# Metals Acquisition Limited
# (formerly known as Metals Acquisition Corp)

# Half year financial report
# for the period ended 30 June 2023

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# Half year financial report - 30 June 2023

## Contents

**Metals Acquisition Limited (formerly known as Metals Acquisition Corp)**
**Unaudited consolidated statement of profit or loss and other comprehensive income or loss**
**For the six months ended 30 June 2023 and 2022**

| | | Six months ended 30 June | |
|---|---|---|---|
| **US$ thousand** | **Notes** | **2023** | 2022 |
| Revenue | 6 | **18,576** | - |
| Cost of goods sold | 7 | **(20,301)** | - |
| Administrative expenses | 7 | **(16,610)** | (3,027) |
| Selling and distributive expenses | 7 | **(1,172)** | - |
| **Loss from operations** | | **(19,507)** | (3,027) |
| Finance income | 8 | **5,460** | 365 |
| Finance costs | 8 | **(10,127)** | (9,838) |
| Net change in fair value of financial instruments | 8 | **(9,558)** | 733 |
| **Net finance costs** | | **(14,225)** | (8,740) |
| **Loss before income taxes** | | **(33,732)** | (11,767) |
| Income tax benefit | 9 | **1,469** | - |
| **Net loss for the period** | | **(32,263)** | (11,767) |
| Other comprehensive income | | - | - |
| **Total comprehensive loss for the period attributable to owners of the company** | | **(32,263)** | (11,767) |
| **Basic and diluted loss per ordinary share** | 10 | **(3.13)** | (1.78) |

The accompanying notes are an integral part of these unaudited consolidated financial statements.

**Metals Acquisition Limited (formerly known as Metals Acquisition Corp)**
**Unaudited consolidated statement of financial position**
**As at 30 June 2023, 31 December 2022 and 1 January 2022**

| US$ thousand | Notes | 30 June 2023 | 31 December 2022 | 1 January 2022 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Current assets** | | | | |
| Cash and cash equivalents | 11 | **43,732** | 42 | 955 |
| Trade and other receivables | 12 | **20,881** | 53 | - |
| Inventories | 13 | **22,293** | - | - |
| Derivative financial assets | 22 | **714** | - | - |
| Prepayments and other current assets | | **1,338** | 201 | 340 |
| **Total current assets** | | **88,958** | 296 | 1,295 |
| **Non-current assets** | | | | |
| Property, plant and equipment | 14 | **1,252,903** | - | - |
| Inventories | 13 | **315** | - | - |
| Investments | 15 | **-** | 268,909 | 265,156 |
| Derivative financial assets | 22 | **8,505** | - | - |
| Prepayments and other non-current assets | | **54** | 986 | 187 |
| **Total non-current assets** | | **1,261,777** | 269,895 | 265,343 |
| **Total assets** | | **1,350,735** | 270,191 | 266,638 |
| **Liabilities** | | | | |
| **Current liabilities** | | | | |
| Trade and other payables | 16 | **63,754** | 927 | 604 |
| Lease liability | 17 | **5,167** | - | - |
| Loans and borrowings | 18 | **42,545** | 786 | - |
| Derivative financial liability | 22 | **11,792** | - | - |
| Provisions | 19 | **12,891** | - | - |
| Other financial liabilities | 20 | **89,910** | 16,519 | - |
| **Total current liabilities** | | **226,059** | 18,232 | 604 |
| **Non-current liabilities** | | | | |
| Lease liability | 17 | **11,080** | - | - |
| Loans and borrowings | 18 | **383,362** | - | - |
| Derivative financial liability | 22 | **65,863** | 7,443 | 8,440 |
| Deferred tax liability | 9 | **141,472** | - | - |
| Provisions | 19 | **25,925** | - | - |
| Other financial liabilities | 20 | **135,746** | 264,477 | 253,530 |
| **Total non-current liabilities** | | **763,448** | 271,920 | 261,970 |
| **Total liabilities** | | **989,507** | 290,152 | 262,574 |
| **Net assets** | | **361,228** | (19,961) | 4,064 |
| **Equity** | | | | |
| Ordinary shares | 24 | **413,186** | 1 | 1 |
| Additional paid-in capital | | **1,236** | 969 | 24 |
| (Accumulated deficit) / retained earnings | | **(53,194)** | (20,931) | 4,039 |
| **Total equity** | | **361,228** | (19,961) | 4,064 |

The accompanying notes are an integral part of these unaudited consolidated financial statements.

| **US$ thousand** | **Notes** | **Share capital** | **Additional Paid-in Capital** | **Accumulated Deficit** | **Total** |
|---|---|---|---|---|---|
| **Balance as of 31 December 2022** | | 1 | 969 | (20,931) | (19,961) |
| Contribution of conversion price in excess of fair value of warrants | | - | 198 | - | 198 |
| Amount in excess of the face value over the present value on related promissory note | | - | 69 | - | 69 |
| PIPE - Osisko | 24 | 15,000 | - | - | 15,000 |
| Backstop facility - Osisko | 24 | 25,000 | - | - | 25,000 |
| PIPE - Sprott | 24 | 15,000 | - | - | 15,000 |
| PIPE A and PIPE B | 24 | 184,517 | - | - | 184,517 |
| PIPE - BlackRock | 24 | 45,000 | - | - | 45,000 |
| Public shareholders - non-redemption | 24 | 34,431 | - | - | 34,431 |
| Rollover shares - Glencore | 24 | 100,000 | - | - | 100,000 |
| Share issuance costs | 24 | (5,763) | - | - | (5,763) |
| Net loss | | - | - | (32,263) | (32,263) |
| **Balance as of 30 June 2023** | | **413,186** | **1,236** | **(53,194)** | **361,228** |
| | | | | | |
| **Balance as of 1 January 2022** | | 1 | 24 | 4,037 | 4,062 |
| Contribution of conversion price in excess of fair value of warrants | | - | 721 | - | 721 |
| Net loss | | - | - | (11,767) | (11,767) |
| **Balance as of 30 June 2022** | | **1** | **745** | **(7,730)** | **(6,984)** |

The accompanying notes are an integral part of these unaudited consolidated financial statements.

| US$ thousand | Six months ended 30 June 2023 | 2022 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Net loss | **(33,732)** | (11,767) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | **3,201** | - |
| Net foreign exchange losses/(gains) | **(130)** | - |
| Finance income | **(5,330)** | (364) |
| Finance costs | **10,127** | 9,838 |
| Net change in fair value measurements of financial assets and liabilities | **9,558** | (733) |
| Movement in provisions | **1,057** | - |
| Other non-cash transactions | **(133)** | - |
| Changes in operating assets and liabilities: | | |
| Decrease/(increase) in trade receivables due from related parties | **(18,576)** | - |
| Decrease/(increase) in other receivables | **(611)** | - |
| Decrease/(increase) in prepayments | **1,095** | 129 |
| (Increase)/decrease in inventories | **10,292** | - |
| (Decrease)/increase in trade payables to related parties | **484** | 45 |
| (Decrease)/increase in trade payables | **(3,042)** | 160 |
| Increase/(decrease) in other payables | **26,800** | - |
| (Decrease)/increase in deferred liabilities | **(5,066)** | 1,230 |
| **Net cash from/(used) in operating activities** | **(4,006)** | (1,462) |
| | | |
| **Cash flows from investing activities:** | | |
| Purchase of property, plant, and equipment and intangibles | **(2,262)** | - |
| Proceeds from disposal of property, plant, and equipment | **16,564** | - |
| Acquisition of subsidiary | **(770,516)** | - |
| **Net cash used in investing activities** | **(756,214)** | - |
| | | |
| **Cash flows from financing activities:** | | |
| Proceeds from issue of share capital | **313,186** | - |
| Proceeds from convertible promissory note - related party | **300** | 1,200 |
| Proceeds from issue of promissory note | **1,082** | - |
| Proceeds from loans and borrowings (net of financing costs) | **476,657** | - |
| Proceeds from working capital loan - related party | **15,000** | - |
| Repayment of promissory note | **(1,869)** | - |
| Payment of lease liabilities | **(29)** | - |
| **Net cash from financing activities** | **804,327** | 1,200 |
| | | |
| **Net change in cash** | **44,107** | (262) |
| Cash, beginning of the period | **42** | 955 |
| Net foreign exchange difference | **(417)** | - |
| **Cash, end of the period** | **43,732** | 693 |

The accompanying notes are an integral part of these unaudited consolidated financial statements.

**Contents to the notes to unaudited consolidated financial statements**

# Contents

## 1. Corporate information

Metals Acquisition Limited ("MAL", the "Company" or "we") (formerly known as "Metals Acquisition Corp" or "MAC"), is a Company incorporated under the laws of Jersey, with limited liability. MAL was incorporated on 29 July 2022 with registered address 3rd Floor, 44 Esplanade St. Heiler, JE4 9WG, Jersey. The Company and its subsidiaries (collectively referred herein as the "Group") are primarily engaged in the operation of the Cornish, Scottish and Australian underground copper mine ("CSA mine") in Australia. The principal place of business of the Company is 3rd Floor, 44 Esplanade St. Heiler, JE4 9WG, Jersey. We are an emerging growth company, as defined in the Jumpstart Our Business Startup Act of the United States.

Metals Acquisition Corp was incorporated as a Cayman Islands exempted company on 11 March 2021 for the purpose of effecting a merger, share exchange, asset acquisition, share purchase, reorganization or similar business combination with one or more businesses ("Business Combination" or "Acquisition" or "initial Business Combination"). On 16 June 2023 (the "Closing Date" or "Closing" or "Acquisition Date"), the Group consummated the initial Business Combination pursuant to the Share Sale Agreement dated as of 17 March 2022 (amended on 22 November 2022), by and among MAL, MAC, MAC Australia and Glencore Operations Australia Pty Limited ("Glencore Operations Australia"). Pursuant to the Share Sale Agreement, MAC Australia acquired from Glencore Operations Australia 100% of the issued share capital of Cobar Management Pty Limited ("CMPL"), which owns and operates the CSA mine near Cobar, New South Wales, Australia. The Company's sponsor was Green Mountain Metals LLC, a Cayman Islands limited liability company (the "Sponsor").

***Basis of presentation***

On 16 June 2023, pursuant to the Share Sale Agreement, the Group had completed the acquisition of 100% of the issued share capital of Cobar Management Pty Limited ("CMPL"). The transaction constituted the Group's initial Business Combination.

Immediately prior to the initial Business Combination, MAC merged with and into MAL (the "Merger"), with MAL continuing as the surviving company. In connection with the Merger, (i) each issued and outstanding Class A Ordinary Share and Class B Ordinary Share of MAC was converted into one ordinary share of MAL ("Common Shares") and (ii) each issued and outstanding whole warrant to purchase Class A Ordinary Shares of MAC was converted into one warrant to purchase one ordinary share of MAL at an exercise price of $11.50 per share ("Warrants"), subject to the same terms and conditions existing prior to such conversion. Upon the consummation of the initial Business Combination and other transactions contemplated by the Share Sale Agreement, trading of the Common Shares and Warrants commenced on the New York Stock Exchange ("NYSE") under the symbols "MTAL" and "MTAL.WS", respectively, and MAL became a publicly listed entity on 16 June 2023.

The Merger of MAC and MAL involved entities under common control in which the combining entities were ultimately controlled by the same parties, both before and after the Merger was completed. This common control transaction was accounted for using book value accounting based on the carrying values recognised in the financial statements of the combining entities. The consolidated financial statements of MAL reflect that the arrangement is in substance a continuation of the existing group.

In connection with the initial Business Combination, Glencore received cash consideration of $770,516 thousand net of a customary closing accounts adjustment of $4,484 thousand to reflect the working capital, net debt and tax liabilities of CMPL at the time of Closing, a $75,000 thousand deferred consideration payment (the "Deferred Consideration"), up to $150,000 thousand in two contingent payments subject to copper price performance (the "Contingent Copper Consideration"), a 1.5% copper only net smelter return royalty (the "Royalty Deed") and 10,000,000 ordinary shares of the Company issued at the redemption share price of $10.00 per share. The cash consideration was funded through a combination of a 100% payable long-term silver sale-and-purchase agreement (the "Silver Stream") with Osisko Bermuda Limited ("Osisko") through an upfront payment of $75,000 thousand, a $205,000 thousand syndicated senior term loan facility (the "SFA"), a $135,000 thousand mezzanine facility (the "Mezz Facility), and equity. The Company entered a Redemptions Backstop Facility with Osisko that comprises $25,000 thousand of equity and a $75,000 thousand copper-linked financing facility (the "Copper Stream") that is fully subordinated to the SFA. The Company raised $229,517 thousand of proceeds from private equity placements ("PIPE Financing") as partial consideration for the initial Business Combination with certain investors. PIPE Financing refers to the private placement of ordinary shares to fund a portion of the consideration for the Business Combination.

Refer Note 24 for further information on capital structure of the Company and Note 25 for further information on initial Business Combination.

## 2. Basis of accounting

### (a) Statement of compliance

These unaudited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IAS 34 Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). They were authorised for issue by the Company's board of directors on 14 December 2023.

For all periods up to and including the audited financial statements for the year ended 31 December 2022 and unaudited interim financial statements for 3 months ended 31 March 2023, the Group prepared its unaudited consolidated financial statements in accordance with generally accepted accounting principles in the United States (U.S. GAAP). These unaudited consolidated financial statements for the 6 months ended 30 June 2023 are the first the Group has prepared in accordance with IFRS. The Group's effective date of transition to IFRS is 1 January 2022. Refer to Note 28 for information on how the Group adopted IFRS.

In the opinion of management, these unaudited consolidated financial statements reflect all adjustments, which consist of normal and recurring adjustments necessary to present fairly the financial position as at 30 June 2023, 31 December 2022 and 1 January 2022 and the results of operations and cash flows for the six months ended 30 June 2023 and 2022. Operating results for the six months ended 30 June 2023 are not necessarily indicative of the results that may be expected for the full year ending 31 December 2023.

### (b) Basis of measurement

These unaudited consolidated financial statements have been prepared on an accruals basis and are based on historical cost except for certain financial assets and liabilities which are measured at fair value. Historical cost is generally based on the fair values of the consideration given in exchange for assets.

All values in these unaudited consolidated financial statements are rounded to the nearest thousand, except where otherwise indicated.

### (c) Functional and presentation currency

These unaudited consolidated financial statements are presented in U.S. dollars ("USD" or "$"), which is the Group's functional currency.

### (d) Going concern

These unaudited consolidated financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

As at 30 June 2023, the Group's current liabilities exceed current assets by $137,101 thousand (31 December 2022: $17,936 thousand). The ability of the Company to continue as a going concern is dependent on a number of factors including, principally:

- The ability of the Group to enhance the efficiencies within the mine and increase profitability;
- The ability of the Group to achieve their operating cash flows detailed within their forecast; and
- The ability of CMPL to produce sufficient cash inflows to fund MAL's financing arrangements.

The Director's believe it is appropriate to prepare the financial statements on the going concern basis through their assessment of the Group's expected performance over the forecast period and the appropriateness of the assumptions utilized. In addition, the Director's have considered the ability of MAL to raise funding should this be required over the next 12 months. On October 13, 2023, MAL issued 1,827,096 Ordinary Shares to investors, at a price of US$11.00 per share, for aggregate gross proceeds of approximately $20,098 thousand. In addition, MAL has mandated joint lead managers in Australia to advise on an ASX listing. These lead managers have expressed confidence in MAL's ability to raise equity in connection with the ASX listing.

Therefore, the Directors continue to adopt the going concern basis of accounting in preparing these financial statements.

## 3. Significant accounting policies

The Group has consistently applied the following accounting policies to all periods presented in these unaudited consolidated financial statements, except if mentioned otherwise.

### 3.1 Basis of consolidation

#### (a) Business combinations

The Group accounts for business combinations under the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group (Note 25). In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The excess of the consideration transferred over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in consolidated profit or loss.

#### (b) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in these unaudited consolidated financial statements from the date on which control commences until the date on which control ceases.

#### (c) Transactions eliminated on consolidation

Intra-Group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-Group transactions, are eliminated.

### 3.2 Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in consolidated profit or loss and presented within finance income or finance costs.

### 3.3 Revenue recognition

Revenue is derived principally from the sale of goods and recognized when the performance obligations have been satisfied upon transfer of control of the goods from the Company to the customer. Revenue is measured based on consideration specified in the contract with a customer and excludes amounts collected on behalf of third parties.

Revenue related to the sale of goods is recognized when the product is delivered to the destination specified by the customer, which is typically the vessel on which it is shipped, the destination port or the customer’s premises and the customer has gained control through their ability to direct the use of and obtain substantially all the benefits from the asset. The sales price is determined on a provisional basis at the date of sale as the final selling price is subject to movements in market prices up to the date of final pricing, normally ranging from 30 to 90 days after initial booking (provisionally priced sales). As the pricing only varies based on future market prices after the performance obligation has been satisfied, this is not considered to be variable consideration. The Company’s right to the consideration is unconditional as only the passage of time is required before payment is due and, therefore, the Company accounts for the receivable under IFRS 9 Financial Instruments (IFRS 9). Revenue on provisionally priced sales is recognized based on the estimated fair value of the total consideration receivable. The revenue adjustment mechanism embedded within provisionally priced sales arrangements has the character of a commodity derivative.

## 3. Significant accounting policies (continued)

### 3.3 Revenue recognition (continued)

Accordingly, the fair value of the final sales price adjustment is re-estimated continuously and changes in fair value are recognized as an adjustment to revenue. In all cases, fair value is estimated by reference to forward market prices.

The principal risks associated with recognition of sales on a provisional basis include commodity price fluctuations between the date the sale is recorded and the date of final settlement. If a significant decline in commodity prices occurs, it is reasonably possible the Company could be required to pay the difference between the provisional price and final selling price.

Revenues from the sale of silver, a by-product in the production of copper concentrate, are included within revenue from the sale of concentrate, which includes copper and silver.

The Company is responsible for providing certain shipping and insurance services to the customer, which is generally before the date at which the Company has transferred control of the goods. These services are not distinct within the context of the contract, and they are not separately identifiable from other promises within the contract. Accordingly, shipping and insurance services are not considered separate performance obligations and are treated as costs to fulfill the promise to transfer the related products. Any customer payments of shipping and handling costs are recorded within revenue. While the Company's customer has an option to take deliveries of the goods on Cost and Freight ("CFR") and Cost, Insurance and Freight ("CIF") basis, the customer generally opts for Free on Board ("FOB") based delivery where the Company is responsible for loading the purchased goods onto the ship, and all costs associated up to that point.

