MMG LIMITED
五礦資源有限公司

(Incorporated in Hong Kong with limited liability)

(HKEX STOCK CODE: 1208)
(ASX STOCK CODE: MMG)

ANNOUNCEMENT ON INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

The Board of Directors (Board) of MMG Limited (Company) is pleased to announce the consolidated results of the Company and its subsidiaries (Group) for the six months ended 30 June 2019. The financial information has been reviewed by the Company's Audit Committee and the Company's auditor.

The financial information set out in this announcement does not constitute the Group's complete set of the condensed consolidated interim financial statements for the six months ended 30 June 2019, but represents an extract from those condensed consolidated interim financial statements.

The unaudited consolidated results of the Group are annexed to this announcement.

MMG RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

KEY POINTS

- Net loss after tax of US$73.0 million, including a loss of US$81.0 million attributable to equity holders of the Company. The loss was primarily attributable to lower commodity prices and lower sales volumes following the community-related disruptions at Las Bambas in the first half of 2019.
- MMG's net debt increased by US$98.8 million during the six months ended 30 June 2019. The higher net debt was primarily attributable to lower operating cash flow due to the inventory build-up at 30 June 2019, with approximately 33,000 tonnes of copper in concentrate stockpiled at Las Bambas that will be progressively sold down during the second half. As a result, gearing temporarily increased from 72% at 31 December 2018 to 73% at 30 June 2019.
- EBITDA from continuing operations of US$646.7 million was 34% lower than the first half of 2018.
- Las Bambas produced 185,825 tonnes of copper in copper concentrate in the first half of 2019, with production stable compared to the first half of 2018. EBITDA of US$541.0 million was 25% below the first half of 2018. This was due to lower copper prices and lower sales volumes – as a result of community roadblocks that took place from early February until mid-April 2019 blocking inbound and outbound logistics. Once road access was re-established on 13 April 2019, operations ramped back up to normal levels.
- Kinsevere produced 29,002 tonnes of copper cathode in the first half, 28% lower compared to the first half of 2018 due to challenging mining conditions in the Mashi pit, declining ore feed grade and plant stability issues.
- Dugald River recorded an EBITDA of US$52.5 million during the first half of 2019, 82% higher than the first half of 2018, following commercial production on 1 May 2018. Zinc production of 74,515 tonnes was 11% above the first half of 2018, despite the significant flooding events that impacted the region in February 2019.
- Rosebery produced 39,565 tonnes of zinc in zinc concentrate during the first half of 2019. EBITDA of US$64.1 million decreased 46% on the first half of 2018, largely due to lower sales volumes across all commodities as a result of lower mined ore grades and lower prices. The strong and consistent performance in the mine and the mill continued with both mining and milling volumes remaining around one million tonnes on an annualised basis.
- The Board did not recommend the payment of a dividend for the period.
- MMG expects to produce 450,000–455,000 tonnes of copper and 250,000–270,000 tonnes of zinc in 2019, with total capital expenditure between US$400 million and US$500 million.

MMG RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019 CONTINUED

SIX MONTHS ENDED 30 JUNE	2019 US$ MILLION	2018 US$ MILLION	CHANGE % FAV/(UNFAV)
Continuing operations			
Revenue	1,387.4	1,898.8	(27%)
EBITDA	646.7	984.2	(34%)
EBIT	195.4	577.4	(66%)
(Loss)/profit for the period from continuing operations	**(73.0)**	**188.8**	**(139%)**
Profit for the period from discontinued operation	-	4.6	(100%)
(Loss)/profit for the period	**(73.0)**	**193.4**	**(138%)**
EBITDA margin	47%	52%	n/a
Net cash generated from operating activities	290.0	941.5	(69%)
Dividend per share	-	-	n/a
Basic (loss)/earnings per share	US (1.01) cents	US 1.61 cents	(163%)
Diluted (loss)/earnings per share	US (1.01) cents	US 1.59 cents	(164%)

CHAIRMAN'S LETTER

Dear Shareholders,

I sincerely thank you for your long-term support for MMG. On behalf of the Board of Directors, I would like to present our 2019 Interim Report to all shareholders.

At MMG, safety is always our first value. We continued to perform well in the first half of the year, and the total recordable injury frequency (TRIF) was 1.67. We have one of the lowest injury rates among all the member companies of the International Council on Mining and Metals (ICMM) for 2018. This achievement comes from the fact that we put safety first in our day-to-day operations and have built a company safety culture by enhancing awareness and implementing innovative safety systems. In the future, we will continue to live our core value of safety and ensure that the safety and health of our employees is the foundation of all our work.

In the first half of 2019, downward pressure on the global economy increased, China's economic growth remained within a reasonable range, global trade tensions continued, and the pressure on the price of metals was maintained. Facing complex external environmental challenges, MMG is actively taking initiatives to strengthen its operations and management. In the first half of the year, we produced 215,527 tonnes of copper and 114,080 tonnes of zinc, and achieved revenue of US$1,387 million.

Across all our operations, we successfully responded to challenging events and continued to strengthen operational management. Las Bambas responded well to recover from community road blockades. After the incident was resolved, production resumed quickly, and stable operations have been maintained. In the first half of the year, 185,825 tonnes of copper in copper concentrate were produced. Despite regional flooding, Dugald River's processing throughput exceeded nameplate capacity and produced 74,515 tonnes of zinc in zinc concentrate; Kinsevere proactively responded to the mining and processing challenges caused by the monsoon season and its copper cathode production increased by 31% in the second quarter compared with the previous quarter. Rosebery continued to deliver strong mining and processing performance, with annual mining and processing volumes of around one million tonnes. In the reporting period, we continued to focus on cost competitiveness and to explore and implement business optimisation opportunities, reducing production costs, improving mine operating efficiency and maximising asset value and shareholder returns.

China Minmetals Corporation (CMC), the Company's major shareholder, is one of the largest and most international metals and minerals groups in China. CMC was rated a Class AA enterprise and received the Technology Innovation Contribution award in the 2016-2018 Annual Performance Appraisal in the latest assessment results released by the State Council of China. It also ranked 112th in the latest global Fortune 500. CMC is accelerating towards becoming the "No 1 in China and leading in the world" metal mining group. MMG is the flagship platform for the development of CMC's metal and mineral resources. The major shareholder will, as always, strongly support the development and competitiveness of MMG.

Looking forward to the second half of the year, China's economic growth is expected to remain under pressure and global trade tensions may continue. The accelerated development of new energy and electric vehicles will strongly drive the demand for copper, zinc and other metals. On the supply side, copper and zinc supplies are in a tight pattern due to global issues including strikes, natural disasters and environmental policies. In the medium- to long-term, commodity demand in countries along the "One Belt, One Road" Initiative will continue to grow. China is actively pushing high-quality development, which will drive steady growth in the demand for commodities, including copper and zinc. For this reason, we are optimistic about the fundamentals and future development of the commodities that we manage.

In the future, the Company will continue to grow in-line with its long-term strategy, and to create greater value for shareholders and stakeholders. We will continue to focus on safety, strengthen operational management, seek opportunities to reduce cost and improve efficiency, enhance risk prevention and emergency management capabilities. We will do this while actively maintaining the relationship with the community and the government in each host country and ensuring the smooth operation of all mines. We will further tap into the potential of resources in surrounding areas, closely track business growth opportunities and promote the Company's sustainable development.

I would like to thank all shareholders, communities and business partners for their long-term support and express my sincere thanks to all employees for their valuable contributions.

GUO Wenqing
Chairman

CHIEF EXECUTIVE OFFICER'S REPORT

Dear Shareholders

The first six months of this year have tested our ability to respond to issues and events. Despite external impacts and weakening commodity prices, I am pleased to report a solid first half performance.

SAFETY

Safety and the wellbeing of our people is our first value. An injury impacts not only the employee and contractor, but also their friends and family. During the first six months of 2019 we recorded a business-wide TRIF of 1.67, an increase on last year's record-low first half TRIF of 0.91. No injury is acceptable, and we will sustain our focus on continuous improvement – eliminating injuries and fatalities from our workplaces. We continue to focus on creating and maintaining a safety mindset in our people. We have increased our focus on safety leadership and learning from actual and potential incidents to ensure our people return home to their families injury-free every day.

OUR PERFORMANCE

During the first half, severe flooding in the Townsville and the north-west minerals province of Queensland affected our Dugald River operation and protracted protest activities restricted our logistics operations for over two months at Las Bambas. I'm pleased to say we overcame these challenges and I am proud of the work and dedication of our people to get our operations back on track.

In the first half of 2019, MMG's operations produced 215,527 tonnes of copper and 114,080 tonnes of zinc. Las Bambas produced 185,825 tonnes of copper in copper concentrate, maintaining stable production when compared to the first half of 2018. Revenue was lower than the first half of 2018 due to lower copper prices and lower sales volumes as a result of the community roadblocks that took place from early February until mid-April 2019. Extended roadblocks in early April led to the forced shut-down of the plant, however, road access was re-established by 13 April and operations ramped up swiftly to normal levels.

The community roadblocks were related to requests for compensation for a pre-existing easement that overlaps a public road on the Yavi Yavi farmland transferred to the community of Fuerabamba as part of the 2011 Las Bambas resettlement agreement. Later they extended to the release of community leaders and legal advisers arrested in relation to extortion allegations. The company remains committed to working together with the communities and the Government of Peru to resolve community concerns through dialogue and find a long-term, sustainable solution to Peru's most important copper logistics corridor.

Dugald River continued its strong ramp-up, with revenue of US$163.8 million reflecting sales for a full six months of operation compared with two months in the first half of 2018. Zinc production of 74,515 tonnes was higher than the first half of 2018, despite the impact of February's extreme weather events. Accelerating mine development will continue to be a major focus for the remainder of 2019.

Kinsevere produced 29,002 tonnes of copper cathode in the first half, 28% lower than the first half of 2018 due to challenging mining conditions in the Mashi pit, declining ore feed grade and plant stability issues. A revised mine plan will see the operation produce 65,000 to 70,000 tonnes of copper cathode in 2019.

Rosebery continued its strong and consistent performance in the mine and mill, with volumes for both remaining around one million tonnes on an annual basis. Zinc production was 39,565 tonnes, with decreased revenue largely due to lower sales volumes across all commodities and lower prices.

In the first half of 2019, MMG delivered an EBITDA of US$646.7 million – 34% lower than the first half of 2018 – due to lower commodity prices and lower sales volumes at Las Bambas. The Company's net debt increased by US$98.8 million during the half, largely attributable to the increased inventory with approximately 33,000 tonnes of copper in concentrate stockpiled at Las Bambas that will be progressively sold down during the second half. As a result, gearing increased from 72% at 31 December 2018 to 73% at 30 June 2019.

MMG expects to produce 450,000 to 455,000 tonnes of copper and 250,000 to 270,000 tonnes of zinc in the full year of 2019, with total capital expenditure of between US$400 million and US$500 million.

OUR PEOPLE

During the half, Executive general managers, Greg Travers and Mark Davis, announced their departure from the senior management team. On behalf of the Company, I would like to express my gratitude for their contribution to the development of MMG over the years.

On 21 August 2019 I was pleased to announce the appointment of Mr Jianxian Wei as Executive General Manager Operations – Americas and a member of the Executive Committee. Mr Wei has over 30 years of mining experience covering operations management and mine planning and was most recently President of Minmetals Mining Holdings Limited.

With strong relationships with MMG's major shareholder, deep experience in CMC's China operations and exposure to broad commodity and operating environments, Mr Wei will bring diverse and relevant expertise to MMG's Executive team.

OUR FOCUS

As we look to the second half of 2019, we expect that the ongoing global political and economic uncertainties will continue to drive market volatility and fluctuation in commodity prices. However, we remain confident in our core commodities of copper and zinc which continue to face supply challenges and experience an improving demand outlook, driven by technological developments to create a low carbon future.

For the second half of 2019 we are focused on achieving our annual production guidance following a challenging first six months and we will continue to drive further cost reduction and efficiency gains across all areas of the business.

As always, our commitment to living our MMG values, placing the safety and wellbeing of our people first, will remain our priority.

On behalf of the entire MMG management team, I would like to thank our shareholders, communities, contractors and our people for their continued support of our business. I look forward to sharing our continued successes with you all again soon.

Geoffrey (Xiaoyu) GAO
Chief Executive Officer

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

For the purpose of the management discussion and analysis, the Group's results for the six months ended 30 June 2019 are compared with results for the six months ended 30 June 2018.

SIX MONTHS ENDED 30 JUNE	2019 US$ MILLION	2018 US$ MILLION	CHANGE % FAV/(UNFAV)
Revenue	**1,387.4**	**1,898.8**	**(27%)**
Operating expenses	(726.7)	(901.2)	19%
Exploration expenses	(13.4)	(15.2)	12%
Administration expenses	(11.5)	(22.8)	50%
Other income, net	10.9	24.6	(56%)
EBITDA	**646.7**	**984.2**	**(34%)**
Depreciation and amortisation expenses	(451.3)	(406.8)	(11%)
EBIT	**195.4**	**577.4**	**(66%)**
Net finance costs	(266.4)	(250.0)	(7%)
(Loss)/profit before income tax	**(71.0)**	**327.4**	**(122%)**
Income tax expense	(2.0)	(138.6)	99%
(Loss)/profit after income tax from continuing operations	**(73.0)**	**188.8**	**(139%)**
Profit after income tax from discontinued operations	-	4.6	(100%)
(Loss)/profit after income tax for the period	**(73.0)**	**193.4**	**(138%)**
Attributable to:			
Equity holders of the Company	**(81.0)**	**128.7**	**(163%)**
– From continuing operations	(81.0)	124.2	(165%)
– From discontinued operation	-	4.5	(100%)
Non-controlling interests	**8.0**	**64.7**	**(88%)**
– From continuing operations	8.0	64.6	(88%)
– From discontinued operation	-	0.1	(100%)
	(73.0)	**193.4**	**(138%)**

(Loss)/profit attributable to equity holders of the Company

MMG's loss from continuing operations of US$73.0 million for the six months ended 30 June 2019 included loss attributable to equity holders of US$81.0 million and profit attributable to non-controlling interests of US$8.0 million. This compared to a profit from continuing operations attributable to equity holders of US$124.2 million and non-controlling interests of US$64.6 million in 2018. The profit attributable to non-controlling interests from continuing operations related to the 37.5% interest in Las Bambas not owned by the Company.

