



WE MINE FOR  
PROGRESS

# INTERIM REPORT

2018

HKEX: 1208 | ASX: MMG

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ICMM  
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MINING WITH  
PRINCIPLES

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**Cover:** Employees in the lab area of the Las Bambas mine concentrator plant.  
**Above:** Mine Production Lead pictured at the Mashi Pit, Kinsevere mine in the DRC.



# WE MINE FOR PROGRESS

Our vision is to build the world's most respected mining company.

We mine to build wealth through the development of our people; the investments we make in improving local capability; and the value we deliver to our shareholders.

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



Dear Shareholders,

I would like to extend my heartfelt thanks for your ongoing interest and support of MMG. On behalf of the Board, I present the Company's 2018 Interim Report.

Safety is our core value at MMG. Unfortunately, Mr Kham Phathithak, an employee at our Sepon mine in Laos sustained fatal injuries following an incident which occurred when the vehicle he was driving was struck by a tree during tree felling activities. On behalf of the Board, I express my most sincere condolences to Mr Phathithak's family.

In the future, we shall continue to uphold the value of "Safety First" and take all measures to improve the safety management standards and performance, to ensure the health and safety of our people.

During the first half of the year, the global economy maintained its upward momentum while the Chinese economy stabilised, with base metal consumption increasing at a steady pace. Metal prices have shown greater volatility during the first half of the year.

The Company has generated stable growth, recording revenue of US\$1,898.8 million, an increase of US\$149 million or 9% compared to the corresponding period of last year. Net profit from continuing operations attributable to MMG shareholders was US\$124.2 million, a US\$117.2 million increase compared to the corresponding period of last year. Operating cash flow was US\$941.5 million with net debt reduced by US\$642.9 million in the period.

Operational performance was strong during the first half. The Las Bambas mine was impacted by a localised geotechnical instability and major shutdown to produce over 186,000 tonnes of copper concentrate during

the first half of the year. The Dugald River mine has commenced commercial production ahead of schedule, and will rank among the top ten zinc mines in the world when at steady state production, with over 67,000 tonnes of zinc in zinc concentrate produced during the first half of the year. Production at the Kinsevere mine reached a record high producing 40,600 tonnes of copper cathode for the half year; and production at both Rosebery and the Sepon have increased steadily compared to the corresponding period. We have refined our management and head office structure and streamlined business processes and improved efficiency – from the headquarters to mine management.

During the first half of the year, we further optimised our asset portfolio. The Company has agreed to the sale of our 90% interest in Lane Xang Minerals Limited Sepon (LXML) to Chifeng Jilong Gold Mining Co. Limited (Chifeng) for US\$275.0 million. The sale of Sepon allows MMG's to focus on its strategic commodities, copper and zinc, and leverage its core strengths to create greater returns for our shareholders. Chifeng has extensive experience in the development of gold mines and we believe they will achieve a successful transition of Sepon to a gold operation, and will continue to create value for the local government and community.

China Minmetals Corporation (CMC), the major shareholder of the Company, has maintained steady growth during the first half of 2018. During the period, CMC continued to accelerate its development and maintain excellent production and operational efficiency. CMC was one of the stronger performing state-owned enterprises during the period, with total profit reaching a new record high. CMC is classified as an A-grade enterprise in the examination of state-owned enterprises in 2017, enabling CMC



**Above:** (L-R) Mr Guo Wenqing at our Dugald River zinc mine in north-west Queensland; and in the Corporate Office in Melbourne.

to become one of the top enterprises among its state-owned peers, and it is ranked 109th in the latest Fortune 500 companies list. As the only state owned investment company in the minerals and metals industry, CMC strives to be a “best in China, first class in the world” minerals and metals group. This is the most important mission and commitment of CMC and therefore acquiring more quality resources is regarded as its core duty and focus area. Being the flagship company of CMC to explore overseas resources, MMG plays a vital role to assist CMC to implement its strategy. The major shareholder maintains strong confidence in MMG and will continue to provide full support to MMG’s growth.

On 1 August 2018, Mr Gao Xiaoyu (Mr Geoffrey Gao) officially succeeded Mr Jiao Jian (Mr Jerry Jiao) as the Company’s Chief Executive Officer. During Mr Jiao Jian’s tenure, MMG has achieved good results. The Board thanks Mr Jiao Jian for his exceptional contribution. His outstanding leadership has laid a solid foundation for the Company’s development. Mr Gao Xiaoyu has extensive experience in international business and the mining industry and is familiar with both the

Eastern and Western cultures. He has a thorough understanding of our major shareholder and MMG. I believe that under the strong leadership of the Board of Directors, Mr Gao Xiaoyu shall lead MMG to deliver on the Company’s strategic vision.

Looking forward to the second half of the year, given the accelerated pace of monetary tightening globally, uncertainty over foreign trade policy, and after a period of rising prices for two consecutive years, commodity prices are difficult to predict. Nevertheless, the prospects for global economic growth will remain robust and China will continue to accelerate the upgrading of its domestic economic structure, develop energy conversion technologies and facilitate innovative development. New technologies such as alternate energy vehicles and artificial intelligence will promote stable demand for metals including copper and zinc. As a result, we maintain a positive outlook on the market fundamentals.

The Company will continue to strengthen our operational management, maintain good relationships with the local communities and the government to sustain the consistent operation of our mines.

We are also actively looking for new business growth opportunities, focusing on Africa, Latin America and Australia with its rich copper and zinc resources, while actively seeking out any “One Belt, One Road” opportunities. We shall continue to progress steadily in accordance with our established goals and strategies, in order to create greater value for our shareholders and stakeholders.

I thank our shareholders, our communities and our business partners for your continuous support and express my sincere appreciation for the invaluable contribution made by all our employees.

**GUO Wenqing**  
Chairman

# CHIEF EXECUTIVE OFFICER'S REPORT



Dear Shareholders,

Safety is our first value and is always our highest operating priority. Ensuring our people go home safely at the end of each day to their families is our most fundamental commitment. That is why the death of an employee impacts us so much.

It saddens me to begin this report by advising you of the death of one of our employees at our Sepon mine, who died following an incident which occurred when the vehicle he was driving was struck by a tree during tree felling activities. I extend sincere condolences on behalf of all at MMG to the family and friends of Mr Kham Phathithak.

Our efforts to reduce overall injuries continue to be successful and in the first half of the year, our operations recorded a total recordable injury frequency (TRIF) of 0.91, 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 (ICMM) safety statistics.

This result demonstrates we are moving in the right direction with injuries. However, we must do better to reduce significant potential incidents. Our focus is now reviewing our fatal risk controls, championing leadership and creating safe, injury-free work.

## OUR PERFORMANCE

MMG is a company with sound safety values and strong operational capability that has a reputation as a world-class operator. We continue to demonstrate our ability to deliver world class assets and operate a copper and zinc portfolio based in the world's most exciting mining regions.

MMG operations produced over 265,000 tonnes of copper and over 105,000 tonnes of zinc in the first half of 2018 - an overall 3% growth in production on a copper equivalent basis.

Our newest asset, Dugald River declared commercial production on 1 May 2018. The ramp up of Dugald River and the achievement of commercial production ahead of schedule has been an outstanding achievement and further demonstrates MMG's ability to deliver world class assets.

While Dugald River's ramp up has been a success to date, our focus now is on optimising the operation, increasing efficiencies and reducing costs.

Revenue increased by US\$149.0 million in the first six months of 2018 due to higher realised commodity prices and the achievement of commercial production in Dugald River.

Free cash flow generation and net debt reduction remain a focus for MMG and this has driven strong returns to equity holders so far. MMG's net debt reduced by US\$642.9 million and gearing reduced from 74% to 72% during the period.

MMG's full year guidance of 490,000– 510,000 tonnes of copper and 190,000 – 220,000<sup>1</sup> tonnes of zinc excludes Sepon, with completion of the sale 90% interest in LXML to Chifeng expected in the second half.

## OUR FOCUS

We are committed to growing our business to achieve our objective of being valued as one of the world's top mid-tier miners by 2020. We continue to maximise current cash generation, reduce our debt and improve performance at all levels of the business.

1. Production includes 39,717 tonnes of zinc from pre-commercial production volumes at Dugald River.





**Above:** (L-R) Mr Geoffrey Gao at our Las Bambas mine in Peru; on 1 May 2018 our Dugald River underground mine achieved commercial production ahead of schedule.

For the first six months of the year we have continued to focus on improvement and simplification of the business, creating the right structure for the way we want to operate. We have clearly focused Group functions on strategy, governance, and functional and discipline leadership while creating stronger regional businesses delivering 'whole of business' accountability for operations, commercial performance and near mine growth.

We believe this strengthens our strategic decision to establish ourselves in key growth regions, builds consistent foundations for a developing international business and positions the business for scalable growth.

Cost and efficiency remain an important focus for the business and during the past year several improvement initiatives have been implemented across all sites, group and support functions. These initiatives will deliver annualised overhead savings of approximately US\$30 million.

Our efforts to simplify our business have been maintained. In many ways, the building phase of our company and its structures is complete – our key challenge is to continue to deliver value.

We maintain our dedicated focus and leverage to copper and zinc, and our belief in the long-term fundamentals of both commodities. Our unique model is underpinned by the significant support from our major Shareholder, CMC, which enables us to take a long-term approach to investment.

MMG will remain focused on enhancing operational discipline, community and government relations, and on ensuring steady production at our operations. As we actively explore new opportunities and maintain our growth focus in the rich copper and zinc prospects in Africa, Australia and Latin America, we will create greater value for our Shareholders, and all stakeholders.

I wish to acknowledge outgoing CEO, Jerry Jiao, who has led the Company for the past year and a half for his outstanding service to MMG. While

we will miss his leadership and wise counsel, we look forward to Jerry continuing to be a part of the MMG growth story as a non-executive director of MMG and in his new role with CMC.

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

A handwritten signature in black ink, appearing to read 'Geoffrey Gao', written in a cursive style.

**Geoffrey GAO**  
Chief Executive Officer

# MANAGEMENT DISCUSSION AND ANALYSIS

## RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

For the purpose of the management discussion and analysis, the Group's results for the six months ended 30 June 2018 are compared with results for the six months ended 30 June 2017.

SIX MONTHS ENDED 30 JUNE	2018 US\$ MILLION	2017 US\$ MILLION	CHANGE % FAV/(UNFAV)
<b>Revenue</b>	<b>1,898.8</b>	<b>1,749.8</b>	<b>9%</b>
Operating expenses	(901.2)	(829.5)	(9%)
Exploration expenses	(14.2)	(17.0)	16%
Administration expenses	(22.8)	(40.6)	44%
Other income / (expenses)	23.6	(66.0)	136%
Gains on disposal of subsidiaries	-	173.7	(100%)
<b>EBITDA</b>	<b>984.2</b>	<b>970.4</b>	<b>1%</b>
Depreciation and amortisation expenses	(406.8)	(386.0)	(5%)
<b>EBIT</b>	<b>577.4</b>	<b>584.4</b>	<b>(1%)</b>
Net finance costs	(250.0)	(258.5)	3%
<b>Profit before income tax</b>	<b>327.4</b>	<b>325.9</b>	<b>-</b>
Income tax expense	(138.6)	(223.5)	38%
<b>Profit after income tax from continuing operations</b>	<b>188.8</b>	<b>102.4</b>	<b>84%</b>
Profit after income tax from discontinued operation	4.6	11.3	(60%)
<b>Profit for the period</b>	<b>193.4</b>	<b>113.7</b>	<b>70%</b>
<b>Attributable to:</b>			
<b>Equity holders of the Company</b>	<b>128.7</b>	<b>17.8</b>	<b>623%</b>
– From continuing operations	124.2	7.0	1,674%
– From discontinued operation	4.5	10.8	(58%)
<b>Non-controlling interests</b>	<b>64.7</b>	<b>95.9</b>	<b>(33%)</b>
– From continuing operations	64.6	95.4	(32%)
– From discontinued operation	0.1	0.5	(80%)
	<b>193.4</b>	<b>113.7</b>	<b>70%</b>

### PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

MMG's profit after income tax of US\$193.4 million for the six months ended 30 June 2018 includes profit from discontinued operation of US\$4.6 million relating to LXML, the owner of the Sepon mine. On 21 June 2018, MMG announced an agreement to sell its 90% interest in LXML, and accordingly the operational results of Sepon are classified as discontinued.

Profit from continuing operations of US\$188.8 million for the six months ended 30 June 2018 includes profit to equity holders of US\$124.2 million and profit attributable to non-controlling interests of US\$64.6 million. This compares to a profit attributable to equity holders of US\$7.0 million and profit attributable to non-controlling interests of US\$95.4 million in 2017. The profit attributable to non-controlling interests from continuing operations relates to the 37.5% interest in Las Bambas not owned by the Company. The following table provides a reconciliation of reported profit after tax attributable to equity holders.



SIX MONTHS ENDED 30 JUNE	2018 US\$ MILLION	2017 US\$ MILLION	CHANGE % FAV/(UNFAV)
Profit after tax - Las Bambas 62.5% interest	107.4	158.9	(32%)
Profit after tax - Other operations	90.0	28.8	213%
Exploration expenses	(14.2)	(17.0)	16%
Administration expenses	(22.8)	(40.6)	44%
Net finance costs (excluding Las Bambas)	(78.4)	(78.5)	-
Others	46.7	(33.8)	238%
<b>Profit for the period attributable to equity holders</b>	<b>128.7</b>	<b>17.8</b>	<b>623%</b>
– From continuing operations	124.2	7.0	1674%
– From discontinued operation	4.5	10.8	(58%)

## OVERVIEW OF OPERATING RESULTS

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

SIX MONTHS ENDED 30 JUNE	REVENUE			EBITDA		
	2018 US\$ MILLION	2017 US\$ MILLION	CHANGE % FAV/(UNFAV)	2018 US\$ MILLION	2017 US\$ MILLION	CHANGE % FAV/(UNFAV)
Las Bambas	1,349.4	1,361.7	(1%)	726.0	756.4	(4%)
Kinsevere	279.4	226.8	23%	127.2	65.9	93%
Dugald River	69.2	-	100%	28.8	-	100%
Rosebery	203.8	138.1	48%	118.2	66.8	77%
Others	(3.0)	23.2	(113%)	(16.0)	81.3	(120%)
<b>Total</b>	<b>1,898.8</b>	<b>1,749.8</b>	<b>9%</b>	<b>984.2</b>	<b>970.4</b>	<b>1%</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 operational revenue increased by US\$149.0 million to US\$1,898.8 million in the first six months of 2018, with higher realised commodity prices (US\$251.0 million) partly offset by lower sales volumes (US\$102.0 million).

Specifically, higher average realised prices for copper (US\$221.5 million), zinc (US\$19.4 million), molybdenum (US\$11.5 million), lead (US\$1.6 million) and gold (US\$0.5 million), were partly offset by lower prices for silver (US\$3.5 million).

The negative sales volume variance was predominantly driven by the lower opening stocks and lower copper production at Las Bambas during the first half (US\$204.7 million) and the impact of the Golden Grove sale in February 2017 (US\$16.4 million). This was partly offset by the commencement of commercial production at Dugald River on 1 May 2018 (US\$69.2 million), and higher sales volumes at Rosebery (US\$40.3 million) and Kinsevere (US\$9.6 million).

REVENUE BY COMMODITY SIX MONTHS ENDED 30 JUNE	2018 US\$ MILLION	2017 US\$ MILLION	CHANGE FAV/(UNFAV)
Copper	1,500.3	1,461.8	3%
Zinc	162.8	85.4	91%
Lead	48.1	25.1	92%
Gold	89.6	100.7	(11%)
Silver	74.0	74.5	(1%)
Molybdenum	24.0	2.3	953%
<b>Total</b>	<b>1,898.8</b>	<b>1,749.8</b>	<b>9%</b>

# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

## PRICE

With the exception of silver, LME base metals prices were higher in the six months ended 30 June 2018 compared to the prior corresponding period.

AVERAGE LME CASH PRICE SIX MONTHS ENDED 30 JUNE	2018	2017	CHANGE % FAV/(UNFAV)
Copper (US\$/tonne)	6,915	5,749	20%
Zinc (US\$/tonne)	3,268	2,690	21%
Lead (US\$/tonne)	2,455	2,221	11%
Gold (US\$/ounce)	1,318	1,238	6%
Silver (US\$/ounce)	16.65	17.32	(4%)
Molybdenum (US\$/tonne)	26,348	17,538	50%

## SALES VOLUMES

PAYABLE METAL IN PRODUCT SOLD SIX MONTHS ENDED 30 JUNE	2018	2017	CHANGE %FAV/ (UNFAV)
Copper (tonnes)	229,651	262,831	(13%)
Zinc (tonnes)	92,293	35,223	162%
Lead (tonnes)	20,875	11,390	83%
Gold (ounces)	72,479	79,545	(9%)
Silver (ounces)	4,552,894	4,306,779	6%
Molybdenum (tonnes)	947	165	474%

PAYABLE METAL IN PRODUCT SOLD SIX MONTHS ENDED 30 JUNE 2018	COPPER TONNES	ZINC TONNES	LEAD TONNES	GOLD OUNCES	SILVER OUNCES	MOLYB- DENUM TONNES
Las Bambas	188,243	-	-	52,387	2,633,916	947
Kinsevere	40,674	-	-	-	-	-
Dugald River	-	55,022	4,533	-	266,300	-
Rosebery	734	37,271	16,342	20,092	1,652,678	-
Total from continuing operations	229,651	92,293	20,875	72,479	4,552,894	947
Discontinued operation	37,640	-	-	-	-	-

PAYABLE METAL IN PRODUCT SOLD SIX MONTHS ENDED 30 JUNE 2017	COPPER TONNES	ZINC TONNES	LEAD TONNES	GOLD OUNCES	SILVER OUNCES	MOLYB- DENUM TONNES
Las Bambas	223,065	-	-	64,360	3,145,394	165
Kinsevere	39,026	-	-	-	-	-
Rosebery	657	30,920	11,390	15,160	1,160,461	-
Other	82	4,303	-	24	925	-
Total from continuing operations	262,830	35,223	11,390	79,544	4,306,780	165
Discontinued operation	33,103	-	-	-	-	-

Copper sales volumes decreased by 13% compared to the first half of 2017. This was driven primarily by lower production at Las Bambas due to a localised geotechnical instability that impacted grades during the first quarter of the year. Partly offsetting this, Kinsevere had its strongest ever production half, driving 4% higher sales volumes.

Zinc and lead sales volumes were 162% and 83% higher respectively for the six months ended 30 June 2018, due

primarily to the commencement of production of Dugald River in late 2017 as well as higher production at Rosebery. Gold sales volumes decreased 9% due to the lower production at Las Bambas. Silver sales volumes increased 6% with higher production at Rosebery offsetting the decline at Las Bambas, and molybdenum sales volumes increased 474% due to the continued ramp up of the Las Bambas molybdenum circuit.