### 3.4 Finance income and finance costs

The Group's finance income and finance costs include:

- interest income;
- interest expense;
- the foreign currency gains and losses;
- amortisation of discount on convertible promissory notes;
- the net gain or loss on financial instruments at fair value through profit and loss ("FVTPL");
- the fair value gain or loss on derivative financial instruments; and
- the fair value loss on contingent consideration classified as a financial liability.

Interest income or expense is recognised under the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

### 3.5 Income tax

Income tax expense comprises current and deferred tax. It is recognised in consolidated profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income ("OCI"). Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12.

The Group has determined that the global minimum top-up tax – which it is required to pay under Pillar Two legislation – is an income tax in the scope of IAS 12 Income Taxes (IAS 12). The Group has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a current tax when it is incurred.

### (a) Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date.

Current tax assets and liabilities are offset only if certain criteria are met.

## 3. Significant accounting policies (continued)

### 3.5 Income tax (continued)

#### (a) Current tax (continued)

The Group assesses its liabilities and contingencies for all tax years open to audit based upon the latest information available. Inherent uncertainties exist in estimates of tax contingencies due to complexities of interpretation and changes in tax laws. For those matters where it is probable that an adjustment will be made, the Group records its best estimate of these tax liabilities, including related interest charges, taking into account the range of possible outcomes.

#### (b) Deferred tax

Deferred tax is accounted for using the balance sheet liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes. Deferred tax assets and liabilities are not recognised for:

- temporary differences on the initial recognition of assets and liabilities in a transaction that:
  - is not a business combination; and
  - at the time of the transaction (i) affects neither taxable income nor accounting profit and (ii) does not give rise to equal taxable and deductible temporary differences;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient future taxable profits will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group has both the right and the intention to settle its current tax assets and liabilities on a net or simultaneous basis.

### 3.6 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institution, other short-term, highly liquid investments with remaining maturities at purchase of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

### 3.7 Inventories

Copper-silver in concentrate and ore stockpiles are physically measured and valued at the lower of cost or net realisable value. Cost is determined using the first-in-first- out (“FIFO”) or the weighted average method and comprises material costs, labour costs, allocated production related overhead costs and includes treatment and refining cost. The cost of production is allocated to joint products using a ratio of weighted average volume by product at each month end. Separately identifiable costs of conversion of each metal concentrate are specifically allocated. Net realizable value is the estimated selling price, less estimated costs of completion and costs of selling final product. Supplies and consumables are measured using the FIFO method and work in progress inventories using the weighted average method. Financing and storage costs related to inventory are expensed as incurred.

## 3. Significant accounting policies (continued)

### 3.8 Property, plant and equipment

#### (a) Recognition and measurement

Property, plant and equipment are initially recognised at cost, being the fair value of the consideration given to acquire or construct the asset, including directly attributable costs required to bring the asset to the location or to a condition necessary for operation and the direct cost of dismantling and removing the asset, less accumulated depreciation and any accumulated impairment losses.

#### (b) Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

#### (c) Depreciation

Property, plant and equipment are depreciated to their estimated residual value over the estimated useful life of the specific asset concerned, or the estimated remaining life of mine ("LOM"), field or lease.

Depreciation commences when the asset is available for use. The major categories of property, plant and equipment are depreciated/amortised on a Units-of-Production ("UOP") and/or straight-line basis. Depreciation of property, plant and equipment using UOP method over the LOM is based on estimated tonnes including commercially recoverable reserves (proven and probable reserves) and a portion of mineral resources (measured, indicated and inferred resources).

The portion of mineral resources are included in depreciation calculations where they are expected to be classified as mineral reserves based on high degree of confidence that they will be extracted in an economic manner.

The estimated useful lives for the current period is as follows:

| | |
|---|---|
| Buildings | 10 - 45 years / Straight - line |
| Freehold land | Not depreciated |
| Plant and equipment | 3 – 30 years / UOP |
| ROU asset | 2 – 30 years |
| Mine development | UOP |

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

#### (d) Mine development

Mine development costs include costs of acquired mineral rights and costs incurred resulting from mine pre-production activities undertaken to gain access to proven and probable mineral reserves, including shafts, adits, drifts, ramps, permanent excavations, and infrastructure. Mineral rights comprise identifiable exploration and evaluation assets, mineral resources and ore reserves, which are acquired as part of a business combination and are recognised at fair value at the date of acquisition.

Exploration and evaluation expenditures are the costs incurred in the initial search for mineral deposits with economic potential or in the process of obtaining more information about existing mineral deposits. Exploration expenditures typically include costs associated with prospecting, sampling, mapping, diamond drilling and other work involved in searching for ore. Evaluation expenditures are the costs incurred to establish the technical and commercial viability of developing mineral deposits identified through exploration activities or by acquisition.

Exploration and evaluation expenditures are expensed as incurred unless it can be demonstrated that the project will generate future economic benefit. When it is determined that a project can generate future economic benefit the costs are capitalized in the property, plant and mine development line item in the consolidated balance sheets.

The exploration and evaluation phase ends when the technical feasibility and commercial viability of extracting the mineral is demonstrable.

Development stage expenditures are costs incurred to obtain access to proven and probable mineral reserves or mineral resources and provide facilities for extracting, treating, gathering, transporting and storing the minerals. The development stage of a mine commences when the technical feasibility and commercial viability of extracting the mineral resource has been determined. Costs that are directly attributable to mine development are capitalized as property, plant and mine development to the extent that they are necessary to bring the property to commercial production. Abnormal costs are expensed as incurred. Indirect costs are included only if they can be directly attributed to the area of interest. General and administrative costs are capitalized as part of the development expenditures when the costs are directly attributed to a specific mining development project.

## 3. Significant accounting policies (continued)

### 3.8 Property, plant and equipment (continued)

#### (d) Mine development (continued)

Upon completion of development and commencement of production, capitalised development costs are transferred, as required, to the appropriate plant and equipment asset category.

Depreciation for mine development costs is determined using the UOP method. The Company records amortization on underground mine development costs on a UOP basis based on the estimated tonnage of proven and probable mineral reserves and the mineral resources included in the current life of mine plan of the identified component of the ore body. The UOP method defines the denominator as the total tonnage of proven and probable mineral reserves and the mineral resources included in the current life of mine plan. Depreciation, depletion and amortisation using the UOP method is allocated to inventory cost and then included as a component of cost of goods sold.

#### (e) Assets under construction

Assets under construction are included in plant and equipment and since the assets are not yet available for use, are not depreciated.

### 3.9 Leases

The Group recognises a ROU asset and corresponding lease liability in the consolidated statement of financial position for all lease arrangements in which it is the lessee, except for short-term leases with a term of twelve months or less and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the future lease payments from the commencement date of the lease. The lease payments are discounted using the asset and Group specific incremental borrowing rates. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect the lease payments made. The Group remeasures the lease liability, with a corresponding adjustment to the related ROU assets, whenever:

- The lease term changes or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- The lease payments change due to the changes in an index or rate or a change in expected payment under a guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate;
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured 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 modification.

The ROU assets are initially recognised in the consolidated statement of financial position at cost, which comprises the amount of the initial measurement of the corresponding lease liability, adjusted for any lease payments made at or prior to the commencement date of the lease, any lease incentive received and any initial direct costs incurred, and expected costs for obligations to dismantle and remove ROU assets when they are no longer used. ROU assets are recognised within property, plant and equipment in the consolidated statement of financial position. ROU assets are depreciated on a straight-line basis from the commencement date of the lease over the shorter of the useful life of the ROU asset or the end of the lease term.

***Sale and leaseback transactions***

If the Group transfers an asset to another entity (the "buyer-lessor") and leases that asset back from the buyer-lessor, the transfer contract and the lease is accounted for by applying the requirements of IFRS 16 Leases (IFRS 16). The Group first applies the requirements for determining when a performance obligation is satisfied in IFRS 15 Revenue from Contracts with Customers (IFRS 15) to determine whether the transfer of an asset is accounted for as a sale of that asset.

For transfer of an asset that satisfies the requirements of IFRS 15 to be accounted for as a sale of the asset, the Group measures the ROU asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the Group. Accordingly, the Group recognises only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor.

If the transfer of an asset does not satisfy the requirements of IFRS 15 to be accounted for as a sale of the asset, the Group continues to recognise the transferred asset and recognises a financial liability equal to the transfer proceeds. The financial liability is accounted for applying IFRS 9 Financial Instruments (IFRS 9).

## 3. Significant accounting policies (continued)

### 3.10 Financial instruments

#### (a) Recognition and measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus or minus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

#### (b) Classification and subsequent measurement

***Financial assets***

On initial recognition, a financial asset is classified as subsequently measured at: amortised cost; fair value through other comprehensive income ("FVOCI") – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

**i. Business model assessment**

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

**ii. Assessment whether contractual cash flows are solely payments of principal and interest**

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

## 3. Significant accounting policies (continued)

### 3.10 Financial instruments (continued)

### (b) Classification and subsequent measurement (continued)

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in consolidated profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

***Financial liabilities***
Financial liabilities of the Group include trade and other payables, loans and borrowings, lease liabilities and other financial liabilities. The Group recognises the financial liabilities at amortised cost using the effective interest method as they are not classified as held-for-trading, not a derivative or not designated as such on initial recognition. Interest expense and foreign exchange gains and losses are recognised in consolidated profit or loss.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

### (c) Derecognition

***Financial assets***
The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

***Financial liabilities***
The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

### (d) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

### (e) Derivative financial instruments

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are recognised in consolidated profit or loss for fair value and non-hedging derivatives and recognized in consolidated other comprehensive income for derivatives designated as cash flow hedges.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at FVTPL. Embedded derivatives are measured at fair value with changes in fair value recognised in consolidated profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the FVTPL category.

More information about the Group’s accounting policies and risk management activities related to derivative financial instruments and hedge accounting is provided in Notes 21 and 22.

## 3. Significant accounting policies (continued)

### 3.11 Impairment

#### (a) Non-derivative financial instruments

A loss allowance for expected credit losses ("ECL") is determined for all financial assets, other than those at FVTPL and equity instruments at FVOCI, at the end of each reporting period. The ECL recognised represents a probability-weighted estimate of credit losses over the expected life of the financial instrument.

The Group applies the simplified approach to measure the loss allowance for trade receivables classified at amortised cost, using the lifetime ECL provision. The ECL on these financial assets is estimated using a provision matrix by reference to past default experience and an equivalent credit rating, adjusted as appropriate for current observable data and forward-looking information.

For all other financial assets at amortised cost, the Group recognises lifetime ECLs when there has been a significant increase in credit risk since initial recognition, which is determined by:

- A review of overdue amounts;
- Comparing the risk of default at the reporting date and at the date of initial recognition; and
- An assessment of relevant historical and forward-looking quantitative and qualitative information.

For those balances that are beyond 30 days overdue it is presumed to be an indicator of a significant increase in credit risk.

If the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-months ECL, which comprises the expected lifetime loss from the instrument were a default to occur within 12 months of the reporting date.

The Group considers an event of default has materialised and the financial asset is credit impaired when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay the Group without taking into account any collateral held by the Group or if the financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate. The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

#### (b) Non-financial assets

The Group conducts, at least quarterly, an internal review of asset values which is used as a source of information to assess for any indications of impairment. Formal impairment tests are carried out when events or changes in circumstances indicate the carrying value may not be recoverable.

A formal impairment test involves determining whether the carrying amounts are in excess of their recoverable amounts. An asset's recoverable amount is determined as the higher of its fair value less costs of disposal and its value in use. Such reviews are undertaken on an asset-by-asset basis, except where assets do not generate cash flows independent of other assets, in which case the review is undertaken at the Cash Generating Unit ("CGU") level.

If the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recorded in the consolidated profit or loss to reflect the asset at the lower amount.

For those assets which were impaired in prior periods, if indicators of impairment reversal exist an assessment is performed and if their recoverable amount exceeds their carrying amount, an impairment reversal is recorded in the consolidated profit or loss to reflect the asset at the higher amount to the extent the increased carrying amount does not exceed the carrying value of the asset that would have been determined had no impairment previously been recognised.

### 3.12 Employee benefits

#### (a) Short term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Liabilities recognised in respect of short-term employee benefits, are measured at their face value without the effect of discounting using the remuneration rate expected to apply at the time of settlement.

#### (b) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

## 3. Significant accounting policies (continued)

### 3.12 Employee benefits (continued)

#### (c) Long term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. Liabilities recognised in respect of long-term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date. Remeasurements are recognised in consolidated profit or loss in the period in which they arise.

### 3.13 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive), as a result of past events, and it is probable that an outflow of resources embodying economic benefits that can be reliably estimated will be required to settle the liability.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flow estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). The unwinding of the discount is recognised as finance cost in consolidated profit and loss.

***Restoration, rehabilitation and decommissioning***

The Group's mining and exploration activities are subject to various governmental laws and regulations relating to the protection of the environment. These environmental regulations are continually changing, and the Group has made, and intends to make in the future, expenditures to comply with such laws and regulations. The timing of these expenditures is dependent upon a number of factors including the life of the mine, the operating license conditions, and the laws, regulations, and environment in which the mine operates.

Decommissioning liabilities are recognised at the time an environmental disturbance occurs and are measured at the Company's best estimate of the expected future cash flows required to reclaim the disturbance for each mine operation, which are adjusted to reflect inflation, and discounted to their present value.

### 3.14 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these unaudited consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 Inventories (IAS 2) or value in use in IAS 36 Impairment of Assets (IAS 36).

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

### 3.15 Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the consolidated statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

## 3. Significant accounting policies (continued)

### 3.16 Accounting standards issued but not yet effective

A number of new accounting standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted. However, the Group has not early adopted the following new or amended accounting standards in preparing these unaudited consolidated financial statements.

**(a) Classification of liabilities as current or non-current and non-current liabilities with covenants (Amendments to IAS 1)**

The amendments, as issued in 2020 and 2022, aim to clarify the requirements on determining whether a liability is current or non-current, and require new disclosures for non-current liabilities that are subject to future covenants. The amendments apply for annual reporting periods beginning on or after 1 January 2024.

As disclosed in Note 18, the Group has certain loans and borrowings that are subject to specific covenants. While a portion of these liabilities are classified as non-current at 30 June 2023, a future breach of the related covenants may require the Group to repay the liabilities earlier than the contractual maturity dates. The Group is in the process of assessing the potential impact of the amendments on the classification of these liabilities and the related disclosures.

**(b) Other accounting standards**

The following new and amended accounting standards are not expected to have a significant impact on the Group's unaudited consolidated financial statements.

- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)
- Lack of Exchangeability (Amendments to IAS 21).

## 4. Use of judgements and estimates

In preparing these unaudited consolidated financial statements, management has made judgements and estimates that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis and are consistent with the Group's risk management commitments, where appropriate. Revisions to estimates are recognised prospectively.

**Significant judgements, estimates and assumptions**

Information about assumptions and estimation uncertainties at 30 June 2023 and judgements made in applying accounting policies that have the most significant effects on the amounts recognised in these unaudited consolidated financial statements are as follows:

***Business combination (Note 25)***

Assets and liabilities of subsidiaries acquired are included at their fair value at the time of acquisition. Such valuations require management to make significant estimates and assumptions, especially with respect to property, plant and equipment, which includes mineral properties, and inventory. With the assistance of an independent third-party, management has made assumptions and estimates on the future CSA mine production profile, commodity prices and discount rates. The discounted cash flow model used to determine the fair value of the property, plant and equipment property considers forecasted production and sales, which is derived from the acquired businesses reserves and resources statement. The fair value of the inventories uses the historical net book value for supplies and consumables on hand as an appropriate proxy for fair value. Finished inventories have been valued by starting at the assumed commodity price at the time of expected sale, deducting all remaining costs required to produce and sell these inventories and allowing for an appropriate selling margin and estimated costs to complete. Management's estimates of fair value are based on reasonable assumptions, but those are inherently uncertain and unpredictable, and as a result, actual results may differ from estimates.

In a business combination, it is necessary to recognise contingent future payments to previous owners, representing contractually defined potential amounts, as a liability. For the acquisition of CMPL, the contingent and deferred consideration is linked to a formula depending on an additional capital raise or an ASX listing of the Company, certain copper price thresholds, and/or net smelter returns of all marketable and metal-bearing copper material from the acquired business over the mining tenure/life of CSA mine.

For determination of the fair value of contingent consideration, various unobservable inputs are used. A change in these inputs might result in a significantly higher or lower fair value measurement. The inputs used are, among others, future copper prices, estimated net smelter returns from all marketable and metal-bearing copper material produced from the CSA mine and assumptions regarding the discount rate.

## 4. Use of judgements and estimates (continued)

**Significant judgements, estimates and assumptions (continued)**

***Depreciation based on UOP basis (Note 14)***

Assets depreciated on a UOP basis rely heavily on estimated production units. In calculating the appropriate production level, management rely on life of mine plans containing production levels and costs. Estimated production units include commercially recoverable reserves (proven and probable reserves) and other mineral resources (measured, indicated and inferred resources) that can be economically and legally extracted from the CSA mine. Other mineral resources have been included in estimated production units (beyond just the proven and probable reserves) when management has sufficient confidence, for the purpose of determining economic life of certain assets, that these resources will be converted into proven and probable reserves. This determination is based on proven historical conversion rates through further drilling and a historical track record of life of mine extensions and replenishment of reserves.

The estimation of production units requires significant subjective assumptions that arise from the evaluation of geological, geophysical, engineering and economic data based on the size, depth and shape of an ore body, and requires complex geological assessments to interpret that data. Furthermore, in order to determine the production units, estimates and assumptions are also required about a range of technical and economic factors such as estimates of commodity prices, future capital requirements, quantities, grades, production techniques, recovery and conversion rates, production costs, etc. Therefore, the Group uses both internal and external technical experts to estimate the production units from CSA mine.

This data could change over time as a result of numerous factors, including new information gained from development activities, evolving production history and a reassessment of the viability of production under different economic conditions. As such changes in production units may affect the life of mine and depreciation rates thereby impacting the Group's consolidated financial results and consolidated financial position for future periods.

The estimates and assumptions contained within the life of mine plans are reviewed regularly by management. Any changes in the life of mine plans are reflected in the depreciation rates on a prospective basis.

***Amortisation (Note 14)***

Property, plant and mine development comprise a large portion of the Company's total assets and as such the amortization of these assets has a significant effect on the Company's consolidated financial statements. Amortization is charged according to the pattern in which an asset's future economic benefits are expected to be consumed. The determination of this pattern of future economic benefits requires management to make estimates and assumptions about useful lives and residual values at the end of the asset's useful life. Actual useful lives and residual values may differ significantly from current assumptions.

