5	686.1
Payments to suppliers and employees		(1,263.1)	(561.0)
Payments for exploration expenditure		(17.6)	(18.8)
Income tax paid		(29.8)	(48.6)
<b>Net cash generated from operating activities</b>		<b>1,116.0</b>	<b>57.7</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(347.8)	(375.6)
Purchase of intangible assets		(1.0)	(3.8)
Purchase of financial assets		(0.4)	(0.7)
Proceeds from repayments of loan to a related party		95.0	-
Proceeds from disposal of subsidiaries, net	4	196.3	-
Proceeds from disposal of property, plant and equipment		-	1.5
Proceeds from disposal of financial assets		13.1	-
<b>Net cash used in investing activities</b>		<b>(44.8)</b>	<b>(378.6)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		80.0	363.4
Repayments of borrowings		(588.2)	(226.9)
Shares issued upon exercise of employee share options		4.1	-
Dividends paid to non-controlling interests		-	(3.5)
Interest and financing costs paid		(210.0)	(197.1)
Interest received		4.5	2.6
<b>Net cash used in financing activities</b>		<b>(709.6)</b>	<b>(61.5)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>361.6</b>	<b>(382.4)</b>
Cash and cash equivalents at 1 January		552.7	598.3
<b>Cash and cash equivalents at 30 June</b>		<b>914.3</b>	<b>215.9</b>

The accompanying notes are an integral part of the 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 Units 8501–8503, Level 85, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

The Company is an investment holding company and is listed on the main board of The Stock Exchange of Hong Kong Limited ("HKEx") and on the Australian Securities Exchange ("ASX"). The Company was admitted to the official list of the ASX on 10 December 2015 as a Foreign Exempt Listing, and commenced trading on 14 December 2015. This is a secondary listing and the Company's primary listing remains with the HKEx.

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

The condensed consolidated interim financial statements for the six months ended 30 June 2017 are presented in US\$ unless otherwise stated and have been approved for issue by the Board of Directors of the Company (the "Board") on 22 August 2017.

The financial information relating to the year ended 31 December 2016 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 2016 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 the six months ended 30 June 2017 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 the six months ended 30 June 2017 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 financial statements for the year ended 31 December 2016, which have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA.

The condensed consolidated interim financial statements have been prepared on 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.

For the six month period to 30 June 2017, the Group generated a net profit of US\$113.7 million (2016: net loss of US\$93.0 million); and operating cash flows of US\$1,116.0 million (2016: US\$57.7 million). The Group expects to continue to generate positive operating cash flows for the 12 months following the approval of these condensed consolidated interim financial statements, with the benefit of recent and forecast improvements in commodity prices (particularly copper).

Since 31 December 2016, the Group has retired US\$506.6 million of debt and as at 30 June 2017, the Group had net current assets of US\$630.6 million (31 December 2016: US\$421.6 million). Existing cash flow forecasts indicate sufficient cash flows to enable current debt to be repaid and the Group also has available to it (as at 30 June 2017):

- US\$140.0 million under the US\$550.0m Dugald River facility (available exclusively to fund the completion of that project);
- US\$100.0 million under an undrawn revolving credit facility that has been provided by Top Create Resources Limited ("Top Create"), a subsidiary of the China Minmetals Corporation ("CMC"); and
- US\$350.0 million under an undrawn revolving credit facility that has been provided to it by Bank of China Limited, Sydney Branch (available exclusively to fund the working capital requirements of Mineral Las Bambas S.A.).

The Group is currently in advanced discussions with financiers for a new revolving debt facility for corporate use to replace a facility which was prepaid in December 2016 and subsequently expired during the period. The Group has positive relationships with the existing financiers and the Directors expect to obtain the facility in the next six months. This positive relationship has been evidenced during the period with the waiver of covenant requirements on existing facilities and continued positive dialogue.

In the event that cash flow forecasts are not met or that existing or new debt facilities are insufficient or not obtained on time, the Group has the support of its major shareholder, CMC. In this circumstance, 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 CMC, or through further equity contributions.

As a result the Directors of the Company (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 Directors have prepared the condensed consolidated interim financial statements on a going concern basis.

## 2.1 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual Financial Statements for the year ended 31 December 2016.

### (a) Amendments to existing standards effective and adopted in 2017 but not relevant or significant to the Group

HKAS 7 (Amendments)	Disclosure initiative
HKAS 12 (Amendments)	Recognition of deferred tax assets for unrealised losses

### (b) New standards and amendments to standards have been issued but are not effective for the financial year beginning on 1 January 2017 and have not been early adopted

The Group has not early adopted the following new standards and amendments to standards that have been issued but are not effective for financial year 2017. The Group is in the process of assessing their impact on the Group's results and financial position.

HKFRS 2 (Amendments)	Classification and measurement of share-based payment transactions <sup>(a)</sup>
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts <sup>(a)</sup>
HKFRS 9	Financial instruments <sup>(a)</sup>
HKFRS 15	Revenue from contracts with customers <sup>(a)</sup>
HKFRS 15 (Amendments)	Clarifications to HKFRS 15 <sup>(a)</sup>
HKFRS (Amendments)	Annual improvements to HKFRS 2014 – 2016 cycle except for amendments to HKFRS 12 <sup>(a)</sup>
HK(IFRIC) – Int 22	Foreign currency transactions and advance consideration <sup>(a)</sup>
HK(IFRIC) – Int 23	Uncertainty over income tax treatments <sup>(b)</sup>
HKAS 40 (Amendments)	Transfers of investment property <sup>(a)</sup>
HKFRS 16	Leases <sup>(b)</sup>
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture <sup>(c)</sup>

Effective for the Group for annual period beginning on:

(a) 1 January 2018

(b) 1 January 2019

(c) Effective date to be determined

### (c) Impact of new standards and amendments to standards

#### HKFRS 15 "Revenue from contracts with customers"

HKFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The core principle of HKFRS 15 is that an entity recognises revenue related to the transfer of promised goods or services when control of the goods or services passes to customers. The amount of revenue recognised should reflect the consideration to which the entity expects to be entitled to in exchange for those goods or services.

A project for the implementation of the new accounting standard HKFRS 15 Revenue from Contracts with Customers is currently underway. Assessments have indicated the following areas which could potentially be impacted in complying with the new standard:

- HKFRS 15 as well as HKFRS 9 requires certain additional disclosures, in particular in relation to the impact of provisional pricing adjustments;
- For certain contracts, the Group is responsible for providing shipping services after the date at which control of the goods passes to the customer at the loading port. Presently, the group recognises such freight revenue in full on loading. HKFRS 15 views this freight service as a separate performance obligation and therefore requires revenue and the associated cost to be recognised when the freight service has been provided.

To date, no material measurement differences for the Group have been identified between the current revenue recognition standard and HKFRS 15.

#### **HKFRS 16 “Leases”**

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements.

The accounting model will require lessees to recognise all leases on statement of financial position, except for short-term leases and leases of low value assets.

The Directors anticipate that the application of HKFRS 16 from 1 January 2019 may have a material impact on the amounts reported and disclosures made in the Group’s financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 16 until the Group performs a more detailed assessment.

#### **HKFRS 9 “Financial Instruments”**

The standard includes a single approach for the classification and measurement of financial assets, based on cash flow characteristics and the business model used for the management of the financial instruments. It introduces the expected credit loss model for impairment of financial assets which replaces the incurred loss model used in HKAS 39. The standard also amends the rules on hedge accounting to align the accounting treatment with the risk management practices of the business.

Given credit risk has not been a significant issue for the Group, and also given no significant hedge accounting transactions for the Group, the impacts of the new standard is not expected to be material. A more detailed review will be completed in the second half of 2017.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods but the application may result in further disclosure in the consolidated financial statements.

## **2.2 CRITICAL ESTIMATES AND JUDGEMENTS**

The preparation of condensed consolidated interim financial statements requires management 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.