**Operating expenses** include expenses of operating sites, excluding depreciation and amortisation. Site expenses include mining and processing expenses, changes in inventories, royalty expenses, selling expenses and other operating expenses. Total operating expenses increased by US\$71.7 million (9%) in the six months ended 30 June 2018. Las Bambas operating expenses increased by US\$14.2 million (2%) mainly due to additional plant maintenance costs during 2018. Kinsevere operating expenses increased by US\$11.3 million (8%) due to higher acid costs and additional costs related to estimated impacts of some elements of the new Democratic Republic of the Congo (DRC) mining code. Operating expenses at Rosebery were US\$14.3 million higher due largely to inventory movements, while operating expenses of US\$41.5 million were incurred at Dugald River following the achievement of commercial production on 1 May 2018. Partially offsetting this was the non-recurrence of US\$8.7 million of operating expenses from Golden Grove, following the sale in February 2017.

**Exploration expenses** decreased by US\$2.8 million (16%) compared to the first half of 2017 to US\$14.2 million. New discovery spend was broadly flat at US\$5.5 million, with a broad focus on three regions: the African copper belt, northern Australian zinc basins and the Andes copper region of South America.

The Group invested US\$7.8 million in mine district exploration, a decrease of US\$2.5 million compared to the first half of 2017. Exploration in the first half of 2018 focused on the Las Bambas and Kinsevere mine sites in Peru and DRC, and a number of exploration prospects in Australia, DRC and Zambia.

**Administrative expenses** decreased by US\$17.8 million (44%) to US\$22.8 million in the first half of 2018, predominantly due to cost and efficiency improvement initiatives across group and support functions resulting in lower employee costs, consultant spend and travel expenses. There has been a reduction in headcount of approximately 60 full time employees across corporate offices as a result of these initiatives.

**Other income and expenses** had an aggregate favourable impact on EBIT of US\$23.6 million in the period, compared to the unfavourable impact of US\$66.0 million in the first half of 2017.

The favourable impact of US\$23.6 million in the first half of 2018 was due to a gain on the redemption of Convertible Redeemable Preference Shares in January 2018 (US\$12.6 million) and foreign exchange gains of US\$11.0 million, predominantly due to the revaluation of the Century bank guarantee and Group Office liabilities.

The unfavourable impact of US\$66.0 million in the first half of 2017 was predominantly due to fair value losses on the commodity price hedging contracts of US\$24.3 million and foreign exchange losses of US\$44.7 million. This includes losses on the Century rehabilitation provisions from 1 January 2017 to 28 February 2017 of US\$20.5 million and losses on the translation of the Kinsevere value-added tax (VAT) receivables, which are denominated in Congolese franc.

In the first half of 2017, a US\$173.7 million gain on the sale of Golden Grove (US\$22.0 million) and Century (US\$151.7 million) was recognised (2018: nil).

**Depreciation and amortisation expenses** increased by US\$20.8 million (5%) in 2018. The increase was driven by Dugald River achieving commercial production on 1 May 2018 with additional depreciation and amortisation expenses of US\$9.8 million in the first half of 2018. In addition, depreciation and amortisation expenses were higher at Kinsevere in the first half of 2018 driven by the higher ore mined and higher ore milled compared to 2017.

**Net finance costs** decreased by US\$8.5 million (3%) during the period, mainly due to lower interest costs following early prepayments on the Las Bambas Project Facility of US\$500 million in July 2017 and January 2018. This was partly offset by higher LIBOR rates compared to 2017.

**Income tax expense** of US\$138.6 million in the first half of 2018, increased from US\$55.8 million in the prior corresponding period (excluding the impacts of the divestments of Golden Grove and Century), reflecting the increase in the Group's profit before income tax. The effective tax rate for the period ended 30 June 2018 was 42.3%. This included unfavourable impacts from non-creditable withholding tax, write-off of prior year tax losses and other non-deductible expenditures.



# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

## MINES ANALYSIS

### LAS BAMBAS

SIX MONTHS ENDED 30 JUNE	2018	2017	CHANGE % FAV/(UNFAV)
<b>Production</b>			
Ore mined (tonnes)	24,398,944	25,833,534	(6%)
Ore milled (tonnes)	23,662,414	25,301,176	(6%)
Copper in concentrate (tonnes)	186,637	218,440	(15%)
<b>Payable metal in product sold</b>			
Copper (tonnes)	188,243	223,065	(16%)
Gold (ounces)	52,387	64,360	(19%)
Silver (ounces)	2,633,916	3,145,394	(16%)
Molybdenum (tonnes)	947	165	474%

SIX MONTHS ENDED 30 JUNE	2018 US\$ MILLION	2017 US\$ MILLION	CHANGE % FAV/(UNFAV)
<b>Revenue</b>	<b>1,349.4</b>	<b>1,361.7</b>	<b>(1%)</b>
<b>Operating expenses</b>			
<b>Production expenses</b>			
Mining	(190.2)	(171.5)	(11%)
Processing	(145.9)	(148.7)	2%
Other	(162.1)	(162.6)	0%
<b>Total production expenses</b>	<b>(498.2)</b>	<b>(482.8)</b>	<b>(3%)</b>
Freight (transportation)	(30.1)	(34.1)	12%
Royalties	(41.3)	(41.8)	1%
Other <sup>(i)</sup>	(52.6)	(49.4)	(7%)
<b>Total operating expenses</b>	<b>(622.2)</b>	<b>(608.1)</b>	<b>(2%)</b>
Other (expenses)/income	(1.2)	2.8	(143%)
<b>EBITDA</b>	<b>726.0</b>	<b>756.4</b>	<b>(4%)</b>
Depreciation and amortisation expenses	(282.2)	(279.6)	(1%)
<b>EBIT</b>	<b>443.8</b>	<b>476.8</b>	<b>(7%)</b>
<b>EBITDA margin</b>	<b>54%</b>	<b>56%</b>	<b>(3%)</b>

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

Revenue of US\$1,349.4 million was 1% below the first half of 2017, with higher realised copper prices offsetting lower production and sales volumes. Payable copper in product sold was 188,243 tonnes, 16% below the prior corresponding period, reflecting lower opening stocks and lower production due to lower grades as we continue to develop the mine. Production was also impacted by a localised geotechnical instability, which impacted mine sequencing in the first quarter, and a major planned maintenance shutdown at the beginning of April. This resulted in ore mined and milled being 6% lower. Copper ore grades were 0.9% in the first half of 2018, compared to 1.0% in the first half of 2017. Partially offsetting the lower grade was higher recovery of 87.3% compared to 85.4% in the first half of 2017, which was driven by a series of improvement initiatives as well as lower oxide content in the ore.

Operating expenses were higher by US\$14.1 million (2%) predominantly due to costs associated with scheduled major overhauls of some of the mining fleet and the major planned maintenance shutdown. Mining and Processing maintenance costs were US\$23.0 million and US\$15.8 million higher respectively compared to the first half of 2017. Partially offsetting the impact of the higher maintenance costs was a series of efficiency projects, lower ore tonnes milled and lower power costs due to a renegotiated electricity contract.

C1 costs for the first half of 2018 were US\$1.19/lb compared to US\$1.02/lb in the first half of 2017. The higher C1 is largely due to lower production volumes. EBITDA of US\$726.0 million and EBITDA margin of 54% were below the US\$756.4 and 56% respectively delivered in the first half of 2017.

Despite lower production rates in the first half, Las Bambas production guidance for 2018 remains at 410,000 to 430,000 tonnes of copper in copper concentrate, with some downwards pressure towards the lower end of the range.

The improved production expected in the second half is mainly the result of both higher grades and increased milling volumes compared to the first half. Production in the second half is also expected to continue to benefit from higher recoveries as seen in the first half.

Consistent with previous guidance, we expect Las Bambas to deliver in excess of 2 million tonnes of copper in copper concentrate over the first five years of operation. A series of work programs to maintain this production profile into the future is well advanced.

C1 unit cost guidance also remains unchanged at US\$1.00–1.10/lb for 2018 despite cost pressures associated with increasing input prices. To maintain its position as one of the lowest cost copper mines of this scale in the world, Las Bambas continues to look for opportunities to drive further improvements in operational efficiency and costs.

The Group has been granted warranties and indemnities by Glencore in relation to certain tax matters arising from the ownership of the Las Bambas project up to 31 July 2014. The Group sought to enforce those indemnities filing two formal claims in the UK High Court of Justice totalling US\$31.5 million, and the Court handed down its decision on 29 June 2018. The decision provides that a significant proportion of the amounts claimed are recoverable from Glencore, but only upon the conclusion of Tax Court appeals in Peru in relation to the matters. A further hearing on 20 September 2018 will consider consequential matters including whether either or both parties will seek permission to appeal the decision.

# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

## KINSEVERE

SIX MONTHS ENDED 30 JUNE	2018	2017	CHANGE % FAV/(UNFAV)
<b>Production</b>			
Ore mined (tonnes)	1,419,991	1,235,597	15%
Ore milled (tonnes)	1,193,306	1,080,404	10%
Copper cathode (tonnes)	40,556	39,203	3%
<b>Payable metal in product sold</b>			
Copper (tonnes)	40,674	39,026	4%
SIX MONTHS ENDED 30 JUNE	2018 US\$ MILLION	2017 US\$ MILLION	CHANGE % FAV/(UNFAV)
<b>Revenue</b>	<b>279.4</b>	<b>226.8</b>	<b>23%</b>
<b>Operating expenses</b>			
<b>Production expenses</b>			
Mining	(20.5)	(21.6)	5%
Processing	(52.1)	(50.9)	(2%)
Other	(38.9)	(37.5)	(4%)
<b>Total production expenses</b>	<b>(111.5)</b>	<b>(110.0)</b>	<b>(1%)</b>
Freight (transportation)	(19.4)	(19.2)	(1%)
Royalties	(12.4)	(8.6)	(45%)
Other <sup>(i)</sup>	(8.5)	(2.7)	(217%)
<b>Total operating expenses</b>	<b>(151.8)</b>	<b>(140.5)</b>	<b>(8%)</b>
Other income/(expenses)	(0.4)	(20.4)	98%
<b>EBITDA</b>	<b>127.2</b>	<b>65.9</b>	<b>93%</b>
Depreciation and amortisation expenses	(74.6)	(67.6)	(10%)
<b>EBIT</b>	<b>52.6</b>	<b>(1.7)</b>	<b>3,194%</b>
<b>EBITDA margin</b>	<b>46%</b>	<b>29%</b>	<b>57%</b>

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



Kinsevere production of 40,556 tonnes of copper cathode in the first six months of 2018 was a record half, demonstrating continued strong operational performance. This was driven by improved recoveries and 10% higher mill throughput to offset declining ore grades.

Revenue increased by US\$52.6 million (23%) compared to the first half of 2017, mainly due to higher average realised copper prices.

Total operating expenses increased by US\$11.3 million (8%) compared to the first half of 2017. This was due to additional estimated direct and indirect costs associated with the new DRC mining code (US\$7.9 million). Processing expenses were also impacted by higher acid consuming ore feed whilst Mining expenses were lower due to higher capitalisation of deferred mining costs.

Other expenses in the first half of 2017 of US\$20.4 million primarily related to a significant foreign exchange (FX) loss on VAT receivables.

Despite the strong operational performance, the higher operating expenses resulted in reported C1 costs of US\$1.58/lb in the first half of 2018, compared to US\$1.30/lb in the first half of 2017.

EBITDA increased by 93% to US\$127.2 million due to the revenue increase from higher copper prices and the non-recurrence of FX losses.

Consistent with previous guidance, production is expected to be around 80,000 tonnes of copper cathode and C1 costs are expected to be US\$1.57-US\$1.67 in 2018.

On 9 March 2018, the DRC Government signed into law significant changes to the 2002 Mining Code (2018 Mining Code). The 2018 Mining Code does not recognise the application of Article 276 of the 2002 Mining Code, which provides a guarantee of stability of the provisions of the 2002 Mining Code including, but not limited to, tax, customs and exchange regimes, for a period of 10 years after the entry into force of the amended legislation.

The Group has made a formal request for negotiation with the DRC Government pursuant to the Bilateral Investment Treaty between the DRC and PRC, and is looking to reach an agreement with the DRC Government regarding recognition of the guarantee of stability. MMG remains committed to working in consultation with the DRC Government, Industry and Civil Society groups regarding the application of the 2018 Mining Code. The company, along with other industry participants, has sought consideration of a modified 'sliding scale' for royalty payments; providing for a guaranteed larger share of revenue to the DRC Government at higher commodity prices. Pending the outcomes of discussions, legal action by the Group to enforce its rights under a Bilateral Investment Treaty between DRC and PRC and/or the 2002 Mining Code remains under active consideration.

The DRC Government has commenced enforcement of elements of the 2018 Mining Code, in particular the increased royalty rates, from mid-June 2018.

# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

## DUGALD RIVER<sup>(i)</sup>

SIX MONTHS ENDED 30 JUNE	2018	2017	CHANGE % FAV/(UNFAV)
<b>Production</b>			
Ore mined (tonnes)	560,676	-	-
Ore milled (tonnes)	790,178	-	-
Zinc in zinc concentrate (tonnes)	67,266	-	-
Lead in lead concentrate (tonnes)	5,898	-	-
<b>Payable metal in product sold</b>			
Zinc (tonnes)	55,022	-	-
Lead (tonnes)	4,533	-	-
Silver (ounces)	266,300	-	-

SIX MONTHS ENDED 30 JUNE	2018 US\$ MILLION	2017 US\$ MILLION	CHANGE % FAV/(UNFAV)
<b>Revenue</b>	<b>69.2</b>	-	-
<b>Operating expenses</b>			
<b>Production expenses</b>			
Mining	(7.9)	-	-
Processing	(9.7)	-	-
Other	(10.3)	-	-
<b>Total production expenses</b>	<b>(27.9)</b>	-	-
Freight (transportation)	(1.8)	-	-
Royalties	(2.3)	-	-
Other <sup>(ii)</sup>	(9.5)	-	-
<b>Total operating expenses</b>	<b>(41.5)</b>	-	-
Other (expenses)/income	1.1	-	-
<b>EBITDA</b>	<b>28.8</b>	-	-
Depreciation and amortisation expenses	(9.8)	-	-
<b>EBIT</b>	<b>19.0</b>	-	-
<b>EBITDA margin</b>	<b>42%</b>	-	-

(i) Production and payable metal in product sold relates to the full first six months of 2018. The operating financial results relate to the period post commercial production (1 May 2018).

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

Dugald River achieved commercial production on 1 May 2018, from which time the project was accounted for as an operation. As a result, the 2018 interim results take into account sales revenue, operating expenses and depreciation and amortisation from 1 May 2018.

Revenue of US\$69.2 million was derived from payable metal in product sold of 20,192 tonnes of zinc and 4,533 tonnes of lead from 1 May 2018. EBITDA for the two-month period was US\$28.8 million.

Ramp up activities continued to progress, with mill throughput of 790,178 tonnes for the first six months, representing 80% and 103% of notional nameplate capacity in the first and second quarters respectively. This highlights the success of the ramp up to date, and demonstrates a proven capability to operate the mill above design levels.

A significant focus for the remainder of 2018 is on continuing to ramp up mining rates to design capacity and to ensure that steady annual production of 170,000 tonnes of zinc in zinc concentrate is not constrained.

Consistent with previous guidance, MMG expects to produce 120,000 to 140,000 tonnes of zinc in zinc concentrate in 2018. This includes 39,717 tonnes pre-commercial production. The total capital cost from 1 August 2015 to project completion is still expected to be around US\$550 million with minor completion works ongoing.

Dugald River is positioned to be within the world's top 10 zinc mines, 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. MMG expects to achieve C1 costs of US\$0.68-0.78/lb post commercial production.



# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

## ROSEBERY

SIX MONTHS ENDED 30 JUNE	2018	2017	CHANGE % FAV/(UNFAV)
<b>Production</b>			
Ore mined (tonnes)	493,928	484,577	2%
Ore milled (tonnes)	503,258	482,337	4%
Copper in copper concentrate (tonnes)	765	659	16%
Zinc in zinc concentrate (tonnes)	38,059	37,519	1%
Lead in lead concentrate (tonnes)	16,312	12,420	31%
Gold (ounces)	7,390	6,540	13%
Silver (ounces)	4,034	3,247	24%
<b>Payable metal in product sold</b>			
Copper (tonnes)	734	657	12%
Zinc (tonnes)	37,271	30,920	21%
Lead (tonnes)	16,342	11,390	43%
Gold (ounces)	20,092	15,160	33%
Silver (ounces)	1,652,678	1,160,461	42%

SIX MONTHS ENDED 30 JUNE	2018 US\$ MILLION	2017 US\$ MILLION	CHANGE % FAV/(UNFAV)
<b>Revenue</b>	<b>203.8</b>	<b>138.1</b>	<b>48%</b>
<b>Operating expenses</b>			
<b>Production expenses</b>			
Mining	(35.7)	(38.6)	8%
Processing	(15.2)	(14.3)	(6%)
Other	(10.8)	(10.6)	(2%)
<b>Total production expenses</b>	<b>(61.7)</b>	<b>(63.5)</b>	<b>3%</b>
Freight (transportation)	(3.8)	(2.6)	(46%)
Royalties	(10.0)	(7.5)	(33%)
Other <sup>(i)</sup>	(10.1)	2.3	(539%)
<b>Total operating expenses</b>	<b>(85.6)</b>	<b>(71.3)</b>	<b>(20%)</b>
Other (expenses)/income	-	-	-
<b>EBITDA</b>	<b>118.2</b>	<b>66.8</b>	<b>77%</b>
Depreciation and amortisation expenses	(35.5)	(33.9)	(5%)
<b>EBIT</b>	<b>82.7</b>	<b>32.9</b>	<b>152%</b>
<b>EBITDA margin</b>	<b>58%</b>	<b>48%</b>	<b>21%</b>

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

Total revenue increased by US\$65.7 million (48%) to US\$203.8 million, due to higher sales volumes across all commodities and higher prices.

Total production expenses were US\$1.8 million (3%) lower due to a series of initiatives, including lower contractor spend, due to the insourcing of mining and development work during the first half. This is despite an increase in ore mined and record throughput in the mill in the first half. Other operating expenses were unfavourable by US\$12.4 million due to inventory movements.

EBITDA of US\$118.2 million was US\$51.4 million (77%) higher than the first half of 2017, due to higher revenue and lower production expenses.

Rosebery's zinc C1 costs were negative US\$0.21/lb in the first half of 2018, compared to positive US\$0.20/lb in the first half of 2017 due to the significant increase in sales volumes of lead, copper, gold and silver, which are treated as by-product credits in the calculation of C1.

The new 2/5 Tailings Dam was completed and commissioned during the quarter (total capital cost of A\$52 million), which is an important investment to extend the life of the operation. This has been complemented by an investment in a new mobile fleet and the move to insource previously contracted development and mining activities, demonstrating confidence in the potential to extend the current five years of remaining mine life.

Consistent with previous guidance for 2018, MMG expects to produce 70,000 to 80,000 tonnes of zinc in zinc concentrate at Rosebery. C1 costs for zinc are expected to be in the range of US\$0.00 – US\$0.15/lb due to the significant by-product contribution.

# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

## DISCONTINUED OPERATION – SEPON

SIX MONTHS ENDED 30 JUNE	2018	2017	CHANGE % FAV/(UNFAV)
<b>Production</b>			
Ore mined (tonnes)	1,011,754	598,014	69%
Ore milled (tonnes)	1,538,585	1,601,451	(4%)
Copper cathode (tonnes)	37,190	32,456	15%
<b>Payable metal in product sold</b>			
Copper (tonnes)	37,640	33,103	14%

SIX MONTHS ENDED 30 JUNE	2018 US\$ MILLION	2017 US\$ MILLION	CHANGE % FAV/(UNFAV)
<b>Revenue</b>	<b>262.1</b>	<b>192.6</b>	<b>36%</b>
<b>Operating expenses</b>			
<b>Production expenses</b>			
Mining	(48.3)	(9.6)	(402%)
Processing	(75.4)	(70.5)	(7%)
Other	(20.4)	(17.9)	(14%)
<b>Total production expenses</b>	<b>(144.1)</b>	<b>(98.0)</b>	<b>(47%)</b>
Freight (transportation)	(1.7)	(2.3)	23%
Royalties	(11.7)	(8.6)	(36%)
Other <sup>(i)</sup>	(6.6)	(24.5)	73%
<b>Total operating expenses</b>	<b>(164.1)</b>	<b>(133.4)</b>	<b>(23%)</b>
Other (expenses)/income	0.1	(0.1)	177%
<b>EBITDA</b>	<b>98.1</b>	<b>59.1</b>	<b>66%</b>
Depreciation and amortisation expenses	(94.0)	(43.1)	(118%)
<b>EBIT</b>	<b>4.1</b>	<b>16.0</b>	<b>(74%)</b>
<b>EBITDA margin</b>	<b>37%</b>	<b>31%</b>	<b>22%</b>

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

On 21 June 2018, MMG agreed the sale of its 90% interest in LXML, which owns the Sepon mine. Completion of the transaction is expected in the second half of 2018 and consequently, the financial results from the first half of 2018 are treated as a discontinued operation. Further details on this transaction are outlined below.

Sepon produced 37,190 tonnes of copper cathode in the first half of 2018, up 15% on the first half of 2017. Production was impacted by the increased availability of higher grade ores from the mine and less reliance on lower grade stockpiles compared to the prior corresponding period.

The higher average realised copper price and higher sales volumes resulted in revenue increasing by US\$69.5 million (36%).

Total production expenses were higher by US\$46.1 million (47%), mainly due to higher mining costs associated with the significant increase in ore mined. Total ore mined increased by 69% to 1,011,754 tonnes, compared to 598,014 tonnes in the first half of 2017 when there were high levels of waste stripping to expose higher grade ores.

Partially offsetting the higher mining costs was a favourable inventory movement that reduced other operating expenses by US\$17.7 million in the first half of 2018.

EBITDA of US\$98.1 million was 66% above the first half of 2017, due to higher production and prices being partially offset by higher operating expenses.

Depreciation and amortisation expenses of US\$94.0 million were 118% higher than the first half of 2017 due to the higher ore mined and the reduction in the copper mine life assumption to July 2020. This resulted in EBIT of US\$4.1 million in the first half of 2018.



## CASH FLOW ANALYSIS

### NET CASH FLOW

SIX MONTHS ENDED 30 JUNE	2018	2017
Net operating cash flows	941.5	1,116.0
Net investing cash flows	15.1	(44.8)
Net financing cash flows	(1,231.4)	(709.6)
Net cash (outflows)/inflows	(274.8)	361.6

**Net operating cash inflows** decreased by US\$174.5 million (16%) to US\$941.5 million due to unfavourable net working capital movement compared to first half of 2017, mainly resulting from Las Bambas' lower cash receipts during the current period. This was partially offset by higher EBITDA from operations.

**Net investing cash flows** increased by US\$59.9 million to an inflow of US\$15.1 million. This included capital expenditure of US\$101.8 million, offset by the US\$120.0 million proceeds from the repayment of a related party loan.

Net investing cash flows for the first half of 2017 included capital expenditures of US\$347.8 million (US\$246.0 million lower in 2018, following the completion of the Dugald River

project), partially offset by sale proceeds of US\$196.3 million from the disposal of Golden Grove and Century.

**Net financing cash outflows** included repayments of borrowings and convertible redeemable preference shares of US\$1,210.8 million, and payments of interest and financing costs of US\$187.2 million. These were partially offset by drawdowns of US\$150.0 million under the Minmetals International (MI) Finance Revolving Credit Facility and the Industrial and Commercial Bank of China (ICBC) Facility.

Financing cash inflows in the first half of 2017 included repayments of borrowings of US\$588.2 million and payments of interest and financing costs of US\$210.0 million. These were partially offset by drawdowns of US\$80.0 million under the Dugald River project facility.

### FINANCIAL RESOURCES AND LIQUIDITY

	30 JUNE 2018 US\$ MILLION	31 DECEMBER 2017 US\$ MILLION	CHANGE US\$ MILLION
Total assets	14,049.5	14,789.6	(740.1)
Total liabilities	(11,043.9)	(11,817.8)	773.9
<b>Total equity</b>	<b>3,005.6</b>	<b>2,971.8</b>	<b>33.8</b>

Total equity increased by US\$33.8 million to US\$3,005.6 million as at 30 June 2018, mainly reflecting the US\$193.4 million net profit for the current reporting period. This was offset by a US\$142.0 million reduction in non-controlling interests resulting from the repayment of convertible redeemable preference shares.

The Group's objectives in managing capital are to support sustainable growth, enhance Shareholder value and provide capital for potential acquisitions and investment.

The gearing ratio for the Group is presented 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 and total equity.

# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

<b>MMG GROUP</b>	<b>30 JUNE 2018 US\$ MILLION</b>	<b>31 DECEMBER 2017 US\$ MILLION</b>
Total borrowings (excluding prepayments) <sup>(i)</sup>	8,339.3	9,270.9
Less: cash and cash equivalents <sup>(i)</sup>	(647.4)	(936.1)
<b>Net debt</b>	<b>7,691.9</b>	<b>8,334.8</b>
Total equity	3,005.6	2,971.8
<b>Net debt + Total equity</b>	<b>10,697.5</b>	<b>11,306.6</b>
<b>Gearing ratio</b>	<b>0.72</b>	<b>0.74</b>

(i) Borrowings and cash and cash equivalents at an MMG Group level reflect 100% of MMG SAM borrowings and cash and cash equivalents. MMG SAM borrowings at 30 June 2018 were US\$5,613.7 million (31 December 2017: US\$6,330.9 million) and MMG SAM cash and cash equivalents at 30 June 2018 were US\$432.2 million (31 December 2017: US\$708.2 million). MMG SAM's borrowings and cash and cash equivalents have not been reduced to reflect the MMG Group's 62.5% equity interest in that entity. This is consistent with the basis of preparation of MMG's consolidated financial statements.

Under the terms of relevant debt facilities held by the Group, the gearing ratio for covenant compliance purposes is calculated exclusive of US\$2,261.3 million (31 December 2017: 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 South America Management Group (MMG SAM). For the purpose of the above gearing ratio calculation, it has however been included as borrowings.

## AVAILABLE DEBT FACILITIES

As at 30 June 2018, the Group (excluding MMG SAM) had available undrawn debt facilities of US\$400.0 million (31 December 2017: US\$480.0 million), represented by revolving credit facilities provided by the ICBC and Top Create for general corporate purposes. In June 2018, the availability period under the US\$550.0 million Dugald River facility provided by China Development Bank Corporation (CBD) and Bank of China Sydney Branch (BOC Sydney), ended (31 December 2017: US\$80.0 million was available but undrawn). No drawings were made under this facility during the first half of 2018.

As at 30 June 2018, MMG SAM had available undrawn bank debt facilities of US\$350.0 million (31 December 2017: US\$350.0 million), represented by a revolving credit facility provided by BOC Sydney, which is exclusively for working capital purposes of the MMG SAM.

## DEVELOPMENT PROJECTS

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

### DUGALD RIVER, AUSTRALIA

Dugald River achieved commercial production on 1 May 2018. Commercial production is the date at which Dugald River has demonstrated stable operating performance and is treated as an operation, rather than a project for accounting purposes.

During the period up to 1 May 2018, Dugald River produced 39,717 tonnes of zinc in zinc concentrate and zinc metal in product sold was 39,500 tonnes, the proceeds of which are credited against the capital expenditure of the project.

The total capital cost from 1 August 2015 to project completion is still expected to be around US\$550 million, with minor completion works still ongoing.

## CONTRACTS AND COMMITMENTS

During the first half of 2018, 311 contracts have been reviewed, through either out to market tender processes or in-contract renegotiations. The approximate annual operational or capital values addressed by these activities come to \$443 million.

### LAS BAMBAS

Of the total number of new or revised contracts in the period, 172 were for requirements in support of optimising production and expansion options for Las Bambas. These included contracts for the supply of additional mobile plant; spares and maintenance services for mobile plant; contracts for engineering services and long lead equipment requirements for expansion projects; multiple site services contracts covering catering; camp management and transport services (including several community supplier engagements); contracts covering tailings storage facilities and other site infrastructure capital works; multiple contracts covering operations; studies and explorations drilling services; contracts for the supply of SAG mill grinding media and multiple operations goods; and services contracts in support of planned shut-downs and ongoing maintenance requirements.

### KINSEVERE

New and revised agreements were finalised with regard to various goods and services focused on maintaining continued high levels of production while improving operational cost performance. These included revision of significant mining

and civil services contracts; operations and exploration drilling services contracts; multiple contracts covering material and service requirements for site infrastructure projects; multiple contracts for the supply of reagents and commodities; and multiple near-site explorations support services contracts.

#### **DUGALD RIVER**

In support of commencement of commercial production on 1 May, new and revised operations-related agreements were finalised including catering and camp management, multiple utilities supply amendments, multiple engineering services contracts, multiple processing technology support contracts, and multiple site support contracts.

#### **ROSEBERY**

New and revised agreements were finalised with regard to various goods and services with a focus on supporting strategic in-sourcing of mine development activities and maintaining strong production performance. These included conclusion of a long-term mining services (development) contract with the activity reverting to in-house, new and revised logistics services contracts, drilling services, and multiple contracts for the provision of goods and services for the maintenance of fixed and mobile assets.

#### **SEPON**

New and revised agreements were finalised with regard to various goods and services focused on maintaining stable mining and processing activities including on-site catering, house-keeping and grounds maintenance contracts (including several local community engagements); multiple contracts for reagents and commodities; and several mobile and fixed plant spares and services contracts.

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

New and revised agreements were finalised with regard to various goods and services including Group-wide travel management contracts; multiple IT-related consultancy, goods supply and service agreements; multiple corporate consultancy agreements; multiple exploration geophysical consultancy and survey agreements; and multiple remote exploration drilling service agreements.

## **PEOPLE**

As at 30 June 2018, the Group employed a total of 5,079 full-time equivalent employees (30 June 2017: 5,093) in its operations (excluding contractors, casual employees, apprentices and trainees) with the majority of employees based in Hong Kong, Australia, Laos, Peru and the DRC.

Total employee benefits expenses for the Group's operations for the six months ended 30 June 2018, including Directors' emoluments, totalled US\$153.8 million – a decrease of 15% (2017: US\$180.7 million), due to a reduction in Group office headcount and the disposal of the Golden Grove and Century assets in February 2017.

The Group has remuneration policies that align with market practice and remunerates its employees based on the responsibilities of their roles, their performance, 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 were focused on Las Bambas and Kinsevere mine sites in Peru and the DRC, and a number of exploration prospects in Australia, DRC and Zambia. Exploration expenditure for the first half of 2018 is US\$14.2 million (2017: US\$17.0 million).

Geological mapping, surface geochemical and geophysical survey programs at Las Bambas continue to systematically explore for satellite deposits near current mining operations.

Diamond drilling at the Nambulwa project 25 kilometres north of the Kinsevere mine in the DRC continues to delineate several supergene and oxide copper deposits identified in 2017.

A number of surface sampling and geophysical survey programs have commenced at greenfield projects in Zambia and the DRC with scout exploration drilling planned in the 2nd half of 2018 for copper deposit targets in Zambia and the DRC and sediment hosted zinc deposit targets in the McArthur Basin in Australia.

# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

PROJECT	HOLE TYPE	METREAGE (M)	NO. HOLES	AV. LENGTH (M)
Kinsevere/RAD50 (copper; DRC)	RC	240	2	120
	Diamond	3,842	21	183
<b>TOTAL</b>		<b>4,082</b>	<b>23</b>	

## MATERIAL ACQUISITIONS AND DISPOSALS

The Group made no material acquisitions in the six months ended 30 June 2018.

### AGREEMENT FOR SALE OF LXML SEPON INTEREST

On 21 June, MMG agreed to the sale of its 90% interest in LXML, which owns the Sepon mine in Lao PDR, to Chifeng for US\$275 million.

Sepon's current copper operation has a projected mine life to around 2020; however, the mine life has the potential to be extended as a primary gold operation. Accordingly, MMG initiated a strategic process in relation to its interest in Sepon in October 2017, with a view to transferring the mine to a gold-focused company better suited to realising Sepon's future as a primary gold operation.

LXML produced its first oxide gold in 2003, commencing large scale copper operations in 2005, and to date has produced over 900,000 tonnes of copper and over 1.2 million ounces of gold.

The operation has contributed over US\$1.4 billion in direct revenue to the Lao Government and hundreds of millions of dollars in local procurement, community development, education and training since production commenced. LXML, under its new ownership, will continue to maintain its closure and rehabilitation fund and community projects close to the mine.

Completion of the transaction is expected in the second half of 2018.

## EVENTS AFTER THE REPORTING DATE

On 26 July the Company announced on the Hong Kong Stock Exchange that Minera Las Bambas S.A. (MLB), a non-wholly owned subsidiary of MMG and the owner of the Las Bambas mine, had been notified that the Fuerabamba Community had submitted a civil claim against MLB to the local Judge of Cotabambas in Apurimac, Peru. The Fuerabamba Community live in the town of Nueva Fuerabamba, near the Las Bambas mine, which was constructed for the community in consideration of their land being used for the Las Bambas mine pursuant to an agreement reached with the Fuerabamba Community in 2011.

The purposes of the claim are to seek a court decision to nullify the agreements between the members of the

Fuerabamba Community and Las Bambas in relation to the transfer of land to Las Bambas, cancel the registration of MLB's property rights in the land transferred to Las Bambas and seek damages for losses suffered by the Fuerabamba Community for Peruvian Soles 1.5 billion (equivalent to approximately US\$450 million). MLB and MMG regard the claim as unfounded and opportunistic, and plan to contest the claim.

Other than the matters outlined in this announcement, 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.

## 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 and liquidity 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 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 identified below.

#### (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 post-tax profit would have changed as set out in the following table.

COMMODITY	30 JUNE 2018			31 DECEMBER 2017		
	COMMODITY PRICE MOVEMENT	INCREASE PROFIT US\$ MILLION	DECREASE PROFIT US\$ MILLION	COMMODITY PRICE MOVEMENT	INCREASE PROFIT US\$ MILLION	DECREASE PROFIT US\$ MILLION
Zinc	10%	4.4	(4.4)	10%	0.7	(0.7)
Copper	10%	14.2	(14.2)	10%	21.2	(21.2)
Lead	10%	1.1	(1.1)	10%	0.6	(0.6)
<b>Total</b>		<b>19.7</b>	<b>(19.7)</b>		<b>22.5</b>	<b>(22.5)</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.

#### (f) 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, and 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. The decline in growth and macroeconomic activity in many developing nations has resulted in Governments seeking alternative means of increasing their income, including increases to corporate tax, VAT and royalty rates, coupled with increased audit and compliance activity. This is also coupled with Governments being unable to pay VAT refunds to companies



# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

largely due to cash flow difficulties. The DRC Government recently made changes to the 2002 DRC Mining Code and Mining Regulations. These changes were enacted, and will result in an increased tax burden on mining companies, and there is also a risk that similar changes could be adopted by other nations.

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 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 2018, these guarantees amount to US\$405.8 million (31 December 2017: US\$412.7 million), which include certain bank guarantees amounting to A\$193.7 million (equivalent to US\$142.6 million, 31 December 2017: US\$151.3 million) for the benefit of New Century Resources associated with the disposal of Century mine.

### CONTINGENT LIABILITIES – TAX-RELATED CONTINGENCIES

The Group has operations in multiple countries, each with its own taxation regime. Application of tax laws and interpretation of tax laws may be uncertain in some regards and requires judgement to assess risk and estimate outcomes, particularly in relation to the application of income taxes and withholding tax to the Group's cross-border operations and transactions. The evaluation of tax risks considers both assessments received and potential sources of challenge from tax authorities. The status of proceedings for these matters will impact the ability to determine the potential exposure and in some cases, it may not be possible to determine a range of possible outcomes or a reliable estimate of the potential exposure.

The nature of the Group's activities triggers various taxation obligations including corporation tax, royalties, withholding taxes, transfer pricing arrangements with related parties, resource and production-based taxes and employment-related taxes. The Group is currently subject to a range of audits and reviews by taxation authorities in Australia, Peru and DRC. The timing of resolution and potential economic outflow of the unresolved tax matters are uncertain. Tax matters with uncertain outcomes arise in the normal course of business and occur due to changes in tax law, changes in interpretation of tax law, periodic challenges and disagreements with tax authorities, and legal proceedings. The Group continues to proactively cooperate with the relevant taxation authorities and to actively manage these audits and reviews. Where appropriate, the Group has filed appeals with either the relevant tax authority or the tax court. For those uncertain tax matters the Group presently has, they are either incapable of being measured reliably or there is remote possibility of economic outflow at the reporting date. As such, no provision has been reflected in the condensed consolidated interim financial statements for such tax matters.

Where income tax and withholding tax obligations have been assessed and deemed to have probable future economic outflows capable of reliable measurement, the Group has provided for these as a non-current provision.

## CHARGES ON ASSETS

As at 30 June 2018, the borrowings of the Group were secured as follows:

- (a) Approximately US\$464.4 million (31 December 2017: US\$470.0 million) from CDB and BOC Sydney was secured by a share charge over all the shares in MMG Dugald River Pty Ltd (MMG Dugald River); a real property mortgage over all the interests in land of MMG Dugald River; a general security agreement in respect of all the assets of MMG Dugald River; 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\$5,613.7 million (31 December 2017: US\$6,330.9 million) from CDB, ICBC, BOC Sydney and The Export-Import Bank of China was secured by share security over the entire share capital of MMG SAM and each of its subsidiaries including Minera Las Bambas S.A., a debenture over the assets of MMG SAM, 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 SAM and its subsidiaries and security agreements over bank accounts of Minera Las Bambas S.A. These borrowings are also guaranteed on several bases by China Minmetals Non-ferrous Metals Holding Company Limited (CMNH) and China Minmetals Corporation Limited (CMCL), Guoxin International Investment Corporation Limited and CITIC Corporation Limited (formerly known as CITIC Limited) in proportion to the respective shareholdings of MMG SA, Elion Holdings Corporation Limited and Citic Metal Peru Investment Limited in MMG SAM.

## FUTURE PROSPECTS

MMG expects to produce 490,000–510,000 tonnes of copper and 190,000–220,000<sup>2</sup> tonnes of zinc in 2018. This excludes 70,000 to 80,000 tonnes of copper from Sepon, which MMG will cease to have an economic interest in from 1 January 2018 assuming completion of the sale of its interest is achieved during the second half.