***Mineral reserve and mineral resource estimates (Note 14)***

Mineral reserves and mineral resources are estimates of the amount of ore that can be extracted from the Company's mining properties. The estimates are based on information compiled by "competent persons" as defined under the JORC Code. Such an analysis relating to the geological and technical data on the size, depth, shape and grade of the ore body and suitable production techniques and recovery rates requires complex geological judgments to interpret the data. The estimation of mineral reserves and mineral resources is based upon factors such as estimates of commodity prices, future capital requirements and production costs, geological and metallurgical assumptions and judgments made in estimating the size and grade of the ore body and foreign exchange rates.

As the economic assumptions used may change and as additional geological information is acquired during the operation of a mine, estimates of proven and probable mineral reserves may change. Such changes may affect the Company's consolidated balance sheets and consolidated statements of income, including:

- The carrying value of the Company's property, plant and mine development and goodwill may be affected due to changes in estimated future cash flows;
- Amortization charges in the consolidated statements of income may change where such charges are determined using the units-of-production method or where the useful life of the related assets change;
- Reclamation provisions may change where changes to the mineral reserve and mineral resource estimates affect expectations about when such activities will occur and the associated cost of these activities; and
- Mineral reserve and mineral resource estimates are used to calculate the estimated recoverable amounts of CGUs for impairment tests of goodwill and non-current assets.

## 4. Use of judgements and estimates (continued)

**Significant judgements, estimates and assumptions (continued)**

***Restoration, rehabilitation and decommissioning (Note 19)***

A provision for future restoration, rehabilitation and decommissioning costs requires estimates and assumptions to be made around the relevant regulatory framework, the magnitude of the possible disturbance and the timing, extent and costs of the required closure and rehabilitation activities. Most of these rehabilitation and decommissioning events are expected to take place many years in the future and the currently estimated requirements and costs that will have to be met when the restoration event occurs are inherently uncertain and could materially change over time. In calculating the appropriate provision for the expected restoration, rehabilitation or decommissioning obligations, cost estimates of the future potential cash outflows based on current studies of the expected rehabilitation activities and timing thereof, are prepared.

These forecasts are then discounted to their present value using a risk-free rate specific to the liability and the currency in which they are denominated.

Any changes in the expected future costs are initially reflected in both the provision and the asset (included within plant and equipment classification) and subsequently in the profit and loss over the remaining economic life of the asset through the depreciation charge. As the actual future costs can differ from the estimates due to changes in laws, regulations, technology, costs and timing, the provisions including the estimates and assumptions contained therein are reviewed regularly by management.

***Derivative instruments (Note 22)***

The Company has issued warrants as further described in Note 22 of these financial statements. The Company recognizes the warrants as liabilities at fair value with changes in fair value recognized in profit or loss. The fair value of the Company's Public Warrants is based on their quoted price on the NYSE. The Company has determined that the closing price of the Public Warrants is an appropriate estimate for the fair value of Private Placement Warrants due to a make-whole provision in the contractual terms of the Private Placement Warrants Agreement. The fair value of the Company's warrants subscription agreement (the "Mezz Warrants") is determined using a Monte Carlo simulation model requiring such inputs as the Company's share price, share price volatility, risk-free rates of return, and expected life of the Mezz Warrants. Share price volatility was estimated by using a weighting of the average historical volatility of comparable companies from a representative peer group of publicly traded companies.

The Company has employed a silver future curve simulation valuation model to estimate the fair value of the silver stream embedded derivative, using as key inputs the anticipated silver deliveries contained within the life of mine plans, and the Company's credit spread.

The Company has employed a copper future curve simulation valuation model to estimate the fair value of the copper stream embedded derivative, using as key inputs the anticipated copper deliveries contained within the life of mine plan, copper price volatility, and the Company's credit spread.

The Company has employed a Monte-Carlo simulation model to estimate the fair value of the Mezz Facility embedded derivative, notably the fair value of the prepayment option, using as key inputs the risk-free rate, copper price volatility, copper price forward curve, and the Company's credit spread.

***Contingencies (Note 29)***

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgement and estimates of the outcome of future events. Such contingencies include, but are not limited to environmental obligations, litigation, regulatory proceedings, tax matters and losses resulting from other events and developments.

When a loss is considered probable and reasonably estimable, a liability is recorded in the amount of the best estimate for the ultimate loss. The likelihood of a loss with respect to a contingency can be difficult to predict and determining a meaningful estimate of the loss or a range of loss may not always be practicable based on the information available at the time and the potential effect of future events and decisions by third parties that will determine the ultimate resolution of the contingency.

It is not uncommon for such matters to be resolved over many years, during which time relevant developments and new information is continuously evaluated to determine both the likelihood of any potential loss and whether it is possible to reasonably estimate a range of possible losses. When a loss is probable but a reasonable estimate cannot be made, disclosure is provided.

***Deferred tax (Note 9)***

Deferred tax assets are recognised only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse, and a judgement as to whether there will be sufficient taxable income available to offset the tax assets when they do reverse. These judgements and estimates are subject to risk and uncertainty and therefore, to the extent assumptions regarding future profitability change, there can be a material increase or decrease in the amounts recognised in the consolidated statement of income in the period in which the change occurs. The recoverability of the Group's deferred tax assets including the estimates and assumptions contained therein are reviewed regularly by management.

## 5. Segment information

The chief operating decision maker has been identified as the Chief Executive Officer ("CEO"). The CEO makes decisions with respect to allocation of resources and assesses performance of the Group. The Group is organised and operates in one single operating segment focused on the mining and production of copper and silver from the CSA mine. As such the performance of the Group is assessed and managed in totality.

## 6. Revenue

| | Six months ended 30 June | |
|---|---|---|
| **US$ thousand** | **2023** | **2022** |
| Sale of commodities - Copper | **17,929** | - |
| Sale of commodities - Silver | **647** | - |
| **Total** | **18,576** | - |

Revenue is derived principally from the sale of commodities, recognised once the control of the goods has transferred from the Group to the customer. Products of the Group may be provisionally priced at the date revenue is recognised. There was no impact on revenue recognised due to changes in the pricing of copper for the sales recognised since the acquisition of CMPL. As at 30 June 2023, the Group had 2,330 payable copper metal tonnes of provisionally priced copper sales subject to final pricing over the next several months. The average provisional price per tonne of these provisionally priced sales subject to final pricing is $8,551. Impact of provisionally priced sales is accounted under IFRS 9 Financial Instruments (IFRS 9). Final settlements are recognised within revenue.

## 7. Expenses by nature

| | | Six months ended 30 June | |
|---|---|---|---|
| **US$ thousand** | **Note** | **2023** | **2022** |
| Change in production stock | | **10,500** | - |
| Consumables and other production purchases | | **2,118** | - |
| Repairs and maintenance | | **566** | - |
| Energy and utilities | | **437** | - |
| Employee benefits | | **2,811** | - |
| Contractors | | **644** | - |
| Transportation | | **665** | - |
| Depreciation on property, plant and equipment | 14 | **3,201** | - |
| Acquisition costs | 25 | **13,613** | 1,549 |
| Legal and professional fees | | **2,016** | 1,160 |
| Initial public offering related costs | | **470** | 49 |
| Insurance | | **619** | 160 |
| Others | | **423** | 109 |
| **Total cost of goods sold, administrative and selling and distribution expenses** | | **38,083** | 3,027 |

Contributions made to defined contribution plans for 6 months ended on 30 June 2023 were $297 thousand (2022: $nil). These contributions are recognised as a part of employee benefits.

## 8. Finance income and costs

| US$ thousand | Note | Six months ended 30 June 2023 | 2022 |
|---|---|---|---|
| **Finance income** | | | |
| Income from marketable securities | | **5,330** | 365 |
| Foreign exchange gain | | **130** | - |
| **Total finance income** | | **5,460** | 365 |
| **Finance costs** | | | |
| Interest expense under the effective interest rate method on: | | | |
| - Loans and borrowings | | **(2,324)** | - |
| - Other financial liabilities | | **(7,762)** | (9,830) |
| - Lease liabilities | | **(41)** | - |
| Amortisation of discount on convertible promissory note | | **-** | (8) |
| **Total finance costs** | | **(10,127)** | (9,838) |
| **Net change in fair value measurements of financial assets and liabilities** | | | |
| Change in fair value of: | | | |
| - Warrant liability | 22 | **(13,624)** | 726 |
| - Embedded derivative - copper and silver stream agreements | 22 | **4,789** | - |
| - Embedded derivative - mezzanine debt facility | 22 | **(723)** | - |
| - Embedded derivative - conversion option | 22 | **-** | 7 |
| **Total net change in fair value of financial instruments** | | **(9,558)** | 733 |
| **Net finance costs** | | **(14,225)** | (8,740) |

## 9. Income taxes

### (a) Amounts recognised in profit or loss

| US$ thousand | Six months ended 30 June 2023 | 2022 |
|---|---|---|
| Current income tax expense | **-** | - |
| | **-** | - |
| **Deferred tax expense/(benefit)** | | |
| Origination and reversal of temporary differences | **(1,469)** | - |
| | **(1,469)** | - |
| **Total income tax expense/(benefit)** | **(1,469)** | - |

## 9. Income taxes (continued)

### (b) Reconciliation of income tax expense

| US$ thousand | Six months ended 30 June 2023 | 2022 |
|---|---|---|
| Profit/(loss) before income tax for the period | **(33,732)** | (11,767) |
| Total tax expense/(benefit) | **(1,469)** | - |
| **Profit/(loss) after income tax** | **(32,263)** | (11,767) |
| Tax using the statutory rate of 30% (2022 - 0%) | **-** | - |
| Tax effects of foreign jurisdiction (Australia): | | |
| Tax at the Australian tax rate of 30% (2022 - Cayman Island 0%) | **(10,120)** | - |
| Tax rate differential | **8,471** | |
| Non-deductible expenses | **180** | - |
| **Income tax expense/(benefit)** | **(1,469)** | - |

### (c) Movement in deferred tax balances

| US$ thousand | Net balance at 1 January 2023 | Acquired through business combination | Recognised in profit or loss | Net balance at 30 June 2023 | Deferred tax assets | Deferred tax liabilities |
|---|---|---|---|---|---|---|
| Inventories | - | 491 | (4,896) | (4,405) | - | (4,405) |
| Property, plant and equipment | - | (154,903) | (4,320) | (159,223) | - | (159,223) |
| Lease liability | - | 151 | 4,723 | 4,874 | 4,874 | - |
| Provisions | - | 11,320 | 235 | 11,555 | 11,555 | - |
| Tax losses | - | - | 5,833 | 5,833 | 5,833 | - |
| Other | - | - | (106) | (106) | - | (106) |
| **Net tax assets/(liabilities)** | **-** | **(142,941)** | **1,469** | **(141,472)** | **22,262** | **(163,734)** |

The Jersey parent entity has nil income tax rate and thus no income tax is recorded.

All wholly owned Australian controlled entities are part of a Multiple Entry Tax Consolidated Group (MEC Group), with Metals Acquisition Corp. (Australia) Pty Ltd as the provisional head company. All other Eligible Tier 1 companies in the MEC Group are dormant. As a consequence, all members of the MEC Group are taxed as a single entity. The MEC Group is referred to below as MAC-Sub.

As at and for the year ended 31 December 2022, the Group was considered to be an exempted Cayman Islands company with connection to Australia via MAC-Sub as a taxable jurisdiction. MAC-Sub was a dormant entity as at and during the year ended 31 December 2022 and the Group was therefore not subject to income taxes or income tax filing requirements in the Cayman Islands or United States for financial year ended on 31 December 2022. MAC-Sub as an Australian tax resident company was required to notify the Australian Taxation Office that it was dormant, did not have taxable income and was not required to lodge a tax return for the year ended 31 December 2022 and did so in the time required. As such, the Group's tax provision was zero as at 31 December 2022.

*Unrecognised deferred tax assets and liabilities*

MAC-Sub does not have any unrecognised deferred tax assets or liabilities.

*Tax losses carried forward*

MAC-Sub has income tax losses of $19,443 thousand for the period ended 30 June 2023. These tax losses have no expiry. The accounts including the current tax expense and deferred tax balances have been prepared as at 30 June 2023. However, MAC-Sub has an income tax year end of 31 December each year meaning that it will only be required to determined its tax position for the 2023 income year as at 31 December 2023. At that point will be determine whether it is in a tax payable or tax loss position. To the extent to which it has tax losses, it will need to satisfy certain tests in order to be able to utilise those tax losses in future years. A deferred tax asset has been recognised on the tax losses to offset the deferred tax liability arising from the inventory.

*Income tax judgements and contingent tax liabilities*

The Group does not have any contingent tax liabilities or uncertain tax positions for the period ended 30 June 2023.

## 10. Earnings per share

Basic income / (loss) per share is calculated based on the weighted average number of common shares and common share equivalents outstanding during the period ended 30 June 2023, and 2022. In periods with positive earnings, the calculation of diluted net income per share uses the treasury stock method to compute the dilutive effects of warrants, convertible debt, and other potentially dilutive instruments. In periods of loss, diluted net loss per share is equal to basic net loss per share, as the effect of potential issuances of shares from potentially dilutive instruments would be anti-dilutive.

The following table provides a reconciliation between basic and diluted net loss per share:

| | Six months ended 30 June | |
|---|---|---|
| | **2023** | **2022** |
| Net loss (in US$) | **(32,263,000)** | (11,767,000) |
| Weighted average common shares outstanding (in numbers) | **10,322,021** | 6,628,695 |
| Net loss per common share (in US$): | | |
| Basic | **(3.13)** | (1.78) |
| Diluted | **(3.13)** | (1.78) |

For the period-ended 30 June 2023, the computation of diluted net income (loss) per share excluded the impact of 8,838,260 Public warrants (2022: 8,838,260), 6,535,304 Private warrants (2022: 6,335,304), and 3,187,500 warrants related to the Mezzanine debt (2022: nil) as their effect would be anti-dilutive.

## 11. Cash and cash equivalents

| **US$ thousand** | **30 June 2023** | **31 December 2022** | **1 January 2022** |
|---|---|---|---|
| Bank balances | **43,732** | 42 | 955 |
| | **43,732** | 42 | 955 |

The Senior Syndicated Facility Agreement ("SFA") requires the Company to maintain a minimum cash and cash equivalent investment balance (as defined in the SFA) of $30,000 thousand. This includes any undrawn and available portion of the $25,000 thousand revolving credit facility ("Facility B") (Refer Note 18).

As of 30 June 2023, cash and cash equivalents includes $5,000 thousand (2022: $nil) that should be kept for the fulfilment of the SFA's minimum cash and cash equivalent investments balance requirement (as defined in the SFA). Facility B is undrawn as of 30 June 2023.

## 12. Trade and other receivables

| **US$ thousand** | **30 June 2023** | **31 December 2022** | **1 January 2022** |
|---|---|---|---|
| Indirect tax receivable | **2,299** | - | - |
| Other receivables | **6** | 53 | - |
| Trade receivable due from related parties containing provisional pricing feature | **18,576** | - | - |
| | **20,881** | 53 | - |

Trade receivable due from related parties are subject to provisional pricing feature of the Group's revenue contracts.

The average credit period on sale of goods on credit is 14 days.

Information about the Group's exposure to credit and market risks is included in Note 21.

## 13. Inventories

| US$ thousand | 30 June 2023 | 31 December 2022 | 1 January 2022 |
|---|---|---|---|
| **Current** | | | |
| Supplies and consumables | **14,685** | - | - |
| Work in progress | **717** | - | - |
| Finished goods | **6,891** | - | - |
| **Total current** | **22,293** | - | - |
| **Non-current** | | | |
| Supplies and consumables | **315** | - | - |
| **Total non-current** | **315** | - | - |
| **Total inventories** | **22,608** | - | - |

As part of the acquisition of CMPL, the Group recognised inventories of $32,893 thousand (Refer Note 25).

During the 6 months ended on 30 June 2023, the decrease in inventories amounting to $10,684 thousand (2022: $nil) was recognised in 'cost of production'.

At 30 June 2023, all inventory is measured at cost and no inventory write-downs were recognised.

Inventories that are not expected to be utilised or sold within 12 months are classified as non-current inventory.

## 14. Property, plant and equipment

**Reconciliation of carrying amount**

| US$ thousand | Freehold land and buildings | Plant and equipment | Right-of-use assets | Mine development | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Balance at 1 January 2023 | - | - | - | - | - |
| Acquired through business combination | 1,128 | 306,381 | 398 | 946,766 | 1,254,673 |
| Additions | - | 564 | 15,733 | 1,698 | 17,995 |
| Disposals | - | (16,564) | - | - | (16,564) |
| **Balance at 30 June 2023** | 1,128 | 290,381 | 16,131 | 948,464 | 1,256,104 |
| **Accumulated depreciation** | | | | | |
| Balance at 1 January 2023 | - | - | - | - | - |
| Depreciation for the period | 16 | 1,146 | 131 | 1,908 | 3,201 |
| **Balance at 30 June 2023** | 16 | 1,146 | 131 | 1,908 | 3,201 |
| **Carrying amounts** | | | | | |
| At 1 January 2022 | - | - | - | - | - |
| At 31 December 2022 | - | - | - | - | - |
| **At 30 June 2023** | **1,112** | **289,235** | **16,000** | **946,556** | **1,252,903** |

As part of the acquisition of CMPL, the Group recognised property, plant and equipment of $1,254,673 thousand (Refer Note 25).

As part of a sale and leaseback arrangement for certain underground equipment, the Group recognised ROU asset amounting to $15,733 thousand (Refer Note 17).

No impairment loss was recognised for the 6 months ended on 30 June 2023 as no indicators of impairment were identified due to timing of acquisition of CMPL.

## 14. Property, plant and equipment (continued)

Immediately following completion of the initial Business Combination, the Group undertook a whitewash procedure on assets of CMPL in accordance with section 260B of the Corporation Act 2001 (Cth) to facilitate the provision of financial assistance relating to the granting of security to the financiers and Glencore Operations Australia in connection with the acquisition of CMPL. Compliance with the section 260B whitewash regime was a condition subsequently imposed under all the funding agreements entered into with the Senior Lenders, Mezzanine Lenders and Osisko. Following the completion of section 260B whitewash (and statutory notice periods) all of the secured parties (Senior Lenders, Mezzanine Lenders, Osisko and Glencore Australia Operations) were granted security over substantially all the assets and properties of the CMPL as follows (i) general security agreements over all of the present and future assets and undertakings of CMPL, (ii) a mining mortgage over the key tenements, (iii) real property mortgages over key real estate and project leases of CMPL and (iv) a mortgage over key water access licenses for CMPL.