MMG's profit after income tax of US$193.4 million for the six months ended 30 June 2018 included profit from discontinued operation of US$4.5 million relating to Lane Xang Minerals Limited (LXML), the owner of the Sepon mine. MMG sold its 90% interest in LXML on 30 November 2018.

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

SIX MONTHS ENDED 30 JUNE	2019 US$ MILLION	2018 US$ MILLION	CHANGE % FAV/(UNFAV)
Profit after tax – Las Bambas 62.5% interest	13.3	107.4	(88%)
Profit after tax – Other continuing operations	(22.1)	93.4	(124%)
Exploration expenses	(13.4)	(15.2)	12%
Administration expenses	(11.5)	(22.8)	50%
Net finance costs (excluding continuing operations)	(53.7)	(65.3)	18%
Other	6.4	31.2	(79%)
(Loss)/profit for the period attributable to:	**(81.0)**	**128.7**	**(163%)**
– equity holders from continuing operations	(81.0)	124.2	(165%)
– equity holders from discontinued operation	-	4.5	(100%)

Overview of operating results

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

	REVENUE			EBITDA		
SIX MONTHS ENDED 30 JUNE	2019 US$ MILLION	2018 US$ MILLION	CHANGE % FAV/(UNFAV)	2019 US$ MILLION	2018 US$ MILLION	CHANGE % FAV/(UNFAV)
Las Bambas	902.2	1,349.4	(33%)	541.0	726.0	(25%)
Kinsevere	176.6	279.4	(37%)	8.6	127.2	(93%)
Dugald River	163.8	69.2	137%	52.5	28.8	82%
Rosebery	142.8	203.8	(30%)	64.1	118.2	(46%)
Other	2.0	(3.0)	167%	(19.5)	(16.0)	(22%)
Total	**1,387.4**	**1,898.8**	**(27%)**	**646.7**	**984.2**	**(34%)**

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

Revenue

The Group's revenue decreased by US$511.4 million (27%) to US$1,387.4 million, due to lower sales volumes (US$328.6 million) and lower realised commodity prices (US$182.8 million) compared to the first half of 2018. The lower sales volumes were primarily driven by the community-related disruptions at Las Bambas and lower copper production at Kinsevere. This was partially offset by an additional four months of sales from Dugald River in the first half of 2019, following the achievement of commercial production on 1 May 2018. Lower realised prices decreased revenue for copper (US$121.8 million), zinc (US$47.0 million), lead (US$10.0 million), silver (US$5.9 million) and molybdenum (US$1.8 million), partly offset by higher realised prices for gold (US$3.7 million).

REVENUE BY COMMODITY SIX MONTHS ENDED 30 JUNE	2019 US$ MILLION	2018 US$ MILLION	CHANGE % FAV/(UNFAV)
Copper	985.6	1,500.0	(34%)
Zinc	223.0	162.8	37%
Lead	35.5	48.1	(26%)
Gold	67.9	89.7	(24%)
Silver	54.3	74.2	(27%)
Molybdenum	21.1	24.0	(12%)
Total	**1,387.4**	**1,898.8**	**(27%)**

Price

LME base metals prices were lower in the six months ended 30 June 2019 compared to the prior corresponding period.

AVERAGE LME CASH PRICE SIX MONTHS ENDED 30 JUNE	2019	2018	CHANGE % FAV/(UNFAV)
Copper (US$/tonne)	6,167	6,915	(11%)
Zinc (US$/tonne)	2,734	3,268	(16%)
Lead (US$/tonne)	1,961	2,455	(20%)
Gold (US$/ounce)	1,307	1,318	(1%)
Silver (US$/ounce)	15.23	16.65	(9%)
Molybdenum (US$/tonne)	26,430	26,348	-

Sales volumes

PAYABLE METAL IN PRODUCT SOLD SIX MONTHS ENDED 30 JUNE	2019	2018	CHANGE % FAV/(UNFAV)
Copper (tonnes)	169,744	229,651	(26%)
Zinc (tonnes)	97,583	92,293	6%
Lead (tonnes)	19,537	20,875	(6%)
Gold (ounces)	51,983	72,479	(28%)
Silver (ounces)	3,715,231	4,552,894	(18%)
Molybdenum (tonnes)	901	947	(5%)

PAYABLE METAL IN PRODUCT SOLD SIX MONTHS ENDED 30 JUNE 2019	COPPER TONNES	ZINC TONNES	LEAD TONNES	GOLD OUNCES	SILVER OUNCES	MOLYBDENUM TONNES
Las Bambas	140,264	-	-	37,711	2,052,664	901
Kinsevere	28,764	-	-	-	-	-
Dugald River	-	61,310	8,226	-	505,675	-
Rosebery	716	36,273	11,311	14,272	1,156,892	-
Total from continuing operations	**169,744**	**97,583**	**19,537**	**51,983**	**3,715,231**	**901**
Discontinued operation	-	-	-	-	-	-

PAYABLE METAL IN PRODUCT SOLD SIX MONTHS ENDED 30 JUNE 2018	COPPER TONNES	ZINC TONNES	LEAD TONNES	GOLD OUNCES	SILVER OUNCES	MOLYBDENUM 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	-	-	-	-	-

Copper sales volumes decreased by 26% compared to the first half of 2018. This was driven primarily by lower sales at Las Bambas following the community road blockades that restricted concentrate logistics between February and April 2019. Since logistics restarted on 13 April 2019, Las Bambas has reduced stockpiles on site from a peak of approximately 59,000 tonnes of copper in concentrate to approximately 33,000 tonnes by 30 June 2019. The remainder of these stockpiles are expected to be progressively drawn down and shipped during the second half of 2019. Lower copper sales at Kinsevere were primarily due to lower production (11.6kt contained metal) resulting from lower ore mined grades and reduced plant throughput, compared to the first half of 2018.

Zinc sales volumes were 6% higher for the six months ended 30 June 2019, primarily due to the ramp-up of Dugald River following its achievement of commercial production on 1 May 2018, partly offset by the lower sales at Rosebery.

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 decreased by US$174.5 million (19%) in the first half of 2019, mainly due to the lower production and sales volume at Las Bambas (US$253.2 million) following the community-related disruptions to concentrate logistics. The disruptions have led to the build-up of copper concentrate at the site, contributing to a favourable inventory movement (US$209.6 million), as well as lower royalties and transport costs ($29.1 million) compared to 2018. This was partly offset by higher operating costs at Dugald River (US$69.8 million) due to an additional four months of commercial production in 2019, and higher transport costs associated with the temporary disruption following the flood event in February 2019.

Exploration expenses decreased by US$1.8 million (12%) to US$13.4 million in the first half of 2019, mainly due to the winding down of new discovery programs in Northern Australia and Zambia to allow a greater focus on exploration activities near existing operations.

Administrative expenses decreased by US$11.3 million (50%) in the six months ended 30 June 2019, driven by cost and efficiency improvement initiatives across group and support functions with lower employee, consultant and travel expenses compared to 2018. The results in 2019 included the benefits from the reduced headcount in the Group Office, following the 2018 operating model review and lower long-term incentive costs due to the true-up during the period (US$7.6 million) to reflect expected outcomes.

Other income, net had an aggregate favourable impact on EBIT of US$10.9 million in the first half of 2019, compared to the favourable impact of US$24.6 million in the prior corresponding period.

The favourable impact of US$10.9 million in the first half of 2019 was mainly due to foreign exchange gains of US$9.1 million (2018: US$11.0 million). The results in the first half of 2018 also included the gain on the redemption of Convertible Redeemable Preference Shares (US$12.6 million).

Depreciation and amortisation expenses increased by US$44.5 million (11%) to US$451.3 million in the first half of 2019. The increase was driven by Las Bambas (US$39.8 million), due to higher ore mined and ore milled, and Dugald River (US$21.7 million), with an additional four months of expenses recognised in 2019 following its achievement of commercial production on 1 May 2018. This was partly offset by lower depreciation and amortisation expenses at Kinsevere (US$15.0 million) driven by the lower ore mined and ore milled compared to first half of 2018.

Net finance costs increased by US$16.4 million (7%) to US$266.4 million compared to the first half of 2018. The increase was mainly due to higher London Inter-Bank Offered Rate (LIBOR) rates compared with the first half of 2018. This was partly offset by the lower loan balances and savings on the Top Create loan facility due to fixing of interest rates commencing July 2018.

Income tax expenses decreased by US$136.6 million (99%) compared to the first half of 2018. Net income tax expense of US$2.0 million was recognised in the first half of 2019, reflecting the decrease in the Group's profit before income tax. The Group's effective tax rate for the first half of 2019 was -3%. The expected income tax benefit was lower (based on the prima facie tax rate from operations of 32%) mainly due to the impacts of non-creditable withholding tax and non-deductible expenses.

MINES ANALYSIS

Las Bambas

SIX MONTHS ENDED 30 JUNE	2019	2018	CHANGE % FAV/(UNFAV)
Production			
Ore mined (tonnes)	27,286,512	24,398,944	12%
Ore milled (tonnes)	24,814,293	23,662,414	5%
Copper in concentrate (tonnes)	185,825	186,637	(0%)
Payable metal in product sold			
Copper (tonnes)	140,264	188,243	(25%)
Gold (ounces)	37,711	52,387	(28%)
Silver (ounces)	2,052,664	2,633,916	(22%)
Molybdenum (tonnes)	901	947	(5%)

SIX MONTHS ENDED 30 JUNE	2019 US$ MILLION	2018 US$ MILLION	CHANGE% FAV/(UNFAV)
Revenue	**902.2**	**1,349.4**	**(33%)**
Operating expenses			
Production expenses			
Mining	(196.6)	(190.2)	(3%)
Processing	(118.5)	(145.9)	19%
Other	(152.8)	(162.1)	6%
Total production expenses	**(467.9)**	**(498.2)**	**6%**
Freight (transportation)	(24.1)	(30.1)	20%
Royalties	(26.4)	(41.3)	36%
Other (i)	149.5	(52.6)	384%
Total operating expenses	**(368.9)**	**(622.2)**	**41%**
Other income/(expenses)	7.7	(1.2)	742%
EBITDA	**541.0**	**726.0**	**(25%)**
Depreciation and amortisation expenses	(322.0)	(282.2)	(14%)
EBIT	**219.0**	**443.8**	**(51%)**
EBITDA margin	**60%**	**54%**	

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

Revenue of US$902.2 million was 33% below the first half of 2018, due to lower sales volumes (US$339.1 million) and lower realised commodity prices (US$108.1 million). The lower sales volumes were the result of community roadblocks that took place from early February until mid-April 2019. During this time, inbound and outbound logistics were blocked and critical supplies stocks to sustain operations were exhausted. This eventually led to the forced shut-down of the plant in early April 2019, and planned maintenance activities were brought forward to partly mitigate the impact of these disruptions.

Unrestricted road access was re-established on 13 April 2019, and operations and concentrate logistics ramped back up to normal operational levels. Since logistics restarted, stockpiles of copper in concentrate at the mine have reduced from a peak of approximately 59,000 tonnes to approximately 33,000 tonnes by 30

June 2019. The remainder of these stockpiles are expected to be progressively drawn down and shipped during the second half of 2019.

The community roadblocks related to requests for compensation for land traversed by a public road, and the release of community leaders and legal advisers arrested in relation to extortion allegations. Agreements to cease all roadblocks were reached following dialogue brokered by the Government of Peru with the participation of the Catholic Church. The Company remains committed to working together with the communities and the Government of Peru to resolve community concerns through dialogue. This dialogue process remains ongoing.

Despite the operational disruptions, efficiency initiatives continued to deliver benefits, with mill throughput 5% above the prior period, offsetting the impact of slightly lower copper ore grades (0.8% vs. 0.9% in the first half of 2018). Total operating expenses were favourable by US$253.3 million (41%) predominantly due to the lower sales volume at Las Bambas and build-up of finished goods, resulting in a favourable inventory movement compared to the first half of 2018 (US$209.6 million). In addition, processing costs were lower by $27.4 million (19%) mainly due to lower maintenance costs following a major planned maintenance shut-down during the first half of 2018, and lower royalties (US$14.9 million) and concentrate logistic costs (US$8.2 million) due to the community road blockades.

C1 costs for the first half of 2019 were US$1.12/lb compared to US$1.19/lb in the first half of 2018. The lower C1 is due to lower processing costs and lower transportation costs. EBITDA of US$541.0 million was below the US$726.0 million delivered in the first half of 2018.

Following the operational disruptions during the first half, Las Bambas production for 2019 is expected to be at the lower end of the 385,000 to 405,000 tonnes guidance range, with C1 costs at the upper end of the US$1.15 to US$1.25/lb range. Higher C1 costs in the second half of 2019 reflect: higher transport logistics costs associated with the drawdown of stockpiled concentrate inventory, an increase in both mining and milling volumes, increased mine development and longer haul distances as the depth of the Ferrobamba pit increases. Cost and efficiency initiatives continue to partially mitigate these pressures and ensure that Las Bambas remains one of the lower cost mines of this scale in the world.

Development works at Las Bambas continued in the first half; the third ball mill installation commenced, and drilling, permitting and engineering works continued for the development of the Chalcobamba pit. Results of the drilling activities are included in the Exploration Activities section, where drilling has intersected additional near-surface skarn and porphyry copper mineralisation in the Chalcobamba Southwest Zone. It is anticipated that further drilling is expected to demonstrate that the Chalcobamba Southwest Zone is continuous with the main Chalcobamba mineralisation and could result in expansion of the Chalcobamba pit design.

The Group has been granted indemnities in relation to certain tax matters arising from the previous ownership of the Las Bambas project up to 31 July 2014. The Group sought to enforce those indemnities by filing a formal claim in the UK High Court of Justice totalling US$31.5 million. The decision of the High Court, which was handed down on 29 June 2018, was appealed by both parties. On 14 June 2019, the UK Court of Appeal handed down judgement dismissing both parties' appeals. The judgement upheld the High Court decision and provides that a significant proportion of the amounts claimed are recoverable from Glencore, but only upon the conclusion of the Tax Court proceedings in Peru. A further claim in relation to a separate indemnity for an amount of US$46.0 million has also been filed with the UK High Court of Justice and the case is expected to be heard in 2020.