Total capital expenditure is now expected to be around US\$400 million in 2018. This is significantly below previous expectations of US\$550–600 million due to a focus on capital discipline, the deferral of some planned capital projects into 2019 and a higher than planned revenue contribution from Dugald River prior to commercial production. This was due to early commissioning of the asset and higher average zinc prices in the first half.

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.

2. Production volumes include expected pre and post-commercial production volumes at Dugald River. The exact split will be determined when Dugald River declares commencement of commercial operations

# OTHER INFORMATION

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

As at 30 June 2018, 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 2018

NAME OF DIRECTOR	NATURE OF INTEREST	NUMBER OF UNDERLYING SHARES HELD			APPROXIMATE PERCENTAGE OF TOTAL NUMBER OF ISSUED SHARES (%) <sup>(iv)</sup>
		NUMBER OF SHARES HELD	OPTIONS <sup>(ii)</sup>	PERFORMANCE AWARDS <sup>(iii)</sup>	
JIAO Jian <sup>(i)</sup>	Personal	-	-	7,333,333	0.09
XU Jiqing	Personal	-	6,119,962	2,181,833	0.10

Notes:

- (i) On 1 August 2018, Mr Jiao Jian resigned as the CEO and was re-designated from an Executive Director to a Non-executive Director of the Company. His interests in the 7,333,333 performance awards granted on 31 August 2017 under 2017 Performance Awards ceased on the same day.
- (ii) The Directors' interests in the underlying shares of the Company are through options granted by the Company, details of which are set out under the section headed 'Share Option Scheme' on pages 29-31 of this Interim Report.
- (iii) The Directors' interests in the underlying shares of the Company are through performance awards granted by the Company, details of which are set out under the section headed 'Performance Awards' on pages 31-32 of this Interim Report. Mr Xu Jiqing's interests in the 2,181,833 performance awards as at 30 June 2018 do not include the 1,880,100 2015 Performance Awards, which were fully vested and exercised on 8 March 2018, of which 50% is subject to holding locks for up to 24 months.
- (iv) The calculation is based on the number of shares and/or underlying shares as a percentage of the total number of issued shares of the Company (that is: 8,051,038,756 shares) as at 30 June 2018.

Save as disclosed above, as at 30 June 2018, 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 six months ended 30 June 2018.

## 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 2018, 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 2018**

<b>NAME OF SUBSTANTIAL SHAREHOLDER</b>	<b>CAPACITY</b>	<b>NUMBER OF SHARES HELD<sup>(i)</sup></b>	<b>APPROXIMATE PERCENTAGE OF TOTAL NUMBER OF ISSUED SHARES (%)<sup>(ii)</sup></b>
China Minmetals Corporation (CMC)	Interest of controlled corporations	5,847,166,374	72.63
China Minmetals Corporation Limited (CMCL)	Interest of controlled corporations	5,847,166,374	72.63
China Minmetals Non-ferrous Metals Holding Company Limited (CMNH)	Interest of controlled corporations	5,847,166,374	72.63
China Minmetals Non-ferrous Metals Company Limited (CMN)	Interest of controlled corporations	5,847,166,374	72.63
Album Enterprises Limited (Album Enterprises)	Interest of controlled corporations	5,847,166,374	72.63
China Minmetals H.K. (Holdings) Limited (Minmetals HK)	Beneficial owner	5,847,166,374	72.63

Notes:

- (i) Minmetals HK is owned as to approximately 39.04%, 38.95% and 22.01% by CMCL, Album Enterprises and Top Create Resources Limited respectively. Album Enterprises and Top Create Resources Limited are wholly owned by CMN, which in turn is owned as to approximately 99.999% and 0.001% by CMNH and CMCL respectively. 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, each of CMC, CMCL, CMNH, CMN and Album Enterprises was deemed as interested in the 5,847,166,374 shares of the Company held by Minmetals HK.
- (ii) The calculation is based on the number of 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 shares (that is: 8,051,038,756 shares) of the Company as at 30 June 2018.

Save as disclosed above, as at 30 June 2018, 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.

# OTHER INFORMATION (CONTINUED)

## BORROWINGS

Particulars of borrowings of the Group as at 30 June 2018 are set out in Note 16 to the Consolidated Financial Statements.

During the first half of 2018, the Company and its subsidiaries continued to maintain 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.

### 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.

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

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\$1.0 billion (Dugald River Facility). On 27 June 2016, the parties to the Dugald River Facility entered into an amendment agreement pursuant to which the Dugald River Facility was reduced to US\$550.0 million. On 9 January 2018, the Dugald River Facility was further amended to, among other things, reduce the security arrangements and relax covenant compliance requirements. The Dugald River Facility was available for drawdown until 27 June 2018, and is to be repaid by 28 June 2026. As at 30 June 2018, the amount of US\$470.0 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 (2014 ICBC Facility). On 30 December 2016, MMG Finance Limited prepaid all amounts then outstanding under the 2014 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.

On 22 December 2017, MMG Finance Limited entered into a restatement and amendment agreement of the 2014 ICBC Facility for the purpose of establishing a new facility (2017 ICBC Facility) pursuant to which ICBC has agreed to provide MMG Finance Limited with a US\$300.0 million revolving credit facility for a term of three years for general corporate purposes. As at 30 June 2018, the 2017 ICBC Facility was undrawn.

Under the 2017 ICBC Facility, an event of default will occur in the event that the Company ceases to be a subsidiary of CMN or MMG Finance Limited ceases to be a wholly owned subsidiary of the Company, and the lender may declare all outstanding loans under the facilities immediately due and payable.

Please refer to the announcements of the Company on 22 August 2012, 27 June 2013, 20 August 2013, 20 May 2014, 27 June 2016, 23 December 2016, 22 December 2017 and 9 January 2018 for further details of the facilities referred to above.



## SHARE OPTION SCHEME

### 2013 SHARE OPTION SCHEME

Pursuant to share option scheme adopted at the extraordinary general meeting of the Company held on 26 March 2013 (2013 Share Option Scheme), options were granted to eligible participants under 2013 Options and 2016 Options. As at 30 June 2018, there were a total of 165,096,797 options outstanding granted under 2013 Options and 2016 Options, which represented approximately

2.05% of the total number of issued shares of the Company as at that date.

### 2013 OPTIONS

On 9 April 2013, 13 December 2016 and 15 December 2016, the Company granted options to the eligible participants pursuant to the 2013 Share Option Scheme (2013 Options). There were 28,819,256 options outstanding as at 30 June 2018, which represented approximately 0.36% of the total number of issued shares of the Company as at that date.

During the six months ended 30 June 2018, the movements of the 2013 Options were as follows:

CATEGORY AND NAME OF PARTICIPANT	DATE OF GRANT <sup>(i)(ii)(iii)</sup>	EXERCISE PRICE PER SHARE (HK\$) <sup>(iv)</sup>	EXERCISE PERIOD <sup>(ii)(v)</sup>	NUMBER OF OPTIONS				
				BALANCE AS AT 1 JANUARY 2018	GRANTED DURING THE PERIOD	EXERCISED DURING THE PERIOD <sup>(vi)</sup>	LAPSED DURING THE PERIOD <sup>(vii)</sup>	BALANCE AS AT 30 JUNE 2018
<b>Director</b>								
XU Jiqing	15 December 2016	2.51	End of vesting period to 8 April 2020	2,626,701	-	-	-	2,626,701
<b>Employees of the Group</b>	9 April 2013, 13 December 2016 and 15 December 2016	2.51	End of vesting period to 8 April 2020	52,821,563	-	(26,628,931)	(77)	26,192,555
<b>TOTAL</b>				<b>55,448,264</b>	<b>-</b>	<b>(26,628,931)</b>	<b>(77)</b>	<b>28,819,256</b>

#### Notes:

- (i) 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.
- (ii) Pursuant to the terms of the long term incentive equity plan of the Company (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 a result, adjustment of options took place on 13 December 2016, and conversion from cash-based entitlements to equity-based entitlements took place on 15 December 2016.
- (iii) 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 2013 Share Option Scheme, to the equity equivalent of the entitlements they would have received historically under the 2013 Share Option Scheme, 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.
- (iv) As a result of Rights Issue, the exercise price per share was adjusted from HK\$2.62 to HK\$2.51.
- (v) 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, resources growth 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.
- (vi) The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK\$5.51.
- (vii) Options lapsed due to cessation of employment.
- (viii) No options were cancelled during the 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% 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 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 Options, 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

On 15 December 2016, the Company granted options to the eligible participants pursuant to the 2013 Share Option Scheme (2016 Options). There were 136,277,541 options outstanding as at 30 June 2018, which represented approximately 1.69% of the total number of issued shares of the Company as at that date.

During the six months ended 30 June 2018, the movements of the 2016 Options were as follows:

CATEGORY AND NAME OF PARTICIPANT	DATE OF GRANT <sup>(i)</sup>	EXERCISE PRICE PER SHARE (HK\$)	EXERCISE PERIOD <sup>(ii)</sup>	NUMBER OF OPTIONS				BALANCE AS AT 30 JUNE 2018
				BALANCE AS AT 1 JANUARY 2018	GRANTED DURING THE PERIOD	EXERCISED DURING THE PERIOD	LAPSED DURING THE PERIOD <sup>(iii)</sup>	
<b>Director</b>								
XU Jiqing	15 December 2016	2.29	End of vesting period to 31 December 2022	3,493,261	-	-	-	3,493,261
<b>Employees of the Group</b>	15 December 2016	2.29	End of vesting period to 31 December 2022	134,329,280	-	-	(1,545,000)	132,784,280
<b>TOTAL</b>				<b>137,822,541</b>	<b>-</b>	<b>-</b>	<b>(1,545,000)</b>	<b>136,277,541</b>

Notes:

- (i) 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.
- (ii) The vesting and performance period of the options is three years from 1 January 2016 to 31 December 2018, with 60% of vested options exercisable from 1 January 2019 and 40% of the vested options subject to a 12-month exercise deferral period, such options being exercisable after 1 January 2020. 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. Options vest on a percentage basis based on the target performance level achieved.
- (iii) Options lapsed due to cessation of employment.
- (iv) The total number of vested options is subject to Board approval at the end of the vesting period. No options were cancelled during the 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

Pursuant to the performance awards granted under the Long Term Incentive Equity Plan, performance awards were

During the six months ended 30 June 2018, the movements of the 2015 Performance Awards were as follows:

granted to eligible participants under 2015 Performance Awards, 2017 Performance Awards and 2018 Performance Awards. As at 30 June 2018, there were a total of 62,353,391 performance awards outstanding granted under the 2017 Performance Awards and 2018 Performance Awards, which represented approximately 0.77% of the total number of issued shares of the Company as at that date.

### 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 no performance awards outstanding as at 30 June 2018.

CATEGORY AND NAME OF PARTICIPANT	DATE OF GRANT <sup>(i)(ii)</sup>	NUMBER OF PERFORMANCE AWARDS					BALANCE AS AT 30 JUNE 2018
		BALANCE AS AT 1 JANUARY 2018	GRANTED DURING THE PERIOD	EXERCISED DURING THE PERIOD	CANCELLED DURING THE PERIOD	LAPSED DURING THE PERIOD <sup>(iii)</sup>	
<b>Director</b>							
XU Jiqing	19 May 2015 and 13 December 2016	1,880,100	-	(1,880,100)	-	-	-
<b>Employees of the Group</b>	19 May 2015 and 13 December 2016	70,249,835	-	(59,395,871)	-	(10,853,964)	-
<b>TOTAL</b>		<b>72,129,935</b>	<b>-</b>	<b>(61,275,971)</b>	<b>-</b>	<b>(10,853,964)</b>	<b>-</b>

Notes:

- (i) The vesting and performance period of the performance awards is three years from 1 January 2015 to 31 December 2017. The vesting of performance awards 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. Performance awards vest on a percentage basis based on the performance conditions achieved. Portion of the vested performance awards will be subject to holding locks for various periods of up to three years after vesting. The performance awards are granted for nil cash consideration. Achievement of Company and individual performance conditions has resulted in 100% of the 2015 Performance granted to participants vesting on 8 March 2018.
- (ii) Pursuant to the terms of the Long Term Incentive Equity Plan, which governs (among others) the performance awards, the number of shares issuable upon exercise of 2015 Performance Awards was adjusted as a result of the Rights Issue with effect from 13 December 2016. As a result, some additional performance awards were granted on 13 December 2016.
- (iii) Performance awards lapsed due to cessation of employment.

## OTHER INFORMATION (CONTINUED)

### 2017 PERFORMANCE AWARDS

On 31 August 2017, the Company granted performance awards to the eligible participants pursuant to the Long Term Incentive Equity Plan (2017 Performance Awards). There

were 52,835,782 performance awards outstanding as at 30 June 2018, representing approximately 0.66% of the total number of issued shares of the Company as at that date.

During the six months ended 30 June 2018, the movements of the 2017 Performance Awards were as follows:

CATEGORY AND NAME OF PARTICIPANT	DATE OF GRANT <sup>(i)</sup>	NUMBER OF PERFORMANCE AWARDS					BALANCE AS AT 30 JUNE 2018
		BALANCE AS AT 1 JANUARY 2018	GRANTED DURING THE PERIOD	EXERCISED DURING THE PERIOD	CANCELLED DURING THE PERIOD	LAPSED DURING THE PERIOD <sup>(iii)</sup>	
<b>Directors</b>							
JIAO Jian <sup>(i)</sup>	31 August 2017	7,333,333	-	-	-	-	7,333,333
XU Jiqing	31 August 2017	1,476,000	-	-	-	-	1,476,000
<b>Employees of the Group</b>	31 August 2017	45,137,559	-	-	-	(1,111,110)	44,026,449
<b>TOTAL</b>		<b>53,946,892</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,111,110)</b>	<b>52,835,782</b>

Notes:

- (i) On 1 August 2018, Mr Jiao Jian resigned as the CEO and was re-designated from an Executive Director to a Non-executive Director of the Company. His interests in the 7,333,333 performance awards ceased on the same day.
- (ii) The vesting and performance period of the performance awards is three years from 1 January 2017 to 31 December 2019. The time of vesting will be on or around April 2020. The vesting of performance awards 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. Performance awards vest on a percentage basis based on the threshold and target performance levels achieved. Portions of the vested performance awards will be subject to holding locks for various periods of up to three years after vesting. The performance awards are granted for nil cash consideration.
- (iii) Performance awards lapsed due to cessation of employment.

### 2018 PERFORMANCE AWARDS

On 29 June 2018, the Company granted performance awards to the eligible participants pursuant to the Long Term Incentive Equity Plan (2018 Performance Awards). There

were 9,517,609 performance awards outstanding as at 30 June 2018, representing approximately 0.12% of the total number of issued shares of the Company as at that date.

During the six months ended 30 June 2018, the movements of the 2018 Performance Awards were as follows:

CATEGORY AND NAME OF PARTICIPANT	DATE OF GRANT <sup>(i)</sup>	NUMBER OF PERFORMANCE AWARDS					BALANCE AS AT 30 JUNE 2018
		BALANCE AS AT 1 JANUARY 2018	GRANTED DURING THE PERIOD	EXERCISED DURING THE PERIOD	CANCELLED DURING THE PERIOD	LAPSED DURING THE PERIOD	
<b>Director</b>							
XU Jiqing	29 June 2018	-	705,833	-	-	-	705,833
<b>Employees of the Group</b>	29 June 2018	-	8,811,776	-	-	-	8,811,776
<b>TOTAL</b>		<b>-</b>	<b>9,517,609</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,517,609</b>

Notes:

- (i) The vesting and performance period of the performance awards is three years from 1 January 2018 to 31 December 2020. The time of vesting will be on or around June 2021. The vesting of performance awards 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. Performance awards vest on a percentage basis based on the threshold and target performance levels achieved. Portions of the vested performance awards will be subject to holding locks for various periods of up to two years after vesting. The performance awards are granted for nil cash consideration.

## CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices by emphasising a quality Board, sound internal controls, and 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 six months ended 30 June 2018, except for the following deviations:

1. 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 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. These AGMs were held in 2011, 2013 and 2016.

2. Code provision E.1.2 requires 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 2018 due to unplanned business commitment. Accordingly, Dr Peter Cassidy, an 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 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 Jiao Jian and Mr Zhang Shuqiang. Mr Jiao Jian was appointed and Mr Gao Xiaoyu resigned as a member of the Audit Committee on 1 August 2018 respectively. 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 six months ended 30 June 2018.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a model code for securities trading by Directors (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 six months ended 30 June 2018.