## 15. Investments

| US$ thousand | 30 June 2023 | 31 December 2022 | 1 January 2022 |
|---|---|---|---|
| Marketable securities held in trust account | **-** | 268,909 | 265,156 |
| | **-** | 268,909 | 265,156 |

Marketable securities represent the net proceeds from the Company's initial public offering (“IPO”) held prior to initial Business Combination. These funds were held in a trust account and were invested only in U.S. government treasury obligations with a maturity of 185 days or less or in money market funds meeting certain conditions under the Investment Company Act. Upon completion of the initial Business Combination, these funds were released to the public shareholders of Class A ordinary shares who elected to redeem their Class A ordinary shares, subject to certain limitations.

## 16. Trade and other payables

| US$ thousand | 30 June 2023 | 31 December 2022 | 1 January 2022 |
|---|---|---|---|
| Trade payables due to third parties | **13,805** | 927 | 604 |
| Trade payables due to related parties | **15,484** | - | - |
| Advances received | **12,251** | - | - |
| Accrued expenses | **18,889** | - | - |
| Interest payable | **1,673** | - | - |
| Mining royalty | **1,652** | - | - |
| | **63,754** | 927 | 604 |

Information about the Group’s exposure to market and liquidity risks in included in Note 21.

### Trade payables

Trade payables are obligations to pay for goods and services. Trade payables have an average payment period of 23 days depending on the type of goods and services and the geographic area in which the purchase transaction occurs and the agreed terms. The carrying value of trade payables approximates fair value.

## 17. Lease liabilities

| US$ thousand | 30 June 2023 | 31 December 2022 | 1 January 2022 |
|---|---|---|---|
| Current lease liability | **5,167** | - | - |
| Non-current lease liability | **11,080** | - | - |
| | **16,247** | - | - |

## 17. Lease liabilities (continued)

**Sale and leaseback of underground equipment**

During the period ended 30 June 2023, in connection with the Acquisition, the Group entered into a sale and leaseback arrangement for certain underground equipment for total proceeds of $16,564 thousand. The equipment will continue to be used over the 3-year lease term. As a result of the sale and leaseback transaction, the Group recognised a lease liability and a corresponding right-of-use asset in the amount of $15,733 thousand. As total proceeds from the sale of the equipment exceeded the fair value of the equipment at the time of sale, the transaction included a financing arrangement and the Group recognised a financial liability in the amount of $609 thousand (Refer Note 20).

***Amounts recognised in consolidated statement of profit or loss and other comprehensive income***

| **US$ thousand** | **30 June 2023** | **30 June 2022** |
|---|---|---|
| Interest on lease liabilities | **41** | - |
| Depreciation on ROU assets | **131** | - |
| | **172** | - |

***Amounts recognised in statement of cashflows***

| **US$ thousand** | **30 June 2023** | **30 June 2022** |
|---|---|---|
| **Cash outflow from operating activities** | | |
| Payment for interest on lease liabilities | 41 | - |
| **Cash outflow from financing activities** | | |
| Payment for lease liabilities | 29 | - |
| **Total cash outflow for leases** | **70** | - |

***Leases reconciliation***

| **US$ thousand** | |
|---|---|
| **Balance at 1 January 2023** | - |
| Additions to ROU assets | 15,733 |
| Additions from acquisition of subsidiary | 504 |
| **Changes from financing activities:** | |
| Repayment of lease liabilities | (29) |
| **Other changes:** | |
| Interest expense | 41 |
| Foreign exchange movements | (2) |
| **Balance at 30 June 2023** | **16,247** |

## 18. Loans and borrowings

The following table shows the carrying amounts of the Group's loans and borrowings as at 30 June 2023, 31 December 2022 and 1 January 2022.

| US$ thousand | 30 June 2023 | 31 December 2022 | 1 January 2022 |
|---|---|---|---|
| **Current** | | | |
| Senior syndicated facility agreement | **29,590** | - | - |
| Copper purchase agreement | **493** | - | - |
| Silver purchase agreement | **12,462** | - | - |
| Promissory note – related party | **-** | 786 | - |
| | **42,545** | 786 | - |
| **Non-current** | | | |
| Mezzanine debt facility | **75,663** | - | - |
| Senior syndicated facility agreement | **165,531** | - | - |
| Copper purchase agreement | **79,366** | - | - |
| Silver purchase agreement | **62,802** | - | - |
| | **383,362** | - | - |
| | **425,907** | **786** | **-** |

### (a) Terms and conditions of loans and borrowings

***Mezzanine Debt Facility***

On 10 March 2023, MAC Australia entered into a mezzanine debt facility loan note subscription agreement (the "Mezz Facility") with Sprott Private Resource Lending II (Collector-2), LP (the "Lender") and Sprott Resource Lending Corp., as agent and security trustee for the Lender, to provide a mezzanine loan facility to finance, in part, the initial Business Combination.

The Mezz Facility provides for, among other things, $135,000 thousand total funding available to the Group with a maturity of 16 June 2028. The interest on the Mezz Facility will be paid on a quarterly basis and is calculated as the aggregate of (i) the Interest Rate Margin and (ii) the greater of the 3-month term Secured Overnight Financing Rate ("SOFR") or 2.00% per annum. The Interest Rate Margin is calculated based on the copper price on the first day of each calendar quarter as quoted on the London Metal Exchange ("LME"). The variation in the copper price will determine the margin rate as well as the composition of interest payments (being either cash and/or capitalised to the principal, provided no event of default) as described below:

| LME Copper Price | Margin | Payment |
|---|---|---|
| <$3.40/LB | 12.00% | 100% capitalised / 0% cash |
| >$3.40/lb to $3.85/lb | 10.00% | 60% capitalised / 40% cash |
| >$3.85/lb | 8.00% | 0% capitalised / 100% cash |

In connection with the Mezz Facility, MAC Australia entered into the Mezz Warrants with Sprott Private Resource Lending II (Collector-2), LP (the "Warrant Subscriber") for 3,187,500 transferrable share purchase warrants issued by the Company, with each whole warrant entitling the holder to purchase one ordinary share in the Company with a par value of $0.0001 per share, subject to customary anti-dilution terms. The Mezz Warrants will be fully transferrable and will last for the full term of the Mezz Facility with an exercise price of $12.50 per share. Upon exercise, the Company may either (i) net cash settle the Mezz Warrants, or (ii) direct the holder to offset the exercise price against the outstanding principal amount of the Mezz Facility. The holder has the option to convert to shares. The Company may elect to accelerate the exercise date for the Mezz Warrants if the Company's ordinary shares are quoted on a recognised stock exchange with a trading price over two times the exercise price for twenty consecutive trading days. The Mezz Warrants are classified and accounted for as derivative liabilities at fair value through profit or loss (Note 22).

A redemption of the Mezz Facility may be initiated at the option of MAC Australia at any time upon 5 days written notice after the second anniversary of the date the loan was made (the "Utilization Date"). MAC Australia may prepay the whole, but not part, of the Mezz Facility at par plus accrued interest plus a prepayment interest premium in an amount equal to 4.00% of the aggregate principal amount of the Mezz Facility being prepaid on or after the second anniversary of the Utilization Date but prior to the third anniversary of the Utilization Date. MAC Australia may prepay the whole, but not part, of the Mezz Facility at par plus accrued interest (without any premium) on or after the third anniversary of the Utilization Date.

## 18. Loans and borrowings (continued)

### (a) Terms and conditions of loans and borrowings (continued)

***Mezzanine Debt Facility (continued)***

The Mezz Facility was fully drawn on the Utilization Date of 15 June 2023, to finance, in part, the initial Business Combination. The Mezz Facility has been accounted for as a financial liability and the embedded derivatives in relation to the interest rate margin and the voluntary prepayment option have been bifurcated and recognised collectively as a compound embedded derivative.

On initial recognition, the gross proceeds were first allocated to the fair value of the Mezz Warrants and the fair value of the compound embedded derivative in the amounts of $13,666 thousand and $42,697 thousand, respectively, with the residual amount of $78,637 thousand allocated to the financial liability.

Subsequent to initial recognition, the financial liability is measured at amortised cost. The compound embedded derivative is recorded at fair value each reporting period with changes reflected in the consolidated statement of profit and loss. As at 30 June 2023, the fair value of the compound embedded derivative was $42,821 thousand. The Mezz Warrants are classified and accounted for as derivative liabilities, and are recorded at fair value each reporting period with changes reflected in the consolidated statement of profit and loss. As at 30 June 2023, the fair value of the Mezz Warrants was $13,310 thousand (Note 22).

The discount and transaction costs incurred on utilization of the Mezz Facility amounted to $3,700 thousand, of which $100 thousand and $300 thousand have been allocated to the Mezz Warrants and compound embedded derivative, respectively, and recognised in net income (loss) during the period-ended 30 June 2023. $3,300 thousand of transaction costs have been allocated to the financial liability and offset against the carrying amount of the financial liability and are being amortised to net income (loss) using the effective interest method.

***Senior Syndicated Facility Agreement***

On 28 February 2023, MAC Australia entered into a syndicated facility agreement ("SFA") with Citibank, N.A., Sydney Branch, Bank of Montreal, Harris Bank N.A., The Bank of Nova Scotia, Australian Branch, and National Bank of Canada (collectively, the "Senior Lenders") and Citi securities Limited, as agent for the Senior Lenders, to provide a senior syndicate loan facility to finance, in part, the initial Business Combination. The obligations of MAC Australia under the SFA are guaranteed by the Company (the "Guarantor").

The SFA provides for, among other things, two credit facilities (collectively, the "Senior Facilitates") as follows:

- a $205,000 thousand initial Business Combination term loan ("Facility A") that can be used to finance, in part, the initial Business Combination, requires quarterly repayments that are sculpted as necessary to meet a Debt Service Cover Ratio minimum of 1.50x ("Facility A Repayment Instalments") but can be mandatorily repaid by way of a 'sweep' of excess cash available to MAC Australia and each of its subsidiaries such that on the last day of each quarter, MAC Australia must apply 30% of all excess cash in repayment of Facility A applied in inverse order of maturity, and is fully amortised over a notational 5 year loan life based on agreed financial modelling as described in the SFA; and
- a $25,000 thousand revolving credit facility ("Facility B") that can be used only for general corporate purposes post-closing of the initial Business Combination, requires repayments such that all loans under Facility B are repaid on or before the date that is three years after the date of financial close under the SFA (the "Termination Date").

The rate of interest for Facility A and B is calculated as the aggregate of (i) the margin equal to a fixed amount of 3.0% per annum, and (ii) the greater of zero or the secured overnight financing rate ("SOFR") for such day. The SFA also specifies a default interest rate of an additional 2% per annum for overdue payments.

In connection with the SFA, MAC Australia is required to enter into hedging arrangement to hedge the price risk for a minimum of 30% of scheduled copper production. The hedge agreements were entered into as of 1 July 2023 and expire in May 2026.

A redemption of Facility A may be initiated at the option of MAC Australia at any time upon 5 days written notice after the first calendar month anniversary from the date that the initial conditions precedent to the SFA are satisfied or waived. MAC Australia may prepay the whole or any part of Facility A, but, if in part, being an amount that reduces the amount of Facility A by a minimum amount of $500 thousand, and integral multiples thereof. Any prepayment shall be made together with accrued interest on the amount prepaid. At the option of MAC Australia, each prepayment may be applied against the remaining Facility A Repayment Instalments in inverse chronological order or pro-rata by the amount of the prepayment.

In addition, a redemption of Facility B may be initiated at the option of MAC Australia at any time upon 5 days written notice. MAC Australia may prepay the whole or any part of Facility B, but, if in part, being an amount that reduces the amount of Facility B by a minimum amount of $2,000 thousand. Any prepayment shall be made together with accrued interest on the amount prepaid.

The prepayment options were determined to have economic characteristics and risks that are closely related with the host debt contracts of Facility A and Facility B, respectively, and therefore, were not accounted for as separate financial instruments.

## 18. Loans and borrowings (continued)

### (a) Terms and conditions of loans and borrowings (continued)

***Senior Syndicated Facility Agreement (continued)***

The principal amount of Facility A was fully utilised on 14 June 2023, to finance, in part, the initial Business Combination. The discount and transaction costs incurred on utilization of Facility A totalling $10,000 thousand have been offset against the carrying amount of Facility A and are being amortised to net income (loss) using the effective interest rate method. As at 30 June 2023, there were no amounts drawn under Facility B.

***Copper Purchase Agreement***

On 20 March 2023, the Company entered into a copper purchase agreement (the "Copper Stream") with Osisko. Under the terms of the Copper Stream effective 16 June 2023 (the "Closing Date"), in exchange for an upfront cash deposit of up to $75,000 thousand (the "Available Copper Deposit"), the Company is required to deliver to Osisko an amount refined copper equal to the Copper Stream Percentage (as defined below) of payable copper (being 96.2% of produced copper) produced by the CSA Mine during the life of the mine. On 16 June 2023, the full amount of the Available Copper Deposit was drawn to finance, in part, the initial Business Combination. As of 30 June 2023, the Company has made no deliveries towards the Copper Stream with Osisko.

For the purposes of the Copper Stream, the "Copper Stream Percentage" shall mean during the following periods:

| Time Period | Copper Stream Percentage |
|---|---|
| Closing to 1st Anniversary of the Closing Date | 0% |
| 1st Anniversary of the Closing Date to 5th Anniversary | 3% (the "First Stream Percentage") |
| 5th Anniversary until 33,000 metric tonnes of refined copper delivered to Osisko (the "Threshold Quantity") | 4.875% (the "Second-Threshold Stream Percentage") |
| Thereafter from the date that the Threshold Quantity has been met | 2.25% (the "Tail Stream Percentage") |

The Company may elect to reduce the Copper Stream Percentage and the Threshold Quantity on the 5th anniversary of the Closing Date to the following amounts and percentages upon making a one-time payment of $40,000 thousand or $20,000 thousand, respectively (the "Buy-Down Option"). The Buy-Down Option is an embedded derivative measured at fair value taking into account the likelihood of the Group exercising the option.

| | Buy-Down Option 1 | Buy-Down Option 2 |
|---|---|---|
| **Buy-Down Amount** | $40 million | $20 million |
| **Second-Threshold Stream Percentage** | 3.25% | 4.0625% |
| **Tail Stream Percentage** | 1.50% | 1.875% |
| **Threshold Quantity** | 23,900 tonnes | 28,450 tonnes |

In addition to the Copper Deposit, the Group will receive ongoing cash payments for refined copper delivered equal to 4% (the "Copper Cash Price") of the cash settlement price for one tonne of refined copper quoted by the LME on the date prior to the date of delivery (the "Copper Market Price"). Until the Copper Deposit is reduced to $nil, the difference between the Copper Market Price and the Copper Cash Price will be credited against the outstanding Copper Deposit. After the Copper Deposit is reduced to $nil, the Company will receive only the Copper Cash Price for each tonne of refined copper delivered.

The Copper Stream has been accounted for as a financial liability and the embedded derivatives in relation to the embedded copper price within the agreement and the Buy-Down Option have been bifurcated and recognised collectively as a compound embedded derivative.

On initial recognition, the financial liability was recognised in the amount of $79,430 thousand inclusive of the compound embedded derivative recognised at its fair value in the amount of $4,430 thousand.

Subsequent to initial recognition, the financial liability is measured at amortised cost. The Company measures the liability at the present value of its expected future cash outflows at each reporting period. The compound embedded derivative is recorded at fair value each reporting period with changes reflected in the consolidated statement of operations. As at 30 June 2023, the fair value of the compound embedded derivative was $5,479 thousand (Note 22).

Interest expense is calculated by applying the effective interest rate of 13.12% to the financial liability.

***Silver Purchase Agreement***

On 20 March 2023, the Company entered into the Silver Stream with Osisko. Under the terms of the Silver Stream effective 16 June 2023 (the "Closing Date"), in exchange for an upfront cash deposit of $75,000 thousand (the "Silver Deposit"), the Company is required to deliver to Osisko an amount of refined silver equal to 100% of payable silver (calculated as 90% of produced silver) produced by the CSA Mine during the life of mine. As of 30 June 2023, the Company has made no deliveries towards the Silver Stream with Osisko.

## 18. Loans and borrowings (continued)

### (a) Terms and conditions of loans and borrowings (continued)

***Silver Purchase Agreement (continued)***

In addition to the Silver Deposit, the Company will receive ongoing cash payments for refined silver delivered equal to 4% (the "Silver Cash Price") of the silver price on the LBMA for one ounce of refined silver on the day prior to the date of delivery (the "Silver Market Price"). Until the Silver Deposit is reduced to $nil, the difference between the Silver Market Price and the Silver Cash Price will be credited against the outstanding Silver Deposit. After the Silver Deposit is reduced to $nil, the Company will receive only the Silver Cash Price for each ounce of refined silver delivered.

The Silver Stream has been accounted for as a financial liability with an embedded derivative which relates to the embedded silver price within the agreement.

On initial recognition, the fair value of the embedded derivative was $nil, and the gross proceeds of $75,000 thousand were entirely allocated to the financial liability.

Subsequent to initial recognition, the financial liability is measured at amortised cost. The Company measures the liability at the present value of its expected future cash outflows at each reporting period. The embedded derivative is recorded at fair value each reporting period with changes reflected in the consolidated statement of operations. As at 30 June 2023, the fair value of the embedded derivative was $3,740 thousand (Note 22).

Interest expense is calculated by applying the effective interest rate of 8.57% to the financial liability.

***Promissory Notes — Related Party***

On 25 October 2022, MAC issued an unsecured promissory note ("the October 2022 Note") to the Sponsor, pursuant to which MAC borrowed the maximum of $300 thousand from the Sponsor for transaction costs reasonably related to the consummation of the initial Business Combination. The October 2022 Note bore no interest and all unpaid principal under the October 2022 Note was due and payable in full the earlier of (i) 2 August 2023 and (ii) the consummation of the initial Business Combination.

On 21 December 2022, MAC issued an unsecured promissory note (the "December 2022 Note") to the Sponsor pursuant to which MAC was eligible to borrow up to $1,255 thousand from the Sponsor for transaction costs reasonably related to the consummation of the initial Business Combination. The December 2022 Note bore no interest and all unpaid principal under the December 2022 Note was due and payable in full on the earlier of (i) 2 August 2023 and (ii) the initial Business Combination.

During the period ended 30 June 2023, the Company fully repaid the principal under the October 2022 Note and December 2022 Note.