Kinsevere

SIX MONTHS ENDED 30 JUNE	2019	2018	CHANGE % FAV/(UNFAV)
Production			
Ore mined (tonnes)	1,145,610	1,419,991	(19%)
Ore milled (tonnes)	1,099,421	1,193,306	(8%)
Copper cathode (tonnes)	29,002	40,556	(28%)
Payable metal in product sold			
Copper (tonnes)	28,764	40,674	(29%)

SIX MONTHS ENDED 30 JUNE	2019 US$ MILLION	2018 US$ MILLION	CHANGE % FAV/(UNFAV)
Revenue	**176.6**	**279.4**	**(37%)**
Operating expenses			
Production expenses			
Mining	(38.3)	(20.5)	(87%)
Processing	(55.8)	(52.1)	(7%)
Other	(42.4)	(38.9)	(9%)
Total production expenses	**(136.5)**	**(111.5)**	**(22%)**
Freight (transportation)	(13.3)	(19.4)	31%
Royalties	(9.5)	(12.4)	23%
Other (i)	(8.1)	(8.5)	5%
Total operating expenses	**(167.4)**	**(151.8)**	**(10%)**
Other income/(expenses)	(0.6)	(0.4)	(50%)
EBITDA	**8.6**	**127.2**	**(93%)**
Depreciation and amortisation expenses	(59.6)	(74.6)	20%
EBIT	**(51.0)**	**52.6**	**(197%)**
EBITDA margin	**5%**	**46%**	

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

Kinsevere revenue decreased 37% to US$176.6 million compared to the first half of 2018, due to lower production and lower realised copper prices.

Production of 29,002 tonnes (-28% compared with the prior corresponding period) reflected the challenging mining conditions in the Mashi pit, declining ore feed grade and plant stability issues encountered during the half.

Ore mined was 19% below the first half of 2018, due to the more complex geology encountered in the Mashi pit. Ore processed also decreased by 8%, as mill feed was supplemented by the reclamation of long-term stockpiles and third-party ore from nearby Kalumines and Kimpe deposits. Looking forward, ore mined and feed grades are expected to improve for the remainder of 2019 and 2020 as the main Central pit provides the majority of mined ore. These improvements, along with the reclamation of long-term stockpiles and third-party ores, are the sources of the feed to the plant for the remainder of the oxide mine life.

Total production expenses increased by US$25.0 million (22%) compared to the first half of 2018, mainly due to higher mining expenses following a 32% increase in total material movement (including waste stripping). Processing expenses were also higher due to higher acid consuming ore feed.

Freight and royalties have decreased by 31% and 23% respectively compared to the first half of 2018, reflecting lower sales volumes and prices.

Depreciation and amortisation expenses also decreased by US$15.0 million (20%) following lower ore mined and copper production.

Consistent with previous guidance, copper cathode production is expected to be between 65,000–70,000 tonnes. C1 costs for 2019 are expected to be within the range of US$2.15–US$2.25/lb due to higher than anticipated mining and contractor costs and higher acid consumption.

Kinsevere's oxide Ore Reserves (as at 30 June 2018), represent a life of mine for oxide operations ending in approximately 2023. MMG has been working on developing the full potential of the Kinsevere mine through significant investment in resource extension drilling, particularly on tenements held inside a 50-kilometre radius of the Kinsevere mine, as well as evaluating options for mining and processing of sulphide ores present on the Kinsevere lease, as well as the addition of a cobalt processing plant.

Pending the outcome of ongoing studies, the brownfield expansion of the Kinsevere mine could have the potential to more than double the remaining production life and create an entry for MMG into the cobalt market.

Further details on some of the early success of the exploration program, specifically in relation to the nearby Nambulwa deposit, is provided in the Exploration Activities section of this report.

Dugald River(i)

SIX MONTHS ENDED 30 JUNE	2019	2018	CHANGE % FAV/(UNFAV)
Production			
Ore mined (tonnes)	846,264	560,676	51%
Ore milled (tonnes)	886,128	790,178	12%
Zinc in zinc concentrate (tonnes)	74,515	67,266	11%
Lead in lead concentrate (tonnes)	10,639	5,898	80%
Payable metal in product sold			
Zinc (tonnes)	61,310	55,022	11%
Lead (tonnes)	8,226	4,533	81%
Silver (ounces)	505,675	266,300	90%

SIX MONTHS ENDED 30 JUNE	2019 US$ MILLION	2018 US$ MILLION	CHANGE % FAV/(UNFAV)
Revenue	**163.8**	**69.2**	**137%**
Operating expenses			
Production expenses			
Mining	(32.8)	(7.9)	(315%)
Processing	(49.6)	(9.7)	(411%)
Other	(16.8)	(10.3)	(63%)
Total production expenses	**(99.2)**	**(27.9)**	**(256%)**
Freight (transportation)	(6.7)	(1.8)	(272%)
Royalties	(7.1)	(2.3)	(209%)
Other (ii)	1.7	(9.5)	118%
Total operating expenses	**(111.3)**	**(41.5)**	**(168%)**
Other (expenses)/income	-	1.1	(100%)
EBITDA	**52.5**	**28.8**	**82%**
Depreciation and amortisation expenses	(31.5)	(9.8)	(221%)
EBIT	**21.0**	**19.0**	**11%**
EBITDA margin	**32%**	**42%**	

(i) Production and payable metal in product sold relates to the full first six months of 2018. The operating financial results for the first half of 2018 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 continued its strong ramp-up, with revenue of US$163.8 million, or 137% above the prior period. This reflected sales for a full six months of operation in the first half of 2019, compared with two months in the first half of 2018 following commercial production beginning on 1 May 2018. Zinc production of 74,515 tonnes was 11% above the first half of 2018, despite the flooding events in February 2019, and EBITDA of US$52.5 million was 82% higher.

Mine development works continued to open a higher average number of operating stopes, resulting in a 51% uplift in mined ore compared with the first half of 2018. The improvement in mine production has enabled mill throughput to be sustained above design capacity since the commencement of commercial production. Mine development works will continue to be a major focus for the remainder of 2019, to ensure stable feed to the mill with all pre-commissioning ore stockpiles now depleted.

Total operating expenses were US$69.8 million (168%) higher compared to the first half of 2018, due to an additional four months of operating costs in 2019. EBIT in 2018 excluded costs incurred during the pre-commissioning phase of US$64.1 million, which were capitalised to the Dugald River project. Concentrate transport by rail to the port was temporarily disrupted following February's flood event, which resulted in higher transport costs (US$5.0 million).

Consistent with previous guidance, 2019 production for Dugald River is expected to be between 165,000–175,000 tonnes of zinc in concentrate, with C1 costs between US$0.70 and $0.75/lb.

C1 costs during the first half of 2019 were US$0.81/lb, due primarily to the additional costs of concentrate transport.

Rosebery

SIX MONTHS ENDED 30 JUNE	2019	2018	CHANGE % FAV/(UNFAV)
Production			
Ore mined (tonnes)	498,541	493,928	1%
Ore milled (tonnes)	511,115	503,258	2%
Copper in copper concentrate (tonnes)	700	765	(8%)
Zinc in zinc concentrate (tonnes)	39,565	38,059	4%
Lead in lead concentrate (tonnes)	12,096	16,312	(26%)
Gold (ounces)	5,480	7,390	(26%)
Silver (ounces)	3,138	4,034	(22%)
Payable metal in product sold			
Copper (tonnes)	716	734	(2%)
Zinc (tonnes)	36,273	37,271	(3%)
Lead (tonnes)	11,311	16,342	(31%)
Gold (ounces)	14,272	20,092	(29%)
Silver (ounces)	1,156,892	1,652,678	(30%)

SIX MONTHS ENDED 30 JUNE	2019 US$ MILLION	2018 US$ MILLION	CHANGE % FAV/(UNFAV)
Revenue	**142.8**	**203.8**	**(30%)**
Operating expenses			
Production expenses			
Mining	(35.9)	(35.7)	(1%)
Processing	(16.2)	(15.2)	(7%)
Other	(11.3)	(10.8)	(5%)
Total production expenses	**(63.4)**	**(61.7)**	**(3%)**
Freight (transportation)	(3.6)	(3.8)	5%
Royalties	(6.7)	(10.0)	33%
Other (i)	(5.0)	(10.1)	50%
Total operating expenses	**(78.7)**	**(85.6)**	**8%**
Other (expenses)/income	-	-	-
EBITDA	**64.1**	**118.2**	**(46%)**
Depreciation and amortisation expenses	(33.5)	(35.5)	6%
EBIT	**30.6**	**82.7**	**(63%)**
EBITDA margin	**45%**	**58%**	

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

Rosebery produced 39,565 tonnes of zinc in zinc concentrate during the first half of 2019 (4% above the first half of 2018). The strong and consistent performance in the mine and the mill continued with both mining and milling volumes remaining around one million tonnes on an annualised basis.

Revenue decreased by US$61.0 million (30%) to US$142.8 million, due to lower sales volumes across all commodities, lower prices and higher zinc treatment charges. Lower sales volumes in the first half of 2019 were driven by lower lead production as well as reduced by-product credits reflecting the lower gold and silver grades in the mining area.

Total production expenses were US$1.7 million (3%) higher compared to the first half of 2018, due to increased processing costs reflecting higher mill throughput. The benefit from insourcing mining and development works in 2019 were largely offset by increased mining volumes and development works. Other operating expenses were favourable by US$5.1 million (50%), due to the build-up of inventory in the first half of 2019.

EBITDA of US$64.1 million was 46% lower than the first half of 2018, primarily due to lower sales.

Rosebery's zinc C1 costs were US$0.30/lb in the first half of 2019 compared to negative US$0.21/lb in the first half of 2018. The significant escalation in C1 costs was due to the production in the current year of the mine plan largely coming from a mining area that has higher average zinc grades, but has a lower contribution from precious metal by-products (lead, copper, gold and silver are treated as by-product credits in the calculation of C1).

Consistent with previous guidance, production for 2019 is still expected to be between 85,000 and 95,000 tonnes of zinc in zinc concentrate, with C1 costs estimated to be US$0.25–0.35/lb.

CASH FLOW ANALYSIS

Net cash flow

SIX MONTHS ENDED 30 JUNE	2019 US$ MILLION	2018 US$ MILLION
Net operating cash flows	290.0	941.5
Net investing cash flows	(148.5)	15.1
Net financing cash flows	(501.4)	(1,231.4)
Net cash outflows	**(359.9)**	**(274.8)**

Net operating cash inflows decreased by US$651.5 million (69%) to US$290.0 million mainly reflecting lower EBITDA because of lower copper sales at Las Bambas and Kinsevere. This was partly offset by the six months of commercial production at Dugald River in the first half of 2019 (2018: two months). Tax paid in 2019 was higher by US$156.3 million compared to the first half of 2018, primarily due to higher tax payments in Peru.

Net investing cash flows decreased by US$163.6 million to US$148.5 million mainly due to the proceeds of US$120.0 million from repayments of loan to a related party in 2018 (2019: nil) and higher capital expenditure of US$45.9 million in the first half of 2019. The latter was primarily driven by the non-recurrence of capitalised revenue generated by Dugald River during its pre-commissioning stage prior to 1 May 2018, which resulted in lower capital expenditure in the first half of 2018.

Net financing cash outflows in 2019 included net repayment of borrowings of US$261.0 million (2018: US$1,060.8 million), together with payment of interest and financing costs of US$197.5 million (2018: US$178.6 million). Repayments on borrowings were higher in 2018, due to an additional repayment of the Las Bambas project facility (US$500.0 million) and the redemption of convertible preference shares (US$338.0 million).

FINANCIAL RESOURCES AND LIQUIDITY

	30 JUNE 2019 US$ MILLION	31 DECEMBER 2018 US$ MILLION	CHANGE US$ MILLION
Total assets	12,903.2	13,255.4	(352.2)
Total liabilities	(10,103.3)	(10,359.1)	255.8
Total equity	**2,799.9**	**2,896.3**	**(96.4)**

Total equity decreased by US$96.4 million to US$2,799.9 million as at 30 June 2019, mainly due to the loss for the period (US$73.0 million) and the reduction of opening retained profits and non-controlling interests upon the adoption of Hong Kong Financial Reporting Standards (HKFRS) 16 *Leases* (US$24.3 million).

The Group's objectives in managing capital are to safeguard its ability to continue as a going concern, support sustainable growth, enhance Shareholder value and provide capital for potential acquisitions and investment.

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

MMG GROUP	30 JUNE 2019 US$ MILLION	31 DECEMBER 2018 US$ MILLION
Total borrowings (excluding prepaid finance charges)[1]	7,942.2	8,203.3
Less: cash and cash equivalents	(242.0)	(601.9)
Net debt	**7,700.2**	**7,601.4**
Total equity	2,799.9	2,896.3
Net debt +Total equity	**10,500.1**	**10,497.7**
Gearing ratio	**0.73**	**0.72**

(i) Borrowings at an MMG Group level reflect 100% of the borrowings of MMG South America Management Company Limited and its subsidiaries (Las Bambas Joint Venture Group). Las Bambas Joint Venture Group borrowings at 30 June 2019 were US$5,124.3 million (31 December 2018: US$5,396.5 million) and Las Bambas Joint Venture Group cash and cash equivalents at 30 June 2019 were US$188.5 million (31 December 2018: US$470.2 million). The Las Bambas Joint Venture Group's borrowings 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 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 2018: 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 Group. For the purpose of the above, it has, however, been included as borrowings.

Available debt facilities

At 30 June 2019, the Group (excluding the Las Bambas Joint Venture Group) had available undrawn debt facilities of US$270.0 million (31 December 2018: US$300.0 million), represented by revolving credit facilities provided by the Industrial and Commercial Bank of China Limited (ICBC) and Top Create, for general corporate purposes.

At 30 June 2019, the Las Bambas Joint Venture Group had an agreement with CMC and CITIC, each as direct or indirect off-takers of Las Bambas production for early payment on cargoes already shipped and invoiced as well as pre-payments for inventory held at both port and site. Early payment and pre-payments are permitted up to an aggregate amount of US$200.0 million, allocated to each party in their respective off-take proportions.

On 21 August 2019, two revolving credit facilities were established with Bank of China Limited, Sydney Branch (BOC Sydney) (US$175.0 million) and International and Commercial Bank of China Ltd. (Luxembourg branch) (ICBC Luxembourg) (US$175.0 million), which are exclusively for the operational funding requirements of Minera Las Bambas S.A. (MLB). These facilities replaced the US$350.0 million BOC Sydney working capital revolving facility, which matured during March 2019.