# OTHER INFORMATION (CONTINUED)

## CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B of the Listing Rules, the information on Directors provided in the 2017 Annual Report of the Company is updated as follows:

### CHANGES IN DIRECTORSHIPS

NAME OF DIRECTOR	DETAILS OF CHANGES
GAO Xiaoyu	<ol style="list-style-type: none"> <li>1. Re-designated from a Non-executive Director to an Executive Director and appointed as the CEO of the Company on 1 August 2018.</li> <li>2. Resigned as a member of the Audit Committee, the Governance and Nomination Committee, the Remuneration Committee and the Risk Management Committee on 1 August 2018.</li> <li>3. Appointed as director and the chairman of MMG South America Management Company Limited on 1 August 2018.</li> </ol>
JIAO Jian	<ol style="list-style-type: none"> <li>1. Resigned as director of All Glorious Limited, First Harvest Limited, Green Fortress Limited, MMG Exploration Holdings Limited, MMG Finance Limited, MMG South America Company Limited and Topstart Limited on 6 March 2018.</li> <li>2. Resigned as director of Album Resources Pte Ltd, Album Investment Pte Ltd and MMG Insurance Singapore Pte Ltd on 8 March 2018.</li> <li>3. Resigned as director of MMG Management Pty Ltd, MMG Australia Limited, MMG Australia Resources Pty Ltd and MMG Dugald River Pty Ltd on 28 March 2018.</li> <li>4. Re-designated from an Executive Director to a Non-executive Director and resigned as CEO of the Company on 1 August 2018. Mr Jiao returned to China in a senior executive role with CMC.</li> <li>5. Appointed as a member of the Audit Committee, the Governance and the Nomination Committee, the Remuneration Committee and the Risk Management Committee on 1 August 2018.</li> <li>6. Resigned as director and the chairman of MMG South America Management Company Limited on 1 August 2018.</li> </ol>
XU Jiqing	<ol style="list-style-type: none"> <li>1. Resigned as director of First Harvest Limited and Topstart Limited on 6 March 2018.</li> <li>2. Resigned as director of Album Resources Pte Ltd and Album Investment Pte Ltd on 8 March 2018.</li> </ol>

## CHANGES IN REMUNERATION

NAME OF DIRECTOR	POSITION	DETAILS OF CHANGES
GAO Xiaoyu	Non-executive Director (until 31 July 2018)	A base fee of A\$188,000 per annum as a Non-executive Director of the Company. The fee for serving as a member for each of the Audit Committee, the Governance and Nomination Committee, the Remuneration Committee and the Risk Management Committee was adjusted from A\$6,000 to A\$7,500 per annum effective from 1 March 2018. Mr Gao has been re-designated as the Executive Director and CEO of the Company effective from 1 August 2018.
	Executive Director and CEO (effective from 1 August 2018)	Total fixed remuneration of A\$2,255,000 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.
JIAO Jian	Executive Director and CEO (until 31 July 2018)	Total fixed remuneration was adjusted from A\$2,200,000 per annum to A\$2,255,000 effective from 1 January 2018. Mr Jiao has been re-designated as a Non-executive Director of the Company effective from 1 August 2018.
	Non-executive Director (effective from 1 August 2018)	A base fee of A\$188,000 per annum as a Non-executive Director of the Company and an additional fee of A\$7,500 per annum for serving as a member for each of the Audit Committee, the Governance and Nomination Committee, the Remuneration Committee and the Risk Management Committee.
ZHANG Shuqiang	Non-executive Director	The fee for serving as a member for each of the Audit Committee and the Remuneration Committee was adjusted from A\$6,000 to A\$7,500 per annum. The adjustment in remuneration took effect from 1 March 2018 and was the result of a remuneration review carried out by the Company.
Peter CASSIDY	Independent Non-executive Director	The fee for serving as the Chair of the Remuneration Committee was adjusted from A\$20,000 to A\$21,500 per annum. The fee for serving as a member for each of the Governance and Nomination Committee and the Risk Management Committee was adjusted from A\$6,000 to A\$7,500 per annum. The adjustment in remuneration took effect from 1 March 2018 and was the result of a remuneration review carried out by the Company.
LEUNG Cheuk Yan	Independent Non-executive Director	The fee for serving as the Chair of the Governance and Nomination Committee was adjusted from A\$10,000 to A\$11,500 per annum. The fee for serving as a member for each of the Audit Committee and the Risk Management Committee was adjusted from A\$6,000 to A\$7,500 per annum. The adjustment in remuneration took effect from 1 March 2018 and was the result of a remuneration review carried out by the Company.
Jennifer SEABROOK	Independent Non-executive Director	The fee for serving as the Chair of the Audit Committee was adjusted from A\$35,000 to A\$36,500 per annum. The fee for serving as a member of the Remuneration Committee was adjusted from A\$6,000 to A\$7,500 per annum. The adjustment in remuneration took effect from 1 March 2018 and was the result of a remuneration review carried out by the Company.
PEI Ker Wei	Independent Non-executive Director	The fee for serving as the Chair of the Risk Management Committee was adjusted from A\$10,000 to A\$11,500 per annum. The fee for serving as a member for each of the Audit Committee and the Remuneration Committee was adjusted from A\$6,000 to A\$7,500 per annum. The adjustment in remuneration took effect from 1 March 2018 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 six months ended 30 June 2018.

# INDEPENDENT REVIEW REPORT

**Deloitte.**

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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 38 to 71, which comprise the condensed consolidated interim statement of financial position as of 30 June 2018 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

20 August 2018

# FINANCIAL STATEMENTS

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# CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS

	NOTES	SIX MONTHS ENDED 30 JUNE	
		2018 (UNAUDITED) US\$ MILLION	2017 <sup>(i)</sup> (UNAUDITED) US\$ MILLION
<b>Continuing operations</b>			
Revenue	4	1,898.8	1,749.8
Other income/(loss)		15.6	(21.3)
Gains on disposal of subsidiaries	5	-	173.7
Expenses (excluding depreciation and amortisation expenses)	7	(930.2)	(931.8)
<b>Earnings before interest, income tax, depreciation and amortisation expenses – EBITDA</b>		<b>984.2</b>	<b>970.4</b>
Depreciation and amortisation expenses	7	(406.8)	(386.0)
<b>Profit before interest and income tax - EBIT</b>		<b>577.4</b>	<b>584.4</b>
Finance income	8	3.3	3.9
Finance costs	8	(253.3)	(262.4)
<b>Profit before income tax</b>		<b>327.4</b>	<b>325.9</b>
Income tax expense	9	(138.6)	(223.5)
<b>Profit for the period from continuing operations</b>		<b>188.8</b>	<b>102.4</b>
Profit for the period from discontinued operation – net of income tax	6(a)	4.6	11.3
<b>Profit for the period</b>		<b>193.4</b>	<b>113.7</b>
<b>Profit for the period attributable to:</b>			
<b>Equity holders of the Company</b>			
– From continuing operations		124.2	7.0
– From discontinued operation		4.5	10.8
<b>Non-controlling interests</b>			
– From continuing operations		64.7	95.9
– From discontinued operation		64.6	95.4
		0.1	0.5
		<b>193.4</b>	<b>113.7</b>
<b>Earnings per share for profit attributable to the equity holders of the Company</b>			
Basic earnings per share	10	US 1.61 cents	US 0.22 cents
– From continuing operations		US 1.55 cents	US 0.09 cents
– From discontinued operation		US 0.06 cents	US 0.13 cents
Diluted earnings per share	10	US 1.59 cents	US 0.22 cents
– From continuing operations		US 1.53 cents	US 0.09 cents
– From discontinued operation		US 0.06 cents	US 0.13 cents

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

(i) The results of Sepon mine were not previously classified as a discontinued operation. The comparative condensed consolidated interim statement of profit or loss for six months ended 30 June 2017 have been re-presented to show the discontinued operation separately from continuing operations.



# CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	SIX MONTHS ENDED 30 JUNE	
	2018 (UNAUDITED) US\$ MILLION	2017 <sup>(i)</sup> (UNAUDITED) US\$ MILLION
<b>Profit for the period</b>	<b>193.4</b>	<b>113.7</b>
<b>Other comprehensive income</b>		
<i>Items that may subsequently be reclassified to profit or loss</i>		
Change in fair value of hedging instruments in cash flow hedges, net of tax	-	6.5
<b>Other comprehensive income for the period, net of tax</b>	<b>-</b>	<b>6.5</b>
<b>Total comprehensive income for the period</b>	<b>193.4</b>	<b>120.2</b>
<b>Total comprehensive income attributable to:</b>		
<b>Equity holders of the Company</b>	<b>128.7</b>	<b>24.3</b>
– From continuing operations	124.2	13.5
– From discontinued operation	4.5	10.8
<b>Non-controlling interests</b>	<b>64.7</b>	<b>95.9</b>
– From continuing operations	64.6	95.4
– From discontinued operation	0.1	0.5
	<b>193.4</b>	<b>120.2</b>

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

- (i) The results of Sepon mine were not previously classified as a discontinued operation. The comparative condensed consolidated interim statement of comprehensive income for six months ended 30 June 2017 have been re-presented to show the discontinued operation separately from continuing operations.

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

		30 JUNE	31 DECEMBER
	NOTES	2018 (UNAUDITED) US\$ MILLION	2017 (AUDITED) US\$ MILLION
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	11,148.1	11,982.1
Intangible assets		611.8	622.3
Inventories		56.8	51.9
Deferred income tax assets		163.5	200.5
Other receivables	13	186.4	218.9
Other financial assets		3.8	17.8
<b>Total non-current assets</b>		<b>12,170.4</b>	<b>13,093.5</b>
<b>Current assets</b>			
Inventories		232.7	296.1
Trade and other receivables	13	389.4	287.7
Loan to a related party	18	-	120.0
Current income tax assets		26.3	55.7
Derivative financial assets		-	0.5
Cash and cash equivalents		647.4	936.1
		1,295.8	1,696.1
Assets of disposal group classified as held for sale	6(b)	583.3	-
<b>Total current assets</b>		<b>1,879.1</b>	<b>1,696.1</b>
<b>Total assets</b>		<b>14,049.5</b>	<b>14,789.6</b>
<b>EQUITY</b>			
Capital and reserves attributable to equity holders of the Company			
Share capital	14	2,912.3	2,874.1
Reserves and retained profits	15	(1,589.0)	(1,662.7)
		1,323.3	1,211.4
Non-controlling interests		1,682.3	1,760.4
<b>Total equity</b>		<b>3,005.6</b>	<b>2,971.8</b>

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

	NOTES	30 JUNE	31 DECEMBER
		2018 (UNAUDITED) US\$ MILLION	2017 (AUDITED) US\$ MILLION
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	16	7,743.6	8,498.2
Provisions		561.4	793.8
Other financial liabilities		151.1	160.3
Deferred income tax liabilities		933.2	863.0
<b>Total non-current liabilities</b>		<b>9,389.3</b>	<b>10,315.3</b>
<b>Current liabilities</b>			
Borrowings	16	520.6	694.3
Provisions		68.1	62.9
Trade and other payables	17	769.5	730.1
Current income tax liabilities		13.8	15.2
		<b>1,372.0</b>	<b>1,502.5</b>
Liabilities of disposal group classified as held for sale	6(b)	282.6	-
<b>Total current liabilities</b>		<b>1,654.6</b>	<b>1,502.5</b>
<b>Total liabilities</b>		<b>11,043.9</b>	<b>11,817.8</b>
<b>Net current assets</b>		<b>224.5</b>	<b>193.6</b>
<b>Total equity and liabilities</b>		<b>14,049.5</b>	<b>14,789.6</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 2018 (UNAUDITED)						
ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY						
US\$ MILLION	SHARE CAPITAL (NOTE 14)	TOTAL RESERVES (NOTE 15)	RETAINED PROFITS (NOTE 15)	TOTAL	NON- CONTROLLING INTERESTS	TOTAL EQUITY
<b>At 1 January 2018</b>	2,874.1	(1,892.4)	229.7	1,211.4	1,760.4	2,971.8
HKFRS 9 adjustment on retained profits (Note 3)	-	-	(28.0)	(28.0)	(0.8)	(28.8)
<b>Restated balance at 1 January 2018</b>	2,874.1	(1,892.4)	201.7	1,183.4	1,759.6	2,943.0
Profit for the period	-	-	128.7	128.7	64.7	193.4
Other comprehensive income	-	-	-	-	-	-
<b>Total comprehensive income for the period</b>	-	-	128.7	128.7	64.7	193.4
<b>Transactions with owners</b>						
Provision of surplus reserve	-	19.3	(19.3)	-	-	-
Redemption of convertible redeemable preference shares	-	-	-	-	(142.0)	(142.0)
Employee share options exercised and vested	38.2	(27.0)	-	11.2	-	11.2
Employee share options lapsed	-	(1.3)	1.3	-	-	-
<b>Total transactions with owners</b>	38.2	(9.0)	(18.0)	11.2	(142.0)	(130.8)
<b>At 30 June 2018</b>	2,912.3	(1,901.4)	312.4	1,323.3	1,682.3	3,005.6

FOR SIX MONTHS ENDED 30 JUNE 2017 (UNAUDITED)						
ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY						
US\$ MILLION	SHARE CAPITAL (NOTE 14)	TOTAL RESERVES (NOTE 15)	RETAINED PROFITS (NOTE 15)	TOTAL	NON- CONTROLLING INTERESTS	TOTAL EQUITY
<b>At 1 January 2017</b>	2,863.3	(1,913.9)	81.1	1,030.5	1,559.1	2,589.6
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>	-	6.5	17.8	24.3	95.9	120.2
<b>Transactions with owners</b>						
Employee share options exercised and vested	5.3	(1.2)	-	4.1	-	4.1
Employee share options lapsed	-	(1.4)	1.4	-	-	-
<b>Total transactions with owners</b>	5.3	(2.6)	1.4	4.1	-	4.1
<b>At 30 June 2017</b>	2,868.6	(1,910.0)	100.3	1,058.9	1,655.0	2,713.9

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

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	NOTE	SIX MONTHS ENDED 30 JUNE	
		2018 (UNAUDITED) US\$ MILLION	2017 (UNAUDITED) US\$ MILLION
<b>Cash flows from operating activities</b>			
Receipts from customers		2,216.8	2,426.5
Payments to suppliers and employees		(1,262.6)	(1,263.1)
Payments for exploration expenditure		(15.2)	(17.6)
Income tax refunded/(paid)		2.5	(29.8)
<b>Net cash generated from operating activities</b>		<b>941.5</b>	<b>1,116.0</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(101.8)	(347.8)
Purchase of intangible assets		(0.2)	(1.0)
Purchase of financial assets		-	(0.4)
Proceeds from repayments of loan to a related party		120.0	95.0
(Payments)/proceeds associated with disposal of subsidiaries, net	5	(4.3)	196.3
Proceeds from disposal of property, plant and equipment		0.2	-
Proceeds from disposal of financial assets		1.2	13.1
<b>Net cash generated from/(used in) investing activities</b>		<b>15.1</b>	<b>(44.8)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		150.0	80.0
Repayments of borrowings		(872.8)	(588.2)
Payments on redemption of convertible redeemable preference shares		(338.0)	-
Proceeds from shares issued upon exercise of employee share options		11.2	4.1
Interest and financing costs paid		(187.2)	(210.0)
Interest received		5.4	4.5
<b>Net cash used in financing activities</b>		<b>(1,231.4)</b>	<b>(709.6)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(274.8)</b>	<b>361.6</b>
Cash and cash equivalents at 1 January		936.1	552.7
<b>Cash and cash equivalents at 30 June<sup>(i)</sup></b>		<b>661.3</b>	<b>914.3</b>

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

(i) Included in the cash balance as at 30 June 2018 is US\$13.9 million cash at Sepon which is classified as Assets Held for Sale in the condensed consolidated interim statement of financial position, refer to Note 6(b).

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION AND INDEPENDENT REVIEW

MMG Limited (the “Company”) is a limited liability company and was incorporated in Hong Kong on 29 July 1988. The address of its registered office is Unit 8506A, Level 85, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong. The principal place of business of the Company is disclosed in the Corporate Information section to the Group’s 2018 Interim Report.

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 2018 are presented in United States Dollar (US\$) unless otherwise stated and have been approved for issue by the Board of Directors of the Company (the “Board”) on 20 August 2018.

The financial information relating to the year ended 31 December 2017 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 2017 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 2018 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 2018 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 2017, 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 2018, the Group generated a net profit of US\$193.4 million (2017: US\$113.7 million). As at 30 June 2018, the Group had a cash balance of US\$661.3 million (including Sepon) (31 December 2017: US\$936.1 million), net current assets of US\$224.5 million (31 December 2017: US\$193.6 million) and generated operating cashflows of US\$941.5 million (including Sepon) (2017: US\$1,116.0 million). As at 30 June 2018, the Group also has in total US\$750.0 million (31 December 2017: US\$830.0 million) undrawn debt facilities available to it. The Group expects to continue to generate positive operating cashflows for the 12 months following the approval of these condensed consolidated interim financial statements.

Considering the available cash and cash equivalents, expectations of positive operating cashflows, available undrawn debt facilities and continued financial support from the major shareholder and key financiers, 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 consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards as set out below.



**(a) Adoption of new standards and amendments to HKFRS for the first time in the current reporting period**

The Group has applied the following new standards:

HKFRS 15	Revenue from contracts with customers and related amendments
HKFRS 9	Financial instruments

The impacts of the adoption of the above standards and the consequent new accounting policies have been disclosed in Note 3.

**(b) Amendments to existing standards effective and adopted in 2018 but not relevant or significant to the Group**

Amendments to HKFRS 2	Classification and measurement of share-based payment transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 40	Transfers of investment property
HK(IFRIC) - Interpretation 22	Foreign currency transactions and advance consideration
Amendments to HKFRS	Annual improvements to HKFRS 2014-2016 cycle and other amendments

**(c) New standards and amendments to standards that have been issued but not yet effective or early adopted by the Group**

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 2018. The Group is in the process of assessing their impact on the Group's results and financial position.

HKFRS 16	Leases <sup>(a)</sup>
HKFRS 17	Insurance Contracts <sup>(b)</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture <sup>(c)</sup>
Amendments to HKFRS 9	Prepayment features with negative compensation <sup>(a)</sup>
Amendments to HKAS 28	Long-term interests in associates and joint ventures <sup>(a)</sup>
Amendments to HKFRS	Annual improvements to HKFRSs 2015-2017 cycle <sup>(a)</sup>
Amendments to HKAS 19	Plan amendment, curtailment or settlement <sup>(a)</sup>
HK(IFRIC) - Interpretation 23	Uncertainty over income tax treatments <sup>(a)</sup>

Effective for the Group for annual period beginning on:

- a) 1 January 2019
- b) 1 January 2021
- c) Effective date to be determined

**Impact of new standards and amendments to standards that have been issued but not yet effective**

**HKFRS 16 “Leases”**

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements. Adoption of HKFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay lease rentals are recognised. Depreciation of the leased asset and interest on lease liability will be recognised over the lease term. Short-term leases and low-value leases will be exempted.

The standard will affect primarily the accounting for the Group's operating leases. The Group's project for the implementation of the new accounting standard HKFRS 16 Leases (“the new lease standard”) is currently underway. Relevant contracts are being reviewed and assessed under the new requirements of HKFRS 16, including identification of potential lease components in certain operational contracts. Commitments for certain contracts may relate to arrangements that will not qualify as leases under HKFRS 16 or may be identified as short-term or low-value leases. Consequently, the Group has not yet determined the value of commitments that will result in the recognition of an asset and a liability for future payments and the impact on the Group's profit and classification of cash flows.

The Group's project will involve a comprehensive identification of changes to the Group's accounting policies, internal and external reporting requirements, IT systems, business processes and controls. The financial impact of the new lease standard will be quantified upon completion of the project. The new lease standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The Group does not intend to adopt the standard before its effective date.

**HK(IFRIC) – Interpretation 23 “Uncertainty over income tax treatments”**

HK(IFRIC) – Interpretation 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The interpretation requires an entity to determine whether uncertain tax positions are assessed separately or as a group; and assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

filings. However, it is not practical to provide a reasonable estimate of its impacts (if any) until the Group performs a more detailed assessment, which will be completed in the second half of 2018, before the effective date of 1 January 2019.

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 of such standards may result in further disclosure in the Group's annual 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 status of commissioning of the Dugald River Project ('Dugald River') for accounting purposes in order to determine whether the mining project was substantially completed and ready for its intended purpose. The key criteria used to determine the status of commissioning of the mining project related to the achievement of 'commercial levels of production', includes but not limited to completion of a reasonable period of testing of the mine plant and equipment, the ability to produce metal in saleable form and the ability to sustain continuous production of metal. As a result of this assessment management determined that Dugald River has commenced commercial production for accounting purpose on and from 1 May 2018.

As at 30 June 2018, indicator of impairment was identified for Kinsevere mine due to the political environment in the Democratic Republic of the Congo ("DRC"). Judgement is required from management with respect to the valuation of recoverable amount of Kinsevere mine as at 30 June 2018, given significant uncertainties exist in regards to the application of the 2018 Mining Code. Refer to Note 12 for details.

In addition, management exercised judgement in assessing impairment allowances on financial assets. The measurement of impairment losses under HKFRS 9 of trade and other receivables requires judgement, in particular, the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These require exercise of management judgement which considers a number of

factors, changes in which can result in different levels of allowances. At each reporting date, the Group assesses whether there has been a significant change in credit risk for exposures since initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis.

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 2017.