In preparing these condensed consolidated interim financial statements, management exercised judgement in assessing the control over Golden Grove and Century mines for accounting purposes in order to determine when the Group should cease to consolidate it. The control assessment considers whether the Group has the ability to use its power over the investee to affect the amount of the Group’s variable returns from the investee. As a result of this assessment management determined that the Group lost control over Golden Grove and Century mines on 28 February 2017 for accounting purpose and therefore ceased to consolidate them from that date onward.

Other than the above, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty, namely mine rehabilitation, restoration and dismantling obligations, mineral resources and ore reserves estimates, income taxes and other taxes and recoverability of non-financial assets, were the same as those that applied to the consolidated financial statements for the year ended 31 December 2016.

### 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 in order to allocate resources to the segment and assess its performance.

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

The Group disposed of its Golden Grove and Century mines on 28 February 2017. Refer to Note 4 for more details. Accordingly, the operating results for the period from 1 January 2017 to 28 February 2017 of Golden Grove and Century are still reflected in the respective segment results, while their assets and liabilities are not consolidated into the Group from 28 February 2017 onward.

The Group’s reportable segments are as follows:

Las Bambas	<p>The Las Bambas mine is a large open-pit, scalable, long-life mining operation with prospective exploration options. It is located in the Cotabambas, Apurimac region of Peru.</p> <p>The Las Bambas mine was commissioned for accounting purposes on and from 1 July 2016.</p>
Sepon	Sepon is an open-pit copper mining operation located in southern Laos.
Kinsevere	Kinsevere is an open-pit copper mining operation located in the Haut-Katanga Province of the Democratic Republic of the Congo (DRC).
Australian Operations	<p>Includes Rosebery and Golden Grove.</p> <p>Rosebery is an underground polymetallic base metal mining operation located on Tasmania’s west coast.</p> <p>Golden Grove is an underground and open-pit base and precious metals mining operation located in Western Australia’s mid-west, which was disposed on 28 February 2017.</p>
Other	Includes Century mine located in North-West Queensland Australia, which was disposed on 28 February 2017. This segment also includes exploration and development projects (including the Dugald River project) as well as the results of corporate entities in the Group. All other segments are immaterial and have been aggregated.

A segment result represents the EBIT by each segment. This is the measure reported to the Company’s Executive Committee for the purposes of resource allocation and assessment of segment performance. Other information provided, except as disclosed in the following paragraph, to the Company’s Executive Committee 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 the six months ended 30 June 2016 are as follows:

FOR THE PERIOD ENDED 30 JUNE 2016 (UNAUDITED)						
US\$ MILLION	LAS BAMBAS	SEPON	KINSEVERE	AUSTRALIAN OPERATIONS	OTHER UNALLOCATED ITEMS/ ELIMINATIONS	GROUP
External revenue from third parties	-	122.1	192.3	167.8	24.6	506.8
External revenue from CMC (Note 16(a))	-	54.2	-	25.9	(0.8)	79.3
<b>Revenue</b>	<b>-</b>	<b>176.3</b>	<b>192.3</b>	<b>193.7</b>	<b>23.8</b>	<b>586.1</b>
<b>EBITDA</b>	<b>16.9</b>	<b>61.2</b>	<b>67.9</b>	<b>59.1</b>	<b>(70.8)</b>	<b>134.3</b>
Depreciation and amortisation expenses	-	(59.5)	(91.1)	(48.9)	(1.8)	(201.3)
<b>EBIT</b>	<b>16.9</b>	<b>1.7</b>	<b>(23.2)</b>	<b>10.2</b>	<b>(72.6)</b>	<b>(67.0)</b>
Finance income						2.2
Finance costs						(49.3)
Income tax expense						21.1
<b>Loss for the period</b>						<b>(93.0)</b>

#### Other segment information:

Additions to non-current assets (excluding deferred tax assets and financial instruments)	375.0	30.2	6.9	39.4	92.5	544.0
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The segment assets and liabilities as at 31 December 2016 are as follows:

AS AT 31 DECEMBER 2016 (AUDITED)						
US\$ MILLION	LAS BAMBAS	SEPON	KINSEVERE	AUSTRALIAN OPERATIONS	OTHER UNALLOCATED ITEMS/ ELIMINATIONS	GROUP
Segment assets	11,378.9	691.3	1,044.4	632.9	1,185.9 <sup>(i)</sup>	14,933.4
Current/deferred income tax assets						296.6
<b>Consolidated assets</b>						<b>15,230.0</b>
Segment liabilities	7,454.7	244.7	138.5	193.9	3,922.5 <sup>(ii)</sup>	11,954.3
Current/deferred income tax liabilities						686.1
<b>Consolidated liabilities</b>						<b>12,640.4</b>

(i) Included in segment assets of US\$1,034.7 million (31 December 2016: US\$1,185.9 million) for the Other segment is cash of US\$131.9 million (31 December 2016: US\$280.7 million) mainly held at Group treasury entities, property, plant and equipment of US\$507.8 million (31 December 2016: US\$356.6 million) for Dugald River, trade receivables of US\$153.9 million (31 December 2016: US\$242.8 million) for MMG South America Company Limited in relation to copper concentrate sales. As at 31 December 2016, other segment assets also consist of a loan to a related party of US\$95.0 million, which was fully repaid in January 2017.

(ii) Included in segment liabilities of US\$3,391.9 million (31 December 2016: US\$3,922.5 million) for the Other segment are borrowings of US\$2,866.8 million (31 December 2016: US\$3,271.7 million), which are managed at Group level. Also included in Other segment liabilities are bank guarantee financial liabilities of US\$148.3 million and costs of support package of US\$22.0 million associated with the disposal of the Century mine, refer to Note 4 for more details (31 December 2016: rehabilitation provisions of US\$316.9 million at the Century mine, which was derecognised following its disposal in 2017).

## 4. DISPOSAL OF SUBSIDIARIES

### SALE OF GOLDEN GROVE MINE

The Group completed the sale of the Golden Grove mine to EMR Capital Holdings Pty Ltd ("EMR Capital") on 28 February 2017 for gross proceeds of US\$210.0 million. All conditions for completion were met on 28 February 2017 and the Group lost control of and ceased to consolidate Golden Grove from that date. The sale agreement provided EMR Capital the economic benefit of operations at Golden Grove from 1 January 2017 and a post settlement adjustment was made to the sale price to reflect the effective date of ownership.

### SALE OF CENTURY MINE

On 28 February 2017 the Group entered into agreements with Century Mine Rehabilitation Project Pty Ltd, a subsidiary of Century Bull Pty Ltd ("Century Bull") which is independent of the Group, to effect the disposal of assets and infrastructure associated with the Century mine. The disposal benefitted the Group by transferring the assets and rehabilitation obligations in respect of the Century mine to a specialist in economic rehabilitation of mine sites while capping the Group's potential liabilities related to the Century mine. The sale completed on 28 February 2017.

As at 28 February 2017, the book value of the Century mine amounted to a net liability of US\$336.3 million including rehabilitation liabilities of US\$337.8 million. As a part of the terms of the sale the Group has procured certain bank guarantees amounting to A\$193 million (equivalent to US\$148.8 million) for the benefit of Century

Bull until 31 December 2026. The guarantees have been procured to support certain obligations Century Bull is required to perform in operating the Century Mine business including rehabilitation activities. Century Bull is legally required to punctually meet all obligations and must use best endeavours to ensure that no demand is made under the bank guarantees.

The Group recognises the fair value of the guarantee as a financial liability until expiry of the guarantee period which is capped at a maximum of A\$193 million (equivalent to US\$148.8 million). Century Bull must ensure that, within 90 days of the end of each financial year, the bank guarantee is reduced by not less than 40% of the Century mine's EBITDA in respect of a financial year. In addition the Group will make an additional contribution totalling A\$34.5 million (equivalent to US\$26.5 million) over three years (A\$5.8 million has been paid as of 30 June 2017), to provide short term support to Century Bull during their transition period in respect to their obligations around site upkeep and environmental maintenance and monitoring. The Group also established a special purpose trust of A\$12.1 million (equivalent to US\$9.3 million), managed independently by Equity Trustees to support Century Bull in meeting the Century mine's existing obligations and agreed community projects for the benefit of Lower Gulf communities. This fund has been drawn in full during the current reporting period.