DEVELOPMENT PROJECTS

There is no major development project noted during the six months ended 30 June 2019.

CONTRACTS AND COMMITMENTS

During the first half of 2019, 265 contracts have been reviewed through either out to market tender processes or in-contract renegotiations. The approximate annualised operational or capital values addressed by these activities comes to US$239.0 million.

Las Bambas

Of a total number of new or revised contracts in the period, 158 were for requirements in support of optimising production and expansion options for Las Bambas. These included contracts for the supply of earth moving/mining services; spares and maintenance services for mobile fleet; contracts for engineering services and long lead equipment requirements for expansion projects; multiple in-bound and out-bound logistics services contracts; multiple contracts with local community-based suppliers, including internal road maintenance services; and multiple operations goods and services contracts in support of planned shut-downs and ongoing maintenance requirements.

A significant number of contracts were impacted by force majeure events during the first half, resulting in corresponding contract management actions to suspend, then restart performance under those contracts.

Kinsevere

New and revised agreements were finalised with regard to various goods and services focused on responding to changes in processing parameters while improving operational cost performance including third-party ore supply agreements; multiple reagent and consumable supply agreements; multiple safety, security consultancy and supply contracts; and multiple processing maintenance goods and services agreements. In addition to operations-oriented agreements, multiple engineering services and consultancy agreements were finalised in support of ongoing Kinsevere expansion studies. Significant activities have also been required to address emerging requirements associated with the revised Mining Code.

Dugald River

New and revised agreements were finalised with regard to various goods and services with a focus on building throughput and managing costs following commencement of commercial production in May 2018. These included multiple utilities amendments and a new Power Purchase Agreement coming into effect in January 2021, multiple reagent and consumable contracts, multiple new and amended personnel logistics contracts in support of revised operations rosters, and multiple new and revised mining and processing services agreements.

A significant number of short-term logistics agreements and amended goods supply agreements were put in place in response to significant flooding events in the first half of 2019, supporting the operation maintain its production and output in the face of disruption.

Rosebery

New and revised agreements were finalised with regard to various goods and services with a focus on supporting development, rehabilitation and remnant mining activities including multiple new and amended site and mining services contracts, multiple reagents and consumables supply agreements, and multiple engineering services and labour hire agreements.

Group

New and revised agreements were finalised with regard to various goods and services including Group-wide travel management contracts, multiple IT-related consultancy agreements and multiple corporate consultancy agreements.

PEOPLE

As at 30 June 2019, the Group employed a total of 3,659 full-time equivalent employees (2018: 3,602) in its continuing operations (excluding contractors and casual employees) with the majority of employees based in Australia, Peru, the Democratic Republic of Congo (DRC) and Laos.

Total employee benefits expenses for the Group's continuing operations for the six months ended 30 June 2019, including Directors' emoluments, totalled US$156.0 million (2018: US$153.8 million) reflecting the full six months of commercial production at Dugald River (achieved on 1 May 2018). This was partly offset by the reduced headcount following efficiency improvement initiatives across the Group as well as lower incentive costs.

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

EXPLORATION ACTIVITIES

Drilling activities were carried out at the Las Bambas operation in Peru, along with the Nambulwa and Mwepu prospects close to the Kinsevere mine and other greenfield copper and cobalt projects in the DRC.

The Company's activities during the quarter have focused on:

- Las Bambas – hydrogeological, geotechnical and sterilisation drilling for development of Chalcobamba has identified mineralisation adjacent to the Chalcobamba deposit.
- DRC – discovery and delineation of satellite copper oxide ore bodies within a 50km radius (RAD50) that may be suitable for economic exploitation at the Kinsevere mine.

Las Bambas

Las Bambas drilling has intersected mineralisation in the Chalcobamba south-west area. It is anticipated that further drilling will demonstrate that the Chalcobamba south-west zone, which is within 300 metres of the current Chalcobamba Ore Reserve pit, is continuous with the main Chalcobamba mineralisation and could drive expansion of the Chalcobamba pit design. Highlights include:

- 126.8m @ 1.39% Cu and 7ppm Mo, including 48.8m @ 2.43% Cu, in drillhole CHS19-012, from 107.0m downhole
- 103.1m @ 0.54% Cu and 299ppm Mo, in drillhole CHS19-011, from 49.9m downhole

- 381.2m @ 0.37% Cu and 263ppm Mo, in drillhole CHS18-049, from 0.90m downhole

Nambulwa (DRC)

At the Nambulwa project, approximately 30km north of the Kinsevere mine, preliminary interpretations of drilling intercepts indicate a reasonable probability for economic exploitation of oxide ore feed for the Kinsevere mine. Highlights included:

Nambulwa Main

- 13.0m @ 4.19% Cu, in drillhole NAMDD037, from 38.0m downhole
- 29.0m @ 3.67% Cu, in drillhole NAMDD034 from 45.0m downhole
- 25.4m @ 2.22% Cu, in drillhole NAMDD052, from 36.0m downhole
- 14.5m @ 3.24% Cu, in drillhole NAMDD050, from 48.9m downhole
- 26.5m @ 3.41% Cu, in drillhole NAMDD008, from 30.5m downhole
- 10.0m @ 3.68% Cu, in drillhole NAMDD044, from 14.9m downhole
- 14.4m @ 6.96% Cu, in drillhole NAMDD042, from 30.0m downhole

DZ

- 24.2m @ 3.33% Cu, in drillhole NAMDD076, from 24.0m downhole
- 9.0m @ 3.98% Cu, in drillhole NAMDD061, from 13.0m downhole
- 54.0m @ 4.10% Cu, in drillhole NAMDD060, from 99.0m downhole
- 50.5m @ 2.13% Cu, in drillhole NAMDD065, from 105.4m downhole
- 19.0m @ 6.28% Cu, in drillhole NAMAC047, from 12.0m downhole

Full drilling and exploration results, as well as the full Table 1 JORC 2012 Code disclosure, can be found in full in the Second Quarter Production Report that was lodged with the Hong Kong Stock Exchange on 18 July 2019 and can also be downloaded from www.mmg.com.

PROJECT	HOLE TYPE	METREAGE (m)	No. HOLES	AV. LENGTH (m)
Kinsevere/RAD50 (copper; DRC)	AC	776	66	12
	DD	3,602	17	212
	RC	4,739	40	118
Las Bambas	RC	1,186	7	169
	Diamond	30,128	90	335
TOTAL		**40,431**	**220**	

MATERIAL ACQUISITIONS AND DISPOSALS

The Group made no material acquisition or disposal in the six months ended 30 June 2019.

EVENTS AFTER THE REPORTING DATE

On 21 August 2019, two revolving credit facilities were established with BOC Sydney (US$175.0 million) and ICBC Luxembourg (US$175.0 million), which are exclusively for the operational funding requirements of MLB. These facilities replaced the US$350.0 million BOC Sydney working capital revolving facility, which matured during March 2019.

On 21 August 2019, MMG announced the appointment of Mr Jianxian Wei as Executive General Manager Operations – Americas and a member of the Executive Committee of the Company. Mr Wei has over 30 years of both open pit and underground mining experience covering operations management and mine planning and was most recently President of Minmetals Mining Holdings Limited.

Mr Wei was previously President of Minmetals Hanxin Mining Co., Ltd, President of Anhui Kaifa Mining Co., Ltd., managing the construction and operation of one of China's largest underground mine.

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

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 (excluding commodity price contracts) 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 30 June 2019, if the commodity prices increased/(decreased) by 10% and all other variables were held constant, the Group's post-tax loss would have changed as set out below:

Commodity	Commodity price movement	Decrease loss US$ million	Increase loss US$ million
Copper	10%	34.4	(34.4)
Zinc	10%	6.6	(6.6)
Total		**41.0**	**(41.0)**

(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. While the most significant exposure to credit risk is through sales of metal products on normal terms of trade, 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. All of the Group's trade receivables at 30 June 2019 are aged within six months of the invoice date.

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 to, 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, value added tax (VAT) and royalty rates, coupled with increased audit and compliance activity. The DRC Government, during 2018, made changes to the 2002 Mining Code and Mining Regulations. These changes were enacted (2018 Mining Code) and will result in an increased tax burden on mining companies.

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

CONTINGENT LIABILITIES

Bank guarantees

Certain bank guarantees have been provided in connection with the operations of certain subsidiaries of the Company primarily associated with the terms of mining leases, mining concessions, exploration licences or key contracting arrangements. At the end of the year, no material claims have been made under these guarantees. The amount of these guarantees may vary from time to time depending on the requirements of the relevant regulatory authorities. These guarantees amount to US$373.2 million as at 30 June 2019 (31 December 2018: US$351.1 million).

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' 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.

CHARGES ON ASSETS

As at 30 June 2019, the borrowings of the Group were secured as follows:

(a) Approximately US$5,124.27 million (31 December 2018: US$5,396.48 million) from China Development Bank, Industrial and Commercial Bank of China Limited, BOC Sydney and The Export-Import Bank of China was secured by share security over the entire share capital of MMG South America Management Co Ltd and each of its subsidiaries including MLB, a debenture over the assets of MMG South America Management Co Ltd, an assets pledge agreement and production unit mortgage in respect of all of the assets of MLB, assignments of shareholder loans between MMG South America Management Co Ltd and its subsidiaries and security agreements over bank accounts of MLB. Prior to 31 October 2018, these borrowings were also guaranteed on a several basis by CMNH and CMCL, Guoxin International Investment Corporation Limited and CITIC Corporation Limited (formerly known as CITIC Limited) in proportion to the respective shareholdings of MMG SA, Elion Holdings Corporation Limited and Citic Metal Peru Investment Limited in the Las Bambas Joint Venture Group. On 31 October 2018, lenders agreed to release guarantees in relation to the Las Bambas project facility. As at 30 June 2019, US$584.0 million remained guaranteed under these security arrangements.

(b) Approximately US$426.76 million (31 December 2018: US$445.56 million) from China Development Bank and BOC Sydney was substantively secured by the shares and assets of MMG Dugald River Pty Ltd (MMG Dugald River). This consists of a charge over the shares in MMG Dugald River, a real property mortgage over all of the interests in land of MMG Dugald River, a general security agreement in respect of all of the assets of MMG Dugald River, and specific security over certain assets owned by MMG Australia Limited relating to the Dugald River project, and a featherweight charge over all of MMG Australia Limited's other assets.

FUTURE PROSPECTS

MMG expects to produce 450,000–455,000 tonnes of copper and 250,000–270,000 tonnes of zinc in 2019.

Total capital expenditure expectations remain between US$400 million and US$500 million in 2019.

MMG currently has no future plans for material investments or capital assets sanctioned by the Board, other than those detailed in this report or announced to the market.

OTHER INFORMATION

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 of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2019, except for the following deviation:

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

In accordance with the Company's articles of association, each Director appointed by the Board shall be subject to re-election by Shareholders at the next general meeting (in the case of filling a casual vacancy) or at the next annual general meeting (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 the AGMs held in 2011, 2013, 2016 and 2019.

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 consists of five members including three Independent Non-executive Directors, namely Ms Jennifer Seabrook, Mr Leung Cheuk Yan and Professor Pei Ker Wei. There are two Non-executive Directors, namely Mr Jiao Jian and Mr Zhang Shuqiang. 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 condensed consolidated interim financial statements of the Group for the six months ended 30 June 2019.

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 for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (Model Code).

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 2019.

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 2019.

INDEPENDENT REVIEW

The interim financial information for the six months ended 30 June 2019 is unaudited and has been reviewed by the Company's auditor, Deloitte Touche Tohmatsu, in accordance with the 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. The auditor's unmodified review report will be included in the 2019 Interim Report. This interim financial information has also been reviewed by the Company's Audit Committee.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is also published on the websites of the Australian Securities Exchange (www.asx.com.au) and the Company (www.mmg.com). The Company's 2019 Interim Report will be despatched to Shareholders and made available on the websites of the Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk), the Australian Securities Exchange and the Company in due course.

FINANCIAL INFORMATION OF THE GROUP

The financial information relating to the period ended 30 June 2019 and 2018, included in this preliminary announcement of interim results 2019, does not constitute the Company's statutory consolidated interim financial statements for those periods, but is derived from those financial statements.

Further information relating to these statutory consolidated interim financial statements, as required to be disclosed in accordance with section 436 of the Companies Ordinance, is as follows:

The Company has delivered the Consolidated Financial Statements for the year ended 31 December 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to the Companies Ordinance, and will deliver the consolidated interim financial statements for the period ended 30 June 2019 to the Registrar of Companies in due course.