***Working Capital Loans - Convertible Promissory Note from Related Party***

To finance transaction costs in connection with the initial Business Combination, the Sponsor or an affiliate of the Sponsor or certain of the officers and directors of MAC were permitted, but were not obligated to, loan funds (the "Working Capital Loans"). The loans were payable upon the initial Business Combination. Up to $1,500 thousand of such Working Capital Loans were convertible into Private Placement Warrants of the Company at a price of $1.50 of principal per warrant, at the option of the lender. Such warrants were identical to the Private Placement Warrants. There were no Working Capital Loans outstanding as at 30 June 2023, 31 December 2022 and 1 January 2022.

On 6 May 2022, MAC entered into a convertible promissory note agreement (the "2022 Sponsor Convertible Note") with the Sponsor pursuant to which the Sponsor agreed to loan MAC up to an aggregate principal amount of $1,200 thousand. The 2022 Sponsor Convertible Note is non-interest bearing and payable on the earlier of (i) 2 August 2023, or (ii) the date on which the Company consummated the initial Business Combination. Up to $1,200 thousand of the 2022 Sponsor Convertible Note was convertible into warrants at a price of $1.50 of principal per warrant at the option of the Sponsor. The warrants were identical to the Private Placement Warrants; provided, however, that (i) the warrants are not subject to forfeiture in connection with the initial business combination and (ii) the warrants grant the holders the right to purchase one ordinary share at a price of $11.50 per share, subject to the same adjustments applicable to the Private Placement Warrants.

Concurrently with entering into the agreement, the Company borrowed $1,200 thousand against the 2022 Sponsor Convertible Note. On 24 May 2022, the Sponsor exercised the conversion option and converted the issued and outstanding loan balance of $1,200 thousand under the 2022 Sponsor Convertible Note into 800,000 Private Placement Warrants.

The 2022 Sponsor Convertible Note was accounted for as a financial liability with an embedded derivative in relation to the conversion option. On initial recognition, the gross proceeds were first allocated to the embedded derivative in the amount of $8 thousand with the residual amount allocated to the financial liability. Subsequent to initial recognition, the financial liability was measured at amortised cost and the embedded derivative was recorded at fair value through profit or loss. The financial liability and embedded derivative were extinguished on 24 May 2022 upon conversion of the promissory note to Private Placement Warrants. There were no outstanding amounts under the 2022 Sponsor Convertible Note as at 30 June 2023, 31 December 2022 and 1 January 2022.

## 18. Loans and borrowings (continued)

### (a) Terms and conditions of loans and borrowings (continued)

***Working Capital Loans - Convertible Promissory Note from Related Party (continued)***

On 9 January 2023, MAC issued an unsecured promissory note (the "2023 Sponsor Convertible Note") to the Sponsor pursuant to which the Company borrowed $300 thousand from the Sponsor for transaction costs reasonably related to the consummation of the initial Business Combination. All unpaid principal under the 2023 Sponsor Convertible Note was due and payable in full on the earlier of (i) 2 August 2023, and (ii) the initial Business Combination (such earlier date, the "Maturity Date").

Pursuant to the terms of the 2023 Sponsor Convertible Note, the Sponsor had the option, at any time on or prior to the Maturity Date, to convert any amounts outstanding under the 2023 Sponsor Convertible Note, up to $300 thousand in the aggregate, into warrants to purchase Class A ordinary shares of MAC, par value $0.0001 per share, at a conversion price of $1.50 per warrant, with each warrant entitling the holder to purchase one Class A ordinary share at a price of $11.50 per share, subject to the same adjustments applicable to the Private Placement Warrants.

Concurrently upon the issuance of the 2023 Sponsor Convertible Note, on 9 January 2023, the Sponsor exercised its option to convert the issued and outstanding loan amount of $300 thousand under the 2023 Sponsor Convertible Note, resulting in the issuance of 200,000 Private Placement Warrants to the Sponsor.

There were no outstanding amounts under the 2023 Sponsor Convertible Note as at 30 June 2023, 31 December 2022 and 1 January 2022.

### (b) Loan covenants

***Mezzanine Debt Facility and Senior Syndicated Facility Agreement***

The Mezz Facility and SFA require MAC Australia to maintain at all times:

- Available Cash and Cash Equivalent Investments (as defined in the Mezz Facility and SFA, respectively) of at least $30,000 thousand held by MAC Australia and its subsidiaries;
- A Total Net Debt (as defined in the Mezz Facility and SFA, respectively) to EBITDA ratio:
  - On any date during the first calendar year from the date that the initial conditions precedent to the Mezz Facility and SFA, respectively, are satisfied or waived, not more than 3.25:1.00 if no amounts are outstanding under the Copper Stream and not more than 3.50:1.00 if any amounts are outstanding under the Copper Stream; and
  - On any date thereafter, not more than 3.00:1.00 if no amounts are outstanding under the Copper Stream and not more than 3.25:1.00 if any amounts are outstanding under the Copper Stream.

The Mezz Facility also requires MAC Australia to maintain at all times a Reserve Tail Ratio projection, being the ratio (expressed as a percentage) of (a) the projected remaining proven and probable copper reserves for the CSA mine as determined in accordance with the JORC Code from the Termination Date to the forecast end of the mine life and (b) the projected remaining proven and probable copper reserves for the CSA mine as determined in accordance with the JORC Code from the date the initial conditions precedent to the Mezz Facility are satisfied or waived to the forecast end of the mine life, greater than 25%.

In addition, the SFA requires MAC Australia to maintain at all times:

- a Debt Service Coverage Ratio, being the ratio of Adjusted EBITDA (as defined in the SFA) to Debt Service (as defined in the SFA), not less than 1.2:1.0 in respect of any rolling period of 12 consecutive months ending on 31 March, 30 June, 30 September, and 31 December ("Relevant Period");
- a Forecast Cash Flow Coverage Ratio, being the ratio of the net present value of Adjusted EBITDA over a five-year forecast (as defined in the SFA) to the aggregate amount outstanding under the Senior Facilities, not less than 1.25:1.00;
- Net Debt (as defined in the SFA) to EBITDA in respect of any Relevant Period not more than 2.5:1.00;
- a Reserve Tail Ratio projection, being the ratio (expressed as a percentage) of (a) the projected remaining proven and probable copper reserves for the CSA mine as determined in accordance with the JORC Code from the Termination Date to the forecast end of the mine life and (b) the projected remaining proven and probable copper reserves for the CSA mine as determined in accordance with the JORC Code from the date the initial conditions precedent to the SFA are satisfied or waived to the forecast end of the mine life, greater than 25% at the Termination Date.

The Mezz Facility and SFA also contain customary representations, warranties and event of default provisions. As of 30 June 2023, MAC Australia was in compliance with all covenants.

## 18. Loans and borrowings (continued)

### (b) Loan covenants (continued)

***Copper and Silver Purchase Agreements***

The Copper Stream and Silver Stream require the Company to maintain at all times:

- prior to the date the Uncredited Deposit relating to the Copper Stream and Silver Stream, respectively, is reduced to $nil, a Reserve Tail Ratio, being the ratio expressed as a percentage of (a) the projected remaining proven and probable copper reserves as from the latest maturity date of any and all Permitted Secured Debt (as defined in the Copper Stream and Silver Stream, respectively) to the forecast end of the mine life and (b) the projected remaining proven and probable copper reserves as from the Closing Date of the Copper Stream and Silver Stream, respectively, to the forecast end of the mine life, greater than 25% at the latest maturity date of any and all Permitted Secured Debt (as defined in the Copper Stream and Silver Stream, respectively); and
- prior to the date the Uncredited Deposit relating to the Copper Stream and Silver Stream, respectively, is reduced to $nil, aggregate Available Cash and Cash Equivalent Investments (as defined in the Copper Stream and Silver Stream, respectively) held by MAC Australia and its subsidiaries of at least $30,000 thousand.

The Copper Stream also requires the Company to maintain at all times a Total Net Debt (as defined in the Copper Stream) to EBITDA ratio not more than 3.5:1 on any date during the period from the Closing Date of the Copper Stream to the first anniversary date and not more than 3.25:1 on any date thereafter.

In addition, the Silver Stream requires the Company to maintain at all times a Total Net Debt (as defined in the Silver Stream) to EBITDA ratio:

- On any date during the first calendar year from the Closing Date of the Silver Stream, not more than 3.25:1.00 if no amounts are outstanding under the Copper Stream and not more than 3.50:1.00 if any amounts are outstanding under the Copper Stream; and
- On any date thereafter, not more than 3.00:1.00 if no amounts are outstanding under the Copper Stream and not more than 3.25:1.00 if any amounts are outstanding under the Copper Stream.

The Copper Stream and Silver Stream also contain customary representations, warranties and event of default provisions. As of 30 June 2023, the Company was in compliance with all financial and non-financial covenants.

The obligations of the Company under the Copper Stream and Silver Stream are guaranteed by certain of the Company's subsidiaries (the "Guarantors") and secured by the present and after-acquired property of the Company and the Guarantors.

## 19. Provisions

| US$ thousand | Employee entitlements | Rehabilitation costs | Other | Total |
|---|---|---|---|---|
| 1 January 2023 | - | - | - | - |
| Acquired through business combination | 12,244 | 25,438 | 53 | 37,735 |
| Accretion | 1,328 | - | - | 1,328 |
| Movements from foreign exchange impact | (244) | (1) | (2) | (247) |
| **Net book value 30 June 2023** | **13,328** | **25,437** | **51** | **38,816** |
| | | | | |
| Current | 12,568 | 272 | 51 | 12,891 |
| Non-current | 760 | 25,165 | - | 25,925 |
| **Net book value 30 June 2023** | **13,328** | **25,437** | **51** | **38,816** |

*Employee entitlements*

As part of the acquisition of CMPL, the Group recognised employee entitlement provisions of $12,244 thousand (Refer Note 25). At 30 June 2023, the employee entitlements provision represents the value of annual leave and long service leave entitlements accrued. The associated expenditure will occur in a pattern consistent with when employees choose to exercise their entitlements with timing of leave taken up to the discretion of the employees.

## 19. Provisions (continued)

*Rehabilitation costs*

As part of the acquisition of CMPL, the Group recognised rehabilitation provisions of $25,438 thousand (Refer Note 25). CMPL's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and are generally becoming more restrictive. The Group conducts its operations to protect public health and the environment and believes its operations are in compliance with applicable laws and regulations in all material respects. As part of the mine closure plans, the Group is required to provide annual guarantees over the estimated life of the mines, based on a present value approach, and to furnish the funds for the rehabilitation provision. This law requires a review of closing plans every three years.

Rehabilitation provision represents the accrued cost required to provide adequate rehabilitation and manage the site during a post-closure phase until surrender of the Mining Lease and sign off by the Environmental Authority. The majority of these costs provide for reshaping and covering waste rock emplacements — generally ensuring the site is left in a safe, stable and non-polluting condition — as well as property holding costs (e.g. Mining Lease rental and Council rates) during the post-closure phase.

The bulk of these amounts will be settled when rehabilitation is undertaken over a 3 year period (currently assumed to be started in 2031), with property holding costs expected to be incurred for a period of approximately 10 year after closure.

As at 30 June 2023, the discount rate applied in calculating the restoration and rehabilitation provision is a pre-tax risk free rate specific to the liability and the currency in which they are denominated as follows: Australian dollar 100% (31 December 2022: $nil). The discount rate was not adjusted for the Group's own credit risk.

*Other*

As a part of acquisition of CMPL, the Group recognised other provision of $53 thousand (Refer Note 25). Other comprises provisions for possible legal and other consulting related claims.

## 20. Other financial liabilities

| US$ thousand | 30 June 2023 | 31 December 2022 | 1 January 2022 |
|---|---|---|---|
| **Current** | | | |
| Contingent consideration | **80,010** | - | - |
| Deferred underwriting discount | **7,280** | 9,280 | - |
| Deferred liabilities | **2,437** | 7,239 | - |
| Financial liabilities arising from sale and leaseback transaction | **183** | - | - |
| | **89,910** | 16,519 | - |
| **Non-current** | | | |
| Contingent consideration | **135,320** | - | - |
| Redeemable Class A ordinary shares | **-** | 264,477 | 244,250 |
| Deferred underwriting discount | **-** | - | 9,280 |
| Financial liabilities arising from sale and leaseback transaction | **426** | - | - |
| | **135,746** | 264,477 | 253,530 |
| | **225,656** | 280,996 | 253,530 |

**Contingent consideration**

As part of the acquisition of CMPL, the Group recognised contingent consideration of $215,330 thousand, measured on a provisional basis (Refer Note 25 and Note 22).

**Deferred underwriting discount**

The underwriter for the 2021 IPO was paid a cash underwriting discount of two percent (2%) of the gross proceeds of the IPO (including the Over-Allotment Units), or $5,303 thousand. Additionally, the underwriter is entitled to a deferred underwriting discount of $7,280 thousand of the gross proceeds of the IPO (including the Over-Allotment Units) upon the completion of the Company's initial Business Combination.

## 20. Other financial liabilities (continued)

**Deferred liabilities**

*Legal services agreements*

Legal services rendered by the Group's external counsel is accrued on a quarterly basis but were deferred for settlement until the closing of the initial Business Combination. The accrued fees as of 30 June 2023 and 31 December 2022 were $1,000 thousand and $3,373 thousand, respectively.

Upon closing of the transaction, the Company repaid Glencore $5,079 thousand in legal and accounting fees Glencore incurred on the Company's behalf.

*Glencore deed of consent and side letter*

On 22 November 2022, the Company and MAC Australia entered into a Deed of Consent and Covenant (the "Deed of Consent and Covenant") with Glencore to amend the Share Sale Agreement (the "Amendment"). Pursuant to the Amendment, the Company agreed to assume the costs related to the auditing fees associated with CMPL. The fees were paid by Glencore and reimbursed by the Company to Glencore upon the Closing of the initial Business Combination. The fees were expensed as incurred. The deferred fees payable to Glencore as of 30 June 2023 and 31 December 2022 were $nil and $2,995 thousand, respectively.

**Redeemable class A ordinary shares**

The Company's ordinary shares feature certain redemption rights that are considered to be outside of the Company's control and subject to the occurrence of uncertain future events, and as such, are classified as financial liabilities.

## 21. Financial instruments and financial risk management

Financial risks arising in the normal course of business from the Group's operations comprise market risk (including commodity price risk, currency risk and interest rate risk), credit risk and liquidity risk. It is the Group's policy and practice to identify and, where appropriate and practical, actively manage such risks to support its objectives in managing its capital and future financial security and flexibility. The Group's finance and risk professionals monitor, manage and report regularly to senior management and the Board of Directors on the approach and effectiveness in managing financial risks along with the financial exposures facing the Group.

The key financial risk factors that arise from the Group's activities, including the Group's policies for managing these risks, are outlined below.

### (a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises commodity price risk, currency risk and interest rate risk as follows:

*Commodity price risk*

The Group is subject to price risk associated with fluctuations in the market prices for copper and silver. A significant change in commodity prices could have a material effect on the Group's revenues and financial instruments, including certain derivative instruments and contingent consideration whose values fluctuate with changes in the prices of copper or silver (Note 22). The Group closely monitors trends in the market prices of copper, silver and other metals as part of its routine activities, as these trends could significantly impact future cash flows. For all periods prior to 1 July 2023, the Group has chosen not to enter into any commodity price hedges. As at 30 June 2023, the Group estimates that a 10% increase (decrease) in commodities sold with provisional pricing feature, with all other variables held constant, would result in an increase (decrease) of $1,441 thousand in profit after tax.

*Currency risk*

The U.S. dollar is the functional currency of the entities collectively forming the Group. Currency risk is the risk of loss from movements in exchange rates related to transactions and balances in currencies other than the U.S. dollar. Such transactions include operating expenditure, capital transactions, and purchases in currencies other than the functional currency.

The Group's primary operations are located in Australia, therefore, transactions are predominantly denominated in Australian and U.S. dollars. These transactions are not generally hedged. The Group buys foreign currencies at spot rates to settle local currency operating expenditure and is therefore largely exposed to volatility in exchange rates.

The Group's loans and borrowings are denominated in U.S. dollars.

## 21. Financial instruments and financial risk management (continued)

### (a) Market risk (continued)

*Currency risk (continued)*

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities as at 30 June 2023 are as follows:

| Local currency thousand | Australian Dollar | Euro | Total |
|---|---|---|---|
| **As at 30 June 2023** | | | |
| Cash and cash equivalents | 10,565 | - | 10,565 |
| Trade and other receivables | 2,305 | - | 2,305 |
| Trade and other payables | (20,720) | (18) | (20,738) |
| Other financial liabilities | (609) | - | (609) |
| Lease liabilities | (16,247) | - | (16,247) |
| **Total** | **(24,706)** | **(18)** | **(24,724)** |

As at 31 December 2022 and 1 January 2022, the Group's exposure to foreign currency risk was immaterial.

The following table details the Group's estimated sensitivity to a 10% increase (decrease) in the U.S. dollar against the relevant foreign currencies as a result of translating the Group's foreign currency denominated monetary assets and monetary liabilities. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

A positive number below indicates an increase in profit where the U.S. dollar strengthens 10% against the relevant currency. For a 10% weakening of the U.S. dollar against the relevant currency, there would be a comparable impact on the profit and the balances below would be negative.

| | Six months ended 30 June | |
|---|---|---|
| **US$ thousand** | **2023** | **2022** |
| **Australian Dollar** | | |
| Profit or loss | **2,471** | - |
| **Other** | | |
| Profit or loss | **2** | - |

*Interest rate risk*

Interest rate risk is the risk that the fair values or future cash flows of the Group's financial instruments will fluctuate in response to changes in market interest rates. The Group's exposure to interest rate risk arises from the interest rate effect on its cash and cash equivalents and loans and borrowings. Certain of the Group's loans and borrowings include a floating interest rate component. As at 30 June 2023, the Group estimates that a 1% increase (decrease) in interest rates, with all other variables held constant, would result in an increase (decrease) of $300 thousand to interest expense. The Group closely monitors its exposure to interest rate risk and has not entered into any contracts to manage this risk.

### (b) Credit risk

Credit risk arises from the possibility that counterparties may not be able to settle obligations due to the Group within their agreed payment terms. Financial assets which potentially expose the Group to credit risk consist principally of cash and cash equivalents and trade and other receivables.

The Group invests only in highly rated investment grade instruments that have maturities of 90 days or less and which are liquid after 30 days or less into a known amount of cash. As part of its cash management process, the Group also regularly monitors the relative credit standing of the institutions with which it invests or maintains available cash.