## 3. CHANGES IN ACCOUNTING POLICIES

The following notes explain the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the Group's condensed consolidated interim financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

### 3.1 FINANCIAL INSTRUMENTS

HKFRS 9 replaces HKAS 39 '*Financial Instruments: Recognition and Measurement*', bringing together all three aspects of accounting for financial instruments: classification and measurement, impairment and hedge accounting. HKFRS 9 includes an approach for the classification and measurement of financial assets which is based on cash flow characteristics and the business model used for the management of the financial instruments. It introduces the expected credit loss ("ECL") model for impairment of certain financial assets which replaces the incurred loss model used in HKAS 39. The ECL model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. It is no longer necessary for a credit event to have occurred before credit losses are recognised. The standard also amends the rules on hedge accounting to align the accounting treatment with the risk management objective and strategy of the business.

As permitted by the transitional provisions, the Group has elected to apply HKFRS 9 on a full retrospective basis. In accordance with the transitional provisions in HKFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated. Any adjustments to the carrying amounts of

financial assets and liabilities at the date of transition are recognised in the opening retained profits of the current reporting period.

#### Amended accounting policies for financial instruments

##### Classification

Classification of financial assets depends on the Group's business model for managing its financial assets and the contractual terms of the cash flows. The Group classifies its financial assets as:

- financial assets measured at amortised cost, or
- financial assets measured at fair value.

Gains or losses of assets measured at fair value will be recognised either through the consolidated statement of income ("FVTPL") or through the consolidated statement of other comprehensive income ("FVOCI").

##### Impairment of financial assets

The Group applies a simplified approach to measure ECL on financial assets which are carried at amortised cost. Under the simplified approach, the Group measures the loss allowance based on lifetime ECL. Typically, credit risk increases significantly before a financial instrument becomes past due or other lagging debtor-specific factors are observed. Consequently when reasonable and supportable

information that is more forward-looking than past due information is available without undue cost or effort, it is used to assess changes in credit risk. The Group considers credit risks including, but not limited to, instrument type, credit risk ratings, date of initial recognition, remaining term to maturity, and geographical location of the debtor.

The Group assesses at the end of each reporting period whether there has been a significant increase in credit risk of the receivables since initial recognition. A financial asset or a group of financial assets is impaired and impairment losses are incurred if credit losses are recognised based on significant increases in the likelihood or risk of a default occurring since the initial recognition of the asset. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. For financial assets, a credit loss is the present value of the difference between the contractual cash flows that are due to an entity under the contract and the cash flows that the entity expects to receive, discounted to the reporting date using the effective interest rate determined at initial recognition.

##### Impact of adoption of new standard and policies

**The measurement category and the carrying amount of financial assets and liabilities in accordance with HKAS 39 and HKFRS 9 as at 1 January 2018 are compared as follows:**

	ORIGINAL MEASUREMENT CATEGORY UNDER HKAS 39	NEW MEASUREMENT CATEGORY UNDER HKFRS 9	ORIGINAL CARRYING AMOUNT UNDER HKAS 39 US\$MILLION	NEW CARRYING AMOUNT UNDER HKFRS 9 US\$MILLION <sup>(i)</sup>
<b>Financial assets</b>				
Cash and cash equivalents	Amortised cost (Loans and receivables)	Amortised cost	936.1	936.1
Trade receivables (provisional price)	Amortised cost (Loans and receivables)	FVTPL	236.3	236.3
Other receivables (including government taxes)	Amortised cost (Loans and receivables)	Amortised cost	187.9	159.1
Derivative financial assets	FVTPL	FVTPL	0.5	0.5
Loan to a related party	Amortised cost (Loans and receivables)	Amortised cost	120.0	120.0
Financial assets at fair value through profit or loss	FVTPL	FVTPL	5.5	5.5
Other financial assets	Amortised cost (Loans and receivables)	Amortised cost	12.3	12.3

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

	ORIGINAL MEASUREMENT CATEGORY UNDER HKAS 39	NEW MEASUREMENT CATEGORY UNDER HKFRS 9	ORIGINAL CARRYING AMOUNT UNDER HKAS 39 US\$MILLION	NEW CARRYING AMOUNT UNDER HKFRS 9 US\$MILLION <sup>(i)</sup>
<b>Financial liabilities</b>				
Trade and other payables	Amortised cost (Loans and receivables)	Amortised cost	(730.1)	(730.1)
Other financial liabilities	Amortised cost (Loans and receivables)	Amortised cost	(160.3)	(160.3)
Borrowings	Amortised cost (Loans and receivables)	Amortised cost	(9,192.5)	(9,192.5)

(i) For financial assets subject to ECL impairment, the carrying amounts in accordance with HKAS 39 have been remeasured upon transition to HKFRS 9 on 1 January 2018. As per the Group's assessment, no material measurement difference was noted for the applicable assets except for other non-current receivables-government taxes which form part of the "Other Receivables" which were assessed to be further impaired.

## 3.2 REVENUE FROM CONTRACTS WITH CUSTOMERS

HKFRS 15 establishes a single comprehensive model for entities for use in accounting for revenue arising from contracts with customers. HKFRS 15 supersedes the original revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction contracts" and the related interpretations. The core principle of HKFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. HKFRS 15 requires the Group to apply a five step approach which includes: identification of a contract, identification of performance obligations under the contract, determination of the transaction price, allocation of the price to the performance obligations under the contract and recognise revenue when the performance obligation has been met.

The Group elected to apply the standard on a full retrospective basis as permitted by the accounting standard. The amended accounting policies for the impacted areas are noted below.

### Amended accounting policies for revenue recognition

#### Shipping services

The Group identifies shipping service associated with sales of certain commodity products as a performance obligation separate to the sale of goods. The Group allocates the transaction price of the relevant sale transaction to the distinct performance obligation related to shipping of goods and recognizes the corresponding revenue over the period of the performance obligation that depicts the pattern of the transfer of control over time in accordance with the relevant freight terms and conditions. Allocation of transaction

price to delivery services is based on best estimate of a similar stand-alone service. Upon assessment, the Group concludes that the shipping service revenue component is not significant; the Group has determined not to separately recognise the shipping revenue from the sales of commodity products.

#### Price adjustments in case of provisionally priced sales

The Group has certain provisionally priced sales where the contract terms for the Group's concentrate sales allow for a price adjustment based on a final assay of the goods determined after discharge. The Group assesses such provisional pricing to be a variable consideration and recognises revenue at an amount representing the Group's estimate for the expected final consideration. This amount is based on the most recently determined estimate of product assays. The Group applies judgement regarding likelihood of significant reversals to ensure that revenue is only recognized to the extent that it is highly probable that significant reversal will not occur. Any adjustments to the final price are recognised as revenue.

#### Changes in fair value of provisionally priced sales

In case of provisional pricing arrangements, where the period between provisional invoicing and quotational period completion is typically between 30 and 120 days, the Group re-estimates the fair value of the final sales price adjustment continually by reference to forward market prices. The change in value of the provisionally priced receivable is based on relevant forward market prices and is included in revenue. For the six months period ended 30 June 2018, a debit amount of US\$10.8 million provisional price adjustment was included in the "Revenue" in the condensed consolidated interim statement of profit or loss.

### Presentation and disclosures

Consolidated sales revenue as reported in the condensed consolidated interim statement of profit or loss comprises sales to third and related parties. Certain of the Group's metals products are provisionally priced at the date revenue is recognised. Sales revenue includes revenue from contracts with customers, which is accounted for under HKFRS 15 "*Revenue from Contracts with Customers*" and subsequent movements in provisionally priced receivables accounted for under HKFRS 9 "*Financial Instruments*". Revenue as disclosed in these condensed consolidated interim financial statements includes revenue from movements in provisionally priced receivables, consistent with the treatment in prior periods.

The Group considers that the impact of economic factors on its sales revenue, particularly pricing and volumes, is best understood by reference to the disclosure of sales revenue by metal product as disclosed in the segment report. The analysis of provisional pricing adjustments by commodity in Note 21 shows which main products are subject to price volatility post the transfer of control.

Revenues from the sale of significant by-products, such as gold and silver, are included in sales revenue.

### 3.3 IMPACT OF ADOPTION OF NEW STANDARD AND POLICIES

The Group has concluded that the impact of adoption of all other new standard and policies does not result in any material measurement or presentation differences for the Group for the purpose of the condensed consolidated interim financial statements.

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

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

Following the commissioning of Dugald River Project on 1 May 2018, its operating results and related assets/liabilities are reported as a separate reportable segment, which were included in “Other” segment in prior year.

The Group’s reportable segments are as follows:

Las Bambas	The Las Bambas mine is a large open-pit, scalable, long-life copper and moly mining operation with prospective exploration options. It is located in the Cotabambas, Apurimac region of Peru.
Sepon	Sepon is an open-pit copper mining operation located in Southern Laos. On 21 June 2018 the Group entered into a conditional Share Purchase Agreement for the sale of its interest in the Sepon mine.
Kinsevere	Kinsevere is an open-pit copper mining operation located in the Haut-Katanga Province of the Democratic Republic of the Congo (DRC).
Dugald River	The Dugald River mine is an underground zinc mining operation located near Cloncurry in North West Queensland.  The Dugald River mine was commissioned for accounting purposes on 1 May 2018.
Rosebery (previously Australian Operations)	Rosebery is an underground polymetallic base metal mining operation located on Tasmania’s west coast.  In 2017, “Australian Operations” segment included Golden Grove mine, which was disposed on 28 February 2017.
Other	Includes exploration projects, mine sites under construction, mine sites under care and maintenance and corporate entities in the Group.

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.



The segment revenue and result for the six months ended 30 June 2018 are as follows:

FOR THE PERIOD ENDED 30 JUNE 2018								
US\$ MILLION	LAS BAMBAS	KINSEVERE	DUGALD RIVER	ROSEBERY	OTHER UNALLOCATED ITEMS/ ELIMINATIONS	CONTINUING OPERATIONS SUBTOTAL	DISCONTINUED OPERATION (SEPON)	GROUP TOTAL
<b>Revenue by metals</b>								
– Copper	1,219.9	279.4	-	3.7	(3.0)	1,500.0	262.1	1,762.1
– Zinc	-	-	54.1	108.7	-	162.8	-	162.8
– Lead	-	-	10.9	37.2	-	48.1	-	48.1
– Gold	62.6	-	-	27.1	-	89.7	-	89.7
– Silver	42.9	-	4.2	27.1	-	74.2	-	74.2
– Other	24.0	-	-	-	-	24.0	-	24.0
<b>Revenue from contracts with customers</b>	<b>1,349.4</b>	<b>279.4</b>	<b>69.2</b>	<b>203.8</b>	<b>(3.0)</b>	<b>1,898.8</b>	<b>262.1</b>	<b>2,160.9</b>
<b>EBITDA</b>	<b>726.0</b>	<b>127.2</b>	<b>28.8</b>	<b>118.2</b>	<b>(16.0)</b>	<b>984.2</b>	<b>96.2</b>	<b>1,080.4</b>
Depreciation and amortisation expenses	(282.2)	(74.6)	(9.8)	(35.5)	(4.7)	(406.8)	(88.1)	(494.9)
<b>EBIT</b>	<b>443.8</b>	<b>52.6</b>	<b>19.0</b>	<b>82.7</b>	<b>(20.7)</b>	<b>577.4</b>	<b>8.1</b>	<b>585.5</b>
Finance income						3.3	2.1	5.4
Finance costs						(253.3)	(3.4)	(256.7)
Income tax expenses						(138.6)	(2.2)	(140.8)
<b>Profit for the period</b>						<b>188.8</b>	<b>4.6</b>	<b>193.4</b>
<b>Other segment information:</b>								
Net additions to non-current assets (excluding deferred tax assets and financial instruments)	72.1	19.6	(12.3) <sup>(i)</sup>	6.9	-	86.3	1.7	88.0

(i) Includes US\$50.9 million sales of zinc concentrate by Dugald River project during the pre-commissioning phase, which was capitalised to property, plant and equipment in accordance with requirements under HKAS 16.

The segment assets and liabilities as at 30 June 2018 are as follows:

AS AT 30 JUNE 2018							
US\$ MILLION	LAS BAMBAS	KINSEVERE	DUGALD RIVER	ROSEBERY	SEPON	OTHER UNALLOCATED ITEMS/ ELIMINATIONS	GROUP
<b>Segment assets</b>	10,813.6	895.3	729.0	379.7	577.0	465.1 <sup>(i)</sup>	<b>13,859.7</b>
Current/deferred income tax assets							189.8
<b>Consolidated assets</b>							<b>14,049.5</b>
<b>Segment liabilities</b>	6,016.6	146.9	506.8	153.9	282.6	2,990.1 <sup>(i)</sup>	<b>10,096.9</b>
Current/deferred income tax liabilities							947.0
<b>Consolidated liabilities</b>							<b>11,043.9</b>

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

The segment revenue and result for the six months ended 30 June 2017 were as follows:

FOR THE PERIOD ENDED 30 JUNE 2017 (RESTATED <sup>(iii)</sup> )							
US\$ MILLION	LAS BAMBAS	KINSEVERE	AUSTRALIAN OPERATIONS	OTHER UNALLOCATED ITEMS/ ELIMINATIONS	CONTINUING OPERATIONS SUBTOTAL	DISCONTINUED OPERATION (SEPON)	GROUP TOTAL
Revenue by metals <sup>(iv)</sup> :							
– Copper	1,224.1	226.8	3.6	6.8	1,461.3	192.6	1,653.9
– Zinc	-	-	85.4	-	85.4	-	85.4
– Lead	-	-	25.0	-	25.0	-	25.0
– Gold	80.7	-	20.4	-	101.1	-	101.1
– Silver	54.7	-	20.1	-	74.8	-	74.8
– Other	2.2	-	-	-	2.2	-	2.2
<b>Revenue from contracts with customers</b>	<b>1,361.7</b>	<b>226.8</b>	<b>154.5</b>	<b>6.8</b>	<b>1,749.8</b>	<b>192.6</b>	<b>1,942.4</b>
<b>EBITDA (excluding gains on disposal of subsidiaries)</b>	<b>756.4</b>	<b>65.9</b>	<b>70.9</b>	<b>(96.5)</b>	<b>796.7</b>	<b>58.2</b>	<b>854.9</b>
Depreciation and amortisation expenses	(279.6)	(67.6)	38.2	(0.6)	(386.0)	(39.7)	(425.7)
<b>EBIT (excluding gains on disposal of subsidiaries)</b>	<b>476.8</b>	<b>(1.7)</b>	<b>32.7</b>	<b>(97.1)</b>	<b>410.7</b>	<b>18.5</b>	<b>429.2</b>
Gains on disposal of subsidiaries (Note 5)	-	-	22.0	151.7	173.7	-	173.7
Finance income					3.9	0.8	4.7
Finance costs					(262.4)	(2.4)	(264.8)
Income tax expense					(223.5)	(5.6)	(229.1)
<b>Profit for the period</b>					<b>102.4</b>	<b>11.3</b>	<b>113.7</b>

## Other segment information:

Additions to non-current assets (excluding deferred tax assets and financial instruments)

	62.7	9.4	22.7	152.0	246.8	30.4	277.2
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The segment assets and liabilities as at 31 December 2017 are as follows:

AS AT 31 DECEMBER 2017 (AUDITED)						
US\$ MILLION	LAS BAMBAS	KINSEVERE	SEPON	AUSTRALIAN OPERATIONS	OTHER UNALLOCATED ITEMS/ ELIMINATIONS	GROUP
<b>Segment assets</b>	11,304.2	980.2	624.5	414.6	1,209.9 <sup>(v)</sup>	<b>14,533.4</b>
Current/deferred income tax assets						256.2
<b>Consolidated assets</b>						<b>14,789.6</b>
<b>Segment liabilities</b>	6,744.4	228.5	282.3	165.0	3,519.4 <sup>(vi)</sup>	<b>10,939.6</b>
Current/deferred income tax liabilities						878.2
<b>Consolidated liabilities</b>						<b>11,817.8</b>

- (i) Included in segment assets of US\$465.1 million (31 December 2017: US\$1,209.9 million) for the other segment is cash of US\$168.5 million (31 December 2017: US\$194.4 million) mainly held at Group treasury entities and trade receivables of US\$133.5 million (31 December 2017: US\$108.4 million) for MMG South America Company Limited (“MMG SA”) in relation to copper concentrate sales. As at 31 December 2017, other segment assets also consist of a loan to a related party of US\$120.0 million, which was fully repaid in January 2018.
- (ii) Included in segment liabilities of US\$2,990.1 million (31 December 2017: US\$3,519.4 million) for the other segment are borrowings of US\$2,261.3 million (31 December 2017: US\$2,929.2 million), which are managed at Group level. Also included in Other segment liabilities are bank guarantee financial liabilities of US\$142.6 million (31 December 2017: US\$ 151.3 million) and costs of support package of US\$12.7 million (2017: US\$17.9 million) associated with the disposal of the Century mine, refer to Note 5 for more details.
- (iii) The results of Sepon for six months ended 30 June 2017 have been re-presented due to compliance with HKFRS 5 which requires representation of comparative to reflect discontinued operation.
- (iv) The new revenue standard requires the Group to disaggregate revenue from contracts with customers into appropriate categories that depict how the nature of revenue is affected by economic factors. The Group presents revenue by metals.

## 5. GAINS ON 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 to completion were met on 28 February 2017 and the Group ceased to consolidate Golden Grove mine from that date. The sale agreement provided EMR Capital the economic benefit of operations at Golden Grove mine from 1 January 2017 to 28 February 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 agreement with Century Mine Rehabilitation Project Pty Ltd, a subsidiary of New Century Resources Limited (New Century Resources Limited), who is independent to the Group to effect the disposal of assets and infrastructure associated with the Century mine. The disposal benefited the Group by transferring the assets and rehabilitation obligations in respect of the Century mine to a specialist in economic rehabilitation of mine sites whilst 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\$172.8 million including rehabilitation liabilities of US\$337.8 million. As part of the terms of the sale, the Group has procured certain bank guarantees amounting to Australian Dollar (A\$) 193 million (US\$148.8 million) for the benefit of New Century Resources Limited until 31 December 2026. The guarantees have been procured to support certain obligations New Century Resources Limited is required to perform in operating the Century Mine business including rehabilitation activities. New Century Resources Limited 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 (US\$148.8 million). New Century Resources Limited 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 (US\$26.5 million) over three years (A\$17.3 million has been paid as of 30 June 2018), to provide short term support to New Century Resources Limited during their transition period in respect of their obligations around site upkeep and environmental maintenance and monitoring. The Group also established a special purpose trust of A\$12.1 million (US\$9.3 million), managed independently by Equity Trustees to support New Century Resources Limited in meeting the Century mine’s existing obligations and agreed community projects for the benefit of Lower Gulf communities. This fund was drawn in full during 2017.

The operating results for the period from 1 January 2017 to 28 February 2017 of the Golden Grove mine and Century mines were reflected in the Group’s condensed consolidated interim statement of profit or loss in 2017.