The Company's auditors have reported on these Consolidated Financial Statements. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS

	NOTES	SIX MONTHS ENDED 30 JUNE 2019 (UNAUDITED) US$ MILLION	2018 (UNAUDITED) US$ MILLION
Continuing operations			
Revenue	4	1,387.4	1,898.8
Other income		2.3	15.6
Expenses (excluding depreciation and amortisation)	6	(743.0)	(930.2)
Earnings before interest, income tax, depreciation and amortisation expenses – EBITDA		**646.7**	**984.2**
Depreciation and amortisation expenses	6	(451.3)	(406.8)
Profit before interest and income tax - EBIT		**195.4**	**577.4**
Finance income	7	7.7	3.3
Finance costs	7	(274.1)	(253.3)
(Loss)/profit before income tax		**(71.0)**	**327.4**
Income tax expense	8	(2.0)	(138.6)
(Loss)/profit for the period from continuing operations		**(73.0)**	**188.8**
Profit for the period from discontinued operation – net of income tax	5	-	4.6
(Loss)/profit for the period		**(73.0)**	**193.4**
(Loss)/profit for the period attributable to:			
Equity holders of the Company		**(81.0)**	**128.7**
-From continuing operations		(81.0)	124.2
-From discontinued operation	5	-	4.5
Non-controlling interests		**8.0**	**64.7**
-From continuing operations		8.0	64.6
-From discontinued operation	5	-	0.1
		(73.0)	**193.4**
(Loss)/earnings per share for (loss)/profit attributable to the equity holders of the Company			
Basic (loss)/earnings per share	9	US (1.01) cents	US 1.61 cents
-From continuing operations		US (1.01) cents	US 1.55 cents
-From discontinued operation		-	US 0.06 cents
Diluted (loss)/earnings per share	9	US (1.01) cents	US 1.59 cents
-From continuing operations		US (1.01) cents	US 1.53 cents
-From discontinued operation		-	US 0.06 cents

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	SIX MONTHS ENDED 30 JUNE	
	2019 (UNAUDITED) US$ MILLION	2018 (UNAUDITED) US$ MILLION
(Loss)/profit for the period	**(73.0)**	**193.4**
Total comprehensive (loss)/income for the period	**(73.0)**	**193.4**
Total comprehensive (loss)/income attributable to:		
Equity holders of the Company	**(81.0)**	**128.7**
-From continuing operations	(81.0)	124.2
-From discontinued operation	-	4.5
Non-controlling interests	**8.0**	**64.7**
-From continuing operations	8.0	64.6
-From discontinued operation	-	0.1
	(73.0)	**193.4**

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	NOTES	AS AT 30 JUNE 2019 (UNAUDITED) US$ MILLION	AS AT 31 DECEMBER 2018 (AUDITED) US$ MILLION
ASSETS			
Non-current assets			
Property, plant and equipment	11	10,607.1	10,897.7
Right-of-use assets	3, 12	125.2	-
Intangible assets		580.5	596.0
Inventories		73.7	75.8
Deferred income tax assets		164.4	178.1
Other receivables	13	231.0	231.7
Other financial assets		3.3	3.3
Total non-current assets		**11,785.2**	**11,982.6**
Current assets			
Inventories		379.0	203.9
Trade and other receivables	13	420.7	412.7
Current income tax assets		76.3	54.3
Cash and cash equivalents		242.0	601.9
Total current assets		**1,118.0**	**1,272.8**
Total assets		**12,903.2**	**13,255.4**
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	14	2,912.0	2,910.8
Reserves and retained profits	15	(1,750.7)	(1,653.7)
		1,161.3	1,257.1
Non-controlling interests		1,638.6	1,639.2
Total equity		**2,799.9**	**2,896.3**

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION (CONTINUED)

	NOTES	AS AT 30 JUNE 2019 (UNAUDITED) US$ MILLION	31 DECEMBER 2018 (AUDITED) US$ MILLION
LIABILITIES			
Non-current liabilities			
Borrowings	16	7,149.2	7,446.4
Lease liabilities	3, 17	135.9	-
Provisions		427.6	416.8
Other financial liabilities		136.0	136.6
Deferred income tax liabilities		871.0	933.4
Total non-current liabilities		**8,719.7**	**8,933.2**
Current liabilities			
Borrowings	16	724.4	685.0
Lease liabilities	3, 17	26.1	-
Provisions		88.6	214.0
Trade and other payables	18	533.8	508.1
Current income tax liabilities		10.7	18.8
Total current liabilities		**1,383.6**	**1,425.9**
Total liabilities		**10,103.3**	**10,359.1**
Net current liabilities		**(265.6)**	**(153.1)**
Total equity and liabilities		**12,903.2**	**13,255.4**

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 2019 (UNAUDITED)					
	ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY					
US$ MILLION	SHARE CAPITAL	TOTAL RESERVES	RETAINED PROFITS	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
	(Note 14)	(Note 15)	(Note 15)			
At 1 January 2019	**2,910.8**	**(1,898.0)**	**244.3**	**1,257.1**	**1,639.2**	**2,896.3**
HKFRS 16 adjustment on retained profits (Note 3)	-	-	(15.7)	**(15.7)**	(8.6)	**(24.3)**
Restated balance at 1 January 2019	**2,910.8**	**(1,898.0)**	**228.6**	**1,241.4**	**1,630.6**	**2,872.0**
(Loss)/profit for the period	-	-	(81.0)	**(81.0)**	8.0	**(73.0)**
Total comprehensive loss for the period	**-**	**-**	**(81.0)**	**(81.0)**	**8.0**	**(73.0)**
Transactions with owners						
Employee share options exercised	1.2	(0.3)	-	**0.9**	-	**0.9**
Total transactions with owners	**1.2**	**(0.3)**	**-**	**0.9**	**-**	**0.9**
At 30 June 2019	**2,912.0**	**(1,898.3)**	**147.6**	**1,161.3**	**1,638.6**	**2,799.9**

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	FOR SIX MONTHS ENDED 30 JUNE 2018 (UNAUDITED)					
	ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY					
US$ MILLION	SHARE CAPITAL	TOTAL RESERVES	RETAINED PROFITS	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
At 1 January 2018	**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**
Total comprehensive income for the period	**-**	**-**	**128.7**	**128.7**	**64.7**	**193.4**
Transactions with owners						
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	**-**	-	**-**
Total transactions with owners	**38.2**	**(9.0)**	**(18.0)**	**11.2**	**(142.0)**	**(130.8)**
At 30 June 2018	**2,912.3**	**(1,901.4)**	**312.4**	**1,323.3**	**1,682.3**	**3,005.6**

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	SIX MONTHS ENDED 30 JUNE	
	2019 (UNAUDITED) US$ MILLION	2018 (UNAUDITED) US$ MILLION
Cash flows from operating activities		
Receipts from customers	1,558.6	2,216.8
Payments to suppliers and employees	(1,101.4)	(1,262.6)
Payments for exploration expenditure	(13.4)	(15.2)
Income tax (paid)/ refunded	(153.8)	2.5
Net cash generated from operating activities	**290.0**	**941.5**
Cash flows from investing activities		
Purchase of property, plant and equipment	(147.5)	(101.8)
Purchase of intangible assets	(0.1)	(0.2)
Proceeds from repayments of loan to a related party	-	120.0
Payments of support package associated with disposal of Century mine	(4.1)	(4.3)
Proceeds from disposal of property, plant and equipment	3.2	0.2
Proceeds from disposal of financial assets	-	1.2
Net cash (used in)/generated from investing activities	**(148.5)**	**15.1**
Cash flows from financing activities		
Proceeds from borrowings	130.0	150.0
Repayments of borrowings	(391.0)	(872.8)
Payments on redemption of convertible redeemable preference shares	-	(338.0)
Proceeds from shares issued upon exercise of employee share options	0.9	11.2
Lease payments (Note 3)	(20.5)	-
Interest and financing costs paid on external borrowings	(194.3)	(174.9)
Interest and financing costs paid on related party borrowings	(3.2)	(3.7)
Withholding taxes paid in respect of financing arrangements	(31.4)	(8.6)
Interest received	8.1	5.4
Net cash used in financing activities	**(501.4)**	**(1,231.4)**
Net decrease in cash and cash equivalents	**(359.9)**	**(274.8)**
Cash and cash equivalents at 1 January	601.9	936.1
Cash and cash equivalents at 30 June	**242.0**	**661.3**

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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION AND INDEPENDENT REVIEW

MMG Limited (the "Company") is a limited liability company and was incorporated in Hong Kong on 29 July 1988. The address of its registered office is Unit 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 2019 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"). ASX 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, nickel and lead deposits around the world.

The condensed consolidated interim financial statements for the six months ended 30 June 2019 are presented in United States Dollars ("US$") unless otherwise stated and have been approved for issue by the Board of Directors of the Company (the "Board") on 21 August 2019.

The financial information relating to the year ended 31 December 2018 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 2018 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 2019 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 2019 have been prepared in accordance with applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the HKEx and Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting,* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2018, 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 a 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 ended 30 June 2019, the Group generated a net loss of US$73.0 million (2018: net profit of US$193.4 million), primarily due to lower commodity prices and lower sales volumes following the community road blockades that took place from early February until mid-April 2019 at Las Bambas. Since logistics restarted, stockpiles of copper in concentrate have reduced from a peak of approximately 59,000 tonnes to approximately 33,000 tonnes at 30 June 2019. The remainder of these stockpiles are expected to be progressively drawn down and shipped during the second half of 2019. The results for the period were also impacted by below plan operational performance at Kinsevere. Remedial measures and an improvement plan are in place to address these issues.

At 30 June 2019, the Group had net current liabilities of US$265.6 million (31 December 2018: US$153.1 million) and generated operating cashflows of US$290.0 million (2018: US$941.5 million). Cash flow forecasts for the 12 months from the approval of the condensed consolidated interim financial statements indicates that the Group will have sufficient liquidity to meet its operational, existing contractual debt service and capital expenditure requirements. The ability to transfer cash generated within the MMG South America Management Company Limited and its subsidiaries ("Las Bambas Joint Venture Group") to the rest of the Group is subject to satisfying certain conditions.

In addition, the Directors of the Company (the "Directors") note the following considerations, relevant to the Group's ability to continue as a going concern:

- At 30 June 2019, total cash and cash equivalents of US$242.0 million (2018: US$661.3 million) were held by the Group (including Las Bambas Joint Venture Group);
- The ongoing trading support of the China Minmetals Non-ferrous Metals Co.,Ltd ("CMN") and joint venture partner CITIC Metal Peru Investment Limited ("CITIC") each as direct or indirect off-takers of Las Bambas production. This has been demonstrated by an agreement entered into with each party for early payment on cargos already shipped and invoiced as well as prepayments for inventory held at both port and site. Early payment and prepayments are permitted up to an aggregate amount of US$200.0 million until 31 December 2019, allocated to each party in their respective off-take proportions;
- The recent completion of two new US$175.0 million three-year revolving credit facilities for Minera Las Bambas S.A. (totalling US$350.0 million). The facilities were provided by Bank of China Limited (Sydney branch) ("BOC Sydney") and Industrial and Commercial Bank of China Ltd. (Luxembourg branch) ("ICBC Luxembourg"). The facilities are available for the operational funding purposes and replace an undrawn revolving credit facility provided by BOC Sydney, which matured during March 2019;
- At 30 June 2019, the Group (excluding the Las Bambas Joint Venture Group) had available undrawn debt facilities of US$270.0 million represented by revolving credit facilities provided by ICBC and Top Create, for general corporate purposes; and
- In the event forecast cash flow is not achieved or that existing or new debt facilities are insufficient or not obtained within time, the Group has the support of its major shareholder, China Minmetals Corporation ("CMC"). In this circumstance, support to the Group may be in the form of providing additional debt facilities, deferral of debt service and repayment obligations in relation to existing shareholder loans from CMC, or through further equity contributions.

As a result, the Directors 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 2018, except for the adoption of new standards as set out below.

(a) Adoption of new standard to HKFRS for the first time in the current reporting period

The Group adopted HKFRS 16 *Leases*, HK(IFRIC) 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-15 *Operating Leases-Incentives* and HK(SIC)-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard was applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application in the opening retained profits. Comparative information has not been restated.

The Group elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

Further details on impact of the adoption of HKFRS 16 and the consequent new accounting policies have been disclosed in Note 3.

(b) Amendments to existing standards effective and adopted in 2019 but not relevant or significant to the Group

HK(IFRIC) - Int 23	Uncertainty over income tax treatments
Amendments to HKFRS 9	Prepayment features with negative compensation
Amendments to HKAS 19	Plan amendment, curtailment or settlement
Amendments to HKAS 28	Long-term interests in associates and joint ventures
Amendments to HKFRS	Annual improvements to HKFRSs 2015–2017 cycle

(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 2019.

Amendments to HKFRS 1 and HKAS 8	Definition of Material(1)
HKFRS 17	Insurance Contracts(2)
Amendments to HKFRS 3	Definition of a Business(3)
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture(4)

Effective for the Group for annual period beginning on:

1. 1 January 2020
2. 1 January 2021
3. Business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
4. Effective date to be determined

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.

Significant judgement and estimates applied by management in assessing recoverability of non-financial assets have been disclosed in Note 11. The management has also applied judgement and estimates in identifying and quantifying the impacts from the implementation of the new accounting standard HKFRS 16. These are noted in further detail in Note 3.

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 and other taxes and determination of control of subsidiaries, were the same as those that applied to the consolidated financial statements for the year ended 31 December 2018.

3. CHANGES IN ACCOUNTING POLICIES

The following notes explain the new accounting policies that have been applied from 1 January 2019 due to adoption of HKFRS 16 *Leases* and the consequent impact on the condensed consolidated interim financial statements.

3.1 Amended accounting policies resulting from adoption of HKFRS 16

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after 1 January 2019, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. The contracts are not reassessed unless the terms and conditions of the contract subsequently change.

The Group's accounting policy as a lessee

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

<u>Right-of-use assets</u>

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use asset in which the Group is reasonably certain to obtain ownership of the underlying leased asset at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use asset is depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. The Group presents right-of-use assets as a separate line item on the condensed consolidated interim statement of financial position.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets and are recognised as expense in the period on which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments. The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in rental rates, in which case the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Significant judgements

The Group applies significant judgement and estimates in accounting for leases under HKFRS 16. These include:

- Determining whether a contract contains a lease component:

  Certain contracts require management to exercise judgement in applying HKFRS 16 requirements to determine whether an identified asset exists for which MMG utilises substantially all the economic benefits and whether MMG may have a right to use or direct use of that asset. Management conclusion as to whether a lease component exists or not may thus be subjective.

- Determining the discount rate to calculate present value of lease liability:

  HKFRS 16 requires management to discount future lease payments in order to calculate the lease liability at commencement date. HKFRS 16 requires management to utilise the interest rate implicit in the lease as the discount rate. However, if such a rate is not readily available, HKFRS 16 allows for using an incremental borrowing rate ("IBR"). The Group considered the relevant requirements of HKFRS 16 and has applied the IBR approach to discounting. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use assets in a similar economic environment. Management undertakes its best effort in determining such a rate, using internally and externally available data. A change in IBR may significantly change the value of the right-of-use of asset and the lease liability.

- Determining the lease term of contracts with renewal options:

  The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. Where the Group has an option to lease the assets for additional terms, management applies judgement in evaluating whether it is reasonably certain to exercise the option to renew, considering the economic environment, business needs and financial impacts. Including or excluding the terms covered under the options as above may significantly impact the value of the right-of-use of asset and the lease liability.

3.2 Nature of the effect of adoption of HKFRS 16

Prior to the adoption of HKFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease.

The Group primarily had operating leases for office buildings and certain vehicles and equipment. In an operating lease, the leased property was not capitalised and the lease payments were recognised as operating lease rental expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under prepayments in "Trade and Other Receivables" and in "Trade and Other Payables", respectively. The Group did not have any significant finance lease. In addition, the Group reviewed significant contracts under the requirements of HK(IFRIC) 4 and concluded that the contracts did not contain a lease.

Upon adoption of HKFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets.

In respect of operating leases, the Group recognised right-of-use assets and lease liabilities (except for short-term leases and leases of low-value assets).