The operating results for the period from 1 January 2017 to 28 February 2017 of the Golden Grove and Century mines are still consolidated into the Group's condensed consolidated interim statement of profit or loss for the current reporting period.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

Assets and liabilities disposed:

	GOLDEN GROVE US\$ MILLION	CENTURY US\$ MILLION
<b>Current assets</b>		
Trade and other receivables	4.2	0.5
Inventories	33.7	-
<b>Non-current assets</b>		
Property, plant and equipment	206.9	1.4
Deferred income tax assets	4.0	163.5
<b>Current liabilities</b>		
Employee Provisions	6.6	0.2
Trade and other payables	10.0	0.2
Mine rehabilitation, restoration and dismantling provisions	-	19.9
<b>Non-current liabilities</b>		
Mine rehabilitation, restoration and dismantling provisions	39.5	317.9
Employee Provisions	0.7	-
<b>Net assets/(liabilities) disposed of</b>	<b>192.0</b>	<b>(172.8)</b>

The Group's gains on disposal of subsidiaries are as follows:

	GOLDEN GROVE US\$ MILLION	CENTURY US\$ MILLION
<b>Consideration received</b>	<b>210.0</b>	-
Net (assets)/liabilities disposed of (excluding deferred taxes)	(188.0)	336.3
Fair value of financial liability in relation to the bank guarantee (A\$193 million) associated with Century disposal	-	(148.8)
Cost of support package (total A\$46.6 million) associated with Century disposal	-	(35.8)
<b>Total net (assets)/liabilities disposed after adjustments</b>	<b>(188.0)</b>	<b>151.7</b>
<b>Gain on disposal (pre-tax)</b>	<b>22.0</b>	<b>151.7</b>
Deferred tax balances disposed of	(4.0)	(163.5)
<b>Gain/(loss) on disposal (post-tax)</b>	<b>18.0</b>	<b>(11.8)</b>

Net cash inflow/ (outflow) on disposal of subsidiaries:

	FOR SIX MONTHS ENDED 30 JUNE 2017	
	GOLDEN GROVE US\$ MILLION	CENTURY US\$ MILLION
Consideration received in cash and cash equivalents	210.0	-
Less: cash and cash equivalent balances disposed of	-	-
Less: payments on support package associated with Century disposal	-	(13.7)
	210.0	(13.7)

## 5. EXPENSES

Profit / (loss) before income tax includes the following specific expenses:

	SIX MONTHS ENDED 30 JUNE	
	2017 (UNAUDITED) US\$ MILLION	2016 (UNAUDITED) US\$ MILLION
Changes in inventories of finished goods and work in progress	34.1	30.9
Reversal of impairment of inventory to net realisable value	(1.5)	(5.7)
Employee benefit expenses <sup>(i)</sup>	128.0	74.4
Contracting and consulting expenses	227.6	56.7
Energy costs	142.2	56.6
Stores and consumables costs	228.2	102.4
Depreciation and amortisation expenses <sup>(ii)</sup>	409.3	199.4
Operating lease rental <sup>(iii)</sup>	10.7	7.5
Other production expenses	50.4	8.6
<b>Cost of goods sold</b>	<b>1,229.0</b>	<b>530.8</b>
Other operating expenses <sup>(i)</sup>	18.6	24.2
Royalty expenses	67.2	23.4
Selling expenses	58.3	29.8
<b>Operating expenses including depreciation and amortisation(iv)</b>	<b>1,373.1</b>	<b>608.2</b>
Exploration expenses <sup>(i) (iii)</sup>	17.6	18.8
Administrative expenses <sup>(i) (iii)</sup>	40.8	27.2
Exchange loss/(gain) – net	44.8	(5.4)
(Gain)/loss on financial assets at fair value through profit or loss	(0.8)	0.1
Other expenses <sup>(i) (ii) (iii)</sup>	16.4	5.0
<b>Total expenses</b>	<b>1,491.9</b>	<b>653.9</b>

(i) In aggregate US\$72.5 million (2016: US\$53.5 million) of employee benefit expenses were included in administrative expenses, exploration expenses, other operating expense and other expenses categories. Total employee benefit expenses were US\$200.5 million (2016: US\$127.9 million).

(ii) In aggregate US\$16.4 million (2016: US\$1.9 million) of depreciation and amortisation expenses were included in other expenses categories. Total depreciation and amortisation expenses were US\$425.7 million (2016: US\$201.3 million).

(iii) In aggregate, an additional US\$5.4 million (2016: US\$4.3 million) of operating lease rentals were included in administrative expenses, exploration expenses and other expenses categories. Total operating lease rentals were US\$16.1 million (2016: US\$11.8 million).

(iv) 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)

### 6. FINANCE INCOME AND FINANCE COSTS

	SIX MONTHS ENDED 30 JUNE	
	2017 (UNAUDITED) US\$ MILLION	2016 (UNAUDITED) US\$ MILLION
<b>Finance income</b>		
Interest income on cash and cash equivalents	4.7	2.2
<b>Finance costs</b>		
Interest expense on bank borrowings	(190.4)	(180.7)
Interest expense on convertible redeemable preference shares	(10.0)	(9.9)
Interest expense on related party borrowings (Note 16)	(50.1)	(43.9)
Unwinding of discount on provisions	(9.3)	(14.1)
Other finance cost on external borrowings	(11.1)	(6.8)
Other finance costs on related party borrowings (Note 16)	(4.5)	(4.6)
<b>Finance costs - total</b>	<b>(275.4)</b>	<b>(260.0)</b>
Less: Borrowing costs capitalised in relation to qualifying assets <sup>(i)</sup>	10.6	210.7
<b>Finance costs – net of capitalised borrowing costs</b>	<b>(264.8)</b>	<b>(49.3)</b>

(i) Borrowing costs capitalised include finance costs on borrowings held to specifically fund the assets, net of interest income earned on the temporary investment of those funds, and finance costs on borrowings capitalised at the rate of 5.1% (2016: 4.5%) representing the average interest rate on relevant borrowings.

### 7. INCOME TAX (EXPENSE)/CREDIT

Hong Kong profits tax is provided at a rate of 16.5% where there are net assessable profits derived for the period. The income tax rates applicable for the main jurisdictions in which the Group operates are: Australia (30.0%), Laos (33.3%), Peru (32.0%) and the DRC (30.0%). Tax rates for some jurisdictions are covered by historical legal agreements with governments. Taxation on profits arising from other jurisdictions has been calculated

on the estimated assessable profits for the period at the rates prevailing in the relevant jurisdictions.

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

	SIX MONTHS ENDED 30 JUNE	
	2017 (UNAUDITED) US\$ MILLION	2016 (UNAUDITED) US\$ MILLION
Current income tax expense – Overseas income tax	(20.6)	(16.3)
Deferred income tax (expense)/credit – Overseas income tax <sup>(i)</sup>	(208.5)	37.4
<b>Income tax (expense)/credit</b>	<b>(229.1)</b>	<b>21.1</b>

(i) Included in the 2017 deferred income tax expense is US\$167.5 million associated with the disposals of Century and Golden Grove mines, refer to Note 4 for more details.

There is no deferred tax impact relating to items of other comprehensive income (2016: nil).

## 8. EARNINGS/(LOSS) PER SHARE

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

Diluted earnings/(loss) 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 above is compared with the number of shares that would have been issued assuming the exercise of the share options and performance awards.