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

## Assets and liabilities over which control was lost:

	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 off</b>	<b>192.0</b>	<b>(172.8)</b>

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

	GOLDEN GROVE US\$ MILLION	CENTURY US\$ MILLION
<b>Consideration received</b>	<b>210.0</b>	<b>-</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 off	(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: payments on support package associated with Century disposal	-	(13.7)
	<b>210.0</b>	<b>(13.7)</b>

	FOR SIX MONTHS ENDED 30 JUNE 2018	
	GOLDEN GROVE US\$ MILLION	CENTURY US\$ MILLION
Payments on support package associated with Century disposal	-	(4.3)
	<b>-</b>	<b>(4.3)</b>

## 6. RESULTS OF DISCONTINUED OPERATION AND ASSETS AND LIABILITIES HELD FOR SALE

### SALE OF SEPON MINE

On 21 June 2018, the Group announced it had entered into a conditional Share Purchase Agreement with Chifeng Jilong Gold Mining Co., Limited ("Chifeng") to transfer its 100% equity interest in MMG Laos Holdings Limited ("MMG Laos") to Chifeng for consideration of US\$275.0 million. MMG Laos holds 90% of the issued shares in the capital of Lane Xang Minerals Limited, which is the owner of the Sepon mine. Accordingly, the results of the Sepon mine are classified as discontinued operation for the current reporting period, the related assets and liabilities of the mine were classified as held for sale from that date and measured at the lower of carrying value and fair value less costs to sell, resulting in no adjustment to the carrying value of Sepon mine. Conditional on completion of the share sale, the agreement provides Chifeng the economic benefit of operation at Sepon from 1 January 2018 to the completion date of the sale, which is expected to occur before 31 December 2018.

#### (a) Results of discontinued operation (on 100% consolidated basis):

	SIX MONTHS ENDED 30 JUNE	
	2018 (UNAUDITED) US\$ MILLION	2017 (UNAUDITED) US\$ MILLION
Revenue	262.1	192.6
Expenses (excluding depreciation and amortisation expenses)	(165.9)	(134.4)
<b>Earnings before interest, income tax, depreciation and amortisation expenses – EBITDA</b>	<b>96.2</b>	<b>58.2</b>
Depreciation and amortisation expenses	(88.1)	(39.7)
<b>Profit before interest and income tax - EBIT</b>	<b>8.1</b>	<b>18.5</b>
Net finance costs	(1.3)	(1.6)
<b>Profit before income tax</b>	<b>6.8</b>	<b>16.9</b>
Income tax expense	(2.2)	(5.6)
<b>Profit for the period from discontinued operation – net of income tax</b>	<b>4.6</b>	<b>11.3</b>
<b>Profit for the period attributable to:</b>		
– Equity holder of the Company	4.5	10.8
– Non-controlling interest	0.1	0.5

#### Cash flow attributable to discontinued operation (on 100% consolidated basis):

	SIX MONTHS ENDED 30 JUNE	
	2018 (UNAUDITED) US\$ MILLION	2017 (UNAUDITED) US\$ MILLION
Net cash inflows from operating activities	100.9	80.5
Net cash outflows from investing activities	(1.8)	(30.8)
Net cash outflows from financing activities	(0.2)	(0.1)
<b>Net cash inflows from discontinued operation</b>	<b>98.9</b>	<b>49.6</b>

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

## (b) Assets and liabilities held for sale (on 100% consolidated basis):

	30 JUNE 2018 (UNAUDITED) US\$ MILLION
<b>Assets of disposal group classified as held for sale</b>	
– Property, plant and equipment	388.9
– Inventories	59.4
– Trade and other receivables	103.9
– Deferred income tax assets	6.3
– Other financial assets	10.9
– Cash and cash equivalents	13.9
<b>Total</b>	<b>583.3</b>
<b>Liabilities of disposal group classified as held for sale</b>	
– Mine rehabilitation, restoration and dismantling provisions	253.4
– Employee provisions	2.4
– Trade and other payables	26.8
<b>Total</b>	<b>282.6</b>
<b>Net assets of disposal group classified as held for sale</b>	<b>300.7</b>



## 7. EXPENSES

Profit before income tax includes the following specific expenses related to continuing operations:

	SIX MONTHS ENDED 30 JUNE	
	2018 (UNAUDITED) US\$ MILLION	2017 (UNAUDITED) US\$ MILLION
Changes in inventories of finished goods and work in progress	39.6	11.3
Write down/(reversal of impairment) of inventories to net realisable value	13.0	(1.6)
Employee benefit expenses <sup>(i)</sup>	105.2	108.6
Contracting and consulting expenses	230.1	218.0
Energy costs	115.1	124.0
Stores and consumables costs	180.0	170.0
Depreciation and amortisation expenses <sup>(ii)</sup>	389.2	369.6
Operating lease rental <sup>(iii)</sup>	9.8	8.6
Other production expenses	69.7	59.8
<b>Cost of goods sold</b>	<b>1,151.7</b>	<b>1,068.3</b>
Other operating expenses <sup>(i)</sup>	17.8	17.0
Royalty expenses	66.1	58.6
Selling expenses	54.8	56.0
<b>Operating expenses including depreciation and amortisation<sup>(iv)</sup></b>	<b>1,290.4</b>	<b>1,199.9</b>
Exploration expenses <sup>(i) (ii) (iii)</sup>	15.2	17.0
Administrative expenses <sup>(i) (iii)</sup>	22.8	40.6
Foreign exchange (gain)/loss – net	(10.0)	44.7
Loss/(gain) on financial assets at fair value through profit or loss	1.9	(0.8)
Other expenses <sup>(i) (ii) (iii)</sup>	16.7	16.4
<b>Total expenses</b>	<b>1,337.0</b>	<b>1,317.8</b>

(i) In aggregate, US\$48.6 million (2017: US\$72.5 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\$153.8 million (2017: US\$180.7 million).

(ii) In aggregate, US\$17.6 million (2017: US\$16.4 million) of depreciation and amortisation expenses were included in exploration expenses and other expenses categories. Total depreciation and amortisation expenses were US\$406.8 million (2017: US\$386.0 million).

(iii) In aggregate, US\$3.0 million (2017: US\$5.4 million) of operating lease rentals were included in administrative expenses, exploration expenses and other expenses categories. Total operating lease rentals were US\$12.8 million (2017: US\$14.0 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)

## 8. FINANCE INCOME AND FINANCE COSTS (RELATED TO CONTINUING OPERATIONS)

	SIX MONTHS ENDED 30 JUNE	
	2018 (UNAUDITED) US\$ MILLION	2017 (UNAUDITED) US\$ MILLION
<b>Finance income</b>		
Interest income on cash and cash equivalents	3.3	3.9
<b>Finance costs</b>		
Interest expense on bank borrowings	(179.1)	(190.4)
Interest expense on convertible redeemable preference shares	-	(10.0)
Interest expense on related party borrowings (Note 18)	(56.6)	(50.1)
Unwinding of discount on provisions	(7.0)	(6.9)
Other finance cost on external borrowings	(16.0)	(11.1)
Other finance costs on related party borrowings (Note 18)	(3.7)	(4.5)
<b>Finance costs - total</b>	<b>(262.4)</b>	<b>(273.0)</b>
Less: Borrowing costs capitalised in relation to qualifying assets <sup>(i)</sup>	9.1	10.6
<b>Finance costs – net of capitalised borrowing costs</b>	<b>(253.3)</b>	<b>(262.4)</b>

(i) Borrowing costs capitalised at the rate of 5.6% (2017: 5.1%) per annum representing the average interest rate on borrowings related to Dugald River project.

## 9. INCOME TAX EXPENSE (RELATED TO CONTINUING OPERATIONS)

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 the 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	
	2018 (UNAUDITED) US\$ MILLION	2017 (UNAUDITED) US\$ MILLION
Current income tax expense – Overseas income tax	(46.0)	(20.6)
Deferred income tax expense – Overseas income tax <sup>(i)</sup>	(92.6)	(202.9)
<b>Income tax expense</b>	<b>(138.6)</b>	<b>(223.5)</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 5 for more details.

There is no deferred tax impact relating to items of other comprehensive income (2017: nil).

## 10. EARNINGS PER SHARE

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

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the Company's share options and performance awards on issue, a calculation is performed to determine the number of shares that could have been acquired at fair value (determined at the average market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options and performance awards. The number of shares calculated as 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	
	2018 (UNAUDITED) US\$ MILLION	2017 (UNAUDITED) US\$ MILLION
<b>Profit attributable to equity holders of the Company in the calculation of basic and diluted earnings per share</b>	<b>128.7</b>	<b>17.8</b>
– From continuing operations	124.2	7.0
– From discontinued operation	4.5	10.8
	<b>NUMBER OF SHARES '000</b>	<b>NUMBER OF SHARES '000</b>
Weighted average number of ordinary shares used in the calculation of the basic earnings per share	8,012,364	7,942,704
Shares deemed to be issued in respect of long-term incentive equity plans	62,920	71,206
Weighted average number of ordinary shares used in the calculation of the diluted earnings per share	8,075,284	8,013,910
<b>Basic earnings per share</b>	<b>US 1.61 cents</b>	<b>US 0.22 cents</b>
– From continuing operations	US 1.55 cents	US 0.09 cents
– From discontinued operation	US 0.06 cents	US 0.13 cents
<b>Diluted earnings per share</b>	<b>US 1.59 cents</b>	<b>US 0.22 cents</b>
– From continuing operations	US 1.53 cents	US 0.09 cents
– From discontinued operation	US 0.06 cents	US 0.13 cents

## 11. DIVIDENDS

The Directors did not recommend the payment of an interim dividend for the six months ended 30 June 2018 (2017: nil).

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

## 12. PROPERTY, PLANT AND EQUIPMENT

	<b>SIX MONTHS ENDED 30 JUNE 2018</b>
	<b>(UNAUDITED) US\$ MILLION</b>
Net book amount as at 1 January 2018	11,982.1
Additions	82.6
Depreciation and amortisation expenses	(479.1)
Disposals (net)	(4.7)
Transfer (net) <sup>(i)</sup>	(43.9)
<b>Subtotal</b>	<b>11,537.0</b>
Transferred to disposal group classified as held for sale (Note 6)	(388.9)
– Cost transferred to disposal group classified as held for sale	(1,177.2)
– Accumulated depreciation transferred to disposal group classified as held for sale	788.3
<b>Net book amount as at 30 June 2018</b>	<b>11,148.1</b>

(i) Represents the transfer to inventory upon commissioning of Dugald River project.

### 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 for Kinsevere mine due to the political environment in the DRC as well as potential impairment reversal for Dugald River mine following its commissioning were identified as at 30 June 2018, which resulted in assessing if an impairment or a reversal of impairment is required respectively.

#### (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 of disposal or its Value in Use ("Fair Value"), which is consistent with the approach from prior year.

#### (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 exploration targets;
- Optimisation of operational activity and productivity; and
- Rehabilitation timing.

In determining the value assigned to each key assumption, management has used external sources of information and utilised the expertise of both external consultants and experts within the Group to validate the CGUs/operations' specific assumptions such as Reserves and Resources and exploration targets.

Commodity price and exchange rate assumptions are based on the latest internal forecasts benchmarked to analyst consensus forecasts. The long term cost assumptions are based on actual costs adjusted for planned operational changes and input cost assumptions over the life of mine.

Commodity price estimates included in the 3 year budget cash flows used the latest forecast copper price. The long term price assumed for copper is US\$3.02 per pound and for zinc is US\$1.23 per pound.

The long term AUD:USD exchange rate has been included as 0.80 (year ended 2017: 0.80).

The real post-tax discount rates used in the Fair Value estimate for the Kinsevere and Dugald River CGUs are unchanged from 2017, i.e. 11% for Kinsevere and 7% for Dugald River.

### **(iii) Valuation methodology and sensitivity**

#### ***Kinsevere***

The Kinsevere Fair Value is predominately determined through the Life of Asset (“LOA”) discounted cash flows. The valuation contains the current operation, further regional exploration potential and third party ore processing. The cash flows assume additional capital investment in the processing plant to process sulphide ore, which also extends the mine life.

During the current reporting period, the DRC Government has passed significant changes to the DRC 2002 Mining Code and such changes were signed into law on 9 March 2018 (2018 Mining Code). The 2018 Mining Code does not recognise the application of Article 276 of the 2002 Mining Code which provides a guarantee of stability of the provisions of the 2002 Mining Code including, but not limited to tax, customs and exchange regimes, for a period of 10 years after the entry into force of the amended legislation. The Group has made a formal request for negotiation with the DRC Government pursuant to the Bilateral Investment Treaty between the DRC and People’s Republic of China, and is looking to reach an agreement with the DRC Government regarding recognition of the guarantee of stability. In light of the adverse impact the 2018 Mining Code represents to Kinsevere mine, the Group along with other industry participants are actively engaged in discussion with the DRC Government to negate or reduce any negative financial outcomes. The mining operators in the DRC continue to review options to seek recognition of the application of the guarantee of stability. In addition, in order to address DRC Government concerns on contributions from existing mining operators, the major mining industry participants continue to seek consideration of an alternative royalty regime, by proposing a modified ‘sliding scale’ for royalty payments which provides for a guaranteed larger share of revenue to the DRC Government at higher commodity prices.

The Group remains committed to working with the DRC Government to find a mutually successful solution to the issues raised by the 2018 Mining Code. However, depending on the outcomes of such negotiations, formal legal action by the Group to enforce its rights under the Bilateral Investment Treaty and/or the 2002 Mining Code remains under active consideration.

In addition, several of the more complex changes (including Special Tax on Excess Profits), should the guarantee of stability not be acknowledged, will be implemented through changes to the enabling Mining Regulations which were signed into law on 8 June 2018 and gazetted and published in July 2018. The DRC Government has commenced enforcement of elements of the 2018 Mining Code and Mining Regulations, in particular the increased royalty rates, from mid-June 2018. However, there is limited guidance in relation to the implementation of the 2018 Mining Code and Mining Regulations (e.g. Special Tax on Excess Profit). As a result significant uncertainties still exist. The valuation for the current reporting period supports the carrying value of the Kinsevere CGU as at 30 June 2018 and has taken into consideration these changes and associated impacts based on the best knowledge the Group presently has as of the date of issuance of these condensed consolidated interim financial statements. The Group’s interpretation of the 2018 Mining Code is subject to change in future following the publication of relevant implementation guidance on those impacted areas which are currently uncertain.

Should the guarantee of stability not be recognised and the Group’s interpretation of the 2018 Mining Code significantly differ from the final guidelines to be provided by the DRC Government, and in the event that negotiations and any legal actions are unsuccessful, there is likely to be a significant impairment to the carrying value of Kinsevere.

The key assumptions to which the calculation of Fair Value for Kinsevere is most sensitive are the application of the 2018 Mining Code as outlined above, and if the guarantee of stability is not recognised, the calculation of the Special Tax on Excess Profits (if applicable) as well as the copper price.

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

## 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 revised project. These factors together with the commissioning of the processing plant at 1 May 2018 and recent increases in the zinc price resulted in an evaluation of whether a reversal of impairment should be considered as at 30 June 2018.

Due to the early stage of the operation and ramp up of production activities in particular in reaching the full design capacity, as well as the sensitivity of its recoverable amount to zinc price, operating costs and grade, no reversal of impairment has been recognised as at 30 June 2018. The Group will continue to monitor and assess if a reversal of impairment is required in future periods.

## 13. TRADE AND OTHER RECEIVABLES

	30 JUNE 2018 (UNAUDITED) US\$ MILLION	31 DECEMBER 2017 (AUDITED) US\$ MILLION
<b>Non-current other receivables</b>		
Prepayments	6.8	7.6
Other receivables – government taxes (net of provision)	124.7	153.6
Sundry receivables	54.9	57.7
	<b>186.4</b>	<b>218.9</b>
<b>Current trade and other receivables</b>		
Trade receivables <sup>(i)</sup>	268.7	236.3
Prepayments	39.0	28.0
Other receivables – government taxes (net of provision)	54.8	3.3
Sundry receivables	26.9	20.1
	<b>389.4</b>	<b>287.7</b>

(i) As at 30 June 2018 and 31 December 2017, trade receivables of the Group mainly related to the mining operations and development project. The majority of sales for mining operations were made under contractual arrangements whereby provisional payment is received promptly after delivery and the balance within 30 to 120 days from delivery. The ageing analysis of the trade receivables (based on invoice date) is as follows:

	30 JUNE 2018		31 DECEMBER 2017	
	US\$ MILLION	%	US\$ MILLION	%
<b>Current trade receivables</b>				
Less than 6 months	268.7	100	236.3	100
<b>Total</b>	<b>268.7</b>	<b>100</b>	<b>236.3</b>	<b>100</b>

As at 30 June 2018 and 31 December 2017, no trade receivables were past due but not impaired.

As at 30 June 2018, the Group's trade receivables included an amount of US\$103.6 million (31 December 2017: US\$102.5 million) (Note 18(c)), which was due from a related party. The carrying amounts of the Group's trade receivables are all denominated in US\$.



## 14. SHARE CAPITAL

	NUMBER OF ORDINARY SHARES '000	SHARE CAPITAL US\$ MILLION
<b>Issued and fully paid:</b>		
At 1 January 2017	7,935,105	2,863.3
Employee share options exercised	28,029	10.8
<b>At 31 December 2017 (audited)</b>	<b>7,963,134</b>	<b>2,874.1</b>
At 1 January 2018	7,963,134	2,874.1
Employee share options exercised <sup>(i)</sup>	26,629	13.2
Employee performance awards issued <sup>(ii)</sup>	61,276	25.0
<b>At 30 June 2018 (unaudited)</b>	<b>8,051,039</b>	<b>2,912.3</b>

(i) During the first half of 2018, a total of 26,628,931 new shares were issued as a result of employee share options exercised at an exercise price of HK\$2.51 per share under the Company's 2013 Share Option Scheme.

(ii) During the first half of 2018, a total of 61,275,971 new shares were issued upon vesting of performance awards under the Company's 2015 Long Term Incentive Equity Plan.

## 15. RESERVES AND RETAINED PROFITS

US\$ MILLION	SPECIAL CAPITAL RESERVE	EXCHANGE TRANSLATION RESERVE	MERGER RESERVE <sup>(ii)</sup>	SURPLUS RESERVE <sup>(iii)</sup>	SHARE- BASED PAYMENT RESERVE	TOTAL RESERVES	RETAINED PROFITS	TOTAL
At 1 January 2018 (audited)	9.4	2.7	(1,946.9)	-	42.4	(1,892.4)	229.7	(1,662.7)
HKFRS 9 adjustment on retained profits <sup>(i)</sup>	-	-	-	-	-	-	(28.0)	(28.0)
<b>Restated balance at 1 January 2018</b>	<b>9.4</b>	<b>2.7</b>	<b>(1,946.9)</b>	<b>-</b>	<b>42.4</b>	<b>(1,892.4)</b>	<b>201.7</b>	<b>(1,690.7)</b>
Profit for the period	-	-	-	-	-	-	128.7	128.7
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>128.7</b>	<b>128.7</b>
Provision of surplus reserve <sup>3</sup>	-	-	-	19.3	-	19.3	(19.3)	-
Employee share options exercised	-	-	-	-	(27.0)	(27.0)	-	(27.0)
Employee share options lapsed after vesting	-	-	-	-	(1.3)	(1.3)	1.3	-
	-	-	-	19.3	(28.3)	(9.0)	(18.0)	(27.0)
<b>At 30 June 2018 (unaudited)</b>	<b>9.4</b>	<b>2.7</b>	<b>(1,946.9)</b>	<b>19.3</b>	<b>14.1</b>	<b>(1,901.4)</b>	<b>312.4</b>	<b>(1,589.0)</b>

(i) Refer to Note 3 for more details.