The Group did not elect to use the transition practical expedient which would have allowed the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) 4 at the date of initial application. Consequently, a HKFRS 16 based review was undertaken for all relevant significant contracts, including contracts which had previously been assessed as not having embedded leases under

HK(IFRIC) 4. Where lease components were identified, the Group recognised right-of-use assets and lease liabilities for these (except if they were short-term or low-value).

The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of IBR at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities (adjusted, where required, for prepaid rentals). Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the IBR at the date of initial application.
The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Applied the short-term leases exemptions to leases with a lease term that ends within 12 months at the date of initial application;
- Excluded the initial direct costs from the measurement of the right-of-use assets at the date of initial application; and
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

3.3 Impact of adoption of HKFRS 16

On transition, at 1 January 2019, the Group recognised lease liabilities of US$171.3 million, right-of-use assets of US$135.7 million and net deferred tax assets of US$11.3 million, which resulted in a reduction in opening retained profits of US$24.3 million.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

	US$ MILLION
Operating lease commitments at 31 December 2018	37.8
Less: recognition exemption – short-term leases and low value assets	(0.8)
Less: non-lease components	(4.2)
Add: equipment with right-of-use under various contracts per HKFRS 16	220.0
Lease liabilities discounted at relevant IBR	(81.5)
Lease liabilities at 1 January 2019	**171.3**
Analysed as:	
Current	25.9
Non-current	145.4
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	135.7
Right-of-use assets at 1 January 2019	**135.7**
Net deferred tax assets at 1 January 2019	**11.3**
Impact to opening retained profits at 1 January 2019	**(24.3)**
-Attributable to equity holders of the Company	(15.7)
-Attributable to non-controlling interests	(8.6)

<u>Amounts recognised in the condensed consolidated interim statement of financial position and profit or loss</u>

The carrying amounts of the Group's financial line items that are affected by the application of HKFRS 16 and the respective movements during the period are noted below:

	Right-of-use assets (Note 12)					
US$ MILLION	**Land and Building**	**Plant and machinery**	**Total**	**Lease liabilities (Note 17)**	**Deferred income tax liabilities, net**	**Total equity**
At 1 January 2019	-	-	**-**	-	(755.3)	**2,896.3**
HKFRS 16 adjustments to opening balances	10.6	125.1	**135.7**	(171.3)	11.3	**(24.3)**
Restated net book amount at 1 January 2019	**10.6**	**125.1**	**135.7**	**(171.3)**	**(744.0)**	**2,872.0**
Additions	2.9	0.6	**3.5**	(3.5)	-	-
Depreciation expense	(1.6)	(12.4)	**(14.0)**	-	-	-
Interest expense (Note 7)	-	-	**-**	(7.7)	-	-
Payments made	-	-	**-**	20.5	-	-
Deferred income tax credit (Note 8)	-	-	**-**	-	37.4	-
Loss for the period	-	-	**-**	-	-	(73.0)
Employee share options exercised	-	-	**-**	-	-	0.9
At 30 June 2019	**11.9**	**113.3**	**125.2**	**(162.0)**	**(706.6)**	**2,799.9**

Set out below, are the amounts recognised in the condensed consolidated interim statement of profit or loss for the six months ended 30 June 2019:

US$ MILLION	
Depreciation expense of right-of-use assets (Note 12)	(14.0)
Interest expense on lease liabilities (Note 3)	(7.7)
Lease expense – short-term leases	(2.7)
Lease expense – leases of low-value assets	(1.3)
Lease expense – variable lease payments	(8.5)
Total	**(34.2)**

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 ("CODM"). The Executive Committee reviews the Group's internal reporting of these operations in order to assess performance and allocate resources.

The Group's reportable segments are as follows:

Las Bambas	The Las Bambas mine is a large open-pit, scalable, long-life copper and moly mining operation with prospective exploration options. It is located in the Cotabambas, Apurimac region of Peru.
Kinsevere	Kinsevere is an open-pit copper mining operation located in the Haut-Katanga Province of the Democratic Republic of the Congo ("DRC").
Dugald River	The Dugald River mine is an underground zinc mining operation located near Cloncurry in North West Queensland. The Dugald River mine achieved commercial production on 1 May 2018.
Rosebery	Rosebery is an underground polymetallic base metal mining operation located on Tasmania's west coast.
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 CODM for the purposes of resource allocation and assessment of segment performance. Other information provided, except as disclosed in the following paragraph, to the CODM is measured in a manner consistent with that in these condensed consolidated interim financial statements.

Segment assets exclude current income tax assets, deferred income tax assets and net inter-segment receivables. Segment liabilities exclude current income tax liabilities, deferred income tax liabilities and net inter-segment loans. The excluded assets and liabilities are presented as part of the reconciliation to total consolidated assets or liabilities.

Sepon is an open-pit copper mining operation located in Southern Laos. It was one of the Group's reportable segments until it was disposed of on 30 November 2018. Refer to Note 5 for more details. Accordingly, the operating results from 1 January 2018 to 30 June 2018 of Sepon are reflected in the results of discontinued operation segment while its assets and liabilities ceased to be consolidated by the Group from 30 November 2018 onwards.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

The segment revenue and result for the six months ended 30 June 2019 are as follows:

US$ MILLION	Las Bambas	Kinsevere	Dugald River	Rosebery	Other unallocated items/ eliminations	Continuing operations / Group total
Revenue by metals						
-Copper	803.4	176.6	-	3.6	2.0	**985.6**
-Zinc	-	-	141.2	81.8	-	**223.0**
-Lead	-	-	15.5	20.0	-	**35.5**
-Gold	48.0	-	-	19.9	-	**67.9**
-Silver	29.7	-	7.1	17.5	-	**54.3**
-Molybdenum	21.1	-	-	-	-	**21.1**
Revenue from contracts with customers	**902.2**	**176.6**	**163.8**	**142.8**	**2.0**	**1,387.4**
EBITDA	**541.0**	**8.6**	**52.5**	**64.1**	**(19.5)**	**646.7**
Depreciation and amortisation expenses	(322.0)	(59.6)	(31.5)	(33.5)	(4.7)	**(451.3)**
EBIT	**219.0**	**(51.0)**	**21.0**	**30.6**	**(24.2)**	**195.4**
Finance income						**7.7**
Finance costs						**(274.1)**
Income tax expense						**(2.0)**
Loss for the period						**(73.0)**
Other segment information:						
Additions to non-current assets (excluding deferred income tax assets, inventories, right-of-use assets and financial instruments)	97.4	19.7	8.4	8.3	1.0	**134.8**

The segment assets and liabilities as at 30 June 2019 are as follows:

US$ MILLION	Las Bambas	Kinsevere	Dugald River	Rosebery	Other unallocated items/ eliminations	Group
Segment assets	10,383.2	849.8	687.5	319.0	423.0[1]	12,662.5
Current/deferred income tax assets						240.7
Consolidated assets						**12,903.2**
Segment liabilities	5,680.4	181.6	474.4	142.7	2,742.5[2]	9,221.6
Current/deferred income tax liabilities						881.7
Consolidated liabilities						**10,103.3**

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

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

US$ MILLION	Las Bambas	Kinsevere	Dugald River	Rosebery	Other unallocated items/ eliminations	Continuing operations subtotal	Discontinued operation (Sepon)	Group total
Revenue by metals								
-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**
-Molybdenum	24.0	-	-	-	-	**24.0**	**-**	**24.0**
Revenue from contracts with customers	**1,349.4**	**279.4**	**69.2**	**203.8**	**(3.0)**	**1,898.8**	**262.1**	**2,160.9**
EBITDA	**726.0**	**127.2**	**28.8**	**118.2**	**(16.0)**	**984.2**	**96.2**	**1,080.4**
Depreciation and amortisation expenses	(282.2)	(74.6)	(9.8)	(35.5)	(4.7)	**(406.8)**	**(88.1)**	**(494.9)**
EBIT	**443.8**	**52.6**	**19.0**	**82.7**	**(20.7)**	**577.4**	**8.1**	**585.5**
Finance income						**3.3**	**2.1**	**5.4**
Finance costs						**(253.3)**	**(3.4)**	**(256.7)**
Income tax expense						**(138.6)**	**(2.2)**	**(140.8)**
Profit for the period						**188.8**	**4.6**	**193.4**
Other segment information:								
Additions to non-current assets (excluding deferred income tax assets, inventories and financial instruments)	72.1	19.6	(12.3)[3]	6.9	-	**86.3**	**1.7**	**88.0**

The segment assets and liabilities as at 31 December 2018 are as follows:

US$ MILLION	Las Bambas	Kinsevere	Dugald River	Rosebery	Other unallocated items/ eliminations	Group
Segment assets	10,643.6	855.8	713.3	341.4	468.9[1]	13,023.0
Current/deferred income tax assets						232.4
Consolidated assets						**13,255.4**
Segment liabilities	5,924.4	156.7	490.1	151.9	2,683.8[2]	9,406.9
Current/deferred income tax liabilities						952.2
Consolidated liabilities						**10,359.1**

1. Included in segment assets of US$423.0 million (31 December 2018: US$468.9 million) for the other segment is cash of US$10.4 million (31 December 2018: US$93.9 million) and trade receivables of US$210.4 million (31 December 2018: US$172.9 million) for MMG South America Company Limited ("MMG SA") in relation to copper concentrate sales.
2. Included in segment liabilities of US$2,742.5 million (31 December 2018: US$2,683.8 million) for the other segment are borrowings of US$2,391.2 million (31 December 2018: US$2,361.3 million), which are managed at Group's level. Also included in other segment liabilities are bank guarantee financial liabilities of US$136.0 million (31 December 2018: US$136.6 million).
3. Included 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. Dugald River mine was commissioned on 1 May 2018.

5. RESULTS OF DISCONTINUED OPERATION

On 30 November 2018, the Group completed the sale of MMG Laos Holdings Limited to Chifeng Jilong Gold Mining Co., Limited ("Chifeng"), for total consideration of US$275.0 million. MMG Laos Holding Limited owns a 90% interest in Lane Xang Minerals Limited ("LXML"), which in turn owns the Sepon mine in Laos PDR. The results of the Sepon mine are classified as a discontinued operation for the prior reporting period.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

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

SIX MONTHS ENDED 30 JUNE 2018 (UNAUDITED)	US$ MILLION
Revenue	262.1
Expenses (excluding depreciation and amortisation expenses)	(165.9)
Earnings before interest, income tax, depreciation and amortisation expenses – EBITDA	**96.2**
Depreciation and amortisation expenses	(88.1)
Profit before interest and income tax - EBIT	**8.1**
Net finance costs	(1.3)
Profit before income tax	**6.8**
Income tax expense	(2.2)
Profit for the period from discontinued operation – net of income tax	**4.6**
Profit for the period attributable to:	
-Equity holder of the Company	4.5
-Non-controlling interest	0.1

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

SIX MONTHS ENDED 30 JUNE 2018 (UNAUDITED)	US$ MILLION
Net cash inflows from operating activities	100.9
Net cash outflows from investing activities	(1.8)
Net cash outflows from financing activities	(0.2)
Net cash inflows from discontinued operation	**98.9**

6. EXPENSES (RELATED TO CONTINUING OPERATIONS)

Loss/(profit) before income tax includes the following specific expenses related to continuing operations:

	SIX MONTHS ENDED 30 JUNE	
	2019 (UNAUDITED) US$ MILLION	2018 (UNAUDITED) US$ MILLION
Changes in inventories of finished goods and work in progress	(194.2)	39.6
Write down of inventories to net realisable value	17.7	13.0
Employee benefit expenses[1]	120.1	105.2
Contracting and consulting expenses[3]	250.2	230.1
Energy costs	127.1	115.1
Stores and consumables costs	203.7	180.0
Depreciation and amortisation expenses[2]	432.8	389.2
Lease expenses[3]	4.8	9.8
Other production expenses	70.4	69.7
Cost of goods sold	**1,032.6**	**1,151.7**
Other operating expenses[1]	29.6	17.8
Royalty expenses	49.7	66.1
Selling expenses[3]	47.6	54.8
Operating expenses including depreciation and amortisation[4]	**1,159.5**	**1,290.4**
Exploration expenses[1,2,3]	13.4	15.2
Administrative expenses[1,3]	11.5	22.8
Foreign exchange gain – net	(9.1)	(10.0)
Loss on financial assets at fair value through profit or loss	-	1.9
Other expenses[1,2,3]	19.0	16.7
Total expenses	**1,194.3**	**1,337.0**

1. In aggregate, US$35.9 million (2018: US$48.6 million) of employee benefit expenses were included in administrative expenses, exploration expenses, other operating expenses and other expenses categories. Total employee benefit expenses were US$156.0 million (2018: US$153.8 million).
2. In aggregate, US$18.5 million (2018: US$17.6 million) of depreciation and amortisation expenses were included in exploration expenses and other expenses categories. Total depreciation and amortisation expenses were US$451.3 million (2018: US$406.8 million).
3. In aggregate, US$7.7 million (2018: US$3.0 million) of lease rentals were included in contracting and consulting expenses, selling expenses, administrative expenses, exploration expenses and other expenses categories. Total lease rentals were US$12.5 million (2018: US$12.8 million), of which US$0.4 million related to short-term leases and low-value leases and US$8.5 million related to variable lease payments. Refer to Note 3 for details.
4. Operating expenses include mining and processing costs, royalties, selling expenses (including transportation) and other costs incurred by operations.

7. FINANCE INCOME AND FINANCE COSTS (RELATED TO CONTINUING OPERATIONS)

	SIX MONTHS ENDED 30 JUNE	
	2019 (UNAUDITED) US$ MILLION	2018 (UNAUDITED) US$ MILLION
Finance income		
Interest income on cash and cash equivalents	7.7	3.3
Finance costs		
Interest expense on bank borrowings	(194.0)	(179.1)
Interest expense on related party borrowings (Note 19(a))	(47.0)	(56.6)
Withholding taxes in respect of financing arrangements	(5.5)	(8.6)
Unwinding of discount on provisions	(8.7)	(7.0)
Unwinding of discount on lease liabilities (Note 3)	(7.7)	-
Other finance costs on related party borrowings (Note 19(a))	(3.8)	(3.7)
Other finance costs	(7.4)	(7.4)
Finance costs - total	**(274.1)**	**(262.4)**
Less: Borrowing costs capitalised in relation to qualifying assets[1]	-	9.1
Finance costs – net of capitalised borrowing costs	**(274.1)**	**(253.3)**

1. Borrowing costs was capitalised at 5.6% per annum in 2018, representing the average interest rate on borrowings related to Dugald River project. Borrowing costs ceased to be capitalised to the Dugald River project upon its achievement of commercial production on 1 May 2018.