	SIX MONTHS ENDED 30 JUNE	
	2017 (UNAUDITED) US\$ MILLION	2016 (RESTATED <sup>1</sup> ) (UNAUDITED) US\$ MILLION
Profit/(loss) attributable to equity holders of the Company in the calculation of basic and diluted earnings/(loss) per share	17.8	(92.5)
	NUMBER OF SHARES '000	NUMBER OF SHARES '000
Weighted average number of ordinary shares used in the calculation of the basic earnings/(loss) per share	7,942,704	6,034,124
Shares deemed to be issued in respect of long-term incentive equity plans	71,206	-
Weighted average number of ordinary shares used in the calculation of the diluted earnings/(loss) per share <sup>2</sup>	8,013,910	6,034,124
Basic earnings/(loss) per share	US 0.22 cents	US (1.53) cents
Diluted earnings/(loss) per share	US 0.22 cents	US (1.53) cents

1. On 15 December 2016, the Company announced the completion of a rights issue of 2,645,034,944 rights shares at HK\$1.50 per rights share. As the Company's share market price immediately before the close of rights exercise was higher than the rights issue price, this gave rise to a bonus element in the rights issue to existing shareholders. Therefore loss per share is calculated as if the bonus element (but not the total rights issue) arose proportionately at the start of the earliest period for which loss per share is presented in accordance with the requirements under HKAS 33.

2. Diluted loss per share is the same as basic loss per share for six months period ended 30 June 2016. Potential ordinary shares are anti-dilutive as their conversion to ordinary shares will result in a decrease of loss per share. The calculation of diluted earnings/(loss) per share does not assume conversion, exercise, or other issue of potential ordinary shares that would have an anti-dilutive effect on earnings/(loss) per share.

## 9. DIVIDENDS

The Directors did not recommend the payment of an interim dividend for the six months ended 30 June 2017 (2016: nil).

## 10. PROPERTY, PLANT AND EQUIPMENT

	<b>SIX MONTHS ENDED 30 JUNE 2017 (UNAUDITED) US\$ MILLION</b>
Opening net book amount	12,084.3
Additions	276.2
Depreciation and amortisation expenses	(413.4)
Disposals (net)	(0.4)
Disposal of Century mine (Note 4)	(1.4)
Closing net book amount	11,945.3

### IMPAIRMENT REVIEW OF NON-CURRENT ASSETS

In accordance with the Group's accounting policies and processes, the Group performs its impairment testing annually at 31 December. Cash generating units ("CGUs") are reviewed at each reporting period to determine whether there is an indication of impairment or impairment reversal. Where an indicator of impairment or impairment reversal exists, a formal estimate of the recoverable amount is made at the reporting period.

Indicators of impairment and potential impairment reversal were identified as at 30 June 2017. These included below plan mine performance and changes to the Life of Asset ("LOA") for the Sepon mine. The Dugald River project is on track, which resulted in assessing if a reversal of impairment is required.

#### (i) Approach

An impairment is recognised when the carrying amount exceeds the recoverable amount. The recoverable amount of each CGU has been estimated using the higher of its fair value less costs to sell or its Value in Use ("Fair Value"). The Fair Value estimates are considered to be level 3 fair value measurements (as defined by accounting standards) as they are derived from valuation techniques that include inputs that are not based on observable market data. The Group considers the inputs and the valuation approach to be consistent with the approach taken by market participants.

Estimates of quantities of recoverable minerals, production levels, operating costs and capital requirements are sourced from the Group's planning process, including LOA plans, three year budgets, periodic forecasts and CGU specific studies. Expected operating performance improvements reflecting the Group's objectives to maximise free cash flow, optimise and reduce operational activity, apply technology, improve capital and labour

productivity and other production efficiencies are also included along with the expected costs to realise the initiatives.

All reserves and resources have been included in the valuations at justifiable reasonable conversion rates, supported by proof of concept studies or, at minimum a resource range analysis for resource potential of a similar ore type within the CGU.

#### (ii) Key assumptions

The key assumptions impacting the discounted cash flow models used to determine the Fair Value include:

- Commodity prices;
- Operating costs;
- Capital requirements;
- Real post-tax discount rates;
- Foreign exchange rates;
- Reserves and resources; and
- Optimisation of operational activity and productivity.

In determining the value assigned to each key assumption, management has used external sources of information and utilised the expertise of external consultants and experts within the Group to validate entity specific assumptions such as reserves and resources.

Commodity price and exchange rate assumptions are based on the latest internal forecasts benchmarked to analyst consensus forecasts. The long term cost assumptions have been based on experience.

The long term AUD:USD exchange rate has been included as 0.80 (year ended 2016: 0.80).

The real post-tax discount rates used in the Fair Value estimates for each of the CGU's are unchanged from 2016

with 7% for Sepon and the Australian assets, 8% for Las Bambas, and 9% for Kinsevere.

### **(iii) Valuation methodology for each of the CGUs**

The methodology for valuing each of the CGU in the Group is discussed below. These are consistent with those disclosed in the 31 December 2016 annual report.

#### ***Sepon***

The Sepon Fair Value is determined by the preliminary 2017 LOA discounted cash flows and current commodity price forward curve. These include copper processing to 2020 (2016: 2021) followed by the processing of gold reserves and resources in later years. The Sepon Fair Value assumes additional capital investment in the processing plant to process gold beyond 2020.

#### ***Dugald River***

The Dugald River development project was impaired in December 2015 by US\$573.6 million, pre-tax. The impairment was recognised as a result of further weakening in commodity prices, and industry changes in the region having an adverse effect on the valuation of the project.

The Group revised the Dugald River project plan in 2016 and identified cost savings and consistent improvements in the operational and technical stability of the project resulting in approval for external funding to complete the project. These factors together with recent increases in the zinc price resulted in an evaluation of whether a reversal of impairment should be considered as at 30 June 2017.

Due to the stage of completion of the project and related completion risks, it was decided that no reversal should be recognised as at 30 June 2017. The Group will continue to monitor and assess if a reversal of impairment is required in future periods.

#### ***Kinsevere***

The Kinsevere Fair Value is determined through the LOA discounted cash flows. The valuation contains the current operation, further regional exploration potential and third party ore processing prospects. The cash flows assume additional capital investment in the processing plant to process sulphide copper.

#### ***Las Bambas***

The Las Bambas Fair Value is determined through the LOA discounted cash flows. The valuation contains the current operation and further regional exploration potential. The cash flows assume additional capital investment in the

processing plant as well as expected cost reductions as the mine reaches process maturity following the first year of operation.

#### ***Rosebery***

The Rosebery Fair Value is determined through the LOA discounted cash flows.

### **(iv) Conclusion**

The impairment review of all the Group's operations as at 30 June 2017 has not resulted in the recognition of impairment or impairment reversal of the Group's non-current assets (2016: nil). The Sepon Fair Value remains sensitive to changes in pricing as set out in the sensitivity analysis below.

The 2017 LOAs are being completed in the second half of the year during the mine planning process and will be used to test impairment at 31 December 2017.

### **(v) Sensitivity analysis**

The level of production activity is a key assumption in the determination of Fair Value, as well as the success of converting reserves and resources. Due to the number of factors that could impact production activity, such as processing throughput, changing ore grade and/or metallurgy and revisions to mine plans in response to physical or economic conditions, no quantified sensitivity has been determined. Changes to these assumptions may however result in an impact on the Fair Value and result in impairment in future.

Each of the below sensitivities assumes that the specific assumption moves in isolation, whilst all other assumptions are held constant. In reality, a change in one of the aforementioned assumptions may accompany a change in another assumption which may have an offsetting impact (for example, a decline in the US dollar commodity price accompanied with a decline in the Australian dollar compared to the US dollar). Action is also usually taken to respond to adverse changes in economic assumptions that may mitigate the impact of any such change.

#### ***Sepon***

The key assumptions to which the calculation of Fair Value for Sepon is most sensitive are copper and gold prices, reduction in operating costs and the ability to mine gold at the end of the current Copper Life of Mine assumption. An adverse change of 5% in copper and gold prices over the remaining mine life would decrease the recoverable amount by approximately US\$48 million and US\$33

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

million respectively and could lead to a recognition of an impairment of approximately US\$37 million and US\$22 million respectively, and an adverse change of 5% in operating costs would decrease the recoverable amount

by approximately US\$42 million and could lead to a recognition of an impairment of approximately US\$31 million.