During the normal course of business, the Group provides credit to its customer. Although the receivables resulting from these transactions are not collateralised, the Group has not experienced significant problems with the collection of receivables given the Group's only customer is Glencore International AG in Switzerland, which represents 100% of trade receivables and total revenue. A significant change in the creditworthiness of Glencore could have a material adverse effect on the Company's financial position.

## 21. Financial instruments and financial risk management (continued)

### (c) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations when due, or that it is unable, on an ongoing basis, to borrow funds in the market on an unsecured or secured basis at an acceptable price to fund actual or proposed commitments.

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and availability of adequate committed funding facilities. The Group's credit profile and funding sources ensure that sufficient liquid funds are maintained to meet its liquidity requirements. As part of its liquidity management, the Group closely monitors and plans for its future capital expenditure well ahead of time.

As at 30 June 2023, the Group had available cash amounting to $43,732 thousand (31 December 2022: $42 thousand; 1 January 2022: $955 thousand).

As at 30 June 2023, the maturity profile of the Group's financial liabilities based on contractual terms is as follows:

| US$ thousand | Carrying amount | Contractual cash flows<br>Within 1 year | 1 - 2 years | More than 2 years |
|---|---|---|---|---|
| **30 June 2023** | | | | |
| Trade payables and accrued liabilities | 63,754 | 63,754 | - | - |
| Lease liabilities - undiscounted | 16,247 | 6,108 | 6,107 | 6,107 |
| Mezzanine Debt Facility | 75,663 | - | - | 135,000 |
| Senior Syndicated Facility Agreement | 195,121 | 29,590 | 37,430 | 137,940 |
| Copper Purchase Agreement | 79,859 | 493 | 11,562 | 181,477 |
| Silver Purchase Agreement | 75,264 | 12,462 | 9,138 | 107,424 |
| | **505,908** | **112,407** | **64,237** | **567,948** |
| **31 December 2022** | | | | |
| Trade payables and accrued liabilities | 927 | 927 | - | - |
| Promissory note – related party | 786 | 786 | - | - |
| | **1,713** | **1,713** | **-** | **-** |

## 22. Fair value measurement

The Group has assessed that the fair values of cash and cash equivalents, trade and other receivables, trade and other payables and accrued labilities and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The Group's marketable securities are fair valued by Level 1 inputs utilizing quoted prices (unadjusted) in active markets for identical assets.

Due to most of the Group's long-term debt being either recently acquired debt measured at fair value or short-term in nature, the Group has determined for the long-term obligations measured at amortised cost that fair values approximate their carrying amounts. The fair value of the redeemable Class A ordinary shares was measured at their redemption amount.

The following table shows the carrying values, fair values and fair value hierarchy of the Group's financial instruments as at 30 June 2023, 31 December 2022 and 1 January 2022:

## 22. Fair value measurement (continued)

| | | 30 June 2023 | | 31 December 2022 | | 1 January 2022 | |
|---|---|---|---|---|---|---|---|
| **US$ thousand** | **Level** | **Carrying value** | **Fair value** | **Carrying value** | **Fair value** | **Carrying value** | **Fair value** |
| **Financial assets** | | | | | | | |
| Amortized cost | | | | | | | |
| Trade and other receivables | | 20,881 | 20,881 | 53 | 53 | - | - |
| | | **20,881** | **20,881** | **53** | **53** | **-** | **-** |
| Fair value through profit or loss | | | | | | | |
| Cash and cash equivalents | 1 | 43,732 | 43,732 | 42 | 42 | 955 | 955 |
| Investments | 1 | - | - | 268,909 | 268,909 | 265,156 | 265,156 |
| Derivative financial assets | | | | | | | |
| Silver stream embedded derivative | 3 | 3,740 | 3,740 | - | - | - | - |
| Copper stream embedded derivative | 3 | 5,479 | 5,479 | - | - | - | - |
| | | **52,951** | **52,951** | **268,951** | **268,951** | **266,111** | **266,111** |
| **Total financial assets** | | **73,832** | **73,832** | **269,004** | **269,004** | **266,111** | **266,111** |
| | | | | | | | |
| **Financial liabilities** | | | | | | | |
| Amortized cost | | | | | | | |
| Trade and other payables | | 63,754 | 63,754 | 927 | 927 | 604 | 604 |
| Lease liability | | 16,247 | 16,247 | - | - | - | - |
| Loans and borrowings | | 425,907 | 425,907 | 786 | 786 | - | - |
| Other financial liabilities (excluding contingent consideration) | | 10,326 | 10,326 | 280,996 | 285,428 | 253,530 | 274,436 |
| | | **516,234** | **516,234** | **282,709** | **287,141** | **254,134** | **275,040** |
| Fair value through profit or loss | | | | | | | |
| Other financial liabilities (contingent consideration) | | | | | | | |
| Royalty Deed | 3 | 43,130 | 43,130 | - | - | - | - |
| Contingent copper consideration | 3 | 97,200 | 97,200 | - | - | - | - |
| Deferred consideration | 2 | 75,000 | 75,000 | - | - | - | - |
| Derivative financial liabilities | | | | | | | |
| Public Warrants | 1 | 12,374 | 12,374 | 4,335 | 4,335 | 5,174 | 5,174 |
| Private Warrants | 2 | 9,150 | 9,150 | 3,107 | 3,107 | 3,266 | 3,266 |
| Mezz Warrants | 3 | 13,310 | 13,310 | - | - | - | - |
| Mezz Facility embedded derivative | 2 | 42,821 | 42,821 | - | - | - | - |
| | | **292,985** | **292,985** | **7,442** | **7,442** | **8,440** | **8,440** |
| **Total financial liabilities** | | **809,219** | **809,219** | **290,151** | **294,583** | **262,574** | **283,480** |

## 22. Fair value measurement (continued)

There have been no transfers between the different fair value hierarchy levels in any of the periods presented in the financial statements.

**Derivative instruments**

The following table shows the fair values of the Group's derivative financial assets and liabilities as at 30 June 2023, 31 December 2022 and 1 January 2022.

| US$ thousand | Note | 30 June 2023 | 31 December 2022 | 1 January 2022 |
|---|---|---|---|---|
| **Derivative financial assets** | | | | |
| **Current** | | | | |
| Silver stream embedded derivative | (a) | **705** | - | - |
| Copper stream embedded derivative | (b) | **9** | - | - |
| | | **714** | - | - |
| **Non-current** | | | | |
| Silver stream embedded derivative | (a) | **3,035** | - | - |
| Copper stream embedded derivative | (b) | **5,470** | - | - |
| | | **8,505** | - | - |
| **Total derivative financial assets** | | **9,219** | - | - |
| **Derivative financial liabilities** | | | | |
| **Current** | | | | |
| Warrants | (c) | **-** | - | - |
| Mezz facility embedded derivative | (d) | **11,792** | - | - |
| Conversion option | (e) | **-** | - | - |
| | | **11,792** | - | - |
| **Non-current** | | | | |
| Warrants | (c) | **34,834** | 7,443 | 8,440 |
| Mezz facility embedded derivative | (d) | **31,029** | - | - |
| Conversion option | (e) | **-** | - | - |
| | | **65,863** | **7,443** | **8,440** |
| **Total derivative financial liabilities** | | **77,655** | **7,443** | **8,440** |

### (a) Silver stream embedded derivative

The silver stream is recognised as a financial liability at amortised cost and it contains an embedded derivative in relation to the embedded silver price within the agreement that is measured at fair value through profit or loss each reporting period. The silver stream embedded derivative is valued using a silver future curve simulation valuation model.

The following key inputs were used for the valuation of the embedded derivative, in addition to estimation of the Group's anticipated deliveries of silver over the term of the agreement. The significant unobservable input used in the fair value measurement of the embedded derivative pertains to the anticipated silver deliveries. In isolation, a significant increase (decrease) in anticipated silver deliveries would result in a significantly lower (higher) fair value measurement.

| | 30 June 2023 | 31 December 2022 | 1 January 2022 |
|---|---|---|---|
| Silver spot price (per oz) | **$22.81** | - | - |
| Own credit spread | **8.81%** | - | - |
| Average silver price (per oz) | **$24.38** | - | - |

## 22. Fair value measurement (continued)

**Derivative instruments (continued)**

**(a) Silver stream embedded derivative (continued)**

The following table presents the continuity schedule for the silver stream embedded derivative for each of the following periods:

| | Six months ended 30 June | |
|---|---|---|
| **US$ thousand** | **2023** | **2022** |
| Balance, beginning of period | **-** | - |
| Initial recognition | **-** | - |
| Change in fair value | **3,740** | - |
| Balance, end of period | **3,740** | - |

**(b) Copper stream embedded derivative**

The copper stream is recognised as a financial liability at amortised cost and it contains a single compound embedded derivative in relation to the embedded copper price within the agreement and the buy-down option (Note 18). The compound embedded derivative is measured at fair value through profit or loss each reporting period. The copper stream embedded derivative is valued using a copper future curve simulation valuation model.

The following key inputs were used for the valuation of the compound embedded derivative, in addition to estimation of the Group's anticipated deliveries of copper over the term of the agreement. The significant unobservable input used in the fair value measurement of the embedded derivative pertains to the anticipated copper deliveries. In isolation, a significant increase (decrease) in anticipated copper deliveries would result in a significantly lower (higher) fair value measurement.

| | **30 June 2023** | **31 December 2022** | **1 January 2022** |
|---|---|---|---|
| Copper spot price (per tonne) | **$8,323** | - | - |
| Copper price volatility | **26.35%** | | |
| Own credit spread | **9.49%** | - | - |
| Average copper price (per tonne) | **$8,341** | - | - |

The following table presents the continuity schedule for the copper stream embedded derivative for each of the following periods:

| | Six months ended 30 June | |
|---|---|---|
| **US$ thousand** | **2023** | **2022** |
| Balance, beginning of period | **-** | - |
| Initial recognition | **4,430** | - |
| Change in fair value | **1,049** | - |
| Balance, end of period | **5,479** | - |

**(c) Warrants**

| **US$ thousand** | **Public Warrants** | **Private Placement Warrants** | **Mezz Warrants** |
|---|---|---|---|
| **For six months ended 30 June 2023** | | | |
| Balance, beginning of period | 4,335 | 3,108 | - |
| Promissory note conversion warrants | - | 102 | - |
| Issuance of warrants | - | - | 13,665 |
| Change in fair value | 8,039 | 5,940 | (355) |
| **Balance, end of period** | **12,374** | **9,150** | **13,310** |
| **For six months ended 30 June 2022** | | | |
| Balance, beginning of period | 5,174 | 3,266 | - |
| Issuance of warrants | - | 480 | - |
| Change in fair value | (401) | (325) | - |
| Exercise of warrants | - | - | - |
| **Balance, end of period** | **4,773** | **3,421** | **-** |

## 22. Fair value measurement (continued)

**Derivative instruments (continued)**

**(c) Warrants (continued)**

The Group's Public Warrants, Private Placement Warrants and Mezz Warrants are classified and accounted for as derivative liabilities at fair value through profit or loss as they did not meet the "fixed for fixed" criteria under IAS 32.

- On 20 September 2021, the Company's Public Warrants began trading on the NYSE. The fair value of the Company's Public Warrants is based on unadjusted quoted prices in an active market (NYSE). As of 30 June 2023, there were 8,838,260 Public Warrants outstanding.
- The Company determined that the closing price of the Public Warrants as at 30 June 2023 was an appropriate estimate for the fair value of Private Placement Warrants due to a make-whole provision in the contractual terms of the Private Placement Warrants Agreement. As of 30 June 2023, there were 6,535,304 Private Placement Warrants outstanding.
- During the period ended 30 June 2023, the Company issued 3,187,500 Mezz Warrants to Sprott Private Resource Lending II (Collector-2), LP in accordance with the terms of the Mezz Facility (Note 18). The fair value of the Mezz Warrants is determined using a Monte Carlo simulation model.

  The initial fair value of the Mezz Warrants recognised on inception was $13,665 thousand. The following assumptions were used for the valuation of the Mezz Warrants. The significant unobservable inputs in the fair value measurement are the expected life of the Mezz Warrants and the expected volatility based on comparable publicly traded companies. Significant increases (decreases) in any of those inputs in isolation would result in a significantly higher (lower) fair value measurement. Generally, a change in the assumption used for the expected volatility is accompanied by a directionally opposite change in the assumption used for the expected life of the Mezz Warrants.

| | 30 June 2023 | 31 December 2022 | 1 January 2022 |
|---|---|---|---|
| Risk-free rate | **3.93%** | - | - |
| Warrant expected life | **5 years** | - | - |
| Expected volatility | **53.94%** | - | - |
| Expected dividend yield | **0%** | - | - |
| Share price | **$10.30** | - | - |

As of 30 June 2023, there were 3,187,500 Mezz Warrants outstanding.

**(d) Mezz Facility embedded derivative**

The Mezz Facility is recognised as a financial liability at amortised cost and it contains a single compound embedded derivative in relation to the prepayment option and the interest rate margin referenced to the LME Cash Settlement Price that is measured at fair value through profit or loss at each reporting period. The fair value of the compound embedded derivative was determined using a Monte-Carlo simulation model in relation to the future copper price and incorporation of the Longstaff-Schwartz algorithm to value the prepayment option. The key inputs in the valuation technique include the risk-free rate, copper price volatility, copper price forward curve, and the Company's credit spread.

The following table presents the continuity schedule for the Mezz Facility embedded derivative for each of the following periods:

| | Six months ended 30 June | |
|---|---|---|
| **US$ thousand** | **2023** | **2022** |
| Balance, beginning of period | **-** | - |
| Initial recognition | **42,098** | - |
| Change in fair value | **723** | - |
| Balance, end of period | **42,821** | - |

## 22. Fair value measurement (continued)

**Derivative instruments (continued)**

**(e) Conversion option**

During the year ended 31 December 2022, the 2022 Sponsor Convertible Note was recognised as a financial liability at amortised cost and it contained an embedded derivative in relation to the conversion option that was measured at fair value through profit or loss. The conversion option was fair valued using a Monte Carlo simulation valuation model based on key inputs including the expected volatility of MAC's ordinary shares as implied from the pricing of MAC's Public Warrants, the expected holding period, risk-free rate, exercise price, and underlying warrant value, which were based on market conditions, management assumptions, and terms of the 2022 Sponsor Convertible Note.

On 6 May 2022, the conversion option was recognised as a derivative liability in the amount of $8 thousand. The conversion option was exercised by the Sponsor on 24 May 2022 (Note 18).

The following assumptions were used for the Monte Carlo valuation of the conversion option:

| | 24 May 2022 Conversion (Final Measurement) | 6 May 2022 Borrowing (Initial Measurement) |
|---|---|---|
| Underlying warrant value | $0.60 | $0.80 |
| Exercise price | $1.50 | $1.50 |
| Holding period | 0.35 | 0.40 |
| Risk-free rate | 1.25% | 1.18% |
| Volatility | 59.57% | 55.35% |

**Contingent consideration**

The following table shows the fair values of the Company's contingent consideration as at 30 June 2023, 31 December 2022 and 1 January 2022:

| US$ thousand | Note | 30 June 2023 | 31 December 2022 | 1 January 2022 |
|---|---|---|---|---|
| Royalty deed | (a) | **43,130** | - | - |
| Contingent copper consideration | (b) | **97,200** | - | - |
| Deferred consideration | (c) | **75,000** | - | - |
| | | **215,330** | - | - |

**(a) Royalty deed**

In connection with the acquisition of CMPL, the Company entered into a NSR royalty agreement with Glencore pursuant to which after the Closing of the Acquisition, CMPL will pay to Glencore a royalty equal to 1.5% from all NSR from all marketable and metal-bearing copper material produced from the mining tenure held by CMPL at the time of the initial Business Combination (Note 25). The contingent consideration was recognised at fair value on acquisition and at 30 June 2023. The contingent consideration is fair valued using the present value of discounted cash flows based on the expected amounts and timing of the NSR over the expected life of the CSA mine using an effective interest rate of 8%. The NSR is determined using consensus copper prices less estimated treatment and refining costs under the offtake agreement with Glencore.

The discount rate of 8% takes into consideration the risks in the cash flow forecasts and the cost of debt. A significant increase (decrease) in the discount rate, in isolation, would result in a significant lower (higher) fair value measurement.

The following table presents the continuity schedule for the royalty deed for each of the following periods:

| | Six months ended 30 June | |
|---|---|---|
| US$ thousand | 2023 | 2022 |
| Balance, beginning of period | **-** | - |
| Initial recognition | **43,130** | - |
| Change in fair value | **-** | - |
| Royalty payments | **-** | - |
| Balance, end of period | **43,130** | - |

## 22. Fair value measurement (continued)

**Contingent consideration (continued)**

**(b) Contingent copper consideration**

The consideration for the acquisition of CMPL included two contingent cash payments of $75,000 thousand each that are unsecured, fully subordinated and payable if, over the life of the mine, the average daily LME closing copper price is greater than $4.25/lb for any rolling 18-month period and $4.50/lb for any rolling 24-month period, respectively (Note 25). The contingent consideration was recognised at fair value on acquisition and at 30 June 2023. Given the contingent consideration is subject to the uncertainty of future LME copper prices, a Monte Carlo simulation model is used to determine the fair value. The fair value for each contingent component is the result of the average expected payoff of all simulation iterations discounted to the present value at the risk-free borrowing rate. The change in fair value is dependent on the movement in copper prices and the change in the risk-free borrowing rate.

The following key inputs were used for the valuation of the contingent copper consideration. The significant unobservable input in the fair value measurement is the reversion factor. A significant increase (decrease) in the reversion factor, in isolation, would result in a significantly higher (lower) fair value measurement.

| | 30 June 2023 | 31 December 2022 | 1 January 2022 |
|---|---|---|---|
| Long-term copper price | **$3.63** | - | - |
| Copper spot price | **$3.77** | - | - |
| Annual price volatility | **25.70%** | - | - |
| Annual inflation rate | **1.07%** | - | - |
| Risk-free rate | **3.97%** | - | - |
| Reversion factor | **11.55%** | - | - |

The following table presents the continuity schedule for the contingent copper consideration for each of the following periods:

| | Six months ended 30 June | |
|---|---|---|
| **US$ thousand** | **2023** | **2022** |
| Balance, beginning of period | **-** | - |
| Initial recognition | **97,200** | - |
| Change in fair value | **-** | - |
| Balance, end of period | **97,200** | - |

**(c) Deferred consideration**

The consideration for the acquisition of CMPL included a deferred cash payment of $75,000 thousand accounted for as contingent consideration and measured at fair value on the acquisition date and at 30 June 2023 (Note 25). The contingent consideration is fair valued based on the present value of the expected cash payment, taking into account the timing and estimated proceeds from the Company's planned ASX listing (Note 25).