(ii) Merger reserve represents the excess of investment cost in entities that have been accounted for under merger accounting for common control combinations in accordance with AG5 (Accounting Guideline 5 issued by the HKICPA) against their share capital.

(iii) An amount of US\$30.8 million (of which the Group's portion is of US\$19.3 million) corresponding to 10% of net income of one of the Group's subsidiaries, Minera Las Bambas S.A., in 2017 has been appropriated and transferred to surplus reserve. According to the General Law of Companies in Peru, surplus reserve is constituted by transferring 10%, as a minimum, of the net income for each period, after deducting accumulated losses, until reaching an amount equivalent to a fifth of capital.

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

## 16. BORROWINGS

	30 JUNE 2018 (UNAUDITED) US\$ MILLION	31 DECEMBER 2017 (AUDITED) US\$ MILLION
<b>Non-current</b>		
Loan from a related party (Note 18)	2,261.3	2,261.3
Bank borrowings, net	5,482.3	6,236.9
	<b>7,743.6</b>	<b>8,498.2</b>
<b>Current</b>		
Bank borrowings, net	520.6	485.5
Convertible redeemable preference shares	-	208.8
	<b>520.6</b>	<b>694.3</b>
Analysed as:		
– Secured	6,078.0	6,800.8
– Unsecured	2,261.3	2,470.1
	<b>8,339.3</b>	<b>9,270.9</b>
Prepayments – finance charges	(75.1)	(78.4)
	<b>8,264.2</b>	<b>9,192.5</b>
Borrowings (excluding prepayments) are repayable as follows:		
– Within one year	527.0	700.9
– More than one year but not exceeding two years	629.0	624.7
– More than two years but not exceeding five years	2,675.5	2,696.1
– More than five years	4,507.8	5,249.2
	<b>8,339.3</b>	<b>9,270.9</b>
Prepayments – finance charges	(75.1)	(78.4)
	<b>8,264.2</b>	<b>9,192.5</b>

The effective interest rate at 30 June 2018 was 5.6% (31 December 2017: 5.2%).

### Available debt facilities

As at 30 June 2018, the Group (excluding the MMG South America Management Group) had available undrawn debt facilities of US\$400.0 million (31 December 2017: US\$480.0 million), represented by revolving credit facilities provided by the Industrial and Commercial Bank of China (“ICBC”) and Top Create for general corporate purposes. In June 2018, the availability period under the US\$550.0m Dugald River facility provided by China Development Bank Corporation and Bank of China (“BOC”) Sydney Branch, ended (31 December 2017: US\$80.0 million was available but undrawn). No drawings were made under this facility during the first half of 2018.

As at 30 June 2018, the MMG South America Management Group had available undrawn bank debt facilities of US\$350.0 million (31 December 2017: US\$350.0 million), represented by a revolving credit facility provided by BOC Sydney Branch, which is exclusively for working capital purposes of the MMG South America Management Group.

## 17. TRADE AND OTHER PAYABLES

As at 30 June 2018, trade payables of US\$139.3 million (31 December 2017: US\$187.9 million) were aged less than six months; and trade payables of US\$9.1 million (31 December 2017: US\$1.6 million) were aged over six months.

## 18. SIGNIFICANT RELATED PARTY TRANSACTIONS

The Group is controlled by China Minmetals Non-ferrous Metals Co.,Ltd (“CMN”) through China Minmetals H.K. (Holdings) Limited (“Minmetals HK”), which is a subsidiary of CMN. As at 30 June 2018, 72.63% of the Company’s shares are held by CMN and 27.37% are widely held by the public. The Directors consider the ultimate holding company is China Minmetals Corporation (“CMC”), a state-owned company incorporated in the People’s Republic of China (“PRC”), of which CMN is a subsidiary. In accordance with HKAS 24 “Related Party Disclosures” issued by the HKICPA, the Group’s related parties include CMC and its group companies, other state-owned enterprises and their subsidiaries, 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.

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

	SIX MONTHS ENDED 30 JUNE	
	2018 (UNAUDITED) US\$ MILLION	2017 (UNAUDITED) US\$ MILLION
<b>Revenue</b>		
Sales of non-ferrous metals <sup>(i)</sup>	832.4	794.3
<b>Expenses</b>		
Purchases of consumables	(0.8)	(0.9)
<b>Finance costs</b>		
Finance costs (Note 8)	(60.3)	(54.6)

- (i) During the pre-commissioning phase in 2018, US\$50.9 million sales of zinc concentrate was made by Dugald River Project to CMC Group, which was capitalised to property, plant and equipment in accordance with requirements under HKAS 16. Dugald River mine was commissioned for accounting purpose on 1 May 2018.

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

During the period ended 30 June 2018, the Group’s significant transactions with other state-owned enterprises (excluding CMC and its subsidiaries) are sales of non-ferrous metals and purchases of consumables and the related receivables and payables balances. The transactions of revenues and expenses conducted with government-related entities were based on terms as set out in the underlying agreements, on statutory rates or market prices or actual cost incurred, or as mutually agreed.

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

## (c) Significant related party balances

	30 JUNE 2018 (UNAUDITED) US\$ MILLION	31 DECEMBER 2017 (AUDITED) US\$ MILLION
<b>Amounts payable to related parties</b>		
Loan from Top Create <sup>(i)</sup> (Note 16)	2,261.3	2,261.3
Interest payable to Top Create <sup>(i)</sup>	357.6	301.2
Trade payables to CMN	-	0.1
	<b>2,618.9</b>	<b>2,562.6</b>
<b>Amounts receivable from related parties</b>		
Loan to Album Enterprise <sup>(ii)</sup>	-	120.0
Trade receivables from CMN (Note 13)	103.6	102.5
	<b>103.6</b>	<b>222.5</b>

(i) The loan amount from Top Create represents the amounts drawn by the Company on 22 July 2014 (US\$1,843.8 million) and 16 February 2015 (US\$417.5 million) pursuant to a facility agreement dated 22 July 2014 (subsequently amended on 29 December 2017 and again on 25 July 2018) between MMG SA and Top Create for a period of seven years. The loan repayments fall due in three separate tranches in July 2021 (US\$700.0 million), July 2023 (US\$700.0 million), and the last payment in July 2025 (originally due in one lump-sum in July 2018). Effective from 25 July 2018, the existing single floating interest rate will change to a separate all-in fixed rate for each of the repayment tranches of between 3.70% and 4.50% per annum. Over the four years to 25 July 2018, interest of US\$365.2 million had accrued in relation to this loan. US\$240.2 million of this amount was paid on 25 July 2018. The balance is payable at the election of MMG SA at any point prior to 25 January 2019 and will itself incur interest at a fixed rate of 3.67% per annum. Interest will be payable annually thereafter, commencing on 25 July 2019.

(ii) The loan to Album Enterprises as at 31 December 2017 (US\$120.0 million) represents the amount drawn by Album Enterprises on 21 December 2017 pursuant to a facility agreement dated 20 December 2017, between MMG Finance Limited (a subsidiary of the Group) and Album Enterprises. Monies were advanced to Album Enterprises at LIBOR plus 1.50% per annum for a period of 14 days. The facility was limited to US\$120.0 million. Album Enterprises fully repaid this loan in January 2018.

## 19. CAPITAL COMMITMENTS

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

	30 JUNE 2018 (UNAUDITED) US\$ MILLION	31 DECEMBER 2017 (AUDITED) US\$ MILLION
<b>Property, plant and equipment</b>		
Within one year	94.0	56.2
Over one year but not more than five years	71.3	29.1
	<b>165.3</b>	<b>85.3</b>

## 20. 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 2018, these guarantees amount to US\$405.8 million (31 December 2017: US\$412.7 million), which include certain bank guarantees amounting to A\$193.7 million (equivalent to US\$142.6 million, 31 December 2017: US\$151.3 million) for the benefit of New Century Resources associated with the disposal of Century mine. Refer to Note 5 for more details.

### CONTINGENT LIABILITIES – TAX RELATED CONTINGENCIES

The Group has operations in multiple countries, each with its own taxation regime. Application of tax laws and interpretation of tax laws may be uncertain in some regards and requires judgement to assess risk and estimate outcomes, particularly in relation to the application of income taxes and withholding tax to the Group's cross-border operations and transactions. The evaluation of tax risks considers both assessments received and potential sources of challenge from tax authorities. The status of proceedings for these matters will impact the ability to determine the potential exposure and in some cases, it may not be possible to determine a range of possible outcomes or a reliable estimate of the potential exposure.

The nature of the Group's activities triggers various taxation obligations including corporation tax, royalties, withholding taxes, transfer pricing arrangements with related parties, resource and production based taxes and employment related taxes. The Group is currently subject to a range of audits and reviews by taxation authorities in Australia, Peru and Democratic Republic of Congo. The timing of resolution and potential economic outflow of the unresolved tax matters are uncertain. Tax matters with uncertain outcomes arise in the normal course of business and occur due to changes in tax law, changes in interpretation of tax law, periodic challenges and disagreements with tax authorities, and legal proceedings. The Group continues to proactively cooperate with the relevant taxation authorities and to actively manage these audits and reviews. Where appropriate, the Group has filed appeals with either the relevant tax authority or the tax court. For those uncertain tax matters the Group presently has, they are either incapable of being measured reliably or there is remote possibility of economic outflow at the reporting date. As such, no provision has been reflected in the condensed consolidated interim financial statements for such tax matters.

Where income tax and withholding tax obligations have been assessed and deemed to have probable future economic outflows capable of reliable measurement, the Group has provided for these as a non-current provision.

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

## 21. FINANCIAL AND OTHER RISK MANAGEMENT

### (a) Financial risk factors

The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2017.

There have been no changes in the risk management department or in any risk management policies since 31 December 2017.

### (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 post-tax profit would have changed as set out below:

COMMODITY	30 JUNE 2018			31 DECEMBER 2017		
	COMMODITY PRICE MOVEMENT	INCREASE PROFIT US\$ MILLION	DECREASE PROFIT US\$ MILLION	COMMODITY PRICE MOVEMENT	INCREASE PROFIT US\$ MILLION	DECREASE PROFIT US\$ MILLION
Zinc	10%	4.4	(4.4)	10%	0.7	(0.7)
Copper	10%	14.2	(14.2)	10%	21.2	(21.2)
Lead	10%	1.1	(1.1)	10%	0.6	(0.6)
<b>Total</b>		<b>19.7</b>	<b>(19.7)</b>		<b>22.5</b>	<b>(22.5)</b>

### (c) Liquidity risk

Compared to 31 December 2017, 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.

The carrying amounts and fair values of financial assets and liabilities by category and class at 30 June 2018 and 31 December 2017 are:

US\$ MILLION	AMORTISED COST (ASSETS)	FINANCIAL ASSETS/ LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	AMORTISED COST (LIABILITIES)	TOTAL CARRYING VALUE	TOTAL FAIR VALUE
<b>As at 30 June 2018</b>					
<b>Financial assets</b>					
Cash and cash equivalents	647.4	-	-	647.4	647.4
Trade receivables (Note 13)	-	268.7	-	268.7	268.7
Other and sundry receivables (including VAT receivables)	222.6	-	-	222.6	222.6
Other financial assets	-	3.8	-	3.8	3.8
	<b>870.0</b>	<b>272.5</b>	-	<b>1,142.5</b>	<b>1,142.5</b>
<b>Financial liabilities</b>					
Trade and other payables	-	-	769.5	769.5	769.5
Other financial liabilities	-	142.6	8.5	151.1	151.1
Borrowings (Note 16)	-	-	8,264.2	8,264.2	8,264.2
	-	<b>142.6</b>	<b>9,044.2</b>	<b>9,184.8</b>	<b>9,184.8</b>

US\$ MILLION	LOANS AND RECEIVABLES	DESIGNATED AT FAIR VALUE THROUGH PROFIT AND LOSS	LIABILITIES AT AMORTISED COST	TOTAL CARRYING VALUE	TOTAL FAIR VALUE
<b>As at 31 December 2017</b>					
<b>Financial assets</b>					
Cash and cash equivalents	936.1	-	-	936.1	936.1
Trade receivables (Note 13)	236.3	-	-	236.3	236.3
Other and sundry receivables (including VAT receivables)	187.9	-	-	187.9	187.9
Loan to a related party	120.0	-	-	120.0	120.0
Other financial assets	12.3	5.5	-	17.8	17.8
	<b>1,492.6</b>	<b>5.5</b>	-	<b>1,498.1</b>	<b>1,498.1</b>
<b>Financial liabilities</b>					
Trade and other payables	-	-	730.1	730.1	730.1
Other financial liabilities	-	151.3	9.0	160.3	160.3
Borrowings (Note 16)	-	-	9,192.5	9,192.5	9,192.5
	-	<b>151.3</b>	<b>9,931.6</b>	<b>10,082.9</b>	<b>10,082.9</b>



# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

## (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 2018 and 31 December 2017.

US\$ MILLION	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
<b>Assets</b>				
<b>As at 30 June 2018</b>				
Trade receivables (Note 13)	-	268.7	-	268.7
Financial assets at fair value through profit and loss – listed <sup>(i)</sup>	3.8	-	-	3.8
Other financial liabilities <sup>(ii)</sup>	-	-	(142.6)	(142.6)
	<b>3.8</b>	<b>268.7</b>	<b>(142.6)</b>	<b>129.9</b>
<b>As at 31 December 2017</b>				
Financial assets at fair value through profit and loss – listed <sup>(i)</sup>	5.5	-	-	5.5
Derivatives used for cash flow hedging <sup>(iii)</sup>	-	0.5	-	0.5
Other financial liabilities <sup>(ii)</sup>	-	-	(151.3)	(151.3)
	<b>5.5</b>	<b>0.5</b>	<b>(151.3)</b>	<b>(145.3)</b>

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

- (i) 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.
- (ii) Reflecting the bank guarantees associated with the disposal of the Century mine, for the benefit of New Century Resources. Refer to Note 5 for more details.
- (iii) Derivative financial instruments were valued at 31 December 2017 using quoted market rates outlined in detail as below:
- Forward Exchange Contracts ("FECs") and commodity price contracts were valued using discounted cash flows. Future cash flows of FECs were 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 were estimated based on LME contract futures rates for commodities. These cash flows were discounted at a rate that reflects the credit risk of various counterparties.
  - European Option Collars were valued using an option pricing model (Garman-Kohlhagen).
- The valuation techniques as above, maximise the use of observable market data where it is available and relies as little as possible on entity specific estimates.

#### **(f) 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, and 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. The decline in growth and macroeconomic activity in many developing nations has resulted in Governments seeking alternative means of increasing their income, including increases to corporate tax, Value Added Tax and royalty rates, coupled with increased audit and compliance activity. This is also coupled with Governments being unable to pay Value Added Tax refunds to companies largely due to cashflow difficulties. The DRC Government recently made changes to the 2002 Mining Code and Mining Regulations. These changes were enacted, and will result in an increased tax burden on mining companies, and there is also a risk that similar changes could be adopted by other nations.

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.

## **22. EVENTS AFTER THE REPORTING DATE**

As announced on 26 July 2018, a civil claim against Minera Las Bambas S.A. (a subsidiary of the Company) has been lodged by the Fuerabamba Community to the local Judge of Cotabambas in Apurimac, Peru. The Fuerabamba Community live in the town of Nueva Fuerabamba, near the Las Bambas mine, which was constructed for the community in consideration of their land being used for the Las Bambas mine pursuant to an agreement reached with the Fuerabamba Community in 2011.

The purposes of the claim are to seek a court decision to nullify the agreements between the community members and Las Bambas in relation to the transfer of land to Las Bambas, cancel the registration of property rights in the land transferred to Las Bambas and seek damages for losses suffered by the community for Peruvian Soles 1.5 billion (equivalent to approximately US\$450 million). The Group regards the claim as unfounded and opportunistic, and plans to vigorously contest the claim.

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
associate(s)	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
CEO	Chief Executive Officer
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
CMCL	China Minmetals Corporation Limited, a joint stock limited company incorporated on 16 December 2010 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
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
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 Executive Officer, Chief Financial Officer, Executive General Manager – Stakeholder Relations, Executive General Manager – Business Support, Executive General Manager Operations – Africa, Australia and Asia and Executive General Manager Operations - Americas
Group	the Company and its subsidiaries
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
ICMM	International Council on Mining and Metals
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 Stock Exchange
LXML	Lane Xang Minerals Limited Sepon
MI	Minmetals International

MLB	Minera Las Bambas S.A., a non-wholly owned subsidiary of MMG and the owner of the Las Bambas mine
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 or MMG Limited	has the same meaning as the Company
MMG SAM	MMG South America Management Group
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
Net debt	total borrowings excluding finance charge prepayments, less cash and cash equivalents
New Century Resources	New Century Resources Limited
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
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
Shareholder(s)	the shareholder(s) of the Company
Stock Exchange	The Stock Exchange of Hong Kong Limited
TRIF	total recordable injury frequency per million hours worked
US\$	United States dollar, the lawful currency of the United States of America
VAT	value-added tax

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Chairman

GUO Wenqing  
(Non-executive Director)

### Executive Directors

GAO Xiaoyu  
(Chief Executive Officer)  
XU Jiqing  
(Executive General Manager –  
Marketing and Risk)

### Non-executive Directors

JIAO Jian  
ZHANG Shuqiang

### Independent Non-executive Directors

Peter CASSIDY  
LEUNG Cheuk Yan  
Jennifer SEABROOK  
PEI Ker Wei

## AUDIT COMMITTEE

### Chair

Jennifer SEABROOK

### Members

JIAO Jian  
ZHANG Shuqiang  
LEUNG Cheuk Yan  
PEI Ker Wei

## GOVERNANCE AND NOMINATION COMMITTEE

### Chairman

LEUNG Cheuk Yan

### Members

JIAO Jian  
Peter CASSIDY

## REMUNERATION COMMITTEE

### Chairman

Peter CASSIDY

### Members

JIAO Jian  
ZHANG Shuqiang  
Jennifer SEABROOK  
PEI Ker Wei

## RISK MANAGEMENT COMMITTEE

### Chairman

PEI Ker Wei

### Members

JIAO Jian  
Peter CASSIDY  
LEUNG Cheuk Yan

## DISCLOSURE COMMITTEE

### Members

GAO Xiaoyu  
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  
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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Group Manager Investor Relations  
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E brent.walsh@mmg.com

Edward WOODRUFF  
Group Manager Corporate Affairs  
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E edward.woodruff@mmg.com

## REGISTERED OFFICE

Unit 8506A  
Level 85  
International Commerce Centre  
1 Austin Road West  
Kowloon  
Hong Kong

## CORPORATE OFFICES AND PRINCIPAL PLACE OF BUSINESS

### Hong Kong

Unit 8506A  
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T +852 2216 9688  
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### Australia

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28 Freshwater Place  
Southbank  
Victoria 3006  
Australia  
T +61 3 9288 0888  
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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