### 11. TRADE AND OTHER RECEIVABLES

	30 JUNE 2017 (UNAUDITED) US\$ MILLION	31 DECEMBER 2016 (AUDITED) US\$ MILLION
<b>Non-current other receivables</b>		
Prepayments	14.7	16.1
Other receivables – government taxes <sup>(ii)</sup>	75.1	79.9
Sundry receivables	42.8	64.2
	<b>132.6</b>	<b>160.2</b>
<b>Current trade and other receivables</b>		
Trade receivables <sup>(i)</sup>	276.2	406.6
Less: Allowance for impairment of trade receivables	-	-
Trade receivables (net)	276.2	406.6
Prepayments	44.0	31.0
Other receivables – government taxes <sup>(ii)</sup>	110.3	311.4
Sundry receivables	13.6	6.5
	<b>444.1</b>	<b>755.5</b>

(i) Trade receivables of the Group mainly related to the mining operations. The majority of sales are made under contractual arrangements whereby provisional payment is received promptly after delivery and the balance within 30 to 120 days from delivery.

As at 30 June 2017, all trade receivables amount to US\$276.2 million (31 December 2016: US\$406.6 million) and were aged less than six months (based on invoice date), no trade receivables were past due but not impaired (31 December 2016: US\$2.2 million).

As at 30 June 2017, the Group's trade receivables included an amount of US\$109.0 million (31 December 2016: US\$228.4 million) (Note 16), which was due from a related company of the Group. The carrying amounts of the Group's trade receivables are all denominated in US\$.

(ii) Other receivables – government taxes:

	30 JUNE 2017 (UNAUDITED) US\$ MILLION	31 DECEMBER 2016 (AUDITED) US\$ MILLION
<b>Non-current other receivable – government Taxes</b>		
Peru	31.7	31.8
Democratic Republic of the Congo	38.4	43.0
Other	5.0	5.1
<b>Total government taxes receivables – non-current</b>	<b>75.1</b>	<b>79.9</b>
<b>Current other receivable – government Taxes</b>		
Peru	108.7	305.5
Democratic Republic of the Congo	-	3.9
Other	1.6	2.0
<b>Total government taxes receivables – current</b>	<b>110.3</b>	<b>311.4</b>

The government taxes amount mainly consists of VAT receivable.



## 12. SHARE CAPITAL

	NUMBER OF ORDINARY SHARES (UNAUDITED) '000	SHARE CAPITAL (UNAUDITED) US\$ MILLION
<b>Issued and fully paid:</b>		
At 1 January 2016	5,290,070	2,359.1
Ordinary share issued <sup>1</sup>	2,645,035	504.2
<b>At 31 December 2016</b>	<b>7,935,105</b>	<b>2,863.3</b>
At 1 January 2017	7,935,105	2,863.3
Employee share options exercised <sup>2</sup>	13,790	5.3
<b>At 30 June 2017</b>	<b>7,948,895</b>	<b>2,868.6</b>

1. On 15 December 2016, a total 2,645,034,944 new shares were issued as a result of the completion of a rights issue of 2,645,034,944 rights shares at HK\$1.50 per rights share on the basis of 1 rights share for every 2 shares held. The gross proceeds from the rights issue was US\$511.2 million, excluding share issue costs of US\$7.0 million.

2. During first half of 2017, a total 13,790,636 new shares were issued as a result of employee share option exercised at an exercise price of HK\$2.51 per share under the Company's 2013 share option scheme.

## 13. RESERVES AND RETAINED PROFITS

US\$ MILLION	SPECIAL CAPITAL RESERVE	EXCHANGE TRANS- LATION RESERVE	CASH FLOW HEDGES RESERVE <sup>1</sup>	MERGER RESERVE <sup>2</sup>	SHARE OPTION RESERVE	TOTAL RESERVES	RETAINED PROFITS	TOTAL
At 1 January 2017 (audited)	9.4	2.7	(4.3)	(1,946.9)	25.2	<b>(1,913.9)</b>	<b>81.1</b>	<b>(1,832.8)</b>
Profit for the period	-	-	-	-	-	-	<b>17.8</b>	<b>17.8</b>
<b>Other comprehensive income</b>								
Change in fair value of hedging derivatives	-	-	6.5	-	-	<b>6.5</b>	-	<b>6.5</b>
<b>Total comprehensive income for the period</b>	-	-	6.5	-	-	<b>6.5</b>	<b>17.8</b>	<b>24.3</b>
Employee share options lapsed after vesting	-	-	-	-	(1.4)	<b>(1.4)</b>	<b>1.4</b>	-
Employee share options exercised	-	-	-	-	(1.2)	<b>(1.2)</b>	-	<b>(1.2)</b>
	-	-	-	-	(2.6)	<b>(2.6)</b>	<b>1.4</b>	<b>(1.2)</b>
<b>At 30 June 2017 (unaudited)</b>	<b>9.4</b>	<b>2.7</b>	<b>2.2</b>	<b>(1,946.9)</b>	<b>22.6</b>	<b>(1,910.0)</b>	<b>100.3</b>	<b>(1,809.7)</b>

1 The cash flow hedges reserve records the portion of the gain or loss on a hedging instrument and the related transaction in a cash flow hedge that are determined to be effective.

2 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 HKIPCA) against their share capital.

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

## 14. BORROWINGS

	30 JUNE 2017 (UNAUDITED) US\$ MILLION	31 DECEMBER 2016 (AUDITED) US\$ MILLION
<b>Non-current</b>		
Loan from a related party (Note 16)	2,261.1	2,261.3
Bank borrowings, net	6,894.8	7,066.3
Convertible redeemable preference shares	190.2	188.6
	<b>9,346.1</b>	<b>9,516.2</b>
<b>Current</b>		
Bank borrowings, net	388.2	720.1
Convertible redeemable preference shares	16.9	16.9
	<b>405.1</b>	<b>737.0</b>
Analysed as:		
– Secured	7,364.5	7,772.7
– Unsecured	2,468.4	2,566.8
	9,832.9	10,339.5
Prepayments – finance charges	(81.7)	(86.3)
	<b>9,751.2</b>	<b>10,253.2</b>
Borrowings (excluding: prepayments) are repayable as follows:		
- Within one year	411.5	745.0
- More than one year but not exceeding two years	604.6	2,795.2
- More than two years but not exceeding five years	4,376.1	2,005.7
- More than five years	4,440.7	4,793.6
	<b>9,832.9</b>	<b>10,339.5</b>
Prepayments – finance charges	(81.7)	(86.3)
	<b>9,751.2</b>	<b>10,253.2</b>

The effective interest rate at 30 June 2017 was 4.9% (31 December 2016: 4.8%).

### Available debt facilities

As at 30 June 2017, the Group (excluding the MMG South America Management Group) had available undrawn bank debt facilities of US\$240.7 million (31 December 2016: US\$320.0 million), including:

- US\$140.0 million available under the amended US\$550.0 million exclusive Dugald River facility provided by China Development Bank Corporation and Bank of China Sydney Branch, which can only be used for the purpose of funding the Dugald River project;
- US\$100.0 million available under the revolving facility as provided by Top Create; and
- US\$0.7 million of the facility provided by Top Create remained undrawn.

As at 30 June 2017, the MMG South America Management Group had available undrawn bank debt facilities of US\$352.3 million (2016: US\$252.3 million), which is available exclusively for the MMG South America Management Group, including:

- US\$350.0 million available under the existing US\$350.0 million Bank of China Sydney Working Capital Revolving Facility; and
- US\$2.3 million available under the existing Las Bambas Project Facility with syndicate lenders led by China Development Bank Corporation.

## 15. TRADE AND OTHER PAYABLES

As at 30 June 2017, trade payables of US\$135.1 million (31 December 2016: US\$291.4 million) were aged less than six months; and trade payables of US\$6.4 million (31 December 2016: US\$10.4 million) were aged over six months.

## 16. SIGNIFICANT RELATED PARTY TRANSACTIONS

The Group is controlled by CMN through Top Create, a company incorporated in the British Virgin Islands, Album Enterprises, and China Minmetals H.K. (Holdings) Limited ("Minmetals HK"), all of which are subsidiaries of CMN.

As at 30 June 2017, an aggregate of approximately 73.6% of the Company's shares are held by CMN and approximately 26.4% are widely held. The Directors consider the ultimate holding company is CMC, a company incorporated in the People's Republic of China ("PRC"), of which CMN is a subsidiary.