## 23. Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The board of directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowing and the advantages and security afforded by a sound capital position. The Group's capital structure is reviewed on an ongoing basis with adjustments made in light of changes in economic conditions, regulatory requirements and business strategies affecting the Group. The Group balances its overall capital structure by considering the costs of capital and the risks associated with each class of capital. In order to maintain or achieve an optimal capital structure, the Group may issue new shares from time to time, repay or obtain new borrowings or adjust the asset portfolio.

## 24. Share capital

***Ordinary Shares***

| **US$ thousand (except for number of shares)** | **Number of shares** | **Share capital** |
|---|---|---|
| **Balance as at 1 January 2022 *(a)*** | 6,628,695 | 1 |
| Issued during the year | - | - |
| **Balance as at 31 December 2022 *(a)*** | **6,628,695** | **1** |
| Issued during the period: | | |
| PIPE – Osisko *(b)* | 1,500,000 | 15,000 |
| Backstop Facility – Osisko (c) | 2,500,000 | 25,000 |
| PIPE – Sprott (d) | 1,500,000 | 15,000 |
| PIPE A and PIPE B (e) | 18,451,747 | 184,517 |
| PIPE – BlackRock (f) | 4,500,000 | 45,000 |
| Public shareholders – non-redemption *(g)* | 3,329,006 | 34,431 |
| Glencore rollover shares (h) | 10,000,000 | 100,000 |
| **Gross proceeds from issuance of shares** | 48,409,448 | 418,949 |
| Less: Share issuance cost *(i)* | - | (5,763) |
| **Balance as at 30 June 2023** | **48,409,448** | **413,186** |

### (a) Class B Ordinary Shares

The Company is authorised to issue a total of 20,000,000 Common Shares at par value of $0.0001 each.

In March 2021, MAC issued 7,187,500 Class B ordinary shares, par value $0.0001 per share, of which 937,500 were subject to forfeiture depending on the extent to which the underwriter's over-allotment option is exercised. On 3 September 2021, with the partial exercise of the over-allotment option, the Sponsor forfeited 558,805 of the Class B ordinary shares.

Accordingly, as of 31 December 2022 and 1 January 2022, MAC had issued 6,628,695 Class B ordinary shares to its Sponsor for $25 thousand, or approximately $0.004 per share (the "Founder Shares").

The Sponsor sold 1,272,500 Founder Shares to the certain qualified institutional buyers or institutional accredited investors who were unaffiliated with the management team ("Anchor Investors") at the same price the Sponsor purchased the Founder Shares from the Company (approximately $0.003 per share) (the "Anchor Investment").

The Founder Shares were designated as Class B ordinary shares and were automatically converted into Class A ordinary shares on the first business day following the consummation of the initial Business Combination at a ratio such that the number of Class A ordinary shares issuable upon conversion of all Founder Shares equalled, in the aggregate, on an as-converted basis, 20% of the sum of total number of ordinary shares issued and outstanding upon the consummation of the IPO, plus the sum of the total number of Class A ordinary shares issued or deemed issued or issuable upon conversion or exercise of any equity-linked securities or rights issued or deemed issued, by the Company in connection with or in relation to the consummation of the initial Business Combination (net of any redemptions of Class A ordinary shares by public shareholders), excluding any Class A ordinary shares or equity-linked securities exercisable for or convertible into Class A ordinary shares issued, deemed issued, or to be issued, to any seller in the initial Business Combination and any Private Placement Warrants issued to the Sponsor, members of the management team or any of their affiliates upon conversion of working capital loans. In no event did the Class B ordinary shares convert into Class A ordinary shares at a rate of less than one-to-one.

Prior to the Closing of the initial Business Combination, GMM was the record holder of the shares reported herein, and certain of MAC's officers and directors and Anchor Investors held Class B units in GMM, which entitled them to an equivalent number of the Company's ordinary shares on distribution, which took effect on 5 July 2023. The Sponsor also transferred 985,000 Founder Shares to the Cornerstone Investors (certain qualified institutional buyers or institutional accredited investors who are unaffiliated with the management team).

In connection with the Merger of MAC and MAL, each issued and outstanding Class B ordinary share of MAC was converted into one ordinary share of MAL. The ordinary share issued in the name of GMM, was redeemed automatically for $nil consideration.

### (b) PIPE – Osisko

On 20 March 2023, the Company entered into a subscription agreement (the "Silver Stream Subscription Agreement") with Osisko pursuant to which Osisko purchased 1,500,000 Ordinary Shares at a purchase price of $10.00 per share and an aggregate price of $15,000 thousand.

### (c) Backstop Facility – Osisko

On 20 March 2023, the Company entered into a subscription agreement (the "Copper Stream Subscription Agreement") with Osisko pursuant to which Osisko purchased 2,500,000 Ordinary Shares at a purchase price of $10.00 per share and an aggregate price of $25,000 thousand.

## 24. Share capital (continued)

### (d) PIPE – Sprott

In connection with the Mezz Facility (Note 18), the Company entered into a subscription agreement with Sprott Private Resource Lending II LP (Sprott) pursuant to which Sprott purchased 1,500,000 ordinary shares at a purchase price of $10.00 per share and an aggregate purchase price of $15,000 thousand.

### (e) PIPE A and PIPE B

The Company obtained financing of $53,328 thousand from certain PIPE Investors (PIPE A) and $131,189 thousand from certain PIPE Investors, Directors and Officers of MAC (PIPE B). The total amount of funding obtained was $184,517 thousand for 18,451,747 shares ($10.00/share).

### (f) PIPE – Blackrock

BlackRock Funds were issued 4,500,000 ordinary shares in connection with the PIPE Financing at $10.00 per share (plus 315,000 Founder Shares which Black Rock transferred in connection therewith) for a total of $45,000 thousand.

### (g) Class A ordinary shares issued to public shareholders (non-redemption)

The Company is authorised to issue a total of 200,000,000 Class A ordinary shares at par value of $0.001 each, for a total of 220,000,000 ordinary shares (including those converted from Class B).

On 16 June 2023, the Company acquired 100% of the outstanding equity of CMPL (Note 25). Upon Closing of the sale, 23,185,774 Class A ordinary shares were redeemed at the price of $10.34 per share. The remaining 3,329,006 non-redeeming Class A ordinary shares were converted from MAC Class A ordinary shares to the Company's ordinary shares upon Closing at $10.00 per share plus interest ($34,431 thousand total worth).

At 31 December 2022 and 1 January 2022, there were no Class A ordinary shares issued or outstanding, excluding 26,514,780 shares subject to possible redemption reflected as other financial liabilities.

### (h) Glencore rollover shares

On 16 June 2023, as part of the CMPL acquisition, 10,000,000 newly issued MAL ordinary shares were issued at the redemption share price of $10 per share ($100,000 thousand total worth) to Glencore, and included in purchase acquisition (Note 25).

### (i) Share issuance costs

Share issuance costs related to the equity raised as part of the CMPL acquisition amounted to $5,763 thousand and are deducted from equity. $3,989 thousand of the share issuance costs relate to proceeds from the PIPE Financing, Other Equity and equity components of the Redemptions Backstop Facility.

***Preference Shares***

The Company is authorised to issue a total of 25,000,000 preference shares at par value of $0.0001 each. As at 30 June 2023, 31 December 2022, and 1 January 2022, there were no preference shares issued or outstanding.

## 25. Acquisition of subsidiary

On 16 June 2023 (the "Business Combination Date"), the Company, through its wholly owned subsidiary, Metals Acquisition Corp (Australia) Pty Ltd, acquired 100% shares and voting interest in CMPL from Glencore for total consideration of $1,085,846 thousand. CMPL operates and owns the CSA mine, a copper concentrate mine located near the town of Cobar in western New South Wales, Australia.

The Business Combination was accounted for by the Company as a business combination under IFRS 3 Business Combinations (IFRS 3) using the acquisition method whereby the assets acquired and the liabilities assumed were recorded at fair value at the acquisition date. A purchase price allocation assessment was made of the fair values of the acquired assets and the liabilities assumed on the Business Combination Date.

The Company is still in the process of evaluating the inputs and assumptions utilised in developing the fair value estimates at the date of acquisition, and as such, the purchase price accounting for inventories, property plant and equipment (including mine properties), rehabilitation provision and deferred tax liabilities is provisional as at 30 June 2023. The Company has 12 months from the acquisition date to finalize the accounting and any measurement period adjustments. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed at the acquisition date.

## 25. Acquisition of subsidiary (continued)

The following table summarizes the consideration payable as part of the purchase price:

| US$ thousand | Note | 16 June 2023 |
|---|---|---|
| **Purchase Consideration** | | |
| Cash consideration | | 775,000 |
| Less: working capital and other adjustments | | (4,484) |
| Cash consideration on Closing | | 770,516 |
| Royalty deed | 22 | 43,130 |
| Deferred consideration | 22 | 75,000 |
| Fair value of contingent copper consideration | 22 | 97,200 |
| Glencore rollover shares | 24 | 100,000 |
| **Total** | | **1,085,846** |

On 2 June 2023, the parties agreed that, to the extent CMPL's Security Bond Liability increased beyond the amount applicable as at the date of the Share Sale Amendment, Glencore agreed that it, or its related bodies corporate, would procure bank guarantees or securities provided to the State on behalf of the Company at Glencore's cost for the portion of such Security Bond Liability that exceeded the current Security Bond Liability during the period on and from completion of the initial Business Combination until the earlier of (i) the refinancing of MAL's senior facilities (as that term is defined herein) or the date that the senior facilities are repaid or cancelled in full. Glencore also agreed to maintain its current Security Bond cover in place for an interim period post closing of the Business Combination, of up to 90 days, at which time MAL will replace the Security Bond (to the extent it doesn't exceed current Security Bond Liability). If MAL is unable to replace the Security Bond within the interim period a re-balancing regime has been agreed to reflect the commercial positions outlined in this paragraph (namely, that MAL will meet the obligations and responsibility for the current Security Bond Liability) (Refer Note 29).

The deferred consideration of $75,000 thousand consists of deferred cash payment on the following terms: (i) payable upon the Company's listing on the ASX or undertaking any alternative equity raise (up to 50% of the net proceeds from the raise, capped at $75,000 thousand); (ii) the unpaid balance of the $75,000 thousand will accrue interest at a rate equivalent to what the Company pays on the Mezz Facility (Note 18), set at 3-month SOFR plus a variable margin of 8% to 12% (which will be determined by reference to prevailing copper prices); and (iii) any residual (up to the $75,000 thousand plus applicable interest) not paid in cash by the date that is twelve (12) months after the Closing will be settled on the next business day through the issuance of additional Ordinary Shares at a 30% discount to the 20-trading day VWAP before the issuance (the "Equity Conversion Date"). If the Company is listed on more than one exchange, the VWAP will be calculated by reference to the exchange with the largest volume (US$ equivalent) over the 20-trading day period before the Equity Conversion Date. If the Ordinary Shares cannot be issued to Glencore due to applicable law or the rules of any applicable stock exchange, Glencore, in its sole discretion, may delay the date for the issuance of the Company Ordinary Shares, noting that such right only delays the date for the issuance of the Ordinary Shares, which amount of New MAC Ordinary Shares will be set on the Equity Conversion Date. The deferred consideration is recognised as contingent consideration as a part of other financial liabilities.

The copper contingent consideration is $150,000 thousand in cash structured as two contingent payments of $75,000 thousand each, the First Contingent Copper Payment and Second Contingent Copper Payment, that are unsecured, fully subordinated and payable if, and only if, over the life of the mine, the average daily LME closing price is greater than (i) $4.25/lb ($9,370/mt) for any rolling 18-month period (commencing at Closing), and (ii) $4.50/lb ($9,920/mt) for any rolling 24-month period (commencing at Closing). The contingent payments are measured at fair value estimated at $97,200 thousand based on the output from a commodity price simulation model and recognised as contingent consideration as a part of other financial liabilities.

The NSR contingent consideration requires CMPL to pay to Glencore a royalty equal to 1.5% from all NSR from all marketable and metal-bearing copper material produced from the mining tenure held by CMPL at the time of the Business Combination. The contingent consideration was recognised at fair value on acquisition in the amount of $43,130 thousand. The contingent consideration is valued using the present value of discounted cash flows based on the timing of the NSR over the expected life of the CSA mine using an effective interest rate of 8%. The NSR is determined using consensus copper prices less estimated treatment and refining costs under the offtake agreement with Glencore.

The change in value of the contingent consideration after the Business Combination Date had an insignificant effect on the Group's consolidated financial statements at 30 June 2023.

## 25. Acquisition of subsidiary (continued)

The following table sets out the preliminary allocation of recognised amounts of assets acquired and liabilities assumed at the Business Combination Date:

| US$ thousand | Note | 16 June 2023 |
|---|---|---|
| Trade and other receivables | | 1,641 |
| Inventories | | 32,893 |
| Property, plant and equipment | | 1,254,673 |
| Other assets | | 1,404 |
| Trade and other payables | | (23,585) |
| Lease liabilities | | (504) |
| Provisions | | (37,735) |
| Deferred tax liabilities | | (142,941) |
| **Total net identifiable assets acquired** | | **1,085,846** |

The fair value of the property, plant and equipment which includes mineral properties was determined with the assistance of an independent third party who completed a valuation of the CSA mining operations, including the mining concessions, using a discounted cash flow model. The model takes into account forecasted production and sales, which is derived from estimates of production units including proven and probable reserves and measured, indicated and inferred resources.

The fair value of the inventories was determined with the assistance of an independent third party. The historical net book value for supplies and consumables on hand is an appropriate proxy for fair value. Finished inventories have been valued by starting at the assumed copper price at the time of expected sale, deducting all remaining costs required to produce and sell these inventories and allowing for appropriate margin and estimated costs to complete.

Trade receivables comprise gross contractual amounts due of $1,641 thousand. None of the trade receivables balance was expected to be uncollectable at the date of acquisition.

Transaction costs of $13,186 thousand were incurred directly related to the completion of the Business Combination and were expensed as a part of Administrative expenses. These costs were mainly composed of legal, banking, and other professional fees for the issuance of debt and equity to finance the Business Combination.

For the six months ended 30 June 2023, CMPL recognised revenue of $18,576 thousand compromising of $17,929 thousand in copper sales and $647 thousand in silver sales as part of the Offtake Agreement with Glencore, and contributed a net loss of $1,947 thousand to the Group's results from the Business Combination Date to 30 June 2023. If the Business Combination had occurred on 1 January 2023, management estimates that consolidated revenue would have been $160,361 thousand and consolidated net loss for 6 months ended on 30 June 2023 would have been $15,402 thousand. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the Business Combination Date would have been the same if the Business Combination had occurred on 1 January 2023.

Following the Business Combination, CMPL entered into an offtake agreement with Glencore as documented in the Offtake Contract which is a transaction that has been recognised separately from the business acquisition (Note 27(c)).

## 26. List of subsidiaries

| Name of entities | Country of incorporation | Equity holding (in %) | | |
|---|---|---|---|---|
| | | 30 June 2023 | 31 December 2022 | 1 January 2022 |
| Metals Acquisition Corp. (Australia) Pty Ltd (1) | Australia | 100 | 100 | - |
| MAC AU 1 Pty Ltd (2) | Australia | 100 | - | - |
| MAC AU 2 Pty Ltd (2) | Australia | 100 | - | - |
| MAC AU 3 Pty Ltd (2) | Australia | 100 | - | - |
| MAC AU 4 Pty Ltd (2) | Australia | 100 | - | - |
| Cobar Management Pty Limited (3) | Australia | 100 | - | - |

(1) Incorporated on 4 March 2022.
(2) Incorporated on 7 February 2022.
(3) Acquired on 16 June 2023.

## 27. Related party disclosures

Related party transactions note not described elsewhere in these notes to the financial statements (see Note 18) are as follows:

**Key management personnel compensation**

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include certain directors and officers. For the period ended 30 June 2023 and 2022, key management personnel did not receive any short-term benefits, employee benefits, or share-based payments.

**Related party transactions**

**(a) Share subscriptions and private placements**

On 14 April 2023, MAC, MAL and certain investors entered into subscription agreements (the "Subscription Agreements"), pursuant to which such investors agreed to subscribe for an aggregate of 11,362,506 ordinary shares, par value $0.0001 per share, of the Company (the "Subscribed Shares") at a purchase price of $10.00 per share, for an aggregate purchase price of $113,625 thousand in a private placement or placements (the "Private Placements") which consummated immediately prior the consummation of the initial Business Combination. The private placement included related party transactions specified below:

- Michael James McMullen, Chief Executive Officer and a member of the board of directors of the Company, has entered into a Subscription Agreement with an aggregate purchase price of $1,500 thousand. Katherine Crouse, spouse of Marthinus J. Crouse, former Chief Financial Officer of the Company, has entered into a Subscription Agreement with an aggregate purchase price of $250 thousand. Patrice Ellen Merrin, director of the Company, has entered into a Subscription Agreement with an aggregate purchase price of $50 thousand.
- In connection with the Subscription Agreements, GMM agreed to transfer an aggregate of 517,500 shares of Class B common stock (Founder Shares converted to ordinary common stock on closing of the Proposed Business Combination) of the Company that it currently holds to certain investors who agreed to subscribe for a significant number of Subscribed Shares.

**(b) Related party promissory note**

On 31 March 2023, MAC issued an unsecured non-convertible promissory note (the "March 2023 Note") to the Sponsor pursuant to which MAC may borrow up to $340 thousand from the Sponsor for transaction costs reasonably related to the consummation of the initial Business Combination. The March 2023 Note bears no interest and all unpaid principal under the Note was due and payable in full up the earlier of (i) 2 August 2023 and (ii) the acquisition of the CSA Mine in the initial business combination. As of 30 June 2023, there was no amount outstanding under the March 2023 Note.

**(c) Transactions with Glencore**

As part of the acquisition of CMPL from Glencore on 16 June 2023, Glencore received consideration of 10,000,000 newly issued New MAC ordinary shares issued at the redemption share price of $10 per share ($100,000 thousand worth). As a result, Glencore has a significant influence interest in the Company and is considered a related party in accordance with IAS 24 Related Party Disclosures.