8. 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%), Peru (32.0%) and 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 income tax assets if it is probable that future taxable amounts will be available to utilise the deductible temporary differences and unused tax losses in the foreseeable future. Management will continue to assess the recognition of deferred income tax assets in future reporting periods.

	SIX MONTHS ENDED 30 JUNE	
	2019 (UNAUDITED) US$ MILLION	2018 (UNAUDITED) US$ MILLION
Current income tax expense – Overseas income tax	(39.4)	(46.0)
Deferred income tax credit/(expense) – Overseas income tax	37.4	(92.6)
Income tax expense	**(2.0)**	**(138.6)**

There is no deferred income tax impact relating to items of other comprehensive income (2018: nil).

9. (LOSS)/EARNINGS PER SHARE

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

Diluted earnings per share for six months ended 30 June 2018 was 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.

The calculation of diluted loss per share for the six months ended 30 June 2019 does not assume conversion of all dilutive potential ordinary shares because it will otherwise result in a decrease in loss per share.

	SIX MONTHS ENDED 30 JUNE	
	2019 (UNAUDITED) US$ MILLION	2018 (UNAUDITED) US$ MILLION
(Loss)/profit attributable to equity holders of the Company in the calculation of basic and diluted earnings per share	**(81.0)**	**128.7**
-From continuing operations	(81.0)	124.2
-From discontinued operation	-	4.5

	NUMBER OF SHARES '000	NUMBER OF SHARES '000
Weighted average number of ordinary shares used in the calculation of the basic earnings per share	8,052,361	8,012,364
Shares deemed to be issued in respect of long-term incentive equity plans	-	62,920
Weighted average number of ordinary shares used in the calculation of the diluted earnings per share	**8,052,361**	**8,075,284**
Basic (loss)/earnings per share	**US (1.01) cents**	**US 1.61 cents**
-From continuing operations	US (1.01) cents	US 1.55 cents
-From discontinued operation	-	US 0.06 cents
Diluted (loss)/earnings per share	**US (1.01) cents**	**US 1.59 cents**
-From continuing operations	US (1.01) cents	US 1.53 cents
-From discontinued operation	-	US 0.06 cents

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

10. DIVIDENDS

The Directors did not recommend the payment of an interim dividend for the six months ended 30 June 2019 (2018: nil).

11. PROPERTY, PLANT AND EQUIPMENT

SIX MONTHS ENDED 30 JUNE 2019 (UNAUDITED)	US$ MILLION
Net book amount at 1 January 2019	10,897.7
Additions	134.7
Depreciation and amortisation expenses	(421.6)
Disposals (net)	(3.7)
Net book amount at 30 June 2019	**10,607.1**

Impairment review of non-current assets and goodwill

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 were noted for Las Bambas, as a result of the significant disruption to concentrate logistics and production earlier in the period. The community blockade of the public road near the mine site resulted in restricted concentrate sales during the period and impacted mine production, resulting in a lower revised forecast for production and earnings in 2019.

Indicators of impairment were also noted for Kinsevere due to the political environment in the DRC as well as below plan operational performance during the period.

In respect of Dugald River, an impairment loss was recognised in 2015. Management has reviewed the operational performance and considered the operation's sensitivity to a range of factors including zinc price, AU$ to US$ exchange rate, throughput, grade, recovery and operational and capital expenditure and concluded that there is currently no reliable indicator that the impairment could be reversed. Management is currently focusing on a number of initiatives expected to improve mining performance and will continue to closely monitor the recoverable value.

(i) Approach to recognition of an impairment loss

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 the 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 some of the key assumptions, management has used external sources of information where appropriate.

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 three-year budget cash flows used the latest forecast metal prices. The long-term price assumed for copper is US$3.18 per pound and for zinc is US$1.22 per pound, unchanged from 2018 but re-based to 30 June 2019.

The real post-tax discount rates used in the Fair Value estimates for the Las Bambas and Kinsevere CGU's are unchanged from 2018; that is, 8% and 11% respectively.

Management considers the estimates applied in this impairment assessment are reasonable. However, such estimates are subject to significant uncertainties and judgements. Refer to (iv) below for sensitivity analysis.

(iii) Valuation methodology

Las Bambas

The Las Bambas Fair Value is determined through the 2018 Life of Asset ("LoA") discounted cash flows that was updated for known changes and also supported by comparable transaction multiples. The valuation contains the current operation and further regional exploration targets included in the initial valuation to acquire the mine in 2014. The cash flows assume additional capital investment in the processing plant as well as expected cost reductions from operational improvement programs underway. Future cash flow forecasts include estimates for the cost of obtaining access to land where the rights do not currently exist.

Management continues to progress dialogue with local communities and the Government of Peru to ensure the continuity of road access in the future. This includes continuing to deliver on the Company's obligations in relation to social and community development programs and supporting the Government of Peru to progress public investment projects which will improve the condition of the public road which Las Bambas' uses for the transport of concentrate to the port, this is expected to reduce disruptions of road usage into the future. Based on a sensitivity analysis prepared at 30 June 2019, which considered the historical operational disruptions due to community blockades since the commissioning of Las Bambas, the occurrence of such disruptions in the future would not result in the carrying value of the Las Bambas CGU exceeding the recoverable value.

The impairment assessment of the Las Bambas' CGU at 30 June 2019 has not resulted in the recognition of impairment. The 2019 LoA is being completed in the second half of the year during the mine planning process and will be used to test impairment at 31 December 2019.

Kinsevere

The Kinsevere Fair Value is determined through the 2018 LoA discounted cash flows that was updated for known changes and supported by comparable transaction multiples. 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 and potentially cobalt, which is expected to extend the mine life.

As disclosed in the consolidated financial statements for the year ended 31 December 2018, the DRC Government passed significant changes to the DRC 2002 Mining Code (2018 Mining Code) in March 2018. 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. In light of the adverse impact the 2018 Mining Code represents to Kinsevere mine, the Group along with other industry participants have engaged in discussion with the DRC Government seeking to negate or reduce negative financial outcomes. The mining operators in the DRC continue to review options to seek recognition of the application of the guarantee of stability.

The Group remains committed to working with the DRC Government to find a mutually acceptable solution to the issues raised by the 2018 Mining Code and continues to seek discussion on these matters with the DRC Government. However, depending on the outcomes of such negotiations, formal legal action by the Group to enforce its rights, including under the Bilateral Investment Treaty between the DRC and People's Republic of China ("PRC"), remains an option for MMG after all avenues of negotiation with the DRC Government have been exhausted.

In 2019 the DRC Government continued the progressive implementation of elements of the 2018 Mining Code and Mining Regulations (which have included increased royalty rates, import duties, repatriation of revenues and environmental taxes since June 2018). However, there is limited guidance in relation to the implementation of parts of the 2018 Mining Code and Mining Regulations (e.g. Special Tax on Excess Profit and Environmental Taxes). As a result, significant uncertainties still exist. The LoA 2018 supports the carrying value of the Kinsevere CGU as at 30 June 2019, 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.

Whilst there has been recent progress including agreement with the DRC Government in relation to the recovery of historical value added tax ("VAT") balances receivable, uncertainties continue to exist in relation to the political environment in the DRC. 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 an impairment to the carrying value of Kinsevere.

Kinsevere has experienced below plan operational and financial performance in the year to date. This is due to lower ore mined grades and lower tonnes at Mashi Pit due to dewatering issues, unplanned plant shutdowns and instability in solvent extraction. Remedial measures are in place to address these issues, and an improvement plan is in place for the second half of 2019, which if successful will restore operational performance to budgeted levels.

The impairment assessment of the Kinsevere's CGU at 30 June 2019 has not resulted in the recognition of impairment. The 2019 LoA is being completed in the second half of the year during the mine planning process and will be used to test impairment at 31 December 2019.

(iv) Sensitivity analysis

Commodity prices, the level of production activity as well as the success of converting Reserves and Resources and increasing the resource estimates over the lives of mines are key assumptions in the determination of Fair Value. Due to the number of factors that could impact production activity, such as processing throughput, changing ore grade and/or metallurgy and revisions to mine plans in response to physical or economic conditions, no quantified sensitivity has been determined. Changes to these assumptions may however result in an impact on the Fair Value and result in impairment in future.

A sensitivity analysis is presented below for both Las Bambas and Kinsevere. The sensitivities assume that the specific assumption moves in isolation, whilst all other assumptions are held constant. In reality, a change in one of the aforementioned assumptions may accompany a change in another assumption which may have an offsetting impact. Action is also usually taken to respond to adverse changes in economic assumptions that may mitigate the impact of any such change.

Las Bambas

The key assumptions to which the calculation of Fair Value for Las Bambas is most sensitive are copper price, operating costs, land access (including permitting delays and the amount and timing of exploration potential to be realised), discount rate and disruptions to operations due to community blockades. An adverse change of 5% in copper price over the remaining mine life would decrease the recoverable amount by approximately US$900 million. An increase of 1% to the discount rate would decrease recoverable amount by approximately US$800 million. An adverse change of 5% in operating costs would decrease the recoverable amount by approximately US$400 million. The impact of delays in land access or the amount or timing of exploration potential realised would result in a revision to the mine plan in response to these conditions. Operational disruptions due to community blockades may result in approximately US$150 million reduction in recoverable amount. The occurrence of one or more of the above assumptions in isolation, without a change in other assumptions which may have an offsetting impact, would result in the carrying value of Las Bambas exceeding the recoverable value.

Kinsevere

The key assumptions to which the calculation of Fair Value for Kinsevere is most sensitive are copper price, the successful expansion of the processing plant to process sulphide ore and potentially cobalt, discount rate, the application of the 2018 Mining Code as outlined above and operational performance. An adverse change of 5% in copper price over the remaining mine life would decrease the recoverable amount by approximately US$114 million, and without a change in other assumptions which may have an offsetting impact, would result in the carrying value of Kinsevere exceeding the recoverable value. An increase of 1% to discount rate would decrease the recoverable amount by approximately US$33 million. In the event that the below plan operational performance at Kinsevere continues and the remediation plans do not show positive improvement, there is likely to be an impairment to the carrying value of Kinsevere.

12. RIGHT-OF-USE ASSETS

SIX MONTHS ENDED 30 JUNE 2019 (UNAUDITED)	US$ MILLION
HKFRS 16 adjustment at 1 January 2019 (Note 3)	135.7
Additions	3.5
Depreciation expense	(14.0)
Net book amount at 30 June 2019	**125.2**

13. TRADE AND OTHER RECEIVABLES

	30 JUNE 2019 (UNAUDITED) US$ MILLION	31 DECEMBER 2018 (AUDITED) US$ MILLION
Non-current other receivables		
Prepayments	3.8	3.7
Other receivables – government taxes (net of provision)[1]	88.1	93.9
Sundry receivables	139.1	134.1
	231.0	**231.7**
Current trade and other receivables		
Trade receivables[2] (Note 22(d) and (e))	317.0	285.5
Prepayments	34.3	22.3
Other receivables – government taxes (net of provision)[1]	42.8	76.7
Sundry receivables	26.6	28.2
	420.7	**412.7**

1. The government taxes amount mainly consists of VAT receivables associated with the Group's operators in Peru and the DRC.
2. At 30 June 2019 and 31 December 2018, trade receivables of the Group mainly related to the mining operations. The majority of sales for mining operations were made under contractual arrangements whereby provisional payment is received promptly after delivery and the balance within 20 to 120 days from delivery. All the trade receivables at 30 June 2019 and 31 December 2018 were within six months from the date of invoice. As at 30 June 2019, the Group's trade receivable included an amount of US$211.3 million (2018: US$140.5 million) (Note 19(c)), which was due from a related company of the Group. The carrying amounts of the Group's trade receivables are all denominated in US$.

14. SHARE CAPITAL

	NUMBER OF ORDINARY SHARES '000	SHARE CAPITAL US$ MILLION
Issued and fully paid:		
At 1 January 2018	7,963,134	2,874.1
Employee share options exercised	27,588	11.7
Employee performance awards vested	61,276	25.0
At 31 December 2018 (audited)	**8,051,998**	**2,910.8**
Employee share options exercised[1]	2,723	1.2
At 30 June 2019 (unaudited)	**8,054,721**	**2,912.0**

1. During the first half of 2019, a total of 2,722,638 new shares were issued as a result of employee share options exercised at a weighted average exercise price of HK$2.46 per share under the Company's 2013 and 2016 Share Option Schemes. The weighted average share price during the period is HK$3.13.

15. RESERVES AND RETAINED PROFITS

US$ MILLION	Special capital reserve	Exchange translation reserve	Merger Reserve[2]	Surplus reserve	Share-based payment reserve	Total reserves	Retained profits	Total
At 1 January 2019 (audited)	9.4	2.7	(1,946.9)	19.3	17.5	**(1,898.0)**	**244.3**	**(1,653.7)**
HKFRS 16 adjustment on retained profits[1]	-	-	-	-	-	**-**	(15.7)	**(15.7)**
Restated balance at 1 January 2019	**9.4**	**2.7**	**(1,946.9)**	**19.3**	**17.5**	**(1,898.0)**	**228.6**	**(1,669.4)**
Loss for the period	-	-	-	-	-	**-**	(81.0)	**(81.0)**
Total comprehensive expense for the period	**-**	**-**	**-**	**-**	**-**	**-**	**(81.0)**	**(81.0)**
Employee share options exercised	-	-	-	-	(0.3)	**(0.3)**	-	**(0.3)**
Total transactions with owners	**-**	**-**	**-**	**-**	**(0.3)**	**(0.3)**	**-**	**(0.3)**
At 30 June 2019 (unaudited)	**9.4**	**2.7**	**(1,946.9)**	**19.3**	**17.2**	**(1,898.3)**	**147.6**	**(1,750.7)**

1. Refer to Note 3 for more details.
2. Merger reserve represents the excess of investment cost in entities that have been accounted for under merger accounting for common control combinations in accordance with AG5 (Accounting Guideline 5 issued by the HKICPA) against their share capital.