The Company was notified by CMC in January 2016 that, pursuant to a conditional sale and purchase agreement dated 31 December 2015 entered into among Album Enterprises and Top Create as vendors and Minmetals HK as purchaser, each of Album Enterprises and Top Create has agreed to transfer all its shares (as to 43.0% and 30.7% respectively) in the Company to Minmetals HK which is a subsidiary of CMC. The consideration for the share transfer will be settled by Minmetals HK issuing new shares to Album Enterprises and Top Create in proportion to their respective existing shareholdings in the Company. As at 30 June 2017, the share transfer is in progress and Album Enterprises, Top Create and Minmetals HK held approximately 29.4%, 20.4% and 23.8% of the shares of the Company respectively. Upon completion of the share transfer, Minmetals HK will hold in total approximately 73.6% of the shares of the Company.

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to control or common control. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

CMC itself is a state-owned enterprise and is controlled by the PRC Government, which also owns a significant portion of productive assets in the PRC. In accordance with HKAS 24 "Related Party Disclosures" issued by the HKICPA, other state-owned enterprises and their subsidiaries (other than subsidiaries of CMC), directly or indirectly controlled by the PRC Government, are also defined as related parties of the Group. On that basis, related parties include CMC and its group companies, other state-owned enterprises and their subsidiaries directly or indirectly controlled by the PRC Government, the Company's joint arrangements and associates, and key management personnel of the Company and CMC as well as their close family members.

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

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

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

	SIX MONTHS ENDED 30 JUNE	
	2017 (UNAUDITED) US\$ MILLION	2016 (UNAUDITED) US\$ MILLION
<b>Revenue</b>		
Sales of non-ferrous metals <sup>(i)</sup> (Note 3)	794.3	312.2
<b>Expenses</b>		
Purchases of consumables	(0.9)	(1.3)
<b>Finance costs</b>		
Finance costs (Note 6)	(54.6)	(48.5)
Borrowing costs capitalised on qualifying assets	-	(43.9)

(i) Included in the revenue for the six months period ended 30 June 2016 was US\$232.9 million sales of copper concentrate made by Las Bambas to CMC Group during pre-commissioning phase. Las Bambas mine was commissioned for accounting purpose on 1 July 2016, therefore its sales revenue for the period during pre-commissioning phase was capitalised to property, plant and equipment in accordance with requirements under HKAS 16.

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

During the period ended 30 June 2017, the Group's 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. In addition, a portion of fixed deposits, cash and cash equivalents and borrowings as at 30 June 2017 and the relevant interest earned or paid during the period were transacted with banks and other

financial institutions controlled by the PRC Government including China Development Bank Corporation, Bank of China Limited, Industrial and Commercial Bank of China Limited and The Export-Import Bank of China.

The transactions of revenues and expenses in nature conducted with government-related entities were based on terms as set out in the underlying agreements, based on statutory rates or market prices or actual cost incurred, or as mutually agreed.

## (c) Significant related party balances

	30 JUNE 2017 (UNAUDITED) US\$ MILLION	31 DECEMBER 2016 (AUDITED) US\$ MILLION
<b>Amounts payable to related parties</b>		
Loan from Top Create <sup>(i)</sup> (Note 14)	2,261.1	2,261.3
Interest payable to Top Create <sup>(i)</sup>	248.7	198.7
Trade payables to CMN	0.1	-
	<b>2,509.9</b>	<b>2,460.0</b>
<b>Amounts receivable from related parties</b>		
Loan to Album Enterprise <sup>(ii)</sup>	-	95.0
Trade receivables from CMN (Note 11)	109.0	228.4
	<b>109.0</b>	<b>323.4</b>

(i) The loan from Top Create represents the amounts drawn by the Group on 22 July 2014 (US\$1,843.8 million) and 17 February 2015 (US\$417.5 million) pursuant to a facility agreement dated 22 July 2014 between MMG South America Co. Limited ("MMG SA") and Top Create. In accordance with the facility agreement, a loan facility of up to US\$2,262.0 million was made available to MMG SA, for a period of four years commencing on the date of the drawdown of the loan. Interest is accrued on the outstanding balance drawn under the facility agreement at London Interbank Offered Rate ("LIBOR") plus 3.1% per annum and the loan is repayable at the end of the term. Prior to 30 June 2017, Top Create provided irrevocable confirmation of its intention to defer repayment of the amounts borrowed under this facility to a point beyond 1 July 2019.

(ii) The loan to Album Enterprises (US\$95.0 million) represents the amount drawn by Album Enterprises on 23 December 2016. Monies were advanced to Album Enterprises at LIBOR plus 3.1% per annum. The loan to Album Enterprises described above was made pursuant to a facility agreement, dated 23 December 2016, between MMG Finance Limited (a subsidiary of the Group) and Album Enterprises. Under the facility agreement, a loan facility of US\$95.0 million was made available to Album Enterprises, for a period of 90 days commencing on the date of facility drawdown. Album Enterprises fully repaid this loan in January 2017.

## 17. CAPITAL COMMITMENTS

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

	30 JUNE 2017 (UNAUDITED) US\$ MILLION	31 DECEMBER 2016 (AUDITED) US\$ MILLION
<b>Property, plant and equipment</b>		
Within one year	142.9	194.5
Over one year but not more than five years	5.2	11.8
	<b>148.1</b>	<b>206.3</b>
<b>Intangible assets</b>		
Not later than one year	3.1	2.8
	<b>3.1</b>	<b>2.8</b>
<b>Aggregate</b>		
<b>Property, plant and equipment and intangible assets</b>		
Contracted but not provided for	<b>151.2</b>	<b>209.1</b>

## 18. CONTINGENCIES

### Bank guarantees

Certain bank guarantees have been provided in connection with the operations of certain of the 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. As at 30 June 2017, these guarantees amount to US\$422.5 million (31 December 2016: US\$383.4 million), which include certain bank guarantees amounting to A\$193 million (equivalent to US\$148.8 million) for the benefit of Century Bull associated with the disposal of Century mine, refer to Note 4 for more details.

### Contingent liabilities – tax related contingencies

Tax authorities conduct regular routine tax reviews and audits on the Group. The final outcome cannot be determined with sufficient reliability. The condensed consolidated interim statement of financial position currently reflects all probable taxation liabilities and reasonable steps are being undertaken in relation to all potential tax uncertainty.



## 19. ASSETS AND LIABILITIES HELD FOR SALE

	30 JUNE 2017 (UNAUDITED) US\$ MILLION	31 DECEMBER 2016 (AUDITED) US\$ MILLION
<b>Assets of disposal group classified as held for sale</b>		
<b>Avebury</b>		
– Property, plant and equipment	18.8	18.8
<b>Golden Grove</b>		
Property, plant and equipment	-	208.6
Inventories	-	20.0
Deferred income tax assets	-	3.9
Trade and other receivables	-	8.9
<b>Total</b>	<b>18.8</b>	<b>260.2</b>
<b>Liabilities of disposal group classified as held for sale</b>		
<b>Avebury</b>		
Mine rehabilitation, restoration and dismantling provisions	4.5	4.5
<b>Golden Grove</b>		
Mine rehabilitation, restoration and dismantling provisions	-	39.2
Employee Provisions	-	6.2
Trade and other payables	-	18.7
Deferred income tax liabilities	-	1.2
<b>Total</b>	<b>4.5</b>	<b>69.8</b>
<b>Assets of disposal group classified as held for sale - net</b>	<b>14.3</b>	<b>190.4</b>

### Avebury

The Group continues to classify the Avebury nickel mine, which was on care and maintenance, as held for sale as at 30 June 2017. In September 2016, MMG entered into a sale agreement with Dundas Mining Pty Ltd for the sale of the Avebury nickel mine for a consideration of A\$25 million (equivalent to US\$19.0 million). Completion of the sale occurred on 7 July 2017. An estimated net profit after tax of between US\$3.0 million and US\$5.0 million will be recognised from the disposal of the Avebury mine in the second half of 2017.

## 20. FINANCIAL RISK MANAGEMENT

### (a) Financial risk factors

The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2016.