*Royalty Deed*
Concurrently with closing of the Business Combination, a Royalty Deed between the Company, Glencore, and CMPL became effective, pursuant to which CMPL is required, on a quarterly basis, to pay to Glencore a royalty equal to 1.5% of Net Smelter Returns and grant security interests created as a result of the Royalty Deed. Net Smelter Returns are equal to the gross revenue minus permitted deductions for all marketable and metal-bearing copper material, in whatever form or state, that is mined, produced, extracted or otherwise recovered from the Royalty Area. Glencore has the right to transfer its interest in the Royalty Deed (subject to limited restrictions, and subject to a right of last refusal granted to CMPL) and the security created as a result of the Royalty Deed. For the six months ended 30 June 2023, the Company has paid $nil in royalty.

*Offtake Agreement*
Concurrently with the closing of the Business Combination, the Company entered into a new Offtake Agreement with Glencore International AG ("GIAG"), parent entity of Glencore, to replace the existing offtake agreement. The Offtake Agreement is a LOM obligation, pursuant to which the Company is committed to selling all material to Glencore, and GIAG is committed to buying all Material. For the six months ended 30 June 2023, the Group has recognised $17,929 thousand of copper sales and $647 thousand of silver sales for a total of $18,576 thousand in revenue from the offtake agreement, with a corresponding trade receivable balance recognised.

*Transitional Service Agreement*
MAL, CMPL and Glencore Australia Holdings Pty Ltd ("GAH") are parties to a transitional services agreement under which GAH has agreed to provide the benefit of certain transitional services and group contract on-supply for a period post-closing in order to assist CMPL to transition and operate the business on a standalone basis. GAH will be paid a service fee in exchange for the performance of those services in accordance with the terms of the transitional services agreement. For the six months ended 30 June 2023, the Company incurred $nil under the transitional service agreement.

## 27. Related party disclosures (continued)

### (c) Transactions with Glencore (continued)

*Fuel Supply arrangements for CMPL with Glencore Australia Oil Pty Ltd.*
Glencore Australia Oil Pty Ltd ("Glencore Oil") and CMPL are parties to a Bulk Fuel Supply Agreement dated 1 July 2022. Under the agreement Glencore Oil supplies ultra low sulphur diesel to CMPL. The agreement is governed by the laws of New South Wales and contains customary terms and conditions, including in relation to, (i) ordering and delivery, (ii) forecast usage, (iii) delivery, (iv) passage of tile, (v) quality and quantity, (vi) payment terms. For the six months ended 30 June 2023, the Group has incurred $484 thousand under the agreement.

*Working Capital Loan*

Pursuant to the terms of the Share Sale Agreement between MAL, MAC Australia (as "Buyer") and Glencore Operations Australia (as "Seller") dated 17 March 2022 (the "SSA"), as amended, the purchase price payable for acquisition of CMPL would be adjusted to account for CMPL's net debt, working capital and tax debts in accordance with consideration adjustment mechanisms common for acquisitions of this nature. In connection with this consideration adjustment mechanism, the 'Estimated Purchase Price' payable by the Buyer to the Seller on completion of the SSA (which occurred 16 June 2023) would be reduced by an amount of $15,000 thousand and then the 'Final Adjustment Amount' payable by the Buyer to the Seller following preparation and agreement of necessary completion accounts would be increased by the same $15,000 thousand. The effect of this consideration payment adjustment mechanism was to retain $15,000 thousand within CMPL as an interest-free, working capital loan, utilised by the business immediately following completion of the SSA and repaid by the Buyer upon finalisation of all consideration payments in which as at the date of these accounts has not yet occurred.

## 28. First time adoption of IFRS

These unaudited consolidated financial statements as at and for the period ended 30 June 2023 are the first the Group has prepared in accordance with IFRS. For periods up to and including the year ended 31 December 2022, the Group prepared its consolidated financial statements in accordance with accounting principles generally accepted in the United States ("US GAAP").

Accordingly, the Group has prepared unaudited consolidated financial statements that comply with IFRS applicable as at and for the 6 months ended on 30 June 2023, together with the comparative period data for 6 months ended on 30 June 2022 and as at 31 December 2022. In preparing the unaudited consolidated financial statements, the Group's opening statement of financial position was prepared as at 1 January 2022, the Group's date of transition to IFRS. This note explains the principal adjustments made by the Group in restating its US GAAP financial statements. Explanations of how the transition from US GAAP to IFRS has affected the Group's consolidated statement of financial position and its net loss are set out in the following reconciliations and the notes that accompany them.

The Group has followed the guidance in IFRS 1 First-time adoption of IFRS (IFRS 1), in preparing its transitional statements. The Group has applied the following mandatory exceptions in its first IFRS financial statements:

**Exemptions that are mandated by IFRS 1**

**Estimates**

In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP unless there is objective evidence that those estimates were made in error. The estimates previously made by the Group under US GAAP were not revised for application of IFRS except where necessary to reflect any differences in accounting policies.

The Group has not elected to apply any voluntary exemptions under IFRS 1 or has determined that they do not apply to the Group.

## 28. First time adoption of IFRS (continued)

**Reconciliation of consolidated statement of financial position as at 1 January 2022 (date of transition to IFRS)**

| US$ thousand | Notes | US GAAP | Effect of transition to IFRS | IFRS* |
|---|---|---|---|---|
| **Assets** | | | | |
| **Current assets** | | | | |
| Cash and cash equivalents | | 955 | - | 955 |
| Prepayments and other current assets | | 340 | - | 340 |
| **Total current assets** | | **1,295** | **-** | **1,295** |
| **Non-current assets** | | | | |
| Investments | | 265,156 | - | 265,156 |
| Prepayments and other non-current assets | | 187 | - | 187 |
| **Total non-current assets** | | **265,343** | **-** | **265,343** |
| **Total assets** | | **266,638** | **-** | **266,638** |
| **Liabilities** | | | | |
| **Current liabilities** | | | | |
| Trade and other payables | | 604 | - | 604 |
| **Total current liabilities** | | **604** | **-** | **604** |
| **Non-current liabilities** | | | | |
| Derivative financial liability | | 8,440 | - | 8,440 |
| Other financial liabilities | (A), (B) | - | 253,530 | 253,530 |
| Deferred underwriting discount | | 9,280 | (9,280) | - |
| **Total non-current liabilities** | | **17,720** | **244,250** | **261,970** |
| **Total liabilities** | | **18,324** | **244,250** | **262,574** |
| **Net assets/(deficit)** | | **248,314** | **( 244,250)** | **4,064** |
| Class A ordinary shares subject to possible redemption, 26,514,780 shares at redemption value $10.00 per share as of 31 December 2021 | (A), (B) | 265,148 | (265,148) | - |
| **Equity** | | | | |
| Ordinary shares | | 1 | | 1 |
| Additional paid-in capital | (A), (B) | - | 24 | 24 |
| (Accumulated deficit)/retained earnings | (A), (B) | (16,835) | 20,874 | 4,039 |
| **Total equity** | | **( 16,834)** | **20,898** | **4,064** |
| **Total liabilities, class A ordinary shares subject to possible redemption, and equity** | | **266,638** | **-** | **266,638** |

## 28. First time adoption of IFRS (continued)

**Reconciliation of net (loss) income for the year ended 31 December 2022**

| US$ thousand | Notes | US GAAP | Effect of transition to IFRS | IFRS* |
|---|---|---|---|---|
| Administrative expenses | | - | (9,971) | (9,971) |
| Operating and formation costs | | (2,117) | 2,117 | - |
| Acquisition costs | | (7,625) | 7,625 | - |
| Stock compensation expense | | (224) | 224 | - |
| **Loss from operations** | | **( 9,966)** | **(5)** | **( 9,971)** |
| Finance income | | 3,753 | - | 3,753 |
| Finance costs | (A), (B) | - | (20,234) | (20,234) |
| Net change in fair value of financial instruments | | - | 1,484 | 1,484 |
| Change in fair value of warrants | | 1,477 | (1,477) | - |
| Change in fair value of conversion option | | 7 | (7) | - |
| Amortization of discount on convertible promissory note | | (8) | 8 | - |
| Bank fee | | (5) | 5 | - |
| **Net finance costs** | | **5,224** | **( 20,221)** | **( 14,997)** |
| **Net loss** | | **( 4,742)** | **( 20,226)** | **( 24,968)** |

## 28. First time adoption of IFRS (continued)

**Reconciliation of statement of financial position as at 31 December 2022**

| US$ thousand | Notes | US GAAP | Effect of transition to IFRS | IFRS* |
|---|---|---|---|---|
| **Assets** | | | | |
| **Current assets** | | | | |
| Cash and cash equivalents | | 42 | - | 42 |
| Trade and other receivables | | 53 | - | 53 |
| Prepayments and other current assets | | 201 | - | 201 |
| **Total current assets** | | **296** | **-** | **296** |
| **Non-current assets** | | | | |
| Investments | | 268,909 | - | 268,909 |
| Prepayments and other non-current assets | | 986 | - | 986 |
| **Total non-current assets** | | **269,895** | **-** | **269,895** |
| **Total assets** | | **270,191** | **-** | **270,191** |
| **Liabilities** | | | | |
| **Current liabilities** | | | | |
| Trade and other payables | | 927 | - | 927 |
| Loans and borrowings | | 786 | - | 786 |
| Other financial liabilities | | - | 16,519 | 16,519 |
| Deferred liabilities | | 7,239 | (7,239) | - |
| Deferred underwriting discount | | 9,280 | (9,280) | - |
| **Total current liabilities** | | **18,232** | **-** | **18,232** |
| **Non-current liabilities** | | | | |
| Derivative financial liability | | 7,443 | - | 7,443 |
| Other financial liabilities | (A), (B) | - | 264,477 | 264,477 |
| **Total non-current liabilities** | | **7,443** | **264,477** | **271,920** |
| **Total liabilities** | | **25,675** | **264,477** | **290,152** |
| **Net assets/(deficit)** | | **244,516** | **( 264,477)** | **( 19,961)** |
| Class A ordinary shares subject to possible redemption, 26,514,780 shares at redemption value of $10.14 per share as of 31 December 2022 | (A), (B) | 268,909 | (268,909) | - |
| **Equity** | | | | |
| Ordinary shares | | 1 | - | 1 |
| Additional paid-in capital | (A), (B) | - | 969 | 969 |
| Accumulated deficit | (A), (B) | (24,394) | 3,463 | (20,931) |
| **Total equity** | | **( 24,393)** | **4,432** | **( 19,961)** |
| **Total liabilities, class A ordinary shares subject to possible redemption, and equity** | | **270,191** | **-** | **270,191** |

## 28. First time adoption of IFRS (continued)

**Reconciliation of net (loss) income for the period ended 30 June 2022**

| US$ thousand | Notes | US GAAP | Effect of transition to IFRS | IFRS* |
|---|---|---|---|---|
| Administrative expenses | | - | (3,027) | (3,027) |
| Operating and formation costs | | (3,024) | 3,024 | - |
| **Loss from operations** | | **( 3,024)** | **(3)** | **( 3,027)** |
| Finance income | | 365 | - | 365 |
| Finance costs | (A), (B) | - | (9,838) | (9,838) |
| Net change in fair value of financial instruments | | - | 733 | 733 |
| Change in fair value of warrants | | 726 | (726) | - |
| Change in fair value of conversion option | | 7 | (7) | - |
| Amortization of discount on convertible promissory note | | (8) | 8 | - |
| Bank fee | | (3) | 3 | - |
| **Net finance costs** | | **1,087** | **( 9,827)** | **( 8,740)** |
| **Net loss** | | **( 1,937)** | **( 9,830)** | **( 11,767)** |

* Where necessary, comparative information presented under US GAAP has been reclassified or re-presented to achieve consistency in disclosures with the current period amounts and other disclosures under IFRS.

**Notes to the reconciliations**

### (a) Redeemable Class A ordinary shares

Under US GAAP, the Class A ordinary shares subject to redemption were recorded at redemption value and classified as temporary equity on the consolidated statement of financial position. The change in the redemption value of the ordinary shares resulted in charges against additional paid-in capital and accumulated deficit. Upon transition to IFRS, the redeemable ordinary shares are classified as financial liabilities on the statement of financial position. At the date of the Offering, an aggregate discount of $28,832 thousand is recorded to the $265,148 thousand of gross proceeds from the Offering, consisting of the fair value of the Public Warrants in the amount of $14,053 thousand and offering costs associated with the Class A ordinary shares in the amount of $14,779 thousand. The redeemable ordinary shares are subsequently measured on an amortised cost basis and the discount is amortised over 24 months using the effective interest rate method. For the period-ended 30 June 2022 and year-ended 31 December 2022, the Company recorded $9,830 thousand and $20,226 thousand of interest expense in connection with the redeemable ordinary shares, respectively.

### (b) Founder shares

Under US GAAP, the founder shares purchased by the Anchor Investors were recorded at fair value as a capital contribution by the Sponsor with a corresponding reduction in the proceeds from the Offering representing offering costs. Upon transition to IFRS, the founder shares are recorded at their purchase price, net of issuance costs, and are excluded from the aggregate offering costs.

### (c) Cash flows

The reconciling items between US GAAP and IFRS have no significant effect on the cash flows generated. Therefore, a reconciliation of the consolidated statement of cash flows has not been presented.

## 29. Commitments and contingencies

**Registration Rights**

The holders of the (i) founder shares (which were issued in a private placement prior to the closing of the IPO), (ii) Private Placement Warrants (which were issued in a private placement simultaneously with the closing of the IPO) and (iii) Private Placement Warrants (that may be issued upon conversion of Working Capital Loans) will have registration rights to require the Company to register a sale of any of the securities held by them pursuant to the A&R Registration Rights Agreement so long as such demand includes a number of registrable securities with a total offering price in excess of $50,000 thousand. The holders of these securities are entitled to make up to three demands in any 12-month period, excluding short form demands, that the Company register such securities. In addition, the holders have certain "piggy-back" registration rights with respect to registration statements filed subsequent to the completion of the CMPL acquisition. The Company will bear the expenses incurred in connection with the filing of any such registration statements.

**Rehabilitation Bond Amendments**

CMPL and Glencore Operations Australia have entered into various contractual arrangements relating to performance guarantees Glencore Operations Australia has provided the state of New South Wales regarding the equivalent to the estimated total amount required to fulfil any rehabilitation costs associated with mining activities. These are in the ordinary course of business. As at 30 June 2023 the total value of the guarantees was AU$37,415 thousand (2022: AU$nil). On 9 October 2023 CMPL received a variation notification from the NSW Government Resource Regulator to increase the performance guarantees to secure funding for the fulfilment of rehabilitation obligations on CML 5 (being the CSA Mine's key tenement), from AU$36,803 thousand to AU$44,031 thousand.

MAL was required to replace the guarantees for AU$37,415 thousand within 90 days post completion of its acquisition of CMPL. However, Glencore Operations Australia and MAL entered into amendment letters extending this date and on 9 November 2023 entered into further contractual commitments whereby Glencore Operations Australia agreed to provide the performance guarantee for this increased amount, until the earlier of MAL refinancing its senior debt and 16 June 2024. Whilst Glencore Operations Australia will provide the relevant performance guarantees, MAL and CMPL will be responsible for any liability or call on the guarantees.

**Capital commitments**

Capital expenditure for the acquisition of property, plant and equipment is generally funded through the cash flow generated by the business. As at 30 June 2023 $1,895 thousand all of which relates to expenditure to be incurred over the next year (31 December 2022 and 1 January 2022: $nil) was contractually committed for the acquisition of plant and equipment. This capital expenditure primarily relates to vehicles.

**Environmental contingencies**

The Group's operations are subject to various environmental laws and regulations. The Group is in material compliance with those laws and regulations. The Group accrues for environmental contingencies when such contingencies are probable and reasonably estimable. Such accruals are adjusted as new information develops or circumstances change. Recoveries of environmental remediation costs from insurance companies and other parties are recorded as assets when the recoveries are virtually certain. At this time, the Group is unaware of any material environmental incidents at the CSA mine. Any potential liability arising from the above is not expected to have a material adverse effect on Group's income, financial position or cash flow.

## 30. Subsequent events

On 9 October 2023 CMPL received a variation notification from the NSW Government Resource Regulator to increase the performance guarantees to secure funding for the fulfilment of rehabilitation obligations on CML 5 (being the CSA Mine's key tenement), from AU$36,803 thousand ($24,500 thousand) to AU$44,031 thousand ($29,311 thousand). On 9 November 2023, Glencore Operations Australia and the Company entered into further contractual commitments whereby Glencore Operations Australia agreed to provide the performance guarantee for this increased amount, until the earlier of the Company refinancing its senior debt and 16 June 2024. Whilst Glencore Operations Australia will provide the relevant performance guarantees, the Company and CMPL will be responsible for any liability or call on the guarantees.

On 17 October 2023, the Company announced that it entered into subscription agreements with certain existing and new accredited investors to sell and issue an aggregate of 1,827,096 ordinary shares, par value $0.0001 per share, at a price of $11.00 per ordinary share, for aggregate gross proceeds of approximately $20,098 thousand through a private placement financing. The net proceeds from the financing will be used to accelerate exploration drilling and mine development at the CSA mine, for working capital and general corporate purposes.

Other than the matters mentioned above, there have been no events subsequent to balance sheet date which would have a material effect on the Group's unaudited consolidated financial statements at 30 June 2023.

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## Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Metals Acquisition Limited (formerly known as Metals Acquisition Corp)

### Results of Review of Interim Financial Statements

We have reviewed the accompanying consolidated statement of financial position of Metals Acquisition Limited (formerly known as Metals Acquisition Corp.), (the "Company") as of June 30, 2023, the related consolidated statements of profit or loss and other comprehensive income or loss, changes in equity and cash flows for the six-month periods ended June 30, 2023 and 2022, and the related notes (collectively referred to as the "consolidated interim financial statements"). Based on our reviews, we are not aware of any material modifications that should be made to the condensed (consolidated) interim financial statements for them to be in conformity with International Financial Reporting Standards ("IFRS") and IAS 34 Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB").

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated statement of financial position of the Metals Acquisition Corp. as of December 31, 2022, the related consolidated statements of profit or loss and other comprehensive income , changes in equity and cash flows for the year then ended, and the related notes of Metals Acquisition Corp. (not presented herein) prepared in accordance with U.S. Generally Accepted Accounting Principals and in our report dated March 24, 2023, we expressed an unqualified audit opinion on those consolidated financial statements. As described in Note 2(a) to the Company's unaudited interim financial statements, on June 30, 2023, the Company adopted IFRS on a retrospective basis resulting in revision of the December 31, 2022, consolidated statement of financial position. We have not audited and reported on the revised balance sheet reflecting the adoption of IFRS.

### Basis for Review Results

These financial statements are the responsibility of the Company's management. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the SEC and the PCAOB. We conducted our review in accordance with the standards of the PCAOB. A review of interim financial statements consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the PCAOB, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
Date: December 14, 2023