16. BORROWINGS

	30 JUNE 2019 (UNAUDITED) US$ MILLION	31 DECEMBER 2018 (AUDITED) US$ MILLION
Non-current		
Loan from a related party (Note 19(c))	2,261.3	2,261.3
Bank borrowings, net	4,887.9	5,185.1
	7,149.2	**7,446.4**
Current		
Loan from a related party (Note 19(c))	-	100.0
Bank borrowings, net	724.4	585.0
	724.4	**685.0**
Analysed as:		
-Secured	5,551.0	5,842.1
-Unsecured	2,391.2	2,361.2
	7,942.2	**8,203.3**
Prepayments – finance charges	(68.6)	(71.9)
	7,873.6	**8,131.4**
Borrowings (excluding prepayments) are repayable as follows:		
- Within one year	730.8	691.4
- More than one year but not exceeding two years	605.3	600.8
- More than two years but not exceeding five years	3,415.7	3,445.5
- More than five years	3,190.4	3,465.6
	7,942.2	**8,203.3**
Prepayments – finance charges	(68.6)	(71.9)
Total (Note 22(d))	**7,873.6**	**8,131.4**

The effective interest rate at 30 June 2019 was 5.3% (31 December 2018: 5.7%).

17. LEASE LIABILITIES

AT 30 JUNE 2019 (UNAUDITED)	US$ MILLION
Non-current	
Lease liabilities	135.9
Current	
Lease liabilities	26.1
Total (Note 3)	**162.0**
Lease liabilities are repayable as follows:	
- Within one year	26.1
- More than one year but not exceeding two years	20.6
- More than two years but not exceeding five years	44.6
- More than five years	70.7
Total (Note 22(d))	**162.0**

18. TRADE AND OTHER PAYABLES

At 30 June 2019, the balance of the trade payables was US$236.1 million (31 December 2018: US$231.7 million), of which an amount of US$205.8 million (31 December 2018: US$228.0 million) was aged less than six months; and an amount of US$30.3 million (31 December 2018: US$3.7 million) was aged over six months.

19. SIGNIFICANT RELATED PARTY TRANSACTIONS

At 30 June 2019, 72.6% of the Company's shares were held by China Minmetals Non-ferrous Metals Co.,Ltd ("CMN") through its subsidiary, China Minmetals H.K. (Holdings) Limited ("Minmetals HK"). The remainder 27.4% of the Company's shares were widely held by the public. The Directors consider the ultimate holding company is CMC, a stated-owned company incorporated in the PRC, of which CMN is a subsidiary.

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

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

	SIX MONTHS ENDED 30 JUNE	
	2019 (UNAUDITED) US$ MILLION	2018 (UNAUDITED) US$ MILLION
Revenue		
Sales of non-ferrous metals[1,2]	657.6	832.4
Purchases		
Purchases of consumables and services[3]	(5.7)	(0.8)
Finance costs		
Finance costs (Note 7)	(50.8)	(60.3)

1. During the pre-commissioning phase in 2018, US$50.9 million sales of zinc concentrate were 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 on 1 May 2018.
2. US$65.2 million of the related party sales of non-ferrous metals in 2018 was attributable to discontinued operation.
3. US$0.5 million of the related party purchases of consumables and services in 2018 was attributable to discontinued operation.

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

During the period ended 30 June 2019, the Group's significant transactions with other state-owned enterprises (excluding CMC and its subsidiaries) are sales of non-ferrous metals and purchases of consumables and the related receivables and payables balances. These transactions were based on terms as set out in the underlying agreements, on statutory rates, market prices, actual cost incurred, or as mutually agreed.

(c) Significant related party balances

	30 JUNE 2019 (UNAUDITED) US$ MILLION	31 DECEMBER 2018 (AUDITED) US$ MILLION
Amounts payable to related parties		
Loan from Top Create[1] (Note 16)	2,261.3	2,261.3
Loan from Top Create – working capital facility[2] (Note 16)	-	100.0
Interest payable to Top Create[1]	88.4	41.9
Trade payables to CMN	0.8	0.7
	2,350.5	**2,403.9**
Amounts receivable from related parties		
Trade receivables from CMN (Note 13)	**211.3**	**140.5**

1. The loan amount from Top Create represents the amounts drawn by the Company on 22 July 2014 (US$1,843.8 million) and 16 February 2015 (US$417.5 million) pursuant to a facility agreement dated 22 July 2014 between MMG SA and Top Create. In accordance with that agreement, a loan facility of up to US$2,262.0 million was made available to MMG SA, for a period of four years commencing on the date of the first drawdown of the loan. Interest accrued on the outstanding balance at London Inter-Bank Offered Rate ("LIBOR") plus 3.1% per annum and the loan was repayable at the end of the four-year term. On 29 December 2017, the parties to the facility entered into an amendment which extended its term from four years to 11 years, with loan repayments now falling due in three separate tranches in July 2021 (US$700.0 million), July 2023 (US$700.0 million), and July 2025 (originally due in one lump-sum in July 2018). In addition, interest payments were postponed with the first falling due in July 2018 (originally July 2017) and annually thereafter. Under the terms of the 2017 amendment and with effect from 25 July 2018, the existing single floating interest rate changed to a separate all-in fixed rate for each of the repayment tranches of between 3.70% and 4.50% per annum.
2. The loan amount from Top Create represents amounts drawn by MMG Finance Limited (a subsidiary of the Group) on 25 July 2018, pursuant to a revolving credit facility agreement dated 1 June 2017, between MMG Finance Limited and Top Create Limited. This facility is unsecured and matures in January 2020. It incurs interest at LIBOR plus 1.50%. Funds drawn under the facility as at 31 December 2018 were repaid in January 2019.

20. CAPITAL COMMITMENTS

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

	30 JUNE 2019 (UNAUDITED) US$ MILLION	31 DECEMBER 2018 (AUDITED) US$ MILLION
Property, plant and equipment		
Within one year	190.2	84.6
Over one year but not more than five years	19.0	24.3
	209.2	**108.9**

21. CONTINGENCIES

Bank guarantees

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

At 30 June 2019, these guarantees amounted to US$373.2 million (31 December 2018: US$351.1 million). The Group has an Australian dollar 300.0 million (approximately US$210.2 million) revolving bank guarantee facility with Bank of China Limited, Sydney ("BG Facility"), which is guaranteed by CMN. During the period, MMG has entered into a counter-indemnity agreement in favour of CMN capped at 27.39% of the maximum principal amount outstanding under the BG Facility.

Following the sale of Century mine in 2017, the Group has procured certain bank guarantees amounting to US$136.0 million (31 December 2018: US$136.6 million) for the benefit of New Century Resources Limited ("New Century") until 31 December 2026. New Century is legally required to punctually meet all obligations and must use best endeavours to ensure that no demand is made under the bank guarantees. New Century 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. At 30 June 2019, the Group has recognised financial liabilities of US$136.0 million (31 December 2018: US$136.6 million) in relation to the New Century bank guarantees, which are included in other financial liabilities in the condensed consolidated interim financial statements.

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 the 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.

22. 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 consolidated financial statements for the year ended 31 December 2018.

There have been no changes in the risk management department or in any risk management policies since 31 December 2018.

(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 loss (2018: post-tax profit) would have changed as set out below:

	30 JUNE 2019			31 DECEMBER 2018		
Commodity	Commodity price movement	Decrease loss US$ million	Increase loss US$ million	Commodity price movement	Increase profit US$ million	Decrease profit US$ million
Copper	10%	34.4	(34.4)	10%	37.5	(37.5)
Zinc	10%	6.6	(6.6)	10%	4.5	(4.5)
Total		**41.0**	**(41.0)**		**42.0**	**(42.0)**

(c) Liquidity risk

Compared to 31 December 2018, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

Available debt facilities

At 30 June 2019, the Group (excluding the Las Bambas Joint Venture Group) had available undrawn debt facilities of US$270.0 million (31 December 2018: US$300.0 million), represented by revolving credit facilities provided by ICBC and Top Create, for general corporate purposes.

At 30 June 2019, the Las Bambas Joint Venture Group had an agreement with CMC and CITIC, each as direct or indirect off-takers of Las Bambas production for early payment on cargos already shipped and invoiced as well as prepayments for inventory held at both port and site. Early payment and prepayments are permitted up to an aggregate amount of US$200.0 million, allocated to each party in their respective off-take proportions. This arrangement remains available until 31 December 2019 as a substitute for undrawn bank debt facilities which have matured (31 December 2018: US$350.0 million).

On 21 August 2019, two revolving credit facilities were established with BOC Sydney (US$175.0 million) and ICBC Luxembourg (US$175.0 million), which are exclusively for the operational funding requirements of Minera Las Bambas S.A. (MLB). These facilities replaced the US$350.0 million BOC Sydney working capital revolving facility, which matured during March 2019.

The Group's available external debt facilities are subject to covenant compliance requirements. All the covenant requirements in respect of the Group's borrowings were in compliance at 30 June 2019. Certain financial covenants are measured with reference to the financial performance of the Group or its subsidiaries, these requirements may be influenced by future operational performance and community related disruptions.

(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 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 2019 and 31 December 2018 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
As at 30 June 2019					
Financial assets					
Cash and cash equivalents	242.0	-	-	**242.0**	**242.0**
Trade receivables (Note 13)	-	317.0	-	**317.0**	**317.0**
Other receivables	189.8	-	-	**189.8**	**189.8**
Other financial assets	-	3.3	-	**3.3**	**3.3**
Financial liabilities					
Trade and other payables	-	-	(533.8)	**(533.8)**	**(533.8)**
Lease liabilities (Note 17)	-	-	(162.0)	**(162.0)**	**(162.0)**
Other financial liabilities		(136.0)	-	**(136.0)**	**(136.0)**
Borrowings (Note 16)	-	-	(7,873.6)	**(7,873.6)**	**(7,873.6)**
Total	**431.8**	**184.3**	**(8,569.4)**	**(7,953.3)**	**(7,953.3)**
As at 31 December 2018					
Financial assets					
Cash and cash equivalents	601.9	-	-	**601.9**	**601.9**
Trade receivables (Note 13)	-	285.5	-	**285.5**	**285.5**
Other receivables	229.0	-	-	**229.0**	**229.0**
Other financial assets	-	3.3	-	**3.3**	**3.3**
Financial liabilities					
Trade and other payables	-	-	(508.1)	**(508.1)**	**(508.1)**
Other financial liabilities	-	(136.6)	-	**(136.6)**	**(136.6)**
Borrowings (Note 16)	-	-	(8,131.4)	**(8,131.4)**	**(8,131.4)**
Total	**830.9**	**152.2**	**(8,639.5)**	**(7,656.4)**	**(7,656.4)**

(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 2019 and 31 December 2018.

US$ MILLION	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
As at 30 June 2019				
Trade receivables (Note 13)	-	317.0	-	**317.0**
Financial assets at fair value through profit and loss – listed[1]	3.3	-	-	**3.3**
Other financial liabilities[2]	-	-	(136.0)	**(136.0)**
	3.3	**317.0**	**(136.0)**	**184.3**
As at 31 December 2018				
Trade receivables (Note 13)	-	285.5	-	**285.5**
Financial assets at fair value through profit and loss – listed[1]	3.3	-	-	**3.3**
Other financial liabilities[2]	-	-	(136.6)	**(136.6)**
	3.3	**285.5**	**(136.6)**	**152.2**

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

1. The fair values of financial instruments traded in active markets are based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Instruments included in level 1 comprise investments in listed stock exchanges.
2. Reflecting the bank guarantees associated with the disposal of the Century mine. Refer to Note 21 for details.

(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. The DRC Government during 2018 made changes to the 2002 Mining Code and Mining Regulations. These changes were enacted (2018 Mining Code) and will result in an increased tax burden on mining companies.

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.

23. EVENTS AFTER THE REPORTING DATE

On 21 August 2019, two revolving credit facilities were established with BOC Sydney (US$175.0 million) and ICBC Luxembourg (US$175.0 million), which are exclusively for the operational funding requirements of MLB. These facilities replaced the US$350.0 million BOC Sydney working capital revolving facility, which matured during March 2019.

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

AGM	annual general meeting of the Company
Australia	The Commonwealth of Australia
Board	the board of directors of the Company
BOC Sydney	Bank of China Limited, Sydney Branch
CEO	Chief Executive Officer
CMC	China Minmetals Corporation, a state–owned enterprise incorporated under the laws of the PRC
CMCL	China Minmetals Corporation Limited, a subsidiary of CMC
CMNH	China Minmetals Non-ferrous Metals Holding Company Limited, a subsidiary of CMC
Company	MMG Limited, a company incorporated in Hong Kong, the securities of which are listed and traded on the main board of the Hong Kong Stock Exchange and the Australian Securities Exchange
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
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
Las Bambas Joint Venture Group	MMG South America Management Company Limited and its subsidiaries
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange
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 wholly owned subsidiary of the Company
MMG or MMG Limited	has the same meaning as the Company
MMG SA	MMG South America Company Limited, a wholly owned subsidiary of the Company
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
Shareholder(s)	the shareholder(s) of the Company
Stock Exchange	The Stock Exchange of Hong Kong Limited

GLOSSARY CONTINUED

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 DETAILS

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MMG LIMITED EXECUTIVE COMMITTEE

Geoffrey (Xiaoyu) GAO, Chief Executive Officer and Executive Director
Ross CARROLL, Chief Financial Officer
XU Jiqing, Executive General Manager – Commercial and Executive Director
Troy HEY, Executive General Manager – Stakeholder Relations
Mark DAVIS, Executive General Manager Operations – Africa, Australia and Asia
Suresh VADNAGRA, Executive General Manager Operations – Americas

IMPORTANT DATES

17 October 2019 – Third Quarter 2019 Production Report

[This information is subject to change.]

MMG will present its financial results to investors at 3.30pm (HKT) on 22 August 2019 at Mandarin Oriental Hotel, Central, Hong Kong. This presentation will be available to Shareholders via webcast and teleconference for those who are unable to attend. For details please contact Investor Relations.

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By order of the Board
MMG Limited
Gao Xiaoyu
CEO and Executive Director

Hong Kong, 21 August 2019

As at the date of this announcement, the Board consists of nine Directors, of which two are Executive Directors, namely Mr Gao Xiaoyu and Mr Xu Jiqing; three are Non-executive Directors, namely Mr Guo Wenqing (Chairman), Mr Jiao Jian and Mr Zhang Shuqiang; and four are Independent Non-executive Directors, namely Dr Peter William Cassidy, Mr Leung Cheuk Yan, Ms Jennifer Anne Seabrook and Professor Pei Ker Wei.