There have been no changes in the risk management department or in any risk management policies since 31 December 2016.

### (b) Commodity price risk

The prices of copper, zinc, lead, gold, and silver are affected by numerous factors and events that are beyond

the control of the Group. These metal prices change on a daily basis and can vary significantly up and down over time. The factors impacting metal prices include both broader macro-economic developments and micro-economic considerations relating more specifically to the particular metal concerned.

The following table details the sensitivity of the Group's financial assets balance to movements in commodity prices. Financial assets arising from revenue on provisionally priced sales are recognised at the estimated fair value of the total consideration of the receivable and subsequently remeasured at each reporting date. At the reporting date, if the commodity prices increased/ (decreased) by 10% and all other variables were held constant, the Group's after tax profit/(loss) would have changed as set out below:

COMMODITY	30 JUNE 2017			31 DECEMBER 2016		
	COMMODITY PRICE MOVEMENT	INCREASE PROFIT US\$ MILLION	DECREASE PROFIT US\$ MILLION	COMMODITY PRICE MOVEMENT	DECREASE LOSS US\$ MILLION	DECREASE PROFIT US\$ MILLION
Zinc	10%	1.2	(1.2)	10%	5.1	(5.1)
Copper	10%	20.4	(20.4)	10%	53.8	(53.8)
Lead	10%	0.8	(0.8)	10%	0.1	(0.1)
<b>Total</b>		<b>22.4</b>	<b>(22.4)</b>		<b>59.0</b>	<b>(59.0)</b>

### (c) Liquidity risk

Compared to 31 December 2016, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

### (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 value of listed equity investments has been valued by reference to market prices prevailing at the reporting date.

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

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

The carrying amounts and fair values of financial assets and liabilities by category and class at 30 June 2017 and 31 December 2016 are:

US\$ MILLION	NOTE	LOANS AND RECEIVABLES	AVAILABLE- FOR-SALE	DESIGNATED AT FAIR VALUE THROUGH PROFIT AND LOSS	OTHER LIABILITIES AT AMORTISED COST	TOTAL CARRYING VALUE	TOTAL FAIR VALUE
<b>As at 30 June 2017</b>							
<b>Financial assets</b>							
Cash and cash equivalents		914.3	-	-	-	914.3	914.3
Trade receivables	11	276.2	-	-	-	276.2	276.2
Other and sundry receivables	11	56.4	-	-	-	56.4	56.4
Other financial assets		12.0		1.9	-	13.9	13.9
		<b>1,258.9</b>		<b>1.9</b>	<b>-</b>	<b>1,260.8</b>	<b>1,260.8</b>
<b>Financial liabilities</b>							
Trade and other payables		-	-	-	548.5	548.5	548.5
Borrowings	14	-	-	-	9,751.2	9,751.2	9,751.2
		-	-	-	<b>10,299.7</b>	<b>10,299.7</b>	<b>10,299.7</b>
<b>As at 31 December 2016</b>							
<b>Financial assets</b>							
Cash and cash equivalents		552.7	-	-	-	552.7	552.7
Trade receivables	11	406.6	-	-	-	406.6	406.6
Other and sundry receivables	11	70.7	-	-	-	70.7	70.7
Loan to a related party		95.0	-	-	-	95.0	95.0
Other financial assets		11.6	-	1.1	-	12.7	12.7
		<b>1,136.6</b>	<b>-</b>	<b>1.1</b>	<b>-</b>	<b>1,137.7</b>	<b>1,137.7</b>
<b>Financial liabilities</b>							
Trade and other payables		-	-	-	652.6	652.6	652.6
Borrowings	14	-	-	-	10,253.2	10,253.2	10,253.2
		-	-	-	<b>10,905.8</b>	<b>10,905.8</b>	<b>10,905.8</b>

### (e) Fair value estimation

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

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

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2017 and 31 December 2016.

US\$ MILLION	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
<b>Assets</b>				
<b>As at 30 June 2017</b>				
Financial assets at fair value through profit and loss – listed <sup>1</sup>	1.9	-	-	1.9
Derivatives used for cash flow hedging <sup>2</sup>	-	3.0	-	3.0
	<b>1.9</b>	<b>3.0</b>	<b>-</b>	<b>4.9</b>
<b>As at 31 December 2016</b>				
Financial assets at fair value through profit and loss – listed <sup>1</sup>	1.1	-	-	1.1
Derivative used for commodity hedging <sup>2</sup>	-	16.7	-	16.7
Derivatives used for cash flow hedging <sup>2</sup>	-	(5.8)	-	(5.8)
	<b>1.1</b>	<b>10.9</b>	<b>-</b>	<b>12.0</b>

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

- 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.
- Derivative financial instruments have been valued using quoted market rates outlined in detail as below:
  - Forward Exchange Contracts ("FECs") and commodity price contracts have been valued using discounted cash flows. Future cash flows of FECs are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period). Future cash flows of commodity price contracts are estimated based on LME contract futures rates for commodities. These cash flows are discounted at a rate that reflects the credit risk of various counterparties.
  - European Option Collars have been valued using an option pricing model (Garman-Kohlhagen).

These valuation techniques maximise the use of observable market data where it is available and relies as little as possible on entity specific estimates.

## 21. EVENTS AFTER THE REPORTING PERIOD

On 7 July 2017, the Group completed the sale of the Avebury mine to Dundas Mining Pty Ltd for total consideration of A\$25 million (equivalent to US\$ 19.0 million). All conditions to completion were met on 7 July 2017 and the Group ceased to consolidate Avebury from that date. An estimated net profit after tax of between US\$3.0 million and US\$5.0 million will be recognised from the disposal of the Avebury mine in the second half of 2017.

On 31 July 2017, Minera Las Bambas S.A. voluntarily prepaid US\$500.0 million under its secured US\$5,988 million Project Facility from China Development Bank Corporation, Industrial and Commercial Bank of China Limited, Bank of China Limited (Sydney Branch) and The Export-Import Bank of China.

The payment was funded with surplus cash generated by the Las Bambas operations and will result in gross annualised interest savings of approximately US\$25.0 million (based on prevailing LIBOR rates).

Other than the matters outlined in these condensed consolidated interim financial statements, 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.

# GLOSSARY

A\$	Australian dollar, the lawful currency of Australia
AGM	annual general meeting of the Company
Album Enterprises	Album Enterprises Limited, a company incorporated on 19 January 2005 in Hong Kong with limited liability, a wholly owned subsidiary of CMN
Album Investment	Album Investment Private Limited, a company incorporated on 8 April 2009 in Singapore with limited liability, a wholly owned subsidiary of the Company
Album Resources	Album Resources Private Limited, a company incorporated on 8 April 2009 in Singapore with limited liability, a wholly owned subsidiary of the Company
Associate	has the meaning ascribed to it under the Listing Rules
ASX	Australian Securities Exchange
Australia	The Commonwealth of Australia
Board	the board of directors of the Company
Board Charter	the Board charter of the Company
BOC	Bank of China Limited, a company listed on the Stock Exchange and the Shanghai Stock Exchange
BOC Sydney	Bank of China Limited, Sydney Branch
CDB	China Development Bank Corporation
Century	Century Limited, a company incorporated on 25 November 1986 in Australia with limited liability and now owned by Century Mine Rehabilitation Project Pty Ltd, a subsidiary of Century Bull Pty Ltd
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGU	cash-generating unit
China	has the same meaning as PRC
CMC	China Minmetals Corporation, formerly known as China National Metals and Minerals Import and Export Corporation, a state-owned enterprise incorporated on 7 April 1950 under the laws of the PRC
CMC Group	CMC and its subsidiaries
CMCL	China Minmetals Corporation Limited, a joint stock limited company incorporated on 16 December 2010 under the laws of the PRC
CMN	China Minmetals Non-ferrous Metals Company Limited, a joint stock limited company incorporated on 27 December 2001 under the laws of the PRC
CMNH	China Minmetals Non-ferrous Metals Holding Company Limited, a joint stock limited company incorporated on 22 December 2009 under the laws of the PRC
Companies Ordinance	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
Company	MMG Limited, a company incorporated on 29 July 1988 in Hong Kong with limited liability, the securities of which are listed and traded on the main board of the Hong Kong Stock Exchange and the ASX
Deloitte	Deloitte Touche Tohmatsu
Director(s)	the director(s) of the Company
DRC	Democratic Republic of the Congo
EBIT	earnings before interest (net finance costs) and income tax
EBITDA	earnings before interest (net finance costs), income tax, depreciation, amortisation and impairment expenses
EBITDA margin	EBITDA divided by revenue



Executive Committee	the executive committee of the Group, which consists of all Executive Directors of the Company, Chief Operating Officer, Chief Financial Officer, Executive General Manager – Stakeholder Relations and Executive General Manager – Business Support
EXIM	the Export–Import Bank of China
Gearing ratio	net debt (total borrowings excluding finance charge prepayments, less cash and bank deposits) divided by the aggregate of net debt plus total equity
Golden Grove	MMG Golden Grove Pty Ltd, a company incorporated on 21 June 2005 in Australia with limited liability and now owned by EMR Capital Holdings Pty Ltd
Group	the Company and its subsidiaries
HK\$	Hong Kong dollar, the lawful currency of Hong Kong
HKAS	Hong Kong Accounting Standards (see definition of HKFRS)
HKFRS	Hong Kong Financial Reporting Standards, which include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKAS) and interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA)
HKICPA	the Hong Kong Institute of Certified Public Accountants
Hong Kong	the Hong Kong Special Administrative Region of the People’s Republic of China
Hong Kong Stock Exchange	please refer to the definition of ‘Stock Exchange’
ICBC	Industrial and Commercial Bank of China Limited
Laos	the Lao People’s Democratic Republic
Las Bambas Joint Venture Company	MMG South America Management Company Limited (also referred to as MMG SAM)
Las Bambas Project	the development, construction and operation of the copper mines, processing facilities and associated infrastructure at the Las Bambas copper project located in the Apurimac region in Peru, together with all activities and infrastructure associated with the transportation and export of products from such mines
Listing Rules	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
LME	London Metal Exchange
LOA	Life of Asset
Mineral Resource	as defined under the JORC Code: ‘A Mineral Resource is a concentration or occurrence of solid material of intrinsic economic interest in or on the Earth’s crust in such form, grade (or quality), and quantity that there are reasonable prospects for eventual economic extraction.’ (JORC Code 2012, available at <a href="http://www.jorc.org">http://www.jorc.org</a> )
Minerals and Metals Group	the collective brand name of the portfolio of international mining assets held by Album Resources
Minmetals HK	China Minmetals H.K. (Holdings) Limited, a company incorporated on 16 April 1996 in Hong Kong and an indirectly owned subsidiary of CMC
MMG Dugald River	MMG Dugald River Pty Ltd, a company incorporated on 15 July 1998 in Australia with limited liability and a wholly owned subsidiary of the Company
MMG Finance Limited	a company incorporated on 15 June 2011 in Hong Kong with limited liability and a wholly owned subsidiary of the Company
MMG Laos Holdings	MMG Laos Holdings Limited, a company incorporated on 25 May 1993 in the Cayman Islands with limited liability and a wholly owned subsidiary of the Company
MMG or MMG Limited	has the same meaning as the Company
MMG Management	MMG Management Pty Ltd, a company incorporated on 15 July 2005 in Australia with limited liability and a wholly owned subsidiary of the Company

## GLOSSARY (CONTINUED)

MMG SA	MMG South America Company Limited, a company incorporated on 4 May 1990 in Hong Kong with limited liability and a wholly owned subsidiary of the Company
MMG South America Group	MMG SA and its subsidiaries
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
Ore Reserve	as defined under the JORC Code: 'An Ore Reserve is the economically mineable part of a Measured and /or Indicated Mineral Resource.' (JORC Code 2012, available at <a href="http://www.jorc.org">http://www.jorc.org</a> )
PRC	the People's Republic of China excluding, for the purpose of this document only, Hong Kong, the Macao Special Administrative Region of the People's Republic of China and Taiwan, unless the context requires otherwise
Rights Issue	on 1 November 2016, the Company announced a rights issue on the basis of 1 rights issue for every 2 existing shares held by Shareholders. The results of the rights issue was confirmed on 14 December 2016 and 2,645,034,944 rights shares were allotted and issued on 15 December 2016. Details of the Rights Issue are set out in the Prospectus of the Company dated 23 November 2016
Securities Trading Model Code	a model code adopted by the Company for securities trading by directors of the Company on terms no less exacting than the required standard of the Model Code as set out in Appendix 10 of the Listing Rules
SFO	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
Shareholder(s)	the shareholder(s) of the Company
Stock Exchange	The Stock Exchange of Hong Kong Limited
TC/RC	Treatment Charge (TC) and Refining Charge (RC) are commonly used in the terms of purchase for copper concentrate for refining. They are amounts designed to cover refining costs. For example, copper concentrate contracts may define a purchase price based on the LME price at a certain date, minus the TC or RC being used at the time.
Top Create	Top Create Resources Limited, a company incorporated on 22 January 2004 in the British Virgin Islands with limited liability, a wholly owned subsidiary of CMN
TRIF	total recordable injury frequency per million hours worked
US\$	United States dollar, the lawful currency of the United States of America
US\$751.0 million Facility	the US\$751.0 million facility granted by CDB and BOC Sydney to Album Resources and MMG Management on 13 June 2012
VAT	value added tax

# CORPORATE INFORMATION

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## BOARD OF DIRECTORS

### Chairman

GUO Wenqing  
(Non-executive Director)

### Executive Directors

JIAO Jian  
(Chief Executive Officer)  
XU Jiqing  
(Executive General Manager –  
Marketing and Risk)

### Non-executive Directors

GAO Xiaoyu  
ZHANG Shuqiang

### Independent Non-executive Directors

Peter CASSIDY  
LEUNG Cheuk Yan  
Jennifer SEABROOK  
PEI Ker Wei

## AUDIT COMMITTEE

### Chairman

Jennifer SEABROOK

### Members

GAO Xiaoyu  
ZHANG Shuqiang  
LEUNG Cheuk Yan  
PEI Ker Wei

## GOVERNANCE AND NOMINATION COMMITTEE

### Chairman

LEUNG Cheuk Yan

### Members

Peter CASSIDY  
GAO Xiaoyu

## REMUNERATION COMMITTEE

### Chairman

Peter CASSIDY

### Members

GAO Xiaoyu  
ZHANG Shuqiang  
Jennifer SEABROOK  
PEI Ker Wei

## RISK MANAGEMENT COMMITTEE

### Chairman

PEI Ker Wei

### Members

GAO Xiaoyu  
Peter CASSIDY  
LEUNG Cheuk Yan

## DISCLOSURE COMMITTEE

### Members

JIAO Jian  
XU Jiqing  
Ross CARROLL  
Troy HEY  
Nick MYERS  
LEUNG Suet Kam Lucia

## GENERAL COUNSEL

Nick MYERS

## COMPANY SECRETARY

LEUNG Suet Kam Lucia

## LEGAL ADVISER

Linklaters, Hong Kong

## AUDITOR

Deloitte Touche Tohmatsu  
*Certified Public Accountants*

## SHARE REGISTRARS

### Hong Kong

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

### Australia

Computershare Investor Services  
Pty Limited  
Yarra Falls  
452 Johnston Street  
Abbotsford  
Victoria 3067  
Australia

## PRINCIPAL BANKERS

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

## INVESTOR AND MEDIA ENQUIRIES

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## REGISTERED OFFICE

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Hong Kong

## CORPORATE OFFICES AND PRINCIPAL PLACE OF BUSINESS

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Australia  
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F +61 3 9288 0800  
E info@mmg.com

## WEBSITE

www.mmg.com

## SHARE LISTING

The Stock Exchange of Hong Kong Limited  
Stock Code: 1208

Australian Securities Exchange  
Stock Code: MMG

## ADDITIONAL SHAREHOLDER INFORMATION

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



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